



Intermediate Circular No 452

Addressed to Banks and Financial Institutions

Attached is a copy of Intermediate Decision No 12463 of February 22, 2017 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.

Beirut, February 22, 2017

The Governor of Banque du Liban

Riad Toufic Salamé



Intermediate Decision No 12463

Amending Basic Decision No 6116 of March 7, 1996 (Facilities that may be granted by Banque du Liban to Banks and Financial Institutions

The Governor of Banque du Liban,

Pursuant to the Code of Money and Credit, notably the provisions of Articles 70, 79, and 174 thereof;

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

Pursuant to the Decision of the Central Council of Banque du Liban, taken in its meeting of February 8, 2017,

Decides the following:

Article 1:

The text of Clause 3 at the beginning of Article 8 bis, Basic Decision No 6116 of March 7, 1996 is repealed and replaced with the following one:

“3- Venture Capital Companies whose object is restricted to participate in the capital of Startup companies in Lebanon, as they foresee in them and through them a possibility of growth and profit-making, particularly upon the assignment of their participation in such companies.”

Article 2:

The expression “Companies whose object is restricted to participate in the capital of Startups” shall be replaced, throughout Article 8 bis, with the term “Venture Capital Companies”.

Article 3:

Subparagraphs 9, 10, and 11, shall be added to Paragraph “First” of Article 8 bis of Basic Decision No 6116 of March 7, 1996 and shall read as follows:

“9- Banks and Venture Capital Companies are prohibited from using or accepting to use, whether directly or indirectly, any funds deriving from the facilities granted under this Article:

a- Abroad (outside Lebanon).

b- To grant any type of loans to the Startup companies in which they invest, apart from:

- Bridge Financing loans, in justified cases and for a maximum period of six months.
- Convertible loans, provided these loans are interest-free and will mandatorily be converted into shares issued by the Startup company, within one year at most from their granting date.

The Central Council may, upon a justified request, agree to grant an exception to the provisions of this Subparagraph.

10- Banks and Venture Capital Companies which use the funds deriving from the facilities granted under this Article to invest in holding companies, must check, at their full responsibility, that:

- These funds will be strictly allocated to participation in Startup companies that fulfill the requirements of this Article.
- These holding companies comply with all the provisions of this Article regarding Startup companies.
- The holding company owns the total capital of all the companies in which it participates, and BDL approval is obtained prior to the assignment of any of these companies’ shares.
- The activities of the holding company and of companies in which the former participates, aim solely at executing and developing a single project that complies with the requirements of Subparagraph 2, Paragraph “First” of this Article.
- The holding company owns all the intellectual property rights pertaining to the project that it intends to execute and develop with the companies in which it participates.

This Subparagraph shall not govern the participations of banks in Venture Capital Companies that take the form of holding companies.

11- Whenever withdrawing an amount deriving from the facilities mentioned in this Article to cover any portion of their participation in a Company, banks must prove that the amount to be withdrawn shall be used by the Company in line with the requirements of this Article, particularly those of this Paragraph “First”.”

Article 4:

The text of Subparagraph 2, Paragraph “Fourth”, of Article 8 bis of Basic Decision No 6116 of March 7, 1996 is repealed and replaced with the following one:

“2- The benefiting bank must submit to Banque du Liban (in two copies) and the Banking Control Commission (in one copy):

- a- On an annual basis, by the end of April of each year, the following statements for each Company that has received investments:
 - The Company’s financial statements.
 - The list of shareholders.
 - The list of the Board members, General Managers, and external auditors.
 - A report with information on the Company, particularly the adopted legal form, the nature and evolution of the business activity, the business sector, the work team, the market of activities, the investment value and process, the percentage of participation, all incurred costs...
 - The external auditor’s annual report, which describes particularly how to disburse the funds deriving from the loans granted under this Article.
- b- A quarterly report submitted within one month from the end of each quarter, for Companies that have received investments, and indicating:
 - The activity of each Company during the previous quarter, and the use, during that period, of the funds deriving from the facilities granted under this Article.
 - The Key Performance Indicators (KPIs) and the profitability of each Company.
 - The action plan set by each Company to achieve profitability.
 - All the investments made by Venture Capital Companies, along the legal form adopted for each investment, the nature and evolution of the business activity, the business sector, the work team, the market of activities, the investment value and process (direct investment, capital increase, purchase of shares, bridge financing loans, convertible loans...), the percentage of participation, all incurred costs...
 - Each Company’s projections for the next quarter, relative to the above-mentioned elements.
 - Any change in the information provided in the statements and documents referred to in Clause (a) above.
- c- Any other documents that Banque du Liban or the Banking Control Commission might require.

Article5:

The numbering of Subparagraphs 1, 2, and 3, Paragraph “Fifth”, of Article 8 bis of Basic Decision No 6116 of March 7, 1996 shall be modified to become 2, 3, and 4, respectively.

Article6:

Subparagraph 1 shall be added to Paragraph “Fifth” of Article 8 bis of Basic Decision No 6116 of March 7, 1996 and shall read as follows:

“1- Banks must adopt, at their full responsibility, the procedures needed to an accurate follow-up of the Company, particularly to control its compliance with the provisions of this Article (notably those relating to the Company legal form, the use of the facilities, the consistency of its project with the requirements of Subparagraph 2 of Paragraph “First” of this Article...). They must also promptly notify the BDL Governor and the Banking Control Commission Chairman of any detected violation or inconsistency.

Article7:

Banks whose situation is inconsistent with the provisions of Subparagraphs 9 and 10 of Article 3 of this Decision, are granted a one-year time limit from the issuance date of this Decision to adjust the situation of the Companies in which they participate. If this proves to be impossible, they may refer accordingly to Banque du Liban before the time -limit expiry.

Article8:

This Decision shall come into force upon its issuance.

Article 9:

This Decision shall be published in the Official Gazette.

Beirut, February 22, 2017

The Governor of Banque du Liban

Riad Toufic Salamé

