

BANQUE DU LIBAN

Basic Circular No 111

**Addressed to Banks, Financial Institutions, Financial Intermediation Institutions,
Leasing Companies, Exchange Institutions, and the Public**

Attached is a copy of Basic Decision No 9708 of September 24, 2007, relating to Cash Transfers according to the Hawala system.

Beirut, September 24, 2007

The Governor of Banque du Liban

Riad Toufic Salamé

Basic Decision No 9708**Cash Transfers according to the Hawala System**

The Governor of Banque du Liban,

Pursuant to the Code of Money and Credit, particularly Articles 70 and 174 thereof,

Pursuant to Law No 133 of October 26, 1999 on the General Mission of Banque du Liban, particularly Article 1 thereof; and

Pursuant to the Decision of the Central Council of Banque du Liban, taken in its meeting of September 19, 2007,

Decides the following:

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 2¹:

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.

¹ - This Article was amended pursuant to Article 1 of Intermediate Decision No 11544 of September 20, 2013 (Intermediate Circular No 337).

Article 3:

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

- a- Send to Banque du Liban a prior written notification.
- b- 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 4¹:

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 5²:

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 6³:

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.”

¹- This Article was amended pursuant to Article 2 of Intermediate Decision No 11544 of September 20, 2013 (Intermediate Circular No 337).

²- This Article was amended pursuant to Article 4 of Intermediate Decision No 11544 of September 20, 2013 (Intermediate Circular No 337).

³- This Article was amended pursuant to Article 5 of Intermediate Decision No 11544 of September 20, 2013 (Intermediate Circular No 337).

Article 7¹

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 8²

This Decision shall come into effect upon its issuance.

Article 9³

This Decision shall be published in the Official Gazette

Beirut, September 24, 2007

The Governor of Banque du Liban

Riad Toufic Salamé

¹- This Article was added pursuant to Article 6 of Intermediate Decision No 11544 of September 20, 2013 (Intermediate Circular No 337).

²- The numbering of this Article has become 8 instead of 5, pursuant to Article 3 of Intermediate Decision No 11544 of September 20, 2013 (Intermediate Circular No 337).

³- The numbering of this Article has become 9 instead of 6, pursuant to Article 3 of Intermediate Decision No 11544 of September 20, 2013 (Intermediate Circular No 337).

