

2020 ANNUAL REPORT



Special Investigation Commission Lebanon's Financial Intelligence Unit

2020 ANNUAL REPORT







THE CHAIRMAN

Dear SIC Members, Secretary General & Staff,

Year 2020 was acknowledged globally as an exceptionally difficult year, and more so for Lebanon which experienced tragic events, and unimaginable economic as well as social circumstances. The Beirut port explosion and loss of lives, the Covid-19 pandemic and multiple lockdowns came on top of an already worsening situation. The culmination of events and pandemic can still be felt in 2021 weighing heavily on our economy and lives. Being a resilient nation, we need to always remind ourselves that this will not go on forever, and that a sense of normalcy will slowly but surely reemerge.

During the year, the pandemic forced the adoption of new ways of working at the SIC and at times partial attendance and shifts among staff were put in place to ensure uninterrupted, safe and productive work environment. Day-to-day tasks were prioritized, and focus was given to strategic matters such as to the execution of the NRA action plan that includes ML/TF mitigating measures covering legislative and regulatory actions, as well as priorities for operational The legislations adopted parliament covering anti-corruption matters, the SIC risk-based supervisory work, as well as a number of other measures taken by local AML/CFT stakeholders, such as the designations made in accordance with UNSCR 1267 are just examples of the whole of government approach intended to beef up our AML/CFT regime.

The tragic events that unfolded during the year and the many hardships facing Lebanon led MENAFATF to postpone its scheduled assessment of our AML/CFT regime which will now commence in the latter part of 2021

In spite of the many hardships, you carried out your tasks with utmost professionalism. 463 cases were handled by the SIC, resulting in funds freezing decisions and in case disseminations to the General Prosecutor. Risk based AML/CFT compliance examinations covered 19 banks, as well as other reporting entities. Throughout the year, your engagements and participation through video conferencing in the works of the Egmont Group, MENAFATF and FATF were no less demanding.

The tragic events that unfolded during the year and the many hardships facing Lebanon led MENAFATF to postpone its scheduled assessment of our AML/CFT regime which will now commence in the latter part of 2021. I trust that going forward, you will prioritize this matter and work closely with local AML/CFT stakeholders to demonstrate the effectiveness of Lebanon's AML/CFT regime.

This has been an unprecedented year for all of us. As I write this letter, we are not out of the woods yet, but I am still hopeful that 2021 will bring the change, prosperity and stability we all aspire for.

I thank you for your efforts, hard work and professionalism during these turbulent times, and count on your continued good work till we land on safe shores.

Best regards, Riad Toufic Salamé

Banque du Liban, Governor Special Investigation Commission, Chairman



THE SECRETARY
GENERAL

Dear SIC Managers & Staff,

Lebanon had experienced its share of unfortunate events in the past, yet none of us could have foreseen what we had to endure throughout 2020. Amid turmoil and dire times, we had to abruptly accept fundamental changes to our work routines, and also to our lives. Changes that have been stressful to say the least. As bleak as the future may look, the pandemic will eventually pass, and we will overcome our challenges. I am also confident that the skills, experience and resilience we built over the years will help us fare through these difficult times.

During the year, the SIC worked with local authorities on a number of high profile cases and received a total of 463 ML and TF cases, of which 87 were from foreign sources and 376 from local sources. 45 spontaneous disclosures were also received and handled. Risk based AML/CFT onsite compliance examinations were carried out covering 19 banks, 44 money dealers, and 12 money remittance companies. The SIC continued engaging in other work associated with international and regional bodies, namely Egmont Group, MENAFATF and FATF which mandated ample time, effort and resources. Be it from the office or home during lockdowns, you carried out your duties with utmost professionalism and dedication, for which I am grateful.

In addition to what the world was going through, Lebanon had added economic and social challenges which were recognized by MENAFATF, hence the mutual evaluation of Lebanon's AML/CFT regime was postponed, and is now scheduled to commence in the latter part of 2021. Preparing for this assessment under the global challenges and those specific to Lebanon, is not an easy task for local stakeholders when everything seems to be falling apart and local authorities as well as the private sector are overwhelmed with the prevailing situation in the country. Nevertheless, we need not be reminded that during difficult times, strong leadership, team work, and solidarity are needed. Accordingly, the SIC will step up to the challenges putting its expertise to good use and help local stakeholders stay focused and committed to this resource intensive milestone. The SIC will also continue working to raise awareness with respect to higher ML/TF risks via continuous engagements with private sector reporting entities.

• The SIC continued engaging in other work associated with international and regional bodies, namely Egmont Group, MENAFATF and FATF which mandated ample time, effort and resources. Be it from the office or home during lockdowns, you carried out your duties with utmost professionalism and dedication, for which I am grateful •

At times it can be hard to see light at the end of the tunnel, and going forward, we will undoubtedly have to grapple with a host of the aforementioned challenges. As always, we will keep our team spirit and work together to overcome those challenges, living up to our local, regional and international obligations. Also, we will work with our local partners on matters of inter-agency coordination and cooperation to further strengthen our AML/CFT regime. It is darkest before dawn, so I am optimistic that we will fare through to better times.

I thank you for your work and dedication, and ask that you stay healthy and safe.

Best regards, Abdul Hafiz Mansour

Special Investigation Commission, Secretary General

TABLE OF CONTENTS



Special Investigation Commission and its Local / Foreign partners

Chapter 1: **Special Investigation Commission Structure**

22
23
27
34
36
37
38
41
43
44
49

Chapter 3: International & Regional Organizations

1.	Egmont Group	56
2.	MENAFATF	58

Chapter 4: National Committees

				_	_	
	AML Poli	cies				62
1.	The Natio	onal Con	nmittee	for Coor	dinatin	ıg

2.	The National Committee on Suppressin	ng
	Terrorism Financing	63

Section 2

Statistical Data

1.	Cases Received	66
2.	Bank Secrecy Lifted & Information Provided	66
3.	Breakdown of Cases by Predicate Offence	67
4.	Terrorism or Terrorism Finance Related Cases	68
5.	Handling Breakdown	69
6.	Breakdown by Source & Type	70
7.	Source of Foreign ROAs	71
8.	Geographic Distribution of STRs	72
9.	Strategic Analysis (2016–2020) Nature of Specified Crimes	73
	• Forgery	74
	Cybercrime	75
	Spontaneous Disclosures	75
10 .	AML/CFT On-Site Compliance Examinations	76



AML/CFT Laws and Regulations

Law 44	81
Law 32	85
Law 42	86
Law 53	87
Law 55	87
Law 77	89
BDL Basic Circular 83	89
BDL Basic Circular 1 Addressed to Collective Investments Schemes	98
BDL Basic Circular 1 Addressed to Financial Intermediation Institutions	98
BDL Basic Circular 2 Addressed to Financial Institutions	99
BDL Basic Circular 2 Addressed to Specialized Lending Entities	99
BDL Basic Circular 3 (Section 5)	99
BDL Basic Circular 63	101
BDL Basic Circular 69	101
BDL Basic Circular 81	102
BDL Basic Circular 89	102
BDL Basic Circular 111	103
BDL Basic Circular 111 BDL Basic Circular 126	103
BDL Basic Circular 126	104
	Law 32 Law 42 Law 53 Law 55 Law 77 BDL Basic Circular 83 BDL Basic Circular 1 Addressed to Collective Investments Schemes BDL Basic Circular 1 Addressed to Financial Intermediation Institutions BDL Basic Circular 2 Addressed to Financial Institutions BDL Basic Circular 2 Addressed to Financial Institutions BDL Basic Circular 2 Addressed to Specialized Lending Entities BDL Basic Circular 3 (Section 5) BDL Basic Circular 63 BDL Basic Circular 69 BDL Basic Circular 81

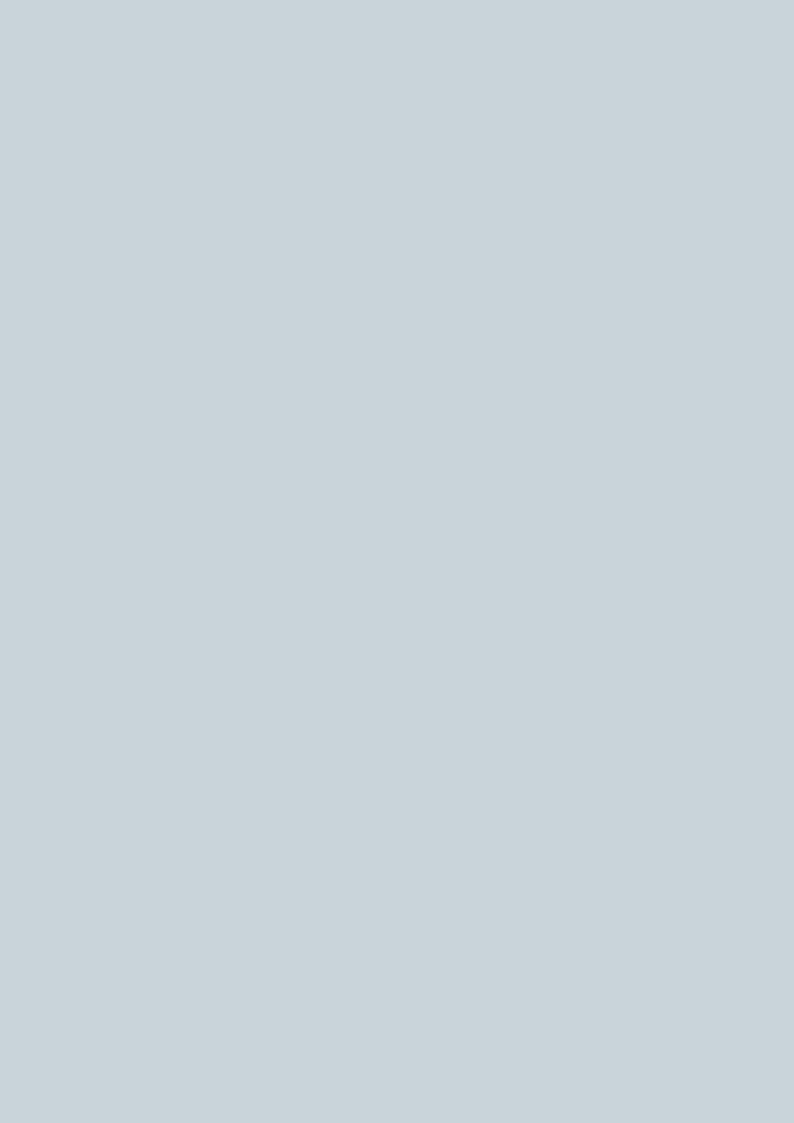
22 .	BDL Basic Circular 139	106
23 .	BDL Basic Circular 144	109
24 .	BDL Basic Circular 147	110
25 .	Capital Markets Authority Series 2000 & 3000	111
26 .	SIC Circular 1	111
27 .	SIC Circular 2	111
28 .	SIC Circular 4 amended by SIC Circular 13	112
29 .	SIC Circular 5 amended by SIC Circular 12	112
30 .	SIC Circular 7	114
31 .	SIC Circular 8	115
32 .	SIC Circular 9	115
33 .	SIC Circular 10	116
34 .	SIC Circular 11	116
35 .	SIC Circular 14	116
36 .	SIC Circular 15	117
37 .	SIC Circular 16	117
38 .	SIC Circular 18	118
39 .	SIC Circular 19	118
40 .	SIC Circular 20	119
41 .	SIC Circular 21	119
42 .	SIC Circular 22	121
43 .	SIC Circular 23	121
44 .	SIC Circular 24	123
45 .	SIC Circular 25	124



2019 ML & TF National Risk Assessment

Summary

F	Foreword				
1.	Introduction	130			
2.	Methodology	131			
3.	ML/TF Threats	133			
	3.1 Money Laundering Threats	133			
	3.2 Terrorist Financing Threats	134			
4.	Inherent ML/TF Vulnerabilities	136			
5.	Financial Sector and DNFBPs	136			
	5.1 Financial Sector	136			
	5.2 Designated Non-Financial Businesses & Professions	138			
6.	Legal Persons & Arrangements and Non-Profit Organizations	141			
	6.1 Legal Persons & Arrangements	141			
	6.2 Non-Profit Organizations	142			
7.	ML/TF Risks	143			
8.	Risk Mitigation Measures - AML/CFT Regime	144			
9.	Looking Forward				





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 regulations and recommendations to concerned parties. AML/CFT supervision via risk based compliance examinations that cover 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, assuming its first year presidency and its presidency in 2018 as well. 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 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 curb financial flows from organized crime and combat terrorism finance, 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 those of other concerned authorities is a must.

Keeping high on its agenda Lebanon's Mutual Evaluation and the results of the ML/TF National Risk Assessments, several laws and regulations were issued since 2015, including the new AML/CFT Law No. 44. Coordination with other concerned agencies also took place to address risks and points of concern through a comprehensive national strategy that aimed to elevate Lebanon's AML/CFT regime in line with international standards. Moreover, the SIC is working relentlessly towards enhancing AML/CFT risk based on-site compliance examinations, financial investigations and other SIC core activities with hopes that the coming years will be marked with similar success.

Highlights 2001-2020

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

2002

- Removal of Lebanon's name from FATF NCCT List
- Creation of the 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

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

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

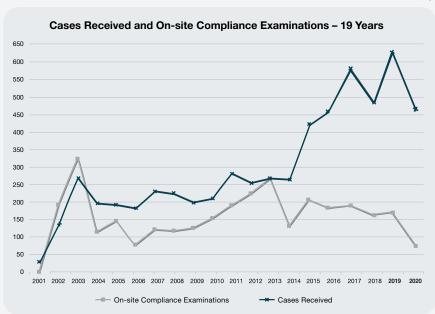
2009

MENAFATF adopts Lebanon's ME Report

2010

New SIC Secretary appointment

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



2012

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

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

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

MOUs signed with the SIC





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

 SIC Secretary General re-elected as EG MENA Region Representative & Egmont Committee Vice Chair

SIC representing Lebanon assumed the Vice Presidency of MENAFATF

SIC received the StAR Award of Excellence from the World Bank-UNODC Stolen Asset Recovery Initiative (StAR) for investigating a corruption case that resulted in asset recovery

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

2018-

- Lebanon represented by the SIC assumes the MENAFATF Presidency
- The second ML/TF National Risk Assessment was initiated and is being led by the SIC

2019 -

- The 2019 ML & TF
 National Risk Assessment
 was concluded & SIC
 Circular 25 was issued
- The two national committees for AML & CFT adopted an action plan containing risk mitigation measures

2020

- The UN 1267/2253
 Sanctions Committee made a designation based on Lebanon's request.
- Enactment of the Anti-corruption law in the public sector and the establishment of the National Anti Corruption Agency (Law No. 175/2020)



SECTION I

Special Investigation Commission and its Local / Foreign partners

Cn	apter 1: Special investigation Commission Structure	
1.	Organization Chart	21
2.	Members	22
3.	General Secretariat	23
Ch	apter 2: Special Investigation Commission 2020 Activities	
1.	SIC Units	27
2.	Important Milestones - A 10 Year Snapshot	34
3.	Staff Training Framework	36
	Experience in Words	37
	Training Events	38
4.	International Reach Out Policy	41
	Technical Assistance & Other Engagements	43
	Secretary General Engagements	44
5.	Selection of Typologies	49
Ch	apter 3: International & Regional Organizations	
1.	Egmont Group	56
2.	MENAFATF	58
Ch	apter 4: National Committees	
1.	The National Committee for Coordinating AML Policies	62
2	The National Committee on Suppressing Terrorism Financing	63







Organization Chart



The Governor of Banque du Liban

Mr. Riad Salamé

Chairman



The President of the Banking Control Commission

Mrs. Mayya Dabbagh Member



The Judge appointed to the Higher Banking Commission

Dr. Ali Ibrahim Member



The professional appointed by the Council of Ministers

Mr. Shadi Hanna Member

Mr. Abdul Hafiz Mansour Secretary General

Audit & Investigation Unit
Mr. Hisham Hamzé
Executive Director

Financial Investigation Administrative Unit Mrs. May Naggear Executive Director

Compliance Unit Mr. Tarek Zahran Executive Director IT & Security Unit

Mr. Nasser Lebbos

Executive Director

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, Mrs. Mayya Dabbagh, or the member of the Commission designated by her.

Member

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

Member

2 I 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.

General Secretariat

1 The Special Investigation Commission General Secretariat is composed of:

The Secretary General

The Audit & Investigation Unit

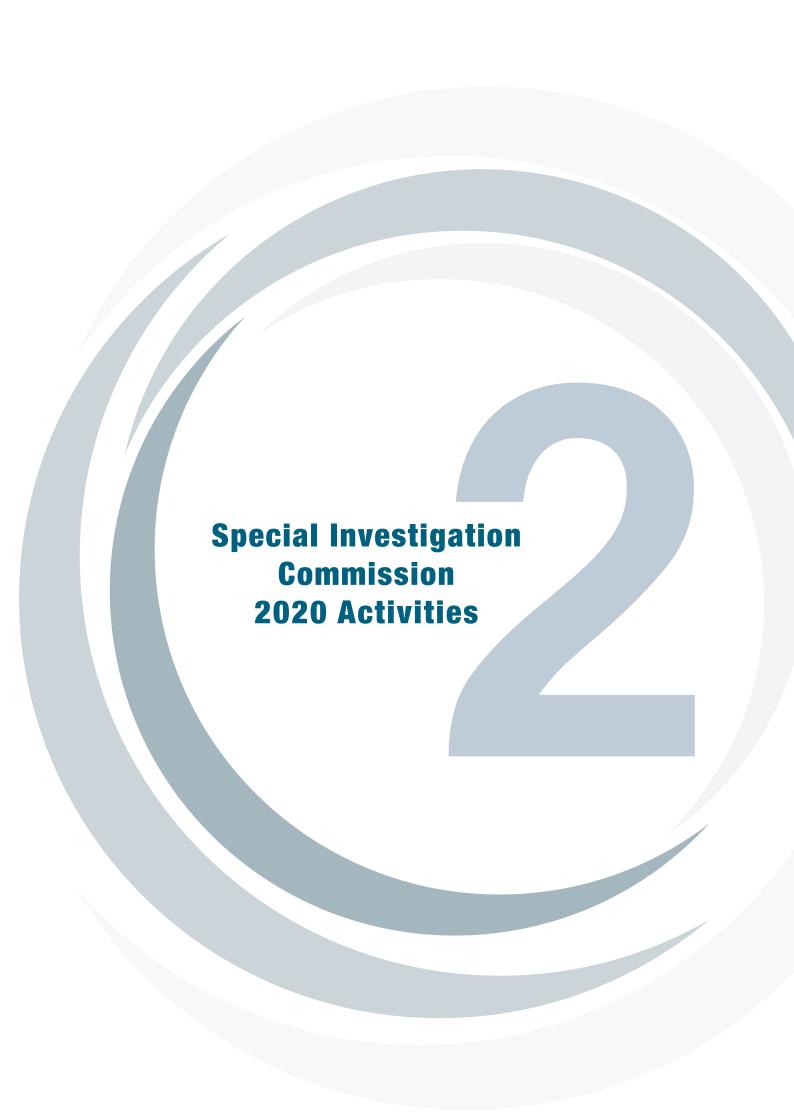
The Compliance Unit

The Financial Investigation Administrative Unit

The Information Technology & Security Unit

- **2** I The Secretary General tasks include the following:
 - Supervising directly the SIC Units.
- Receiving directly or through the Chairman of the Commission all suspicious transaction 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.





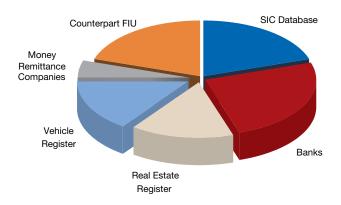
The Audit & Investigation Unit is the financial investigation arm of the Special Investigation Commission. When discharging its duties in connection with filed STRs, the Unit performs the needed operational analysis and financial investigation on the persons and related transactions. This process can 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, sending spontaneous disclosures, 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.

Audit & Investigation Unit

Prioritizing the core work of the Audit & Investigation Unit while tentatively sidelining other endeavors that required committing resources was necessary to get through 2020, a truly exceptional year marked with multiple lockdowns, staff shifts and being away from the office for extended periods of time. This was also inevitable given the number of high-profile cases handled that demanded ample resources. In spite the prevailing circumstances in Lebanon, and the nature of some of the cases received, staff expertise, skills and years of training paid off, thus allowing for the completion of tasks in a timely manner.

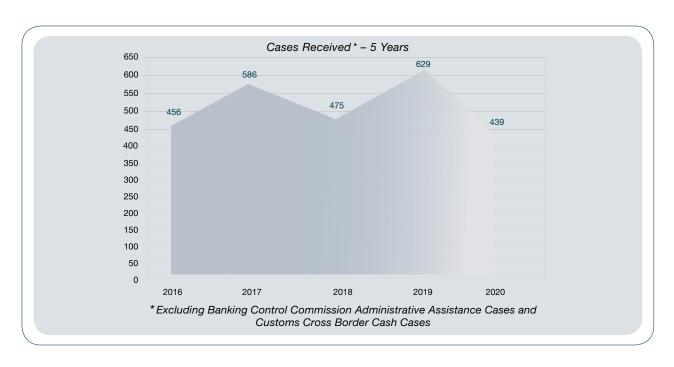
International cooperation and effective interagency coordination are necessary to reach desirable outcome in ML/TF cases. During the year, one such case was a ROA received from the General Prosecutor on acts of corruption involving abuse of function and embezzlement of public funds. The SIC circulated the names of the accused to all banks and financial institutions operating in Lebanon requesting an immediate freeze on any identified accounts. Findings revealed the presence of accounts for one of the accused, some of which were closed, while others were joint accounts with a spouse. The analysis of the accounts revealed the presence of cash deposits, mainly below the USD 10,000 threshold, in addition to check deposits and incoming transfers from abroad. These were followed by cash withdrawals and other transactions. The SIC also requested from the real estate register and the vehicle register to freeze any identified assets. Both registers reported the presence of assets for one of the accused. The information obtained from a counterpart FIU revealed the presence of accounts abroad for two of the accused. One of the accused was mentioned in STRs filed by

a foreign bank in connection with multiple cash deposits, the source of which could not be identified, that were followed by check issuances to beneficiaries where the relationship and purpose could not be established. All findings were forwarded to the General Prosecutor for further investigation.



Information gathered from various sources (Case related to corruption)

In 2020, the Audit & Investigation Unit handled 463 cases, which comprised 279 STRs and 224 ROAs originating from foreign/local sources, in addition to 45 Spontaneous Disclosures. A wide range of decisions were taken by the SIC covering requests to refrain from carrying out certain transactions at reporting entities, keep accounts traceable, and freeze others. Based on SIC decisions, requests were also made to the real estate register to attach an encumbrance on properties and information was shared with FIUs, and disseminated to the General Prosecutor.



The Compliance Unit is the supervisory arm of the Special Investigation Commission that ensures banks and other reporting entities compliance with prevailing AML/CFT regulations. It conducts ongoing onsite and offsite examinations to assess 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. When necessary, the risk based approach for supervision of concerned sectors under Law no. 44 are 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 or introducing new AML/CFT regulations following developments in international standards, and when the need arises due to either evolving risks, best practices or as a result of examinations findings.

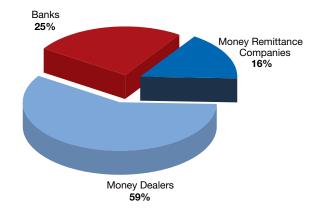
Compliance Unit

For all of us, the pandemic added an additional layer of unrest to an already stressful year marked with economic and financial difficulties, as well as with tragic events. Planning Compliance Unit activities and allocating resources with certainty across tasks were things we took for granted. This was true when things were normal and we didn't stress over anticipating what's next. In our line of business, face-to-face interaction is important to facilitate collaboration and resolve complex issues. Luckily, the hybrid-work model adopted during the year had limited impact on productivity as it allowed for days in the office, and on-site on compliance missions, as well as for working remotely from home with access to video communications.

The reforms needed to restore macroeconomic and financial stability that remain unresolved, along with the pandemic, impacted our lives and decimated large segments of the economy, including financial institutions such as money dealers, many of which had to close or halt their operations given the scarcity in foreign currency and its limited supply by the central bank to just a few. The Compliance Unit strived throughout the year to improve its work processes and align its resources with the NRA outcomes, so as to ensure that AML/CFT supervisory activities commensurate with ML/TF risks. Significant efforts were also put towards the implementation of other elements within the NRA action plan. In 2020, onsite risk based AML/CFT compliance examinations covered 19 banks, 44 money dealers, and 12 money remittance companies. Offsite work included analyzing results from

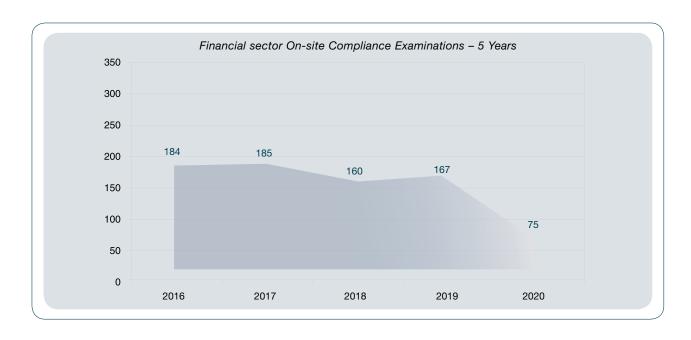
risk-assessment surveys as well as evaluating external auditors' annual AML/CFT procedures reports for banks, financial institutions, type "A" money dealers and money remittance companies.

During this difficult year, the Compliance Unit continued engaging local AML/CFT authorities in preparing for the MENAFATF mutual evaluation of Lebanon, which



Distribution of the 75 on-site examinations

ended up being postponed due to the prevailing difficult circumstances. Such engagements occurred in spite the fact that local authorities were occupied for much of the year with disaster relief, social unrest, and security matters not to mention a number of high profile cases. Other endeavors involved working on a range of topics related to international organizations with which the SIC is affiliated, along with participating in training activities, most of which were done remotely.



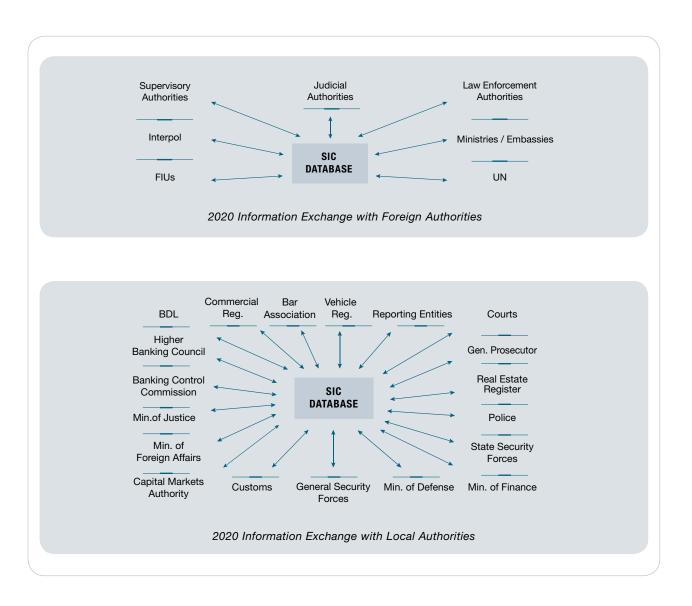
The Financial Investigation Administrative Unit is entrusted with managing the Special Investigation Commission's database. The Unit logs all filed STRs and ROAs received from local/foreign sources in addition to spontaneous disclosures, as well as SIC decisions in this regard. Also, requests made by 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 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.

Financial Investigation Administrative Unit (FIAU)

In 2020, lockdowns, staff shifts and closing the office were just some of the things that flipped the calendar. Managing the SIC database continued despite these challenges and included data entry activities, data cleansing tasks and enhancing the database's extraction features and capabilities. These tasks were also coupled with strategic analysis work on a number of high-risk crimes as identified in the 2019 ML & TF NRA, such as terrorism financing and cybercrimes. During the year, the Unit liaised with customs and other local authorities on cross border cash reports and cybercrime related cases, in addition to Lebanon's implementation of chapters II and V of the UNCAC.

With respect to staff training, several staff were required to undertake e-learning courses developed by the Egmont Group, UNODC and Basel Institute on Governance. Other staff attended meetings and training events, most of which transitioned during the pandemic from the traditional face-to-face setting to being online and virtual.

During the year, the Unit's manager participated in the FATF RTMG meeting on "Asset Recovery", and one staff member travelled to Dubai to lecture in a UNODC workshop on the use of UNSCRs 1267 & 1988 sanctions to disrupt terrorist networks.



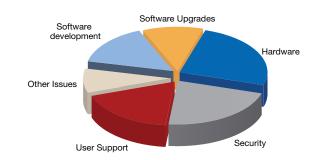
The Information Technology and Security Unit at the Special Investigation Commission is in charge of managing and updating all hardware, software, applications and network communications infrastructure needed for both the day-to-day operations of staff and for the secure exchange of messages between 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.



Year 2020 was a challenging year, as we had to carry out most of our duties and responsibilities far from the accustomed norms. In difficult times, investing in IT usually goes down to the necessary, and the main target for the IT & Security Unit becomes ensuring continuity of operations from both in and out of the office, as well as upgrading and strengthening information security measures

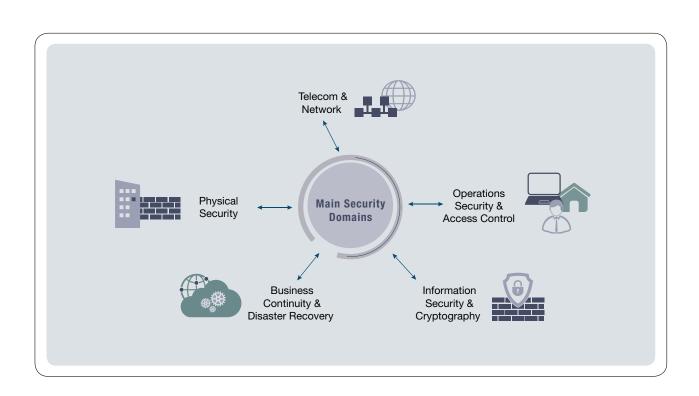
With the prevailing circumstances, relying at times on half solutions to get through is necessary. This was the case with respect to the infrastructure project of 2019. The old storage system, which was replaced for reaching its highest capacity was used as a backup medium. This was necessary until we were able to proceed with the selection, purchase and implementation of a new backup scheme. On the software level, some applications used at the SIC were modified to accommodate the constraints imposed by the intermittent closure of the office. Adequate timely responses to requests, time management and remote access were the main targets. In addition, with the pandemic situation worsening, the SIC communication tool with local AML/CFT stakeholders was heavily used allowing for less mail delivery and paperless communication.

During the year, IT staff attended virtual training to stay abreast of the latest trends, including on topics related to crypto assets, covid-19 and the changing ML/TF risk



Time distribution across tasks

landscape. While one staff member traveled to Morocco to attend a workshop on the digitalization of financial services and new ML/TF challenges; for much of the year, virtual meetings replaced most of the travel and "in person" meetings that used to take place. To this extent, we put in place a "virtual meeting room" at the SIC, thus providing staff with high speed connection and professional video conferencing equipment.



Important Milestones A 10 Year Snapshot

- 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

2014



- 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

MOUs signed with Counterpart FIUs since SIC Inception

	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

	Country	FIU	Signing Date
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
19	Romania	ONPCSB	Dec. 17, 2008
20	United Arab Emirates	AMLSCU	May 26, 2009

- Lebanon represented by the SIC assumes the MENAFATF Presidency, and the 27th & 28th Plenary meetings were held in Beirut
- BDL Basic Circular No. 83 amended to cover the definition and identification of the Beneficial Owner and to add an indicator for certain suspicious real estate transactions
- Issuance of two BDL Basic Circulars for Brokerage Firms and for Collective Investments Schemes on the Beneficial Owner
- Issuance of SIC Circular 24 on the definition and identification of the Beneficial Owner
- The Lebanese Tax Procedures Code amended to include the Beneficial Owner (Law No. 106/2018)
- The second ML/TF National Risk Assessment was initiated and is being led by the SIC
- The SIC, MENAFATF and ACINET jointly organized in Beirut the "Arab Forum for Anti Corruption Agencies and Financial Intelligence Units", with support from the UN, EG, and OECD
- The SIC, MENAFATF & ISF jointly organized in Beirut the "4th Anti-Cybercrime Forum"
- The Lebanese Association of Certified Public Accountants and the Lebanese Ministry of Justice issued two separate manuals on the implementation of AML/CFT Law no. 44/2015
- The UN 1267/2253 Sanctions Committee made a designation based on Lebanon's request.
- Enactment of the Anti-corruption law in the public sector and the establishment of the National Anti Corruption Agency (Law No. 175/2020)
- Enactment of a Law on "Financial Disclosure, Conflicts of Interest and Illicit Enrichment" (Law No. 189/2020)
- Enactment of a Law legalizing Cannabis cultivation for medical and industrial use (Law No. 178/2020)
- The Commercial Register at the Ministry of Justice adopted a Beneficial Owner Form.



- SIC Secretary General re-elected as EG MENA Region Representative & Egmont Committee Vice Chair
- · SIC representing Lebanon assumed the Vice Presidency of MENAFATF
- SIC received the StAR Award of Excellence from the World Bank-UNODC Stolen Asset Recovery Initiative (StAR) for investigating a corruption case that resulted in asset recovery
- Issuance of SIC Circulars 22 & 23
- Issuance of BDL Basic Circular No. 139 relating to the Common Reporting Standard (CRS)
- Issuance of BDL Basic Circular No. 144 on Cybercrime Prevention
- Lebanon's ninth Progress Report submitted to MENAFATF, and Lebanon considered compliant or largely compliant in FATF core/key recs
- The Beirut & Tripoli Bar Associations issued a manual that includes the mechanism on the implementation of AML/CFT Law No. 44

- The 2019 ML & TF National Risk Assessment was concluded & SIC Circular 25 was issued
- The two national committees for AML & CFT adopted an action plan containing risk mitigation measures
- BDL Basic Circular No. 83 was amended
- Issuance of BDL Basic Circular No. 147 & BDL Intermediate Circular No. 521 to mitigate tax evasion risks
- Issuance of BDL Intermediate Circulars No. 528 & 529 to money dealers and money remittance companies
- The Lebanese Code of Commerce was amended to include among other things Beneficial Owner requirements (Law No. 126/2019)
- The OECD-Global Forum Peer Review Report rated Lebanon Largely Compliant on the Exchange of Information on Request

	Country	FIU	Signing Date
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

	Country	FIU	Signing Date
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
37	Trinidad & Tobago	FIUTT	August 02, 2017
38	Macao	GIF	October 26, 2017
39	Iraq	IQFIU	November 26, 2019
40	Pakistan	FMU	December 02, 2019

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 feedback 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 to allow the 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 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, in addition to reporting entities from the financial sector and DNFBPs.



Experience

in Words



WASSIM | NIZAR

We had the opportunity to travel to Morocco to attend a workshop on the digitalization of financial services and new challenges in the fight against money laundering and terrorism financing. This two-day workshop jointly organized by Banque de France and Bank Al-Maghrib covered a wide range of topics, including related FATF standards as well as relevant typologies. The impact of new technologies, overall risks, and developments in digital identification of clients were main topics of discussion. The federal financial supervisory authority of Germany also shared its expertise with participants.



WADDAH | MOHAMED

Attending a four-day joint OECD/IMF training event on how to improve public sector's role in detecting and reporting corruption in MENA and GCC countries was a rewarding experience. This event, held at the IMF center in Kuwait, aimed to facilitate the exchange of experiences and good practices among anti-corruption bodies responsible for preventing and detecting corruption in the MENA region. Presentations covering real life case studies were shared, in addition to best practices on topics such as the effective means to detect and report corruption, and the importance of inter-agency cooperation in the process. The role of civil society and media in detecting corruption, along with the mechanisms for the protection of whistleblowers were also discussed.



RAWAD

To keep staff abreast of the latest developments in the AML/CFT field, the SIC transited during the year much of its training activities from face-to-face to webinars and e-learning courses. My participation in the two-week foundation program on conducting financial investigations, that was organized virtually by the OECD International Academy for Tax Crime Investigations, was truly beneficial. The course was structured around a number of modules and taught through a combination of lectures, group discussions, practical exercises and presentations by participants. Main topics included principles of evidence, sources of information, methods of proof, and investigative techniques. A better understanding of the skills required in financial investigations, including the ability to follow the money trail through complex financial arrangements and use of sophisticated techniques was gained.



ROBERT | IMAD

Attending a webinar organized by MENAFATF on Trade Based Money Laundering allowed for interaction and the sharing of experiences with experts and participants. Topics were tackled from different perspectives and covered the types of TBML, such as over and under invoicing, false invoicing, mislabeled goods and standby L/Cs. Red flags such as unusual exports/imports, pricing, and geographies, in addition to pandemic issues in connection with medicines and medical equipment purchases were also covered.



OMAR | MAHA

Participating in the FATF webinar on "Covid-19 and the changing ML/TF risk landscape" was very beneficial, as it directly correlates with the prevailing challenging circumstances. Updates and different perspectives on key ML/TF risks were provided by representatives from Australia, Mexico, Interpol and Europol. Discussions covered the ways in which the pandemic has changed the criminal economy, the main threats and vulnerabilities emerging at the national, regional and international levels, along with the medium and long term risks associated with the crisis. Good practices and strategies the public and private sectors can put in place to manage the changing risk environment were also shared.



MYRIAM

Participating in the countering proliferation finance webinar organized by MENAFATF and the Royal United Services Institute was very beneficial as it coincided with FATF changes to the recommendation covering risk assessments. The webinar covered the international sanctions regimes, the standards related to proliferation finance, in addition to some global and region-specific related typologies. Strategies and best practices for integrating proliferation financing considerations into regulatory regimes and assessing national proliferation financing risk exposure were also highlighted.

Training Events

LOCAL & INTERNATIONAL TRAINING

Date	Organizer	Event / Location	No. of SIC Staff Attending
	OECD / IMF - CEF	Training course titled "How to Improve Public Sector's Role in Detecting and Reporting Corruption in MENA and GCC Countries?" (Kuwait)	2
1 st Q'20	Banque de France/ Bank Al-Maghrib	Workshop on the "Digitization of financial services and the new challenges in the fight against money laundering and terrorism financing" (Rabat, Morocco)	2
	MENAFATF	Webinar on Trade Based Money Laundering (Virtual)	5
	MENAFATF	Webinar on Trade Based Money Laundering: Advanced topics in Money Laundering and Fraud in Pandemic (Virtual)	5
2 nd Q'20	MENAFATF	Webinar on "AML/CFT Compliance in the Crypto sphere: Blockchain, Bitcoin and Beyond" (Virtual)	5
	ECOFEL / BASEL Institute on Governance / UNODC	E-learning courses: • FIU Operational Independence and Autonomy • Corporate Vehicles and Financial Products (CORFIN) • Operational Analysis • Introduction to Anti-Corruption • Advanced Anti-Corruption: Prevention of Corruption (Virtual)	6



Date	Organizer	Event/Location	No. of SIC Staff Attending
	MENAFATF	Webinar on Advanced topics in AML/CFT Compliance in the Crypto sphere (Virtual)	5
	FATF	Webinars on: COVID-19 and the changing money laundering and terrorist financing risk landscape Impact of COVID-19 on the detection of money laundering and terrorist financing (Virtual)	4
	Egmont Group	 Webinars on: Introduction to Virtual Assets (VAs) and Virtual Asset Service Providers (VASPs): terminology, AML/CFT regime vulnerabilities stemming from VAs. Operational aspects associated with VAs: blockchain or other technology analyses, information gaps, expertise requirements, IT tools, etc. Domestic and International Cooperation on ML/TF Cases through VAs or VASPs: challenges and best practices. Vulnerabilities of mobile payment services (MPS) to ML/TF: FIU challenges and best practices. (Virtual) 	1
3 rd Q'20	Interpol	Webinar on Combatting Financial Frauds through Effective Money Interception Mechanisms (Virtual)	1
	UNODC	E-learning course on "Countering the financing of terrorism and Proliferation of Weapons of Mass Destruction (WMDs) by non-State actors" (Virtual)	2
	ECOFEL	E-learning course on "COVID-19 Emerging Risks" (Virtual)	1
	OECD International Academy for Tax Crime Investigation	Virtual course on Conducting Financial Investigations (Foundation) (Virtual)	1
	MENAFATF / The International Compliance Association (ICA)	Webinar on AML Risk and Resilience in a Covid-19 Era (Virtual)	1
	MENAFATF / The Royal United Services Institute (RUSI)	Webinar on Countering Proliferation Finance (Virtual)	1
	FATF	FATF Virtual Joint Experts' Meeting Sessions: • Financing of Ethnically & Radically Motivated Terrorism • ML & Environmental Crime • Illicit Arms Trafficking & TF • Multi-Jurisdictional ML Cooperation (Virtual)	4
4 th Q'20	MENAFATF / ECOFEL	Webinar on improving parallel financial investigations - Cooperation between FIUs and LEAs (Virtual)	3
	Banque de France	Webinar on fighting money laundering and terrorism financing (Virtual)	2



InternationalReach 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 counterparts in the region. 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 FIUs from 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, and 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 as well as the EG ISIL 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.





TECHNICAL ASSISTANCE & OTHER ENGAGEMENTS

Date	Organizer	Event/Location	No. of SIC Staff Involved	Type of Involvement
1 st	Egmont Group Egmont Plenary & Working Groups meetings (Mauritius)		1	Delegation
Q'20	FATF / MENAFATF	Discussion of a Mutual Evaluation Report of a MENAFATF member country (Paris, France)	1	Assessor
2 nd Q'20	FATF Policy & Development Group (PDG)	Virtual meetings on Counter Proliferation Financing (Virtual)	1	Working meetings
	Egmont Group	Virtual Egmont Working Groups Meetings (Virtual)	2	Delegation
3 rd	Office of the Minister of State for Administrative Reform (OMSAR) Meeting of the National Anti-Corruption Committee Task Team (Beirut, Lebanon)		1	Participant
Q'20	BDL	Internship Program: Lebanon's experience in fighting ML/TF (Beirut, Lebanon)	1	Speaker
	German Federal Ministry for Economic Cooperation & Development / Norwegian Ministry of Foreign Affairs	Global Forum on Illicit Financial Flows and Sustainable Development (Virtual)	1	Participant
	Union of Arab Banks (UAB)	Webinar on "The Key Elements of an Effective Anti-Bribery and Corruption (ABC) Program" (Virtual)	1	Speaker
	BDL / The Lebanese Army Research & Strategic Studies Center	Workshop for military officers on the Central Bank's establishment, its role in monetary policy, and the financial, legal and regulatory systems (Beirut, Lebanon)	2	Speakers
4 th	MENAFATF	The 31st MENAFATF Plenary & Working Groups meetings (Virtual)	6	Delegation
Q'20	UNODC - Terrorism Prevention Branch (TPB)	Training workshop on using UNSCR 1267 & 1988 sanctions to disrupt terrorist networks (Dubai, UAE)	2	Speakers
	FATF Risk, Trend & Methods Group (RTMG)	Virtual meeting on the FATF Asset Recovery Project (Virtual)	1	Working meetings
	UNDP	Live discussion on "Lebanon's Anti-Corruption Strategy: A Youth Perspective" (Virtual)	1	Participant

SECRETARY GENERAL ENGAGEMENTS

Date	Organizers	Event/Location	Type of Involvement
	Egmont Group	Egmont Plenary & Working Groups meetings (Mauritius)	Head of delegation
1 st Q'20	OECD / IMF - CEF	Training course titled "How to Improve Public Sector's Role in Detecting and Reporting Corruption in MENA and GCC Countries?" (Kuwait)	Speaker
	General Secretariat of the Parliament / Parliamentary Committee of Foreign Affairs & Expatriates / Westminster Foundation for Democracy (WFD)	Workshop on mechanisms for recovering stolen funds: International experiences and available options (Beirut, Lebanon)	Participant
2 nd Q'20	Union of Arab Banks (UAB)	High-Level Webinar on "Global Banking in light of COVID-19 and Geopolitical Development" (Virtual)	Participant
Z Q 20	UNODC	The 11th Session of the Implementation Review Group of the UNCAC (Virtual)	Participant
	Interpol	Webinar on Combatting Financial Frauds through Effective Money Interception Mechanisms (Virtual)	Participant
	Office of the Minister of State for Administrative Reform (OMSAR)	Meeting of the National Anti-Corruption Committee Task Team (Beirut, Lebanon)	Participant
	UNODC	The first resumed 11th Session of the Implementation Review Group of the UNCAC (Virtual)	Participant
3 rd Q'20	UNODC	The 11th Session of the Open-Ended Intergovernmental Working Group on the Prevention of Corruption (Virtual)	Participant
	UAB / World Union of Arab Bankers (WUAB) / Arab Federation of Exchanges / Frankfurt Main Finance	Webinar on "Central Banks Support to Financial Capital Markets in the Coronavirus Pandemic" (Virtual)	Participant
	German Federal Ministry for Economic Cooperation & Development / Norwegian Ministry of Foreign Affairs	Global Forum on Illicit Financial Flows and Sustainable Development (Virtual)	Participant

Date	Organizers	Type of Involvement	
	BDL / The Lebanese Army Research & Strategic Studies Center	Workshop for military officers on the Central Bank's establishment, its role in monetary policy, and the financial, legal and regulatory systems (Beirut, Lebanon)	Opening speech
	UNODC	The second resumed 11th Session of the Implementation Review Group of the UNCAC (Virtual)	Participant
	UNODC	The 9th Open-Ended Intergovernmental Expert meeting to enhance international cooperation under the UNCAC (Virtual)	Participant
4 th Q'20	UNODC	The 14th meeting of the Open-ended Intergovernmental Working Group on Asset Recovery (Virtual)	Participant
	MENAFATF	The 31st MENAFATF Plenary & Working Groups meetings (Virtual)	Head of delegation
	UNODC - Terrorism Prevention Branch (TPB)	Regional meeting to improve the Iraqi FIU and relevant agencies understanding of the national and regional terrorism financing risks and coordination with competent authorities (Dubai, UAE)	Speaker
	Union of Arab Banks / World Union of Arab Bankers	Forum on "Sanctions Risks & Dealing with critical AML Issues" (Beirut, Lebanon)	Opening speech



- 2020 Training, Technical Assistance & Other Engagements
- Prior Years

N.B. Some countries visited in 2020 were also visited in prior years





During the Macao
2017 Egmont Group Plenary
meeting, the World Bank-UNODC
Stolen Asset Recovery Initiative
presented, for the first time, a StAR
Award of Excellence to the SIC and to
another FIU. Both were recognized for
investigating, freezing, and also for
the successful repatriation of
corruption related funds.

Selection of

Typologies

TERRORISM FINANCING

Report (ROA): The Lebanese General Prosecutor sought the SIC assistance in order to identify and freeze bank accounts, transactions and any movable or immovable assets pertaining to individuals involved in acts of terrorism and terrorism financing. The suspects had carried out an attack that resulted in the killing of municipality guards, and investigations that followed this act uncovered a terrorist cell associated with ISIL that underwent military training and collected arms and ammunitions. Law Enforcement investigations also revealed that the cell was preparing to execute terrorist attacks on Lebanese soil, namely through simple and easy to perpetrate terrorist attacks, such as mass shootings in public places.

Analysis and Investigation: The SIC initiated its investigation by circulating the names of the suspects to all banks, financial institutions, and money remittance companies. Enquiries were also made to the vehicle register and to the real estate register. Findings revealed the presence of money remittance transactions in small amounts occurring within the country, in addition to a number of transactions with several jurisdictions. No bank accounts were identified, and a few vehicles and properties were depicted. Additional findings from parallel investigations carried out by law enforcement and made available to the SIC revealed that the terrorist cell had also conducted several robberies to finance their activities.

Subsequent Measures: Spontaneous disclosures and requests of assistance were sent to concerned FIUs. The SIC also attached an encumbrance on the identified vehicles and properties and requested from all money remittance companies to refrain from executing any future transactions for the involved individuals. All findings were forwarded to the Lebanese General Prosecutor.

TERRORISM FINANCING

Report (ROA): The SIC received a request of assistance from a local law enforcement authority via the Lebanese General Prosecutor regarding two individuals who were apprehended and interrogated for smuggling suspected terrorists across the borders. The LEA was seeking any information the SIC might have in its database and to assist in identifying any related bank accounts and transactions.

Analysis and Investigation: In an effort to identify whether or not the suspects had transactions or maintained bank accounts, the SIC circulated their names to all banks, financial institutions, and money remittance companies operating in Lebanon, and simultaneously requested a freeze on accounts and transactions if found. The SIC also requested from the real estate register and the vehicle register to attach an encumbrance on any assets related to them. Findings revealed the presence of two accounts at two financial institutions consisting of small value loans, including a car loan and an outstanding debt which was classified as uncollectable. One money remittance company also provided information on incoming and outgoing transactions in small amounts.

Subsequent Measures: The SIC decided to lift banking secrecy off the identified accounts and placed an encumbrance on the vehicle identified. Findings were forwarded to the Lebanese General Prosecutor for further investigation.

CORRUPTION



Report (ROA): The SIC received a request of assistance from the Lebanese General Prosecutor concerning allegations of corruption, bribery, and abuse of function brought against suspects working for a government agency. Banking information among other things were needed to complement the ongoing investigation, and accordingly the SIC assistance was sought.

Analysis and Investigation: In order to identify transactions and accounts, the SIC circulated the names of the suspects to all banks, financial institutions and money remittance companies operating in Lebanon. Accounts belonging to one of the suspects was identified in four banks along with accounts for close family members. The analysis performed on the obtained accounts revealed unjustified cash and check deposits followed by checks withdrawals. Accounts belonging to another suspect and close family members were also depicted at other banks, and the analysis performed on those accounts reflected many transactions between them. In addition, two money remittance companies reported a number of outgoing remittances in prior years.

Subsequent Measures: The SIC decided to lift banking secrecy off the identified bank accounts and forwarded the investigation findings to the General Prosecutor.

OF PRIVATE FUNDS

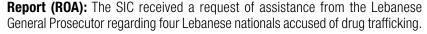


Report (STR): A local bank filed a STR with the SIC concerning unauthorized transactions carried out by a bank employee on customers' accounts. The said employee executed withdrawals from the accounts of several customers using forged instructions, and uncollected newly issued checkbooks.

Analysis and Investigation: The SIC review of bank statements pertaining to several embezzled customers revealed withdrawals worth hundreds of thousands of dollars. With the information at hand, the SIC circulated the name of the suspected bank employee to all banks, financial institutions and money remittance companies operating in Lebanon to identify bank accounts and transactions. Two bank accounts were identified. The analysis of the said accounts revealed that the embezzled funds were not placed in the identified accounts as they had small balances, and activity consisted mainly of salary domiciliation and small cash deposits followed by cash and ATM withdrawals. The SIC later requested information from a local law enforcement authority concerning the entry and exit of the suspect to/from the country, which revealed departure from Lebanon.

Subsequent Measures: The SIC sought assistance from a counterpart FIU on the suspect and related bank accounts abroad and froze the balances of identified accounts in Lebanon. It also requested from all money remittance companies not to perform any future transaction for the suspect. The findings were forwarded to the General Prosecutor for further investigation.

DRUG TRAFFICKING



Analysis and Investigation: A search of the SIC database revealed that two of the four suspects were subject to previous investigations relating to drug trafficking. At the time, the SIC identified and froze related bank accounts and forwarded the matter to the General Prosecutor for further investigation. With the new ROA at hand, the SIC circulated the names of the other two suspects to all banks, financial institutions and money remittance companies operating in Lebanon. The SIC also requested information from several national agencies including the real estate register and the vehicle register. Findings revealed the non-existence of bank accounts, while one money remittance company reported a few incoming and outgoing remittances executed by the two suspects. The information from the real estate register and vehicle register on the two suspects revealed ownership of one real estate and one vehicle.

Subsequent Measures: The SIC decided to place an encumbrance on the real estate and vehicle, and also requested from all money remittance companies not to perform future transactions for the suspects. The findings were forwarded to the General Prosecutor for further investigation.

TAX EVASION

Report (ROA): The SIC received a request of assistance from the Lebanese General Prosecutor concerning a Mutual Legal Assistance (MLA) that he received from a foreign judicial authority. The MLA was related to acts of tax evasion committed by a suspect who owned shares in a company he managed. The suspect made significant profits after the company became publicly traded, did not report or pay taxes due and had transferred funds to a bank account in Lebanon.

Analysis and Investigation: The SIC initiated its investigation by obtaining all related documents, including bank statements as well as available CDD information from the local bank that received the transferred funds from abroad. Furthermore, the SIC circulated the name of the suspect and companies mentioned in the MLA to all banks and financial institutions operating in Lebanon in an effort to identify accounts and transactions. Two additional bank accounts were identified and the analysis performed showed the same pattern of incoming transfers in millions of dollars that were later transferred abroad including for the purchase of real estate.

Subsequent Measures: Banking secrecy was lifted and SIC findings were forwarded to the Lebanese General Prosecutor to take appropriate measures including providing information to the foreign judicial authority.



CYBERCRIME



Report (STR): A bank filed a suspicious transaction report concerning two customers who ordered the execution of cross-border transfers to the account of a European based supplier at a foreign bank. Following the execution of the transfers, the customers realized that the supplier's email was compromised and that they had acted on wrongful payment instructions. The reporting bank had also requested from the correspondent bank the cancellation of the transfers and return of funds.

Analysis and Investigation: The SIC initiated its investigation by reviewing all bank records, documents and invoices submitted by the reporting bank, and also contacted a European FIU in order to freeze the funds abroad and seek further information on the account that received the transfers. The information obtained from the counterpart FIU indicated that the account was for an individual being investigated abroad for ML charges, after having received several fraudulent transfers. The counterpart FIU also stated that part of the funds were frozen, and some had been withdrawn. Contact details were also provided for the foreign law enforcement authority handling the case after the suspect was arrested while attempting to leave the country.

Subsequent Measures: The SIC forwarded the information obtained to the Lebanese General Prosecutor, who in turn also shared with the SIC the related Mutual Legal Assistance request received from the European country.





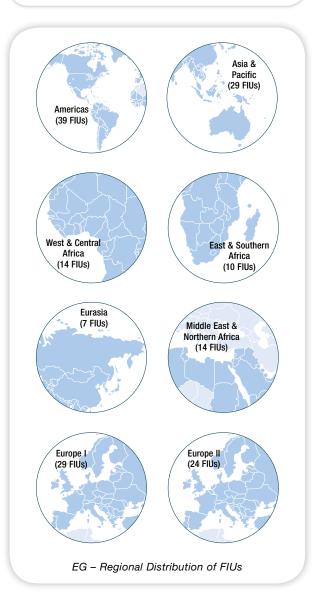


About the **Egmont Group**



- 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 FlUs in 1995 to 166 FlUs by yearend 2020.
- The EG comprises 14 FlUs 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 HoFlUs and their decisions are taken by consensus.
- The Egmont Committee serves as a consultative and coordination body for the HoFIUs.
- There are four Working Groups within the EG, each has a Chair and Vice Chairs:
 - 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
- East & Southern Africa
- Americas
- West & Central Africa
- Europe I
- Middle East & Northern Africa
- Europe II
- 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 FlUs.
- The Egmont Group Secretariat (EGS) is located in Ottawa-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 EG 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.
- In 2016, the SIC joined the team working on the "Egmont Centre of FIU Excellence and Leadership (ECOFEL)" project.
- In July 2017, and during the Macao Egmont Group Plenary meeting:
 - The SIC Secretary General was re-elected as the EG MENA Regional Representative for a second consecutive term of two-years. The SIC Secretary General was also re-appointed as Vice Chair of the Egmont Committee.
 - The World Bank-UNODC Stolen Asset Recovery Initiative presented, for the first time, a StAR Award of Excellence to the SIC and to another FIU. Both were recognized for investigating, freezing, and also for the successful repatriation of corruption related funds.
- In 2018, the SIC organized along with other partners, and with the support
 of the Egmont Group, the "Arab Forum for Anti-Corruption Agencies and
 Financial Intelligence Units" that was held in Beirut.
- In 2019 & 2020, the SIC co-led a project on the revision of certain elements of the EG Support & Compliance Process.

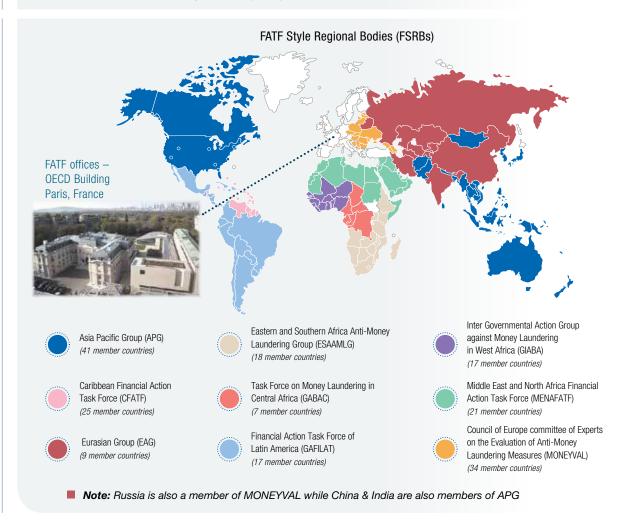
About **MENAFATF**

- MENAFATF is a FATF Style Regional Body (FSRB) established in 2004 at an inaugural meeting held in Bahrain. It is independent from any other international body or organization, and is voluntary and co-operative in nature.
- MENAFATF member countries are committed to a Memorandum of Understanding that aims to achieve the following main objectives:
 - Adopt & implement FATF 40 recommendations
 - Cooperate among each other to raise compliance with FATF standards within the MENA region and cooperate with other international & regional organizations to improve compliance
 - Work jointly to identify issues of regional nature related to ML & TF, and to share relevant experiences & develop solutions for dealing with them
- MENAFATF member countries also commit to participate in mutual evaluation programs which the Plenary adopts, and to participate in other MENAFATF activities.
- MENAFATF sets its own work, regulations and procedures and cooperates with other international bodies, notably the FATF, to reach its objectives.
- MENAFATF decisions are taken in the Plenary meeting either unanimously or by consensus.
- Membership has grown from 14 countries in 2004 to 21 countries by year-end 2020.
- There are two Working Groups (WGs) within MENAFATF:
 - Technical Assistance and Typologies Working Group (TATWG)
 - Mutual Evaluation Working Group (MEWG)
- Observer countries are:
 - Republic of France
 - United States of America
 - United Kingdom of Great Britain & Northern Ireland
 - Kingdom of Spain
 - Australia
 - Federal Republic of Germany
- Observer institutions/organizations are:
 - International Monetary Fund
 - World Bank
 - Co-operation Council for the Arab States of Gulf
 - Financial Action Task Force
 - Egmont Group of FIUs
 - Asia/Pacific Group on Money Laundering
 - World Customs Organization
 - Arab Monetary Fund
 - Eurasian Group on combating money laundering and financing of terrorism
 - United Nations
 - European Commission
- MENAFATF Secretariat is headquartered in the Kingdom of Bahrain.
- MENAFATF is an Associate Member of FATF, a status shared with eight other FSRBs.





- Lebanon is a founding member of MENAFATF, it played an important role in its creation, and assumed its first year Presidency in 2005.
- The SIC represents Lebanon in MENAFATF.
- The SIC is actively involved in MENAFATF Working Groups activities & projects.
- The SIC participates in the MENAFATF delegation to FATF Plenary and WG meetings.
- In 2009, MENAFATF carried an assessment of Lebanon's AML/CFT regime and adopted Lebanon's Mutual Evaluation Report (MER). Nine follow-up progress reports were submitted by the SIC pursuant to the said MER.
- Assessors from Lebanon participated in mutual evaluation missions of several MENA countries.
- In 2017, Lebanon represented by the SIC, assumed the Vice Presidency of MENAFATF.
- In 2018, Lebanon represented by the SIC, assumed the MENAFATF Presidency.
- In 2018, the SIC organized in collaboration with MENAFATF and other organizations:
 - The "Arab Forum for Anti Corruption Agencies and Financial Intelligence Units" that was held in Beirut.
 - The "Fourth Anti-Cybercrime Forum"
- In 2019, the SIC assumed a leading role in the oversight of the implementation of the joint MENAFATF / FATF action plan.
- In 2020, the SIC was involved through MENAFATF in the works of the FATF ad-hoc group on strategic review (AGSR).







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 and cooperation among Lebanese agencies involved in the fight against money laundering. The Committee is engaged in Lebanon's ML/TF risk assessments and serves as a forum to exchange views and suggestions informed by the risks identified, leading up to the adoption and constant review of a national AML strategy and policies that aim to enhance Lebanon's AML regime. Moreover, it serves as a platform for follow up to ensure that the said strategy and policies are 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, remain at the core of the Committee's work and a top priority in its periodic meetings.



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 General, 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 – April 2019).
- Chaired by the Governor of Banque du Liban (April 2019 – present).

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. The Committee is engaged in Lebanon's ML/TF National Risk Assessments, and since its establishment, its periodic meetings focus on recommending to the Council of Ministers actions and policies that aim to address identified TF risks and to keep the country's CFT efforts at par with international standards, including with respect to non-profit organizations.



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).
- Chaired by the representative of the Ministry of Interior & Municipalities, the Director General of the Lebanese Internal Security Forces, Gen. Ibrahim Basbous, (2013 – 2017).
- Adopted in December 2015 two Targeted Financial Sanctions Mechanisms for UNSCRs 1267 & 1373 in accordance with FATF Recommendation No. 6.
- Chaired by the representative of the Ministry of Interior & Municipalities, the Director General of the Lebanese Internal Security Forces, Major General Imad Osman since March 2017.



SECTION II

Statistical Data

1.	Cases Received	66
2.	Bank Secrecy Lifted & Information Provided	66
3.	Breakdown of Cases by Predicate Offence	67
4.	Terrorism or Terrorism Finance Related Cases	68
5.	Handling Breakdown	69
6.	Breakdown by Source & Type	70
7.	Source of Foreign ROAs	71
8.	Geographic Distribution of STRs	72
9.	Strategic Analysis (2016–2020)	
	Nature of Specified Crimes	73
	• Forgery	74
	Cybercrime	75
	Spontaneous Disclosures	75
10.	AML/CFT On-Site Compliance Examinations	76

Cases **Received**





STATUS OF RECEIVED CASES

176 CASES passed on*	38% passed on	95 81	Local Foreign	
208 CASES not passed on	45% not passed on	207	Local Foreign	
79 CASES pending	17% pending	74 5	Local Foreign	>

^{*}Cases forwarded to GP and/or requesting authorities

Note: The 85 pending cases mentioned in year 2019 annual report were resolved as follows: 55 Passed on, and 30 not passed on.

Bank Secrecy Lifted & Information Provided





	Received Cases		tigated ises	Passed on*				Pending Cases		
			% of		rion Provided red by Bank Secrecy)	Bank Sec	recy Lifted		% of	
	Number	Number	Received Cases	Number	% of Investigated Cases	Number	% of Investigated Cases	Number	Received Cases	
Local	376	302	80.3%	69	22.8%	26	8.6%	74	19.7%	
Foreign	87	82	94.3%	78	95.1%	3	3.7%	5	5.7%	
Total	463	384	82.9%	147	38.3%	29	7.6%	79	17.1%	

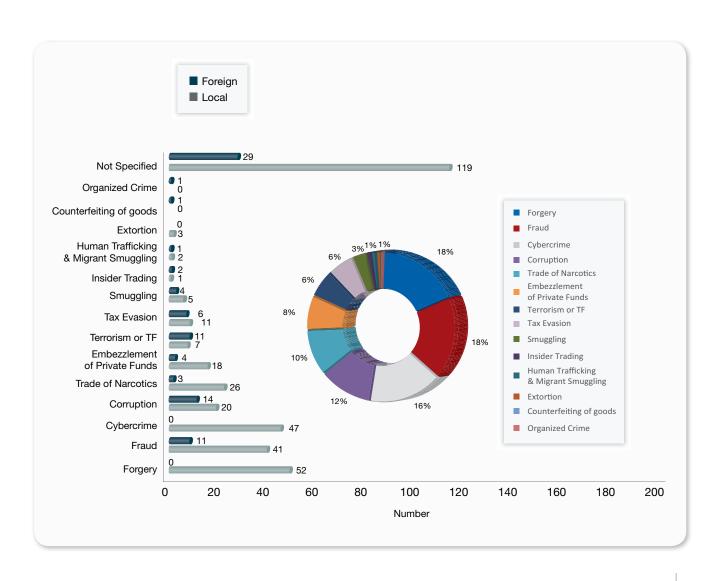
^{*} Cases forwarded to GP and/or requesting authorities

Breakdown of Cases

by Predicate Offence*

	Local Cases	Foreign Cases	Total Cases	% of Total
Forgery	52	0	52	11.8%
Fraud	41	11	52	11.8%
Cybercrime	47	0	47	10.7%
Corruption	20	14	34	7.8%
Trade of Narcotics	26	3	29	6.6%
Embezzlement of Private Funds	18	4	22	5.0%
Terrorism or TF	7	11	18	4.1%
Tax Evasion	11	6	17	3.9%
Smuggling	5	4	9	2.1%
Insider Trading	1	2	3	0.7%
Human Trafficking & Migrant Smuggling	2	1	3	0.7%
Extortion	3	0	3	0.7%
Counterfeiting of goods	0	1	1	0.2%
Organized Crime	0	1	1	0.2%
Not Specified	119	29	148	33.7%
Total	352	87	439	100%

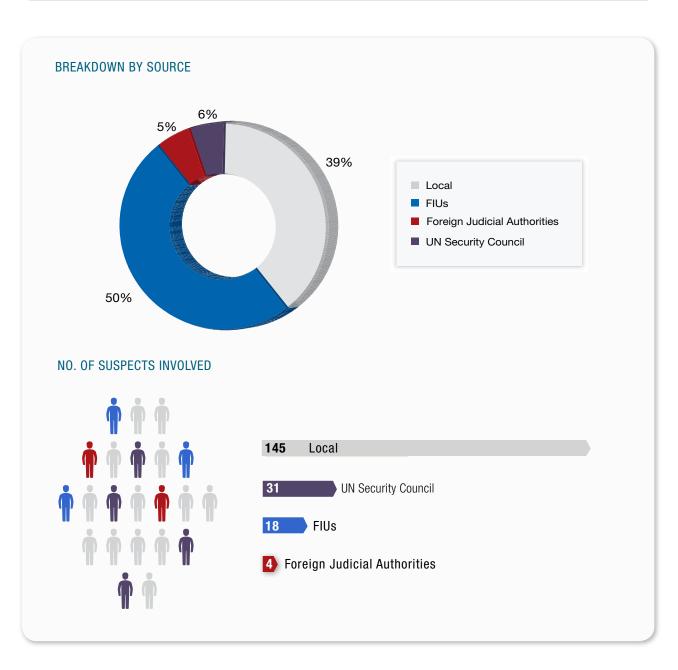
^{*}Excluding 6 Customs Cross Border Cash Cases and 18 Banking Control Commission Administrative Assistance Cases.



Terrorism or Terrorism

Finance Related Cases

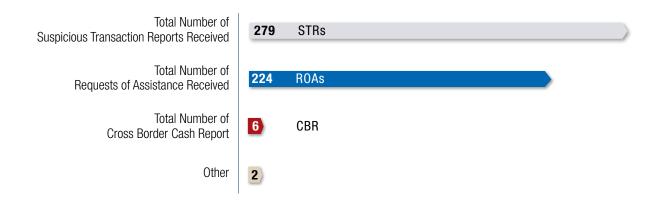
	Red	Received		Investigated		Passed on		Pending	
	No. of Cases	No. of Suspects	No. of Cases	% of Received	No. of Cases	% of Received	No. of Cases	% of Received	
Money Remittance Companies	3	3	3	100.0%	2	66.7%	0	0.0%	
Police	2	139	1	50.0%	1	50.0%	1	50.0%	
Ministries	2	3	2	100.0%	2	100.0%	0	0.0%	
Total Local	7	145	6	85.7%	5	71.4%	1	14.3%	
UN Security Council	1	31	1	100.0%	1	100.0%	0	0.0%	
Foreign Judicial Authorities	1	4	1	100.0%	1	100.0%	0	0.0%	
FIUs	9	18	9	100.0%	9	100.0%	0	0.0%	
Total Foreign	11	53	11	100.0%	11	100.0%	0	0.0%	
Grand Total	18	198	17	94.4%	16	88.9%	1	5.6%	

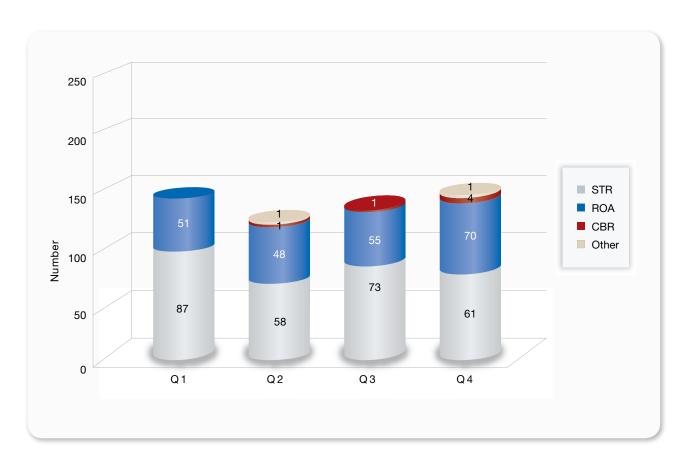


Handling **Breakdown**

	1	1 st Q'20 2 nd Q'20		nd Q'20	3 rd Q'20			4 th Q'20		Annual Total	
	No.	% of Q1 Total	No.	% of Q2 Total	No.	% of Q3 Total	No.	% of Q4 Total	No.	% of Annual Total	
STR	87	63.0%	58	53.8%	73	56.6%	61	44.9%	279	54.6%	
ROA	51	37.0%	48	44.4%	55	42.6%	70	51.5%	224	43.8%	
CBR	0	0.0%	1	0.9%	1	0.8%	4	2.9%	6	1.2%	
Other	0	0.0%	1	0.9%	0	0.0%	1	0.7%	2	0.4%	
Total	138	100%	108	100%	129	100%	136	100%	511	100%	

Note: The above does not include 45 Spontaneous Disclosures received / Processed.

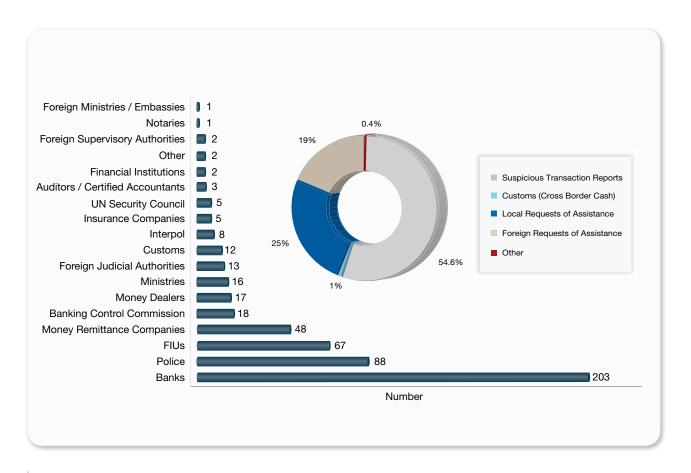




Breakdown by **Source & Type**

	Number	% of Grand Total
Banks	203	39.7%
Money Remittance Companies	48	9.4%
Insurance Companies	5	1.0%
Money Dealers	17	3.3%
Financial Institutions	2	0.4%
Notaries	1	0.2%
Auditors / Certified Accountants	3	0.6%
Total Suspicious Transaction Reports	279	54.6%
Customs (Cross Border Cash)	6	1.2%
Police	88	17.2%
Ministries	16	3.1%
Customs	6	1.2%
Banking Control Commission (Administrative Assistance)	18	3.5%
Total Local Requests of Assistance	128	25.0%
FIUs	67	13.1%
Foreign Judicial Authorities	13	2.5%
Interpol	8	1.6%
UN Security Council	5	1.0%
Foreign Supervisory Authorities	2	0.4%
Foreign Ministries / Embassies	1	0.2%
Total Foreign Requests of Assistance	96	18.8%
Other (Local/Foreign Source)	2	0.4%
Grand Total	511	100%

Note: The above does not include 45 Spontaneous Disclosures received/processed.

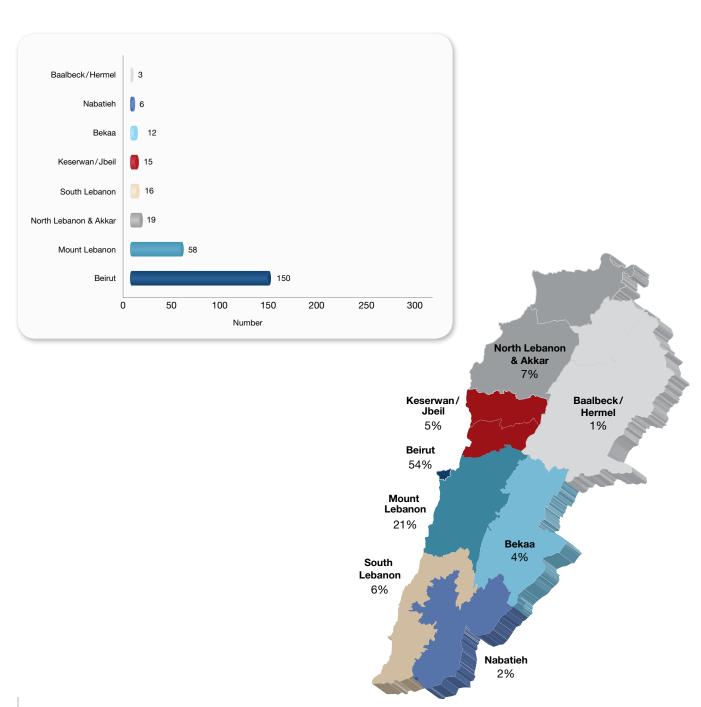


Source of Foreign **ROAs**

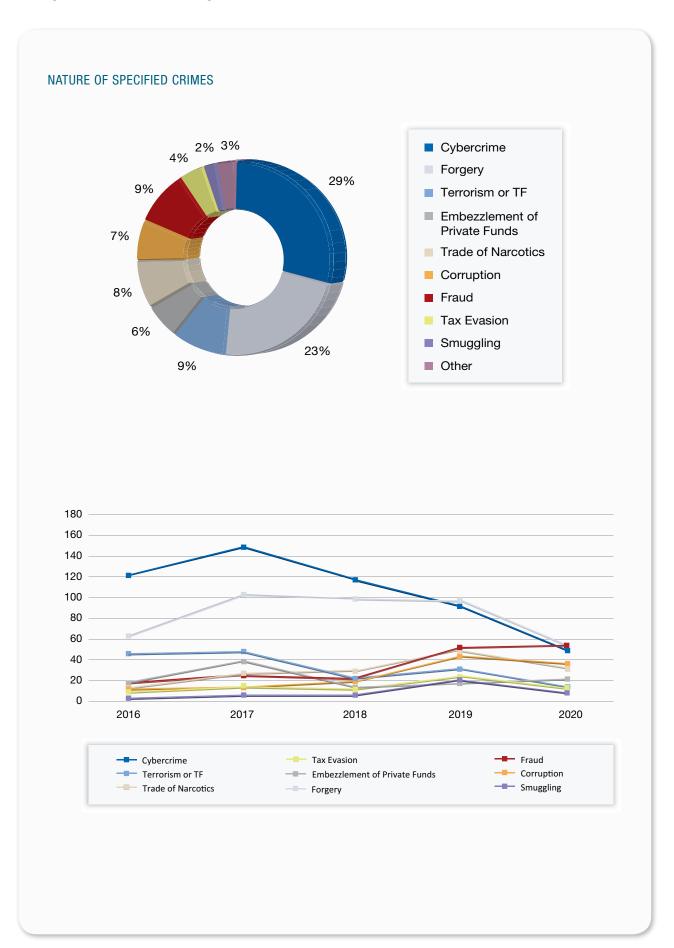
	No. of ROAs	% of Total		No. of ROAs	% of T
rope	41	42.7%	Africa	7	7.3%
nenia	1	1.0%	Gabon	1	1.0%
arus	1	1.0%	Nigeria	3	3.1%
gium	3	3.1%	Tunisia	3	3.1%
garia	1	1.0%	North America	6	6.3%
rus	2	2.1%	United States	6	6.3%
nce	3	3.1%	South America	3	3.1%
many	13	13.5%	Cayman Islands	1	1.0%
ece	1	1.0%	British Virgin Islands	1	1.0%
and	1	1.0%	Brazil	1	1.0%
embourg	1	1.0%	Asia	10	10.4%
ta	2	2.1%	Georgia	1	1.0%
herlands	2	2.1%	Iran	1	1.0%
and	1	1.0%	Japan	2	2.1%
nania	3	3.1%	Kazakhstan	1	1.0%
in	1	1.0%		1	1.0%
eden	· 1	1.0%	Malaysia Russia		3.1%
tzerland	3	3.1%		3	
ed Kingdom	1	1.0%	Thailand	1	1.0%
idle East & Gulf	20	20.8%	Australia	4	4.2%
			United Nations	5	5.2%
rain	1	1.0%	Total	96	100%
 	6	6.3%			
dan	1	1.0%			
<i>y</i> ait	2	2.1%			
ar	1	1.0%			
di Arabia	5	5.2%			
ia E	3	3.1% 1.0%			
6% rth	3%			11%	Aust
South America		43%	%		Asia

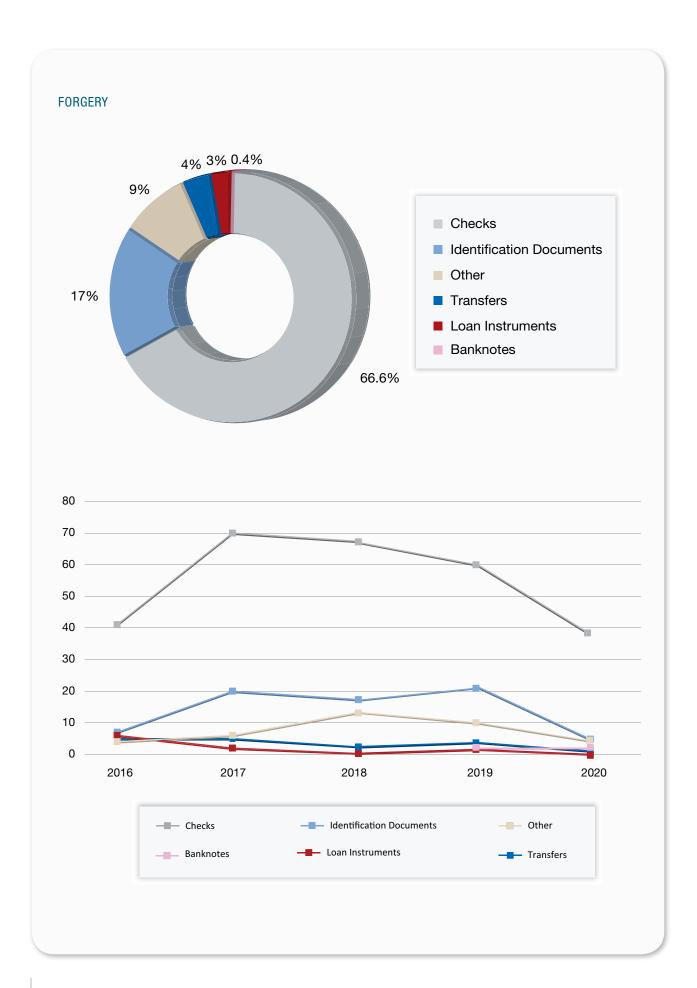
Geographic Distribution of STRs

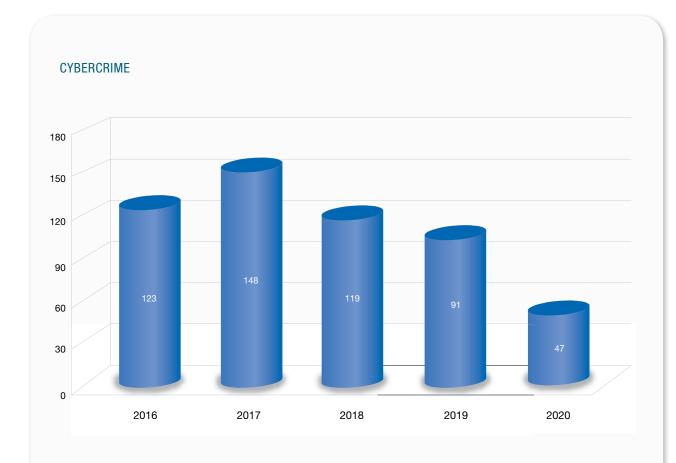
	No. of STRs	% of Total
Beirut	150	53.8%
Mount Lebanon	58	20.8%
North Lebanon & Akkar	19	6.8%
South Lebanon	16	5.7%
Keserwan/Jbeil	15	5.4%
Bekaa	12	4.3%
Nabatieh	6	2.1%
Baalbeck/Hermel	3	1.1%
Total	279	100%



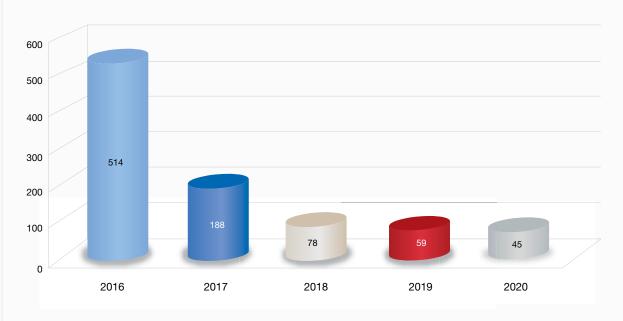
Strategic Analysis (2016–2020)







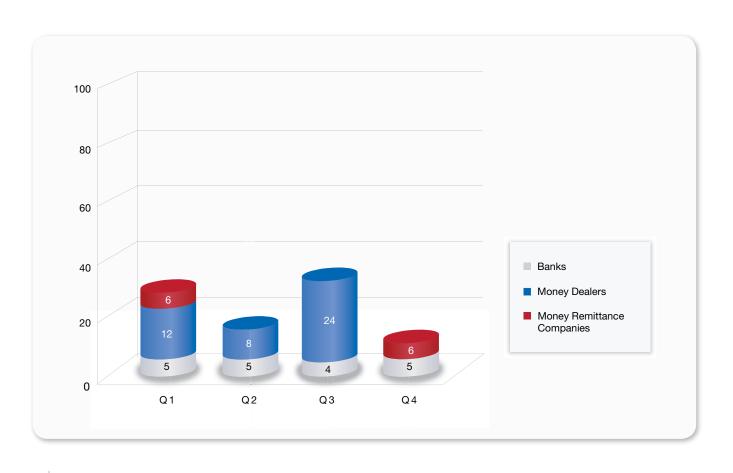
SPONTANEOUS DISCLOSURES

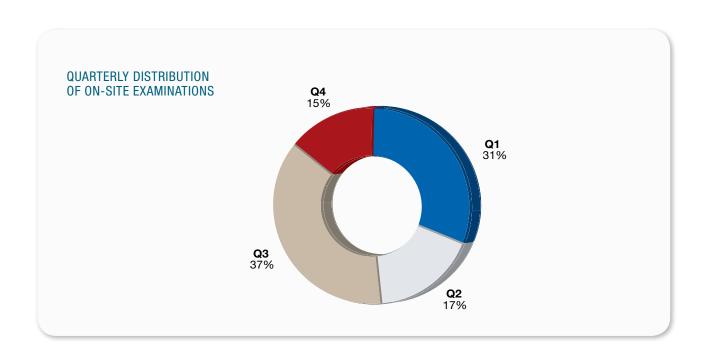


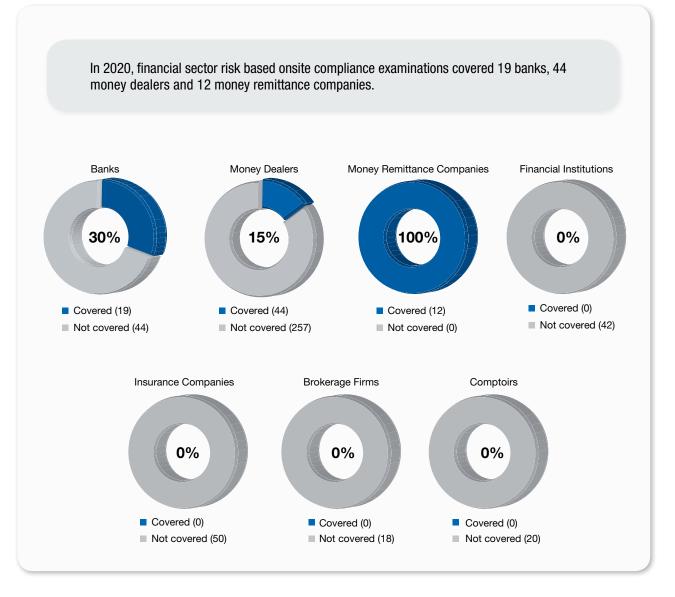
Note: The number of spontaneous disclosures exchanged with FIUs in the region in 2016 & 2017 is primarily related to the efforts to counter the financing of ISIL and affiliates.

AML/CFT On-Site Compliance **Examinations**

Financial S Reporting E Coverag	ntities	Co	Q1 verage	Co	Q2 verage	Co	Q3 verage	Co	Q4 overage		Annual overage
Туре	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	63	5	22%	5	38%	4	14%	5	45%	19	30%
Financial Institutions	42	0	0%	0	0%	0	0%	0	0%	0	0%
Insurance Companies	50	0	0%	0	0%	0	0%	0	0%	0	0%
Money Dealers	301	12	52%	8	62%	24	86%	0	0%	44	15%
Brokerage Firms	18	0	0%	0	0%	0	0%	0	0%	0	0%
Money Remittance Companies	12	6	26%	0	0%	0	0%	6	55%	12	100%
Specialized Lending Entities (Comptoirs)	20	0	0%	0	0%	0	0%	0	0%	0	0%
Total		23	100%	13	100%	28	100%	11	100%		







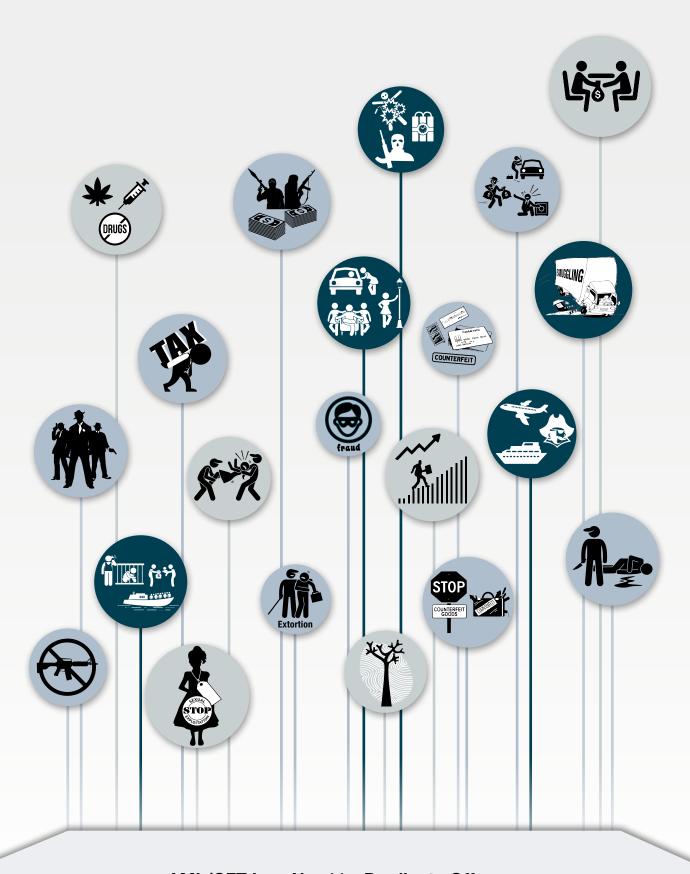


SECTION III

AML/CFT Laws & Regulations

1.	Law 44	81
2.	Law 32	85
3.	Law 42	86
4.	Law 53	87
5.	Law 55	87
6.	Law 77	89
7.	BDL Basic Circular 83	89
8.	BDL Basic Circular 1 Addressed to Collective Investments Schemes	98
9.	BDL Basic Circular 1 Addressed to Financial Intermediation Institutions	98
10.	BDL Basic Circular 2 Addressed to Financial Institutions	99
11.	BDL Basic Circular 2 Addressed to Specialized Lending Entities	99
12.	BDL Basic Circular 3 (Section 5)	99
13.	BDL Basic Circular 63	101
14.	BDL Basic Circular 69	101
15.	BDL Basic Circular 81	102
16.	BDL Basic Circular 89	102
17.	BDL Basic Circular 111	103
18.	BDL Basic Circular 126	104
19.	BDL Basic Circular 136	105
20 .	BDL Basic Circular 137	105
21 .	BDL Basic Circular 138	106

22 .	BDL Basic Circular 139	106
23 .	BDL Basic Circular 144	109
24 .	BDL Basic Circular 147	110
25 .	Capital Markets Authority Series 2000 & 3000	111
26 .	SIC Circular 1	111
27 .	SIC Circular 2	111
28 .	SIC Circular 4 amended by SIC Circular 13	112
29 .	SIC Circular 5 amended by SIC Circular 12	112
30 .	SIC Circular 7	114
31 .	SIC Circular 8	115
32 .	SIC Circular 9	115
33 .	SIC Circular 10	116
34 .	SIC Circular 11	116
35 .	SIC Circular 14	116
36 .	SIC Circular 15	117
37 .	SIC Circular 16	117
38.	SIC Circular 18	118
39 .	SIC Circular 19	118
40 .	SIC Circular 20	119
41 .	SIC Circular 21	119
42 .	SIC Circular 22	121
43 .	SIC Circular 23	121
44 .	SIC Circular 24	123
45 .	SIC Circular 25	124



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:

- 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:

- 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:

- 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:

 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.

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.
- "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.

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.

- "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.

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;
 - 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:

- 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, 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:

 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. 523 dated August 7, 2019)

Article 1

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

SECTION I - RELATIONS WITH FOREIGN CORRESPONDENT BANKS ABROAD

Article 2

The bank shall not enter in, or pursue a correspondent banking relationship with a shell bank. When establishing a relationship with a correspondent bank abroad, the bank must ascertain that the correspondent bank really exists, based on submitted documentary evidence, that it does not deal with shell banks, has a good reputation, is subject to a sound control, and implements sufficient and effective procedures to fight money laundering and terrorism financing.

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

- 1. Obtain the approval of the Senior Executive Management prior to establishing new correspondent relationships.
- 2. Verify the nature of the business of the foreign respondent bank.
- **3.** Determine the respective responsibilities of both the bank and the foreign respondent bank.

4. With regard to payable—through accounts opened by foreign correspondent banks, to take adequate steps to be satisfied that these banks have conducted the due diligence measures towards customers having direct access to the accounts of the correspondent bank, and to verify that these banks are able to provide, upon request, the relevant due diligence information.

SECTION II - RELATIONS WITH CUSTOMERS AND DUE DILIGENCE MEASURES

Article 3

- **1.** The following expressions shall mean:
 - Customer: any natural or legal person, whether a company or a partnership of any type, or any legal arrangement (e.g. a trust), or any body, organization or non-profit organization (mutual funds, cooperatives, welfare centers, charities, clubs, etc.).
 - Beneficial Owner: any natural person who ultimately owns or who exercises ultimate effective control, whether directly or indirectly, over the Customer and/ or the natural person on whose behalf a transaction is carried out.
 - Indirect ownership and/or control include the situations where the ownership and/or control is exercised through a chain of ownership or by means of control other than direct control.
- 2. As far as each is concerned, banks must refrain from keeping anonymous accounts or accounts in fictitious names. They must adopt clear procedures for account opening and conduct due diligence measures, such as verifying the identity of their permanent and transient customers, whether resident or non-resident, and identifying the nature of their business, understanding the ownership structure and/or control over the legal person, understanding the purpose and nature of the business relationship and/or the account opening, identifying the Beneficial Owner and the source of funds, and monitoring operations on a continuous basis, particularly in the following cases:
 - Prior to, or when 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 funds transfers.
 - 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.).
- **2 bis.** Upon the identification of the Beneficial Owner, the same Due Diligence measures applicable to Customers shall apply, including those issued by the Special Investigation Commission.
- 3. The employee in charge of executing the operation must conduct the due diligence measures, including the verification of the customer's identity, regardless of the amount involved, if he/she notices 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 threshold specified in Paragraph (2) of this Article but whose aggregate value totals or exceeds USD 10,000 or its equivalent. The same identity verification must take place if the employee suspects a customer of attempting a money laundering or terrorism financing operation.
- 4. In order to verify the customer's identity, the employee in charge of executing 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 extract from the Civil Status Register, or a residence permit.
 - b) In case the customer is a legal person: duly authenticated documents regarding its by-laws, registration certificate, and ownership structure, a list showing the distribution of equities or shares (directly or indirectly), the list of authorized signatories, in addition to a copy of the identity of its legal representative, directors, and natural persons holding directly or indirectly an interest that enables them to have effective control over the company.
 - c) In case the operation is carried out through a proxy: the original power of attorney or a certified copy thereof, in addition to a copy of the identity documents of both the customer and the proxy. The due diligence measures specified in Paragraph 2 of Article 3 above shall also apply to the nonprofessional proxy.
 - d) In case the operation is carried out by correspondence: an official authentication of the customer's signature on the same document or on a separate certificate. If the customer resides abroad, his/her signature authentication or identity verification may take place through a correspondent bank or affiliated bank, or through a branch or representative office of the concerned bank, or through another bank whose authorized signatures can be verified, provided that bank is subject to a sound 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 sound control and implements sufficient and effective AML/CFT procedures.

The bank shall be liable for the accuracy of statements or information when it relies on a third party to identify customers and verify their identity

- 5. The bank must keep information on the customer and the beneficial owner, in particular the full name, residential address, occupation and financial status, in addition to copies of all the documents used to verify the abovementioned information and to the accounts files, for at least five years after closing the account or ending the business relationship. It must also keep all operations-related documents, including business correspondence and the results of any conducted analysis, for at least five years after performing the operation, in a way that these records constitute evidence, when needed, in case of prosecution for criminal act.
- 6. When the due diligence measures specified in Paragraph 2 of Article 3 cannot be applied to customers and beneficial owners in a satisfactory way, no account must be opened or relationship started or operation performed. The bank must also consider notifying the Special Investigation Commission (SIC) established pursuant to Law No. 318 of 20 April 2001.
- 7. When opening numbered deposit accounts for their customers, in accordance with Article 3 of the Banking Secrecy Law of 3 September 1956, banks must exclusively utilize numbers and/or letters to identify these accounts, and refrain from utilizing pseudonyms; they must also conduct all relevant due diligence measures.

Article 4

In case the bank suspects that the customer is not the beneficial owner or if the customer states that the beneficial owner is a third party, the bank must request from the customer a written statement that identifies the beneficial owner, particularly the latter's full name, residential address, occupation and financial status. The bank must keep a copy of this statement and of the beneficial owner's identity throughout 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 nonprofessional person (e.g. other than a lawyer or a fully authorized representative or a financial intermediary) and no relationship between the customer and the proxy justifies that power of attorney.
- b) When the business relationship is conducted through numbered accounts or through front institutions/ companies.

- c) When the customer's financial status is known to the employee executing the operation and 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, whenever it holds evidence or suspects that the attempted or executed banking operation involves money laundering or the financing of terrorism or terrorist acts or terrorist organizations, particularly when:

- It has irrefutable suspicions about the veracity of the customer's written statement regarding the beneficial owner's identity, or that false or inaccurate information was given about that identity.
- It realizes that it was misled in the course of verifying the customer or beneficial owner's identity, and has persistent suspicions about the information provided by the customer.
- Transfers or checks are returned, directly or upon the request of concerned parties, particularly correspondent banks, due to forgery or to suspicions that they involve suspicious operations.
- It has reasonable grounds to believe that conducting due diligence measures will alert the customer to the bank's suspicions about the existence of a money laundering or terrorism financing operation. In this case, the bank is allowed not to pursue this process.

Article 5 bis

Banks must promptly notify the Special Investigation Commission of any procedures and measures they might take in accordance with applicable AML/CFT laws and regulations, in order to freeze or close any account held by a customer, or to refrain from dealing with that customer or from opening an account in the latter's name. Banks are also required to justify any such procedures and measures.

Article 6

Banks must permanently conduct due diligence measures towards all customers, including the owners of accounts opened before the issuance of Law No 318 of 20 April 2001, in order to modify or add to the adopted KYC (Know Your Customer) Form any information arising from any changes in the customer's status, especially in case of suspicions about the veracity or accuracy of previously provided information, or in case of subsequent changes in the customer or beneficial owner's identity.

Therefore, in order to fulfill these obligations, each bank is required to set up working plans with precise dates.

SECTION III - CONTROLLING CERTAIN OPERATIONS AND CUSTOMERS

Article 7

- The bank must conduct enhanced due diligence measures, including to 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 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 operation's counterparties is a national or a resident of countries that do not apply or insufficiently apply the FATF Recommendations. This shall be verified through a periodic review of the FATF website, particularly after every FATF plenary meeting.

2. The bank is required:

FIRST:

when accepting a cheque drawn on it by an exchange institution, or when executing a banking operation requested by an exchange institution on behalf of one of its customers, whether directly or indirectly, and if the value of the cheque or the operation is above USD 10,000 or its equivalent, to take the following measures:

- a) Ensure that it receives the notification specified in Paragraph 1, Article 9 of the Implementation Rules of the Law Regulating the Money Exchange Profession, attached to Basic Decision No. 7933 of 27 September 2001, which includes information about the cheque-related operation or the banking operation, particularly whether or not the chequerelated operation or the banking operation was executed against an amount received in cash by the exchange institution, in addition to information about the source and destination of funds, and the identity of both the beneficiary and the beneficial owner.
- **b)** Keep this notification for a five-year period.
- c) Request and obtain this notification directly from the concerned exchange institution, in case it has not yet received it 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 a cross-border transportation of cash and/or precious metals to a third person in Lebanon, regardless of the transferred amount:

- a) Ensure that it receives the notification specified in Paragraph 2, Article 9 of the Implementation Rules of the Law Regulating the Money Exchange Profession.
- b) Keep this notification for a five-year period.
- **3.** The bank must 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:
 - a) Opening any account for any exchange institution, before obtaining the approval of the Compliance Unit specified in Article 10 below.
 - b) 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.
 - c) Accepting or executing an exchange operation in favour of any exchange institution, unless the latter is one the customers of the concerned bank.
- **5.** When issuing a chequebook in favour of an exchange institution, the bank must insert in all the cheques the expression "payable to the first beneficiary only".

Article 8

Banks must, as far as each is concerned:

- a) Consider the following indicators in particular, and for indicative purposes only, as evidence of operations involving money laundering or terrorism financing:
 - 1. The exchange of big quantities 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 large or recurrent deposits unjustified by the customer's apparent activities.
 - **4.** An account operated for the main purpose of transferring abroad, or receiving from abroad, sizeable amounts of money, while such operations are unjustified by the customer's activities.
 - Large or recurrent operations related to a 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 cheques.

- **7.** A change in the pattern of deposit operations made by a customer exempted from filling the cash transaction slip (CTS).
- **8.** Large cash operations performed by a customer in the form of deposits and withdrawals, with insufficient personal identification.
- 9. The fact of cashing or receiving cheques to the bearer issued abroad, or drawn to the order of a person but previously endorsed by persons other than the depositor, or cheques of different amounts that might 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 existence of several accounts that are held by a single customer and are unjustified by the nature of the latter's 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 cheques in the account of a company/institution whose activities do not justify such deposits.
- **14.** Cash operations and/or bank transfers which appear unusual, considering the location of the branch.
- **15.** E-banking operations which appear unusual.
- 16. Transfers between the accounts of an exchange institution and other accounts, in particular 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.
- 17. A cash deposit resulting from the sale of a real estate, followed by the withdrawal of the deposited amount or its transfer to the buyer or to any person designated by the buyer, under the pretext of cancelling the sale transaction.
- b) To monitor, through the units and sections mentioned in Article 11 of these Regulations, the accounts opened and operations carried out, by utilizing specialized software programs for the control of accounts and operations that correspond to any of the abovementioned indicators, based on customer profiling, and also to retrieve (daily, weekly, monthly, annual) reports on such accounts and operations.
- c) Take sufficient measures to prevent the misuse of technological developments for money laundering or terrorism financing purposes.

Banks are required to:

FIRST:

Adopt a risk-based approach to classify customers and operations according to the following risk levels: low risk, medium risk and high risk. The following risks shall be taken into account, for indicative purposes only:

- 1. Customer risk:
 - 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), nonbanking institutions performing electronic transfers of cash...).
 - b) Politically Exposed Persons (PEPs) according to the FATF definition.
 - 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 whose capital is totally or partly constituted of bearer shares.
 - i) Customers who are nationals or residents of 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 risk:
 - 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 in terms of corruption and organized crime.
- 3. Service risk:
 - a) Private Banking.
 - b) Payable-through accounts, which are accounts opened by banks or 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 at least adopt for customers and beneficial owners,

for Politically Exposed Persons and their family members and close associates, as well as for operations classified as "high risk" according to risk scoring, the following enhanced measures and procedures:

- 1. To raise awareness about the importance and prioritization of increased supervisory examination, and to conduct enhanced ongoing monitoring of the business relationship.
- 2. To obtain more detailed information about customers and beneficial owners (Increased KYC Levels), in particular to determine the source of their wealth.
- 3. To obtain the approval of the Senior Management for establishing or pursuing a business relationship with customers and executing operations, in line with the specified risk level.
- **4.** To review periodically the relationship with customers.
- **5.** To make continuous peer comparisons.
- **6.** To set up an adequate system in a way to determine whether the customer or beneficial owner is a Politically Exposed Person.

THIRD:

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

FOURTH:

Use specialized software for performing controls in line with the adopted scoring.

FIFTH:

Adopt a special policy that is based on the obligations specified in this Article, in order to classify risks and determine control procedures to be applied by the concerned parties.

Article 9 bis

FIRST:

With respect to the Customer that is a legal person, the Beneficial Owners shall be identified and reasonable measures taken to identify them in the following manner:

- 1. Identify each natural person who holds, whether directly or indirectly, 20% or more of the capital of the legal person.
- 2. In case of doubt as to whether the natural person(s) identified pursuant to Subparagraph 1 above is (are) the Beneficial Owner(s), or when no natural person holds 20% or more of the Customer's capital, the natural person who exercises control over the legal person through other means (e.g. holding a majority of voting rights or the rights to appoint or dismiss the majority of the administrative or regulatory body at affiliated entities...).
- 3. When no natural person is identified pursuant to Subparagraphs (1) and (2) above, reasonable measures shall be taken in order to identify and verify the identity of the persons holding senior management positions.

SECOND:

With respect to Customers that are legal arrangements, the Beneficial Owners shall be identified and reasonable measures taken to identify them, in the following manner:

- 1. With regard to trusts, each of the persons below shall be identified:
 - The Settlor
 - The Trustee
 - The Protector
 - The Beneficiary; and if the latter's identity is not determined or verified, then the class of beneficiaries in whose favor the legal arrangement was established.
 - Any other natural person exercising an effective control over the trust through direct or indirect ownership or through other means.

The definitions stated in the glossary attached to the FATF 40 Recommendations shall be adopted to identify the persons mentioned in this Subparagraph 1.

With respect to other types of legal arrangements, including those arrangements similar to trusts, the persons holding positions similar to the positions specified in Paragraph Second, Subparagraph 1, shall be identified."

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 is required to:

- 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.

Establish the AML/CFT Compliance Unit (hereafter the Compliance Unit). The Head of this Unit must have sufficient experience in fighting money laundering and must hold specialized certificates such as the CAMS-

- Certified Anti-Money Laundering Specialist, while its staff must have the required skills. The Unit must have the necessary resources to fulfill its duties.
- 3. Appoint, in each of its branches, an AML/CFT Branch Officer in charge of controlling the operations, who is not the director of the branch. This Officer must hold a high position, have professional and academic expertise, and be entrusted with independent functions, without performing any marketing activity and 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 relevant branches, to ensure their compliance with AML/CFT regulations.
 - In case a bank is unable to establish the abovementioned Divisions, it may submit to the Governor of Banque du Liban, by 31 March 2015, alternative proposals based on justified grounds to be considered by the Central Council for proper decision.

The committees and administrative units established at banks are respectively required, as all other concerned officers at the bank, to comply with the procedures aiming at controlling, fighting and preventing money laundering and terrorism financing operations. These procedures shall include, for indicative purposes only, what follows:

- 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 terrorism financing and understanding the related risks, and to assist it in taking the proper 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 of the present Regulations, and to submit this guide to the Board Committee mentioned in Paragraph 1 of Article 10 above.
 - b) To prepare a customer identification form (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 only, 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 these procedures and regulations and to develop them in line with the latest adopted methods.
 - e) To prepare a staff training program on controlling financial and banking operations in order to fight money laundering and terrorism 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 (CTS), 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, to improve them and submit any proposed amendments thereto to the Board Committee referred to in Paragraph 1 of Article 10 above, for proper decision.
 - 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, so as to ensure their consistency 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, and the findings are 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.
- 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 terrorism financing.
- p) To verify that programs against money laundering and terrorism financing are applied at the group level, including at the level of all the group's branches and majority-owned subsidiaries. These programs should include the following measures:
 - Policies and procedures for sharing information about customer due diligence measures and money laundering and terrorism financing risks.
 - The mandatory provision of information regarding customers, accounts, and operations from branches and subsidiaries, when it is necessary for AML/CFT purposes. This information should include analytical reports and reports on activities which appear unusual. Similarly, the branches and subsidiaries of the group must receive such information from the Compliance Unit when relevant and appropriate to risk management, analytical reports, and reports on unusual operations.
 - Adequate safeguards on the confidentiality and use of exchanged information must be in place, including safeguards to prevent tipping-off.

3. Regarding Internal Audit:

- a) To audit cash operations, transfers, and account movements.
- b) To ascertain that the 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 the Compliance Unit and the Head of the relevant Division within the Compliance Unit, of any unusual operations and of the branch's degree of compliance with required procedures; and to submit periodic reports to each of them, directly, and not through the director or the management of the branch.

5. Regarding the Head of the Transfers Section:

- a) To verify transfers received by customers' accounts, particularly electronic transfers that do not include the name of the originator (ordering customer) or of the beneficiary (beneficiary customer), and that exceed a specified amount and do not follow a specific pattern relative to the nature and size of the customer's activities; to verify also the accounts through which recurrent or unusual transfers are made, including the validity of their source of funds.
- b) To report to the Compliance Unit, through the AML/CFT Branch Officer, any suspicious transfer that may involve money laundering or terrorism financing operations.
- c) To keep for a five-year period at least, a record with all the information accompanying an incoming crossborder transfer, if the bank is unable to transmit such information upon the execution of a domestic transfer related to the incoming transfer.

6. Regarding Cashiers:

- a) To require from customers, except 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 each USD 10,000 or its equivalent, or in case of multiple cash deposits involving lower amounts but whose aggregate amount totals or exceeds USD 10,000 or its equivalent.
- b) To prepare special tables for the operations that exceed the ceiling specified for customers exempted from filling the cash transaction slip, and to take the technical measures needed 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 AML/ CFT Branch Officer, any suspicious cash deposit that may involve money laundering or terrorism financing operations, if the relevant supporting documents cannot be obtained.

- 7. Regarding the Head of the Cheque Section:
 - a) To give caution and attention to cheques endorsed to a third party, to bank cheques that are not directly deposited by the first beneficiary, to traveler's cheques, to cheques issued by institutions located in foreign countries, and to cheques that do not specify the account holder's identity.
 - **b)** To report to the Compliance Unit, through the AML/CFT Branch Officer, any suspicious cheques.
 - c) To make sure that cheques are not credited to customers' accounts before they are 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 (CTS), 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 regarding debit accounts, and with the Branches Director regarding credit accounts.
 - d) To make personally, or to request from the Branch Accounts Officer to make periodical visits to customers, so as to be informed of their business and assess their accounts' movements, then prepare the relevant report with a copy to be sent to the Compliance Unit in case that report indicates 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 at 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 at the Head Office and branches with AML/CFT2 requirements, and to keep this report with the Senior Management.

SECTION V- FINAL PROVISIONS

Article 12

FIRST:

Each bank is required to:

 To establish 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 of holders of suspicious accounts reported by the bank itself. The bank 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 are not, at the present time, reasonable grounds for the doubts arisen relative to any of these persons.
- To train the employees on a continuous basis, and involve the persons in charge of the training program as well as the concerned employees in relevant seminars, workshops and lectures, in a way to keep them abreast of the latest AML/CFT methods.
- **3.** To not close any suspicious account before referring to the SIC.
- 4. To maintain a special registry with the names of the persons that open or activate accounts by proxy; such registry must determine the customer/representative relationship.
- **5.** To impose, for employees' recruitment, the highest standards of honesty, integrity and efficiency.
- 6. To request their staff, subject to liability, to maintain absolute confidentiality and to not tip-off or permit to tip-off customers or any other party that the bank has notified or will notify the SIC in case of proven or suspicious ML/TF operations, or that the SIC is investigating or inquiring 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, or to a third party belonging to the same financial group, to deal only with the intermediaries that meet the criteria required from banks and financial institutions towards their customers, and to promptly obtain from them the information required under the due diligence principle, as well as copies of any necessary documents upon request, provided that the bank is ultimately the party responsible of these measures; to remain also vigilant when dealing with third parties located outside Lebanon, and take into consideration the available information about the risk level of the countries in which these parties are located, particularly those that do not apply or insufficiently apply the FATF Recommendations.
- 8. To maintain and update a special register with the names of the Beneficial Owners that were identified relative to each "Customer/natural person" and only when the Customer is not the Beneficial Owner himself, and relative to each "Customer/legal person".
- 9. To identify and assess ML/TF risks that might arise due to the development of new products and new business practices, including new mechanisms for service delivery, and due to the use of new or developing

technologies for both new and pre-existing products. To assess those risks prior to the launch or use of the new products, business practices, or technologies, and take appropriate measures to manage and mitigate those risks.

SECOND:

Lebanese banks' branches and majority-owned subsidiaries operating abroad are required to adopt, as a minimum, the procedures specified in these Regulations. In case this proves to be impossible due to the incompatibility of these Regulations with the binding applicable laws and regulations in the branch or subsidiary's host country, the bank must inform the SIC.

THIRD:

Each Lebanese bank must conduct due diligence measures towards the customers of any of its overseas branches, whenever executing an operation or opening an account in Lebanon for any of these customers, even if these overseas branches are already conducting due diligence measures.

Article 13

The external auditor of the bank is required to:

- 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, the Governor of Banque du Liban, and the Banking Control Commission. The report shall include, along the audit results and the external auditor's propositions for operations control enhancement, detailed information about the verification process of the bank's fulfillment of, at least, the obligations stated below and which include but are not limited to:
 - a) Complying with the provisions of Articles 3, 4, 5, 6, 10, 11, and 12 of these Regulations.
 - b) Filling the KYC Forms.
 - c) Adopting a policy and written procedures relative to the acceptance of, and the opening of new accounts for customers.
 - d) Enquiring about the source and final destination of received funds, and about the reasons behind cash operations, as specified in the Law on Fighting Money Laundering and in these Regulations; setting ceilings for cash deposits and withdrawals, and for incoming cross-border transfers that require vigilance; and adopting deposit forms that show the source of deposited funds when a deposit or the total amount of several deposits exceeds the specified ceiling.
 - e) Preparing periodical reports (at least, quarterly) on the movement of cash deposits and withdrawals, and on incoming transfers to customers' accounts;

- reviewing these reports by Management Officers and by the Internal Audit Unit.
- f) Inserting, in the adopted internal audit procedures, specific measures for reviewing compliance with the said procedures.
- 2. 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. 1

Addressed to Collective Investments Schemes

Article 1

Collective Investments Schemes are required to comply, in the conduct of their business, with the provisions of the AML/CFT Law and with the relevant regulations and directives issued by Banque du Liban and/or the Special Investigation Commission, including the definition and identification of the Beneficial Owner.

Article 2

This Decision shall come into force upon its issuance.

Article 3

This Decision shall be published in the Official Gazette.

Beirut, June 26, 2018 The Governor of the Banque du Liban Riad Toufic Salamé

BDL Basic Circular No. 1

Addressed to Financial Intermediation Institutions

Article 1

Financial intermediation institutions are required to comply, in the conduct of their business, with the AML/CFT Law and with the relevant regulations and directives issued by Banque du Liban and/or the Special Investigation Commission, including the definition and identification of the Beneficial Owner.

This Decision shall come into force upon its issuance.

Article 3

This Decision shall be published in the Official Gazette.

Beirut, June 26, 2018 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:

- 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.2

Addressed to Specialized Lending Entities (Known as "Comptoirs")

Article 12

Specialized Lending Entities shall comply with applicable

laws, and with the regulations issued by Banque du Liban and the Banking Control Commission, not contradicting with the measures stipulated in this Circular, particularly those:

 Related to fighting money laundering and terrorism financing, including with respect to the definition and identification of the Beneficial Owner.

Beirut, January 21, 2016 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

(Provisions of Article 17 were added as per BDL Intermediate Circular No. 528 dated September 19, 2019)

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.

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.

Article 16

Exchange institutions shall comply with the applicable laws and with BDL regulations, particularly AML/CFT laws and regulations, including with respect to the definition and identification of the Beneficial Owner.

Article 17

Institutions are required to promptly notify Banque du Liban of any amendment or change in the information mentioned in the detailed list of exchange institutions posted on BDL website.

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 and Provisions of Article 5 bis were added as per BDL Intermediate Circular No. 498 dated June 13, 2018)

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.

Article 5 bis

Institutions that issue credit and debit cards shall comply with the applicable laws and with BDL regulations, particularly AML/CFT laws and regulations, including with respect to the definition and identification of the Beneficial Owner.

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 Paragraph 8 of Article 5 were amended as per BDL Intermediate Circular No. 498 dated June 13, 2018 and Provisions of Paragraph 21 of Article 5 were added pursuant to BDL Intermediate Circular No. 529 dated September 19, 2019)

Article 5

All non-banking institutions which perform domestic electronic transfers of cash in Lebanon shall:

- Comply with applicable laws and with BDL regulations, particularly AML/CFT laws and regulations, including the definition and identification of the Beneficial Owner.
- 21. Post on their website a list with the points of electronic transfers and any modification thereto upon its occurrence. This list must include at least the following information: the head office name and address (Caza, locality, street), the name of the head office's officer, the phone number...

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.
- 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 and Provisions of Paragraph 10 of Article 1 were added as per BDL Intermediate Circular No. 521 dated July 18, 2019)

Article 1: Paragraphs 7 and 10

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 shares and participations 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 shares and participations are totally or partially issued in bearer form.

10. FIRST:

Banks and financial institutions are prohibited from granting or renewing facilities to any business or company whose annual volume of activities equals or exceeds the equivalent of one billion five hundred million Lebanese pounds, except if both the conditions below are concurrently met:

- The business or company has submitted duly audited financial statements (balance sheet, income statement, cash flow statement) in a way that the study of the credit file is conducted on the basis of such statements.
- These statements are conform to those submitted to the tax authority.

SECOND:

Banks and financial institutions whose status is inconsistent with the provisions of Paragraph 10-Subparagraph "First" above, are granted a time limit ending on September 30, 2020 to adjust their customers' credit files accordingly.

Banks and financial institutions must request the immediate repayment of each loan whose situation was not adjusted during that time limit. Otherwise, they shall deposit, in a non-interest-bearing blocked account at Banque du Liban, a special reserve that is equal to the amount of the loan and in the same currency as the loan, until the loan situation is adjusted.

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.
- 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.

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 Tı	ransactions Rec	ords		
		(Outgoing transfe	ers		
ull name of transfer originator	Nationality	Passport or Identity card number	Amount transferred (outgoing)	Transfer purpose	Transfer destination country	Name of transfer beneficiary
			Incoming trans			Name of
Full name of transfer beneficiary	Nationality	Passport or Identity card number	Amount transferred (incoming)	fers Transfer purpose	Transfer source country	Name of transfer originator
	Nationality	Identity card	Amount transferred	Transfer	source	transfer
transfer	Nationality	Identity card	Amount transferred	Transfer	source	transfer
transfer	Nationality	Identity card	Amount transferred	Transfer	source	transfer

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:

- 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.

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

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.

 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.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:

 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),

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

BDL Basic Circular No.139

Addressed to Banks and Financial Institutions

Common Reporting Standard

(These regulations were amended by BDL Intermediate Circular No. 548 dated March 31, 2020)

Article 1: Definitions

FIRST:

For the purpose of implementing the provisions of Law No 55 of 27 October 2016 (Exchange of Information for Tax Purposes) and the provisions of this Decision, the following definitions shall be adopted:

- 1. Law: Law No. 55 of 27 October 2016.
- Decree: the Decree relating to the detailed implementation of Subparagraph 3, Paragraph Sixth of Law No. 55 of 27 October 2016 (Exchange of Information for Tax Purposes),
- 3. **Standard:** the Common Reporting Standard for the automatic exchange of information and the related commentaries, which was approved by the OECD Council on 15 July 2014, and contains the reporting and due diligence procedures for the automatic exchange of information, including any subsequent amendment and explanation thereto published by the OECD.
- **4. Participating jurisdiction:** any jurisdiction listed in Table 3 of the Decree.

5. Financial Institution:

- a) Any bank, financial institution, company, or organism regulated by Banque du Liban and performing activities that are similar to those of the financial institution as defined in Section VIII of the Standard.
- b) This definition excludes the branches located outside Lebanon of the financial institutions defined in Clause (a) above.
- c) The definition in Clause (a) includes the branches operating in Lebanon of financial institutions that are not resident in Lebanon, and which perform the activities of the Financial Institution as defined in Section VIII of the Standard.

6. Reporting Financial Institution: any Financial Institution that is not a Non-Reporting Financial Institution, as defined below.

7. Non-reporting Financial Institution:

- a) Any Financial Institution as defined in Section VIII, Subparagraphs [B1 (a), (b), (d) and (e)] of the Standard: or
- b) Any entity listed in Table 2 of the Decree.
- **8. Financial account:** any account as defined in Section VIII of the Standard.
- Pre-existing account: any financial account maintained by a Reporting Financial Institution on 30 June 2017.
- **10. New account:** a Financial Account opened at a Reporting Financial Institution on or after 1 July 2017.
- 11. High-value account: a Pre-existing Account held by one or more natural persons/individuals, whose aggregate balance or value exceeds the amount of USD 1,000,000 on 30 June 2017 and 31 December 2017, or on 31 December of any subsequent year.
- **12.Lower-value account:** a Pre-existing Account held by one or more natural persons/individuals, whose aggregate balance or value does not exceed the amount of USD 1,000,000 on 30 June 2017.

13. Excluded account:

- a) Any account as defined in Section VIII, Subparagraphs [C17 (a) to (f)] of the Standard; or
- **b)** Any account listed as an Excluded Account in Table 1 of the Decree.
- **14.Information return:** a report containing the information specified in Section I of the Standard.
- **15. Account holder:** any person as defined in Section VIII, Subparagraph [E1] of the Standard.
- **16.Controlling person:** any person as defined in Section VIII of the Standard.
- 17. Change in circumstances: any change which yields additional information about a person's status or information that is inconsistent with such status. The expression "change in circumstances" shall also cover any change in, or addition to the information related to the Account Holder's account (including any addition, substitution, or other change in the Account Holder's status), or any change in the information related to any other account linked to the Account Holder's account (based on the financial accounts aggregation rules specified in Section VII, Subparagraphs [C1 to 3] of the Standard), in case that change or addition of information affects the Account Holder's status.

SECOND:

- 1. For the purpose of implementing Section I of the Standard, Reportable Jurisdiction shall mean any jurisdiction listed in Table 4 of the Decree.
- For the purpose of implementing the due diligence procedures specified in Sections II through VII of the Standard and in this Decision, Reportable Jurisdiction shall mean any jurisdiction other than Lebanon and the United States of America.
- For the purpose of implementing this Decision, the date to be specified in the definition of "Qualified Credit Card Issuer" in Section VIII, Subparagraph [B8] of the Standard, shall be 1 July 2017 inclusively.

THIRD:

Any term or expression defined in the Standard but not in Paragraph "Second" of the Law or in this Decision, shall have the same meaning set forth in the Standard.

Article 2: Due Diligence Obligations

- 1. Reporting Financial Institutions shall comply with the following:
 - a) To establish, keep, and document the due diligence procedures stipulated in Sections II through VII of the Standard, as well as the procedures stipulated in Articles 2 and 3 of this Decision.
 - b) To identify reportable accounts by implementing the due diligence procedures stipulated in Sections II through VII of the Standard, without prejudice to Paragraph 2 of this Article.
 - c) To treat the financial account as a reportable account, as of the date it is identified as such, in accordance with the due diligence procedures stipulated in Sections II through VII of the Standard. In case no other time-limit is set, the account-related information shall be reported annually, as of the year following the year to which the information relates.
 - d) For the purpose of this Decision, to treat an account with a negative balance or value as an account with a balance or value equal to nil.
 - e) For the purpose of determining the balance or value of an account opened at a Reporting Financial Institution, to convert the account's balance or value into the US dollar, at the official exchange rate set by Banque du Liban, so as to identify the accounts subject to a threshold on 30 June 2017, 31 December 2017, or 31 December of any subsequent year.
 - f) For the purpose of this Decision, to treat a Financial Account held by a person as partner in a partnership, and used by that person in that capacity, as an entity account.
 - g) Whenever a Reporting Financial Institution relies on information collected pursuant to AML/KYC procedures in order to identify the Controlling Person of the New Entity Account Holder (Section

- VI, Subparagraph [A2 (b)] of the Standard), these procedures must be consistent with the FATF-Financial Action Task Force Recommendations 10 and 25 (as adopted in February 2012).
- 2. Reporting Financial Institutions may adopt the following procedures:
 - a) To apply the Residence Address Test to Lower Value Accounts held by natural persons/individuals, as defined in Section III, Subparagraph [B1] of the Standard.
 - b) To apply Section V, Paragraphs [A to C] of the Standard, to determine whether a Pre-existing Entity Account is subject to the due diligence procedures specified in Section V of the Standard.
 - c) Regarding New Entity Accounts, to rely solely on a self-certification from the Account Holder or from the Controlling Person, so as to determine whether a Controlling Person of a Passive NFE is a Reportable Person, as defined in Section VIII of the Standard.
- 3. The due diligence procedures with respect to the Standard's Sections and Paragraphs enumerated below, shall be implemented according to the following dates:
 - a) Section III "Due diligence for Pre-existing Individual Accounts":
 - 1. Subparagraph [C6]: 30 June 2017
 - Paragraph D: 31 December 2017 for High Value Accounts; and 31 December 2018 for Lower Value Accounts.
 - b) Section V "Due diligence for Pre-existing Entity Accounts":
 - 1. Paragraph A: 30 June 2017
 - 2. Paragraph B: 30 June 2017 concerning both dates
 - 3. Paragraph E:
 - Subparagraph [E1]: 30 June 2017 and 31 December 2018, respectively.
 - Subparagraph [E2]: 30 June 2017
 - c) Upon the implementation of the Standard, Section Ill-Subparagraph [C6], Section V-Paragraphs A and B and Subparagraph [E2], and Section VIII-Subparagraph [C15], and only for that purpose, the expressions "the last day of any subsequent year" and "31 December of any subsequent year" shall mean "31 December 2017 and 31 December of any subsequent year".
- 4. Upon the identification of the Controlling Person, the definition of the Beneficial Owner, specified in the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing attached to Basic Decision No 7818 of 18 May 2001, shall be adopted, as well as its identification mechanism mentioned in the said Regulations.

Article 3: Reporting Obligation

1. The Reporting Financial Institution shall directly submit to the Ministry of Finance an Information Return that contains

- the information relating to the calendar year 2017 and to each subsequent calendar year, with respect to each financial account identified as a reportable account maintained by the Reporting Financial Institution at any time during the year. Banque du Liban shall remain the sole regulatory body in charge of the sound implementation of the Law, the Decree, and this Decision.
- 2. In case a Reporting Financial Institution applies, during a calendar year, the due diligence procedures set forth in Article 2 of this Decision, and if no account is identified as a reportable account, then such Reporting Financial Institution shall submit an Information Return evidencing that it maintains no such reportable accounts in respect of that year.
- 3. The Reporting Financial Institution shall submit an electronic Information Return directly to the Ministry of Finance, no later than 30 June of the year following the reporting calendar year. This Information Return shall then be forwarded to the competent authority of the relevant jurisdiction specified in Table 4 of the Decree, no later than 30 September of the year following the reporting calendar year, provided the first information exchange takes place at the latest by 30 September 2018.

Article 4: Records

- Each Reporting Financial Institution must retain the records it has received or has prepared pursuant to the provisions of this Decision, including any documentary evidence and self-certification submitted by the account-related person.
- 2. Under this Decision, each Reporting Financial Institution that retains electronic records must keep these records in an electronically readable format throughout the period specified in Paragraph 4 below.
- 3. Under this Decision, each Reporting Financial Institution that has obtained or has created records in a language other than Arabic, must provide, upon request and at its own expense, a translation of such records into Arabic.
- **4.** Under this Decision, each Reporting Financial Institution must keep the records and documents relating to the entries received or created pursuant to this Decision, for a minimum period of 10 years:
 - a) For the self-certification submitted by the accountrelated person: starting from the closing date of the concerned Financial Account.
 - **b)** In all other cases: starting from the end of the last calendar year referred to in the record.

Article 5: Control and Review of Books and Records

In addition to their respective authority and for the purpose of controlling the proper implementation of this Decision, Banque du Liban and/or the Special Investigation Commission (SIC) may request the Reporting Financial

Institution to provide, within a period of no less than 14 days, any information and copies of any books, records, or documents.

Article 6: Anti-avoidance

If a person enters in any arrangements or engages in practices that could be considered as being mainly or secondarily intended to avoid any obligations imposed by law or under this Decision, that person shall remain subject to the obligation he/she has attempted to avoid, as if he/she has neither entered in any such arrangements nor engaged in any such practices.

Article 7: Sanctions

Each Reporting Financial Institution that contravenes the provisions of this Decision or fails to comply with the obligations thereof, shall be subject to the fine stipulated in the applicable laws, without prejudice to the right of Banque du Liban and/or the SIC to impose administrative sanctions and financial penalties pursuant to the Code of Money and Credit and to Law No. 44 of 24 November 2015.

Article 8: Interpretation

The provisions of this Decision must be read and implemented in accordance with the Standard and its commentaries and with each amendment thereto.

Article 9: Date of Enforcement

This Decision shall come into effect as of 1 July 2017.

Article 10:

This Decision shall be published in the Official Gazette.

Beirut, July 21, 2017 The Governor of the Banque du Liban Riad Toufic Salamé

BDL Basic Circular No.144

Addressed to Banks and to Financial Institutions
Cybercrime Prevention

FIRST: CYBERCRIME PREVENTION POLICIES AND PROCEDURES

Article 1

Banks and financial institutions must set policies and adopt measures and procedures relating to cybercrime prevention, and comprising at least:

- **I.** General policies prescribing the following actions:
 - To analyze potential cybercrime risks, and to follow up the latest updates concerning cybersecurity technologies.

- To allocate the necessary funds and budget in order to set and implement cybersecurity policy, systems, and rules.
- To prepare insurance contracts that cover cybercrime risks.
- **4.** To set and continuously update the plans needed for cybercrime prevention (e.g. incident response planning, disaster recovery and business continuity plan, first responder training plan...).
- **5.** To create a task force for cybercrime prevention.
- To exchange information on cybercrime with the concerned parties inside or outside the bank/ financial institution.
- To raise awareness among employees and customers regarding cybercrime prevention.
- **8.** To monitor changes in employees' habits and behavior, particularly employees having elevated privileges to access IT systems.
- 9. To be vigilant and cautious when selecting contractors for tasks related to IT systems, and to make sure that these contractors do not in turn outsource these tasks to less reliable parties.
- **II.** Technical procedures encompassing the following actions:
 - To adopt a minimum two-factor authentication technique, particularly to check the right of outside users to access the system of the bank/financial institution.
 - 2. To use an end-to-end, high-grade encryption for crucial data, to avoid loss and tampering of such data.
 - **3.** To adopt tight rules for filtering incoming e-mails and for controlling external access to mailboxes.
 - 4. To update the systems of all computers, and to check the safety of the computers assigned for the external use of the bank/financial institution's employees.
 - **5.** To carry on penetration tests to detect any possible vulnerabilities in the network.
 - **6.** To monitor the network traffic in order to detect any unusual behavior, whether through the quality or the number of sent batches.
 - 7. To check and monitor data integrity, in order to detect any illegal tampering with data, and to trace back the source of the illegal access to such data.

SECOND: FINANCIAL CYBERCRIME PREVENTION PROCEDURES

Article 2

As far as each is concerned, banks and financial institutions must adopt in general and on their own responsibility, the appropriate administrative, technical and judicial procedures which enable them to remain vigilant, to monitor and combat financial cybercrime. They must particularly:

- Consider the guidelines specified in the Cybercrime Prevention Guide, Part 1, Section 1, as cybercrime indicators.
- 2. Adopt the Cybercrime Prevention Policies and Procedures specified in the Cybercrime Prevention Guide, Part 1, Section 2.
- 3. Set specific internal systems and procedures regarding the execution of funds transfer orders received electronically (through e-mail, e-banking, etc.)
- 4. To incorporate in the contract signed with the customer specific provisions that determine, apart from e-mail, other means of communication with the customer (such as phone calls), in order to validate transfer orders received electronically, provided any change in these means of communication takes place only through the contracting parties' written agreement.
- 5. To inform the customer of the risks associated with transfer orders sent through e-mail, to advise him/her to use safer means, and to obtain his/her risk-bearing written consent.
- **6.** To provide the customer with the "Guidelines for Individuals and all other Non-Financial Institutions and Entities" specified in the Cybercrime Prevention Guide, Part 2.
- 7. To request from customers to promptly report any cybercrime, whenever they become aware or detect or are notified that they have been, or were likely to be, victims of a cybercrime.

Article 3

Banks and financial institutions are requested, whenever they detect or become aware or are notified that they have been the victims, or that any of their customers has been the victim of a financial cybercrime, to take prompt and effective actions that include, at least, the remedial measures mentioned in the Cybercrime Prevention Guide, Part 1, Section 3, particularly:

- To provide both the correspondent bank and the beneficiary bank/financial institution with all relevant information, and to request the cancelling and the refund of the funds transfer.
- 2. To communicate to the Special Investigation Commission (SIC) any relevant information and correspondence, including technical information about:
 - The customer's IP address or the IP address used to send the suspicious funds transfer orders.
 - The name of the Internet Service Provider through which the suspicious funds transfer orders were sent.
 - The name of the Internet Service Provider used for

- the unauthorized access to the customer's account, through electronic banking.
- **3.** To advise the customer to file a report or a judicial complaint before the competent authorities.

Article 4

This Decision shall come into effect upon its issuance.

Article 5

This Decision shall be published in the Official Gazette.

Beirut, November 28, 2017 The Governor of the Banque du Liban Riad Toufic Salamé

BDL Basic Circular No. 147

Addressed to Banks

The Opening of Bank Accounts

Article 1:

Banks are required, when they open a bank account for a natural or a legal person residing in Lebanon in order to ensure the running of the latter's commercial, professional, or service business and activities, to obtain from that person a copy of the registration certificate at the Ministry of Finance.

Article 2:

Banks must take the measures needed to update the files of the customers subject to Article 1 above, with respect to accounts opened prior to the issuance date of this Decision, so as to obtain from them a copy of their registration certificate at the Ministry of Finance.

Article 3:

Banks are granted a time-limit ending on 31 December 2020 to comply with the provisions of Article 2 of this Decision.

Beirut, September 3, 2019 The Governor of the Banque du Liban Riad Toufic Salamé

Capital Markets Authority Series 2000 & 3000

Addressed to Financial Intermediation Institutions

(Previously BDL Intermediate Circular No. 273 dated August 22, 2011 and Capital Markets Authority Decision No. 10 dated December 20, 2013)

Article 2103

Securities business activities (Series 2000 dated January 19, 2017)

- 2. In order to carry out their activities, financial intermediation institutions have the right to undertake other operations that are complementary to their main objective. They are however prohibited from undertaking:
 - Exchange operations, except when such operations are complementary or related to those performed, within the limits of their objects, on behalf of their clients.
 - **ii)** Cross-border transportation of cash, metal coins, bullion and specie.
 - iii) Any commercial or industrial activity or any activity not related to financial intermediation.

Article 3506

Procedures to deal with the customer's funds (Series 3000 dated November 10, 2016)

- An approved institution must receive funds from its customer through checks or Banker's checks or electronic transfer only.
- An approved institution may execute, at their customers' request, outgoing or incoming transfers from abroad or from Lebanon in favour of third parties in Lebanon or abroad, provided the amount of each transfer doesn't exceed USD /1,500/.

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 Chairman of the Special Investigation Commission The Governor of the Banque du Liban 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 Chairman of the Special Investigation Commission The Governor of the Banque du Liban 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 Chairman of the Special Investigation Commission The Governor of the Banque du Liban 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 abovementioned Circular 4 is replaced with statements No. 1 and No. 2 attached to this Circular.

Beirut, May 27, 2011 Chairman of the Special Investigation Commission The Governor of the Banque du Liban Riad Toufic Salamé



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:

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

Attachment To SIC Circular 5

- **I.** To verify whether or not banks/financial institutions comply with the following obligations:
 - 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 nonprofessional 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.
- 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:

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

Form إمُوذِج كشف الحساب الإلكتوني

تفاصيل العملية **	الرصيد (+/-)	البلغ (+/-)	العملة	فرع المصرف المعنى*	نوع العملية	تاريخ الحق	تاريخ الفيد	رقم الحساب	العائلة	إسم الوالد	إسم العميل	رقم المصرف
Transaction Details	Balance (+/-)	Amount (+/-)	Currency	Involved Branch	Transaction Type	Value Date	Post Date	Account Number	Family Name	Father's Name	Customer Name	Bank Number
Cheq # 12542	-100,000	-100,000	USD	Hamra	CHW	6-jan- 09	5-jan- 09	00 11 222 33 00				
					CDP							
					CHD							

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

ملاحظة:

بجب الإيقام على سائر العمليات الأخرى التي يظهرها كشف الحساب (مثلاً فائدة محققة. إعتماد ...) هذه الخائة مخصصة العرفة الفرع الذي تمت من خالاله العملية " هذه الخانة مخصصة لتعبئة جميع تفاصيل العمليات للثوفرة ""

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.

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

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 Chairman of the Special Investigation Commission The Governor of the Banque du Liban 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 Chairman of the Special Investigation Commission The Governor of the Banque du Liban 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 abovementioned 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 Chairman of the Special Investigation Commission The Governor of the Banque du Liban 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:

 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.
- 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 nonresident, 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.
- 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 Chairman of the Special Investigation Commission The Governor of the Banque du Liban Riad Toufic Salamé

Name: Place and Date of Registrati Nationality: Addres5: Telephone: Detailed Activity: Names of Main Partners	on:	الاسم مسار دائری هسمیان البندیة المخوان
Nationality: Address: Telephone: Detailed Activity:	on:	اليصوة
Nationality: Address: Telephone: Detailed Activity:		العوان
Address: Telephone: Detailed Activity:		
Telephone:		
Detailed Activity:		رة الباتف:
		الاشاط بالخصيل
Names of Main Partners		
Names of Authorized Si	KYC for n	atural person
Names of Legal Repre		attach person
Name of Manager:	First Name:	
Financial Status (Sale	Family Name:	
Source of Funds:		
	Mother's Sull Number	
Nature & Purpose of	Gender: Male Female	الأم وشهرتها:
Beneficial Right's O	Place and Date of Birth:	ين: ذكر 🔲 الله
If BRO is other		
	Civil Register Place and Number: ID/Passport Number:	كان ورقم المحلد
		ير الهوية جواز السفر:
		بر المراجب الم
Date:	Residential Address:	مور عوان المكان
		عوال طعن
	Detailed Profession:	يم نهما
Spec	Business Address:	تىچە بىللەمىن غۇران العالى
	Previous Profession for Retired:	علوان المعان
L	Financial Status:	قبل النابق الاشتخان التعطين
	Source of Funds	
	Other Source of Funds:	يهسر او حرف
	Muture & Purpose of the Relation:	ممنز ابول أفز
	Spouse's Profession:	الوضع العالمي:
	Beneficial Pinhyle Co	عمل الزوح
	If BRO is other than the Policy Holder:	
		في عال كان صاعب العق الإقصادي غير صاعب البوليمية.
	Reason:	(C)
	Profession:	المحال
	Financial Status:	المهانة
	Specimen of Signature:	الثاريخ:
		نبودج معرمي

Special Investigation Commission Circular 22

Addressed to Banks, Financial Institutions and concerned parties mentioned in Article 5 of Law No. 44 of November 24, 2015

Pursuant to Law No. 44 of November 24, 2015 (Fighting Money Laundering and Terrorism Financing), Pursuant to the SIC decision taken in its meeting of October

FIRST:

19, 2017,

A special field to identify "Tax Residency" shall be added to Statement No. 1 (KYC for natural person) and Statement No. 2 (KYC for legal entity) attached to SIC Circular 13 of May 27, 2011.

SECOND:

A special field to identify "Tax Residency" shall be added to the KYC Form attached to SIC Circular 21 of September 9, 2016.

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

Beirut, November 6, 2017 Chairman of the Special Investigation Commission The Governor of the Banque du Liban Riad Toufic Salamé

Special Investigation Commission Circular 23

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

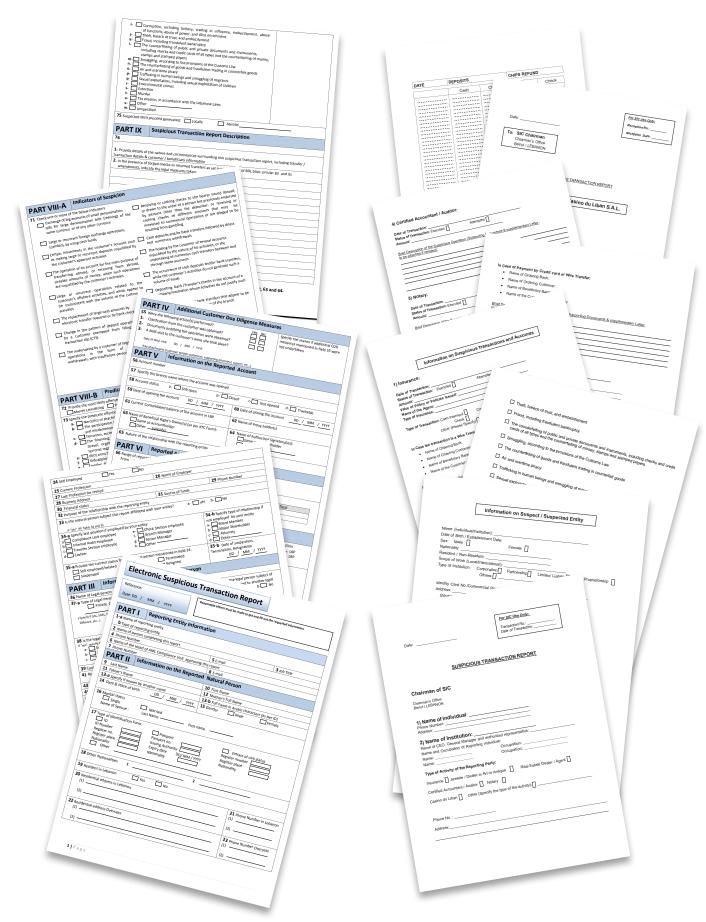
Pursuant to Article 7 of Law No. 44 of November 24, 2015 on Fighting Money Laundering and Terrorism Financing, Pursuant to Article 5 of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing, attached to Basic Circular Decision No. 83 of May 18, 2001,

Pursuant to the SIC decision taken in its meeting of October 19, 2017,

- Banks, financial institutions and other institutions concerned with Article 4 of Law No. 44 of November 24, 2015 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. 44 of November 24, 2015, to fill in Form No. 1 (E-STR) attached to this Circular and to send it to the SIC, together with all relevant documents.
- 2. All other institutions and parties concerned with Article 5 of Law No. 44 of November 24, 2015 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. 44 of November 24, 2015, to enclose, with a letter addressed to the SIC Chairman, a report on the concerned operation, to be prepared according to Form No. 2 attached to this Circular, together with all relevant documents.
- **3.** Circular No. 3 of October 16, 2001 and Circular No. 6 of November 12, 2004 and SIC Circular No. 17 of September 16, 2014 shall be repealed.

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

Beirut, November 6, 2017 Chairman of the Special Investigation Commission The Governor of the Banque du Liban Riad Toufic Salamé



Form No. 1 Form No. 2

Special Investigation Commission Circular 24

Addressed to the Parties and Individuals mentioned in Article 5 of Law 44 of 24 November 2015

Defining and Identifying the "Beneficial Owner"

Pursuant to Law 44 of 24 November 2015 (Fighting Money Laundering and Terrorism Financing), particularly Articles 5 and 6 thereof:

Whereas the parties and individuals mentioned in Article 5 of Law 44, of which insurance companies, are required to comply with the stipulations of Article 4 of that Law and with the regulations and recommendations issued by the SIC for the purpose of implementing the provisions thereof; Pursuant to the FATF recommendations and the relevant interpretive notes; and

Pursuant to the Decision of the SIC, taken in its meeting of 14 June 2018,

The following is decided:

Article 1

The following expressions shall mean:

- Customer: any natural or legal person, whether a company or a partnership of any type, or any legal arrangement (e.g. a trust), or any body, organization or non-profit organization (mutual funds, cooperatives, welfare centers, charities, clubs, etc.).
- 2. Beneficial Owner: any individual who ultimately owns or who exercises ultimate effective control, whether directly or indirectly, over the Customer and/or the individual on whose behalf a transaction is carried out. Indirect ownership and/or control include the situations where the ownership and/or control is exercised through a chain of ownership or by means of control other than direct control.

This expression shall also apply to the beneficial owner of the beneficiary of a life insurance policy or of any other Unit-Linked Investment and Capitalization insurance policies.

Article 2

With respect to the Customer that is a legal person, the Beneficial Owners shall be identified and reasonable measures taken to identify them in the following manner:

- Identify each natural person who holds, whether directly or indirectly, 20% or more of the capital of the legal person.
- 2. In case of doubt as to whether the natural person (s) identified pursuant to Subparagraph 1 above is (are) the Beneficial Owner(s), or when no natural person holds 20% or more of the Customer's capital, the natural person who exercises control over the legal person through other means (e.g. holding a majority of voting

- rights or the rights to appoint or dismiss the majority of the administrative or regulatory body at affiliated entities...).
- 3. When no natural person is identified pursuant to Subparagraphs (1) and (2) above, reasonable measures shall be taken in order to identify and verify the identity of the persons holding senior management positions.

Article 3

With respect to Customers that are legal arrangements, the Beneficial Owners shall be identified and reasonable measures taken to identify them, in the following manner:

- 1. With regard to trusts, each of the persons below shall be identified:
 - The Settlor
 - The Trustee
 - The Protector
 - The Beneficiary; and if the latter's identity is not determined or verified, then the class of beneficiaries in whose favor the legal arrangement was established.
 - Any other natural person exercising an effective control over the trust through direct or indirect ownership or through other means.
 - The definitions stated in the glossary attached to the FATF 40 Recommendations shall be adopted to identify the persons mentioned in this Subparagraph 1.
- With respect to other types of legal arrangements, including those arrangements similar to trusts, the persons holding positions similar to the positions specified in Subparagraph 1 of this article, shall be identified.

Article 4

The concerned parties and individuals shall, as far as each is concerned, apply the due diligence measures which are specified in AML/CFT Law 44 of 24 November 2015, and which must include verifying the identity of each of their permanent and transient customers, whether resident or non-resident, and determining the nature of their business; understanding the ownership structure and/or control over the legal person, the purpose and nature of the business relation and/or the account opening; identifying the Beneficial Owner and the source of funds; and ensuring the ongoing control of operations.

These parties and individuals are required to verify the identity of the Beneficial Owner before or during the course of establishing a business relationship or of conducting transactions for transient customers. They are also required to check that any person purporting to act on behalf of the customer is so authorized, and to identify and verify the identity of that person.

Article 5

Upon identifying the "Beneficial Owner", the same Due Diligence measures applicable to "Customers" shall apply, including those issued by the Special Investigation Commission.

Article 6

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

Beirut, June 14, 2018 Chairman of the Special Investigation Commission The Governor of the Banque du Liban Riad Toufic Salamé

Special Investigation Commission Circular 25

Addressed to Banks, Institutions and Parties referred to in Articles 4 & 5 of Law No. 44 dated November 24, 2015

On the National ML & TF Risk Assessment (NRA)

Pursuant to Article 6, Paragraph 2, Sub-paragraph 4 of Law No. 44 of November 24, 2015 that empowers the Special Investigation Commission to issue regulations on the implementation of the provisions of the said Law, and to issue recommendations to all concerned parties, and,

Pursuant to Articles 4 and 5 of AML/CFT Law No. 44 of November 24, 2015, which require continuous monitoring, review of business relationships, and to take into consideration indicators that flag the possible existence of money laundering and terrorism financing, and,

Based on the outcomes of the second National ML and TF Risk Assessment of year 2019, in which a methodology (that includes quantitative and qualitative information, and covers private sector reporting entities) was used to identify threats and vulnerabilities, and carry out the analysis and assessment thereof in light of their consequences, so as to identify risk levels of ML/TF offences associated with predicate offences stipulated in Law No. 44 of November 24, 2015, and,

Based on the strategic plan for risk mitigation that was discussed during the meetings of the National Committee for coordinating AML Policies and the National Committee on suppressing terrorism financing, both established by the Council of Ministers, and,

With a view of having a common understanding of identified risks between relevant national authorities, and, In order to strengthen the understanding of identified risks at banks, institutions and parties referred to in Articles 4 and 5 of Law No. 44 of November 24, 2015, that are

most susceptible to the possible occurrence of the high risk crimes through them, and,

With a view of having the most efficient use and allocation of resources, and,

In order to assist in taking the necessary risk mitigation measures, while focusing on higher risk areas identified as a result of the NRA, and;

Pursuant to the Decision of the Special Investigation Commission, taken in its meeting of September 18, 2019,

The following is requested:

FIRST:

Banks, institutions and parties referred to in the above-mentioned Articles 4 and 5 must consider, when assessing their own risks (customers, services/products, countries) and when applying the risk based approach, that terrorism financing, and money laundering crimes associated with corruption, tax evasion, and drug trafficking, resulting mainly from local predicate offences, in addition to cybercrimes are high risk crimes, and must adopt measures and controls commensurate with these risks.

SECOND:

Financial sector entities, particularly banks, category "A" exchange institutions, and money remittance companies, must adopt, as far as each is concerned, controls and the necessary risk mitigation measures to reduce the possible occurrence of high risk crimes identified in paragraph "First" above through them, and to reduce the possible misuse of products and services offered, particularly those related to cash operations, "Hawala" operations, and accounts of legal persons, especially offshore companies where the beneficial owner and the source of funds are difficult to identify, in addition to instances of non face-to-face dealings or dealings through third parties.

THIRD:

Designated Non Financial Businesses and Professions (DNFBPs) must adopt controls and the necessary risk mitigation measures to reduce the possible occurrence of high risk crimes identified in paragraph "First" above through them, and to reduce the possible misuse of products and services offered, particularly notaries, when preparing and/or carrying out real estate transactions and when establishing companies.

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

Beirut, September 18, 2019 Chairman of the Special Investigation Commission The Governor of the Banque du Liban Riad Toufic Salamé

ANNEX

2019 ML & TF National Risk Assessment

Summary

F	oreword	128
1.	Introduction	130
2.	Methodology	131
3.	ML/TF Threats	133
	3.1 Money Laundering Threats	133
	3.2 Terrorist Financing Threats	134
4.	Inherent ML/TF Vulnerabilities	136
5.	Financial Sector and DNFBPs	136
	5.1 Financial Sector	136
	5.2 Designated Non-Financial Businesses & Professions	138
6.	Legal Persons & Arrangements and Non-Profit Organizations	141
	6.1 Legal Persons & Arrangements	141
	6.2 Non-Profit Organizations	142
7.	ML/TF Risks	143
8.	Risk Mitigation Measures - AML/CFT Regime	144
9.	Looking Forward	147

Foreword

Lebanon enjoys a free market economy, a vibrant financial sector and long-standing ties with the global financial system, which naturally expose any country to risks from illicit financial flows. The effective implementation of AML/CFT laws and regulations is thus necessary to disrupt criminal activity and mitigate money laundering and terrorist financing risks. The presence of robust risk-based AML/CFT supervision and strong enforcement measures are equally important. Efforts continue to be geared to this end, and Lebanon currently enjoys a comprehensive AML/CFT regime that safeguards both the financial and non-financial sectors from potential misuse. There is room for some improvements to advance the ongoing efforts to disrupt ML & TF activities and further mitigate risk. In this regard, the SIC - Lebanon's FIU, along with other AML/CFT stakeholders continue to work tirelessly to keep the regime at par with international standards. This in turn helps preserve the important role banks play in our economy, and ensures that Lebanon continues to be a safe and attractive country for both foreign direct investment and legitimate business.

Illicit proceeds from money laundering predicate crimes such as corruption and tax evasion deprive the government from desperately needed funds. The impact of such crimes on the economy and society is detrimental. The spillover effects from the neighboring conflict and the refugees' situation continues to affect Lebanon in many ways. Since the beginning of this conflict, numerous terrorist attacks killed and injured many Lebanese, and caused grave devastation. These are constant reminders of the importance of having an effective AML/CFT regime that tackles criminality and deprives terrorists from funds needed to execute their attacks and cause destruction. As ML & TF risks continue to evolve, so must our countermeasures and responses. To this extent, we have committed significant resources and continue to work with international partners on numerous initiatives, including participating in the work undertaken by the FATF, MENAFATF and the Egmont Group, as well as the CIFG within the Global Coalition against Daesh. Significant efforts also continue to be exerted locally, including important work on identifying ML/TF threats & vulnerabilities, as well as taking necessary risk mitigating measures.

In 2013, the Special Investigation Commission highlighted to the Prime Minister the importance of complying with the 2012 strengthened FATF recommendations against which Lebanon would be assessed. The Prime Minister in turn requested from a number of authorities to cooperate with the SIC on the ML & TF National Risk Assessment. Backed by high level political commitment, the SIC led Lebanon's first NRA, and engaged Public sector authorities - members from the national AML and CFT Committees, including law enforcement and judicial authorities. Elements from the private sector were also approached for their input. In spite of the many hardships and challenges facing the country at the time, thanks to strong commitment and senior level involvement, Lebanon's first NRA was completed by year-end 2014. No report was made public, however findings were shared by various means with several stakeholders including elements from the private sector. Numerous mitigating measures were also taken including introducing major amendments to the prevailing AML/CFT Law.

In 2019 Lebanon's second NRA, which in many aspects takes reference from the FATF NRA guidance and builds on lessons and experiences learned from the first NRA, was concluded. It identified ML/TF risks based on threats and vulnerabilities, and resulted in risk mitigation measures being taken that included legislative, regulatory, and operational actions covering supervision and law enforcement. In the early stages of the second NRA and prior to its full completion, mitigating measures were taken with respect to a number of identified risks. Other risk mitigating measures were highlighted in a strategic plan that is being executed which pillars on four main lines of action:

- 1. Improve technical compliance where needed, i.e. legislative and regulatory updates.
- 2. Provide where needed certain authorities with resources to improve AML/CFT capacity.
- 3. Enhance AML/CFT risk-based supervision where needed, and align supervisory resources with the results of the 2019 NRA.
- 4. Improve the partnership with private sector reporting entities.

The effective combating of illicit financial flows necessitates addressing risks in due time. We are committed to improving the effectiveness of our AML/CFT regime by implementing the needed risk mitigation measures, including improving cooperation among various AML/CFT regime stakeholders and assessing risk on an ongoing basis.

Riad Toufic Salamé

Banque du Liban, Governor

Special Investigation Commission, Chairman

AML National Committee, Chairman

Beirut, September 2019

1. Introduction

The 2019 money laundering (ML) and terrorist financing (TF) national risk assessment (NRA) comes at an important time prior to Lebanon's second Mutual Evaluation. However, assessing risk on a country-wide scale is not a new concept for Lebanon, as the first NRA was concluded towards the end of 2014. Several risk mitigation measures were taken following the year-end 2014 NRA, and major changes occurred in areas covering legislative, regulatory, supervisory, and law enforcement.

A new AML/CFT law was adopted in 2015 to widen the categories of predicate crimes so as to cover all 21 predicate offences as per the Financial Action Task Force (FATF) standards and to include additional categories of reporting entities, namely lawyers, notaries and certified accountants. Furthermore, a law on the cross-border transportation of money was adopted, along with amendments to the penal code to strengthen the TF offence. Numerous AML/CFT regulations were issued to reporting entities, and targeted financial sanctions (TFS) mechanisms were implemented for United Nations Security Council Resolutions (UNSCRs) 1267 and 1373, and their successor resolutions. Improvements to risk-based AML/CFT supervision were made, and following a series of joint training events, information sharing and cooperation between the Financial Intelligence Unit (FIU) and law enforcement authorities (LEAs) was strengthened. Such mitigating measures, as well as more recent ones being taken as a result of the 2019 NRA to improve supervision, enforcement, monitoring and compliance, including the issuance of additional regulations on the beneficial owner (BO) beef up our AML/CTF regime, better position us to combat illicit financial flows, and effectively mitigate ML/TF risks.

In mid-2019, Lebanon's second NRA was concluded. The 2019 NRA was backed by high level political commitment and was led by the Special Investigation Commission (SIC), Lebanon's FIU. The SIC, supported by senior level involvement engaged stakeholders from both the public and private sector, as well as the two national committees for AML and CFT that encompass, alongside the SIC, a number of authorities (regulatory, supervisory, law enforcement and judicial). Private sector reporting entities from the financial sector as well as Designated Non-Financial Businesses & Professions (DNFBPs) were engaged for input and to obtain experts' opinions, as well as to gather needed information.

According to the 2019 NRA, some of the risks previously highlighted in the year-end 2014 NRA materialized, particularly in relation to the spillover effects from the neighboring conflict which resulted in an increase in terrorist and TF activities. The 2019 NRA ascertains that delays in implementing a number of risk mitigating measures concerning some previously identified high ML risk areas has resulted in a worsening situation, particularly with respect to corruption. While measures such as the implementation of the Foreign Account Tax Compliance Act (FATCA) and the OECD-Global Forum requirements mitigate risks associated with foreign origin tax crimes, money laundering risks associated with local tax evasion remained high. Other ML risks are of various risk levels, and some types of reporting entities and legal persons are inherently more vulnerable than others.

2. Methodology

The purpose of the 2019 NRA is to assess the risks facing Lebanon by identifying ML/TF threats and vulnerabilities, including gaps in the AML/CFT regime. The NRA aims to improve the said regime by shaping policy, legislative/regulatory actions, and priorities for operational decisions including resource allocation of supervisors, law enforcement and judicial authorities towards higher risk areas. It also aims to deepen their understanding of predicate crimes as well as maintain among them a common understanding of ML/TF risks. The NRA is also crucial and informative for reporting entities in the sense that it contributes to their understanding of threats and vulnerabilities, and feeds into their own risk assessments, mitigation efforts and overall implementation of the risk-based approach (RBA).

The methodology for the 2019 NRA takes reference from the FATF guidance on this topic and its three stages of identification of threats / vulnerabilities, analysis and evaluation. In line with this guidance, risk in the ML/TF context was considered as a function of three factors: threats, vulnerabilities and consequences.

Identification of Threats:

ML/TF threats are of domestic and foreign origin. They arise from predicate offences and related funds, terrorist activity and related financing, as well as from associated offenders.

Threats were identified by collecting quantitative data on yearly developments in predicate crimes under AML/CFT law no. 44 in order to decide whether or not proceeds might be laundered. Data on estimated proceeds of crime from the FIU, LEAs, and government authorities in addition to growth in ML/TF cases of local/foreign origin were reviewed, along with open source information. The work done included among other things information obtained via surveys, in addition to the review of Suspicious Transaction Reports (STRs), Requests of Assistance (ROAs), Spontaneous Disclosures (SDs), ML/TF cases & typologies, national list designations in connection with terrorism / TF, prosecutions, and convictions. Qualitative data and opinions from experts were also sought, including when quantitative data was unavailable or believed to be either incomplete, inaccurate, or not fully reliable.

Identification of Vulnerabilities:

Vulnerabilities are weaknesses in the AML/CFT regime that threats can exploit. In a broad context, they are usually associated with the main characteristics of a country such as the level of corruption, weak government reach in certain areas, size of the informal economy, the prevalence level of organized crime, capacities of AML/CFT authorities in addition to reporting entities' AML/CFT systems/controls, and the attractiveness of products/services for ML/TF purposes.

Vulnerabilities were examined in the context of the Political, Economic, Social, Technological, Environmental/Geographical & Legislative factors (PESTEL) that ultimately affect Lebanon's AML/CFT regime. Financial sector reporting entities and DNFBPs' size/economic significance, products/services offered, prevalence of local and foreign origin ML/TF cases, customer base, geographic reach or presence, as well as delivery channels were reviewed. Qualitative data were also reviewed from the last mutual evaluation report and follow up reports, supervisory reports, reporting entities' own risk assessments, and from the FIU, law enforcement and prosecution authorities. Legal persons and arrangements, including Non-Profit Organizations (NPOs) were also covered.

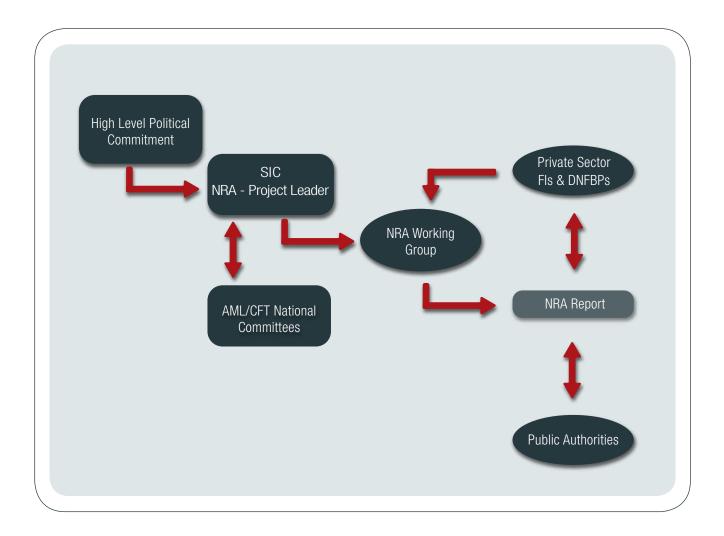
Analysis:

The data and information gathered under ML/TF threats and vulnerabilities were analyzed in light of the consequences (impacts/harms) they hold for Lebanon's: (1) economy/financial system, (2) security/reputation and (3) society at large.

In the analysis phase, a better understanding of the nature and sources of the identified ML/TF risks was achieved, and consideration was given to the probability/likelihood of risks materializing before and after applying risk mitigation measures. This was followed by benchmarking and giving a relative value (risk score), ranging from low risk to high risk.

Evaluation:

The identified ML/TF risks were evaluated, and decisions were reached on priorities with respect to additional mitigation measures needed, which were consequently laid out in an action plan.



3. ML/TF Threats

The threat from domestic low level street crimes such as murder and petty theft were deemed unimportant in the ML/TF context in spite an increase in their numbers, which is associated with the spillover effects from the neighboring conflict and with a worsening economic situation. The threat associated with air and maritime piracy was also deemed unimportant.

3.1 Money Laundering Threats

Corruption is an impediment to the economy, to the business environment, and to competitiveness. It is also a major obstacle for foreign direct investment. Government contracts and public procurements can be awarded based on favoritism to connected companies and by mutual agreement with disregard to tenders. Their size represents an opportunity for corrupt wrongdoers. Tax evasion on the other hand covers areas of income tax, property registration taxes, and taxes on international trade (customs/excise) as well as value-added tax (VAT). The structural flaws in the taxation network itself and citizens' practice of evading taxes result in losses of urgently needed funds that can be put to good use, and to benefit the public.

ML threats were identified to arise mainly from local origin criminal activity associated with corruption, tax evasion, and drug trafficking that generate significant illicit proceeds, as well as cybercrime fraud (mainly business e-mail compromise), the occurrence of which increased since the previous NRA. Other ML threats are associated with forgery, fraud and embezzlement of private funds that are relatively more reported, as well as with smuggling and counterfeited goods. Despite the lack of thorough reliable statistics on human trafficking & migrant smuggling, they remain threats based on intelligence reports and unavoidable scenarios associated with the refugees' situations. Local capital markets are underdeveloped, a limited number of publicly listed companies exist, and large-scale securities fraud don't exist. The limited number of ML cases investigated over the past few years in connection with insider trading were of foreign origin and did not involve sophisticated ML schemes and methods such as the creation of shell or front companies. The money laundering threat is low in connection with a number of other predicate crimes such as kidnapping for ransom and car thefts, and is medium-low for illicit arms trafficking.

ML threats originate from both predicate crimes committed in Lebanon (local origin predicate crimes) and abroad (foreign origin predicate crimes). ML threats are associated mainly with persons, rather than with professional money launderers, gangs or organized crime groups. Relatively speaking, ML activity is not overly large scale and several methods are used that can be characterized as not being complex or sophisticated, such as cash-based money laundering and commingling of illicit cash with funds from legitimate businesses. More complex methods can be associated with corruption and the misuse of legal persons, as well as tax evasion that includes methods such as manipulating shipping documents and presenting forged invoicing, in addition to tax fraud schemes covering illegal tax recovery (VAT refund). While due to fraud, bank accounts might receive transfers originating from the tax authority in connection with illegal tax recovery, corruption related funds do not necessarily need to be deposited in offenders' own bank accounts and can be placed in accounts of trusted third parties, associates or relatives, not to mention being used to purchase high value items or assets.

3.2 Terrorist Financing Threats

The threat of terrorism from outside as well as inside the borders was considered so as to have a better understanding of the general terrorism environment and how it drives and influences TF activities. The TF threat increased in recent years after the fall of major cities in Iraq and Syria to terrorists. Terrorist groups such as Daesh (ISIL) began focusing on Lebanon to spread ideology, form sleeper cells and recruit fighters, while taking advantage of the refugees' situation, sectarianism, and socioeconomic factors.

Combating terrorism and TF increasingly became top national priorities after Lebanon became a high-priority target for terrorist attacks and fell victim to many such attacks, including via car bombings and suicide missions. Terrorist attacks were mainly associated with the neighbouring conflict and with terrorist groups that emerged on our border and threatened our security and stability. Post 2014, the dismantling of several terrorist cells by law enforcement, and the implementation of the government's security plan resulted in some improvements in the overall situation (15 terrorist attacks in 2014). The situation drastically improved after the 2017 military offensive cleaned up the eastern border from terrorist elements, and as a result of improvements made to interagency coordination as well as to pre-emptive operations carried out by LEAs (1 terrorist attack in 2018). Terrorist groups, namely ISIL, Jabhat Al-Nusra, Al-Qaeda, Fateh El Islam, Jund Al-sham, Ahrar Al-Sham and foreign terrorist fighters (FTFs) carried out attacks in Lebanon and presented the greatest threat. Multiple smaller offshoot terrorist groups that emerged during the ISIL and Al-Nusra occupation of small parts of mountainous areas in the Bekaa valley also presented threats. Threats are also associated with FTF returnees, violent extremism, and the overall exploitable refugees' situation.

Terrorist financing and the assessed activities of terrorist groups/persons in connection with raising, collecting, storing and moving funds for internal or external use revealed that TF was mainly to carry out terrorist attacks in Lebanon. While some TF investigations/prosecutions involved cash from illegitimate sources relating to criminal activity associated with illicit arms trafficking, smuggling and ransom money, TF was primarily associated with cash from terrorist groups based in the conflict zone as well as cash from self-financing. TF activities also included the provision of material support such as food, shelter, medical supplies, and oil for heating, while a few stolen cars ended up being used in terrorist attacks. In addition, the misuse of a few NPOs for TF purposes included instances where some of the aid (goods & food) distributed by them to refugees in certain areas were later channeled without their knowledge to terrorists entrenched in mountainous areas on the Syrian-Lebanese border. A variety of methods were used to move funds, including smuggling cash across the border and inside the country to terrorists, illegal/unlicensed hawala activities, money remittances and to a lesser extent bank transactions.

The TF threat is high and is from both foreign and local origin sources. Nevertheless, TF activities are not large-scale, not complex or sophisticated and did not require a high level of knowledge or skill. They also did not require extensive resources and capabilities such as a wide network of supporters. Cash remains the favored method for terrorists to raise and move funds. Cash smuggled to finance local terrorist attacks were of modest values, and difficult to detect. Cash for TF purposes were mainly used to purchase explosives, arms and ammunition, and also to make payments to terrorist, as well as for logistical support. The TF threat from external sources originated mainly from terrorist groups such as ISIL and AL-Nusra that targeted Lebanon from their stronghold abroad. This at times was made easier by sympathizers, and extremists hiding or taking cover in refugee camps and among the large refugees' communities. The threat is low with respect to TF originating from Lebanon to support overseas terrorist activities, and is primarily associated with the actions of FTFs that left Lebanon to join ISIL and other terrorist groups in the conflict zone, some of which are expected to return (FTF returnees).

Law No. 44 ML / TF Predicate Of	ffenses - Threat Level
Corruption	High
Tax Evasion	High
Illicit Drug Trafficking	High
Fraud – Cybercrime	High
Smuggling & Counterfeiting of Goods	Medium - High
Forgery, Fraud & Embezzlement of Private Funds	Medium
Trafficking in Human Beings & Migrant Smuggling	Medium - Low
Insider Trading	Medium - Low
Illicit Arms Trafficking	Medium - Low
Organized Crimes - Car Thefts	Low
Environmental Crimes	Low
Kidnapping for Ransom	Low
Offence against Ethics & Public Decency (Illegal Prostitution)	Low
Extortion	Low
Sexual Exploitation	Low
Law No. 44 ML / TF Predicate Of	ffenses - Threat Level
Terrorism & Terrorist Financing	High

4. Inherent ML/TF Vulnerabilities

The legal, regulatory and supervisory framework for AML/CFT is robust and comprehensive, with room for improvement. Law enforcement and judicial authorities' resources are affected with Lebanon's geographic proximity to the neighboring conflict, and with the presence of large numbers of refugees with economic/social ties with jurisdictions witnessing terrorism and instability. In spite of the resource constraints, continuous efforts are exerted to close illegal border crossings and to strengthen government control over remote areas like where cannabis is grown.

The financial sector is modest in size in comparison to global or regional financial centers that attract money from across the world. However, existing inherent vulnerabilities associated with having an open economy with significant international trade, a developed banking/financial system and the wide use of cash, in addition to the presence of an informal economy (not reported for tax purposes) can be exploited by ML/TF offenders. The largest component of the financial sector is banks, their size alone exceeds 95% of the entire financial sector and they offer products and services that can be misused. DNFBPs are engaged in numerous economic activities and also offer products and services that can be misused, however, some namely art and antique dealers are insignificant. Virtual assets and activities or operations of Virtual Assets Service Providers (VASPs) are also insignificant given existing prohibitions to have such dealings. Certain types of legal persons, including NPOs can also be vulnerable to potential misuse.

5. Financial Sector and DNFBPs

5.1 Financial Sector

BANKS

The banking sector is comprised of commercial banks, investment banks (owned mainly by large local commercial banks), and a few Islamic banks. Some banks have overseas presence in the form of branch, subsidiary or representative office, and a few commercial banks are dominant in terms of overall market share. Commercial banks are of great economic significance and are well integrated with other sectors. The vulnerability of products/services offered vary between commercial banks and investment banks with the latter being much less vulnerable to TF risks. Banks deal with a large diverse customer base including high risk customers, and offer a range of vulnerable products and services provided through various delivery channels, such as cash operations, and operations for accounts of legal persons, including offshore companies where the beneficial owner and the source of funds are more difficult to identify or verify, as well as companies with public sector dealings, not to mention instances of non face-to-face dealings or dealings through third parties. Banks are the only deposit taking institutions and are thus inherently more vulnerable to ML/TF risks given also their size, transaction volumes, cross border nature of transactions, speed and frequency of operations, as well as the possibility of gatekeepers being used to execute transactions.

MONEY DEALERS

The main business of money dealers (MDs) is the purchase and sale of foreign currencies in exchange for other foreign currencies or Lebanese Pounds. The majority of money dealers are licensed as type "B", are small in size with modest transaction volumes and are not permitted to engage in operations involving transfers or hawala. A smaller number of MDs are licensed as type "A", of which a few carry out hawala operations, while a very limited few are licensed to ship banknotes. MDs geographically cover all Lebanon and their operations are associated with the prevalence of cash transactions, currency exchange, wire transfers and hawala operations. Their products and services are offered across the country to transient customers and cash generating businesses. The level of vulnerability to ML/TF risks differs between type "B" and type "A" MDs, with the latter being inherently more vulnerable to ML/TF risks, especially the sub-set offering hawala operations.

MONEY REMITTANCE COMPANIES

A number of licensed money remittance companies are currently non-operational. Three companies dominate the market in terms of volume of remittances and local geographic coverage by their sub-agents. Money remittance companies controlling the highest percentage of market share are associated with well-regulated international remittance companies based abroad, and execute remittances using their platform or network. The remittances corridors are in line with the diaspora and foreign labor work force in Lebanon. Nevertheless, identifying the source of small funds and their potential end use are challenges for money remittance companies. International typologies on the universal TF misuse of money remittance companies by FTFs, the methods of transferring proceeds of crime in small amounts from numerous originators to a single beneficiary, along with the prevalence of cash transactions and the ease in which cross border funds can be moved are inherent worldwide characteristics of the sector that contribute to making it more vulnerable to ML/TF risks.

OTHER FINANCIAL SECTOR ENTITIES

Financial Institutions, Financial Intermediaries (Brokerage Firms) and Specialized Lending Entities (Comptoirs) represent a small segment of the financial sector and are less vulnerable to ML/TF risks. They are not deposit taking institutions and are very modest in size/volumes of transactions executed. As for products and services offered by them, many brokerage firms are just providing advisory/consulting services, while financial institutions and comptoirs are mainly focused on offering small loan products. Insurance companies are also less vulnerable to ML/TF risks, especially given the modest value of insurance premiums paid against life policies with investment features that allow the option to transfer, move and store money. As for leasing companies, none existed during the last several years.

5.2 Designated Non-Financial Businesses & Professions

JEWELERS

Jewelers (Dealers in Precious Metals and Stones) operate all over the country, and most are small businesses with modest operations. A small number of jewelers are considered large businesses and command the largest market share in terms of value of transactions. Jewelers offer products vulnerable to misuse that are accessible to a wide range of customers and carry out considerable transactions in cash. Their operating nature allows for cash transactions against high-value commodities such as gold or diamonds to be carried out by transit customers with a degree of privacy. Jewelers' products also store value and can be transported and exchanged for similar amounts thus contributing to their vulnerability.

REAL ESTATE DEALERS & AGENTS

The value of built and unbuilt property transactions has been on the decline, and the real estate sector has been in recession for several years, with annual drops in prices and limited demand on supplied property. The relative resilience in prices can be attributed to Banque du Liban (BDL) subsidized lending and incentives schemes. Players involved in real estate transactions are of various sizes and include the developer or seller, the investor or buyer and brokers, as well as the bank providing the loan to either sides of the transaction. Real estate transactions carried out mainly involve banks that are subject to robust AML/CFT requirements and supervision. Other parties involved in real estate transactions are notaries and possibly lawyers in a limited number of transactions.

The real estate sector typically involves large-value transactions and assets that store value, nevertheless restrictions in Lebanon on foreigners to own real estate along with the prevalence of subsidized loans that are subject to tough vetting requirements are dominant risk mitigation features of the real estate sector. Illicit funds might be invested in real estate to conceal its origin or the beneficial owner. As such, the sector can be used as a conduit for ML, but rarely for TF. Real estate dealers & agents are involved in a modest share of the overall real estate transactions.

CASINO DU LIBAN

Casino du Liban (CDL) is a Lebanese shareholding company that has the exclusive privilege and right to administer gambling games in Lebanon. The contract with the Ministry of Finance (MOF) entitles the latter to receive 50% of all slot and casino gaming wins (the amount retained by the casino from the amount spent by customers). The largest shareholder is Intra Investment Co., in which BDL and the Government are majority owners. CDL visitors and revenues have been on the decline mainly as a result of the downturn in the economic situation and drop in number of tourists. CDL does not offer clients the ability to receive or transfer funds electronically and does not issue third party checks. When cash exceeding a certain amount is exchanged for chips, CDL returns first the same amount in cash before paying out any winnings. The ownership structure and restrictions on the mode of operations, in addition to not offering online gambling services contribute to CDL being the least vulnerable among DNFBPs.

CERTIFIED PUBLIC ACCOUNTANTS

The Lebanese Association of Certified Public Accountants (LACPA) is a self-regulatory body encompassing a sizeable number of practitioners operating across the country. By virtue of law, Certified Public Accountants (CPAs) are not allowed to establish companies for their clients and are prohibited from combining their profession with commercial professions. Their work is mostly of domestic nature and does not involve anonymity, including when transacting on behalf of customers. Public Accountants have specialized expertise in financial and tax matters that can be exploited by clients of varying risk levels (high net worth individuals, cash intensive businesses, etc.). They can also encounter in their day-to-day work shell companies, over or under invoicing activities, fake invoicing, as well as real estate transactions involving undervaluation which contribute to their vulnerability.

LAWYERS

A vibrant community of sophisticated professional lawyers work across the country. They have two bar associations in Beirut and Tripoli that are self-regulatory bodies. Registering in either is a prerequisite to practice this profession. The services rendered by some lawyers include preparing for or engaging in transactions on behalf of customers, such as establishing companies, buying and selling real estate or businesses; managing funds or other assets, and establishing or managing bank accounts. Lawyers mainly know their customers first hand. They are generally aware of their customers' risk profiles and of the risks associated with carrying out third party transactions, establishing, operating or managing legal persons whereby wrongdoers might use them in ML activities and misuse lawyers' expertise to conceal their identity, the source of funds and the BO. Their sought-after expertise and role as gatekeepers in accessing the financial sector is an inherent vulnerability associated with this profession.

NOTARIES

The authority overseeing notaries is the Ministry of Justice (MOJ). Notaries according to their governing law are public officers authorized within their competence to perform duties prescribed in the said law. They mainly handle the authentication of documents to be made official and receive fees due to the state's treasury. Their work includes verifying the identity of persons when issuing official documents and for establishing companies, in addition to certifying general assembly meetings, extra ordinary assembly meetings as well as board meetings that require filing with the commercial register. They also prepare power of attorneys, authenticate formal contracts for real-estate agreements and maintain related copies and documents, etc. Notaries might come across suspicion when handling contracts/transactions and when authenticating documents to be made official including for the establishment of legal persons. They also might come across sales contracts with undervalued or fictitious property pricing resulting in tax evasion which contributes to them being the most vulnerable among DNFBPs.

Some types of financial sector reporting entities and financial products/services are more vulnerable than others to ML/TF risks. Banks - the only deposit taking institutions, given the prevalence of ML/TF cases, their size, volume of transactions, geographic reach including exposure to high risk jurisdictions, wide range of products/services offered, delivery channels and their large diverse customer base that includes high risk customers are inherently the most vulnerable. Money remittance companies and type "A" money dealers are also high in terms of vulnerability to ML/TF risks (type "B" money dealers are medium). The modest size of other financial sector reporting entities (financial institutions, brokerage firms, insurance companies and comptoirs), the products/services offered by them and the regulatory restrictions in place contribute to making them less vulnerable to ML/TF risks.

Notaries in comparison to other DNFBPs are the most vulnerable to some high risk ML offences, particularly when preparing and/or carrying out real estate transactions and when establishing companies. Real estate dealers/agents, lawyers and certified public accountants are rated medium in terms of vulnerability to ML risks while jewelers are rated as medium - low. CDL was deemed the least vulnerable. In terms of vulnerability to TF risks, all DNFBPs are generally low.

Identifying types of reporting entities as being more vulnerable and at a higher risk of being misused for ML/TF does not necessarily mean insufficient compliance levels or inadequate AML/CFT regulations or supervision coverage. It simply means that they are more likely to be taken advantage of due to factors that include the vulnerable products/services offered by them. As such, they must be vigilant and apply the RBA to mitigate risks.

Sectors	Sub-Sector	Vulnerable to ML/TF Risk
	Banks	High
	Money Remittance Companies	High
	Money Dealers "Type A"	High
Financial	Money Dealers "Type B"	Medium
Hilanciai	Financial Institutions	Low
	Financial Intermediaries (Brokerage Firms)	Low
	Specialized Lending Entities (Comptoirs)	Low
	Insurance Companies	Low
	Real Estate Dealers & Agents	Medium
	Jewelers (Dealers in precious metals & stones)	Medium - Low
DNFBPs	Casino du Liban	Low
DINI DE 2	Notaries	High
	Lawyers	Medium
	Certified Public Accountants	Medium

6. Legal Persons & Arrangements and Non-Profit Organizations

6.1 Legal Persons & Arrangements

The role of legal persons in the economy is widespread and sizable. They are in the thousands and are engaged in a wide range of economic activity. Many do not have employees because they are either inactive, small neighborhood shops run by owners, offshore companies not permitted to operate in Lebanon or legal persons established to own real estate.

Legal persons including foreign companies with place of business in Lebanon must be registered with the Commercial Register (CR), with the exception of cooperatives as well as NPOs that are subject to other registration requirements. The Lebanese Code of Commerce (CoC) allows for different types of legal persons, and mandatory requirements are stipulated under commercial, tax and financial legislations. Any changes in registered information, including in the identity of the owners, managers, directors and the beneficial owners have to be submitted to the commercial register. Furthermore, according to the CoC, legal persons must at all times engage a Lebanese certified accountant (a member of LACPA) and a Lebanese lawyer (a member in any of the two Bar Associations), until the company ceases to exist. With a few exceptions, all legal persons must legally have a bank account. BO information on legal persons is also available through the AML/CFT framework under which banks and other reporting entities carry out Customer Due Diligence (CDD) measures and also through the tax framework that requires providing BO information to the tax authority (in tax returns). The commercial register is accessible to the public and contains detailed information on legal persons. Files are archived for 10 years after liquidation. With respect to cooperatives, they are subject to registration and supervision by the Directorate General of Cooperatives at the Ministry of Agriculture, and are mainly concentrated in the agricultural sector.

As for legal arrangements, the concept of trust does not exist in Lebanon, foreign trusts are not recognized and Lebanon is not a party to the Hague Convention on trusts. Nevertheless, it is possible for a foreign trust to have a bank account in Lebanon, noting that in such circumstances they are subjected to AML obligations including CDD measures and BO identification carried out by the bank. Fiduciary contracts/accounts on the other hand are maintained exclusively by banks and financial institutions and are subject to AML/CFT obligations. Lebanese legislations also allow for waqfs that are associated with religious sects.

In spite the low level of foreign ownership within legal persons, certain vulnerabilities and features of legal persons might be exploited for ML. Examples can include those having complex ownership structures, such as holding companies where the ultimate BO is harder to determine, and the BO as well as illicit proceeds can be disguised, in addition to those having public sector dealings (government contracts & public procurements). The characteristics of offshore companies having international operations and businesses makes them more vulnerable to ML risks than others. Legal persons and arrangements are generally low risk for TF.

Type of Legal Persons (Companies)	% of Legal Persons (As of end March 2019)
Limited Liability Company	52.81%
Joint Stock Company	23.6%
Partnership limited by shares	0.01%
General Partnership	1.79%
Simple Limited Partnership	10.1%
Civil Companies	0.4%
Offshore Companies	7.1%
Holding Companies	3.3%
Foreign companies (Branch)	0.69%
Foreign companies (Representative Office)	0.2%

6.2 Non-Profit Organizations

For many decades, charities, the work of civil society and philanthropy have eased the impact of poverty on many, especially in rural areas. Limited resources and ineffective underperforming official programs have historically resulted in growth in charities and the non-profit sector, which first grew during the civil war. The recent growth over the last few years in this sector can be attributed to the neighboring crisis and to the refugees' situation that brought along enormous challenges with respect to socioeconomic factors.

The Ministry of Interior & Municipalities - Department of Politics & Electoral Affairs, Office of Politics, Parties & Associations is responsible for the "Certificate of Knowledge" needed to complete the establishment process for NPOs. Thousands of NPOs exist in Lebanon covering civil/cultural matters, human, women, children and prisoner rights, in addition to others involved in education, environmental and health care issues including cancer treatments and drug rehabilitation. NPOs involved in social development, public benefit, popularity and electoral advantages established by public figures also exist. The government's annual contribution to this sector via some ministries is significant and is mainly channeled through NPOs towards disabled persons, elderly people, orphans, and the underprivileged. The sub-set of NPOs which fall into the FATF definition is relatively smaller.

Lebanon's non-profit sector is domestically oriented. NPOs have access to a wide range of funding which comes from the rich community, international donors including foreign governments, as well as from individual contributions and religious duties, etc. This enables NPOs to reach poor communities in society and those in need. Non-profits with international funding such as those dedicated to Palestinians residing in refugee camps and to Syrian refugees also operate in Lebanon.

Pursuant to the ML & TF NRA, the Ministry of Interior and Municipalities published on its website a guidance on preventing the misuse of NPOs for terrorism financing. This guidance identifies the following types of NPOs, which by virtue of their activities and characteristics, may be at a higher risk of being misused for TF purposes:

- NPOs newly established, with limited expertise in programs or funding
- NPOs concerned with refugees and displaced persons
- NPOs using names implying religious affiliations, but are not so
- NPOs operating in border areas adjacent to a conflict zone

Some NPOs are more vulnerable to TF misuse, and there have been cases in which they were exploited for TF purposes. Donations to NPOs in cash makes identifying the source of funds at times difficult. The disbursement and usage of cash especially once partner organizations, intermediaries, or representatives are involved makes identifying the final usage of cash also difficult. Terrorists might infiltrate or take shelter among the existing large number of refugees' communities. This, along with NPOs' having operations in proximity to the neighboring conflict are challenges to NPOs. NPOs may encounter acts of abuse including diversion of foreign aid, and abuse of programs such as when aid (goods & food) are unknowingly rechanneled.

7. ML/TF Risks

It is crucial for both local authorities and the private sector to understand the ML & TF risks they face. Predicate crimes under AML/CFT Law no. 44 that were assessed took into consideration domestic and foreign origin ML/TF threats. With the exception of cybercrimes and insider trading, ML risks are mainly of local origin predicate crimes, and to a lesser extent as a result of foreign origin predicate crimes. The higher risk money laundering crimes are associated with corruption, tax evasion, and illicit drug trafficking resulting mainly from local predicate offences, as well as cybercrimes (mainly business e-mail compromise). Money laundering risks associated with other offences such as smuggling also exist, and are of various levels.

Terrorist groups such as ISIL and Al-Nusra present the biggest threat to Lebanon. The TF risk is high, it arises from both local and foreign origin sources, and cash remains the favored method for terrorists to raise and move funds, along with illegal/unlicensed hawala activity, which is the primary focus of LEAs and is being expeditiously eradicated.

Some reporting entities such as banks, category "A" money dealers primarily those offering hawala operations, and money remittance companies are inherently more vulnerable than others to the possible occurrence of high risk ML/TF crimes through them, and to the possible misuse of products and services offered. They must apply the RBA and be vigilant when executing transactions particulary when carrying out cash operations, and operations involving accounts of legal persons, especially offshore companies where the beneficial owner and the source of funds are more difficult to identify, in addition to non face-to-face dealings or dealings through third parties. Notaries are more vulnerable than other DNFBPs to the possible misuse of products or services offered, especially when preparing and/or carrying out real estate transactions and when establishing companies. DNFBPs as well as certain types of legal persons and NPOs that are vulnerable to possible misuse, must also be vigilant and adopt controls that are commensurate with risks.



8. Risk Mitigation Measures – AML/CFT Regime

Lebanon has a comprehensive AML/CFT regime in line with FATF standards that is assessed by the Middle East & North Africa Financial Action Task Force (MENAFATF) and is subject to its follow-up process. At the center of the AML/CFT regime is the SIC, the country's multi-function financial intelligence unit and other AML/CFT stakeholders from both the public and private sectors. The AML/CFT regime rests on a number of pillars: (1) legal & regulatory, (2) domestic & international cooperation, (3) financial sector reporting entities & DNFBPs, and (4) AML/CFT supervision.

LEGAL AND REGULATORY

The legislative framework is based primarily on AML/CFT law no. 44 of 2015 and other legislations, including the cross-border transportation of money law and the penal code which criminalizes TF including the financing of FTF activities in accordance with UNSCR 2178. The Tax procedure law as well as the Code of Commerce place BO requirements for legal persons, and detailed AML/CFT regulations are issued to all reporting entities by BDL and the SIC. The AML/CFT law identifies financial sector institutions and DNFBPs as reporting entities including notaries, lawyers, and accountants, as well as ML/TF predicate offences, which cover crime categories as per FATF standards. It also sets requirements including for CDD measures, beneficial ownership, record keeping and reporting suspicion. The said law establishes the FIU and its powers which include freezing powers, and also designates the authorities responsible for supervision of financial sector reporting entities and DNFBPs and for issuing regulations. The AML/CFT law also sets the legal basis for mechanisms to implement targeted financial sanctions related to terrorism/TF with respect to UNSCRs 1267 & 1373, and allows for confiscation of assets and the sharing of confiscated assets with concerned countries. While the formal mutual legal assistance (MLA) channel is managed by the MOJ and the General Prosecutor, ML/TF information disseminated or shared by the SIC can be used to support local as well as foreign investigations and prosecutions. The AML/CFT law defines the relation between the SIC and the General Prosecutor, and the latter also oversees parallel financial ML/TF investigations and ensures that ML/TF crimes are prosecuted.

DOMESTIC AND INTERNATIONAL COOPERATION

The domestic cooperation in place between the SIC and concerned national agencies is essential to maintain an effective AML/CFT regime and to protect the integrity of the financial and non-financial sectors. Cooperation takes many forms, including prioritizing ML/TF requests of assistance, operational capacity building through joint training programs, and inter-agency work on emerging trends such as on cybercrimes and on TF. Other forms of domestic cooperation take place via the two national committees on AML and CFT that encompass several national agencies.

The SIC, the General Prosecutor, the ISF and a number of other LEAs including customs which enforces law no. 42 on the cross-border transportation of money are regime partners. Their cooperation on matters of intelligence gathering and ML/TF investigations is effective and was pivotal in disrupting numerous money laundering and terrorist financing activities. The Ministry of Interior & Municipalities has oversight with respect to NPOs and ensures that they are not being misused to finance terrorism. Domestic cooperation among various agencies covered this area and reached desirable outcomes. On tax evasion, the Ministry of Finance and the SIC complement each other's work on matters such as OECD-Global Forum requirements. Other forms of cooperation exist, such as Customs and SIC work on the mechanism to implement law No. 42, and the SIC having direct access to cross border declaration / disclosure reports and seizures.

The high-level commitment to improve cooperation to combat TF led several intelligence agencies to establish within their respective agencies branches that focus on TF investigations. This commitment also resulted in aligning the TF offence, preventative measures, and TFS with international standards. As such, domestic cooperation on terrorist designations and freezing of terrorist assets is robust. The National Committee on Suppressing Terrorism Financing has put in place TFS mechanisms for the implementation of UNSCR 1267 & UNSCR 1373. Regulations on the "freezing without delay" with respect to UNSCR 1267 were issued by BDL and the SIC. The first designations in accordance with UNSCR 1373 were made in December 2015, and as of end-March 2019, fifty-five listings are on the terrorism/TF national list. Existing domestic cooperation on CFT matters, along with the capacity levels of authorities, supervisors and reporting entities including awareness of how products/services may be exploited for TF are current effective mitigating measures.

International cooperation is vital for ML/TF investigations given the interconnection of world economies and financial systems, as well as the broader use of new technologies that allow for the instant movement of funds around the world. Effective domestic cooperation affects international cooperation to a great extent. One area of direct impact is the quality, usefulness and timeliness of information exchanged between FIUs. Lebanon's SIC is a member of the Egmont Group of FIUs since 2003, with its Secretary General having served as the Egmont Committee vice chair and twice as the Middle East and North Africa (MENA) region representative. The SIC actively participates in EG work such as on the ISIL project and others. 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 others, and have resulted in bringing several FIUs from our region to Egmont Group membership.

Lebanon is a founding member of MENAFATF and an active participant in its work. Since its founding back in 2004, Lebanon has assumed twice the presidency of this body. As of end 2018, several SIC staff participated as assessors in eleven mutual evaluation missions for MENA countries, and more are already scheduled. The SIC has also worked with MENAFATF on a number of initiatives to improve the AML/CFT capacity of countries, including by providing training and sharing expertise on the ML & TF NRA process. More recent initiatives brought together in Beirut anti-corruption agencies and FIUs from the MENA region under the banner of the first Arab forum of anti-corruption agencies and FIUs. The aim was to improve the fight against corruption and promote cooperation between such agencies. Lebanon through the SIC continues to participate in meetings of MENAFATF, Egmont Group and the FATF, and remains actively involved in related working groups and projects. Lebanon is also an active partner in the fight against ISIL and participates in the work of the Counter ISIL Financing Group (CIFG) within the Global Coalition against Daesh.

An effective AML/CFT regime when it comes to international cooperation is best measured by the ability to confiscate and repatriate illicit proceeds related to foreign predicate crimes. In a number of cases Lebanon has repatriated funds, and Lebanon's SIC was recognized for investigating, freezing, and successfully repatriating corruption related funds by the World Bank-UNODC Stolen Asset Recovery Initiative (StAR Award of Excellence). Furthermore, effective international cooperation is measured by information exchanged via the FIU to FIU channel, other forms of cooperation, and via the more formal MLA channel, all of which are marked with high response rates containing quality information.

FINANCIAL SECTOR REPORTING ENTITIES & DNFBPs

The financial sector is regulated by BDL, except for insurance companies which are regulated by the Ministry of Economy & Trade, and for financial brokerage firms which are regulated by the Capital Markets Authority (CMA) that also limits the licensing of mutual funds — collective investment schemes to just banks or certain types of financial sector reporting entities. All three authorities have adopted tough licensing requirements and have implemented strong oversight measures. The SIC, aside from being the country's FIU, is also the main AML/CFT supervisory authority for all financial sector reporting entities and a number of DNFBPs, while others, namely notaries, lawyers and accountants are regulated and supervised by the MOJ and by their respective syndicates.

Banks & other reporting entities are at the forefront in the fight against ML and TF. Internal controls and systems they adopt to monitor, detect and report suspicious transactions are at the core of the AML/CFT regime. The effective implementation of CDD measures, record keeping requirements, BO identification and the RBA by financial sector reporting entities & DNFBPs, in addition to other regulatory requirements serve as a barrier in preventing offenders from misusing these entities, placing illicit proceeds into the financial system and from exploiting it to finance terrorism. As per FATF standards, all categories of reporting entities are covered under AML/CFT law no. 44, including notaries, lawyers and accountants. As such, there are hundreds of reporting entities in Lebanon. Banks, given their size and wide range of products/services in comparison to other financial sector reporting entities, are considered the main component of the financial sector and the backbone of the economy. They enjoy robust AML/CFT controls including for sanctions screening & evasion.

AML/CFT SUPERVISION

Aside from being the country's FIU, the SIC is also the main AML/CFT supervisory authority. The SIC Compliance Unit supervises banks and other financial sector reporting entities as well as a number of DNFBPs to ensure compliance with prevailing AML/CFT regulations. In this regard, it carries out onsite examinations to assess the effectiveness of AML/CFT compliance programs, CDD measures and controls adopted to monitor, detect and report suspicious transactions. The placement of the AML/CFT supervisory function within the FIU competence, and the SIC compliance Unit role in heading the SIC work within the NRA process contribute greatly to the effectiveness of the supervision it carries out.

Onsite examinations are risk based and are complemented with annual offsite work that use criteria such as compliance history, size, products/services provided, customers' risk classifications, geographic presence, external auditors' findings and reports filed with the SIC. All are utilized to determine the frequency/program of onsite examinations. The risk based AML/CFT compliance examinations carried out at banks, financial institutions, money dealers, money remittance companies, insurance companies, financial brokerage firms and specialized lending entities (comptoirs), as well as at a number of DNFBPs are robust and are also complemented by work done by the respective prudential supervisory authorities. External auditors also carry out their own independent AML/CFT annual examinations for banks, financial institutions, type "A" money dealers and money remittance companies. Lawyers and accountants are supervised for AML/CFT by their respective syndicates, and notaries by the MOJ.

Findings from AML/CFT onsite examinations highlight for banks and other reporting entities corrective measures to implement in order to enhance their AML/CFT compliance programs and internal controls. Remedial action plans are then prepared accordingly. The RBA for supervision of concerned sectors under AML/CFT Law no. 44 is updated by the SIC Compliance Unit when necessary to ensure both adequate coverage and more focused assessments. Furthermore, updates or new AML/CFT regulations that target reporting entities are suggested and introduced when the need arises due to either evolving risks, findings from AML/CFT compliance examinations, best practices, or according to developments in international standards. In instances where AML/CFT compliance examinations reveal non or partial compliance at financial sector reporting entities, the SIC is empowered to issue a warning, and recommend administrative penalties or monetary fines which are ultimately decided on by the higher banking commission. The SIC is also empowered in instances of non or partial compliance to correspond with the supervisory or oversight authorities for other types of reporting entities that are also subject to sanctions via other laws and regulations. Further to the above, any reporting entity, within the financial sector or other that violates certain AML/CFT provisions including failing to report ML/TF suspicion, not submitting to the SIC requested information or tipping of customers are subject to imprisonment and a monetary fine as stipulated in AML/CFT law no 44.

9. Looking Forward

Lebanon has come a long way in the fight against money laundering & terrorist financing, and our AML/CFT regime is in line with international standards. In spite of this, ML and TF offenders will try to exploit any vulnerabilities or weaknesses, thus causing harm to our national security, reputation, economy, and to society at large.

Concerned local government agencies have already benefited from the NRA outcome. By publishing its findings, and constantly updating the SIC website with ML/TF typologies, we also hope to raise public awareness, and enable the private sector to better understand the inherent ML/TF risks they face. As a result, they will become more informed, in a better position to assess the AML/CFT controls they adopt, and take the necessary risk mitigating measures.

ML & TF risks are constantly evolving, and worldwide advancements in financial technology (Fintech) are happening at a rapid pace. Their inevitable broader use is a matter of time. We are committed to updating our ML/TF national risk assessment on an ongoing basis, when needed or within a period not exceeding 3 to 4 years, which in turn enables us to take risk mitigation measures in due time and enhance the effectiveness of our AML/CFT regime.

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