

BANQUE DU LIBAN

Basic Circular No 93

Addressed to Banks and Financial Institutions

Attached is a copy of Basic Decision No 8779 of 13 July 2004, relating to microloans.

Beirut, 13 July 2004

The Governor of Banque du Liban

Riad Toufic Salamé

Basic Decision No. 8779

Microloans

The Governor of Banque du Liban,

Pursuant to the Code of Money and Credit, particularly Article 79 thereof;

Pursuant to Basic Decision No 7705 of 26 October 2000 (Regulations of the Central Office for Credit Risk);

**Pursuant to Basic Decision No 7835 of 2 June 2001 (Statutory Reserve Requirements);
and**

Pursuant to the Decision of the Central Council of Banque du Liban, taken in its meeting of 7 July 2004,

Decides the following:

Article 1¹:

Under this Decision, the following expressions shall mean:

1- Microloan:

- Any loan granted by financial institutions to individuals or small enterprises formed of four people or less, in order to help them create and develop their own projects in the fields of production (industry, agriculture, handicraft) or services or tourism or trade, or to help them improve their living or housing conditions, provided that loan caps at thirty million Lebanese pounds or its equivalent in foreign currencies, and is reimbursed within a maximum period of six years.
- Any loan which meets the above-mentioned conditions and which is guaranteed or secured by microcredit institutions or granted by banks with the approval of microcredit institutions.

¹- The last amendment to this Article was made pursuant to Article 1 of Intermediate Decision No 12860 of 16 August 2018 (Intermediate Circular No 505).

2- Microcredit institutions:

Civic or non-governmental organizations which deal with banks, subject to the approval of Banque du Liban, in order for these banks to grant directly and on their own responsibility microloans fulfilling the conditions stipulated in Paragraph 1 above.

The BDL Central Council may, as deemed appropriate, consider other organizations as microcredit institutions, if their statutes authorize them to carry out activities similar to those of a civic or non-governmental organization.

Article 2¹:

- 1- Subject to the implementation of due diligence measures, banks may grant microloans from either sources below:
 - a- Their own funds, with the approval, guarantee or surety of microcredit institutions;
 - b- The funds of microcredit institutions which are deposited at banks, provided these institutions authorize the bank to grant the borrower a microloan.
- 2- The total amount of approvals, sureties, and guarantees provided by any microcredit institution shall not exceed fifteen billion Lebanese pounds or its equivalent in foreign currencies.

Article 3:

In order to be authorized to deal with a civic or non-governmental organization for the purpose of granting microloans, while dealing with any such organization has not been priorly approved by Banque du Liban, the concerned banks must submit to the Central Bank a request with the following documents:

- 1- The notice of establishment of the concerned civic or non-governmental organization, issued by the competent authorities.
- 2- A certificate issued by the competent authorities, listing the members of the governing body, as well as the authorized signatories of the concerned civic or non-governmental organization.
- 3- A duly certified copy of the Articles of Association or bylaws, if need be, of the concerned civic or non-governmental organization.
- 4- A study prepared by the concerned civic or non-governmental organization, showing the volume of loans already granted, as apportioned by amounts among regions and economic sectors.
- 5- Any other document deemed necessary by Banque du Liban.

Article 4²:

¹- The last amendment to this Article was made pursuant to Article 2 of Intermediate Decision No 12860 of 16 August 2018 (Intermediate Circular No 505).

²- This Article was repealed pursuant to Article 3 of Intermediate Decision No 12860 of 16 August 2018 (Intermediate Circular No 505).

Article 5:

Prior to granting any loan mentioned in Article 7 below, banks and financial institutions must obtain the borrower's written authorization to take cognizance of the latter's risk exposure.

Article 6¹:

As far as each is concerned, banks and financial institutions must include in the financial statements sent to the Central Office for Credit Risk on a CD at the beginning of each month, information on:

- Microloans that are granted by banks, and are approved, guaranteed, or secured by microcredit institutions.
- Microloans that are financed by banks and are granted by financial institutions.
- Microloans that are granted and financed by financial institutions.

Article 7²:

Microcredit institutions are granted a time limit expiring on 31 July 2019 to adjust their situation, particularly to transfer or liquidate the loans they have directly granted before 16 August 2018. In case this proves to be impossible, they may refer to Banque du Liban.

Article 8:

This Decision shall come into force upon its issuance.

Article 9:

This Decision shall be published in the Official Gazette.

Beirut, 13 July 2004

The Governor of Banque du Liban

Riad Toufic Salamé

¹- This Article was amended pursuant to Article 4 of Intermediate Decision No 12860 of 16 August 2018 (Intermediate Circular No 505).

²- This Article was amended pursuant to Article 5 of Intermediate Decision No 12860 of 16 August 2018 (Intermediate Circular No 505).