



YEARS



2016 ANNUAL REPORT

Special Investigation Commission
Lebanon's Financial Intelligence Unit



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Lebanon's Financial Intelligence Unit

MESSAGE FROM THE CHAIRMAN



Dear SIC Members, Secretary General & Staff,

As daunting as the future may seem to some countries in the region, and in spite of the surrounding threats and the refugees situation that had its toll on our economy, Lebanon remains resilient as ever. The outcome of our presidential elections that resulted in the orderly functioning of public institutions brought about renewed hopes and aspirations, ended an era of uncertainty and political deadlock and further strengthened our resolve. Year 2016 was also special for the SIC, and is yet another milestone year that marks its 15th anniversary. Looking back, I could not be prouder of all the important achievements you helped shape, particularly in building a reputable institution. Undeniably, you contributed well towards building a robust

AML/CFT regime that safeguards the integrity and reputation of our financial system, protects Lebanon and secures its role within the international community.

Maintaining what we have achieved over the years is an equally important and demanding challenge. To bolster Lebanon's CFT regime, Parliament enacted Law no.77 dated October 27, 2016 that widens the scope of penal code article 316 bis on the TF offence. To comply with the requirements of the OECD – Global Forum on transparency and exchange of information for tax purposes, Parliament enacted in October 2016 several laws including Law no. 55 on the Exchange of Information for Tax Purposes, Law no. 74 on Tax Requirements for Trustees and Law no. 75 on Abolishing the Notion of Bearer Shares & Shares to Order. In this regard, BDL issued regulations, including basic circular no. 138 and intermediate circular no. 411 that prohibits any operations with bearer share companies. Throughout the year, BDL also issued intermediate circulars 415 and 418 to introduce restrictions with respect to prepaid cards, and issued basic circular no. 137 on HIFPA implementation which was complemented with SIC circular 20. BDL also regulated during the year the activities of specialized lending entities known as "comptoirs", and issued in this regard basic circular no. 2 dated January 21, 2016.

The SIC risk based examinations carried out to assess AML/CFT compliance programs and controls at banks, finance companies, insurance companies and other reporting entities continued with earnest throughout the year, and resulted in recommending further AML/CFT regulations. In this regard, and in order to set the tone at the highest level, BDL issued intermediate circular no. 421 dated May 4, 2016 requiring banks to create a board level AML/CFT committee to be headed by an independent board member. The SIC issued circular 21 on September 9, 2016 to insurance companies and to other reporting entities under article 5 of the AML/CFT law that introduced additional requirements and controls. Other important work was carried out during the year with the Lebanese Customs to develop the mechanism to implement the Law on the cross-border transportation of money, which was consequently adopted by the Higher Council of Customs.

The ML/TF cases handled during the year led to account freezing decisions and lifting bank secrecy off 42 cases that were forwarded to the General Prosecutor. Your work on spontaneous disclosures was as demanding. So was your tracking of evolving ML/TF trends that led to important work jointly carried out by the SIC, BDL, ISF and ABL, which resulted in the issuance of the cybercrime prevention guidance.

I hope the coming years will be as successful, and I take this opportunity to thank you for your work and commitment.

*Best regards,
Riad Toufic Salamé*

A handwritten signature in blue ink, appearing to read 'Riad Toufic Salamé', written over a light blue grid background.

*Banque du Liban, Governor
Special Investigation Commission, Chairman*

MESSAGE FROM THE SECRETARY GENERAL



Dear SIC Managers & Staff,

Year 2016 marks the SIC's 15th anniversary. Although considered a relatively young institution, yet our FIU was among the early few in our region. Though we have gone a long way in building a leading and well regarded FIU, still many challenges lie ahead that we need to face together. Throughout the past fifteen years, we proposed amendments to laws and regulations that were successfully adopted and passed, which kept our regulatory environment at par with international standards. On another level, we helped create adequate awareness within the financial sector and discharged our local and international obligations as called for in our AML/CFT Law. Throughout this journey, the SIC engagements with relevant international bodies were also important and rigorous. They evolved over the years from joining such bodies and participating in important work through working groups and projects, to lending technical assistance to counterpart FIUs, and sponsoring others to join the Egmont Group. Currently we assume prominent positions of vice chairman of the Egmont Committee, and MENA regional representative. Looking back, one cannot but also recall that the SIC played a major role in the founding of the MENAFATF. We will continue this path, and I will continue to count on you to maintain what we have achieved and go beyond.

Training, creating awareness and strengthening both interagency coordination and international cooperation on AML/CFT matters including on ISIL and cybercrime offences continue to engage a good part of our resources. Under this context, the SIC in collaboration with the ISE, organized in 2016 for the second consecutive year a major conference on cybercrimes. With respect to CFT, the SIC, in collaboration with the UK embassy in Lebanon, organized in Beirut a three day training workshop for FIU staff, law enforcement and prosecutorial authorities on TF investigations. On a similar matter, the SIC and the US embassy in Lebanon, organized during the year a workshop on UNSCR 1267 and 1373 designations, and the Australian Federal Police held a two-week course on international criminal intelligence. Both events were also held in Beirut.

Attending MENAFATF and FATF meetings, as well as our active engagement within the Egmont Group, continued throughout the year. Our participation in the Egmont Group "ISIL FTFs phase two Project" is just one example of our undertakings, and our co-sponsoring of an FIU from the MENA region to join the Egmont Group also reflects our continuous strong commitment to the region.

During the year, new AML/CFT laws and regulations were proposed; and promulgated by Parliament. Moreover, your work with the Lebanese Association for CPAs and the Ministry of Justice enabled them to adopt procedures to ensure compliance of certified accountants and notaries with the AML/CFT law. Your work on issuing a guidance on cybercrime prevention and the mechanism to implement the law on cross border transportation of money is also worth noting. The SIC workload has grown, 470 ML/TF cases were received, 107 from foreign sources and 363 from local sources. Furthermore, 514 spontaneous disclosures were handled during the year. Also, your work covered risk based onsite compliance examinations at 22 banks, 14 finance companies, 22 insurance companies and a number of other reporting entities.

I look forward to continue working with you in the same spirit of cooperation, professionalism and dedication that the SIC family has grown accustomed to.

Best regards,

Abdul hafiz Mansour

A handwritten signature in blue ink, appearing to read 'Abdul hafiz Mansour'. The signature is fluid and cursive, written over a white background.

Special Investigation Commission, Secretary General



2001

15 YEARS IN REVIEW

2016

2001

- Enactment of AML Law No. 318
- Creation of SIC

2002

- Removal of Lebanon from FATF NCCT List
- Creation of National Committee for Coordinating AML Policies

2003

SIC joins the Egmont Group of FIUs

2004

Creation of MENAFATF & first year presidency awarded to Lebanon

2008

Lebanon ratifies UN Convention Against Corruption (UNCAC), & Law No. 32 was enacted to expand SIC competence to include corruption

2007

Creation of the National Committee on Suppressing Terrorism Financing

2006

SIC involved in U.S. MENA Private Sector Dialogue (PSD)

2005

Creation of SEEDS (For electronic exchange of information with reporting entities)

2009

MENAFATF adopts Lebanon's ME Report



2012

Draft AML/CFT law, cross border transportation of funds law and exchange of tax information law forwarded to Parliament

2010

New SIC Secretary appointment

2011

SIC joins Egmont Group's Special Project Team (SPT) on its charter review

2015

- Strengthening the AML/CFT regime by enacting several laws including a new AML/CFT Law No. 44
- SIC Secretary General becomes EG MENA Region Representative & Egmont Committee Vice Chair

2014

SIC joins the Egmont Group Task Team on the implementation of the EG strategic plan

2013

SIC led the ML/TF National Risk Assessment (NRA)

2016

- Enactment of Law No. 77 amending Article 316 bis. of the Lebanese Penal Code (TF Offence) & Law No. 55 on the exchange of information for tax purposes
- The Higher Council of Customs collaborated with the SIC to issue a mechanism to implement Law No. 42 on Declaring the Cross-Border Transportation of Money

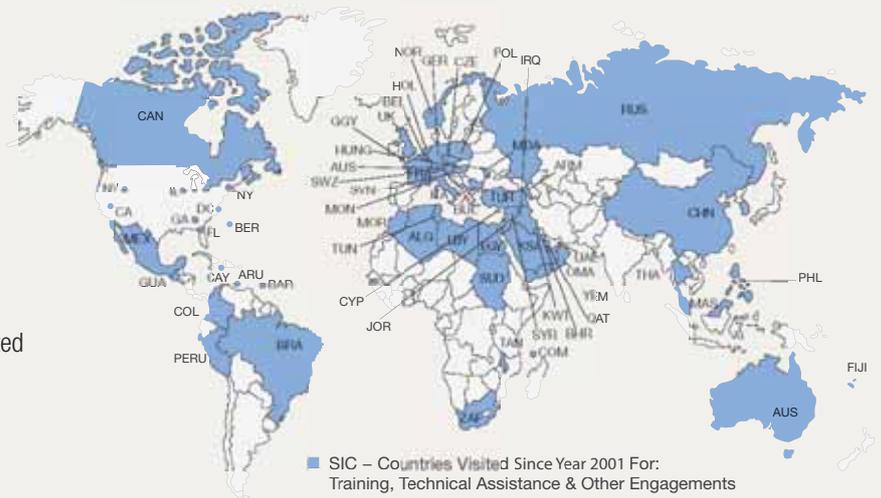




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INTRODUCTION

The Special Investigation Commission (SIC) is a multi-function financial intelligence unit (FIU) with judicial status. It is the center piece of Lebanon's AML/CFT regime, a platform for international cooperation and plays a vital role in safeguarding concerned sectors from illicit proceeds. The SIC's tasks include receiving and analyzing suspicious transaction reports (STRs), conducting financial investigations, lifting banking secrecy, freezing accounts and/or transactions and forwarding them to concerned judicial authorities. With respect to terrorism and the financing of terrorism, the SIC is also empowered to prevent the use of movable or immovable assets. In addition to sharing ML/TF intelligence with counterparts and coordinating with foreign/local competent authorities on requests of assistance (ROAs), the SIC also proposes AML/CFT regulations and issues new regulations and recommendations to concerned parties. AML/CFT supervision via compliance examinations at banks and other reporting entities to ensure proper implementation of prevailing regulations is also among its tasks.



The enacting of the AML law No.318 in 2001, which allowed for the establishment of the Special Investigation Commission as the Lebanese FIU, was the cornerstone to launching the serious and structured fight against money laundering and terrorism financing in Lebanon. Back in 2001, the start was with an institution unknown to the local community and more so to the world with a few staff members occupying a modest office. Today, the SIC occupies its separate “high security” offices within the Central Bank compound and over the years has grown significantly in size. The SIC is currently considered among the leading institutions in Lebanon, the region, and is well regarded abroad.

This status did not come easy, as each year along the way was filled with challenges that the SIC family has lived up to. Achievements were numerous ranging from the building of an effective FIU and an AML/CFT regime, the removal of Lebanon from the list of non-cooperative countries & territories, joining regional and international bodies such as the Egmont Group (EG), playing a leading and vital role in the creation of MENAFATF and assuming its first year presidency. The SIC owes much of its achievements to its committed and focused leadership and dedicated staff.

Today, with its many accomplishments, the SIC leadership believes that more still needs to be done. As terrorism, organized crime and ML/TF techniques continue to evolve and change, causing greater threats to world economies, the SIC endeavors to work and participate more in the activities of regional and international bodies to face those growing new challenges. The SIC, based on its experience, strongly believes that constant adaptation to rapid changes in the world of crime is a must to keep track of law offenders, and that the best way forward to effectively fight organized crime and terrorism, both predominantly cross border crimes, is through increasing the span and extent of international cooperation. On another hand, continuous training that aims not just at creating more awareness but also at sharpening skills and know-how of its staff and staff of other concerned authorities is a must.

Keeping high on its agenda the MENAFATF Mutual Evaluation Report on Lebanon, several laws were enacted in 2015 and 2016, including the new AML/CFT Law No.44, that address the MER remarks and plans. Coordination with other concerned agencies also took place to address points of concern through a comprehensive national strategy that aimed to elevate Lebanon's AML/CFT regime to full compliance with international standards. Moreover, the SIC is working relentlessly towards enhancing AML/CFT on-site compliance examinations, financial investigations and other SIC core activities with hopes that the coming years will be marked with similar success.



SECTION I

Special Investigation Commission and National Committees

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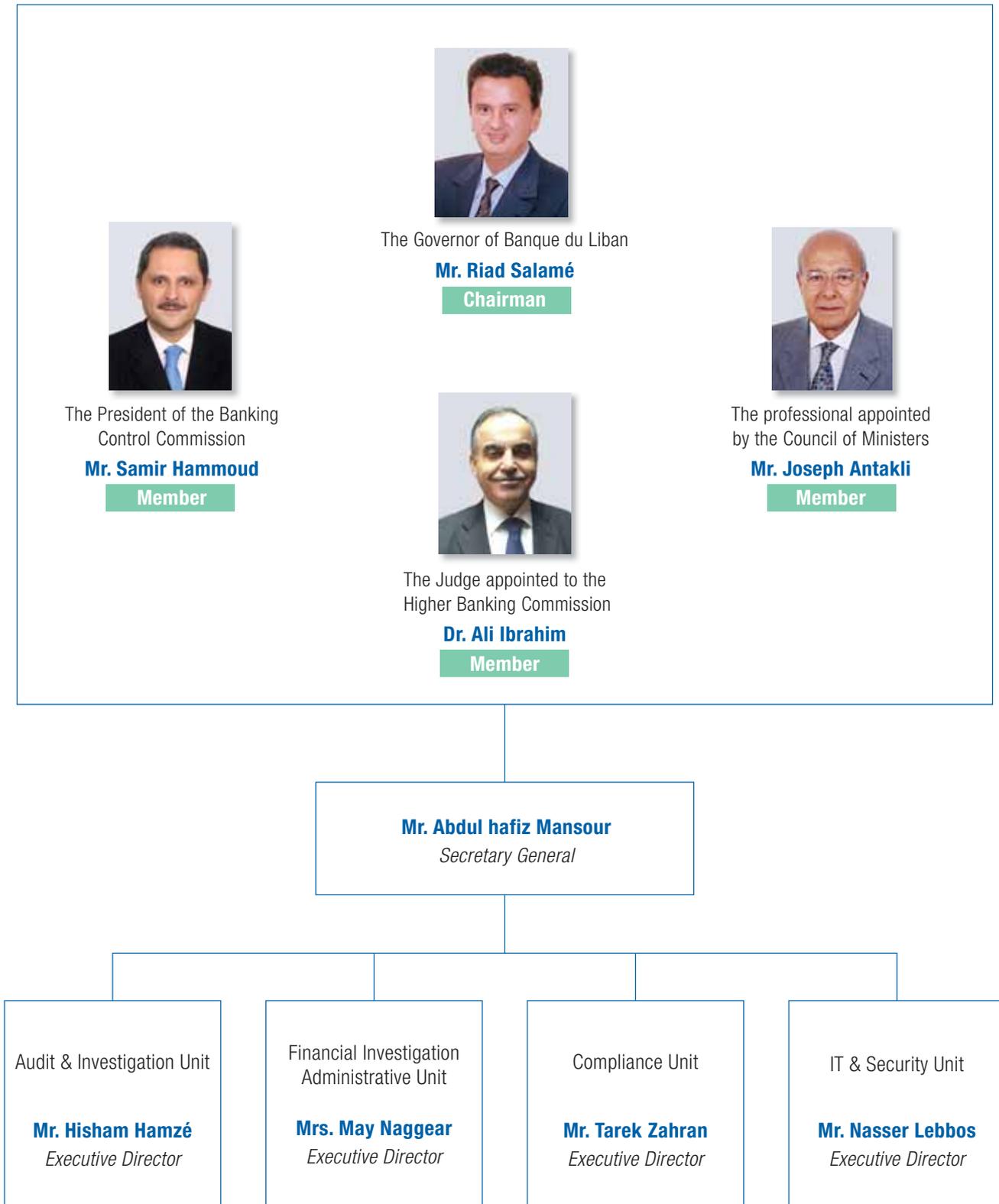
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Chapter One

Special Investigation Commission Structure



Organization Chart



Members

1 | The Special Investigation Commission is composed of:

The Governor of Banque du Liban, Mr. Riad Salamé, or the Vice-Governor designated by him.

Chairman

The Judge appointed to the Higher Banking Commission, Dr. Ali Ibrahim, or his alternate judge.

Member

The President of the Banking Control Commission, Mr. Samir Hammoud, or the member of the Commission designated by him.

Member

The professional appointed by the Council of Ministers, Mr. Joseph Antakli, or his alternate Mr. Boutros (Pierre) Kanaan.

Member

2 | Article 6 of Law No. 44 of November 24, 2015 establishes “the Special Investigation Commission” or “the Commission” as an independent legal entity with judicial status at Banque du Liban, which shall discharge its functions without being subject to Banque du Liban’s authority.

The mission of the Special Investigation Commission, as per Law No. 44, is to:

- Receive suspicious transaction reports (STRs) and requests of assistance; to investigate operations that are suspected to be money-laundering or terrorism financing offences; to decide on the seriousness of evidence and circumstantial evidence related to the commission of any such offence(s); to take in this regard the adequate decision, particularly the precautionary and temporary freezing of the suspicious accounts and/or transactions, for a maximum period of one year renewable once for six months concerning foreign requests of assistance, and for a maximum period of six months renewable once for three months concerning local STRs and requests of assistance.
- Ensure compliance by the parties referred to in Articles 4 and 5 of this law with the obligations stipulated in this Law and in the regulations issued in relation thereto, except for lawyers, certified accountants and notaries, without prejudice to the provisions of Paragraph 2 of Article 17 of this Law.
- Collect and retain the information received from the parties referred to in Articles 4 and 5 of this law, as well as the information received from Lebanese and foreign official authorities, and all other collected information, and to share such information with the Commission’s counterparts, in its capacity as the competent authority and the official center to undertake such a task.
- Issue regulations on the implementation of the provisions of this Law addressed to the parties referred to in Article 5 of this law, and to issue recommendations to all concerned parties.
- Permanently freeze the concerned accounts and/or transactions, and/or lift the banking secrecy in favor of the competent judicial authorities and the Higher Banking Commission represented by its Chairman on accounts or transactions suspected to be related to money laundering or terrorism financing.
- Keep suspicious accounts as traceable accounts.
- Attach an encumbrance on the records and entries pertaining to movable or immovable assets, indicating that such assets are under investigation by “the Commission”. The encumbrance shall be kept until doubts are erased or until a final decision in this regard is taken.
- Request the Public Prosecutor of the Court of Cassation to take preventive measures concerning the movable and immovable assets that have no records or entries, so as to prevent the use of such assets until a final judicial decision in this regard is taken.
- Require from concerned persons and parties, whether public or private, to take the necessary measures to prevent the use of movable or immovable assets belonging to any names designated or to be designated on the national lists issued by the competent Lebanese authorities or any other lists it circulates concerning terrorism and terrorism financing and any acts related thereto. The concerned persons and parties, whether public or private, must comply without any delay to this requirement.
- Appoint its Secretary General and set its operating and internal rules.

General Secretariat

1 | The Special Investigation Commission General Secretariat is composed of:

- The Secretary General
- The Audit & Investigation Unit
- The Compliance Unit
- The Financial Investigation Administrative Unit
- The Information Technology & Security Unit

2 | The Secretary General tasks include the following:

- Supervising directly the SIC Units.
- Receiving directly or through the Chairman of the Commission all suspicious transactions reports.
- Implementing through concerned Units decisions made by the Commission and notifying concerned parties of the Commission's decisions.
- Submitting to the Commission reports on missions finalized by concerned Units and providing an analytical opinion on those reports.
- Monitoring domestic/foreign laws and regulations and recommending to the Commission necessary amendments to be made especially with respect to the regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing.
- Implementing the Commission's decisions that aim at fostering cooperation with foreign counterparts.
- Overseeing both staff related administrative matters as well as budget and expenditure concerns.

Chapter Two

Special Investigation Commission 2016 Activities

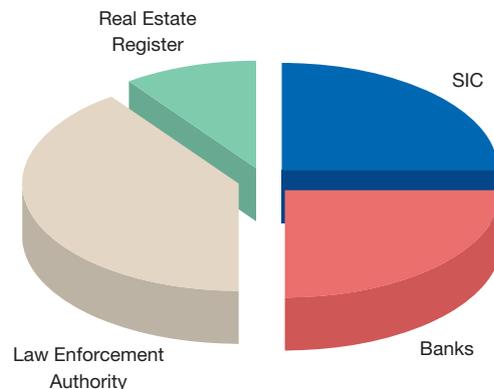
Audit & Investigation Unit

This Unit is entrusted with the following tasks:

- Auditing as per Commission mandate accounts subject to suspicious transactions reports and other accounts suspected to conceal money laundering and terrorism financing operations.
- Gathering evidence on operations that may constitute money laundering and terrorism financing offenses.
- Submitting to the Commission, through the Secretary General, reports on both audited accounts and investigations that relate to operations suspected to constitute money laundering and terrorism financing.
- Informing the "Financial Investigation Administrative Unit" of their reports on suspicious accounts and operations, to be entered on their databank.
- Informing the "Compliance Unit" of their reports on suspicious accounts and operations, to be taken into consideration when carrying out assignments at concerned banks and other reporting entities.

The Audit & Investigation Unit is the financial investigation arm of the Special Investigation Commission. When discharging its duties in connection with filed STRs, the Unit performs the needed analysis and financial investigation on the subject and related transactions. This process can be complemented with information gathered from reporting entities, law enforcement and government agencies, in addition to intelligence obtained from FIUs. In certain instances and when necessary, the Unit performs such work on ROAs received from local and foreign authorities. Decisions taken by the SIC based on this work include exchanging information with FIUs, freezing accounts/transactions, keeping accounts traceable, placing an encumbrance on records and entries pertaining to movable or immovable assets, and forwarding cases to the General Prosecutor.

Handling reports requires prioritization, analytical skills and a thorough evaluation of the findings resulting from investigations. A deep understanding of financial transactions and knowledge of AML/CFT regulations is similarly important. During the year, the Unit handled 409 STRs and 222 ROAs received from foreign/local authorities, in addition to 514 Spontaneous Disclosures including those on TF matters that were prioritized. SIC decisions in this regard included sharing information with FIUs, disseminating information to local law enforcement authorities, keeping certain accounts traceable and requesting from the real estate register to attach an encumbrance on certain properties. Other SIC decisions were in the form of temporary freezing of accounts as well as freezing/lifting banking secrecy off 42 cases that were forwarded to the General Prosecutor. In line with the adopted mechanism to implement UNSCR 1373, SIC decisions also included requiring from concerned persons and parties, to take the necessary measures to prevent the use of movable or immovable assets belonging to the names designated on Lebanon's national list.



Information gathered from various sources
(Case related to Fraud)

Interagency coordination is vital in AML/CFT investigations. In 2016, a number of cases involved interagency coordination and resulted in rewarding outcomes. One such case was a request of assistance received from a local law enforcement agency concerning a suspect involved in embezzlement of private funds and in acquiring via fraudulent means proxies for selling real estate. The SIC requested information from all banks and financial institutions operating in Lebanon and also from the Real Estate Register. The analysis of the gathered information revealed that a number of bank accounts witnessed cash and check deposits derived from the fraudulent sale of real estate. The SIC lifted banking secrecy, froze the suspect's bank accounts and forwarded the findings to the General Prosecutor.

The year was marked with other activities. The Unit's manager was a guest speaker at a conference organized by the Union of Arab Banks in Egypt. The Unit's staff were also engaged in other endeavors such as providing technical assistance to a MENAFATF member country and participating as speakers in several events. Some of them also attended MENAFATF plenary meetings, and AML/CFT trainings locally and abroad.

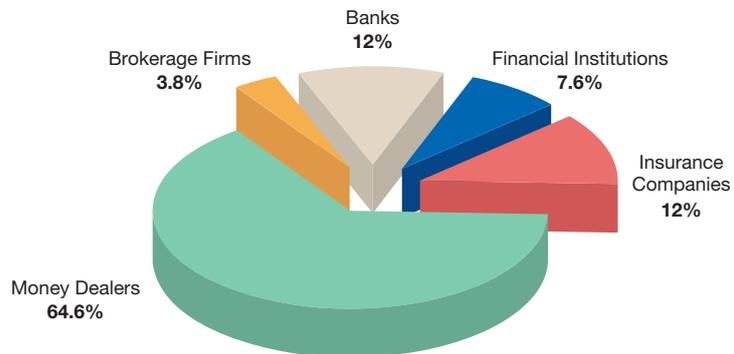
Compliance Unit

This Unit is entrusted with the following tasks:

- Auditing and examining banks, finance companies and other reporting entities, as per Commission mandate, to ensure compliance with:
 - a) Law No. 44 dated 24/11/2015 on Fighting Money Laundering and Terrorism Financing.
 - b) The Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing (Banque du Liban Circular 83 and its amendments).
 - c) Special Investigation Commission Circulars.
 - d) Banque du Liban prospective Circulars on Fighting Money Laundering and Terrorism Financing
- Preparing reports and periodic statistical data that reflect compliance of banks, finance companies and other reporting entities with the AML/CFT regulations and informing the Commission through the Secretary General of its findings.
- Requesting through the Secretary General, as per commission mandate, that banks, finance companies and other reporting entities take corrective measures when instances of non-compliance or partial compliance are noted and follow up on the implementation of the required corrective measures.
- Providing the "Financial Investigation Administrative Unit" with summaries of compliance reports, to be entered on their databank.
- Advising the "Audit & Investigation Unit" of the compliance status of banks, finance companies and other reporting entities when investigations in operations that might conceal money laundering and terrorism financing are initiated at those entities.
- Suggesting procedural measures to the Secretary General aimed at enhancing supervision for fighting money laundering and terrorism financing.
- Submitting to the Commission, through the Secretary General, suggestions to amend the Regulations on the Control of Financial and Banking Operations For Fighting Money Laundering and Terrorism Financing.
- Verifying that external auditors forward the reports subject paragraph (1) of article (13) of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing to the Governor of the Central Bank within the specified period and ensure, through the Secretary General, that banks and financial institutions implement the required corrective measures mentioned in those reports.
- Contacting external auditors, through the Secretary General, to ensure that they are implementing the requirements stipulated in basic Decision 7818 dated 18/5/2001. This shall be done after comparing Compliance Unit reports with those of external auditors.

The Compliance Unit is the supervisory arm of the Special Investigation Commission tasked with ensuring compliance of banks and other reporting entities with prevailing AML/CFT regulations. The Unit's responsibilities include evaluating via onsite and offsite examinations the effectiveness of AML/CFT compliance programs, CDD measures and controls adopted to monitor, detect and report suspicious transactions. Onsite examinations are risk based and are complemented with annual offsite assessments. A tailored risk based approach for supervision is in place for concerned sectors under Law no. 44, and they are constantly updated to ascertain both adequate coverage and more focused assessments. In discharging its duties, the Unit highlights corrective measures that banks and other reporting entities need to implement to enhance their compliance programs and internal controls. The Unit also recommends updating AML/CFT regulations or introducing new ones following developments in international standards or best practices, and when the need arises due to either evolving risks or examinations findings.

The Compliance Unit's risk based onsite examinations continue to be guided by ML/TF risks, and by the methodology used in the offsite monitoring and assessment of reporting entities. The Unit's engagements in the work of AML/CFT international bodies shed light on important developments, risks and trends that result in periodic updates to the Unit's supervisory procedures and inspection manuals. In 2016, risk based onsite compliance examinations covered 22 banks, 14 financial institutions, 22 insurance companies, 119 money dealers, and 7 brokerage firms. Other types of onsite examinations were also carried out, requiring intense analytical work on accounts and transactions. During the year, in addition to analyzing results from risk-assessment surveys, offsite work also included assessing external auditors' annual AML/CFT procedures reports for 66 banks, 49 financial institutions, 43 type "A" money dealers and 7 money remittance companies.



Distribution of the 184 on-site examinations

In 2016, the Compliance Unit suggested additional AML/CFT regulations. In this regard, BDL issued intermediate circular no. 421 dated May 4, 2016 requesting banks to form a board-level committee on AML/CFT headed by an independent board member, and added additional categories of high risk customers, along with controls on dealings with banks' foreign branches. Other regulatory suggestions made by the Compliance Unit were issued via SIC circular 21 dated September 9, 2016 that was addressed to insurance companies and other reporting entities under article 5 of AML/CFT Law no. 44.

During the year, the Unit's Director worked with representatives from the LACPA and the Ministry of Justice on developing their procedures to ensure compliance of certified accountants and notaries with AML/CFT requirements. He also provided commentary on the mechanism that was adopted by the Higher Council of Customs to implement the law on cross border transportation of money, and participated in drafting the amendments to penal code article 316 bis on the TF offence, which was consequently adopted by the Parliament. His input on the draft manual prepared by the lawyers' association on AML/CFT compliance was also sent to the said association. Furthermore, he attended several meetings held between Lebanese national authorities and the EU mission in Lebanon on terrorism matters and on drafting Lebanon's Counter Terrorism Strategy. Throughout the year, he attended Egmont Group, MENAFATF and FATF plenaries and working group meetings and was a guest speaker at several events. Several of the Unit's staff were also speakers at events, and attended trainings.

Financial Investigation Administrative Unit

This Unit is entrusted with the following tasks:

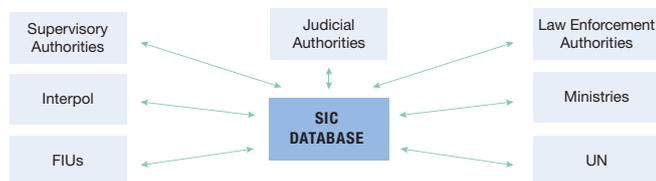
- Gathering information from various sources concerning suspicious transactions related to money laundering and terrorism financing, especially those under investigation and forwarding them to concerned parties, through the Secretary General, after gaining approval from the Commission.
- Establishing a databank that contains information on investigations related to suspicious transactions, names of persons involved or possibly involved in money laundering and terrorism financing operations and rulings on individuals that committed such crimes to be organized by sector and by geographic distribution. Information on money laundering and terrorism financing operations shall be classified by source:
 - a) Information received from institutions covered by the Banking Secrecy Law of September 3, 1956 (banks, financial institutions), may be provided to judicial authorities or foreign competent authorities only by a decision of the Commission.
 - b) Information received from institutions not covered by the Banking Secrecy Law of September 3, 1956 (money dealers, brokerage firms...) may be provided to requesting authorities in accordance with procedures decided by the Commission.
- Monitoring domestic and foreign laws and regulations and recommending to the Commission, through the Secretary General, amendments to be made to those enforced in Lebanon to enhance fighting money laundering and terrorism financing.
- Coordinating with the "Information Technology and Security Unit" on building and updating the Commission's website.
- Carrying out requested studies.
- Submitting to the Commission, through the Secretary General, recommendations on ways to introduce internal auditing procedures to all sectors, namely in agriculture, industry, trade and services, in order to prevent the introduction of money laundering and terrorism financing practices to these sectors.

The Financial Investigation Administrative Unit is entrusted with managing the Special Investigation Commission's database. The Unit logs all filed STRs in addition to ROAs received from local/foreign sources and spontaneous disclosures, as well as SIC decisions in this regard. Also, requests made by the SIC to counterparts, external parties along with any obtained intelligence are maintained. Reviews, classifications, updates and data cleansing are performed periodically to ensure both the quality and accuracy of data. The Unit reviews MOUs the SIC intends to sign with its counterparts and issues statistics that is used in SIC annual reports, when undertaking strategic analysis and when identifying money laundering and terrorism financing trends. The Egmont Secure Web (ESW) is also housed within this Unit and is subject to strict security usage protocols.

In 2016, important work to incorporate additional features and search parameters in the SIC database continued, allowing for the accurate extraction of additional trends and indicators on cybercrimes, international and domestic cooperation. The annual increase in the number of STRs, ROAs and Spontaneous Disclosures received has made the logging of such reports along with the information retrieved from the performed analysis more demanding. This job continues to be carried out with utmost efficiency, and periodic data cleansing and validation follows to ensure precision and accuracy.

During the year, the Unit worked with several authorities on important matters. A guidance and a pamphlet on cybercrime prevention were prepared jointly with a number of authorities including BDL and the Internal Security Forces. Efforts to raise further awareness on the subject included organizing in Beirut, for the second consecutive year, a conference on cybercrimes. In 2016, the Unit also worked closely with the Higher Council of Customs to develop a mechanism to implement the law on cross border transportation of money, which was consequently adopted. Other work included reviewing MOUs the SIC aims to conclude with its counterparts. This resulted in the signing of MOUs with the FIUs of China, Poland and Bangladesh; bringing the number of signed MOUs since SIC inception in 2001 to a total of 36.

The year was marked with other endeavors. The Unit's manager attended parliamentary committee meetings aimed at discussing the amendment of the illicit enrichment Law and the draft Law on anti-corruption. She also travelled to Poland and the Netherlands to participate in meetings on the establishment of the Egmont Centre of FIU Excellence and Leadership (ECOFEL). Other overseas engagements included her participation in the ninth Practitioners' Workshop on the Return of Illicit Assets of Politically Exposed Persons held in Switzerland. This event offered guidelines for the efficient recovery of stolen assets, focusing on pre-investigation actions and international cooperation. During the year, several of the Unit's staff participated as speakers at a number of events and attended trainings locally and abroad.



2016 Information Exchange with Foreign Sources



2016 Information Exchange with Local Sources

IT & Security Unit

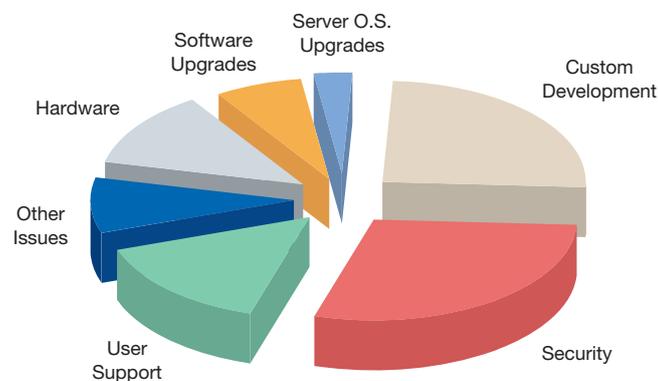
This Unit is entrusted with the following tasks:

- Installing and maintaining servers, computers, and all technical equipment.
- Developing, updating and maintaining required IT programs in-line with the work needs of the various Units and also those relating to the databank, security and monitoring equipment.
- Setting up security procedures for data and programs, and ensuring their efficiency.
- Building a website for the purpose of highlighting Lebanon's AML/CFT policies and providing technical assistance for periodic updates.
- Analyzing and implementing IT programs for the purpose of exchanging information with local and foreign authorities concerned with fighting money laundering and terrorism financing.
- Controlling access to the SIC General Secretariat offices.
- Operating and managing the monitoring system.

The Information Technology and Security Unit at the Special Investigation Commission is in charge of managing and updating all hardware, software, applications and network communications infrastructure needed for both the day-to-day operations of staff and for the secure exchange of messages between the SIC and reporting entities. Among the Unit's core responsibilities is also maintaining the SIC website, overseeing the disaster recovery plan and the security of equipment, data, documents and physical security of the premises.

The expansion of malware, both in quantity and quality, forces all IT units to review their security policies, strategies, equipment and procedures. Equipment and procedures need to be constantly maintained and upgraded to ward off the risk of information loss or tampering. For the SIC, this is even more critical since the information handled is highly sensitive and covered by secrecy. Any leak or tampering with the information may cause great harm, financially, morally and legally. As such, year 2016 was marked with an in-depth review of information security at the SIC. The possible threats were weighed, the risks and weaknesses identified, and the value of handled information estimated, especially for external data access and the applications used in this respect.

The existing solutions were reviewed with reference to stronger security requirements, and being a few years old already, found to be not entirely compatible with some new stronger security requirements. This has led to a search for new solutions from multiple vendors, short listing of the most appropriate solutions, testing and validating until the final selection of the vendor to work with and the equipment to install was made. Since new procedures and policies apply for new solutions, these have been prepared and tested on the new environment. The results of the tests were satisfactory. A decision to migrate from the existing security environment was made. The migration to the new system is underway and will be executed smoothly to avoid any disruption of work. It should be finished and the migration completed by early 2017.

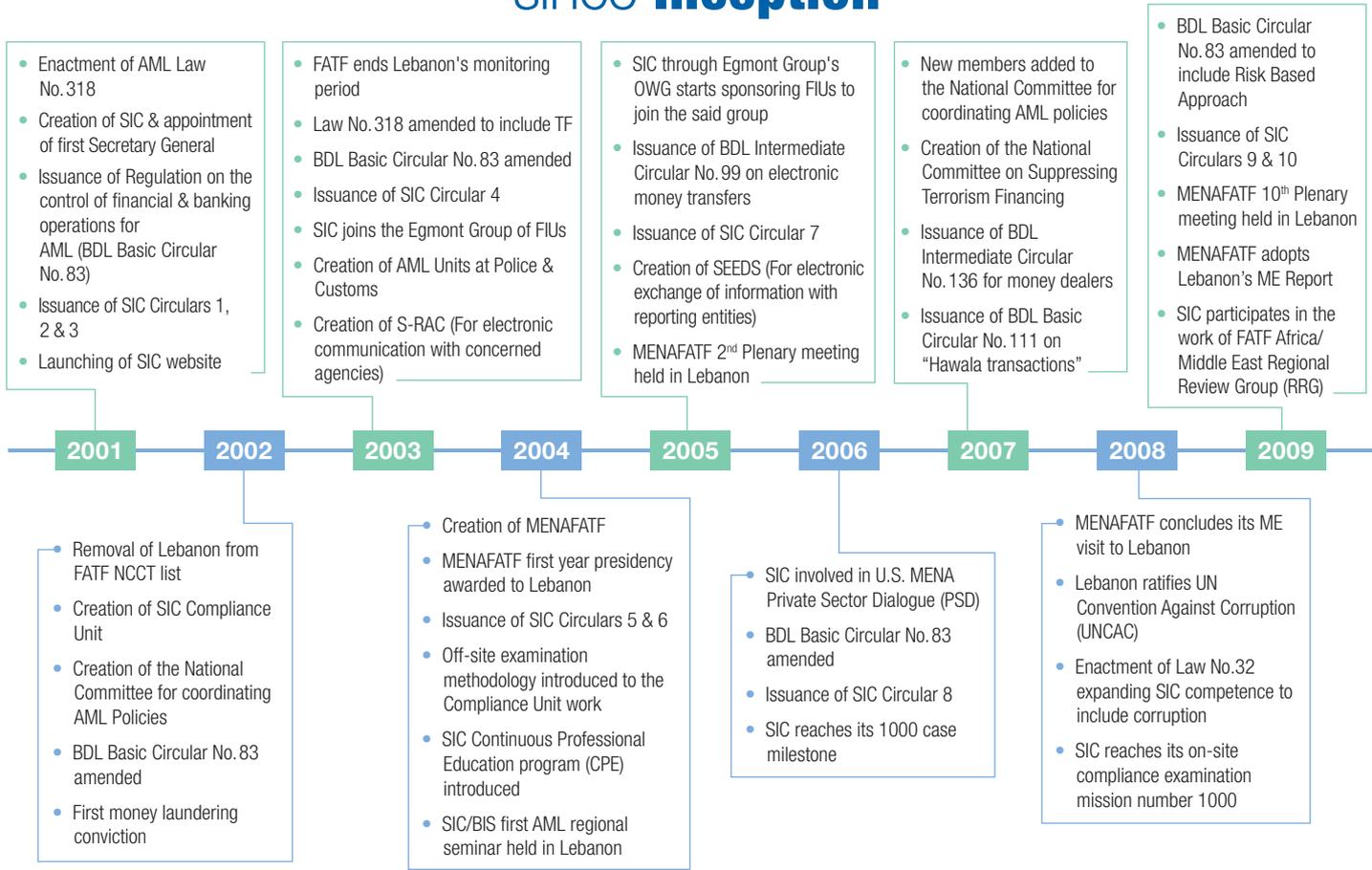


Time distribution across tasks

On the software side, improvements and additions are always being made to provide better services and enhanced productivity. A new workflow based application has been developed, tested, and put in production allowing for the automation of multiple tasks that were previously manual or semi-automated. These are mainly the reception, internal dissemination and follow-up of documents, reports and cases. The new system reduces the paper usage (replacing it with electronic documents), enhances the dissemination speed, and allows far better follow-up and control over the tasks at hand. To better improve follow up and control of other tasks, a series of audit and log points have been added to the existing multitude of software applications used which enhance the audit trail and log of operations for better control.

Other regular operations have been executed during the year, including support to SIC staff, the upgrade of the backup system, the continuous staff training and awareness raising, as well as technical training of the IT staff.

Important Milestones since Inception



MOUs signed with Counterpart FIUs

	Country	FIU	Signing Date
1	Belgium	CTIF-CFI	Sep. 10, 2002
2	Croatia	AMLO	Oct. 7, 2002
3	Thailand	AMLO-TH	Feb. 25, 2003
4	Monaco	SICCFIN	May 20, 2003
5	Australia	AUSTRAC	Sep. 24, 2003
6	France	TRACFIN	Jun. 21, 2004
7	Netherlands Antilles	MOT-AN	Jun. 23, 2004
8	Albania	GDPML	Oct. 4, 2004
9	Guatemala	IVE	Sep. 8, 2005
10	Moldova	SPCSB	Sep. 9, 2005
11	Senegal	CENTIF	Jan. 31, 2006
12	Syria	CMLC	May 24, 2006
13	Panama	UAF-PA	Jun. 16, 2006
14	Haiti	UCREF	Jul. 20, 2006
15	Paraguay	FIU-PY	May 30, 2007
16	Republic of Korea	KoFIU	Nov. 2, 2007
17	Georgia	FMS	Mar. 5, 2008
18	Canada	FINTRAC	Apr. 18, 2008

	Country	FIU	Signing Date
19	Romania	ONPCSB	Dec. 17, 2008
20	United Arab Emirates	AMLSCU	May 26, 2009
21	Qatar	QFIU	Apr. 28, 2010
22	Kingdom of Saudi Arabia	SAFIU	Jun. 30, 2010
23	Japan	JAFIC	Jul. 10, 2012
24	Philippines	AMLC	Jul. 10, 2012
25	Russia	FSFM	Jul. 11, 2012
26	Algeria	CTRF	Sep. 13, 2012
27	Sri Lanka	CBSL	Jul. 3, 2013
28	Sint Maarten	MOT-SM	Feb. 18, 2014
29	Burkina Faso	CENTIF-BF	Feb. 18, 2014
30	Greece	HELLENIC FIU	Mar. 14, 2014
31	South Africa	FIC	Jun. 03, 2014
32	Fiji	FIJI-FIU	Jun. 03, 2014
33	Ukraine	SFMS	Jun. 03, 2014
34	Bangladesh	BFIU	Feb. 01, 2016
35	Poland	GIFI	Feb. 02, 2016
36	China	CAMLMAC	May 03, 2016

- Lebanon's First Progress Report submitted to MENAFATF
- Suggested amendments to AML/CFT law & draft law on cross border transportation of funds submitted to the Council of Ministers
- BDL Basic Circular No. 83 amended
- Issuance of BDL Intermediate Circulars No. 264 & 272 for money dealers
- Issuance of SIC Circulars 12, 13 & 14
- SIC joins Egmont Group's Special Project Team (SPT) on its charter review
- SIC reaches its 2000 case milestone

- SIC to lead ML/TF National Risk Assessment project
- SIC signs new Egmont Group Charter
- Corruption related funds returned to Tunisian Government
- SIC becomes member in the Judicial Committee tasked with developing a manual concerning the recovery of funds related to corruption and smuggled to Lebanon
- BDL Basic Circular No. 111 on "Hawala transactions" amended to include additional control measures
- SIC Compliance Unit adopts fully Risk Based Approach for on-site examinations

- Enactment of a new AML/CFT Law (Law No. 44)
- Lebanon accedes to the UN International Convention for the Suppression of the Financing of Terrorism (Law No. 53)
- Enactment of a law on Declaring the Cross-Border Transportation of Money & a law on the Exchange of Tax Information (Laws No. 42 & 43)
- The National Committee on Suppressing Terrorism Financing adopts two Targeted Financial Sanctions Mechanisms for UNSCRs 1267 & 1373
- Issuance of BDL Basic Circular No. 136 & SIC Circular 19 on the Implementation of UNSCR 1267
- Issuance of BDL Intermediate Circular No. 393 on AML/CFT requirements for Money Remittance Companies
- SIC Secretary General becomes EG MENA Region Representative & Egmont Committee Vice Chair
- Lebanon's Sixth Progress Report submitted to MENAFATF
- SIC reaches its 3000 case milestone

2010

2011

2012

2013

2014

2015

2016

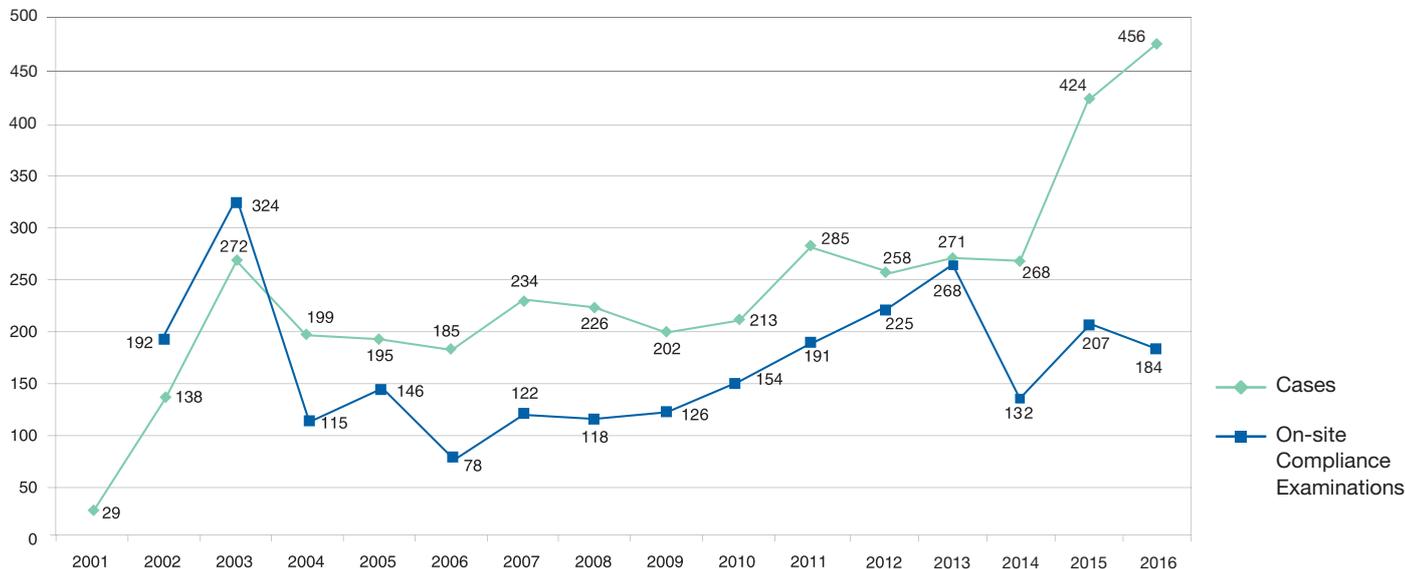
- Second SIC Secretary appointment
- BDL Basic Circular No. 83 amended to address MENAFATF ME report recommendations
- Issuance of SIC Circular 11
- MENAFATF 4th Assessors Training Workshop held in Lebanon

- Draft AML/CFT law, cross border transportation of funds law and exchange of tax information law forwarded to the Parliament
- Issuance of BDL Basic Circular No. 126 on the relationship between banks and financial institutions and their correspondents
- FATF Middle-East & Africa Regional Review Group (RRG) meeting held in Beirut
- Lebanon formally applied for FATF membership and SIC enhanced its involvement in certain FATF working groups

- BDL Basic Circular No. 83 amended to strengthen the AML/CFT compliance function at the branch level
- Issuance of SIC Circulars 15, 16 & 18
- Issuance of SIC Circular 17 on the electronic filing of STRs in accordance with the SIC modernization plan
- SIC joins the Egmont Group Task Team on the implementation of the EG strategic plan
- SIC joins a Committee tasked by the Ministry of Justice with preparing a draft Law for the recovery of funds related to corruption and smuggled to Lebanon
- Lebanon's Fourth Progress Report submitted to MENAFATF
- The review of Lebanon's implementation of UNCAC was initiated (chapters 3 & 4)

- Enactment of a Law amending Article 316 bis. of the Lebanese Penal Code – Terrorism Financing Offence (Law No. 77)
- Enactment of a Law on tax requirements for trustees and a Law abolishing the notion of bearer shares and shares to order (Laws No. 74 & 75)
- Enactment of a Law on the exchange of information for tax purposes (Law No. 55)
- Issuance of BDL Intermediate Circular No. 411 on bearer shares and of BDL Basic Circular No. 138 on the Exchange of Tax Information covered by Banking Secrecy, in line with international standards
- BDL Basic Circular No. 83 amended to establish at banks an AML/CFT Committee at the board level
- Issuance of BDL Basic Circular No. 137 & SIC Circular 20 on the implementation of HIFPA
- Issuance of BDL Basic Circular No. 2 regulating the activities of specialized lending entities known as "comptoirs"
- Issuance of BDL Intermediate Circulars No. 415 & 418 on pre-paid cards
- Issuance of SIC Circular 21 to insurance companies and other parties mentioned in Article 5 of AML/CFT Law No. 44
- The Higher Council of Customs cooperates with the SIC to issue a mechanism to implement Law No. 42
- Lebanon's eighth Progress Report submitted to MENAFATF
- Issuance of a guidance manual on cybercrime prevention
- The Lebanese Association of Certified Public Accountants and the Lebanese Ministry of Justice issue circulars on the implementation of AML/CFT Law No. 44

Cases and On-site Compliance Examinations since SIC Inception



Staff Training Framework

The SIC believes that intellectual capital is its most valuable asset, therefore investing in the training and development of its staff is a stable policy. This investment is crucial for the day-to-day work and equally important for other engagements that require exceptional know-how to create the necessary awareness, provide technical assistance and participate in the various assignments undertaken by international and regional bodies such as FATF, MENAFATF and the Egmont Group.

Sharpening skills and exposing staff to AML/CFT best practices has become almost a ritual at the SIC, and is considered a high level professional education. On-job training provides learning through experience where acquired knowledge is shared through discussions and brainstorming sessions, while feed-back and communication among units and levels perfects the understanding of an efficient AML/CFT regime.

Participation in off-job training events such as seminars and workshops organized in Lebanon jointly by the SIC and other bodies or abroad (US Federal Reserve, Banque de France, Australian Federal Police, etc.) is also intended for this purpose. Moreover, visits to FIUs such as Tracfin, FinCEN and Austrac to name a few are intended to grow relationships and allow for sharing of expertise.

Whether staff attended local, regional or international training events, the in-house Continuous Professional Education (CPE) program is intended to complement SIC training initiatives by exposing staff to the most recent standards and ML/TF trends. Special attention is also given to the training needs of other national agencies that make up for the AML/CFT regime.

Experience in words



RASHID | HAYTHAM

Following the adoption of the mechanisms for UNSCRs 1267 & 1373 by the Lebanese National Committee on Suppressing Terrorism Financing, a workshop on “Lebanon-U.S. Terrorist Designations Exchange” was organized in Beirut jointly by the SIC and the US embassy. The event was attended by relevant local stakeholders, including judicial and law enforcement authorities. Several presentations were delivered and provided beneficial information on how the US implements terrorist sanctions, and on how to identify potential designations. Topics addressed also included gathering evidence for designation, evaluating legal documents based on the UN criteria for designation, and the protection of classified information.



ANTOINE

My participation in the Egmont Group “Train the Trainer” course on strategic analysis held in Morocco last year was complemented in 2016 with my participation in the Egmont Global Strategic Analysis Course held in Paris. This five-day event was divided into ten modules tackling topics such as critical thinking, mindsets and biases, structured analytical techniques, the dimensions of analysis and different strategic analysis products. It also comprised a practical section consisting of an exercise on how to prepare a strategic analysis report based on various case scenarios. All in all, it was a beneficial event.



IMAD | WASSIM

The Australian Federal Police organized a course in Beirut titled the “International Criminal Intelligence Course”. Illustration of the AFP model with respect to several aspects of intelligence were covered and included sessions on intelligence concepts, practices and procedures. Experienced AFP Intelligence Analysts highlighted to participants both theory and practice through a group exercise involving the drafting of an intelligence report. Intelligence collection plans and charts, along with delivering an oral intelligence briefing were also covered in the program. Equally important to us was the sharing of experience with attendees from local law enforcement authorities.



KAMAL | MOHAMAD

Traveling to Washington, DC to participate in the “Financial Crimes Seminar” organized by the US Federal Reserve System was an opportunity for us as compliance examiners to update our knowledge of fraudulent schemes and insider abuses. This seminar also allowed us to have more insight and information on the current and emerging financial crime-related topics, including the current trend in cybercrimes and payment systems risk. Speakers from different US regulatory agencies and industry specialists shared their expertise with us, making it a valuable event to attend.



MARY

Participating in the three-day UNODC regional workshop held in Morocco on “International Cooperation in Financial Investigations, Money Laundering and Recovery of Assets” was a rewarding experience. This workshop covered complex corruption cases that involved investigating financial transactions, and tackled issues such as international standards, law enforcement responses to money laundering, legal challenges in cooperation regarding the recovery of assets and how to investigate STRs and trace the illicit funds. Instructors utilized interactive techniques along with small group exercises on practical examples and hypothetical cases to encourage discussions among participants. Input from experienced attendees from various backgrounds made the event even richer.



CHRIS | RAMI

The opportunity to attend a week long course titled “AML/CFT –Assessed Country” organized by the IMF–Center for Economics and Finance in Kuwait was beneficial to us, since it helped refresh our knowledge of certain topics. The measures to be implemented by countries to have an efficient and independent FIU in line with FATF standards were discussed and the requirements to ensure good governance of a FIU were highlighted. Instructors enriched the event by applying a combination of lectures, hands-on exercises and group debates. The event also gathered FIU staff from the region and provided a platform for the sharing of knowledge and expertise.

LOCAL TRAINING

Date	Organizer	Subject	No. of SIC Staff Attending
1 st Q'16	SIC/British Embassy in Beirut	National Terrorist Financing Investigative Course	3
	SIC	Session on each: – Predicate offences of AML/CFT Law No. 44 – FATF Report on Emerging Terrorist Financing Risks	Professional staff
2 nd Q'16	SIC/US Embassy in Beirut	Workshop on Terrorist Designations (UNSCRs 1267 & 1373)	4
	SIC	Session on “Virtual Currencies: Between New Payment Products and Money Laundering”	Professional staff
	The Australian Federal Police (AFP)	International Criminal Intelligence Course (ICIC)	2
	PriceWaterhouseCoopers (PWC)	Seminar about Compliance	1
4 th Q'16	UAB/SIC	The Annual Forum of Heads of AML/CFT Compliance Units in Arab Banks and Financial Institutions	1
	Data & Investment Consult Lebanon	Cyber Security Forum	1
	WUAB/Capital Markets Authority	Forum on Fighting Financial Crimes	1
	SIC/ISF/AI-Iktissad Wal-Aamal Group	2 nd Anti-Cybercrime Forum	6
	Ministry of Finance/OECD	Global Forum on Transparency and Exchange of Information for Tax Purposes	Workshop on the Automatic Exchange of Information (AEOI)

REGIONAL & INTERNATIONAL TRAINING

Date	Organizer	Event/Location	No. of SIC Staff Attending
1 st Q'16	Egmont Group/TRACFIN	Global Strategic Analysis Course (Paris, France)	1
	SAFIU/National Police of the Netherlands	Regional workshop on Financial Crimes Investigation & Mutual Legal Assistance (Riyadh, Kingdom of Saudi Arabia)	1
	The Swiss Federal Department of Foreign Affairs (FDFA)/ International Centre for Asset Recovery (ICAR)/Stolen Asset Recovery Initiative (StAR)	The 9 th Practitioners' Workshop On the Return of Illicit Assets of Politically Exposed Persons (“Lausanne IX”) (Lausanne, Switzerland)	1
3 rd Q'16	Federal Reserve System	Financial Crimes Seminar (Washington D.C., USA)	2
	UNODC	Regional workshop on the International Cooperation In Financial Investigations, Money Laundering and Recovery of Assets (Marrakech, Morocco)	1
	IMF	Training course on “AML/CFT – Assessed Country” (Kuwait)	2
	National Bank of Poland (NBP)	Seminar on “Management of Telecommunications Security & Information protection” (Warsaw, Poland)	1
4 th Q'16	Banca d'Italia	Workshop on “Anti-Money Laundering: the Italian Experience” (Rome, Italy)	1
	Banque de France	Seminar on Fighting Money Laundering and Terrorism Financing (Paris, France)	1

International Reach Out Policy

Globalization and the interconnection of world economies and financial systems, in addition to new technologies that allow for swift movement of funds around the globe, necessitate stronger cooperation to better fight organized crime and the flow of illicit funds. To address the threats at hand, the SIC realized, early on, the importance of providing AML/CFT technical assistance especially to regional counterparts. This stems from its strong belief that money laundering (and its predicate offences), terrorism financing and proliferation financing are crimes that can be best fought, not only by domestic cooperation, but also by collective efforts of counterpart FIUs and other foreign competent agencies.

Reach out efforts over the years in the form of technical assistance and other engagements were carried out by the SIC on its own or in partnership with regional and international bodies such as MENAFATF, FATF, UNODC, World Bank, IMF and the Egmont Group. SIC's expertise were channeled to several FIUs to satisfy their needs for technical assistance and training. Tailored programs were designed to accommodate these needs, notably in compliance, policy drafting, information analysis, IT & security, and supervision of reporting entities. Technical assistance programs also comprised providing regional FIUs and bank supervisors with AML/CFT training. Moreover, seconding SIC staff on missions including on mutual evaluation missions with international bodies and standing out as guest speakers in different regional and international events on topics such as AML/CFT compliance, FATF international standards, FIU operations and ML/TF trends while providing sanitized cases derived from the SIC rich experience compliment such efforts. This is all done on the back of the SIC commitment to providing technical assistance and enhancing regional cooperation.

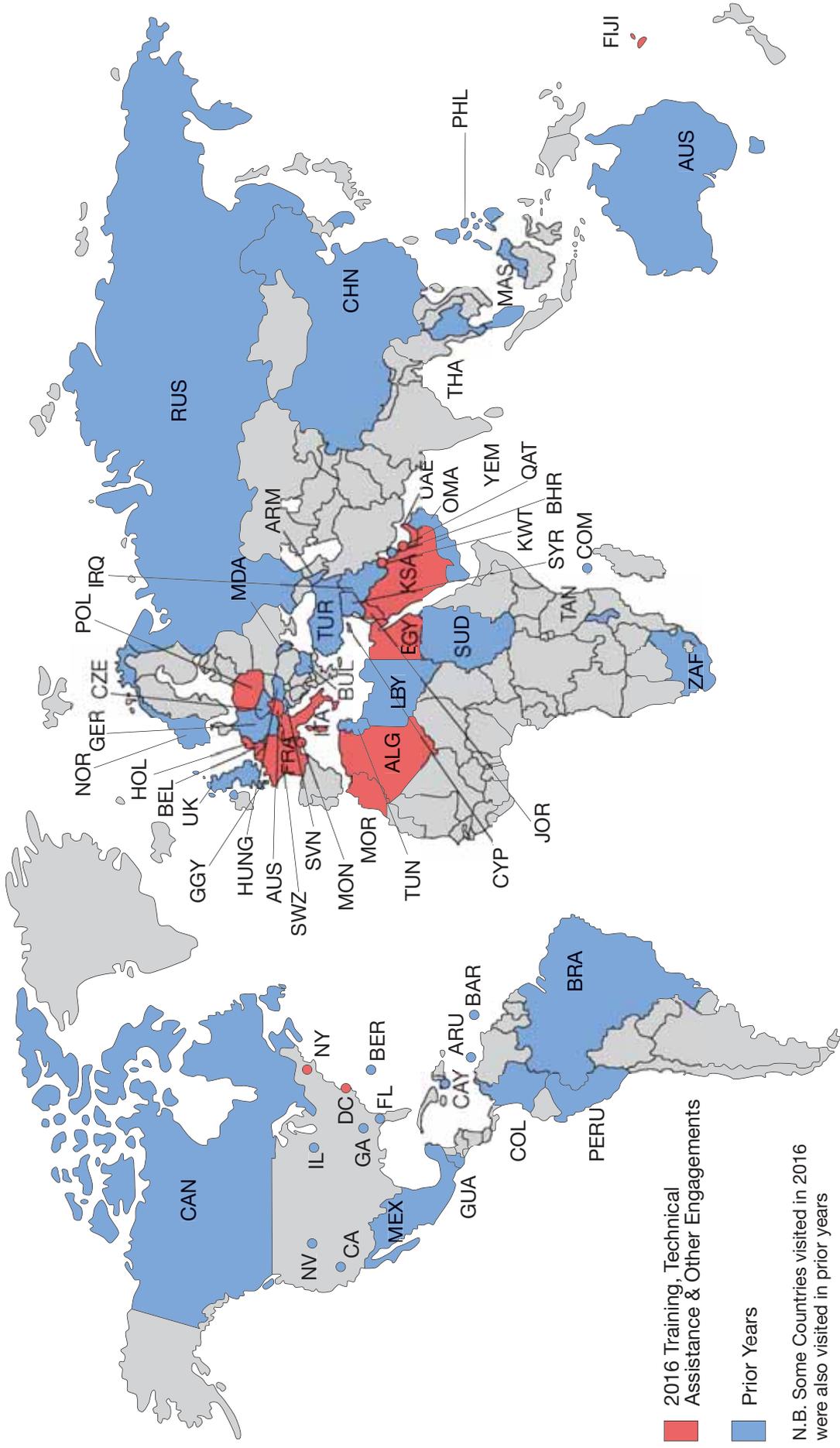
The SIC presence in plenary meetings (MENAFATF, EGMONT & FATF) and active involvement in working groups and projects as well as its previous involvement in the FATF Middle East & Africa Regional Review Group (RRG) to review the progress reports of jurisdictions brought within the ICRG process also paid off. Such efforts resulted in bringing several MENAFATF member countries to full Egmont Group membership and in raising compliance levels to international standards.

The SIC has grown accustomed to quality work with international and regional bodies. Be it in engagements such as joint Egmont/FATF typologies workshops, in projects such as: the FATF Global Threat Assessment (GTA), the Experts Group work on amendments to the FATF recommendations and in EG's charter review project. Going forward, and in spite the fact that such contributions require lots of resources, their rewarding outcome leads the SIC to continue on this path.

Date	Organizer	Event/Location	No. of SIC Staff Involved	Type of Involvement
1 st Q'16	BDL	Training seminar on "Combating Money Laundering" (Beirut, Lebanon)	2	Speakers
	SIC / British Embassy in Beirut	National Terrorist Financing Investigative Course (Beirut, Lebanon)	2	Speakers
	Egmont Group	Egmont Committee and Working Group Meetings (Monte Carlo, Monaco)	3	Delegation
	FATF	FATF Plenary and Working Groups meetings (Paris, France)	1	Participant
	The General Union of Chambers of Commerce, Industry & Agriculture for Arab Countries	Forum on the "Developments in Combating Money Laundering & Financing of Terrorism & Tax Evasion and the Procedures for Cross-Border Transportation of Cash in Business and Financial Sectors" (Beirut, Lebanon)	1	Speaker
	SIC/ISF	Anti-cybercrime steering group meetings (Beirut, Lebanon)	2	Participants
	UNODC/UN Counter-Terrorism Committee Executive Directorate (CTED)	Regional Seminar on "The investigation, prosecution and adjudication of terrorism" (Algiers, Algeria)	1	Speaker
	SIC/Customs	Working meetings (Beirut, Lebanon)	4	Working meetings
	Ministry of Foreign Affairs and Expatriates	EU-Lebanon Dialogue on Fighting Terrorism (Beirut, Lebanon)	1	Speaker
	The General Union of Chambers of Commerce, Industry & Agriculture for Arab Countries	Training course on "Risks of Cybercrimes on the Arab Financial and Business Sectors and the Recent Counter Measures" (Beirut, Lebanon)	1	Speaker
2 nd Q'16	SIC/ISF	Workshop on proposed drafts for the guidance manual for combating Cybercrime (Beirut, Lebanon)	3	Speakers
	MENAFATF	The 23 rd MENAFATF plenary and working group meetings (Doha, Qatar)	2	Delegation
	World Bank	Discussion of the Mutual Evaluation Report of a MENAFATF member country (Doha, Qatar)	1	Assessor
	UN Counter-Terrorism Committee / the 1267/ 1989 / 2253 ISIL (Daesh) and Al-Qaida Sanctions Committee / FATF	Joint UN / FATF Open Briefing on "Countering the Financing of Terrorism and Depriving Terrorist Groups, particularly Al-Qaida, ISIL (Daesh) and their Affiliates from their Sources of Funding" (New York, USA)	1	Speaker
	SIC/US Embassy in Beirut	Workshop on Terrorist Designations (UNSCRs 1267 & 1373) (Beirut, Lebanon)	1	Speaker
	BDL	Internship Program (Phase I): Lebanon's experience in fighting ML / TF (Beirut, Lebanon)	4	Speakers
3 rd Q'16	UNODC	National Workshop on "The investigation and prosecution of terrorism financing offences" (Oran, Algeria)	1	Speaker
	Association of Banks in Lebanon (ABL)	Several AML / CFT training sessions to bank compliance officers and internal audit employees (Beirut, Lebanon)	2	Speakers
	BDL	Internship Program (Phase I & II): Lebanon's experience in fighting ML / TF (Beirut, Lebanon)	9	Speakers
	Egmont Group	Egmont Technical Assistance & Training WG (TATWG) Intersessional Meeting (Warsaw, Poland)	1	Working meetings
	FIU of Jordan / The Ministry of Foreign Affairs of Denmark / The Global Center on Cooperative Security	Workshop on the national risk assessment of money Laundering & terrorism financing (Amman, Jordan)	2	Speakers
	BDL	Internship Program (Phase II & III): Lebanon's experience in fighting ML / TF (Beirut, Lebanon)	10	Speakers
	BDL	Training seminar on "Combating Money Laundering & Terrorist Financing" (Beirut, Lebanon)	1	Speaker
	BDL	Internship Program (Phase III): Lebanon's experience in fighting ML / TF (Beirut, Lebanon)	4	Speakers
4 th Q'16	FATF	FATF Plenary and Working Groups meetings (Paris, France)	1	Participant
	Egmont Group	Egmont Information Exchange on ML / TF Working Group (IEWG) Intersessional Meeting (Paris, France)	1	Working meetings
	UAB / SIC	The Annual Forum of Heads of AML / CFT Compliance Units in Arab Banks and Financial Institutions (Beirut, Lebanon)	1	Speaker
	American University of Beirut (AUB) / Faculty of Engineering and Architecture	Session on Fighting Money Laundering (Beirut, Lebanon)	1	Speaker
	Dubai Financial Services Authority (DFSA)	DFSA Sanctions and AML Workshop (Dubai, UAE)	2	Speakers
	Egmont Group / MENAFATF / FIU of Qatar	Joint Egmont Group / MENAFATF Training Workshop on Securing a FIU (Doha, Qatar)	1	Trainer
	SIC / ISF / Al-Iktissad Wal-Aamal Group	2 nd Anti-Cybercrime Forum (Beirut, Lebanon)	2	Speakers
	MENAFATF	The 24 th MENAFATF plenary and working group meetings (Doha, Qatar)	3	Delegation
	Egmont Group / FIU of the Netherlands	Egmont Group Centre of FIU Excellence and Leadership (ECOFEL) project team meeting (Rotterdam, The Netherlands)	1	Working meetings
	ACAMS	ACAMS 7 th Annual AML & Financial Crime Conference – MENA (Dubai, UAE)	1	Speaker
	MENAFATF / APG / KSA Anti-Money Laundering Permanent Committee	MENAFATF / APG Joint Typologies and Capacity Building Workshop (Jeddah, KSA)	1	Speaker
	UNODC/SIC	A training seminar for a MENA country delegation on "Investigation, Prosecution and Adjudication of Financing of Foreign Terrorist Fighters (FTFs)" and on "The Structural Reform of the FIU to Strengthen Its Cooperation with the National and International Stakeholders in Counter-Terrorism Matters", which also included a visit to the SIC premises (Beirut, Lebanon)	5	Speakers
	UAB / Federation of Egyptian Banks (FEB) / FIU of Egypt	A regional forum on "challenges of the AML / CFT Procedures" (Luxor, Egypt)	1	Speaker

SECRETARY GENERAL ENGAGEMENTS

Date	Organizer	Event/Location	Type of Involvement
1 st Q'16	SIC/British Embassy in Beirut	National Terrorist Financing Investigative Course (Beirut, Lebanon)	Opening speech
	SIC/ISF	Raising Awareness on Cybercrime matters through a press conference (Beirut, Lebanon)	Speaker
	Thomson Reuters / Abu Dhabi Global Market (ADGM)	The 10 th GCC Regulators Summit (Abu Dhabi, United Arab Emirates)	Speaker
	Egmont Group	Egmont Committee and Working Group Meetings (Monte Carlo, Monaco)	Head of Delegation
	FATF	FATF Plenary and Working Groups meetings (Paris, France)	Participant
	The General Union of Chambers of Commerce, Industry & Agriculture for Arab Countries	Forum on the "Developments in Combating Money Laundering & Financing of Terrorism & Tax Evasion and the Procedures for Cross-Border Transportation of Cash in Business and Financial Sectors" (Beirut, Lebanon)	Speaker
	SIC/ISF	Anti-cybercrime steering group meetings (Beirut, Lebanon)	Working meetings
	Banque Libano-Française	1 st meeting of the Bankers Association for Finance and Trade (BAFT) MENA Regional Council (Beirut, Lebanon)	Speaker
	Ministry of Foreign Affairs and Expatriates	EU-Lebanon Dialogue on Fighting Terrorism (Beirut, Lebanon)	Participant
	Université Saint-Esprit de Kaslik (USEK)	Conference on AML / CFT (Beirut, Lebanon)	Speaker
2 nd Q'16	Ministry of Justice	Lebanon-EU Sub Committee on Justice, Freedom and Security (Beirut, Lebanon)	Speaker
	Société Générale de Banque au Liban sal	Round Table on AML / CFT (Beirut, Lebanon)	Speaker
	SIC/ISF	Workshop on proposed drafts for the guidance manual for combating Cybercrime (Beirut, Lebanon)	Opening speech
	Federal Reserve Bank of New York / IMF / UAB	US-MENA Banking Dialogue Conference (New York, USA)	Participant
	MENAFATF	The 23 rd MENAFATF plenary and working group meetings (Doha, Qatar)	Head of Delegation
	Egmont Group	Egmont Committee Intersessional Meeting (Nadi, Fiji)	Working meetings
	World Bank / ACAMS	Stakeholder Dialogue on De-risking (Washington – DC, USA)	Participant
	World Bank / Federal Reserve Board / IMF	The 16 th Annual International Conference on Policy Challenges for the Financial Sector (Washington – DC, USA)	Participant
	SIC/US Embassy in Beirut	Workshop on Terrorist Designations (UNSCRs 1267 & 1373) (Beirut, Lebanon)	Opening speech
	PriceWaterhouseCoopers (PWC)	Compliance Seminar (Beirut, Lebanon)	Speaker
	Institut pour la Finance et la Gouvernance – ESA	FATCA/GATCA, Lebanon facing the new international fiscal norms (Beirut, Lebanon)	Participant
	UNODC	The 7 th Session of the Implementation Review Group of the United Nations Convention against Corruption (UNCAC) (Vienna, Austria)	Speaker
3 rd Q'16	UNODC	The 7 th meeting of the Open-Ended Intergovernmental Working Group on the Prevention of Corruption (Vienna, Austria)	Participant
	UNODC	The 10 th meeting of the Open-Ended Intergovernmental Working Group on Asset Recovery (Vienna, Austria)	Participant
	Al Iktissad Wal Amal / IDAL / FCCIAL / The Association of Lebanese Industrialists	2 nd Emigrants Economic Forum (Beirut, Lebanon)	Speaker
	Egmont Group	Egmont Policy & Procedures Working Group (PPWG) Intersessional Meeting (Doha, Qatar)	Working meetings
4 th Q'16	FATF	FATF Plenary and Working Groups meetings (Paris, France)	Participant
	Egmont Group	Egmont Committee Intersessional Meeting (Paris, France)	Working meetings
	Data & Investment Consult Lebanon	Cyber Security Forum (Beirut, Lebanon)	Speaker
	Harvard Club of Lebanon	Conference on "Transparency Era: Combatting Money Laundering, Terrorist Financing and Tax Evasion and Its impact on Lebanon" (Beirut, Lebanon)	Speaker
	UAB / SIC	The Annual Forum of Heads of AML / CFT Compliance Units in Arab Banks and Financial Institutions (Beirut, Lebanon)	Opening speech
	SIC / ISF / Al Iktissad Wal Aamal Group	2 nd Anti-Cybercrime Forum (Beirut, Lebanon)	Opening speech
	MENAFATF	The 24 th MENAFATF plenary and working group meetings (Doha, Qatar)	Head of Delegation
	UNODC / SIC	A training seminar for a MENA country delegation on "Investigation, Prosecution and Adjudication of Financing of Foreign Terrorist Fighters (FTFs)" and on "The Structural Reform of the FIU to Strengthen Its Cooperation with the National and International Stakeholders in Counter-Terrorism Matters", which also included a visit to the SIC premises (Beirut, Lebanon)	Opening speech
	European Union / Counter – Terrorism Monitoring, Reporting and Support Mechanism (CT MORSE)	National Financial Intelligence Units Forum (Brussels, Belgium)	Speaker
	AZM University	Symposium on "AML / CFT Risk Based Approach" (Tripoli, Lebanon)	Speaker



2016 Training, Technical Assistance & Other Engagements

Prior Years

N.B. Some Countries visited in 2016 were also visited in prior years

Selection of Cases

TERRORISM FINANCING

Report (STR): A local bank filed a suspicious transaction report on a customer and related accounts, after coming across an article in a newspaper that mentioned names of individuals arrested abroad by a foreign law enforcement agency for suspicion in taking part in a ML/TF network and for being affiliated with ISIL.

Analysis and investigation: The SIC initiated its investigation by obtaining all available bank records including KYC forms, bank statements and copies of identification documents from the reporting bank, and also circulated the suspect's name to all banks and FIs operating in Lebanon. The analysis performed on the account statements identified several cash deposits below the threshold, and payment orders that were not related to the suspect's line of business that were followed by cash withdrawals. The related accounts reflected a similar pattern of transactions. Furthermore, the SIC analysis revealed that a spontaneous dissemination received from a counterpart FIU, as a result of its own analysis of several STRs filed by an international money remittance company, had also mentioned the same suspect.

Subsequent measures: The SIC decided to lift banking secrecy and freeze the account balances of the suspect at all banks and FIs, and also to freeze any transactions at all money remittance companies. Findings were forwarded to the General Prosecutor for further investigation.

TERRORISM FINANCING

Report (ROA): The SIC received a request of assistance from the Lebanese Internal Security Forces (ISF) which apprehended a suicide bomber before being able to carry out his attack in Lebanon. The ISF was seeking the SIC assistance to identify accounts and transactions of several suspects.

Analysis and investigation: The SIC initiated its investigation by circulating the names of the suspects to all banks and financial institutions operating in Lebanon in an effort to identify bank accounts and transactions. During this period, and while under interrogation by law enforcement authorities, the apprehended suicide bomber provided authorities with names of additional suspects that were involved in two suicide bombings that took place in Lebanon killing innocent civilians and injuring many more. Under interrogation, some of the arrested suspects confessed to have pledged allegiance to ISIL. With this information at hand, the General Prosecutor informed the SIC of his decision to designate 23 individuals on Lebanon's national terrorism/terrorism financing list. Prior to the actual designation, the SIC circulated all the names, and a number of banks reported having bank accounts for some. The analysis on those bank accounts revealed that they had minimal activity and balances. Furthermore, a money remittance company reported several transactions in prior years.

Subsequent measures: The SIC decided to freeze all identified accounts. In addition, and since the SIC is empowered by Law to issue the freezing orders on designations, it circulated the names of the suspects to several local agencies including the real estate register, commercial register and vehicle register requesting identification of assets and taking the necessary measures to prevent the use of movable or immovable assets belonging to the individuals to be designated. All the findings were forwarded to the General Prosecutor, and several counterpart FIUs were contacted in this respect.

FORGERY

Report (STR): The AML/CFT compliance officer of a local bank noticed an increase in cash deposits while performing the enhanced due diligence measures for high risk customers' accounts as called for in the risk based approach regulations. One of the accounts reflected repetitive cash deposits followed by checks issued to numerous parties, and was kept at a minimal balance. The officer became dissatisfied with the clarifications made to justify the source of the cash deposits, the reason for several bounced checks and the relationship between the account holder and the beneficiaries of the checks. Furthermore, the requested supporting documents received were self-contradictory, misleading and some appeared to be forged. An STR was consequently filed with the SIC.

Analysis & Investigation: The SIC initiated its investigation by analyzing bank records and the account statement obtained from the reporting bank. In addition to the increase in cash deposits which had become inconsistent with the customer's profession, the analysis of the account movement reflected check deposits with several endorsements, and transactions with unassociated business parties. In an effort to identify other bank accounts related to the suspect, the SIC broadened its investigation and forwarded his name to all banks and financial institutions. Several additional accounts were identified, and the analysis thereof depicted a similar pattern of transactions.

During the course of the investigation, additional information was received from the General Prosecutor on the suspect's possible involvement in acts of forgery of signature that resulted in both the unlawful use of a bank account and of a checkbook belonging to a relative and business partner.

Subsequent Measures: With the information at hand, the SIC decided to lift banking secrecy and freeze all identified bank accounts. Findings were forwarded to the General Prosecutor.

DRUG TRAFFICKING

Report (ROA): The SIC received a request of assistance, via the Egmont Secure Web (ESW), from a European counterpart FIU. The requesting FIU was seeking assistance in an ongoing money laundering and drug trafficking investigation involving several suspects, including two that were Lebanese nationals.

Analysis and investigation: The SIC initiated its investigation by circulating the names of the suspects to all banks and financial institutions operating in Lebanon. Findings revealed the existence of one bank account belonging to one of the suspects. The said account reflected minimal activity, including several cash deposits below the threshold followed by cash withdrawals. The SIC also broadened its investigation and contacted in this regard local law enforcement authorities seeking information on criminal records, convictions and warrants. Information received from the ISF on one of the suspects revealed the existence of several arrest warrants and Interpol communications in prior years for acts of fraud and drug trafficking.

Subsequent measures: The SIC decided to lift banking secrecy, freeze the account balance of the suspect, and forward the findings to the General Prosecutor. The information at hand was also shared with the counterpart FIU.

CYBERCRIME

Report (STR): A longtime customer of a local bank who regularly imports goods from abroad provided the bank with details of an overseas account, and instructed the latter to settle via swift an amount of 250 thousand euros for cost of goods purchased. A few days later, the customer claimed that the payment details were wrong, and that the supplier's e-mail was hacked. At the same time, the correspondent bank asked for clarifications regarding the same swift. As such, the bank requested from both the correspondent and the receiving bank abroad to return the funds, and filed an STR with the SIC.

Analysis & Investigation: The SIC initiated its investigation by reviewing all relevant records, documents and invoices submitted by the reporting bank, confirming that the supplier's e-mail was hacked and that the overseas bank account was different from that used in previous settlements. The SIC contacted a European counterpart FIU seeking information on the bank account that received the transfer, and was advised that an individual had opened the account several days prior to receiving the funds. The said transfer was the only transaction credited to the newly opened account and was followed by cash withdrawals and transfers to another bank in the same European country. The first bank was able to block an amount of 170 thousand euros and wire it back. The counterpart FIU advised that in order to recover the remaining funds from the second bank, a mutual legal assistance request was needed. It also provided the name of the account holder at the second European bank, and a search of the SIC database revealed that he was subject to previous cybercrime investigations.

Subsequent Measures: With the information at hand that also included input from the judicial police-cybercrime office, the SIC decided to forward its investigation findings to the General Prosecutor, and highlighted the need for a mutual legal assistance request. The SIC also requested from the counterpart FIU to take the necessary measures to freeze the funds at the second bank.

CORRUPTION

Report (ROA): The Special Investigation Commission received a request of assistance from the Lebanese General Prosecutor concerning allegations of corruption and embezzlement of public funds brought against several employees working for a government agency. Some had colluded to embezzle employee benefits while others executed dubious procurement dealings with vendors and suppliers. Banking information among other things was needed to complement the ongoing investigation.

Analysis and investigation: The SIC initiated its investigation by circulating the names of the suspects to all banks and financial institutions operating in Lebanon. Several bank accounts were identified. An analysis was carried out on the obtained bank records and the statements that reflected checks, transfers and cash deposits as well as credit card transactions.

Subsequent measures: During the ongoing investigations, and as a precautionary measure, the SIC temporarily froze the balances of the identified accounts for a six month period subject to renewal. The SIC later on lifted banking secrecy, provided the General Prosecutor with the findings and extended the freezing order.

Chapter Three

The Egmont Group of Financial Intelligence Units

About the Egmont Group

- The Egmont Group of Financial Intelligence Units (EG) was formed in 1995 and derived its name from the “Egmont Arenberg Palace” in Brussels—Belgium where the first meeting was held.
- The EG is a non-political international forum of operational Financial Intelligence Units (FIUs).
- The EG goal is to provide a forum for FIUs to improve cooperation in the fight against money laundering and terrorism financing.
- The EG member FIUs must meet the FATF definition of an FIU and have full operational status.
- The EG has grown from 13 FIUs in 1995 to 151 FIUs by year-end 2016.
- The EG comprises 11 FIUs from the MENA region.
- The EG operating structure is comprised of: the Heads of FIUs (HoFIUs), the Chair of the EG, the Egmont Committee (EC), the Working and Regional Groups, and the Secretariat.
- The EG governing body is the HoFIUs and their decisions are taken by consensus.
- The Egmont Committee serves as a consultative and coordination body for the HoFIUs.
- Originally, there were five Working Groups (WGs) within the EG, each had a Chair & Vice Chairs. Since 2016, they were restructured into four WGs:
 - Information Exchange on ML/TF WG
 - Membership, Support & Compliance WG
 - Policy & Procedures WG
 - Technical Assistance & Training WG
- There are eight Regional Groups within the EG:
 - Asia & Pacific
 - Americas
 - Europe I
 - Europe II
 - East & Southern Africa
 - West & Central Africa
 - Middle East & Northern Africa
 - Eurasia
- The Egmont Secure Web (ESW) is the electronic communication system that allows encrypted sharing of e-mails, financial intelligence and other information among EG member FIUs.
- The Egmont Group Secretariat (EGS) is located in Toronto-Canada and provides strategic, administrative and other support to the EG activities.
- The EG has its own charter as well as principles for information exchange that were last updated in July 2013 in the South Africa EG plenary.

- The SIC joined the EG in 2003, and was among the first from the MENA region.
- The SIC is active in the work of all Working Groups.
- The SIC co-sponsored a number of MENA FIUs to obtain EG membership, and has also provided technical assistance to FIUs.
- The SIC participated in the Charter Review Project and in the Task Team that worked on the implementation of the EG Strategic Plan for 2014–2017.
- In January 2015, the SIC Secretary General was elected as the MENA Regional Representative. The main roles and functions of the Regional Representatives include with respect to their regions the following:
 - Representing their regions in the EC, and communicating FIUs developments, views and interests to the EC.
 - Developing a regional action plan in coordination with FIUs and ensuring its effective implementation.
 - Facilitating & coordinating training and technical assistance for FIUs as needed.
 - Assisting in identifying, where applicable, possible sponsors for candidate FIUs.
 - Engaging, as appropriate, in all aspects of the Support & Compliance Process.
- In June 2015, the SIC Secretary General was appointed as Vice Chair of the Egmont Committee. The main roles and functions of the EC Vice Chairs include:
 - Supporting and advising the EG Chair on matters affecting the EG.
 - Representing the EG in ceremonial duties as needed.
 - Acting as a Chair in the absence of the EG Chair.
- The SIC joined in 2016 the team working on the “Egmont Centre of FIU Excellence and Leadership (ECOFEL)” project.

Chapter Four

Role of the National Committees

Role of the **National Committee** for Coordinating **AML Policies**

As is the case for all inter-agency committees, the National Committee for Coordinating AML Policies plays an important role in addressing challenges and fostering coordination among Lebanese agencies involved in the fight against money laundering. This Committee serves as a forum to exchange views and suggestions leading up to the adoption and constant review of a national AML strategy that aims to enhance Lebanon's AML regime. Moreover, it serves as a platform for follow up to ensure that the said strategy is being implemented.

In addition, keeping track of evolving AML international standards and recommending how such standards should be tailored and integrated into laws, regulations or best practices, not to mention addressing points highlighted in Lebanon's mutual evaluation report remain at the core of the Committee's work and a top priority in its yearly meetings.



Dr. Muhammad Baasiri
Vice Governor

MILESTONES

- Suggested by the Governor of Banque du Liban in September 2002.
- Established by the Lebanese Council of Ministers in October 2002.
- Comprised of Banque du Liban's Vice Governor as Chair, with members including the SIC Secretary, representatives from the General Prosecutor, Banking Control Commission, Customs Directorate and the Internal Security Forces.
- Assigned with tasks including improving coordination among concerned national authorities.
- Chaired by Banque du Liban's Vice Governor Dr. Marwan Nsouli (2002–2008).
- Suggested expansion to include additional authorities as members made by the Governor of Banque du Liban in August, 2007.
- Expanded by the Lebanese Council of Ministers in September 2007 to include representatives from the Ministry of Justice, Ministry of Finance, Ministry of Interior & Municipalities, Ministry of Foreign Affairs, Ministry of Economy & Trade and Beirut Stock Exchange.
- Chaired by Banque du Liban's Vice Governor Dr. Muhammad Baasiri (2009–present).
- Established its Secretariat in 2009.

Role of the **National Committee** on Suppressing **Terrorism Financing**

With the threat of “terrorism finance” on the rise and with the negative impact that such a crime has on countries, their financial sectors, and societies at large, the Lebanese Council of Ministers established in 2007 the National Committee on Suppressing Terrorism Financing. This was done to ensure that concerned national agencies are doing their best to fight and keep away this phenomenon.

Bringing together professionals on the matter to share expertise, knowledge and keep track of evolving international standards is of utmost concern to the Committee. Since its establishment, the Committee’s yearly meetings focus on recommending to the Council of Ministers actions that aim to keep the country’s “CFT” efforts at par with the international standards. This includes addressing the findings highlighted in Lebanon’s Mutual Evaluation Report on non-profit organizations, the UN 1999 Convention for the suppression of the financing of terrorism and certain penal code articles.



General Ibrahim Basbous
Director General of the Lebanese
Internal Security Forces

MILESTONES

- Suggested by the Governor of Banque du Liban in August 2007.
- Established by the Lebanese Council of Ministers in September 2007.
- Headed by the Ministry of Interior & Municipalities and includes members representing the Ministry of Justice, Ministry of Finance, Ministry of Foreign Affairs, General Prosecutor Office, Special Investigation Commission and Banque du Liban.
- Chaired by the representative of the Ministry of Interior & Municipalities, the Director General of the Lebanese Internal Security Forces, Gen. Ashraf Rifi, (2007–2013).
- Established its Secretariat in 2008.
- Chaired by the acting Director General of the Lebanese Internal Security Forces, Gen. Ibrahim Basbous effective mid. 2013.
- Adopted two Targeted Financial Sanctions Mechanisms for UNSCRs 1267 & 1373 in accordance with FATF Recommendation No.6.



SECTION II

Statistical **Data**

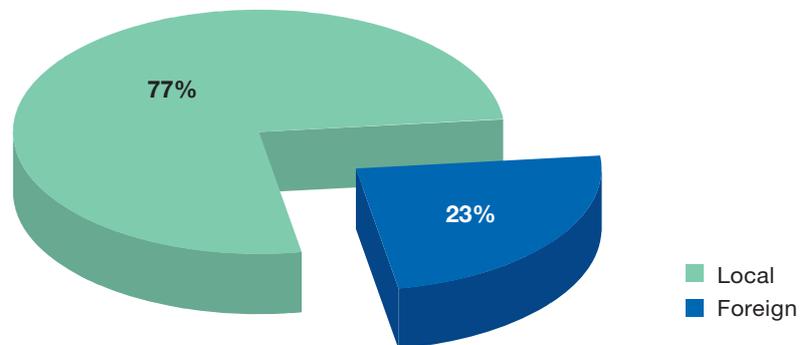
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Cases Received

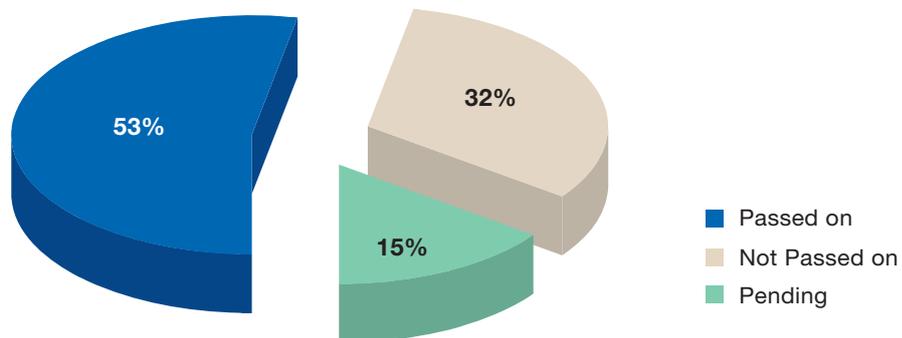
	Received Cases		Status of Received Cases					
	Number	% of Total	Passed on*	% of Total	Not Passed on	% of Total	Pending	% of Total
Local	363	77.2%	161	34.3%	141	30.0%	61	13.0%
Foreign	107	22.8%	88	18.7%	9	1.9%	10	2.1%
Total	470	100%	249	53.0%	150	31.9%	71	15.1%

*Cases forwarded to GP and/or requesting authorities

Received Cases



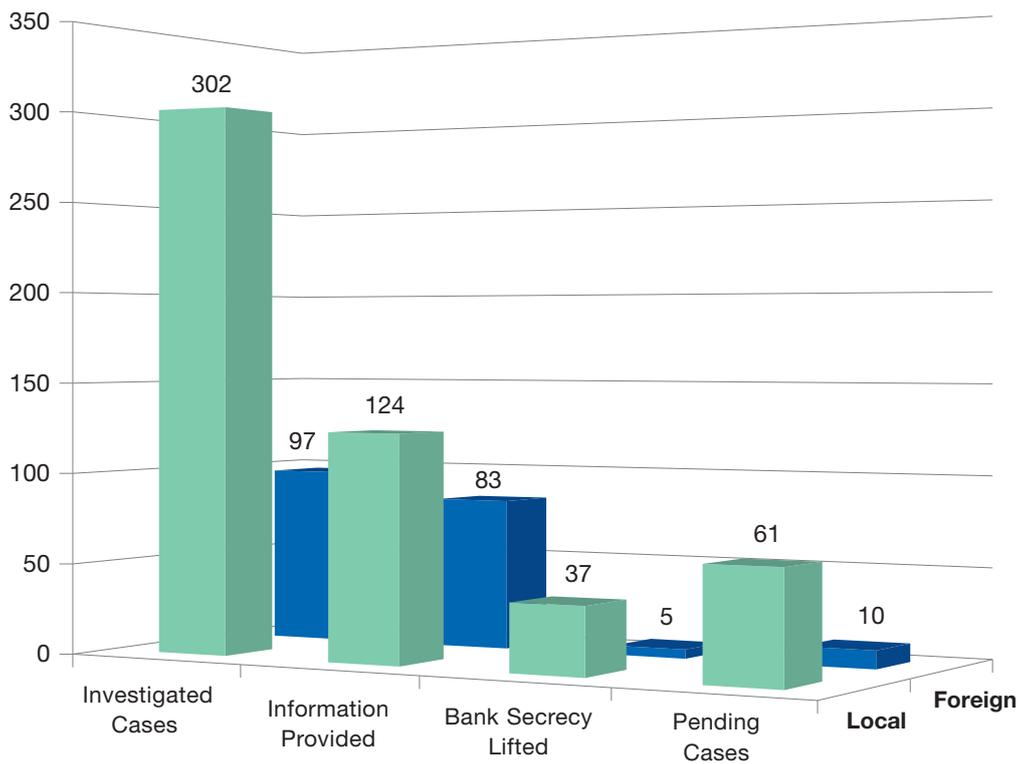
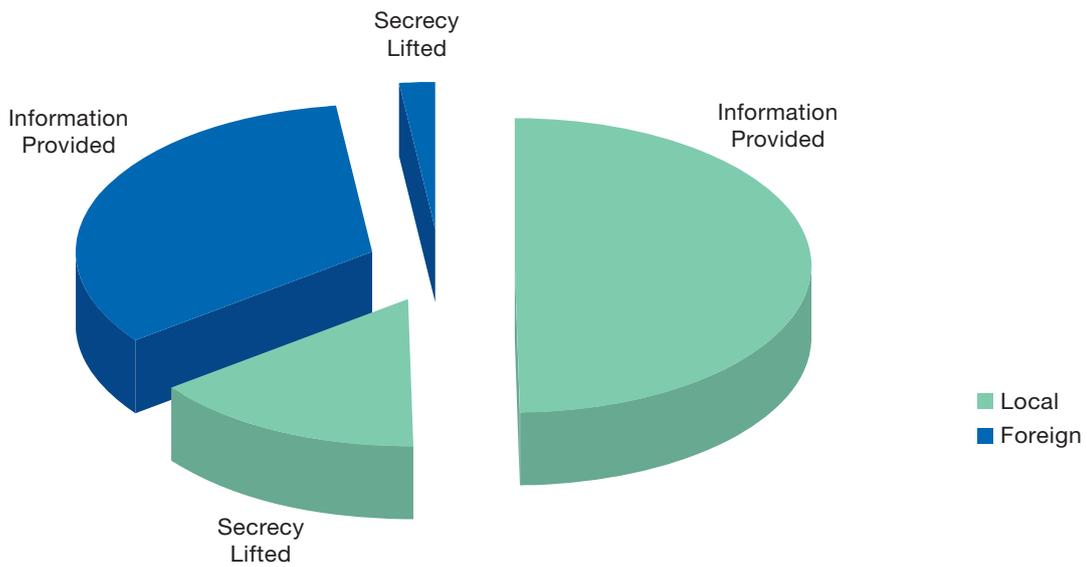
Status of Received Cases



Note: The 97 pending cases mentioned in year 2015 annual report were resolved in 2016 as follows:
61 Passed on, 31 not passed on and 5 still pending.

Bank Secrecy Lifted & Information Provided

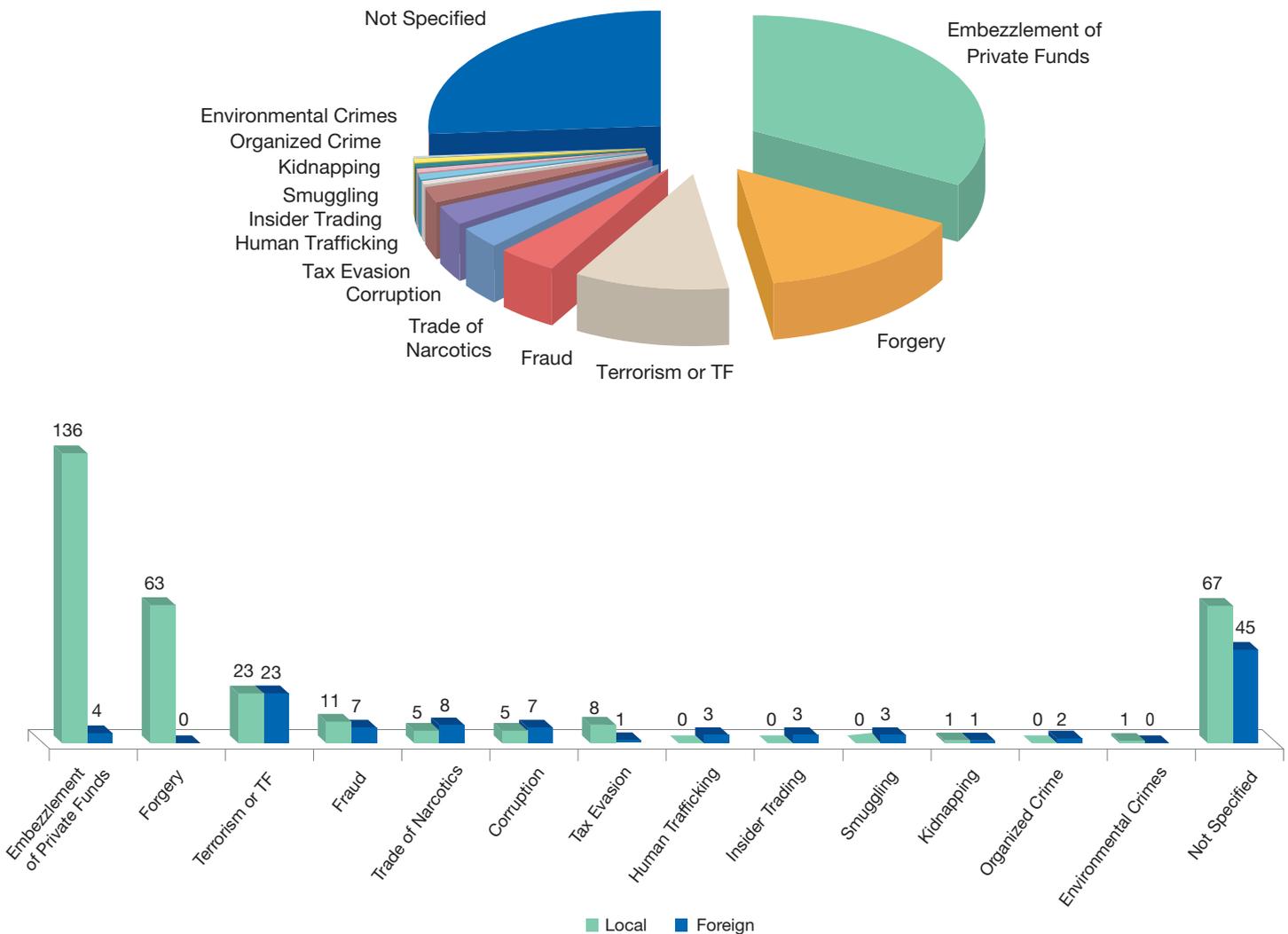
	Received Cases	Investigated Cases		Passed on				Pending Cases		
		Number	Number	% of Total	Information Provided (Including covered by Bank Secrecy)		Bank Secrecy Lifted		Number	% of Total
					Number	% of Investigated Cases	Number	% of Investigated Cases		
Local	363	302	64.3%	124	41.1%	37	12.3%	61	13.0%	
Foreign	107	97	20.6%	83	85.6%	5	5.2%	10	2.1%	
Total	470	399	84.9%	207	51.9%	42	10.5%	71	15.1%	



Breakdown of Cases by Predicate Offence*

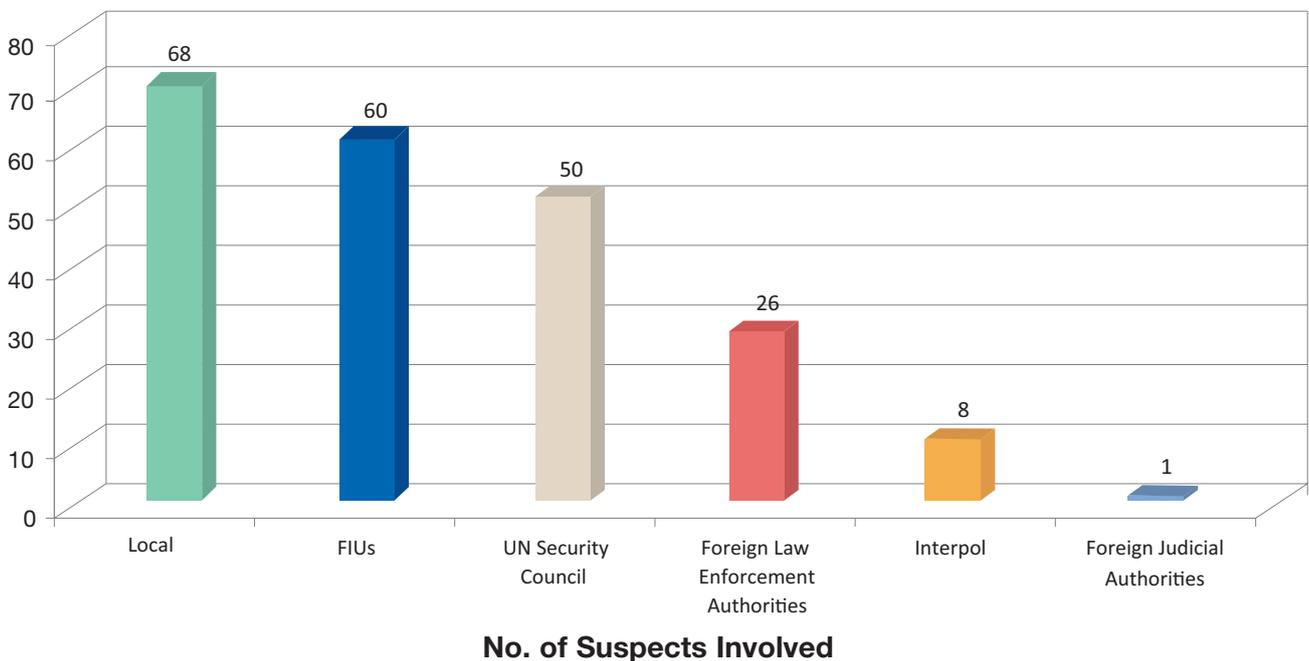
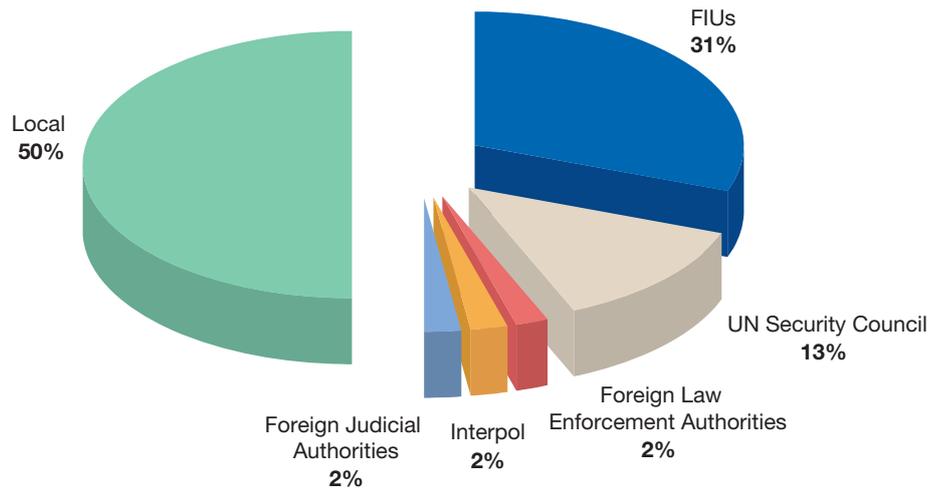
	Local Cases	Foreign Cases	Total Cases	% of Total
Embezzlement of Private Funds	136	4	140	32.8%
Forgery	63	0	63	14.8%
Terrorism or TF	23	23	46	10.8%
Fraud	11	7	18	4.2%
Trade of Narcotics	5	8	13	3.0%
Corruption	5	7	12	2.8%
Tax Evasion	8	1	9	2.1%
Human Trafficking	0	3	3	0.7%
Insider Trading	0	3	3	0.7%
Smuggling	0	3	3	0.7%
Kidnapping	1	1	2	0.5%
Organized Crime	0	2	2	0.5%
Environmental Crimes	1	0	1	0.2%
Not Specified	67	45	112	26.2%
Total	320	107	427	100%

*Excluding 29 Customs Cross Border Cash Cases and 14 Banking Control Commission Administrative Assistance Cases.



Terrorism or Terrorism Finance Related Cases

	Received		Investigated		Passed on		Pending	
	No. of Cases	No. of Suspects	No. of Cases	% of Received	No. of Cases	% of Received	No. of Cases	% of Received
Banks	3	3	2	66.7%	1	33.3%	1	33.3%
Police	6	20	4	66.7%	4	66.7%	2	33.3%
Ministries	13	34	13	100.0%	13	100.0%	0	0.0%
Other	1	11	1	100.0%	1	100.0%	0	0.0%
Total Local	23	68	20	87.0%	19	82.6%	3	13.0%
UN Security Council	6	50	6	100.0%	6	100.0%	0	0.0%
Foreign Law Enforcement Authorities	1	26	1	100.0%	1	100.0%	0	0.0%
Interpol	1	8	1	100.0%	1	100.0%	0	0.0%
Foreign Judicial Authorities	1	1	1	100.0%	1	100.0%	0	0.0%
FIUs	14	60	11	78.6%	10	71.4%	3	21.4%
Total Foreign	23	145	20	87.0%	19	82.6%	3	13.0%
Grand Total	46	213	40	87.0%	38	82.6%	6	13.0%



Handling Breakdown

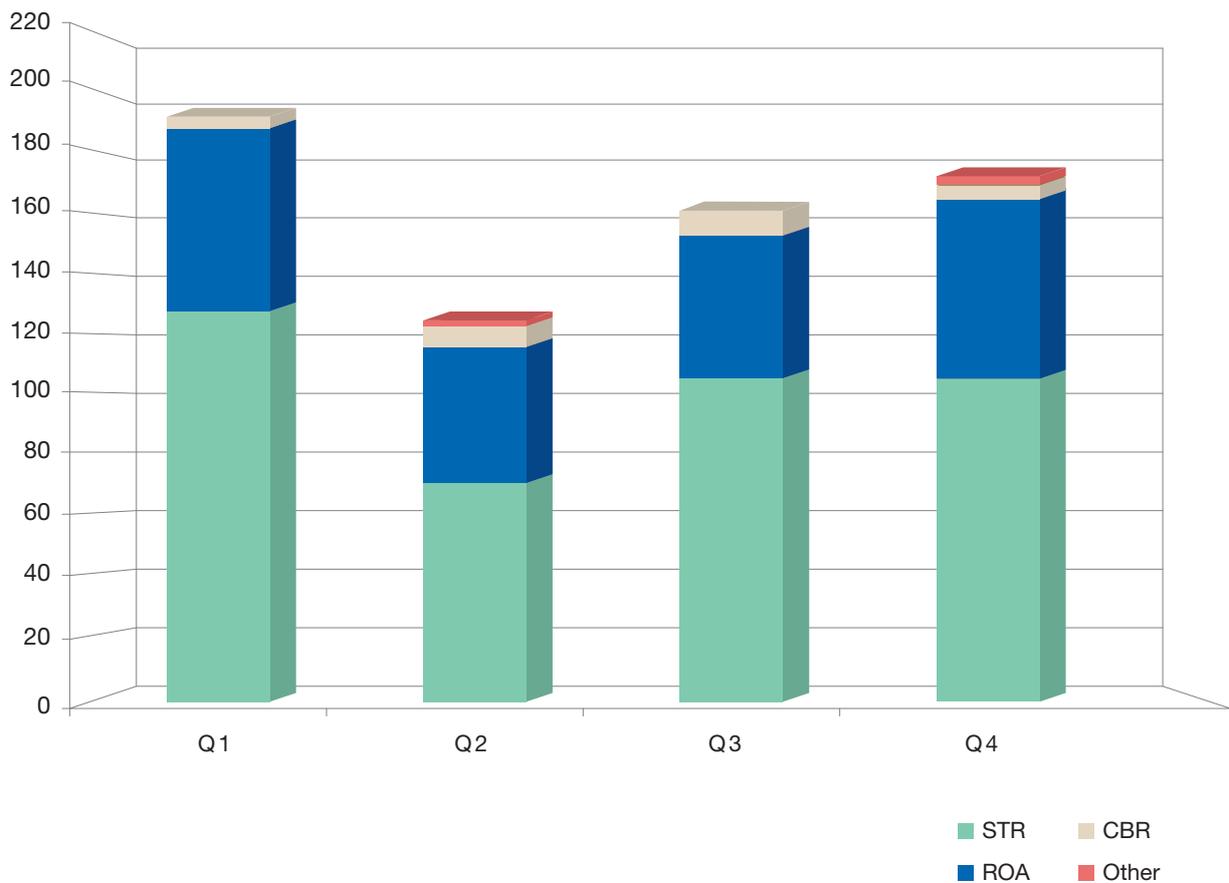
	1 st Q'16		2 nd Q'16		3 rd Q'16		4 th Q'16		Annual Total	
	No.	% of Q1 Total	No.	% of Q2 Total	No.	% of Q3 Total	No.	% of Q4 Total	No.	% of Annual Total
STR	129	65.2%	69	56.6%	106	65.4%	105	57.7%	409	61.6%
ROA	63	31.8%	47	38.5%	50	30.9%	62	34.1%	222	33.4%
CBR	6	3.0%	4	3.3%	6	3.7%	13	7.1%	29	4.4%
Other	0	0.0%	2	1.6%	0	0.0%	2	1.1%	4	0.6%
Total	198	100%	122	100%	162	100%	182	100%	664	100%

Note: The above does not include 514 Spontaneous Disclosures received / processed.

STR : Suspicious Transaction Report

ROA : Request of Assistance

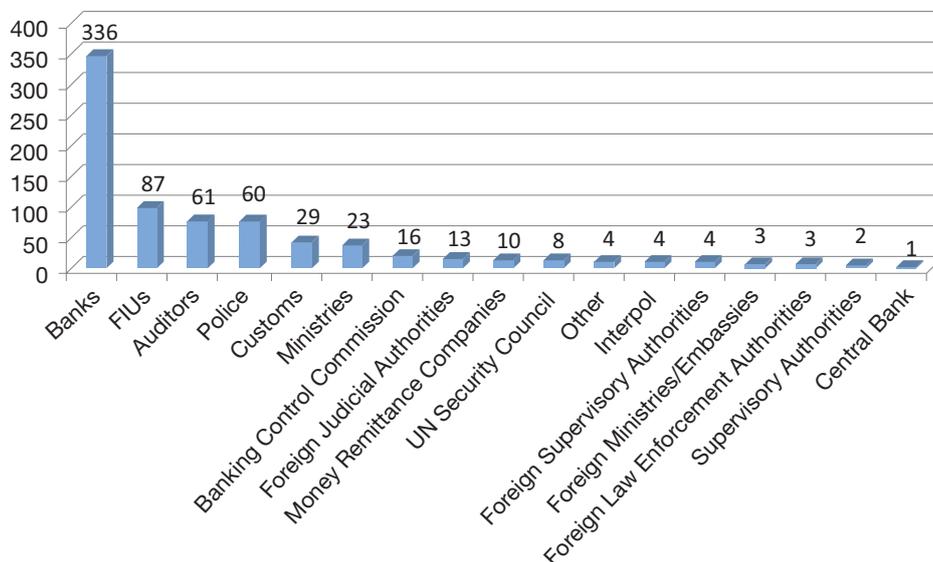
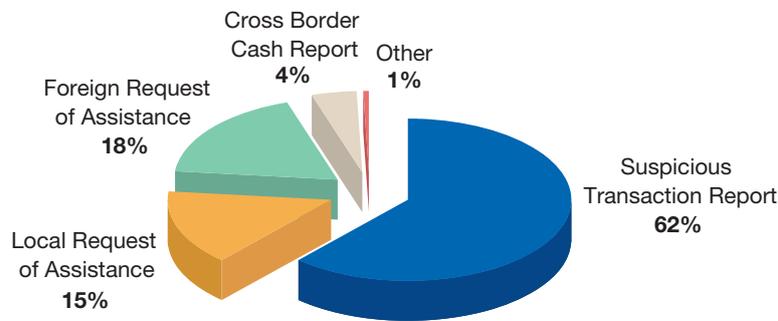
CBR : Cross Border Cash Report



Breakdown by Source & Type

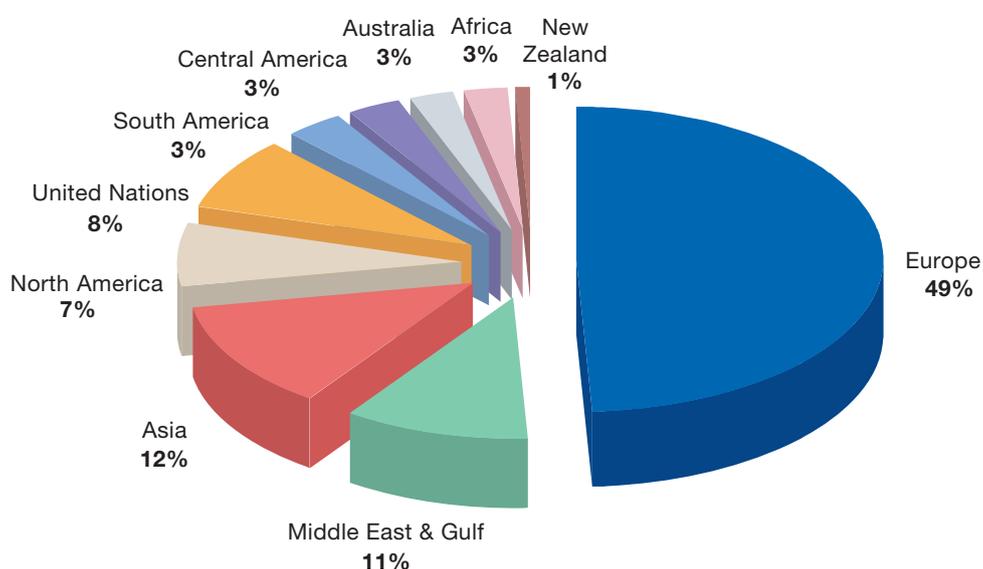
	Number	% of Grand Total
Banks	336	50.6%
Auditors	61	9.2%
Money Remittance Companies	10	1.5%
Banking Control Commission	2	0.3%
Total Suspicious Transaction Report	409	61.6%
Customs Cross Border Cash Report	29	4.3%
Police	60	9.0%
Ministries	23	3.5%
Banking Control Commission (Administrative Assistance)	14	2.1%
Supervisory Authorities	2	0.3%
Central Bank	1	0.2%
Total Local Request of Assistance	100	15.1%
FIUs	87	13.0%
Foreign Judicial Authorities	13	2.0%
UN Security Council	8	1.2%
Interpol	4	0.6%
Foreign Supervisory Authorities	4	0.6%
Foreign Law Enforcement Authorities	3	0.5%
Foreign Ministries / Embassies	3	0.5%
Total Foreign Request of Assistance	122	18.4%
Other (Local/Foreign Source)	4	0.6%
Grand Total	664	100%

Note: The above does not include 514 Spontaneous Disclosures received/processed.



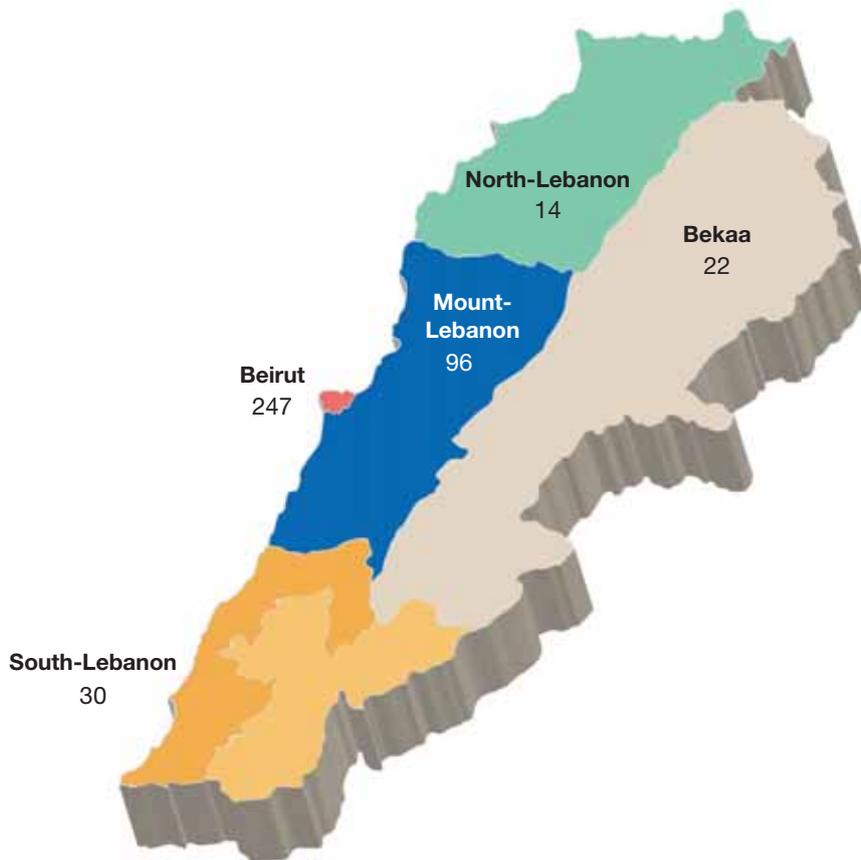
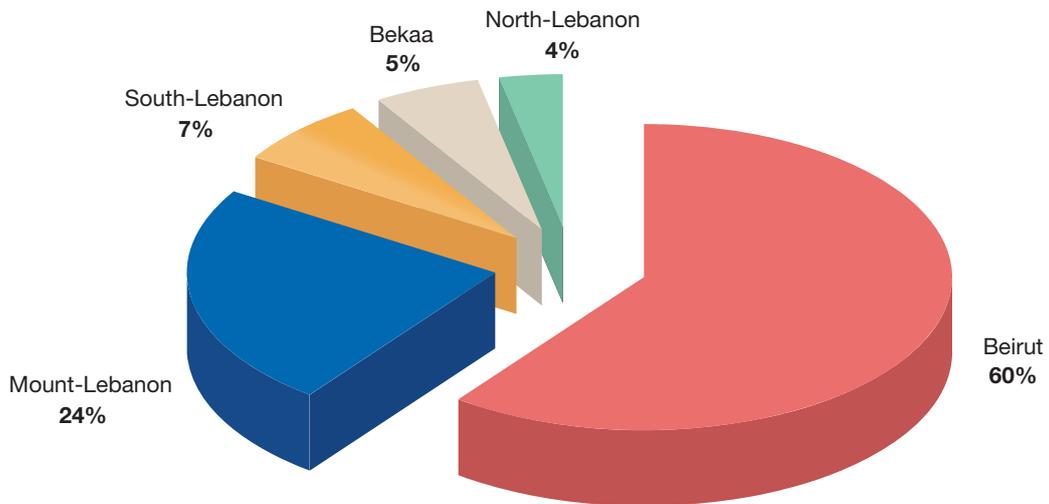
Source of Foreign ROAs

	No. of ROAs	% of Total		No. of ROAs	% of Total
Belgium	6	4.9%	Kazakhstan	1	0.8%
Bulgaria	1	0.8%	Kyrgyzstan	1	0.8%
Cyprus	3	2.5%	Malaysia	2	1.7%
France	11	9.0%	Philippines	1	0.8%
Greece	2	1.7%	Russia	5	4.1%
Hungary	4	3.3%	Asia	15	12.3%
Italy	5	4.1%	United States	9	7.4%
Malta	1	0.8%	North America	9	7.4%
Moldova	1	0.8%	Chile	3	2.5%
Netherlands	6	4.9%	Saint Lucia	1	0.8%
Poland	1	0.8%	South America	4	3.3%
Romania	5	4.1%	Iraq	7	5.7%
Saint Martin	2	1.7%	Kuwait	2	1.7%
San Marino	1	0.8%	Palestine	1	0.8%
Spain	1	0.8%	Saudi Arabia	1	0.8%
Sweden	2	1.7%	Syria	1	0.8%
Switzerland	4	3.3%	UAE	1	0.8%
Ukraine	3	2.5%	Middle East & Gulf	13	10.6%
United Kingdom	1	0.8%	Nepal	1	0.8%
Europe	60	49.3%	Nigeria	1	0.8%
Cayman Islands	1	0.8%	Tunisia	1	0.8%
Panama	1	0.8%	Africa	3	2.4%
Puerto Rico	1	0.8%	Australia	4	3.3%
Central America	3	2.4%	New Zealand	1	0.8%
Bangladesh	4	3.3%	United Nations	10	8.2%
Japan	1	0.8%	Total	122	100%



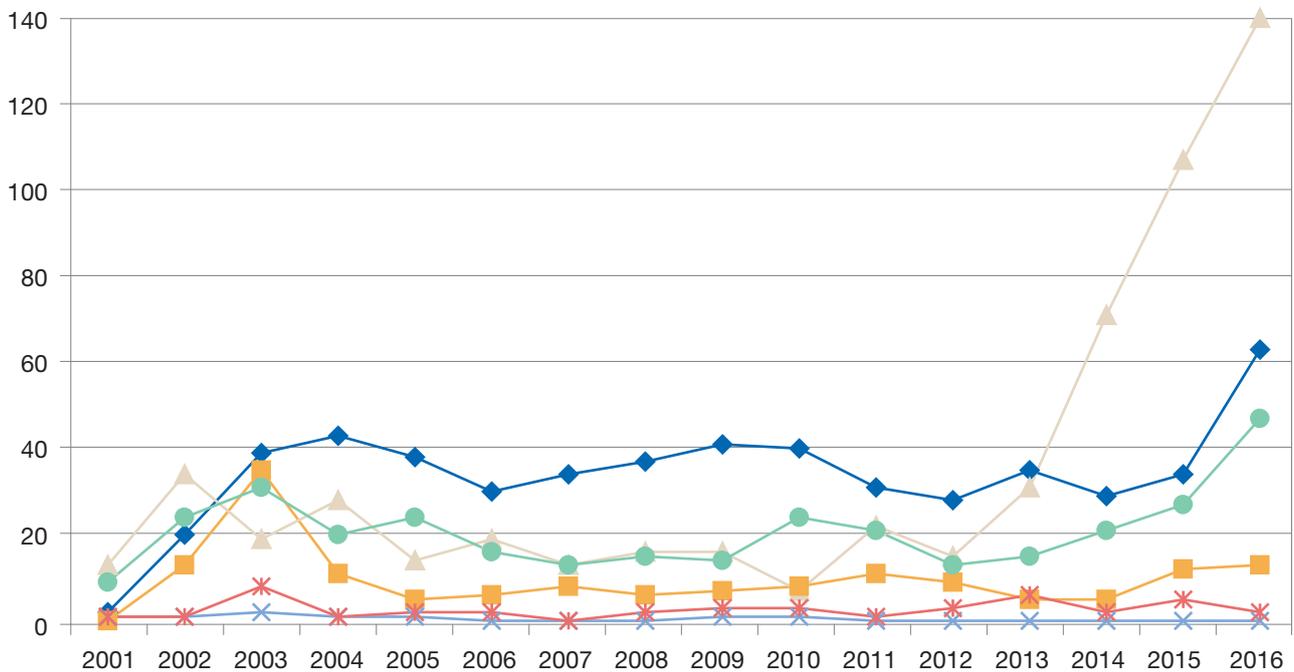
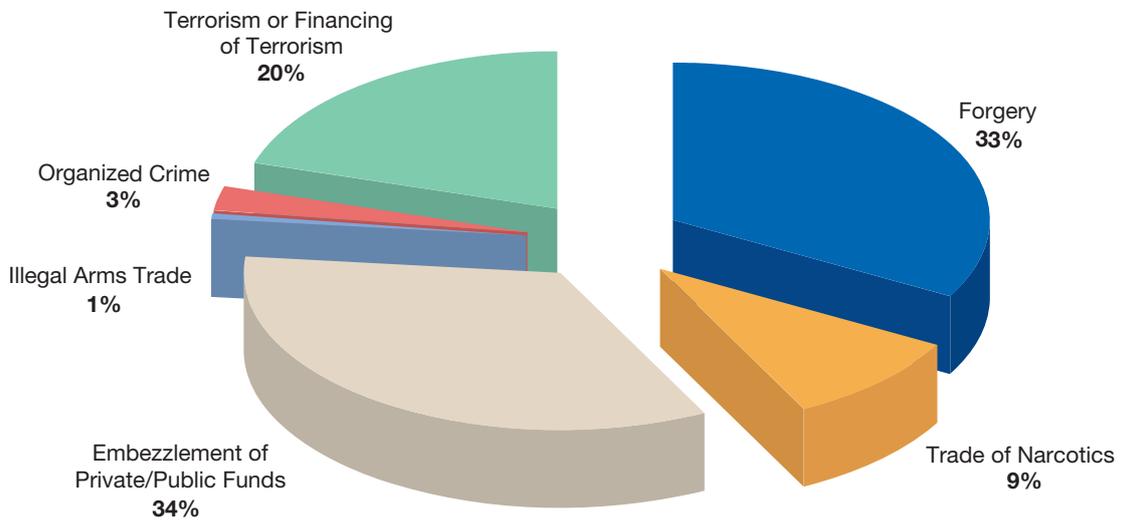
Geographic Distribution of STRs

	No. of STRs	% of Total
Beirut	247	60.4%
Mount-Lebanon	96	23.5%
South-Lebanon	30	7.3%
Bekaa	22	5.4%
North-Lebanon	14	3.4%
Total	409	100%

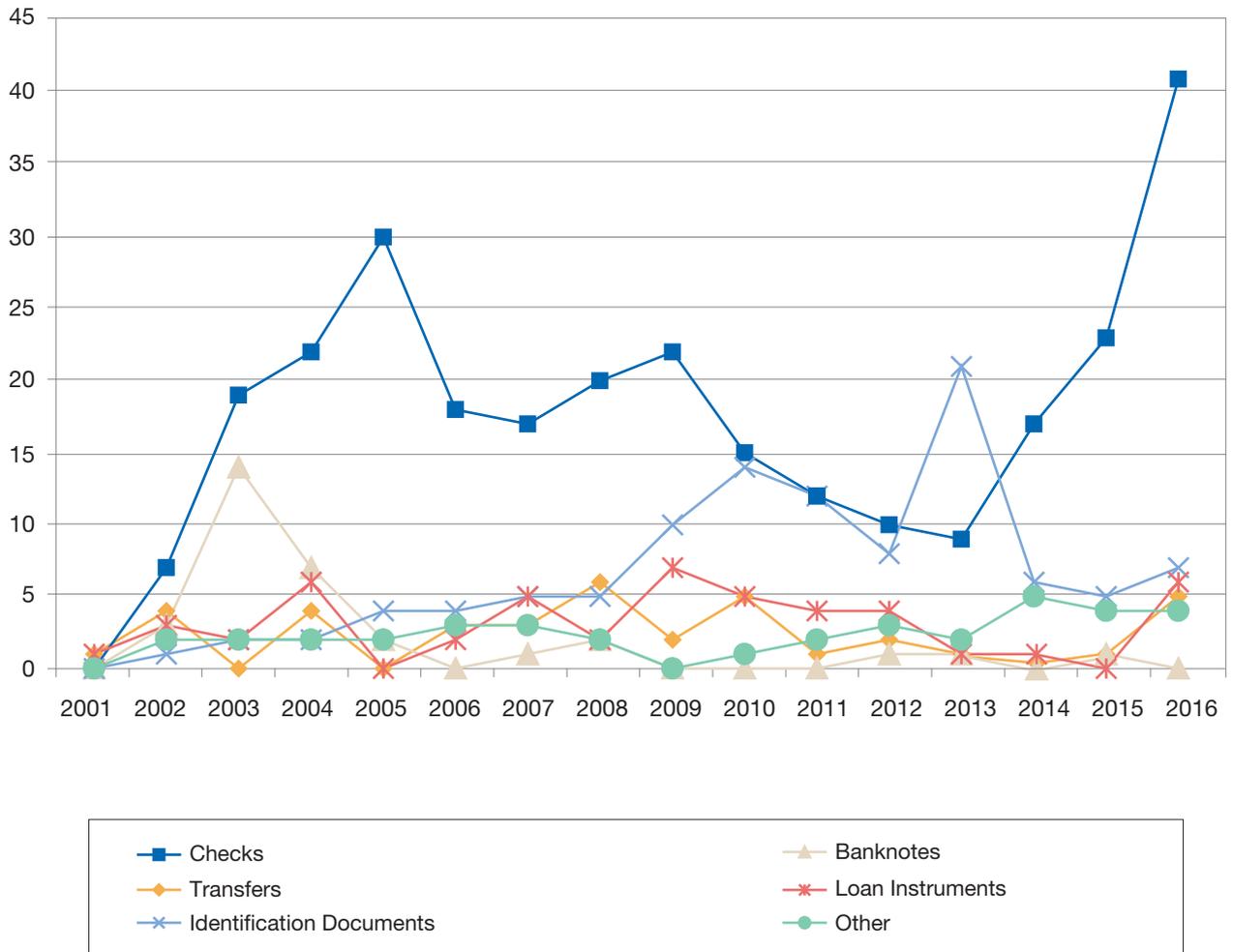
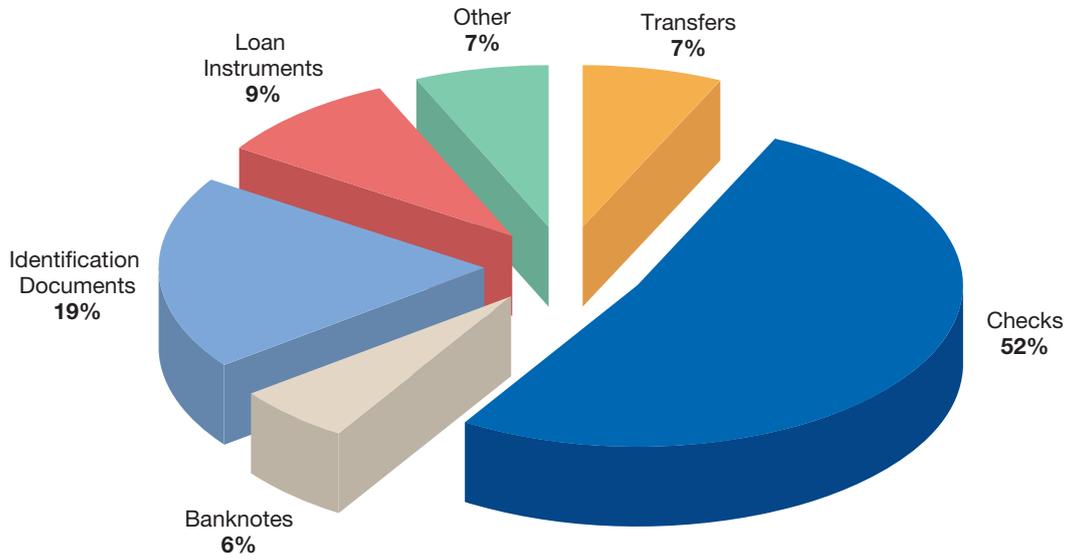


Indicators (2001 – 2016)

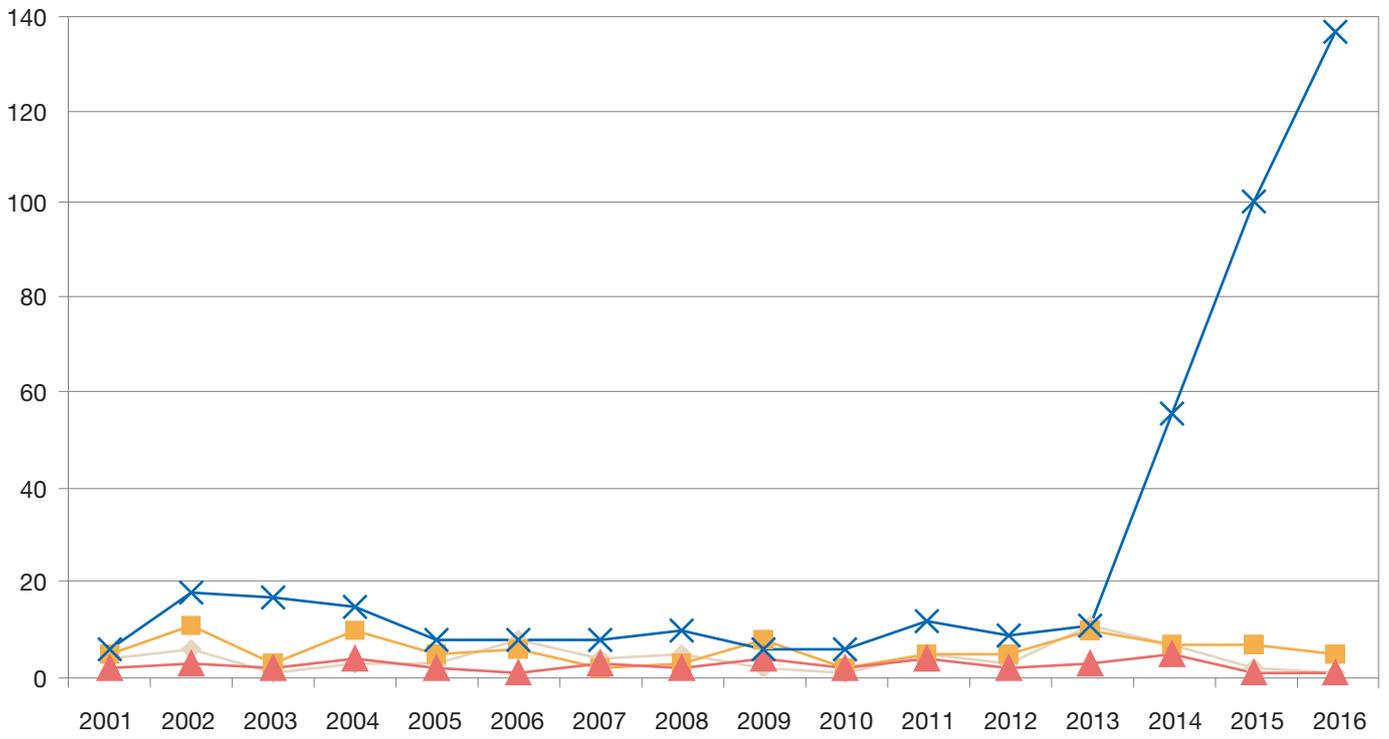
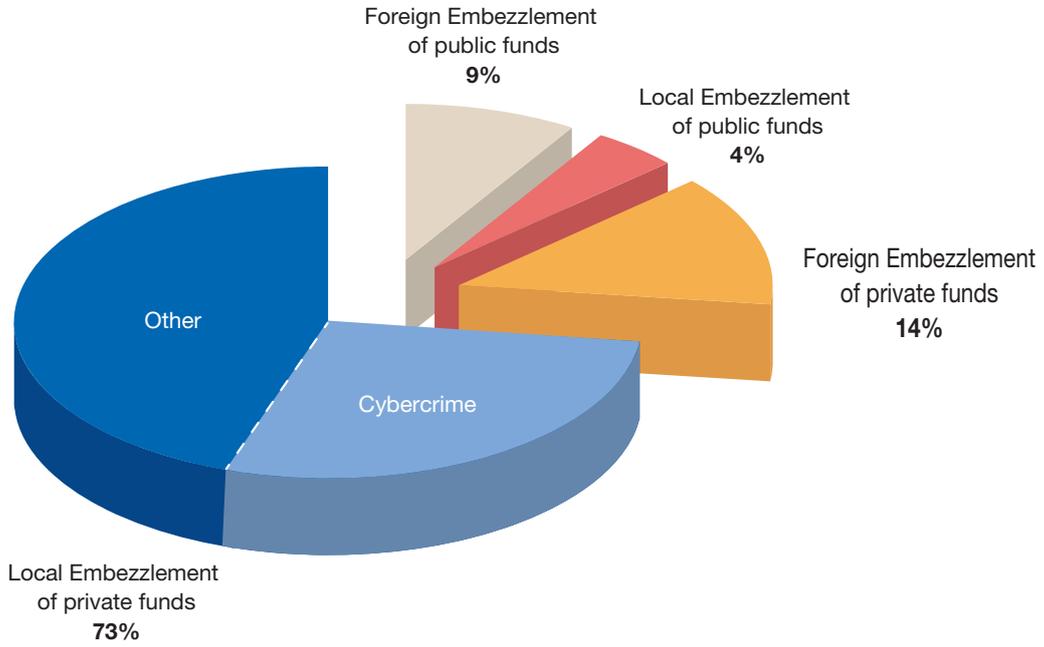
Nature of Specified Crimes



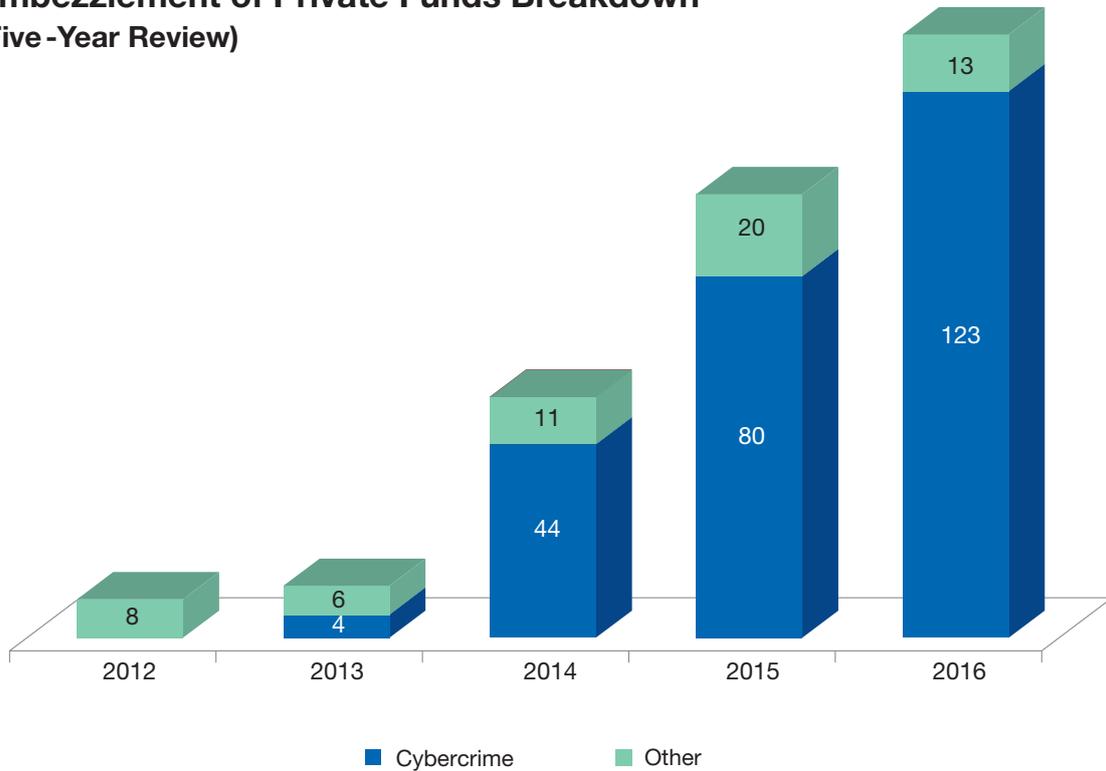
Forgery



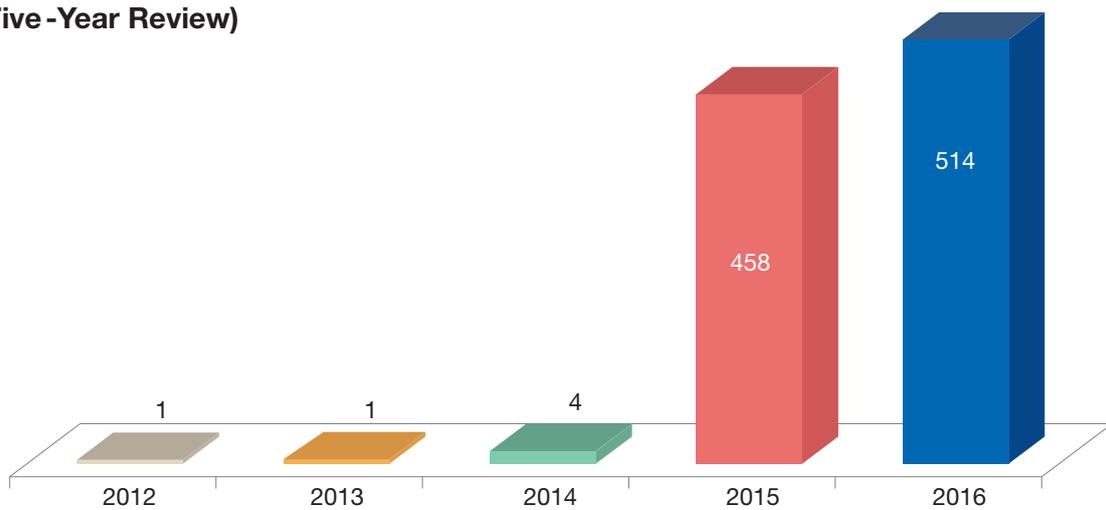
Embezzlement of Private/Public Funds



Embezzlement of Private Funds Breakdown (Five-Year Review)



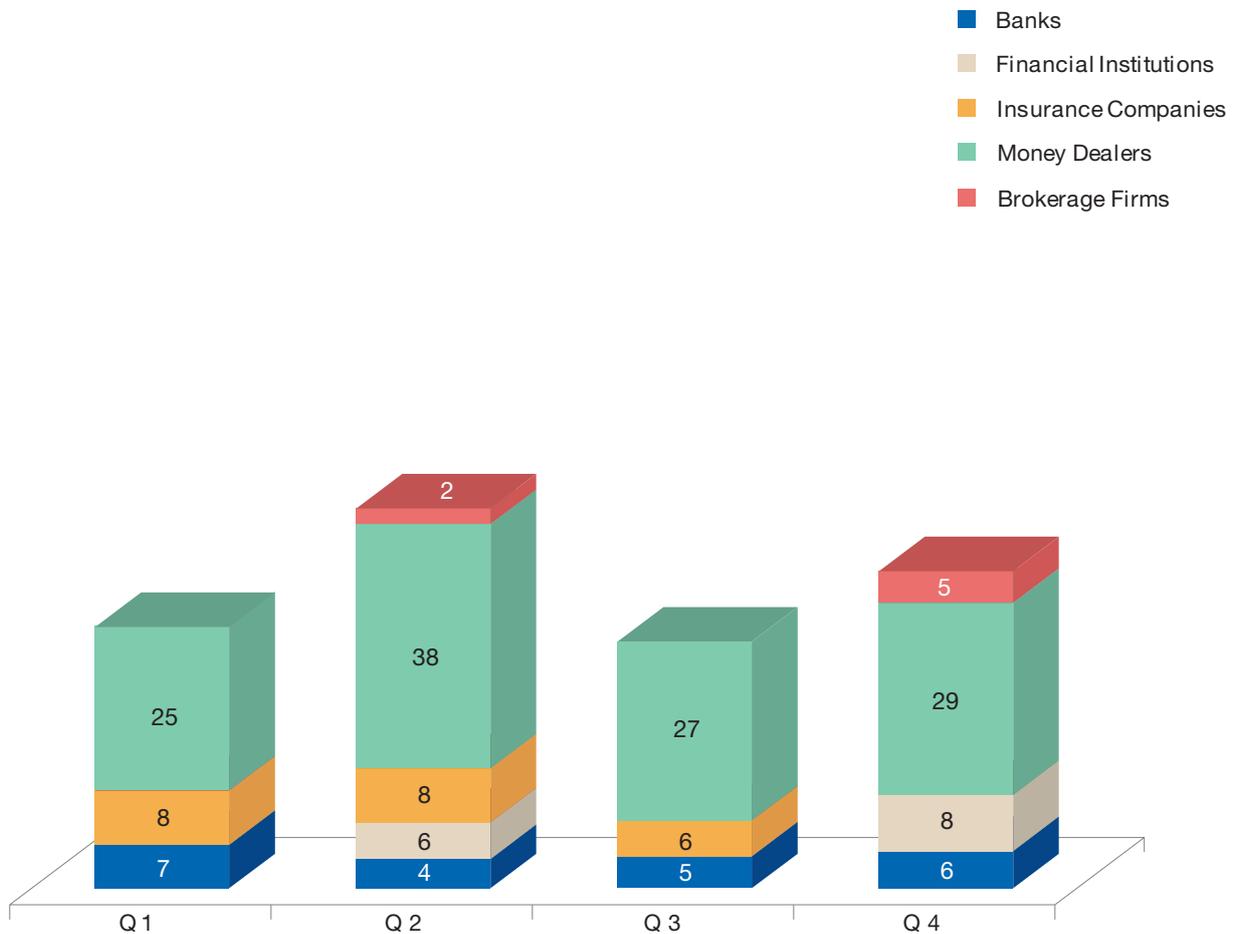
Spontaneous Disclosures (Five-Year Review)



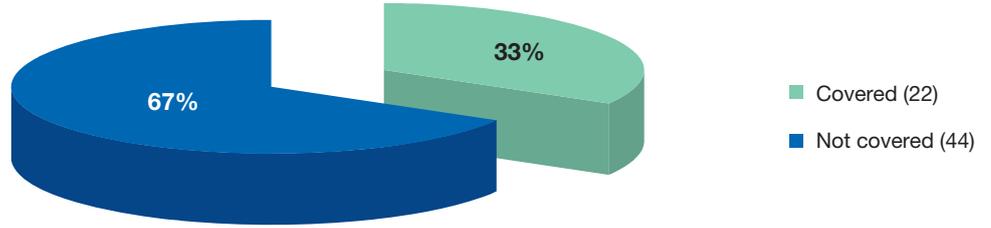
Note: The rise in the number of spontaneous disclosures exchanged with FIUs in the region is primarily related to the efforts to counter the financing of ISIL and affiliates.

AML/CFT On-Site Compliance Examinations

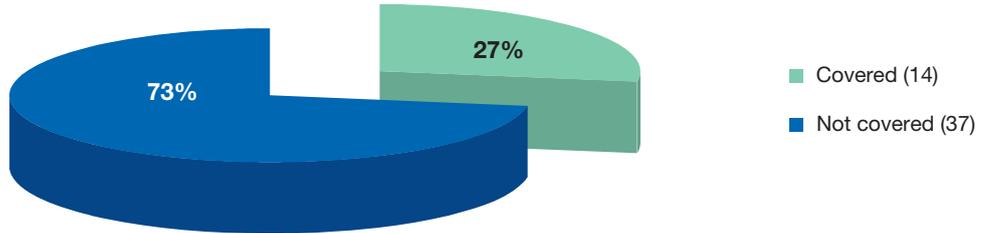
Reporting Entities		Q1 Coverage		Q2 Coverage		Q3 Coverage		Q4 Coverage		Annual Coverage	
Type	Total No.	No.	% of Q1 Total	No.	% of Q2 Total	No.	% of Q3 Total	No.	% of Q4 Total	No.	% of Reporting Entities Total No.
Banks	66	7	18%	4	7%	5	13%	6	13%	22	33%
Financial Institutions	51	0	0%	6	10%	0	0%	8	17%	14	27%
Insurance Companies	51	8	20%	8	14%	6	16%	0	0%	22	43%
Money Dealers	322	25	62%	38	66%	27	71%	29	60%	119	37%
Brokerage Firms	13	0	0%	2	3%	0	0%	5	10%	7	54%
Total		40	100%	58	100%	38	100%	48	100%		



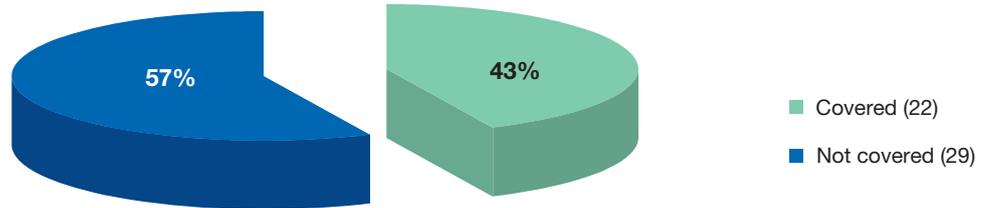
Banks



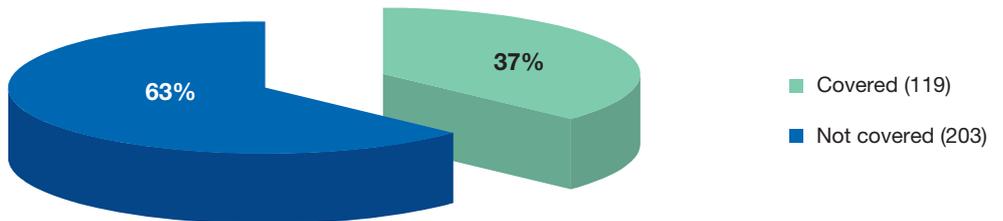
Financial Institutions



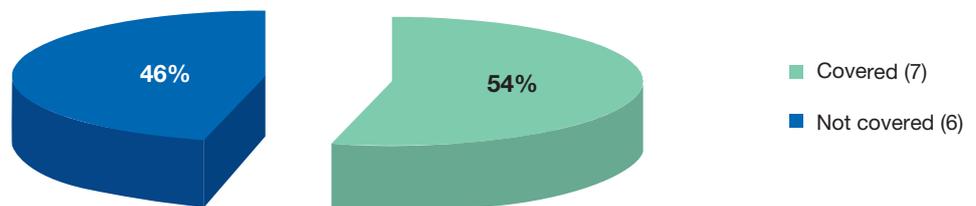
Insurance Companies



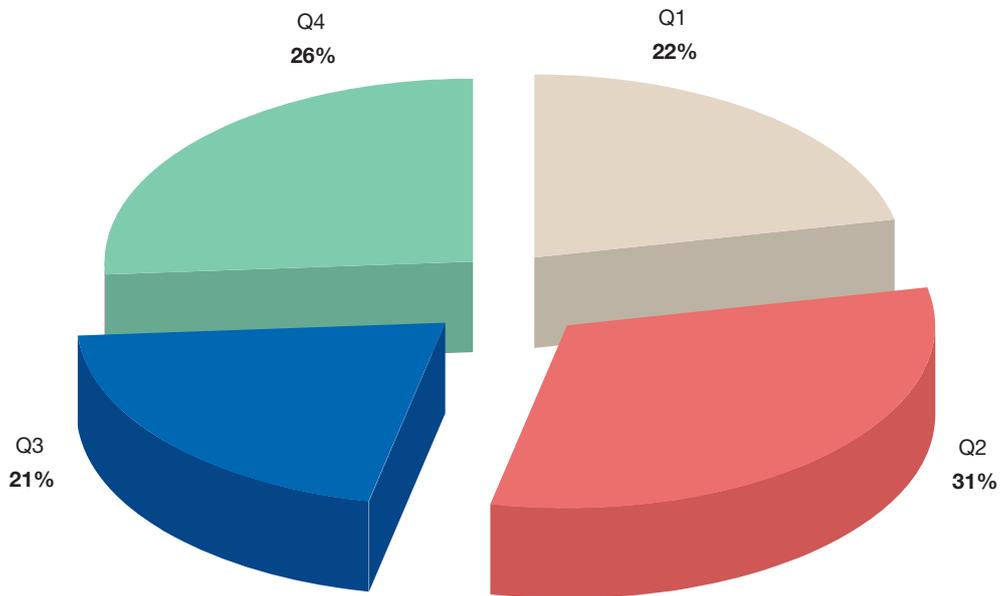
Money Dealers



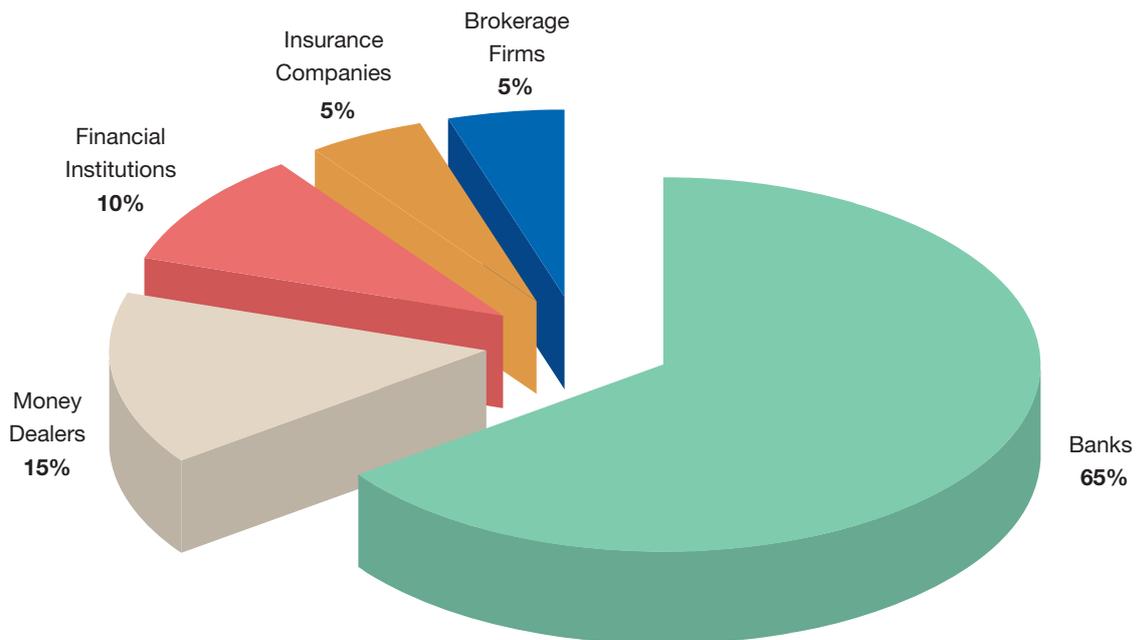
Brokerage Firms



Quarterly Distribution of On-Site Examinations



Time Distribution Across On-Site Examinations





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Law 44

The Law on Fighting Money Laundering and Terrorism Financing

The draft law required by Decree No. 8200 of May 24, 2012 (amending Law No. 318 of April 20, 2001, on Fighting Money Laundering) is adopted, as amended by the subcommittee of the joint parliamentary committees and the Parliament.

Article 1

For the purpose of this Law, illicit funds include assets, tangible and intangible, movable and immovable, including any legal documents or instruments evidencing title to, or interest in, such assets, resulting from the commission of, or the punishable attempted commission of, or the participation in any of the following offences, whether in Lebanon or abroad:

1. The growing, manufacturing, or illicit trafficking of narcotic drugs and/or psychotropic substances according to the Lebanese laws.
2. The participation in illegal associations with the intention of committing crimes and misdemeanors.
3. Terrorism, according to the provisions of Lebanese laws.
4. The financing of terrorism or terrorist acts and any other related activities (travel, organizing, training, recruiting...) or the financing of individuals or terrorist organizations, according to the provisions of Lebanese laws.
5. Illicit arms trafficking.
6. Kidnapping, using weapons or any other means.
7. Insider trading, breach of confidentiality, hindering of auctions, and illegal speculation.
8. Incitation to debauchery and offence against ethics and public decency by way of organized gangs.
9. Corruption, including bribery, trading in influence, embezzlement, abuse of functions, abuse of power, and illicit enrichment.
10. Theft, breach of trust, and embezzlement.
11. Fraud, including fraudulent bankruptcy.
12. The counterfeiting of public and private documents and instruments, including checks and credit cards of all types and the counterfeiting of money, stamps and stamped papers.
13. Smuggling, according to the provisions of the Customs Law.
14. The counterfeiting of goods and fraudulent trading in counterfeit goods.
15. Air and maritime piracy.
16. Trafficking in human beings and smuggling of migrants.

17. Sexual exploitation, including sexual exploitation of children.
18. Environmental crimes.
19. Extortion.
20. Murder.
21. Tax evasion, in accordance with the Lebanese laws.

Article 2

Money laundering is any act committed with the purpose of:

1. Concealing the real source of illicit funds, or giving, by any means, a false justification regarding the said source, while being aware of the illicit nature of these funds.
2. Transferring or transporting funds, or substituting or investing the latter in purchasing movable or immovable assets or in carrying out financial transactions for the purpose of concealing or disguising the such funds' illicit source, or assisting a person involved in the commission of any of the offences mentioned in Article 1 to avoid prosecution, while being aware of the illicit nature of these funds.

Money laundering is a separate offence that does not necessitate a charge with the underlying predicate offence. Charging the offender with an underlying predicate offence shall not preclude the pursuing of any legal proceedings against the latter for a money laundering offence, in case of variation in the elements of the offences.

Article 3

Whoever undertakes or attempts to undertake or incites or facilitates or intervenes or participates in:

1. Money-laundering operations, shall be punishable by imprisonment for a period of three to seven years, and by a fine not exceeding twice the amount laundered.
2. Terrorism financing operations or any related activities, shall incur the penalties stipulated in Article 316 bis and Articles 212 to 222 of the Penal Code.

Article 4

Banks, financial institutions, leasing companies, institutions that issue and promote credit or charge cards, institutions that perform money transfers electronically, exchange institutions, financial intermediation institutions, collective investments schemes, and any other institution requiring a license or supervised by Banque du Liban, must comply with the obligations specified below and with the regulations issued by Banque du Liban for the purpose of implementing the provisions of this Law:

1. To implement Customer Due Diligence measures on permanent customers (whether natural persons or legal persons or unique legal arrangements), in order to check their identity on the basis of reliable documents or information or data.

2. To implement Customer Due Diligence measures on transient customers to verify their identity, if the amount of a single operation or series of operations exceeds the threshold designated by Banque du Liban.
3. To determine the identity of the economic right owner and take the steps needed to verify this identity, on the basis of reliable documents or information or data.
4. To retain copies of related documents of all operations, and to retain information or data or copies of the customers' identification documents, for at least five years after performing the operations or ending the business relationship, whichever longer.
5. To continuously monitor and review the business relationship.
6. To apply the measures specified in Paragraphs 1 to 5 above to permanent and transient customers, whenever there are doubts regarding the accuracy or adequacy of declared customer identification data, or whenever there is a suspicion of money laundering or terrorism financing, regardless of any thresholds or exemptions that limits the implementation of these measures.
7. To take into account the indicators that flag the likelihood of a money laundering or terrorism financing operation, as well as the due diligence principles to detect suspicious operations.

Article 5

Institutions not subjected to the Banking Secrecy Law of September 3, 1956, particularly insurance companies, casinos, real estate dealers and agents, and merchants of valuables (jewelry, precious stones, gold, works of art, antiques), must keep records of operations that exceed the threshold designated by the "Special Investigation Commission" (hereinafter referred to "the Commission") that was established pursuant to Article 6 of this Law. Such institutions must also comply with the obligations specified in Article 4 above and with the regulations and recommendations issued by "the Commission" for the purpose of implementing the provisions of this Law. Certified accountants and notaries must implement these obligations, when preparing or carrying out on behalf of their customers any of the following activities:

- Buying and selling of real estate.
- Management of customers' movable and immovable assets, in particular transactions consisting of money accumulation and joint investment.
- Management of bank accounts and securities accounts.
- Organization of contributions for the establishment or management of companies.
- Establishment or management of legal persons or unique legal arrangements, and buying and selling of single person enterprise or companies.

The same obligations shall apply to lawyers when they carry out any of the above-mentioned activities. The implementation rules of these obligations shall be specified pursuant to a mechanism to be set by the Beirut Bar Association and the Tripoli Bar Association, taking into account the particularities and rules of the Legal Profession.

Article 6

An independent, legal entity with judicial status shall be established at Banque du Liban, referred to as "the Special Investigation Commission" or "the Commission", which shall discharge its functions without being subject to Banque du Liban's authority.

1. The "Special Investigation Commission" shall consist of:
 - The Governor of Banque du Liban or, in case of impediment, one of the Vice-Governors he designates. **Chairman**
 - The judge appointed to the Higher Banking Commission or, in case of impediment, an alternate judge appointed by the Higher Judicial Council for a period equal to the term of the initially appointed judge. **Member**
 - The Chairman of the Banking Control Commission or, in case of impediment, a member of the latter designated by its Chairman. **Member**
 - A principal member and an alternate member appointed by the Council of Ministers upon proposal of the Governor of Banque du Liban, provided each of them has an experience of at least 15 years in financial or banking law. **Member**
2. The mission of the "Special Investigation Commission" is:
 - To receive suspicious transaction reports (STRs) and requests of assistance; to investigate operations that are suspected to be money-laundering or terrorism financing offences; to decide on the seriousness of evidence and circumstantial evidence related to the commission of any such offence(s); to take in this regard the adequate decision, particularly the precautionary and temporary freezing of the suspicious accounts and/or transactions, for a maximum period of one year renewable once for six months concerning foreign requests of assistance, and for a maximum period of six months renewable once for three months concerning local STRs and requests of assistance.
 - To ensure compliance by the parties referred to in Articles 4 and 5 above with the obligations stipulated in this Law and in the regulations issued in relation thereto, except for lawyers, certified accountants and notaries, without prejudice to the provisions of Paragraph 2 of Article 17 of this Law.

- To collect and retain the information received from the parties referred to in Articles 4 and 5 above, as well as the information received from Lebanese and foreign official authorities, and all other collected information, and to share such information with the Commission's counterparts, in its capacity as the competent authority and the official center to undertake such a task.
 - To issue regulations on the implementation of the provisions of this Law addressed to the parties referred to in Article 5 above, and to issue recommendations to all concerned parties.
3. After conducting the necessary audit and analysis, "the Commission" is the solely certified to decide:
- To permanently freeze the concerned accounts and/or transactions, and/or to lift the banking secrecy in favor of the competent judicial authorities and the Higher Banking Commission represented by its Chairman on accounts or transactions suspected to be related to money laundering or terrorism financing.
 - To keep suspicious accounts as traceable accounts.
- "The Commission" may withdraw any of its decisions, in whole or in part, in case it obtains any new relevant information.
4. "The Commission" is entitled to:
- a) Attach an encumbrance on the records and entries pertaining to movable or immovable assets, indicating that such assets are under investigation by "the Commission". The encumbrance shall be kept until doubts are erased or until a final decision in this regard is taken,
 - b) Request the Public Prosecutor of the Court of Cassation to take preventive measures concerning the movable and immovable assets that have no records or entries, so as to prevent the use of such assets until a final judicial decision in this regard is taken,
- when there is a suspicion that these assets are related to money laundering or terrorism financing, and/or during the precautionary, temporary freezing of suspicious accounts and/or transactions, as specified in Paragraph 2 of this Article, and/or during the permanent freezing of these accounts and/or transactions, as specified in Paragraph 3 of this Article.
5. "The Commission" requires from concerned persons and parties, whether public or private, to take the necessary measures to prevent the use of movable or immovable assets belonging to any names designated or to be designated on the national lists issued by the competent Lebanese authorities or any other lists it circulates concerning terrorism and terrorism financing and any acts related thereto.
- The concerned persons and parties, whether public or private, must comply without any delay to this requirement.
6. "The Commission" shall meet, upon its Chairman's call, at least twice a month and when needed. The legal quorum requires the presence of three members at least.
 7. "The Commission" shall take its decisions at a majority of the attending members. In case of a tie, the Chairman shall have a casting vote.
 8. "The Commission" shall appoint a full-time Secretary General, who shall be responsible for the tasks assigned to him by "the Commission", for implementing its decisions and for directly supervising its regular and contractual staff and the persons delegated by "the Commission" for a specific mission. The provisions of the Banking Secrecy Law of September 3, 1956 shall not be opposed to any of them.
 9. The members of "the Commission", its regular and contractual staff, as well as the persons delegated by "the Commission" for a specific mission, shall be bound by the obligation of confidentiality.
 10. "The Commission" shall set its operating rules, as well as the internal rules governing its regular and contractual staff, who are subject to private law.
 11. The expenses of "the Commission" and its ancillary bodies shall be borne by Banque du Liban as part of the budget prepared by "the Commission", provided the budget is approved by the Central Council of Banque du Liban.

Article 7

The parties referred to in Articles 4 and 5 of this Law, including certified accountants and notaries, when preparing or carrying out on behalf of their customers any of the activities mentioned in Article 5 above must promptly report to the Chairman of "the Commission" the details of operations undertaken or attempted to be undertaken that are suspected to be related to money laundering or terrorism financing.

The same obligations shall apply to lawyers, according to a mechanism to be set by the Beirut Bar Association and the Tripoli Bar Association, taking into account the particularities and rules of the Legal Profession.

The supervisors of the Banking Control Commission must, through the Chairman of the latter, report to the Chairman of "the Commission" any operations they suspect to be related to money laundering or terrorism financing and which they are aware of while performing their duties.

The auditors of the parties referred to in Article 4 above must promptly report to the Chairman of "the Commission" the details of the operations they suspect to be concealing money-laundering or terrorism financing and which they are aware of in the course of performing their work.

Article 8

1. "The Commission" shall convene after receiving information from the parties referred to in Article 7 above, or after receiving information from Lebanese or foreign official authorities.
2. After the assessment and analysis of the information relating to the case under examination, "the Commission" shall either decide to take notice, or conduct the required investigation, particularly by auditing the accounts or operations, or investigating the suspicious assets. "The Commission" shall conduct its investigations through a delegated person chosen amongst its members or its concerned officers, or through its Secretary General or an appointed auditor. All these persons shall perform their duties subject to confidentiality obligations, and without being opposed to the provisions of the Banking Secrecy Law of September 3, 1956.
3. Upon the completion of its audit and analysis, "the Commission" shall take its decisions in accordance with the provisions of Paragraphs 2, 3, and 4 of Article 6 of this Law.
4. If "the Commission" decides to lift the banking secrecy off the concerned accounts and/or to freeze them permanently and/or to request the maintain of the prohibition to dispose of the assets, it shall send a certified true copy of its decision to the Public Prosecutor of the Court of Cassation, the Higher Banking Commission through its Chairman, the concerned party, and the concerned local or foreign bodies, either directly or by the same means/body through which the information was received.
5. In case the Public Prosecutor of the Court of Cassation decides to drop the case of money laundering and discontinue the proceedings, the frozen accounts and all other assets shall be deemed free. The decision to drop the case shall be notified to "the Commission", and the latter shall not be entitled to maintain the lifting of the banking secrecy, the freezing and the prohibition to dispose of the assets, and shall immediately notify the concerned banks and any other concerned parties thereof. However, if "the Commission" finds, before implementing the decision, any new evidence or circumstantial evidence that justifies the maintain of the freezing, of the prohibition to dispose of the assets, and of the lifting of the banking secrecy, then it must send a justified report, along with the documents containing such evidence or circumstantial evidence to the Public Prosecutor of the Court of Cassation who may decide, where applicable, to widen the investigation in light of the new information.
6. In case the Instruction Judge or the Chamber of Accusation issues a final decision dismissing any legal prosecution, as well as in the case of a final judgement or decision that ceases the legal proceedings or states the innocence of the holders of frozen accounts or

assets not to be disposed of, these accounts and assets shall be deemed free, and a copy of the judgement or decision shall be notified to "the Commission" through the Public Prosecutor of the Court of Cassation. "The Commission" shall in turn notify the ruling or the decision to the concerned banks and other concerned parties. "The Commission" shall not be empowered to lift again the banking secrecy off the accounts or to reinstate the freezing decision and to prevent again the use of the accounts and assets, covered by the decision dismissing the legal prosecution, except through the mechanism stipulated in Article 127 of the Code of Criminal Procedures.

Article 9

The Chairman of "the Commission" or any person delegated by the Chairman may directly communicate with any Lebanese or foreign authority (judicial, administrative, financial, or security) in order to request information or take cognizance of the details of previously conducted investigations that are linked or related to ongoing investigations by "the Commission". The concerned Lebanese authorities must promptly respond to this information request, and shall not be subject to any confidentiality obligation.

Article 10

The Chairman of "the Commission" or any person delegated by the Chairman may directly request from the parties referred to in Articles 4 and 5 above to provide "the Commission" with all the documents and information needed to perform its duties. Such parties must respond to this request within a reasonable period of time.

Article 11

Reporting entities, as well as their Board members, officers and employees, are prohibited from disclosing or insinuating to anyone that a suspicious transaction report or other relevant information is submitted or intended to be submitted to "the Commission", or that "the Commission" is inquiring about customers or auditing their operations or accounts.

Article 12

Within the scope of their work, the Chairman, members, staff and delegates of "the Commission", shall enjoy immunity. Thus, they may not be prosecuted or sued, neither collectively nor individually, for any civil or criminal liability related to the performance of their duties, including offences specified by the Banking Secrecy Law of September 3, 1956, except in case such secrecy is breached.

The parties referred to in Articles 4 and 5 above and their staff, as well as the supervisors of the Banking Control Commission and auditors, shall also enjoy the same immunity in performing their duties under the

provisions of this Law or according to the decisions of “the Commission”, particularly when they report in good faith to “the Commission” the details of operations they suspect to be related to money laundering or terrorism financing.

Article 13

Any party that violates the provisions of Articles 4, 5, 7, 10, and 11 of this Law shall be punishable by imprisonment for a period of two months to one year and by a fine not exceeding one hundred million Lebanese pounds, or by either penalties.

“The Commission” may address a warning to the parties who are in violation of the provisions of the regulations issued for the purpose of implementing this Law, and may request from these parties periodic reports about the measures taken to rectify their situation. “The Commission” may as well, in case of violation, refer the parties mentioned in Article 4 to the Higher Banking Commission, and correspond with the supervisory or oversight authorities concerning the parties mentioned in Article 5.

The Higher Banking Commission may impose on the parties that were referred to it a fine for non-compliance with the regulations issued for the purpose of implementing this Law, provided this fine does not exceed two hundred times the official minimum wage. Fines shall be collected to the benefit of Banque du Liban.

The foregoing shall not preclude the enforcement of the administrative penalties stipulated in Article 208 of the Code of Money and Credit on the parties referred to in Article 4, nor shall it preclude the enforcement of the sanctions stipulated in all other laws and regulations on the parties referred to in Article 5.

Article 14

The movable or immovable assets that are proved, by a final Court ruling, to be related to, or derived from, a money-laundering or terrorism financing offence, shall be confiscated to the benefit of the State, unless the owners of the said assets prove in a Court of Law their legal rights thereupon.

The confiscated assets may be shared with other countries, whenever the confiscation results directly from coordinated investigations or cooperation between the concerned Lebanese authorities and the concerned foreign body(ies).

Article 15

The reservations specified in Paragraphs 2, 3 and 4 of Article 1 of Law No. 426 of May 15, 1995, on authorizing the ratification of the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, are repealed, as well as the provisions of Article 132 of Law No. 673 of March 16, 1998, on Narcotic Drugs and Psychotropic Substances.

Article 16

Upon the enactment of this Law, all provisions that are contrary to, or are in contradiction with the provisions of this Law, especially those specified in the Banking Secrecy Law of September 3, 1956, and those of Law No. 673 of March 16, 1998, on Narcotic Drugs and Psychotropic Substances, shall cease to be applicable.

Article 17 (Final Provisions)

The auditors of banks, financial institutions and other companies and institutions specified in Article 4 of this Law must verify the compliance by all these companies and institutions with the provisions of this Law and with the implementation regulations issued in relation thereto, and must also notify the Chairman of “the Commission” of any violation thereof.

The Ministry of Justice, the Beirut Bar Association, the Tripoli Bar Association, and the Certified Accountants Association, shall be responsible for verifying the compliance by notaries, lawyers, and certified accountants, as far as each is concerned, with the measures stipulated in this Law and in the implementation regulations issued in relation thereto.

Article 18

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

Beirut, November 24, 2015

Promulgated by the Council of Ministers

The President of the Council of Ministers

Signed: Tammam Salam

Law 32 Expanding the SIC Competence to Include Corruption

Unique Article

The Special Investigation Commission established pursuant to Law 318 of April 20, 2001 on Fighting Money Laundering, has the exclusive right to freeze and lift banking secrecy on bank accounts, in accordance with the anti-corruption agreements and laws in force, particularly the United Nations Convention against Corruption, provided the procedures specified in Law 318 are adopted.

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

Baabda, October 16, 2008

Signed Michel Sleiman

Promulgated by the President of the Republic

The President of the Council of Ministers

Signed Fouad Siniora

Law 42 On Declaring the Cross-Border Transportation of Money

Article 1

For the purpose of implementing the provisions of this Law, the following expressions shall mean:

1. Currency/Negotiable Instruments:

- Banknotes and coins in circulation, whether in Lebanese pound or any other currency.
- Commercial papers, securities, means of payment and other types of negotiable movable assets, in case they are not made out or endorsed to the benefit, or to the order of a designated payee (drawing bonds, promissory notes, checks, payment orders, bearer shares, prepaid cards, etc.).

2. Declaration: to provide detailed information on the owner of the Currency/Negotiable Instruments being transported, the person transporting them, the recipient party, their value, type, origin and intended use, the routes and modes of transportation.

3. Disclosure: to provide detailed information, at the request of the Customs authorities, on the owner of the Currency/Negotiable Instruments being transported, the person transporting them, the recipient party, their value, type, origin and intended use, the routes and modes of transportation.

4. False declaration/false disclosure: to provide false or incomplete information on the value of Currency/Negotiable Instruments transported across borders or other information which is asked for in the declaration/disclosure requested by the authorities; or failing to make a declaration/disclosure as imposed/required.

Article 2

All persons transporting physically, in or out of the border, Currency/Negotiable Instruments on them, in their accompanying luggage, or by any other means, by containerized cargo or any other means of shipping, or through the post, must submit a written declaration thereon to the Customs authorities, whenever the value of the Currency/Negotiable Instruments exceeds the amount of USD 15,000 or its equivalent in other currencies, by filling in a form that includes the complete relevant information requested.

As an exemption to the preceding paragraph, a disclosure thereof to the Customs authorities may be sufficient without the need for the declaration, when the Currency/Negotiable Instruments are being physically transported outside Lebanon and their value exceeds the amount of USD 15,000 or its equivalent in other currencies, according to the implementation rules mentioned in Article 6 below to be issued in relation to this Law.

Article 3

Customs authorities are empowered to search natural persons, inspect their luggage and the transportation modes referred to in Article 2 above, in order to check the accuracy of the information declared or disclosed.

In case a false declaration/disclosure is detected or suspected, or in case of non-declaration/non-disclosure, or in case of suspecting the transportation of illicit Currency/Negotiable Instruments, within the meaning of Article 1 of amended Law No. 318/2001, the Customs authorities are empowered to request additional information about the transported Currency/Negotiable Instruments, to seize them and prepare relevant seizure records, after notifying the Public Prosecution of the Court of Cassation. The latter shall, within a maximum period of two days, take the appropriate decision in light of the available data, as to whether maintain the seizure or free the said Currency/Negotiable Instruments, and accordingly notify its decision to the "Special Investigation Commission" established pursuant to amended Law No. 318 of April 20, 2001 on Fighting Money Laundering and Terrorism Financing.

Customs authorities shall promptly notify the "Special Investigation Commission" of the above-mentioned seizure records.

Article 4

Customs authorities shall establish an electronic database that has the necessary safety and confidentiality specifications. All the declarations, disclosures, records, files and official documents shall be archived in the database in a way that clearly distinguishes between the declarations and disclosures referred to in Article 2 of this Law and those mentioned in Article 3 thereof.

The Special Investigation Commission shall be empowered to directly access the declarations, disclosures, records, files and official documents mentioned in Article 3 of this Law.

Article 5

Customs authorities shall impose on any person making a false declaration/disclosure or failing to make a declaration/disclosure, a fine not exceeding ten million Lebanese pounds, not precluding any criminal prosecution as specified in the provisions of above-mentioned Law No. 318.

Article 6

The Customs Higher Council shall issue, within three months from the enactment date of this Law, and in collaboration with the "Special Investigation Commission", a decision pursuant to which it shall set the implementation rules of the provisions of this Law, notably the preparation of the declaration form mentioned in Article 2 thereof.

Article 7

The detailed implementation of the provisions of this Law shall be set, where applicable, through Decrees taken by the Council of Ministers, upon a proposal made by the Minister of Finance on the basis of the preparation work done by the Customs Higher Council in collaboration with the "Special Investigation Commission" specified in Law No.318/2001.

Article 8

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

Beirut, November 24, 2015

Promulgated by the Council of Ministers

The President of the Council of Ministers

Signed: Tammam Salam

Law 53

Authorizing the Lebanese Government to accede to the International Convention for the Suppression of the Financing of Terrorism signed in New York on December 9, 1999

Single Article

1. The Lebanese Government is authorized to accede to the International Convention for the Suppression of the Financing of Terrorism that was signed in New York on December 9, 1999 and came into force on April 10, 2002, however with certain reservations regarding the definition of terrorism as specified in Article 2, Paragraph 1, Sub-paragraph (b) of this Convention, and adopting the definition of terrorism as specified in Articles 1 and 2 of the Arab Convention for the Fighting of Terrorism, signed in Cairo on April 22, 1998, which the Lebanese Government was authorized to accede to pursuant to Law No.57 of March 31, 1999.
2. This Law shall enter into force upon its publication in the Official Gazette.

Beirut, November 24, 2015

Promulgated by the Council of Ministers

The President of the Council of Ministers

Signed: Tammam Salam

Law 55

Exchange of Information for Tax Purposes

Unique Article

FIRST:

The purpose of this Law is to:

- Implement and execute the provisions of any duly signed and ratified convention relating to the exchange of information for tax purposes.
- Commit, under any such convention, the exchange of requested information.

SECOND:

1. Unless otherwise stated in this law, the following terms shall mean:

a) Convention: any international treaty, convention or agreement stipulating the exchange of information for tax purposes, including the automatic exchange of information between Lebanon and any other foreign State;

b) Automatic exchange of information: providing, periodically and without prior request, previously specified information, about residents of a foreign State that have concluded a Convention with Lebanon;

c) Competent Authority: the Minister of Finance or a representative mandated by such Minister.

d) The Competent Authority Agreement: any bilateral or multilateral convention concluded between the Competent Authority and any foreign State, with the purpose to clarify or explain the provisions of a specific Convention or to facilitate the automatic exchange of information under any Convention;

e) Information: any data or record, in whatever form, that contains specific facts;

f) Request: a request submitted to the Competent Authority in order to obtain information pursuant to a specific Convention;

g) Requesting State: the State that submits a request to obtain information;

h) Person: any individual, entity or other body established pursuant to the laws in force.

2. In case of divergence between the provisions of this Law or of any Convention with those of another law, the provisions of this Law and this Convention shall prevail.

THIRD:

In compliance with the provisions relating to the exchange of information under any Convention, the Competent Authority shall use the powers stipulated in Articles 23, 44, 48, and 103 of the Tax Procedures Code to collect information, even where the tax administration does not need such information for internal tax purposes.

FOURTH:

1. The Competent Authority shall assist the Requesting State pursuant to the terms of the Convention. Where the Competent Authority finds, following the receipt of a Request, that the latter complies with the provisions of the Convention concluded with the concerned State, the Competent Authority shall then proceed with responding to the Request pursuant to the provisions of both the said Convention and this Law.
2. The Competent Authority may ask the Requesting State for additional information, where it deems this necessary in order to process the Request.
3. If the Competent Authority decides that the request is not in compliance with the provisions of the Convention concluded with the Requesting State, the Competent Authority shall then reject the Request and notify the Requesting State of such decision.

FIFTH:

1. Where the requested Information is not covered by the Law on Banking Secrecy of September 3, 1956 or by Article 151 of the Code of Money and Credit, such Information shall be directly provided by the Competent Authority to the foreign Requesting State.
2. Where the requested Information is covered by the Law on Banking Secrecy of September 3, 1956 or by Article 151 of the Code of Money and Credit, and where the Competent Authority finds that the Request complies with the provisions of the Convention concluded with the Requesting State, the Special Investigation Commission (SIC) established pursuant to Law No. 44 of November 24, 2015 on Fighting Money Laundering and Terrorism Financing shall request the Information and provide them directly to the Competent Authority.
3. The Information specified in Paragraph (2) shall not be provided to the Requesting State unless the person whose information is being requested is notified thereof. The latter shall have the right to object the decision of the Competent Authority **before the State Council**, within 15 days of such notification pursuant to the notification provisions stipulated in the Tax Procedures Code.

The State Council shall issue, within maximum three months from the submission date of the aforesaid objection, a final and irrevocable decision regarding the merits of the legal conditions requiring the exchange of Information.

At the expiry of such deadline, or if the State Council decides to provide the requested Information, the Competent Authority shall forward the requested Information to the Requesting State.

4. Notwithstanding the foregoing, if the Requests are of urgent nature or if notifying the person whose Information is being requested may compromise the investigation carried out by the Requesting State, the requested Information shall be provided to the

Requesting State without giving prior notification to such person, in accordance with standards and procedures agreed upon between the two States to preserve the rights of all parties.

SIXTH:

1. Banque du Liban and the SIC may ask financial institutions, during a specified time and according to a specific method in accordance with the provisions of this Law, to provide the requested Information in order for the Competent Authority to proceed with the automatic exchange of information, pursuant to any Convention or to the Competent Authority Agreement. The Information shall be forwarded to the Competent Authority to enable it to perform its functions under the Convention.
2. The Minister of Finance or Banque du Liban may, each based on its prerogatives and pursuant to decisions issued thereafter, to determine:
 - a) The institutions required to provide Information;
 - b) The Information to be exchanged and the method of exchange, including by electronic means.
 - c) The accuracy and comprehensiveness of the Information to be provided.
3. The Council of Ministers shall, where necessary, issue decrees to take the measures needed to implement the provisions of this Law where this is not specified in Paragraph (2) above.
4. In case of breach or non-compliance with the provisions of this Article, a **fine ranging between one hundred million and two hundred million Lebanese pounds** shall be imposed, without prejudice to the right of the concerned regulatory authority to impose administrative sanctions and financial penalties in accordance to its own laws.

SEVENTH:

This Law shall apply to all Double Taxation Avoidance agreements currently in force.

EIGHTH:

The Government is authorized to ratify the “Multilateral Convention on Mutual Assistance in Tax Matters-MAC, (which is attached hereto and may be amended from time to time), as well as the attached “Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information–MCAA).

The Minister of Finance is mandated to sign the above Convention and Agreement.

NINTH:

1. The provisions of this Law shall come into force, notwithstanding any confidentiality obligation or other restrictions on the disclose of information imposed by any other law.

2. Any Information exchanged pursuant to Paragraphs Fourth and Sixth with the Competent Authority, under any convention or under this Law, shall be dealt with as being confidential, pursuant to the provisions of Article 25 of the Tax Procedures Code.

TENTH:

The provisions of Law No 43 of November 24, 2015 (Exchange of Tax Information) shall be repealed.

ELEVENTH:

This Law shall come into force upon its publication in the Official Gazette and shall be expeditedly promulgated pursuant to Article 56 of Paragraph one of the Constitution.

Beirut, October 27, 2016

Promulgated by the Council of Ministers

The President of the Council of Ministers

Signed: Tammam Salam

Law 77
Amending Article 316 bis of
the Lebanese Penal Code

Single Article

Article 316 bis of the Lebanese Penal Code relating to Terrorism Financing shall be amended to read as follows, based on the Arab Convention on the Suppression of Terrorism signed in Cairo on April 22, 1998 and ratified by Law No. 57 of March 31, 1999:

The new Article 316 bis

Whoever undertakes or attempts to undertake or directs or participates, intentionally and by any means, directly or indirectly, in financing totally or partially, or contributes to the financing of terrorism or terrorist acts, or the financing of an individual terrorist or terrorist organizations or any related acts, including offering or providing or collecting movable or immovable funds, from legitimate or illegitimate sources, in Lebanon or abroad, whether the funds were used or not used, and whether the terrorist act took place or not in Lebanon or abroad.

The terrorism financing offence includes the travel, attempt to travel, recruitment, planning, preparation, organizing, facilitation, participation, providing or receiving training, and any other related act with the intention of committing terrorist acts, without being linked to a specific terrorist act.

The perpetrators of the abovementioned acts shall be punished by temporary hard labor for a period of at least 3 years but not exceeding 7 years, and by a fine equaling at least the value of the paid amount but not exceeding its

triple. This does not preclude the implementation of the penalties stipulated in articles 212 to 222 inclusively of the Penal Code.

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

Beirut, October 27, 2016

Promulgated by the Council of Ministers

The President of the Council of Ministers

Signed: Tammam Salam

BDL Basic Circular No.83
Regulations on the Control of Financial and
Banking Operations for Fighting Money
Laundering and Terrorism Financing (AML/CFT)

Addressed to Banks and to Financial Institutions

(These regulations were last amended by BDL Intermediate Circular No. 421 dated May 4, 2016)

Article 1

These Regulations are set under the provisions of Law No. 318 of April 20, 2001, on Fighting Money Laundering. Banks must control their operations with customers in order to avoid any involvement in operations related to money laundering or terrorist financing, by following at least the rules set out in these Regulations.

SECTION I - RELATIONS WITH FOREIGN
CORRESPONDENT BANKS ABROAD

Article 2

When establishing a relation with a foreign correspondent bank, the bank must ascertain that the correspondent bank is not a shell bank, that it really exists, based on submitted documentary evidence, that it does not deal with shell banks, has a good reputation, is subject to a good control and implements sufficient and effective procedures to fight money laundering and terrorist financing.

In addition to the foregoing, the bank must implement the following measures:

1. Obtain the approval of the Senior Executive Management before dealing with correspondent banks.
2. Ascertain the nature of the respondent bank's business.
3. Determine the responsibility of both the bank and the respondent bank, particularly for payable – through accounts opened by foreign correspondent banks, and make sure that the latter are capable, upon request, to provide relevant customer identification data.

**SECTION II – RELATIONS WITH CUSTOMERS
AND DUE DILIGENCE MEASURES**

Article 3

1. A customer is meant to be any natural person or legal entity, whether a company or an institution of any kind, or a commission or an organization or a non-profit organization (mutual funds, cooperatives, welfare centers, charities, clubs, etc.).
2. Banks must, as far as each is concerned, adopt clear procedures for opening new accounts, and apply due diligence measures including checking their permanent and transient customers' identity, whether resident or non-resident, determining the purpose and the nature of the relation or of the account opening, identifying the beneficial owner and the source of funds and ensuring the ongoing control of operations, notably in the following instances:
 - Before or upon dealing with a customer or opening any kind of account, including fiduciary accounts and numbered accounts
 - Lending operations
 - The conclusion of contracts for leasing bank safes
 - Electronic transfers of funds
 - Cashier's operations totaling or exceeding USD 10,000 or its equivalent in any other currency. Cashier's operations include cash payments made by the customer at the bank's counters (deposit of funds, exchange of currencies, purchase of precious metals, purchase of financial instruments in cash, cash subscription to vouchers at the counter, purchase of checks in cash, including traveler's checks, etc.).
3. Regardless of the amount involved, the employee in charge of performing the operation must check the customer's identity when noticing that, on the same account or on multiple accounts held by the same person, several operations are being carried out for amounts that are separately less than the minimum specified in Paragraph 2 of this Article but totaling or exceeding USD 10,000 or its equivalent. The same identity checking must take place if the employee suspects one of the customers of a money laundering or terrorist financing attempt.
4. In order to check the customer's identity, the employee in charge of performing the operation must request the following documents from the customer:
 - a) In case the customer is a natural person: a passport, an identity card, an individual civil registration, or a residence permit.
 - b) In case the customer is a legal entity: duly authenticated documents regarding its by-laws, registration certificate, and ownership structure, a

list showing the stocks or shares distribution (directly or indirectly), a list of the authorized signatories, in addition to a copy of the identity of its legal representative and the directors and natural persons who hold, whether directly or indirectly, a percentage of shares enabling them to have effective control over the company.

- c) In case the operation is performed through a proxy: the original power of attorney or a certified copy thereof, in addition to a copy of the documents regarding the identity of both the customer and the proxy. Moreover, the due diligence measures stipulated in Paragraph 2 of Article 3 above must apply to the non-professional proxy.
- d) In case the operation is performed by correspondence: an official authentication of the customer's signature on the same document or on a separate certificate. The authentication of the signature of a customer residing abroad or the verification of its identity may be done through a correspondent or affiliated bank, or through a branch or a representative office of the concerned bank, or through another bank whose authorized signatures can be verified, provided it is subject to a good control and adopts sufficient and effective AML/CFT procedures and provided the first account-related operation is connected to an account held by the customer at a bank that is also subject to a good control and implements sufficient and effective AML/CFT procedures.

The bank is responsible for the accuracy of statements or information when it relies on a third party for customers' identification and verification.
5. The bank must retain information on the customer, at least for five years after closing the account or ending the business relation, particularly the customer's full name, residential address, occupation and financial status, in addition to copies of all documents used to verify the above-mentioned information. It must also retain copies of all operations-related documents, for at least five years after performing the operation.
6. When due diligence measures towards customers and actual beneficiaries cannot be applied in a satisfactory way, as stipulated in Paragraph 2 of Article 3 above, no account must be opened or relation started or operation performed. Besides, the bank must consider notifying the Special Investigation Commission (SIC) established pursuant to Law No. 318 of April 20, 2001.

Article 4

When the bank suspects that the customer is not the beneficial owner or when the customer states that the beneficial owner is a third party, then the bank must request from the customer a written statement determining the beneficial owner (the actual beneficiary), notably his

full name, residential address, occupation and financial status. The bank must retain a copy of this statement and of the beneficial owner's identity for the period indicated in Paragraph 5 of Article 3 above.

Doubts about the beneficial owner's identity arise in instances that include, but are not limited to, the following:

- a) When a power of attorney is given to a non-professional person (eg other than a lawyer, a fully authorized representative, or a financial intermediary) and when it appears that the relation with the customer does not justify the proxy operation.
- b) When the business relation is conducted through numbered accounts or through front institutions or companies.
- c) When the customer's financial status is known to the employee performing the operation and when the amount of the intended operation is inconsistent with the said financial status.
- d) When any other indicator draws the attention of the bank during the course of its business.

Article 5

The bank must immediately notify the Governor of Banque du Liban in his capacity as Chairman of the Special Investigation Commission, when it holds evidence or has doubts that the attempted or performed banking operation involves money laundering or terrorist financing or terrorist acts or terrorist organisations, especially:

- When it has persistent doubts about the veracity of the written statement submitted by the customer regarding the beneficial owner's identity, or that false or inaccurate information was given about this identity.
- When it realizes that it was misled in the course of checking the identity of the customer or of the beneficial owner, and has persistent doubts about the information provided by the customer.
- When transferred amounts or checks are returned, whether directly or upon the request of concerned parties, particularly correspondent banks, either because of forgery or because of doubts that they involve suspicious operations.

Article 6

Banks must permanently apply due diligence measures towards all customers, including the owners of accounts opened before the issuance of Law No 318 of April 20, 2001, in order to modify or add any information on the adopted KYC (know your customer) Form, due to any changes in the customer's status, especially in case of doubts about the veracity or accuracy of previously provided information, or in case of subsequent changes in the identity of the customer or of the beneficial owner. Therefore, each bank must set up working plans with precise dates, in order to fulfill these obligations.

SECTION III - CONTROLLING CERTAIN OPERATIONS AND CUSTOMERS

Article 7

1. The bank must enquire from the customer about the source and destination of funds, the object of the operation, and the identities of both the beneficiary and the beneficial owner, when it finds that the operation is characterized by the following:
 - a) The operation is carried out in exceptionally complicated circumstances. In this respect, the bank must assess the said circumstances, not only in relation to the nature and type of the operation, but also in relation to its apparent purpose.
 - b) The operation seems to have no economic rationale or legitimate purpose, especially when there is a discrepancy between the operation and the customer's occupation, or even between the operation and the customer's habits and personality.
 - c) When one of the concerned parties is a national of, or resident in countries that do not or insufficiently apply the FATF Recommendations.

2. The bank must:

FIRST:

when accepting a check drawn on it by an exchange institution, or when performing directly or indirectly a banking operation requested by an exchange institution on behalf of one of its customers, take the following measures in case the value of the check or of the operation exceeds USD 10,000 or its equivalent:

- a) Make sure that it has received the notification, stipulated in Paragraph 1 of Article 9 of the Implementation Rules of the Law Regulating the Money Exchange Profession, attached to Basic Decision No.7933 of September 27, 2001, concerning the information requested about the check-related operation or the banking operation, particularly whether or not the check-related operation or the banking operation was performed against an amount received in cash, in addition to information about the source and destination of funds, and the identity of both the beneficiary and the beneficial owner.
- b) Retain this notification for a five-year period.
- c) Obtain this notification directly from the concerned exchange institution if not yet received when the check is submitted, or when the banking operation is requested.

SECOND:

when requested to execute a transfer resulting from an exchange operation, or from a cross-border transportation of cash and/or precious metals to a third person in Lebanon, regardless of the amount being transferred:

- a) Make sure that it has received the notification, stipulated in Paragraph 2 of Article 9 of the Implementation Rules of the Law Regulating the Money Exchange Profession, attached to Basic Decision No. 7933 of September 27, 2001.
 - b) Retain this notification for a five-year period.
3. Promptly inform Banque du Liban when an exchange institution fails to send any of the notifications specified in Paragraph (2) above.
 4. The bank is prohibited from:
 - Opening any account for any exchange institution, before obtaining the approval of the Compliance Unit stipulated in Article 10 below.
 - Opening accounts for exchange institutions or executing transfers upon the latter's request for purposes other than those specified in the Implementation Rules of the Law Regulating the Money Exchange Profession issued by Banque du Liban.
 - Accepting or performing an exchange operation in favour of any exchange institution, unless the latter is one of the concerned bank's customers.
 5. Upon issuing a checkbook in favour of an exchange institution, the bank must insert in all the checks the expression "payable to the first beneficiary only".
 8. The undertaking by a customer of large cash operations in the form of deposits and withdrawals, with insufficient personal identification.
 9. The fact of receiving or cashing checks to the bearer issued abroad, or drawn to the order of a person but previously endorsed by persons other than the depositor; or the fact of receiving or cashing checks of different amounts that may be unrelated to commercial operations or are alleged to be resulting from gambling.
 10. Cash deposits and/or bank transfers followed by direct and numerous withdrawals.
 11. The holding by the customer of several accounts unjustified by the nature of his activities, or the undertaking of numerous cash transfers between and through these accounts.
 12. The occurrence of cash deposits and/or bank transfers, while the customer's activities do not generate such a volume of funds.
 13. The fact of depositing bank/traveler's checks in the account of a company/institution whose activities do not justify such deposits.
 14. Cash operations and/or bank transfers that appear unusual, considering the location of the branch.
 15. E-banking operations that appear unusual.
 16. Transfers between the accounts of an exchange institution and other accounts, particularly those held by any of the institution's owners, partners, shareholders, directors or authorized signatories or any of the family members of these persons (spouse, ascendants, descendants), especially if these transfers are followed by withdrawals.

Article 8

Banks must, as far as each is concerned:

- a) Take the following indicators into account, for indicative purposes but not restrictively, as an evidence of operations involving money laundering or terrorist financing:
 1. The exchange of big amounts of small-denomination bills for large denomination bills of the same currency or of any other currency.
 2. Large or recurrent foreign exchange operations (cambio), by using cash funds.
 3. Certain movements in the customer's account, such as making large or recurrent deposits unjustified by the customer's apparent activities.
 4. The operation of an account for the main purpose of transferring abroad, or receiving from abroad, sizeable amounts of money, when such operations are unjustified by the customer's activities.
 5. Large or recurrent operations related to the customer's offshore activities, and which appear to be inconsistent with the volume of the customer's activities.
 6. The replacement of large cash amounts by electronic transfer requests or by bank checks.
 7. A change in the pattern of deposit operations made by a customer exempted from filling the cash transaction slip (CTS).
- b) Monitor the accounts opened and operations carried out, through the units and divisions mentioned in Article 11 of these Regulations, by using specialized software programs for retrieving (daily, weekly, monthly, annual) reports on the accounts and operations to which indicators such as the afore-mentioned apply.
- c) Take sufficient measures to prevent the misuse of technological developments for money laundering or terrorist financing purposes.

Article 9

Banks must:

FIRST:

Adopt a risk-based approach to classify customers and operations according to the following risk levels: low risks, medium risks and high risks. The following risks shall be taken into account, for indicative purposes but not restrictively:

1. Customer risks:
 - 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...).

- b) Foreign Politically Exposed Persons who hold or have held important official positions (PEPs), their family members and close associates.
 - c) Offshore companies.
 - d) Companies established in countries known to be tax havens.
 - e) The non face-to-face customers of the bank.
 - f) Customers dealing only through intermediaries.
 - g) Customers dealing through fiduciary contracts or trusts.
 - h) Companies with a capital totally or partly constituted of bearer shares.
 - i) Customers who are nationals or resident in countries that do not or insufficiently apply the FATF Recommendations.
 - j) Non-profit organizations (NPOs), particularly newly established NPOs that do not have clear programs or clear funding sources.
2. Country risks:
- a) The strictness of AML/CFT laws, and the efficiency of the regulatory and judiciary authorities in charge of their implementation.
 - b) The existence of banking secrecy.
 - c) The situation of the country regarding corruption and organized crime.
3. Service risks:
- a) Private Banking.
 - b) Payable Through Accounts, which are accounts opened by banks and financial institutions at other banks and put at their customers' disposal to be used directly or through subaccounts.
 - c) Electronic Banking.

SECOND:

Establish risk-based control measures and procedures and adopt at least, concerning Foreign Politically Exposed Persons, customers and operations classified as high risks according to risk scoring, the following measures and procedures:

1. To raise awareness concerning strict control as a priority.
2. To obtain more detailed information about customers (Increased KYC Levels), notably about the source of their wealth.
3. To obtain, according to risk levels, the necessary administrative approvals, in order to deal or continue to deal with customers and to execute operations.

4. To review periodically the relationship with customers.
5. To make continuous peer comparisons.
6. To set up an adequate system in order to determine whether the foreign customer is a Politically Exposed Person.

THIRD:

Take into consideration the duration of the business relationship and prior dealings with the customer.

FOURTH:

Use specialized software for performing controls according to the adopted classification.

FIFTH:

Adopt, based on the obligations stipulated in this Article, a special policy for classifying risks and determining control procedures to be applied by the concerned parties.

SECTION IV - COMMITTEES AND ADMINISTRATIVE UNITS IN CHARGE OF THE CONTROL OF OPERATIONS FOR FIGHTING MONEY LAUNDERING AND TERRORIST FINANCING, AND THEIR TASKS

Article 10

Each bank operating in Lebanon must:

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.
2. Establish the AML/CFT Compliance Unit (hereafter the Compliance Unit). This Unit's Head must have sufficient experience in fighting money laundering and must hold specialized certificates such as the CAMS – Certified Anti-Money Laundering Specialist – and its staff must have the required skills. The Unit must have the necessary resources to fulfil its duties.
3. Appoint, in each branch of the bank, an AML/CFT Branch Officer in charge of controlling the operations, and who is not the director of the branch. This Officer must hold a high position, have professional and academic expertise, with independent functions, and

without performing any marketing activity or receiving any kind of incentives against this activity (bonuses, remunerations, grants ...).

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

4. Establish, within the Compliance Unit, two Divisions at least. The first Division shall oversee the Head Office and the branches in Beirut, while the second Division shall oversee all other branches in Lebanon. Each Division shall ascertain that operations control standards are implemented by the Head Office and the branches, to ensure their compliance with AML/CFT regulations.

Whenever a bank is unable to establish the above-mentioned Divisions, it may submit to the Governor of Banque du Liban, within a time-limit ending on March 31, 2015, alternative proposals based on justified grounds that the Central Council shall consider so as to take the appropriate decision.

Article 11

As far as each is concerned, the committees and administrative units established at the banks, as well as other concerned officers at the bank, must comply with the procedures aiming at controlling, fighting and preventing money laundering and terrorist financing operations. These procedures include, for indicative purposes but not restrictively, the following:

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.
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
3. Regarding Internal Audit:
 - a) To audit cash operations, transfers, and account movements.
 - b) To ascertain that branches and specialized sections are complying with the procedure guide on the implementation of AML/CFT legal and regulatory texts, and that the KYC Forms are properly filled.
 - c) To report discrepancies to the appointed external auditor, through a periodical report.
 - d) To inform the Compliance Unit through reports concerning the stipulations of Paragraphs a, b and c above, and any risky or unusual operations.
 4. Regarding the AML/CFT Branch Officer:
 - a) To ascertain that the employees of the branch are complying with the procedure guide on the implementation of AML/CFT applicable laws and regulations, and that the KYC Form is properly filled.
 - b) To control cash operations, transfers, and any other account-related operations, in particular those carried out through ATMs, and all other operations carried out electronically (non face-to-face banking).
 - c) To spread awareness among the employees of the branch on the AML/CFT procedures.
 - d) To inform both the Head of Compliance Unit and the Head of the relevant Division within the Compliance Unit, of any unusual operations and of the branch's compliance with the required procedures; and also to submit to them directly periodic reports, without going through the director or the management of the branch.
 5. Regarding the Head of the Transfers Section:
 - a) To verify transfers credited to customers' accounts, particularly electronic transfers that do not include the name of the originator (ordering customer), exceed a specified amount and do not follow a usual pattern, in view of the nature and size of the customer's activities. To verify also the accounts in which recurrent or unusual transfers are made, and to ascertain the validity of these transfers in relation to the veracity of their sources.
 - b) To report to the Compliance Unit, through the Officer responsible for operations control at the branch, any doubtful transfer that may involve money laundering or terrorist financing operations.
 - c) To retain for a five-year period at least, a record including all the information accompanying a cross-border wire transfer received from an ordering financial institution, where limitations prevent this information from being transmitted when the bank executes a related domestic wire transfer.
 6. Regarding Cashiers:
 - a) To require from customers, except from those exempted, to fill and sign a cash transaction slip (CTS), which must include in addition to the amount involved, information on the object of the operation, the source of funds, and the beneficial owner, in case of cash deposits totaling or exceeding USD 10,000 or its equivalent, or in case of multiple cash deposits involving lower amounts but totaling or exceeding USD 10,000 or its equivalent.
 - b) To prepare special tables for operations that exceed the ceiling specified for customers exempted from filling the cash transaction slip, and to take the necessary technical measures to safeguard these tables, in order to make them available, upon request, to the Internal Audit Unit, the External Auditors, or the SIC.
 - c) To report to the Compliance Unit, through the Officer responsible for operations control at the branch, any doubtful cash deposit that may involve money laundering or terrorist financing operations.
 7. Regarding the Head of the Check Section:
 - a) To give caution and attention to checks endorsed to a third party and to bank checks that are not deposited by the first beneficiary, as well as to traveler's checks and checks issued by institutions in foreign countries, in addition to those in which the identity of the account holder is not specified.
 - b) To report to the Compliance Unit, through the Officer responsible for operations control at the branch, any check deemed suspicious.
 - c) To make sure that checks are not credited to customers' accounts before being effectively collected from the issuing banks.
 8. Regarding the Branch Director:
 - a) –
 - 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.
 - c) To coordinate with the Credit Director concerning debit accounts, and with the Branches Director concerning credit accounts.
 - d) To make personally or to entrust the Branch Accounts Officer with making periodical visits to debtor customers to take cognizance of their business,

assess their accounts' movements, and prepare a relevant report of which a copy must be submitted to the Compliance Unit in case it shows the occurrence of unusual operations.

9. Regarding each of the Divisions established within the Compliance Unit, as mentioned in Paragraph 4 of Article 10 of this Decision:
 - a) To ascertain that operations control standards are implemented by the Head Office and the branches under its supervision, to ensure their compliance with AML/CFT regulations.
 - b) To prepare a monthly report on the compliance of the Head Office and branches with AML/CFT requirements, and to keep this report with the Senior Management.

SECTION V - FINAL PROVISIONS

Article 12

FIRST: Each bank must:

1. Establish a computerized central archive for information collected about money laundering and terrorist financing operations that includes, at least, the names circulated by the Special Investigation Commission (SIC), and those of holders of doubtful accounts reported by the bank itself. The latter must also notify the SIC of any account opened subsequently by any of these persons, whether directly, indirectly, or by proxy, as long as the SIC has not taken a decision stating that there were no reasonable grounds, at the present time, to justify the doubts that have arisen in relation to any of these persons.
2. Train the employees on a permanent basis, and ensure that the concerned employees and those in charge of the training program take part in relevant seminars, workshops and lectures, so as to keep them abreast of the latest AML/CFT methods.
3. Not close any suspicious account before consulting with the SIC.
4. Retain a special record of persons who open or activate accounts by proxy.
5. Impose, for employees' recruitment, the highest standards of honesty and integrity.
6. Require from their staff, subject to liability, to maintain absolute confidentiality and to refrain from notifying or permitting the notification of customers or any other party that the bank has or will inform the SIC in case of evidence or doubts about the existence of ML/TF operations, or that the SIC investigates or inquires about their operations or accounts, until the SIC decides to lift banking secrecy on the said accounts and to notify the concerned parties.
7. When resorting to intermediaries such as brokers and introducers, to deal only with those who meet

the criteria required from banks and financial institutions towards their customers, and to obtain immediately from them the information required under the due diligence principle, as well as, upon request, copies of any necessary documents. In addition, to remain vigilant when dealing with third parties residing in countries that do not apply the FATF Recommendations sufficiently.

SECOND:

The branches of Lebanese banks operating abroad must, as a minimum, adopt the procedures mentioned in these Regulations. In case this proves to be impossible due to the Regulations' incompatibility with the mandatory laws and regulations in force in the host country, the bank must inform the SIC.

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 13

The external auditor of the bank must:

1. Review the internal audit procedures to ascertain compliance by the bank with the provisions of the law and of these Regulations. In this respect, the external auditor shall prepare an annual report to be submitted to the Board of Directors of the bank, to the Governor of Banque du Liban, and to the Banking Control Commission. In addition to the audit results and to the external auditor's propositions to enhance operations control, the said report must include detailed information about the verification of the bank's compliance with at least the following obligations hereinafter stated for indicative purposes but not restrictively:
 - a) To comply with the provisions of Articles 3, 4, 5, 6, 10, 11, and 12 of these Regulations.
 - b) To fill the KYC Forms.
 - c) To adopt a policy and written procedures concerning the acceptance and opening of new customers' accounts.
 - d) To enquire about the source of received funds and their final destination, and about the reasons of cash operations, as specified in the Law on Fighting Money Laundering and in these Regulations; to set ceilings for cash deposits and withdrawals, and for incoming transfers from abroad that must be given due diligence; and to adopt deposit forms that show the source of deposited funds when a deposit or the total of several deposits exceeds the specified ceiling.
 - e) To prepare periodical reports (at least, quarterly) on the movement of cash deposits and withdrawals,

and on incoming transfers to customers' accounts. These reports must be reviewed by Management Officers and by the Internal Audit Unit.

- f) To include, in the adopted internal audit procedures, specific measures for reviewing compliance with the said procedures.
2. To report immediately to the Governor of Banque du Liban, in his capacity as SIC Chairman, any violation of the provisions of these Regulations.

Article 14

The provisions of these Regulations shall apply to financial institutions operating in Lebanon.

Beirut, May 18, 2001

The Governor of the Banque du Liban

Riad Toufic Salamé

BDL Basic Circular No.2

Addressed to Financial Institutions

(Provisions of Article 7 Bis were added as per BDL Intermediate Circular No.274 dated August 22, 2011)

Article 7 bis

All financial institutions are prohibited from:

1. Undertaking money exchange operations, except when such operations are complementary or linked to those they perform, within the limits of their objects, on behalf of their customers.
2. Undertaking cross-border transportation of cash, metal coins and bullion.
3. Receiving funds from their customers, unless through checks or transfers, including funds received for the purpose of creating or covering all margins. They are, however, entitled to receive from a single customer cash amounts whose monthly total does not exceed the equivalent of USD 10,000, for reimbursing the advances granted by these institutions (including factoring operations), or for performing, in a secondary manner, various services that do not include financial intermediation (property management, phone bills' domiciliation...).
4. Executing, at their customers' request and in favour of third parties in Lebanon or abroad, foreign or domestic incoming transfers in excess of USD 1,500.

Beirut, October 22, 1998

The Governor of the Banque du Liban

Riad Toufic Salamé

BDL Basic Circular No.3 Implementation Rules of the Law regulating the Money Changer Profession

(These rules were last amended by BDL Intermediate Circular No.411 dated February 29, 2016)

SECTION V - MISCELLANEOUS PROVISIONS

Article 9

Exchange institutions are required to send promptly to the concerned bank a notification including:

1. Information about any check issued by the exchange institution and drawn on the concerned bank, or about any banking transaction performed through the said bank on behalf of the exchange institution's customers, particularly whether or not the check-related transaction or the banking transaction was performed against an amount received in cash, in addition to information about the source and destination of funds, and the identity of both the beneficiary and the economic right owner, when the check or transaction exceeds USD 10,000 or its equivalent.
2. The information mentioned in Paragraph 1 of this Article, concerning any transfer performed through the bank in favor of third persons in Lebanon and resulting from an exchange operation or cross-border transportation of cash and/or precious metals, regardless of the amount being transferred.

Article 10

The exchange institution is prohibited from opening bank accounts at a bank where any of the institution's owners, partners, shareholders, directors or authorized signatories holds an account. The spouse and the dependent ascendants and descendants of these persons shall be considered as a single person.

Accounts held by exchange institutions at banks shall be used solely to perform exchange operations.

Article 11

All exchange institutions must:

- Communicate to the Banking Control Commission the name of the banks where they hold accounts and notify it of any subsequent change therein.
- Take the required measures to communicate to the Banking Control Commission the names of the banks where any of the persons mentioned in Article 10 above holds an account, and notify it of any subsequent change therein.

Article 12

All exchange institutions are required, when receiving from a customer cash amounts and/or metal coins and bullion

(hereafter precious metals”) to be converted into other currencies and/or precious metals, or when undertaking cross-border transportation of cash and/or precious metals, to carry out these operations solely in one of the following manners:

- by delivering cash amounts and/or precious metals to the customer, according to the case
- by issuing a check in the customer’s name payable to the first beneficiary only
- by a transfer order to the concerned customer’s account in a bank operating in Lebanon or abroad, with no request to make a transfer to a third person except within Lebanon, and provided the obligation mentioned in Paragraph 2 of Article 9 of these Rules is fulfilled, regardless of the amount being transferred.

Article 13

1. All exchange institutions are prohibited from:
 - Making direct cash deposits in their customers’ bank accounts.
 - Accepting any proxy on behalf of their customers.
2. Exchange institutions classified as Category A are prohibited from making any transfer in excess of 1,500 US dollars that does not result from an exchange operation or a cross-border transport operation, when the transfer consists of receiving cash amounts from customers then transferring them to third persons whether in Lebanon or abroad through the institution’s bank accounts.
3. Exchange institutions are prohibited from performing any kind of exchange or non exchange operation, whether recorded in or off-balance sheet, with companies or mutual funds whose stocks or shares are fully or partially issued in bearer form, or that are directly or indirectly owned by companies or mutual funds whose stocks and shares are fully or partially issued in bearer form.

Article 14

In the course of their activities, all exchange institutions must comply with the following:

- Not open any kind of deposit accounts for customers, whether temporary or transitional, against the cash amounts it receives from the latter.
- Perform the operations that fall within their legally authorized duties, solely through their bank accounts and without using the personal accounts held by any of the persons mentioned in Article 10 above.

Article 15

Exchange institutions classified as Category “A” must comply with the following conditions:

1. Set sufficient and efficient procedures to fight money laundering and terrorism financing.
2. Appoint a Compliance Officer in order to control the institution’s compliance with the applicable laws and the regulations and recommendations issued by Banque du Liban, the Banking Control Commission and the Special Investigation Commission (SIC), particularly the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing (AML/CFT), where applicable.
3. The Compliance Officer must attend, on a continuous basis, AML/CFT training sessions or obtain specialized certificates in this field such as the CAMS – Certified Anti-Money Laundering Specialist– specified in Basic Decision No.9286 of March 3, 2006 attached to Basic Circular No. 103.
4. Establish a computerized central archive for information collected about money laundering and terrorism financing operations that include, at least, the names circulated by the Special Investigation Commission.
5. Verify periodically the skills and ethical qualifications of its employees.

Exchange institutions whose status is inconsistent with the provisions of paragraphs 2 and 4 of this Article are granted a time limit ending on January 2, 2012 to adjust their situation accordingly.

Beirut, September 27, 2001
The Governor of the Banque du Liban
Riad Toufic Salamé

BDL Basic Circular No.63

Addressed to Banks and Companies authorized to Issue Credit and Debit Cards

(Provisions of Article 2 bis were added as per BDL Intermediate Circulars No.415 dated March 24, 2016 and No.418 dated April 22, 2016)

Article 2 bis

Banks and institutions that issue credit and debit cards are prohibited from issuing or promoting prepaid cards.

Under this Article, the cards listed below shall not be considered as prepaid cards which issuance is prohibited:

- Cards linked to a bank account and issued in the name of a specific person (such as cards linked to a customer’s account and issued in the latter’s name or in the name of one of his/her family members, as well as cards issued upon an employer’s request to

pay employees' wages or allowances, whether the employer is a natural person or legal entity).

- Cards issued upon the request of legitimate international organizations and allocated to local humanitarian and social aid, contingent upon BDL approval.

Beirut, June 10, 1999

The Governor of the Banque du Liban

Riad Toufic Salamé

BDL Basic Circular No.69

Addressed to Banks, Financial Institutions and Institutions performing Electronic Banking and Financial Operations

(Provisions of Article 9 were added as per BDL Intermediate Circular No.99 dated December 23, 2005 and Provisions of Article 9 bis were added as per BDL Intermediate Circular No.393 dated June 30, 2015)

Article 9

Institutions performing electronic funds transfers must accurately insert in the transfer order and attached messages, the full identity of the ordering party (name and address), the account number or reference number in the absence of an account number, the sources of the funds, their destination and purpose, in addition to the identity of the beneficiary and the economic right owner, as the case may be.

These institutions shall provide the competent authorities with all the above information within three working days from their request date.

Article 9 bis

Any of the institutions specified in Paragraphs 3 and 4 of Article 2 of this Decision and performing electronic cash transfers, must comply at least with the following:

1. To verify customers' identity and addresses based on official documents.
2. To keep specific records for operations exceeding the amount of USD 10,000 or its equivalent.
3. To retain, for at least five years, copies of the official documents (customers' identity and addresses) and of the documents relating to any operation exceeding USD 10,000 or its equivalent.
4. To set up an efficient AML/CFT internal control system that should, at least, comprise of the following:
 - a) Establishment of an efficient and effective AML/CFT procedures guide that includes due diligence measures required towards customers having frequent operations that exceed a specific amount.
 - b) Appointment of a Compliance Officer who must attend AML/CFT training sessions on a continuous basis.

- c) Adoption of software programs to monitor operations.
 - d) Preparation of periodic reports by the Compliance Officer on operations control by adopting a risk-based approach and on the degree of compliance with the required procedures, provided that such reports indicate the degree of compliance of sub-dealers with applicable procedures and regulations.
 - e) Establishment and continuous update of a computerized central archive for information collected about money laundering and terrorism financing operations that includes, at least, the names circulated by the Special Investigation Commission (SIC), and those reported to the SIC by the concerned institution.
5. To communicate to the SIC the details of any doubtful operation that may involve money laundering or terrorism financing.
 6. To request from their staff, subject to liability, to refrain from notifying the customers that the SIC investigates or inquires about their operations, unless the SIC decides otherwise.
 7. To submit to the SIC, no later than the end of April following the previous fiscal year, a copy of the annual report prepared by the external auditor to verify the AML/CFT measures implemented by the concerned institution, and to check the efficiency of these measures.

Beirut, March 30, 2000

The Governor of the Banque du Liban

Riad Toufic Salamé

BDL Basic Circular No.81

Addressed to Banks and Financial Institutions

(Provisions of paragraph 7 of Article 1 were added as per BDL Intermediate Circular No.411 dated February 29, 2016)

Article 1: Paragraph 7

Banks and financial institutions are prohibited from performing any kind of banking or non-banking or financial or non-financial operations, whether recorded in or off-balance sheet, with companies or mutual funds whose stocks and shares are totally or partially issued in bearer form, or with companies or mutual funds that are directly or indirectly owned by companies or mutual funds whose stocks and shares are totally or partially issued in bearer form.

Beirut, February 21, 2001

The Governor of the Banque du Liban

Riad Toufic Salamé

BDL Basic Circular No.89**Addressed to Banks and Exchange Institutions
Cross-border transportation of cash
and precious metals**

(These Provisions were added as per BDL Intermediate Circular No.263 dated May 21, 2011)

Article 1

Exchange institutions that undertake cross-border transportation of cash and/or metal coins and bullion (hereafter "precious metals") from and to Lebanon must comply with the following conditions simultaneously:

1. They must belong to Category A and the capital they allocate to the head office and branches must not be less than five billion Lebanese pounds.
2. They must appoint an external auditor selected among internationally renowned audit firms.
3. They must separate the accounting entries relating to cross-border transportation of cash and/or precious metals from the accounting entries of their other operations.
4. They must comply with the provisions of the Law on Fighting Money Laundering and with all other relevant regulations issued by Banque du Liban and the Special Investigation Commission (SIC), particularly the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing (AML/CFT), where applicable.
5. They must appoint a Compliance Officer or a Compliance Unit in order to control the institution's compliance with the laws in force and the regulations and recommendations issued by Banque du Liban, the Banking Control Commission and the SIC, particularly the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing, where applicable.
6. The Compliance Officer or the Head of the Compliance Unit must attend, on a continuous basis, AML/CFT training sessions or obtain specialized AML/CFT certificates such as the CAMS-Certified Anti-Money Laundering Specialist-specified in Basic Decision No.9286 of March 9, 2006 attached to Basic Circular No.103.
7. They must appoint an Internal Audit Officer to perform internal audit on their operations.

The concerned institutions are granted a time limit ending on December 31, 2011 to comply with the provisions of paragraphs 2, 3, 5 and 7 of this Article, and another time limit ending on March 31, 2012 to comply with the provisions of paragraph 1 thereof.

Article 2

Banks and exchange institutions that undertake cross-border transportation of cash and/or precious metals

from and to Lebanon must provide the Banking Control Commission and the BDL Money Services Business Department, at the end of each month and for each currency and each metal, with the following:

- a) a monthly position prepared according to Form No. 1 exhibiting clearly the total volume of cross-border transport operations of cash and/or precious metals, from and to Lebanon.
- b) a monthly position prepared according to Form No.2 exhibiting clearly the number of cross-border transport operations of cash and/or precious metals from and to Lebanon.
- c) a monthly position prepared according to Form No.3 exhibiting the total transportation volume of cash and/or precious metals inside Lebanon, computed on the basis of operations performed among these institutions, and between these institutions and the banks and institutions regulated by Banque du Liban and not undertaking cross-border transportation of cash and/or precious metals.
- d) a monthly position prepared according to Form No.4 exhibiting all transport operations inside Lebanon of cash and/or precious metals whose amount is equivalent to or in excess of US dollar 10,000.

Article 3

Banks that do not undertake cross-border transportation of cash and/or precious metals from and to Lebanon must provide the Banking Control Commission and the BDL Money Services Business Department with a monthly position prepared according to Form No.3, exhibiting the transportation volume of cash and/or precious metals inside Lebanon, computed on the basis of operations performed among these banks, and between these banks and the institutions regulated by Banque du Liban and not undertaking cross-border transportation of cash and/or precious metals.

Article 4

The monthly positions mentioned in Articles 2 and 3 above shall be sent on compact discs within ten days from the end of the reported month, whether or not cross-border transport operations of cash and/or precious metals from and to Lebanon or transport operations of cash and/or precious metals inside Lebanon have taken place.

Article 5

This Decision shall come into force upon its issuance.

Article 6

This Decision shall be published in the Official Gazette.

Beirut, January 11, 2002

*The Governor of the Banque du Liban
Riad Toufic Salamé*

BDL Basic Circular No.111

Addressed to Banks, Financial Institutions, Financial Intermediation Institutions, Leasing Companies, Exchange Institutions, and the Public Cash Transfers according to the Hawala System

(These regulations were amended by BDL Intermediate Circular No.337 dated September 20, 2013)

Article 1

For the purposes of implementing the provisions of this Decision, the term "Hawala" shall mean informal systems for money transferring, which are outside the conventional financial sector and are used by institutions and individuals, including Hawala brokers and intermediaries (Hawala Dar).

Article 2

Exchange institutions of Category A shall be the only institutions entitled to perform Hawala cash transfers, whether for their own account or on behalf of a third party. Therefore, while performing Hawala transactions, these institutions are prohibited from carrying out any of the banking transactions specified in the Code of Money and Credit, particularly from receiving deposits.

Furthermore, pursuant to Law No. 347 of August 6, 2001 on Regulating the Money Changer Profession in Lebanon, these institutions are also prohibited from performing transactions that do not fall within the scope of the exchange business, such as commercial financing, lending, and the management of funds, among others.

Article 3

Any exchange institution of Category "A" wishing to carry out "Hawala" cash transfers must:

1. Send to Banque du Liban a prior written notification.
2. Retain, for a minimum five-year period, Hawala records that include, at least, the information mentioned in the Form attached to this Decision, in addition to photocopies of official documents pertaining to concerned clients.

Article 4

The value of an incoming or outgoing Hawala transaction must not exceed USD 20,000 or its equivalent in any other currency, provided the total amount of Hawala transactions in a single year does not exceed, at any time, tenfold the capital of the exchange institution.

Article 5

Any exchange institution that performs Hawala transactions must take all the procedures and measures needed to implement the obligations imposed by the applicable legal provisions, particularly the AML Law and all other regulations issued by Banque du Liban, the Banking Control

Commission and the SIC (Special Investigation Commission). It must specifically comply with the requirements of Basic Decision No.11323 of January 12, 2013 relating to the Establishment of a Compliance Department, and adopt risk-based procedures and measures when checking the details of each incoming or outgoing Hawala transaction.

Article 6

When receiving from their correspondents cash transfer orders pursuant to the Hawala system, exchange institutions are prohibited from paying the amount of these transfers through a swap operation, by checks or bank transfers to the account of the Hawala's beneficiary. These institutions must open a sub-account allocated to clearing transactions performed with correspondents abroad as a result of Hawala transactions.

Article 7

Institutions whose status is inconsistent with Article 5 of this Decision are granted a time limit ending on March 31, 2014 to comply with its provisions and regularize their situation accordingly.

Article 8

This Decision shall come into effect upon its issuance.

Article 9

This Decision shall be published in the Official Gazette.

Beirut, September 24, 2007

The Governor of the Banque du Liban

Riad Toufic Salamé

Form
Hawala Transactions Records

Outgoing transfers

Full name of transfer originator	Nationality	Passport or Identity card number	Amount transferred (outgoing)	Transfer purpose	Transfer destination country	Name of transfer beneficiary

Incoming transfers

Full name of transfer beneficiary	Nationality	Passport or Identity card number	Amount transferred (incoming)	Transfer purpose	Transfer source country	Name of transfer originator

BDL Basic Circular No.126

Addressed to Banks and Financial Institutions The Relationship between Banks and Financial Institutions and their Correspondents

Article 1

Banks and financial institutions operating in Lebanon must:

1. Implement strictly the Regulations for the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing, particularly with customers who request the conduct of cross-border operations by way of correspondent banks and financial institutions, by:
 - a) Adopting a risk-based approach and vetting the identity of both the customers and the economic right owner and obtaining the requisite information and setting procedures for monitoring their operations and accounts on an ongoing basis.
 - b) Updating their database for money laundering and terrorism financing operations, in conformity with the provisions of this Decision.
 - c) Notifying the Special Investigation Commission of any operation suspected of contravening the obligations set out in this Decision.
2. Be fully informed of the laws and regulations governing their correspondents abroad, and deal with the latter in conformity with the laws, regulations, procedures, sanctions and restrictions adopted by international legal organizations or by the sovereign authorities in the correspondents' home countries.

Within this scope, banks and financial institutions must adopt the utmost accuracy and due diligence to vet the identity of the economic right owner in the operations conducted.

The provisions of this Article shall govern any dealings between banks and financial institutions operating in Lebanon, and their branches, subsidiaries or sister companies abroad.

3. Control the transactions on payable-through accounts and strictly implement the enhanced due diligence measures on concerned customers.

Article 2

External auditors must check banks and financial institutions' compliance with the provisions of this Decision. They must also insert in their report on the procedures adopted to control financial and banking operations for fighting money laundering and terrorism financing, detailed information about their inspection of the adopted procedures, the results of their audit, and their remarks in this regard.

Article 3

Any party violating the provisions of this Decision shall incur the administrative sanctions stipulated in the applicable laws and regulations, particularly the sanctions stipulated in Article 208 of the Code of Money and Credit.

Article 4

This Decision shall come into force upon its issuance.

Article 5

This Decision shall be published in the Official Gazette.

Beirut, April 5, 2012

*The Governor of the Banque du Liban
Riad Toufic Salamé*

BDL Basic Circular No.136

Addressed to Banks and Financial Institutions and all other institutions licensed or supervised by Banque du Liban

Article 1

Banks, Financial Institutions and all other institutions licensed or supervised by Banque du Liban, are requested, as far as each is concerned:

1. To review constantly any update on the UN Security Council Website concerning the names designated in the lists issued pursuant to UN Security Council Resolutions 1267 (1999), 1988 (2011), 1989 (2011), and related successor resolutions and/or issued by the Special Sanctions Committees; and to automatically and immediately freeze, without delay and without any prior notice, the funds, accounts, operations, or other assets in whatever form (direct or indirect, joint...) related to these names, as soon as such names are listed; and to inform the Special Investigation Commission of this action and provide it with any information in this respect within a period not exceeding 48 hours.
2. To report to the Special Investigation Commission in case of similarity between the name of a customer and any designated name and details included in the lists issued pursuant to the UN Security Council Resolutions referred to in Paragraph 1 above and/or issued by the Special Sanctions Committees.

Article 2

The provisions of this Circular shall be applicable to branches, sister institutions and subsidiaries abroad.

Article 3

Any party violating the provisions of this Circular shall incur the sanctions stipulated in Article 13 of

Law No.44 of November 24, 2015, particularly for non-compliance with the immediate freezing obligation referred to in Article 1, paragraph 1 above.

Article 4

This Decision shall enter into force upon its issuance.

Article 5

This Decision shall be published in the Official Gazette.

Beirut, December 22, 2015

The Governor of the Banque du Liban

Riad Toufic Salamé

BDL Basic Circular No.137

Addressed to Banks, Financial Institutions, And all other Institutions regulated by Banque du Liban

Dealing with the U.S. Act of December 18, 2015
and with its Implementing Regulations
regarding the prevention of access by Hizballah to
international financial and other institutions

Article 1

In implementing the provisions of Basic Decision No. 10965 of April 5, 2012, attached to Basic Circular No. 126 (Relationship between Banks and Financial Institutions and their Correspondents), banks and financial institutions and all other institutions regulated by Banque du Liban shall take upon their responsibility to act as follows:

FIRST:

Execute their operations in compliance with the provisions of the US Act of December 18, 2015 and its implementing regulations.

SECOND:

Promptly notify the Special Investigation Commission of the procedures and measures taken in compliance with the above-mentioned US Act and its implementing regulations, in particular freezing or closing any account held by any client, or refraining from dealing with, or opening any account to any such client, while justifying the reasons behind any such procedures and measures.

Article 2

All regulatory and implementing provisions that do not contravene the procedures and measures specified in Paragraph Second of Article 1 above shall remain in force.

Article 3

This Decision shall be effective upon its issuance.

Article 4

This Decision shall be published in the Official Gazette.

Beirut, May 3, 2016

The Governor of the Banque du Liban

Riad Toufic Salamé

BDL Basic Circular No.138

Addressed to Banks and Financial Institutions

Exchange of Tax Information covered by Banking
Secrecy, in line with international standards

Article 1

As far as each is concerned, banks and financial institutions shall take at their own full responsibility the appropriate administrative and technical measures required to provide the Special Investigation Commission (SIC) with the information that the concerned foreign authorities request from the Lebanese Ministry of Finance regarding the accounts of residents in the requesting countries. Any such request of information shall take place within the tax information exchange framework, in compliance with the recommendations issued by the Global Forum on Transparency and Exchange of Information for Tax Purposes and by the OECD, and according to the regulatory mechanism to be set for that purpose by the SIC in coordination with Banque du Liban.

Article 2

This Decision shall come into force upon its issuance.

Article 3

This Decision shall be published in the Official Gazette.

Beirut, August 5, 2016

The Governor of the Banque du Liban

Riad Toufic Salamé

Capital Markets Authority Decision No.10

Addressed to Financial Intermediation Institutions

(Previously BDL Intermediate Circular No. 273
dated August 22, 2011)

Article 2

2. In order to carry out their activities, financial intermediation institutions are entitled to perform operations that are complementary to their object. However, they are prohibited from:

- a) Undertaking exchange operations, except when such operations are complementary or related to those performed, within the limits of their object, on behalf of their customers.
 - b) Undertaking cross-border transportation of cash, metal coins and bullion.
 - c) Undertaking any commercial or industrial activity or any activity not related to financial intermediation.
3. Financial intermediation institutions are prohibited from:
- a) Receiving funds from their customers, unless through checks or transfers, including those received for the purpose of creating or covering all margins.
 - b) Executing, at their customers' request in favour of third parties in Lebanon or abroad, foreign or domestic incoming transfers in excess of USD 1,500.

Beirut, December 20, 2013
The Governor of the Banque du Liban
Chairman of the Capital Markets Authority
Riad Toufic Salamé

Special Investigation Commission Circular 1

Addressed to Institutions Not Governed by the Banking Secrecy Law

All institutions not governed by the Banking Secrecy Law of 3/9/1956, including individual institutions, and particularly money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate development, promotion and sale companies, high-value items merchants (jewelry, precious stones, gold, works of art, archeological artifacts), must abide by the provisions of Law 318 of 20/4/2001 (on fighting money laundering), especially in keeping special records for operations whose value exceeds an amount of ten thousand dollars or the equivalent. The above-mentioned institutions must also report, in accordance with the attached form, any suspicious, money-laundering operation. This Circular shall be published in the Official Gazette and shall be effective upon its publication.

Beirut, July 4, 2001
The Governor of the Banque du Liban
Chairman of the Special Investigation Commission
Riad Toufic Salamé

Special Investigation Commission Circular 2

Addressed to Banks and Other Institutions Bound to Report on Money Laundering Operations

Pursuant to the Decision taken by the Special Investigation Commission (SIC) in its meeting of 10/7/2001, Pursuant to the provisions of Article 7, Paragraph 1, and Article 11 of Law 318 of 20/4/2001 on Fighting Money Laundering, and to the provisions of Article 6 of the Regulation on the Control of Financial and Banking Operations for Fighting Money Laundering, attached to BDL Decision 7818 of 18/5/2001, All Banks and other institutions bound to report on money laundering operations, when reporting details of operations suspected or ascertained to be involving money laundering, must send information in a sealed envelope on which the expression "Strictly Confidential" is clearly indicated. The envelope should be addressed, as specified by law and regulations according to the case, to the Secretariat of the SIC Chairman/Governor of the Banque du Liban, or to the SIC Secretariat. This Circular shall be published in the Official Gazette and shall be effective upon its publication.

Beirut, July 20, 2001
The Governor of the Banque du Liban
Chairman of the Special Investigation Commission
Riad Toufic Salamé

Special Investigation Commission Circular 4 amended by Circular 13

Addressed to Banks and Financial Institutions SIC Circular 4

In reference to the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering attached to the basic Decision No. 7818 of May 18, 2001 especially articles 3 and 4. All banks and financial institutions that did not finalize to date re-verifying their clients' identity and the beneficial owner (KYC) especially for those dealing with them prior to Law 318 of 20/4/2001 are required to finalize this process no later than 30/6/2004. This shall contain as a minimum the information attached to this Circular.

Beirut, September 18, 2003
The Governor of the Banque du Liban
Chairman of the Special Investigation Commission
Riad Toufic Salamé

SIC Circular 13

Pursuant to the provisions of BDL Basic Decision No. 7818 of May 18, 2001 (Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing), particularly Articles 3 and 4 thereof, With reference to SIC Circular 4 of September 18, 2003 addressed to banks and financial institutions, and Pursuant to the SIC Decision taken in its meeting of May 26, 2011, The informative statement attached to the above-mentioned Circular 4 is replaced with statements No. 1 and No. 2 attached to this Circular.

Beirut, May 27, 2011

The Governor of the Banque du Liban
Chairman of the Special Investigation Commission
Riad Toufic Salamé

The image shows two overlapping KYC forms. The top form is 'Statement No. 1 KYC for natural person' and the bottom form is 'Statement No. 2 KYC for legal entity'. Both forms contain extensive fields for personal information, financial details, and relationships, with Arabic text on the right side of each field.

Special Investigation Commission Circular 5 amended by Circular 12

Addressed to External Auditors

SIC Circular 5

Pursuant to the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering, attached to Basic Decision No. 7818 of May 18, 2001, particularly to the provisions of Article 13,

External auditors at banks and financial institutions are requested to submit to the relevant authorities, by the end of March following the year during which the audit has been carried out, the annual report they must prepare pursuant to Article 13 of the afore-mentioned Regulations. This annual report shall include:

1. The auditors' recommendations on enhancing the control process, and their evaluation of internal control procedures adopted for fighting money laundering.
2. An explicit statement that, following the audit of necessary samples, the auditors have verified, on their own responsibility, compliance with the obligations specified in the attachment, as a minimum.

Beirut, April 29, 2004

The Governor of the Banque du Liban
Chairman of the Special Investigation Commission
Riad Toufic Salamé

SIC Circular 12

Pursuant to the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing, attached to BDL Basic Decision No. 7818 of May 18, 2001, particularly Article 13 thereof, With reference to SIC Circular No. 5 of April 29, 2004 addressed to external auditors, and Pursuant to the SIC decision taken in its meeting of May 26, 2011,

The annex attached to the above-mentioned SIC Circular 5 is replaced with the annex attached to this Circular.

Beirut, May 27, 2011

The Governor of the Banque du Liban
Chairman of the Special Investigation Commission
Riad Toufic Salamé

Attachment To SIC Circular 5

1. To verify whether or not banks/financial institutions comply with the following obligations:
 1. Making sure, when establishing a relation with a foreign correspondent bank, that the latter is not a shell bank, that it really exists, based on submitted documentary evidence, that it does not deal with shell banks, has a good reputation, is subject to a good control and implements sufficient and effective procedures to fight money laundering and terrorism financing.
 2. Adopting the KYC Form that must include, at least, basic information about customers, as required

by amended SIC Circular No. 4; checking the identity of permanent and transient customers, residents and non-residents, and the identity of their proxies; obtaining from natural persons documents proving their identity, and from legal entities duly authenticated documents about their statutes, the registration certificate, the ownership structure, a list showing the distribution of stock or shares (whether directly or indirectly), a list with the names of authorized signatories, a copy of the identity of the legal representative, the directors and the natural persons owning, whether directly or indirectly, a share that gives them effective control over the company's management; and implementing due diligence measures on the non-professional proxy.

3. Checking periodically the identity of customers and re-determining the identity of economic right owners, including the owners of accounts opened before the promulgation of the Law on fighting money laundering; and preparing timed action plans for the fulfillment of these obligations.
 4. Adopting a special Form for determining the economic right owner's identity and the source of funds, as stipulated in Articles 4 and 7 of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing, and circulating this Form to all branches for using it in case of doubt about the economic right owner's identity or the source of funds.
 5. Retaining information on the customer, at least for five years after closing the account or ending the business relation, particularly the customer's full name, residential address, occupation and financial status, in addition to copies of all documents used to verify the above-mentioned information. Retaining as well copies of all operations-related documents, for at least five years after performing the operation.
 6. Establishing the Special Committee for Fighting Money Laundering and Terrorism Financing stipulated in Article 10, Paragraph 1 of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing, and specifying its tasks pursuant to Article 11 of these Regulations. The fulfillment of these tasks must be verified by the external auditor.
 7. Establishing "the Compliance Unit" stipulated in Article 10, Paragraph 2 of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing, and specifying its tasks pursuant to Article 11 of these Regulations. The fulfillment of these tasks must be verified by the external auditor, based on the reports prepared by this Unit.
 8. Establishing a computerized central archive for collected information that includes, at least, the names circulated by the SIC, and those of holders of doubtful accounts reported by the bank or financial institution. This archive must be updated on a continuous basis.
 9. Using a special register or a software program that records the names of persons who open or activate accounts by proxy.
 10. Using specialized software programs that enable the retrieval of periodical reports for monitoring customers' accounts and the operations to which apply, for indicative purposes and not restrictively, the indicators specified in Article 8 of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing.
 11. Appointing, in each of the bank/financial institution's branch, an Officer responsible for the control of operations, who shall fulfill his duties, particularly, in monitoring cash operations, transfers and any other operations.
 12. Reporting to the Governor of Banque du Liban, in his capacity as SIC Chairman, any operation suspected of involving money laundering and terrorism financing.
 13. Ensuring the continuous training of the concerned staff and officers and their participation in seminars, workshops and conferences, so as to keep them abreast of AML/CFT methods.
 14. Preparing a procedure guide about the obligations stipulated in the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing. This guide must take into account the structure of the bank/financial institution and its departments, and must be communicated to all employees and branches for adoption.
 15. Receiving the notification stipulated in Article 7, Paragraph 2 of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing.
 16. Adopting a risk-based approach to classify customers and operations according to risk levels, and establishing risk-based control measures and procedures, as specified in Article 9 of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing.
- II. To verify, in the bank/financial institution, that the Internal Audit Director, the Officer responsible for operations control at the branch, the Head of Transfers and Checks Sections, the cashiers, and the branch director are fulfilling their obligations, as stipulated in Article 11 of the Regulations on the Control of Financial

and Banking Operations for Fighting Money Laundering and Terrorism Financing.

- III. To verify whether the decision taken by the director of the bank/financial institution's branch to exempt some customers from filling the cash transaction slip (CTS) and to set ceilings for such exemptions was based on valid criteria that justify these exemptions and ceilings, and to make sure that the CTS is filled by non-exempted customers.
- IV. To verify basic obligations that are not included in the procedure guide stipulated in Article 11, Paragraph 1, Subparagraph (a) of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing, or that are in contradiction with the said guide.

Special Investigation Commission Circular 7

Addressed to Financial Brokerage Firms

Pursuant to Law No.318 of April 20, 2001 on Fighting Money Laundering and its amendments, particularly Article 4 and Article 7 (paragraph 1), financial brokerage firms are requested to comply with the following provisions as a minimum:

1. To ascertain the identity and business of correspondent banks and require them to produce documented evidence proving they are not shell banks.
2. To check the identity of permanent and transient clients, residents and non-residents, and that of their proxies. To obtain from individuals documents proving their identity and residence, and from legal entities registration documents, statutes and addresses, in addition to the identity of persons authorized to sign on their behalf. To adopt, for this purpose, a KYC Form (KYC: Know Your Customer) that should include, as a minimum, basic information about the client (full name, date and place of birth, nationality, address, social status, detailed occupation, financial status, beneficial owner, signature and date).
3. To recheck periodically, particularly when suspicion arises, the identity of clients and beneficial owner, including the holders of accounts opened before the promulgation of the Law on Fighting Money Laundering, for the purpose of updating the information of KYC Forms and obtaining the documents needed for evidence.
4. To keep the documents related to the clients and operations mentioned in Paragraph 2, for at least five years after closing the account or carrying out the operation.

5. To appoint a Compliance Officer entrusted with the following duties:
 - To prepare an anti-money laundering manual that includes provisions stipulated in this Circular, with due consideration of the structure and departments of the financial brokerage firm, and to update the manual when needed. Also, to prepare the KYC Form mentioned in paragraph 2 above, and to submit the manual and the KYC Form to the Board of Directors for approval.
 - To monitor accounts, implementation, and efficiency of anti-money laundering procedures (through adequate software programs when needed, that display money-laundering indicators), in order to identify suspicious transactions; and to provide relevant periodical reports to the Board of Directors.
 - To train personnel on procedures and methods to fight money laundering.
6. To fill the cash transaction slip (CTS) that includes a special section showing the source of funds exceeding USD 10,000 or its equivalent. The Compliance Officer may exempt some clients from this procedure after setting a ceiling, such exemptions must be based on justifiable criteria.
7. To establish a database for collected information and update it continuously. This database should include, at least, the names communicated by the Special Investigation Commission, and those of holders of suspicious accounts and reported by the institution. To notify the SIC about any account opened subsequently by any of these persons, whether directly, indirectly, or by proxy.
8. To keep a special register or software program for recording the names of persons who open or activate accounts by proxy.
9. To refrain from closing a suspicious account before referring to the SIC.
10. To prohibit staff, under disciplinary sanctions, from tipping-off the concerned customers subject an investigation by the SIC, before the latter takes a decision to inform the related parties.
11. To report to the Governor of Banque du Liban, in his capacity of Chairman of the Special Investigation Commission, any operation suspected to involve money laundering.

This Circular shall be published in the Official Gazette and shall be effective upon its issuing.

Beirut, August 18, 2005

The Governor of the Banque du Liban

Chairman of the Special Investigation Commission

Riad Toufic Salamé

Special Investigation Commission Circular 8

Addressed to Banks and Financial Institutions

Pursuant to the provisions of Law 318 of April 20, 2001, on Fighting Money Laundering, particularly those stipulated by Article 6, Paragraph 4,

Pursuant to the provisions of Article 12, Paragraph 6, of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering, attached to Basic Decision No.7818 of May 18, 2001, and

Pursuant to the Decision of the Special Investigation Commission, taken in its meeting of November 2, 2006, Banks and financial institutions are requested:

- To rigorously implement the provisions of Article 12, Paragraph 6, of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering, attached to Basic Decision No.7818 of May 18, 2001. In this respect, they must ascertain that all their staff and employees are complying with the obligation to refrain from disclosing information to any client concerning SIC actions related to the client, whether in the form of enquiry, accounts auditing or temporary freezing.
- To take constantly into account that SIC enquiries and audits do not prevent banks and financial institutions from normally dealing or continuing to deal with “the client”, as long as the SIC does not decide the contrary.
- To comply with the above-mentioned procedures, knowing that the Chairman of the Board will be held responsible for non-compliance.

Beirut, November 7, 2006

The Governor of the Banque du Liban

Chairman of the Special Investigation Commission

Riad Toufic Salamé

Special Investigation Commission Circular 9

Addressed to Banks

Pursuant to the provisions of Law 318 of April 20, 2001, on Fighting Money Laundering, particularly Article 6, Paragraph 4 thereof,

Pursuant to the provisions of Article 11, Paragraph 7, Subparagraph (c) of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering, attached to Basic Decision No.7818 of May 18, 2001, and

Pursuant to the Decision of the Special Investigation Commission, taken in its meeting of December 4, 2008,

Banks are requested to carry out in a strict manner the provisions of Article 11, Paragraph 7, Subparagraph (c) of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering. They have to make sure that no check is credited to the concerned account before being definitively collected from the issuing bank.

Beirut, January 2, 2009

The Governor of the Banque du Liban

Chairman of the Special Investigation Commission

Riad Toufic Salamé

Special Investigation Commission Circular 10

Addressed to Banks

With reference to SIC Decisions, notably those relating to traceable accounts, and in order to avoid any confusion and facilitate the SIC mission in tracking the movement of accounts suspected of concealing money laundering and terrorism financing, all banks must, regarding accounts classified as traceable by an SIC decision, comply with the following:

1. Concerning checks

- To prohibit the payment in cash of a check or a payment order drawn on a traceable account, whether the beneficiary of the check or payment order is the holder of the said account or a third party.
- To prohibit the payment of a check or a payment order drawn on the traceable account to any party other than the first beneficiary, on condition that the check is crossed.
- To prohibit the issuance of a cashier's check drawn on the traceable account to the benefit of the account's holder or any third party, unless the check is crossed and includes the expression “payable only to the first beneficiary”.

2. Concerning credit and debit cards

To limit to points of sale the use of credit and/or debit cards issued in relation with the traceable account, and to prohibit their use on ATMs.

3. Concerning cashier's counters

To prohibit the holder of the traceable account from withdrawing directly any amount on the cashier's counter of the bank where the said account is held.

Beirut, July 9, 2009

The Governor of the Banque du Liban

Chairman of the Special Investigation Commission

Riad Toufic Salamé

Special Investigation Commission Circular 11

Addressed to Banks

As per section 4 of article 6 of Law 318 dated 20/4/2001 on fighting Money Laundering, All banks are required to provide, as per the detailed attached form, the Special Investigation Commission with the requested statements of accounts relating to ongoing investigations concerning clients.

The said form should be prepared using Microsoft Excel Workbook, and in instances where the client has more than one account, each account should be designated with a separate sheet.

The statements of accounts prepared as per the above mentioned form are to be sent to the Special Investigation Commission using its information exchange program (PGP) and in its absence via CD.

This Circular shall be published in the Official Gazette and shall be effective upon its publication.

Beirut, February 27, 2010

The Governor of the Banque du Liban

Chairman of the Special Investigation Commission

Riad Toufic Salamé

Form

إبذوح كشف الحساب الإلكتروني

رقم العميل**	رقم الحساب	التاريخ	نوع العملية	العملة	المبلغ (+/-)	الرصيد (+/-)	تفاصيل العملية**
Transaction Details	Account Number	Post Date	Transaction Type	Currency	Amount (+/-)	Balance (+/-)	
Chq # 12542		5-Jan-09	CHW	USD	-100,000	-100,000	
			CDP				
			CHD				

مختصر نوع العملية	نوع العملية	على سبيل المثال ولا الحصر:
CHW	Check Withdrawal	سحب شيك
CHD	Check Deposit	إيداع شيك
CDP	Cash Deposit	إيداع نقدي
CWD	Cash Withdrawal	نقدي
OPO	Outgoing Payment order	خوّل صادر
IPO	Incoming payment Order	خوّل وارد
A/A	Account to Account	خوّل داخلي من حساب إلى حساب

ملاحظات:

يجب الإبقاء على سائر العمليات الأخرى التي يظهرها كشف الحساب (مثلًا قائمة محفظة إتمام...) هذه القائمة مخصصة لمعرفة الفرع الذي أتت من خلاله العملية**
هذه القائمة مخصصة لتعبئة جميع تفاصيل العمليات المتوفرة**

Special Investigation Commission Circular 14

Addressed to External Auditors Appointed at Category "A" Exchange Institutions

Pursuant to Law 347 of August 6, 2001 on Regulating the Money Exchange Profession in Lebanon, and to Law 318 of April 20, 2001 on Fighting Money Laundering, Pursuant to BDL Basic Decision No. 7933 of September 27, 2001 on Regulating the Money Exchange Profession, Pursuant to BDL Basic Decision No. 9708 of September 24, 2007 on Cash Transfers in accordance with Hawala System, and

Pursuant to the SIC Decision taken in its meeting of May 26, 2011,

External auditors appointed at exchange institutions of Category "A" are required to prepare an annual report and to submit it to the SIC Secretariat by the end of March following the audited fiscal year, provided the report indicates whether or not these institutions have complied with the following obligations:

1. Checking the customers' identity and addresses based on formal documents.
2. Keeping special records for operations which value exceeds USD 10,000 or its equivalent.
3. Retaining, for five years at least, copies of formal documents (customers' identity and address) and copies of documents concerning the operations whose value exceeds USD 10,000 or its equivalent.
4. Sending to the bank a special notification (on the nature and object of the operation, the source and destination of funds, the beneficiary and the economic right owner's identity) when the exchange institution performs in favor of its customers any banking operation through the bank (transfer, check issuance...) whose value exceeds USD 10,000 or its equivalent.
5. Informing Banque du Liban beforehand and in writing that it will undertake cash transfers in accordance with Hawala System; and retaining, for five years at least, the records of these operations and copies of the formal documents related to the concerned customers.
6. Reporting to the SIC the details of the operations suspected of concealing money laundering or terrorism financing, in case they take place.

Beirut, May 27, 2011

The Governor of the Banque du Liban

Chairman of the Special Investigation Commission

Riad Toufic Salamé

Special Investigation Commission Circular 15

Addressed to Banks and Financial Institutions

Pursuant to the provisions of Law No. 318 of April 20, 2001 on Fighting Money Laundering and Terrorism Financing, particularly Paragraph 4 of Article 6 and Paragraph 1 of Article 7, thereof,

Pursuant to the provisions of Paragraphs 1 and 6 of Article 12, of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering attached to Basic Decision No. 7818 of May 18, 2001, Pursuant to the provisions of Article 181 of the Code of Obligations and Contracts concerning the conditions for refraining from entering into a contract and there sulting liability,

Without prejudice to depositors and customers' rights and interests in case the provisions of SIC Circular No. 8 are not implemented, and

Pursuant to the Decision taken by the SIC in its meeting of May 20, 2014,

We remind banks and financial institutions of the need to strictly implement the provisions of SIC Circular No. 8 of November 7, 2006, particularly in what follows:

- To ascertain that all their staff and employees comply with the obligation to refrain from disclosing to a customer any information about SIC actions related to the customer's accounts, whether in the form of enquiry, auditing or temporary freeze.
- To take constantly into consideration that SIC enquiries and audits do not prevent banks and financial institutions from normally dealing or continuing to deal with customers, as long as the SIC does not decide the contrary.

Any bank or financial institution that violates the provisions of this Circular shall incur the administrative penalties that the Higher Banking Commission may impose in accordance with Article 208 of the Code of Money and Credit. These penalties shall not preclude the enforcement of penal sanctions and civil liability against the violating entity.

Beirut, May 26, 2014

The Governor of the Banque du Liban

Chairman of the Special Investigation Commission

Riad Toufic Salamé

Special Investigation Commission Circular 16

Addressed to Banks

With reference to SIC Decisions, notably those relating to some traceable accounts,
In order to avoid any confusion,

And pursuant to the Decision taken by the SIC in its meeting of July 3, 2014,

Paragraph III of Circular No. 10 (addressed to banks) shall be modified and shall read as follows:

"To prohibit the holder of the traceable account from withdrawing any amount directly from the counter (guichet) of the bank where the said account is held or from depositing any amount in this account".

Beirut, July 8, 2014

The Governor of the Banque du Liban

Chairman of the Special Investigation Commission

Riad Toufic Salamé

Special Investigation Commission Circular 17

Addressed to Banks, Financial Institutions and other Institutions Bound to Report on Money Laundering and Terrorism Financing Operations

Pursuant to Paragraph 1 of Article 7 of Law No. 318 of April 20, 2001 on Fighting Money Laundering,

Pursuant to Article 5 of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering, attached to Basic Circular Decision No. 83 of May 18, 2001,

1. Banks and financial institutions are requested, when reporting to the SIC any operations suspected or ascertained to be involving money laundering or terrorism financing, as stipulated in Law No. 318 of April 20, 2001, to fill in Form No. 1 (E-STR) and to send it to the SIC, together with all relevant documents.
2. All other institutions mentioned in Article 4 of Law No. 318 of April 20, 2001 are requested, when reporting to the SIC any operations suspected or ascertained to be involving money laundering or terrorism financing, as stipulated in Law No. 318 of April 20, 2001, to enclose, with a letter addressed to the SIC Chairman, a report on the concerned operation in question, to be prepared according to Form No. 2 attached to this Circular, together with all relevant documents.
3. SIC Circular No. 3 of October 16, 2001, and Circular No. 6 of November 12, 2004, shall be repealed.

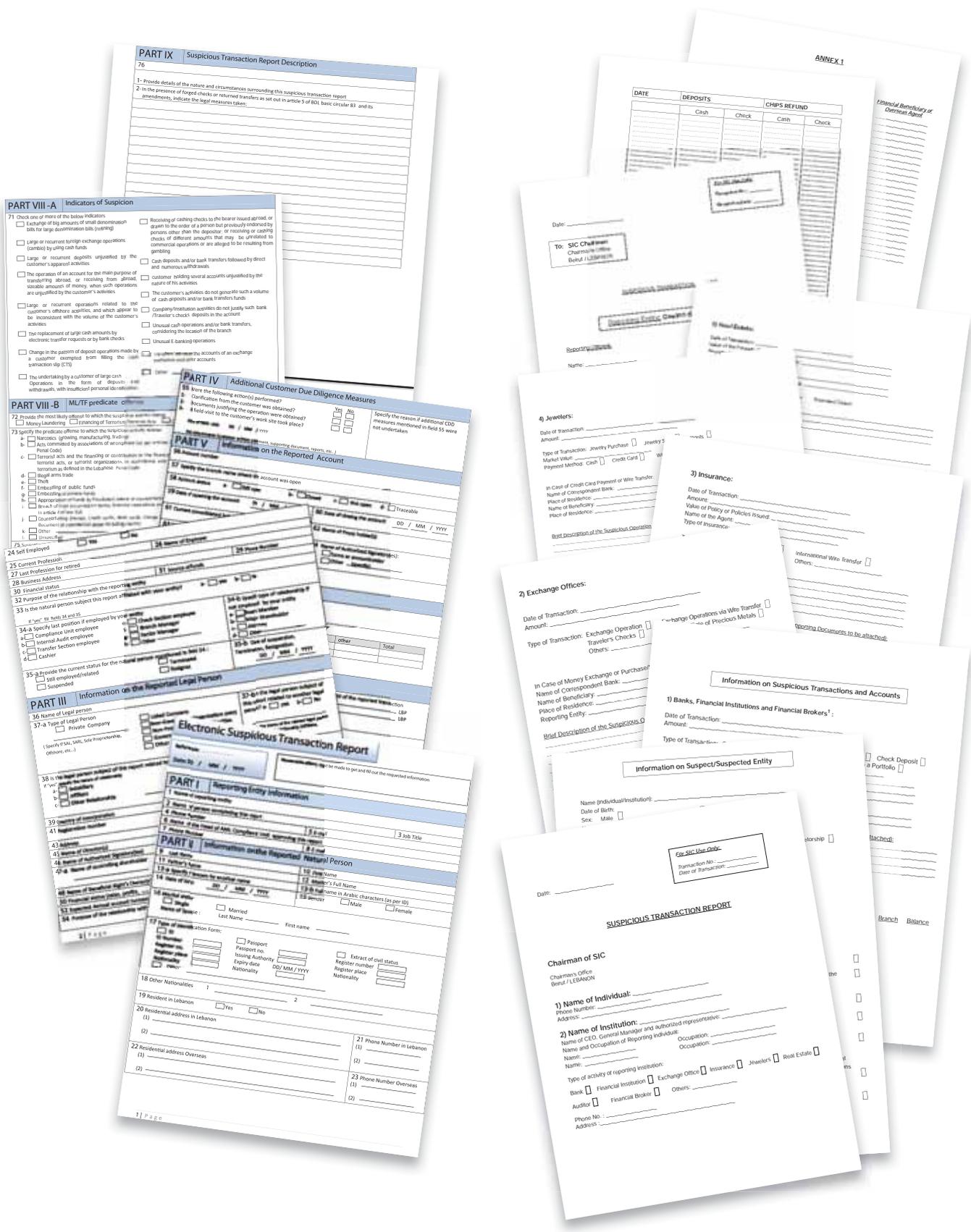
This Circular shall be published in the Official Gazette and shall enter into force upon its issuance.

Beirut, September 16, 2014

The Governor of the Banque du Liban

Chairman of the Special Investigation Commission

Riad Toufic Salamé



Form No. 1

Form No. 2

Special Investigation Commission Circular 18

Addressed to Banks and Financial Institutions

With reference to:

- Paragraph 20 of Article 9 bis of Basic Decision No. 6116 of March 7, 1996, on Facilities that may be granted by Banque du Liban to Banks and Financial Institutions,
- Paragraph 5 of Article 4 of Basic Decision No. 7743 of January 2, 2001, on Subsidizing Loans granted to the Industry, Tourism, and Agriculture Sectors,
- Article 22 bis of Basic Decision No. 7835 of June 2, 2001, relating to the Statutory Reserve,

Pursuant to the SIC decision taken in its meeting of September 18, 2014,

All banks and financial institutions operating in Lebanon are requested, at their own responsibility, to inform the SIC of the loans granted to persons against whom decisions were issued to freeze their accounts or consider their accounts as being traceable.

To this effect, the SIC should be provided, by October 15, 2014, with three lists containing the names of these persons, in case they were granted a loan against which:

- The concerned banks benefit from facilities granted by Banque du Liban, pursuant to Basic Decision No. 6116 of March 7, 1996.
- The customer benefits from interest subsidy, pursuant to Basic Decision No. 7743 of January 2, 2001.
- The concerned banks benefit from reductions in the Statutory Reserve, pursuant to Basic Decision No. 7835 of June 2, 2001.

This Circular shall be published in the Official Gazette and shall enter into force upon its issuance.

Beirut, September 18, 2014

The Governor of the Banque du Liban

Chairman of the Special Investigation Commission

Riad Toufic Salamé

Special Investigation Commission Circular 19

Addressed to the concerned Institutions and Parties mentioned in Article 5 of Law No. 44 of November 24, 2015, and to Financial Intermediation Institutions, and Collective Investment Schemes, on the Implementation of UN Security Council Resolutions 1267 (1999), 1988 (2011) and 1989 (2011) and successor resolutions

Pursuant to Law No. 44 of November 24, 2015 (Fighting Money Laundering and Terrorism Financing), notably the provisions of Article 6, Paragraphs 2 and 5 thereof; and

Pursuant to the Decision of the Special Investigation Commission, taken in its meeting of December 3, 2015,

FIRST:

The concerned institutions and parties mentioned in Article 5 of Law No. 44 of November 24, 2015, as well as financial intermediation institutions and collective investment schemes, are requested, as far as each is concerned:

1. To review constantly any update on the UN Security Council Website concerning the names designated in the lists issued pursuant to UN Security Council Resolutions 1267 (1999), 1988 (2011), 1989 (2011), and related successor resolutions and/or issued by the Special Sanctions Committees; and to automatically and immediately freeze, without delay and without any prior notice, the funds, accounts, operations, or other assets in whatever form (direct or indirect, joint...) related to these names, as soon as such names are listed; and to inform the Special Investigation Commission of this action and provide it with any information in this respect within a period not exceeding 48 hours.
2. To report to the Special Investigation Commission in case of similarity between the name of a customer and any designated name and details included in the lists issued pursuant to the UN Security Council Resolutions referred to in Paragraph 1 above and/or issued by the Special Sanctions Committees.

SECOND:

The provisions of this Circular shall be applicable to branches, sister institutions and subsidiaries abroad.

THIRD:

Any party violating the provisions of this Circular shall incur the sanctions stipulated in Article 13 of Law No. 44 of November 24, 2015, particularly for non-compliance with the immediate freezing obligation referred to in Paragraph 1, Subparagraph 1 above.

FOURTH:

This Circular shall be published in the Official Gazette and shall enter into force upon its publication.

Beirut, December 22, 2015

The Governor of the Banque du Liban

Chairman of the Special Investigation Commission

Riad Toufic Salamé

Special Investigation Commission Circular 20

Addressed to Banks, Financial Institutions and all other Reporting Entities

Pursuant to the provisions of Law No 44 of November 24, 2015 (Fighting Money Laundering and Terrorism Financing), notably Articles 4, 5, 6, 7, and 13 thereof;

Pursuant to the provisions of Article 12, Paragraph "First", Subparagraph 3 of BDL Basic Decision No. 7818 of May 18, 2001 and its amendments, attached to Basic Circular No 83 (Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing); and

In order to clarify and implement the provisions of Article 1, Paragraph "Second" of BDL Basic Decision No. 12253 of May 3, 2016, attached to Basic Circular No. 137 (Dealing with the US Act of December 18, 2015 and with its implementation regulations to prevent Hizballah from gaining access to international financial and other institutions);

Whereas, with a view to prevent any arbitrary procedure or measure that may cause harm to depositors and clients' interests, particularly whenever closing the account of any depositor or client, or whenever refraining from opening an account in their names or from dealing with them, in an unjustified manner or under the pretext of de-risking; Within the efforts made by Banque du Liban to foster financial inclusion;

In order to safeguard the utmost national interest; and Pursuant to the Decision taken by the Special Investigation Commission (SIC) in its meeting of May 26, 2016,

The following is decided:

Article 1

FIRST:

Banks, financial institutions, financial intermediation institutions, and all other reporting entities are requested not to take any measure, in terms of closing any account held by any client, or refraining from dealing with or from opening any account to any such client, before the elapse of 30 days from filing a report with the SIC. This report must justify the reasons for taking these procedures and measures (KYC; the account movement or frequency or size; ...)

SECOND:

If no reply is received from the SIC within the above-mentioned time limit, the concerned banks and institutions shall be entitled to take the relevant measures in this regard.

THIRD:

These procedures shall not apply in case of accounts held by persons or institutions designated in any of the lists issued with respect to the implementation of the above-mentioned US Act of December 18, 2015.

Article 2

Any party violating the provisions of this Circular shall be prosecuted before the Higher Banking Commission.

Article 3

This Circular shall be published in the Official Gazette and shall enter into force on May 3, 2016.

Beirut, May 26, 2016

The Governor of the Banque du Liban

Chairman of the Special Investigation Commission

Riad Toufic Salamé

Special Investigation Commission Circular 21

Addressed to the Parties mentioned in Article 5 of Law No. 44 of November 24, 2015, particularly Insurance Companies

Pursuant to Law No. 44 of November 24, 2015 (Fighting Money Laundering and Terrorism Financing), notably Articles 5, 6, and 7 thereof;

Whereas the institutions not governed by the Banking Secrecy Law of September 3, 1956, and mentioned in Article 5 of Law No. 44, including insurance companies, must comply with the obligations of Article 4 of Law No. 44, and with the regulations and recommendations issued by the SIC for the purpose of implementing the provisions thereof;

Pursuant to the Decision taken by the SIC in its meeting of September 8, 2016,

The following is required:

1. To implement Customer Due Diligence measures on permanent customers (whether natural persons or legal persons or special legal arrangements) by checking their identity based on reliable documents or information or data; by determining the identity of the beneficial right's owner and taking the steps needed to check this identity based on reliable documents or information or data; and by obtaining at least the information specified in the attached KYC Form, concerning life insurance policies, particularly those related to Unit-Linked Investments and Capitalization.
2. To ensure that accredited insurance agents and brokers comply with the due diligence measures mentioned in Paragraph 1 above.
3. To set up an efficient AML/CFT internal control system that should, at least, comprise of the following:
 - a) Appointment of an AML/CFT Compliance Officer who must attend relevant training sessions on a continuous basis.
 - b) Adoption of software programs to monitor operations that necessitate any such measure.

- c) Preparation by the AML/CFT Compliance Officer of periodic reports to be submitted to the Management, on operations control by adopting a risk-based approach and on the degree of compliance with the required procedures, provided that such reports indicate the degree of compliance of concerned insurance agents and brokers with the same procedures applicable to insurance companies, particularly in terms of providing these companies with the documents they obtain from the concerned customers.
- d) Organization of training sessions to keep the concerned employees, insurance agents and brokers, abreast of required procedures.
- e) Establishment and continuous update of a computerized central archive for information collected about money laundering and terrorism financing operations that includes, at least, the names circulated by the Special Investigation Commission (SIC), and those reported to the SIC by the concerned company.
- f) Establishment of an AML/CFT procedures guide that includes, concerning life insurance policies with investment features, the indicators which are enumerated below for indicative purposes but not restrictively, and which point out, in case unjustified, as an evidence of operations involving money laundering and terrorist financing operations:
 - The life insurance policy beneficiary.
 - Replacing the current beneficiary by another beneficiary having no apparent link with the policyholder.
 - Purchasing multiple life insurance policies, without justifications.
 - The policy is inconsistent with the policyholder's needs or it differs from prior policies issued upon the latter's request.
 - Purchasing a life insurance policy through a single large premium.
 - Purchasing a life insurance policy by a non-resident, non-Lebanese individual.
 - Settling life insurance premiums through large and/or repeated cash payments, or through payments inconsistent with the policyholder's financial status.
 - Payments from unclear sources.
 - Funding the life insurance policy through one large booster payment.
 - Overfunding the life insurance policy with additional and repeated unusual payments.
 - Paying life insurance premiums with funds from abroad.
 - Requesting withdrawals on the life insurance cash value, in order to obtain cheques from the

insurance company just a short period after the policy issuance.

- Requesting transfers from the life insurance cash value towards accounts held abroad.
 - Cancelling the life insurance policy, regardless of penalties, in order to obtain cheques from the insurance company.
4. To report to the SIC, according to the mechanism mentioned in SIC Circular No. 17 of September 16, 2014, the details of suspicious transactions that may involve money laundering or terrorist financing, provided these reports cover suspicious transactions carried out by the concerned agents and insurance brokers.
 5. To request from their staff, subject to liability, to refrain from notifying the customers that the SIC investigates or inquires about their operations, unless the SIC decides otherwise.
 6. To take the necessary actions and measures in order to prevent the misuse of technological developments for money laundering or terrorist financing purposes, as well as when dealing with high-risk clients, and when correspondent banking relationships are initiated; and to comply accordingly with the relevant Circulars and Announcements issued by BDL and the SIC.
 7. All the persons mentioned in Article 5 of Law No. 44 of November 24, 2015, shall be governed by the provisions of this Circular, where applicable.

This Circular shall be published in the Official Gazette and shall enter into force upon its issuance.

Beirut, September 9, 2016
The Governor of the Banque du Liban
The SIC Chairman
Riad Toufic Salamé

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