

**BANQUE DU LIBAN**

**Basic circular No 79 to Banks**

Attached is a copy of Basic Decision No 7739 of December 21, 2000 on the conditions for the establishment of banks in Lebanon.

Beirut, December 21, 2000

The Governor of the Banque du Liban

Riad Toufic Salamé

Old number 1878

BANQUE DU LIBAN

**Basic Decision No. 7739**

**The Conditions for the Establishment of Banks in Lebanon**

**The Governor of the Banque du Liban,**

**Pursuant to the Code of Money and Credit, particularly Articles 121 to 135 thereof,**

**Pursuant to all the banking laws and regulations in force, particularly Law No 99 of November 6, 1991, and the laws relating to the trading of Lebanese banks' shares,**

**Pursuant to Law Decree No 50 of July 15, 1983 (investment banks, medium and long term credit banks), and**

**Pursuant to the Decision of the Central Council taken in its meeting of December 20, 2000,**

**Decides the following:**

**Article 1:**

- 1- The minimum capital of Lebanese banks and the capital which must be allocated to branches of foreign banks authorized to operate in Lebanon, is set at ten billion Lebanese pounds, of which an amount, determined by the Central Council, shall be put in escrow in the bank's name with the Lebanese Treasury, and shall be returned with no interest in case of liquidation.
- 2<sup>1</sup>- The minimum capital of Lebanese specialized banks (investment banks and medium and long- term credit banks) and the capital which must be allocated to branches of specialized foreign banks authorized to operate in Lebanon, is set at thirty billion Lebanese pounds, of which an amount, determined by the Central Council, shall be put in escrow in the bank's name with the Lebanese Treasury, and shall be returned with no interest in case of liquidation.

---

<sup>1</sup>- This paragraph was amended pursuant to Article 3 of Intermediate Decision No 9455 of November 9, 2006 (Intermediate Circular No 125).

## **Article 2:**

The application for an authorization to establish a Lebanese bank must be submitted to the Banque du Liban and signed by the founders. An original and three copies of the following documents must be attached to the said application:

- 1- A document certifying the identities of the founders, of the persons who will participate in the subscription to, and payment of the bank's capital, and of the persons expected to hold senior managerial positions (individual extract from the Civil Status Register/ identity card/ passport/ a copy of the registration certificate at the Commercial Register when the founder or the subscriber is a legal entity).
- 2- Statements signed by each of the above-mentioned persons, including their curriculum vitae (degrees, experience, and other information on their financial and moral status), and an accurate evaluation of their net worth.
- 3- A police record for each of the above-mentioned persons, issued within the last three months.
- 4- A statement specifying the percentage of participation of each subscriber in the bank's capital, including the category and distribution of shares.
- 5- An economic feasibility study on the establishment of the bank, covering the coming three-year period and showing clearly its financing sources and its investment prospects, and including details about:
  - Profit and loss projections.
  - Balance sheet projections.
  - Cash flow projections
- 6- A statement clarifying any direct or indirect link, if any, between the bank to be established and any institution or economic group(s) in Lebanon and abroad.
- 7- A statement clarifying the percentage of participation by the bank to be established or by its founders in other similar institutions.
- 8- Draft texts concerning:
  - The bank's articles of association.
  - The organization chart to be adopted.
  - The basic rules to be adopted for internal control and audit.
  - An integrated system for operations.

### **Article 3:**

The application for an authorization to establish the branch of a foreign bank must be submitted to the Banque du Liban and signed by the management of the concerned foreign bank. An original and three copies of the following documents must be attached to the said application:

- 1- A duly certified copy of:
  - a) The foreign bank's articles of association
  - b) The bank's registration certificate in the country of origin or the authorization granted by the competent authorities to perform banking activities
  - c) The decision taken by the competent body at the foreign bank, in which the said body:
    - approves the opening in Lebanon of a branch whose purpose is to undertake banking activities
    - appoints the bank's representative in Lebanon and defines its mandate;
    - undertakes to implement the Lebanese laws and regulations in force, as well as the recommendations and instructions issued by the Banque du Liban, especially as regards the reconstitution of the capital allocated to the branch in case of incurred losses
  - d) When necessary, the decision of the official competent authority of the country of origin, which authorizes the opening of the branch
- 2- The statements and documents specified in paragraphs 1, 2 and 3 of Article 2 of this Decision, regarding the bank's representative in Lebanon and the persons expected to hold senior managerial positions
- 3- The statements and documents specified in paragraphs 5, 6 and 7 and 8 (sub-paragraphs b and c) of Article 2 of this Decision
- 4- The annual reports on its activities for the last three years and the related balance sheets
- 5- A certificate delivered by the Ministry of Economy and Trade- the Bureau for the boycotting of Israel- attesting that the foreign bank has no relationship with any Israeli institution.

#### **Article 4<sup>1</sup>:**

- 1- The Central Council of the Banque du Liban authorizes the establishment of the bank, as deemed appropriate for serving public interest, based on the following criteria and conditions:
  - a) The economic feasibility and the projected results for the three coming years (profit and loss projections- balance sheet projections - cash flow projections).
  - b) The material and moral competence of the founders and subscribers, and the persons expected to hold senior managerial positions, and especially that no criminal or civil sentence has been issued against any of them, in Lebanon and abroad, for the perpetration of any offence, theft, breach of trust, fraud, money laundering or declaration of bankruptcy.
- 2- In addition to the stipulations of paragraph 1 of this Article, the Central Council of the Banque du Liban authorizes the establishment of the bank, after ascertaining the fulfillment of the conditions specified in the legal and regulatory texts, particularly those regarding:
  - a) Its establishment as a public or joint-stock company, under the provisions of Article 126 of the Code of Money and Credit
  - b) The form of shares forming its capital, and their trading rules
  - c) The organization chart and the basic rules to be adopted for internal control and audit
  - d) The percentage of participation in the bank's capital, the category of shares and their distribution
  - e) The existence or not of a direct or indirect link between the bank and other specific financial institutions or economic groups in Lebanon and abroad.

#### **Article 5:**

The Lebanese bank or the foreign bank's branch whose establishment was authorized by the Central Council of the Banque du Liban must complete the establishment formalities within a time limit of six months at most, starting from the authorization notification date. Failure to comply with this deadline will result in repealing the authorization.

---

<sup>1</sup>- This Article was amended by Article 1 of Intermediate Decision No 8946 of January 8, 2005 (Intermediate Circular No 78).

**Article 6:**

This Decision shall enter into force upon its issuance.

**Article 7:**

This Decision shall be published in the Official Gazette.

Beirut , December 21, 2000

The Governor of the Banque du Liban

Riad Toufic Salamé