

## **Law 347 of August 6, 2001**

### **Regulating the Money Changer Profession in Lebanon**

#### **Article 1:**

Institutions other than banks, financial institutions and financial intermediation institutions registered with the Banque du Liban (BDL) are prohibited from undertaking exchange operations before obtaining a license from the Banque du Liban, in accordance with the provisions of this Law.

No public service office may accept a registration request from an institution undertaking exchange operations before ascertaining that the applicant has been licensed by the Banque du Liban.

The BDL Central Council grants the license to the extent it deems it serving the public interest. The Council has a discretionary power to grant or refuse the license.

#### **Article 2:**

Exchange institutions may be established in Lebanon in the form of sole proprietorships or companies, provided their activities are restricted to exchange operations.

#### **Article 3:**

Exchange institutions are divided into two categories:

**Category A:** those whose objective is the purchase and sale of foreign currencies in exchange for other foreign currencies or Lebanese pounds, whether as banknotes or coins, as well as the purchase and sale of metal coins and ingots, transfer transactions, checks, and traveler's checks.

**Category B:** those whose objective is the purchase and sale of foreign currencies in exchange for other foreign currencies or Lebanese pounds, as well as the purchase and sale of metal coins, gold bullions weighing less than 1000 grammes, and traveler's checks, within a ceiling specified by the Banque du Liban.

#### **Article 4:**

- 1- The shares of an exchange institution established as a joint-stock company must be in a nominal form, with their two thirds at least owned by Lebanese natural persons, or by Lebanese partnerships that consist entirely of Lebanese natural persons, or by Lebanese

joint-stock companies with nominal shares, of which two thirds at least are owned by Lebanese natural persons. The by-laws of such exchange institutions must stipulate that the above-mentioned two thirds may be assigned only to Lebanese natural persons.

- 2- In an exchange institution established as a partnership, or as a limited liability company, two thirds at least of the partners' shares must be owned by Lebanese persons, as specified above.
- 3- Exchange institutions in the form of sole proprietorships can only be established by Lebanese natural persons.
- 4- Any assignment of shares in an exchange institution must be pre-approved by the Banque du Liban, in accordance with regulations set up by the Banque du Liban for this purpose.

#### **Article 5:**

Exchange institutions must apply for registration with the Banque du Liban and, to be accepted, applications must fulfill all legal requirements.

The Banque du Liban shall publish the List of Registered Exchange Institutions, in accordance with the provisions of Article 136 of the Code of Money and Credit relating to banks.

Before its inclusion in the List of Exchange Institutions, no institution may exercise the money changer activities, or use the expressions: "exchange institution", "owner of an exchange institution", "money changer", or any other similar expression in any language, whether in relation to its corporate name, its objective, or its advertisements. Likewise, it may not use these expressions in a manner that might mislead the public about its nature.

Exchange institutions must indicate their registration number in the above-mentioned List, with the same conditions and on the same documents required for registration in the Trade Register.

#### **Article 6:**

According to the categories specified in Article 3 of this Law, the required capital of an exchange institution is set as follows:

- 1- **Category A:** two hundred fifty million Lebanese pounds.
- 2- **Category B:** one hundred million Lebanese pounds.

The BDL Central Council may, at any time, modify the amount of the required capital and set a time limit of no less than one year to allow exchange institutions to adjust their status accordingly.

The capital of the exchange institution, and any future capital increase, must be paid up in a single cash payment at the Banque du Liban.

When opening a new branch, an exchange institution must increase its capital by an amount that is, at least, equivalent to the minimum required capital.

When incurring losses, an exchange institution must, within a six-month period, reconstitute its capital or reduce it to no less than the minimum required level.

**Article 7:**

The Banque du Liban shall determine the principles of valuing the asset items that constitute an equivalent to the capital of an exchange institution. It shall also require from each exchange institution to prove that its assets do actually exceed its liabilities to other parties, by an amount equal to its capital at least.

**Article 8:**

The Banque du Liban may approve, according to its own conditions, to open deposit accounts in the name of exchange institutions.

**Article 9:**

The opening of branches by an exchange institution and the relocation of existing branches must be previously authorized by the BDL Central Council.

Similarly, any amendment of the charter or by-laws of an exchange institution must be previously approved by the BDL Central Council.

**Article 10:**

Exchange institutions are prohibited from undertaking the following activities:

- a- To receive deposits, in accordance with Article 125 of the Code of Money and Credit, and to grant loans to any party, in accordance with Articles 121 and 178 of the said Code. However, exchange institutions may receive funds from partners or shareholders, or may temporarily obtain funds from other exchange institutions, to be considered as part of their mutual operations. Furthermore, they may obtain from banks any facilities for their exchange activities, in accordance with the rules of the Banque du Liban.
- b- To obtain facilities for exchange activities other than those specified in Par. a above.

**Article 11:**

Exchange institutions are governed by the provisions of Article 127 of the Code of Money and Credit.

**Article 12:**

Exchange institutions must conduct their business in independent and suitable premises that are rented, owned or freely offered by a partner, whether at their headquarters or branches.

**Article 13:**

Exchange institutions must comply with the general regulations issued by the Banque du Liban, and with the procedures imposed by the Banque du Liban for protecting their clients. In particular, an exchange institution must:

- a) Submit to the Banque du Liban the required accounting and statistical information and statements, as well as documents proving that it has fulfilled the legal and material conditions for conducting business, according to the terms, forms and time limits specified by the Central Bank.
- b) Keep a special register in which are recorded, on a daily basis, all operations exceeding an amount specified by the Banque du Liban, including the operation date, its serial number, and the client's name, following identity and address verification.

**Article 14:**

Exchange institutions are controlled by the Banking Control Commission. Their registers, records and bookkeeping shall not be governed by the provisions of the Law on Banking Secrecy of September 3, 1956, nor by those of Article 151 of the Code of Money and Credit.

**Article 15:**

The Governor of the Banque du Liban may impose on an exchange institution delay penalties not exceeding ten times the minimum monthly salary for each day of delay, in case the said institution does not comply, within the specified time limits, with the obligations of Article 13, Par. a of this Law, or if it impedes the control procedures stipulated in Article 14. However, these penalties do not preclude penal or administrative sanctions that may be imposed on the violating institution.

When delay penalties are not paid on time, the Banque du Liban shall collect interest at the rate applied to one-year Treasury Bills.

**Article 16:**

An exchange institution shall be struck off the List mentioned in Article 5, Par. 2 of this Law in any of the following cases:

- a- If the institution is being liquidated.
- b- If the institution has been declared bankrupt.
- c- If the Higher Banking Commission finds that the institution is unable to continue its activities.
- d- If the institution did not start its activities within six months from its registration date on the List of Exchange Institutions.
- e- If the institution interrupts its activities for six months in a row.
- f- If, within the specified time limits, the institution does not reconstitute its capital or does not raise it to the minimum required level.
- g- In any of the cases specified in Article 19 of this Law.

In cases (a) and (b), the exchange institution is struck off the List by decision of the Governor of the Banque du Liban, and in the other cases by decision of the Higher Banking Commission established at the Banque du Liban.

**Article 17:**

When struck off the above-mentioned List, the exchange institution shall be automatically prohibited from carrying out exchange activities and shall also be automatically dissolved and liquidated in accordance with the laws in force.

**Article 18:**

- 1- If the Banque du Liban finds that the exchange institution has violated its charter or by-laws, the provisions of the Code of Commerce, the provisions of this Law, the recommendations or measures imposed by the Banque du Liban, or if it finds that the institution has submitted incomplete or inaccurate statements or information, or that its activities have damaged the reputation of Lebanon in the field of tourism or finance, the following administrative penalties may be imposed:

- a) Issuing a warning to the institution.
- b) Prohibiting the institution from carrying out certain operations, or imposing other limitations or restrictions on its professional activities.
- c) Prohibiting the owner of the institution or any of the partners from carrying out their professional activities, either temporarily or in a permanent manner.
- d) Striking off the institution from the List of Exchange Institutions.

The administrative penalty stipulated in Paragraph (a) of this Article is imposed by decision of the Governor of the Banque du Liban, while the other penalties are imposed by decision of the Higher Banking Commission established at the Banque du Liban.

However, these penalties do not preclude penal sanctions that may be imposed on the violating institution.

2- The decisions of the Higher Banking Commission, as specified in this Article and in Article 16 of this Law, shall not be subjected to any ordinary or extraordinary form of administrative or judicial review.

#### **Article 19:**

In case of exceptional, economic or monetary circumstances, the Governor of the Banque du Liban may decide, with the approval of the BDL Central Council, to suspend or restrict temporarily the activities of exchange institutions.

#### **Article 20:**

Any person who violates the provisions of any of the Articles 1, 2, 3, 5, 10 and 19 of this Law shall be punishable by imprisonment for a period of six months to three years, and by a fine not exceeding ten times the minimum annual salary, or by either penalty.

#### **Article 21:**

Exchange institutions that were registered with the Banque du Liban under the provisions of Law 42/87 of November 21, 1987 and its amendments, are exempted from obtaining the authorization specified in this Law. However, these institutions must regularize their status in conformity with the provisions of this Law, within six months from its enforcement date.

**Article 22:**

The provisions of Law 42/87 of November 21, 1987 (on Regulating the Money Changer Profession in Lebanon) and those of Law 26/88 of June 15, 1988 (on Amending the Regulation of the Money Changer Profession in Lebanon) are repealed, as well as any other text at variance with the provisions of this Law.

**Article 23:**

This Law shall enter into force upon its publication in the Official Gazette.

Baabda, August 6, 2001

Signed: Emile Lahoud

Promulgated by the President of the Republic  
The President of the Council of Ministers  
Signed: Rafic Hariri

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Signed: Rafic Hariri