

Intermediate Circular No 421

Addressed to Banks and Financial Institutions

Attached is a copy of Intermediate Decision No 12255 of May4, 2016 amending “the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing (AML/CFT)”, attached to Basic Decision No 7818 of May 18, 2001, notified by Basic Circular No 83.

Beirut, May4, 2016

The Governor of Banque du Liban

Riad Toufic Salamé

Intermediate Decision No 12255

Amending the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing (AML/CFT)

**The Governor of Banque du Liban,
Pursuant to the provisions of Law No 44 of November 24, 2015 (Fighting Money Laundering and Terrorist Financing), in particular Article 4 thereof; and
Pursuant to Basic Decision No 7818 of May 18, 2001 and its amendments (Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing); and
Pursuant to the Decision of the Central Council of Banque du Liban, taken in its meeting of April 27, 2016,**

Decides the following:

Article 1:

The text of clause (a), Subparagraph 1, Paragraph “First” of Article 9 of the “Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing (AML/CFT)” attached to Basic Decision No 7818 of May 18, 2001, is repealed and replaced by the following text:

- a) “Customers whose occupation relies mainly on cash (money exchange, gold and precious stones dealers, restaurants and night-clubs, real estate companies, car dealers, specialized lending entities known as “Comptoirs”(governed by the provisions of Articles 183 and 184 of the Code of Money and Credit), non-banking institutions performing cash transfers through electronic means...).”

Article 2:

Clause (j) shall be added to Subparagraph 1, Paragraph “First” of Article 9 of the “Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing (AML/CFT)” attached to Basic Decision No 7818 of May 18, 2001, and shall read as follows:

- j) “Non-profit organizations (NPOs), particularly newly established NPOs that do not have clear programs or clear funding sources”.

Article 3:

The text of Paragraph 1, Article 10, Section IV of the “Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing (AML/CFT)” attached to Basic Decision No 7818 of May 18, 2001, is repealed and replaced by the following text:

- 1- “Establish an AML/CFT Board Committee composed of three Board members at least, according to the following conditions:
 - To appoint a Chairman to this Board Committee chosen among its members, provided he/she is independent and has the necessary expertise.
 - To determine the remunerations of the Chairman and members of this Board Committee.

Except for the Chairman, any member of the AML/CFT Board Committee may, simultaneously, serve as member of the Audit Committee or the Risk Committee or the Remuneration Committee (Cross membership).

The Chairman of the AML/CFT Board Committee may not delegate his/her powers to any other person.

Article 4:

The text of the last subparagraph of Paragraph 3, Article 10 of the “Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing (AML/CFT)” attached to Basic Decision No 7818 of May 18, 2001, is repealed and replaced by the following text:

“The AML/CFT Branch Officer’s performance shall be directly evaluated by the Head of Compliance Unit who will communicate the results of the evaluation to the Human Resources Department and to the AML/CFT Board Committee”.

Article 5:

The text of Paragraph 1, Article 11, Section IV of the “Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing (AML/CFT)” attached to Basic Decision No 7818 of May 18, 2001, is repealed and replaced by the following text:

- 1- Regarding the AML/CFT Board Committee mentioned in Paragraph 1 of Article 10 above:
 - a) To support the Board of Directors in its functions and supervisory role with respect to fighting money laundering and terrorist financing and understanding the related risks, and to assist it with making the appropriate decisions in this regard.

- b) To review, from a risk-based approach, the reports submitted by the Compliance Unit and the Internal Audit Unit on adopted procedures, unusual operations and high-risk accounts, regarding cash deposits and withdrawals, transfers, exemptions from filling Cash Transaction Slips (CTS) and the link between these operations and economic activities, and to also take the relevant decisions.

Article 6:

The text of Paragraph 2, Article 11, Section IV of the “Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing (AML/CFT)” attached to Basic Decision No 7818 of May 18, 2001, is repealed and replaced by the following text:

“2- Regarding the Compliance Unit:

- a) To prepare a procedure guide on the implementation of the AML/CFT Law and the present regulations, and to submit this guide to the Board Committee mentioned in Paragraph 1 of Article 10 above.
- b) To prepare a Form for customer’s identification (KYC: Know Your Customer) that includes basic information to be provided about customers, in particular the information specified in Article 3 of these Regulations, for indicative purposes but not restrictively, and to submit this Form to the Board Committee mentioned in Paragraph 1 of Article 10 above.
- c) To verify the proper implementation and effectiveness of AML/CFT procedures and regulations.
- d) To review periodically the above-mentioned procedures and regulations, and to develop them in line with the latest adopted methods.
- e) To prepare a staff training program concerning the methods of controlling financial and banking operations in order to fight money laundering and terrorist financing.
- f) To monitor, when the operation totals or exceeds USD 10,000 or its equivalent, the adequacy of exemption procedures whereby some well-known customers are exempted from filling the cash transaction slip, and also to determine the exemption ceiling and to modify it according to developments in the customer’s economic situation.
- g) To ascertain that concerned employees are complying with the procedure guide on the implementation of AML/CFT legal and regulatory texts, and that the KYC Forms are filled, and to prepare reports to this effect.
- h) To review periodically the effectiveness of AML/CFT procedures and regulations, improve them and propose amendments thereon to the Board Committee referred to in Paragraph 1 of Article 10 above, for taking the appropriate decision.
- i) To review the daily/weekly reports received from the concerned departments and branches about cash operations and transfers.
- j) To monitor all the customer’s accounts and operations on a consolidated basis, in and off balance sheet, at the Head Office and at all branches in Lebanon and

abroad, to make sure that they are consistent with the information provided in the KYC Form and with any other information held by the bank.

- k) To investigate unusual operations, in particular those mentioned in Paragraph 1 of Article 7 and Paragraph (a) of Article 8, provided the reasons behind these operations and their purpose are verified, the findings documented, retained for a five-year period and submitted to the SIC upon request; and also to prepare a periodical (at least, monthly) report to this effect and submit it to the Board Committee mentioned in Paragraph 1 of Article 10 above.
- l) To approve the opening of accounts for exchange institutions.
- m) To control the accounts of the exchange institution on a consolidated basis.
- n) To prepare the agenda of the AML/CFT Board Committee.
- o) To notify directly the Chairman of the Board/ Director General whenever the Compliance Unit is in possession of evidence or doubts that the banking operation involves money laundering or terrorist financing”.

Article 7:

The text of Subparagraph (b), Paragraph 8, Article 11 of Section IV of the “Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing (AML/CFT)” attached to Basic Decision No 7818 of May 18, 2001, is replaced by the following text:

- b) “To review account opening operations, to approve the exemption of certain customers from filling the cash transaction slips, and to determine the ceilings of exemption, based on criteria that justify these exemptions and ceilings, provided the names of exempted customers and the ceilings of exemption are submitted to the Compliance Unit for consideration.”

Article 8:

A third paragraph shall be added to Article 12 of the “Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing (AML/CFT)” attached to Basic Decision No 7818 of May 18, 2001, and shall read as follows:

“Third: Each Lebanese bank must apply due diligence measures towards the customers of any of its branches abroad, whenever executing an operation or opening an account in Lebanon for any such customer, even if these branches abroad are also applying due diligence measures.”

Article 9:

Banks are granted a one-year time limit from the issuance date of this Decision to comply with the provisions of Article 3 thereof.

Article 10:

This Decision shall enter into force upon its issuance.

Article 11:

This Decision shall be published in the Official Gazette.

Beirut, May 4, 2016

The Governor of Banque du Liban

Riad Toufic Salamé