

## **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**

- I. 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.