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CODE OF MONEY AND CREDIT

Law promulgated by

Decree No. 13513 of 1 August 1963

The President of the Lebanese Republic,

Whereas the Lebanese Constitution, notably its article 58,

Whereas the Government has communicated to the Chamber of Deputies, by Decree No. 12825 of 21 May 1963, an urgent draft law pertaining to Money and Credit,

Whereas more than forty days have elapsed since the communication of this draft law to the Chamber of Deputies without the latter adjudicating thereon,

On the proposal of the Minister of Finance,

And after the approval of the Council of Ministers sitting on 24 July 1963,

Decreases what follows:

FIRST ARTICLE

Is enforced the urgent draft law tabled before the Chamber of Deputies by Decree N° 12825 of 21 May 1963, and worded as follows:

TITLE I

MONEY

Article 1

The currency of the Lebanese Republic is the Lebanese Pound, the official shortening of which is L.L.

Article 2

The pure gold content of the Lebanese Pound is fixed by law.

Article 3

The Pound is divided into one hundred equal parts called Piastres. The official shortening of the Lebanese Piastre is P.L.

Each piastre is divided into one hundred equal parts called cents.

Article 4 (as modified by the Law promulgated by Decree N° 6102 of  
----- (5 October 1973, and by Law N° 361 of 1 August 1994

Currency tokens are divided into:

- A) banknotes of equal or superior value to the currency unit;
- B) coins equivalent in value to: 1 pound; 100 pounds; 250 pounds; and 500 pounds.

Gold coins may equally be issued when the law has authorised the reconversion of banknotes into gold. The characteristics of the gold coins, as well as the conditions of their issue, shall be fixed by decree from the Council of Ministers.

Article 5 (as modified by Law N° 43/87 of 21 November 1987,  
----- (and by Law N° 178 of 22 December 1992

Banknotes may be issued in the following denominations: 1, 5, 10, 25, 50, 100, 250, 500, 1000, 5000, 10000, 20000, 50000, and 100000 pounds.

Article 6 (as modified by Law N° 361 of 1 August 1994)

Subdivisions of banknotes and coins may be of: 1 piastre; 2.5 piastres; 5 piastres; 10 piastres; 25 piastres; 50 piastres; 1 pound; 5 pounds; 10 pounds; 25 pounds; 50 pounds; 100 pounds; 250 pounds; and 500 pounds.

Article 7 (as modified by Law N° 361 of 1 August 1994)

Banknotes of a value of 500 pounds and over shall be unlimited legal tender throughout the Lebanese territory.

Article 8 (as modified by Law N° 361 of 1 August 1994)

Subdivisional units shall be legal tender of:

- A) Two pounds for coins of a face value equal or under 10 piastres.
- B) Ten pounds for banknotes or coins of 25 piastres.
- C) Twenty pounds for banknotes or coins of 50 piastres.
- D) One thousand pounds for banknotes and coins equivalent in value to 1 pound; 5 pounds; 10 pounds; 25 pounds; and 50 pounds.
- E) Five thousand pounds for banknotes and coins equivalent in value to 250 pounds.

Article 9

The money-issuing organisation and public cash offices shall receive subdivisional notes and coins, without limitation as to amounts.

Article 10

The issue of money is the exclusive privilege of the State.

However, the State may vest this privilege in the Central Bank it creates.

Article 11

Shall be prohibited the issue, circulation, or acceptance of

- All tokens made out as Lebanese money to be used in lieu of monetary tokens authorised by the law;

- All interest-free loan bonds "to Bearer" even though they may be made out in currencies other than the Lebanese currency.

## TITLE II

### THE CENTRAL BANK

#### SECTION 1: STABLISHMENT - NAME- HEAD OFFICE - CAPITAL

##### Article 12

A Central Bank is created under the name of Bank of Lebanon, hereinafter referred to as the "Bank" or the "Central Bank".

##### Article 13

The Bank is a juridical person of public law vested with financial autonomy.

It is reputed to be trading in its relations with Third Parties. Its operations shall be carried out and accounted in conformity with commercial and banking rules and practices.

It shall not be submitted to the administration and management regulations and supervisions applicable to the organisations of the Public Sector, notably Decree-Laws Nos. 114,115, 117 and 118 of 12 June 1959. Nor shall it be subject to the requirements of the Code of Commerce regarding registration on the Trade Register.

The Beirut Courts are solely competent to deal with disputes between the Bank, and Third Parties.

##### Article 14

The Head Office of the Bank shall be Beirut.

The Bank shall have to operate agencies at Tripoli, Saida and Zahle. It shall be authorised to open agencies in other districts in Lebanon and close down those agencies which it may consider have outlived their purpose. It may have representatives and correspondents in Lebanon and abroad.

##### Article 15

The capital of the Bank shall be constituted from a State appropriation authorised by law, or through the incorporation of reserves as may be authorised by decree from the Council of Ministers, upon the request of the Bank and on the proposal of the Minister of Finance.

##### Article 16

The Bank cannot be dissolved, except by virtue of the law which, if need be, shall also regulate the mode of its liquidation.

#### SECTION 2: ORGANISATION

##### Article 17 (as modified by Law N° 4/85 of 1 April 1985)

The management of the Bank shall be the concern of a Governor assisted by a first sub-Governor, a second sub-Governor, a third sub-Governor, and a fourth sub-Governor, as well as by a Central Board hereinafter referred to as the "Board".

## 1.- The Governor and Sub-Governors

### Article 18

The Governor shall be appointed, for six calendar years, by decree from the Council of Ministers, acting on the proposal of the Minister of Finance.

The sub-governors shall be appointed for five calendar years by decree from the Council of Ministers on the proposal of the Minister of Finance after consultation with the Governor. They shall carry out the functions which are assigned to them by the Governor.

The Governor and sub-governors must be university graduates, and have the experience and moral qualities required for the proper discharge of their duties.

The term of office of the Governor and sub-governor may be renewed once or several times.

The Governor and sub-governors shall take the oath before the President of the Republic, pledging themselves to discharge their duties loyally and scrupulously within the framework of the law and honour.

### Article 19

Excluding the case of voluntary resignation, the Governor cannot be relieved of his functions, except for physical incapacity duly reported, infringement to the duties of his functions as outlined in Chapter I of Title III of the Penal Code, violation of the provisions of article 20, or serious mismanagement.

Sub-governors may not be relieved of their functions except for the very motives designated in the preceding sub-paragraph, on the proposal of the Governor or following his advice.

### Article 20

The Governor and sub-governors must dedicate themselves entirely to the Bank. Their functions are incompatible with any sort of legislative mandate, public function, activity in any enterprise, or other professional work, irrespective of whether such activity or work be remunerated or not.

During their term of office, they are equally barred from keeping, taking or receiving any interest whatever in a private enterprise.

Shall be considered as interest, within the meaning of the preceding paragraph, any participation or association, in any form whatsoever or by whatever means this may be, even though by simple loan. Shareholding in joint-stock companies shall not be considered an "interest".

No commitment bearing the signature of the Governor or sub-governors may be accepted in the portfolio of the Bank.

### Article 21

However the Governor and, with his agreement, the sub-governors may, exceptionally to the first sub-paragraph of the preceding article:

- Be members to Commissions set up by the Government;

- Be appointed governors or directors to the International Monetary Fund or the World Bank for Reconstruction and Development, or any other international agency to which Lebanon may have subscribed;
- Represent Lebanon at international conferences.

#### Article 22

The remunerations of the Governor and sub-governors shall be fixed in the Special Status referred to in article 33.

#### Article 23

The Governor and sub-governors may not sit on the Board of a bank or finance institution governed by the present law, or of an enterprise under the control of the said bank or establishment, hold an office therein or participate in any manner whatsoever during two calendar years following the termination of their functions at the Central Bank.

#### Article 24

In case of termination of service for physical disability duly reported, or as a result of resignation accepted by the Government, or due to the non renewal of the term of office, such as in cases of death, the Governor and sub-governors, or their heirs, shall receive an indemnity equal to two years' remuneration.

#### Article 25

When the post of Governor has become vacant, the next incumbent shall be the first sub-governor, pending the appointment of the new occupant.

#### Article 26

The Governor has the widest powers in the management and administration of the Bank. He is entrusted with the enforcement of the present law and of the resolutions of the Board.

He is the legal representative of the Bank; on behalf of the Bank he signs all deeds, treaties and covenants; he authorises all judicial actions; takes all executory or safety measures he may deem proper, including mortgages.

He organises the services of the Bank and defines their duties. He appoints and dismisses the Bank's agents, irrespective of grades. He may engage technicians to act as advisers, to undertake study missions, or to upgrade the professional standard of the Bank's agents.

The various designations stated above are not exhaustive in character.

#### Article 27

In cases when the Governor is absent or unavailable, he shall be replaced by the first sub-governor, according to conditions fixed by himself and, in the event the latter is equally unavailable, by the second sub-governor.

The Governor may vest all his powers in the person replacing him.

### 2.- The Central Board

#### Article 28

The Board shall be composed of the following:

- The Governor, Chairman;
- The sub-governors;
- The Director-General of the Ministry of Finance;
- The Director-General of the Ministry of National Economy.

The last two members do not sit on the Board as Government proxies. Their action in the Bank shall not exceed the power attaching to them as members of the Central Board.

They take before the President of the Republic the same oath as the Governor and sub-governors.

#### Article 29

The Board shall meet whenever convened by the Governor and at least once a month. The Minister of Finance may also request the Governor to summon the Board.

#### Article 30

The Board cannot meet without the physical attendance of the Governor or of his deputy, nor can it meet if the Director-General of Finance or the Director-General of National Economy is not present.

#### Article 31

The attendance of at least four members of the Board is necessary to ensure quorum. Resolutions are passed by majority vote of the attending members, and, in case of a tie, the Governor's vote is overpowering.

#### Article 32

On the request of one of its members, the Board may, if it deems the request well-grounded, postpone the execution of any resolutions by three clear days at most. A new debate on the outstanding matter shall be held within the fixed time-limit, and the resolution adopted in the course of the new meeting may then be enforced.

#### Article 33 ( as modified by Law No. 8/75 of 5 March 1975)

Within the framework of the powers vested in the Bank by the present law, the Board is notably given the following functions which are not, however, listed exhaustively:

- 1.- The Board outlines the monetary policy as well as the credit policy of the Bank.
- 2.- It establishes the executive regulations of the present law.
- 3.- It assesses the discount rate and the rate of interest chargeable on the loans ; it also discusses all measures affecting banks.
- 4.- It discusses the setting up and organisation of clearing houses.
- 5.- It discusses matters regarding issue.
- 6.- It deals with applications for loans submitted by the public sector.

- 7.- It lays down various regulations concerning the Bank's operations.
- 8.- It debates questions affecting the Bank's buildings and immovable assets, the lifting of seizure of real estate, mortgage oppositions or registrations; the relinquishment of privileges or of titles; projects of transactions or compromise bearing on the Bank's interests.
- 9.- It lays down the Special Status of the Governor and sub-governors, referred to in article 22, and the general status of the Bank's personnel.  
Both of which are to be approved by the Minister of Finance.  
The Bank's agents shall be engaged under the regulations of private law; however, they may not join political parties and, as long as they work in the Bank, discharge parliamentary; municipal or "Moukhtar" duties. They may also not be members of the Board of Directors of companies.  
Shall be prohibited any -remuneration and allocation under any form of commissions or percentage of income or profit of the Bank.
- 10.- The Board shall fix: the expenditures under the Bank's budget, modifying them in the course of the year as may be required.
- 11.- It shall close the accounts of the financial year.
- 12.- It shall approve the annual draft report which the Government is to address to the Ministry of Finance, in accordance with article 117.

#### Article 34

The service indemnity of the Director-General of Finance and of the Director-General of National Economy shall be fixed by decree and paid by the Bank. It shall not be subject to article 27 of Decree-Law No. 112 of 12 June 1959.

### SECTION 3 : THE CONSULTATIVE COMMITTEE

#### Article 35

A six-man Consultative Committee shall be set up by the Bank:

- 1.- Four shall be appointed by virtue of their experience in banking, trade, industry and agriculture. A list comprising between five and ten qualified persons shall be presented, to this effect, to the Minister of Finance by the representative bodies of each of the banking, trading, industrial and agricultural sectors. The Minister shall select out of each of the four lists one person whom he shall appoint as member of the Consultative Committee.

These members are not considered and must not act as representatives or proxies, sitting on the Committee, to take care of the interests of the sectors from which they have been drawn.

- 2.- One shall be selected from the Planning Board.
- 3.- The sixth member shall be drawn from among university professors of economics, of Lebanese nationality.



Article 36 (as modified by the Law promulgated by Decree N°- 6102 of  
----- (5 October 1973)

The Committee members shall be appointed by decree on the proposal of the Ministry of Finance, following the advice of the Board of the Central Bank. Their two-year term of office may be subject to renewal. Their service indemnity shall be fixed in accordance with the

Ministry of Finance and shall be chargeable on the Bank.

The Committee shall lay down its own internal regulations.

Taking the oath before the President of the Republic, the members shall swear to discharge the duties of their function loyally and accurately with due respect to the law and honour, and shall be bound to banking secrecy as provided for in Article 151 derived from the Law of 3 September 1956 concerning banking secrecy.

Article 37

The Bank shall provide the Committee with the necessary premises and secretariat.

Article 38

The Governor may consult the Committee on problems of a general nature and on matters of monetary and credit policies. He may also seek the Committee's advice on measures he has under consideration and on which he deems it useful to hear from the Committee.

Article 39

The Committee is empowered to

- a) Table before the Governor studies on the economic situation in general, that of a region or of a specific sector, and advise him accordingly;
- b) Offer suggestions intended to boost deposits, reduce banknote holdings, spread the use of substitute money, and collect individual surplus money in the general interest;
- c) Propose whatever measures that can usefully provide a cover to bank deposits and ensure the safety of investments.

Article 40

Proxies, Civil Servants, and persons referred to in article 127 are not eligible to the Committee.

#### SECTION 4: SUPERVISION OF THE BANK

Article 41

There shall be established at the Ministry of Finance a "Government Commissariat with the Central Bank". This Service will be under the direction of a Civil Servant who will be graded Director-General and bear the title of "Government Commissioner with the Central Bank".

Article 42

The Commissioner shall be charged to:

- a) See to the enforcement of the present law;

- b) Supervise the Bank's accounts. The Commissioner shall be assisted in the discharge of this duty by a Civil Servant of his own Service belonging to at least Grade III of the Schedule of the Ministry of Finance.

The Government Commissariat to the Central Bank shall include, on the other hand, a study section concerned with matters of money and credit.

#### Article 43

The Commissioner shall be immediately kept informed of the Board's resolutions. Within two days of notification, he may require the Governor to suspend any resolution that he deems contrary to the law and regulations, referring the matter to the Minister of Finance. If the case is not dealt with within five clear days of suspension, the resolution may be carried out.

#### Article 44

The Commissioner and his assistant, referred to in paragraph b) of article 42, shall have access to all account books and documents of the Central Bank, except Third Parties' accounts and files under the cover of the banking secrecy as provided by the Law of 3 September 1956.

They shall check the tills and holdings of the Central Bank.

In no manner whatsoever will they be authorised to interfere with the management of the Central Bank.

#### Article 45

The Commissioner shall periodically inform the Minister of Finance and the Board, of the supervision he has carried out. At the close of every financial year he shall report to the Minister of Finance on the discharge of his duties in the course of the preceding year. Copy of his report is to be addressed to the Governor.

#### Article 46

The organisation, operation and cadres of the Government Commissariat to the Bank shall be established by decree. Only the special indemnity allocated to the Government Commissioner shall be chargeable on the Bank, but it shall not be subject to article 27 of Decree-Law No. 112 of 12 June 1959

### SECTION 5: MONEY ISSUE

#### Article 47

The exclusive privilege of issuing money, referred to in article 10, is vested in the Bank of Lebanon.

#### Article 48 (as modified by Decree-Law No. 31 of 2 May 1977)

Notes of a value equal or over one pound shall bear the facsimile signatures of the Governor and first sub-governor of the Bank.

In case the first sub-governor should discharge the duties of the Governor, in the event of the latter's absence, as provided under article 25 of the present code, the notes mentioned in the preceding paragraph shall bear an exact copy of his signature together with an exact copy of the second sub-governor's signature.

#### Article 49

The format, design, text, and other features of &#x2014;nominations due for issue shall be laid down by the Bank.

#### Article 50

The Bank shall bring to the public's notice the types of notes it intends to circulate as well as their distinguishing features.

#### Article 51

The Bank may decide the withdrawal from circulation of one or several types of notes to be exchanged for new types of notes.

#### Article 52

The notice bringing this decision to public attention must state the time limit during which the notes subject to exchange may be presented to any of the Bank's counters.

At the expiry of the time-limit, the Bank shall pay over the notes under exchange only at its central counter in Beirut.

#### Article 53

Three years after the expiry of the time-limit referred to in the first sub-paragraph of the preceding article, the amount of the notes under exchange and not yet presented for exchange shall be carried into a provision account .from which refund of the notes will be subsequently made.

#### Article 54

The notes whose countervalue has been posted to the provision account referred to in the preceding article shall be deducted from the amount of the issue.

#### Article 55

Seven years after the expiry of the time-limit set by article 53, the right to exchange shall be invalidated and the balance of the provision account shall by transferred to the special account referred to in article 115 .

#### Article 56

The Bank shall not be bound to refund notes destroyed or lost, nor to accept or repay counterfeit.

#### Article 57

It shall repay damaged notes, on condition that the portion presented is of an area exceeding one half of the note and contains all the indications needed for identification.

#### Article 58

No opposition can be served to the Bank in case notes are lost or stolen.

#### Article 59

The Bank shall issue subdivision notes or coins made out of silver or other metal.

#### Article 60

Subdivision notes shall carry the facsimile signature of the Bank's Head Cashier.

#### Article 61

The format, design and text of denominations, the dimension, weight, metal content, the allowance on the weight and metal content, of the coins; as well as other distinguishing features of the denominations and coins, shall be laid down by the Bank.

#### Article 62

The Bank shall acquaint the public with the description of denominations and coins it intends to put into circulation.

#### Article 63

Should one or several types of subdivision notes or coins be withdrawn, a time-limit of two years shall be allowed to the holders of such notes and coins during which they can exchange them at the cash counters of the Bank.

At the expiry of the time-limit, the right to exchange shall be invalidated and the notes or coins, subject to withdrawal, shall have no currency.

#### Article 64

The countervalue of unexchanged subdivision notes or coins shall be posted to a special account provided for by article 115.

#### Article 65

The provisions of articles 56 and 57 shall be applicable to subdivision notes.

#### Article 67

The provisions of article 58 shall apply on subdivision money.

#### Article 68

The Bank's balance sheets and statements shall indicate, under distinct postings, the amount of the notes issued and that of the subdivisional money issued.

Article 69 (as modified by the Law promulgated by Decree No. 6102 of  
----- (5 October 1973

The Bank shall retain, among its assets, bullion and foreign exchange providing a safe cover for Lebanese currency equivalent in value to at least thirty per cent (30%) of the money it issued and of its deposits at call, provided that the ratio of the said bullion and foreign exchange to the value of the money it issued is not under fifty per cent (50%).

The Bank's holdings of Lebanese money shall not be taken into account in the assessment of the two ratios prescribed in the preceding sub-paragraph.

### SECTION 6: THE BANK'S OVERALL MISSION

Article 70 (as modified by the Law promulgated by Decree No. 6102 of  
----- (5 October 1973

The overall duty of the Bank shall be the safeguard of currency as a fundamental guarantee for permanent economic and social development, and more specifically:

- safeguarding a sound Lebanese currency
- safeguarding economic stability

- safeguarding the basic structure of the banking system
- developing the monetary and financial market,

To achieve these ends, the Banks shall exercise the powers vested in, it by virtue of the present law.

### 1.- Cooperation between the Bank and the State

#### Article 71

The Central Bank shall co-operate with the Government, advising it on matters of economic and financial policy, so as to promote the highest degree of co-ordination between its mission and the Government's objectives.

#### Article 72

It may propose to the Government measures which it deems likely to have a favourable bearing on the balance of payments, the movement of prices, public finances and, broadly speaking, on economic development.

It shall draw the Government's attention to facts which, in its judgment, may harm national economy and currency. It takes care of Government relations with international finance institutions.

The Government shall seek the Bank's advice on matters related to money and shall invite the Bank's Governor to join in deliberations on such questions.

#### Article 73

The State Services and Organisations of the Public Sector or of mixed economy shall provide the Central Bank with statistics and data it may require for its economic surveys.

#### Article 74

The Government shall see to the safety and protection of the Bank's establishments. It shall put at the disposal of these establishments an adequate Guard free of charge, providing also sufficient escort for the safe conveyance of funds or securities.

### 2.- Stabilizing Exchange Rates

Article 75 (as modified by the Law promulgated by Decree N°- 6102 of  
----- (5 October 1973)

The Bank shall use means as it may deem capable of ensuring exchange stability, and more specifically operate on the open market, following agreement with the Minister of Finance, either as buyer or seller of bullion or of foreign exchange with due regard to the provisions of article 69.

The Bank's dealings in foreign exchange shall be entered in a special account, called "Exchange Stabilisation Fund".

### 3.- Action on banking liquidities and the volume of credit

Article 76 (as modified by Law N°- 2867 of 9 May 1967 and by the Law  
----- (promulgated by Decree N2 6102 of 5 October 1973

In order to maintain banking liquidity and the volume of credit in sympathy with its overall mission as defined in article 70, the Bank is authorised to adopt such measures as it may deem opportune and, notably, the following steps that it may take separately or simultaneously or even concurrently with the measures referred to in Title III of the present law:

- a) set and modify the rates and ceilings of discount and other forms of credit which it is authorised to grant to banks and finance establishments.
- b) resort to operations designated in article 75.
- c) buy and sell securities on the open market, in conformity with articles 106, 107 and 108.
- d) compel banks to deposit with it assets (minima reserves) amounting to a specific ratio of their liabilities arising from deposits and loans they have been granted, as may be fixed by the "Bank", excluding such liabilities of the same nature towards other banks which are equally required to deposit these reserves.

The Central Bank may, if it deems it appropriate, consider banks' investments in Government Bonds or in Bonds issued with Government guarantee as part of the reserves up to a specific ratio to be assessed by the Bank.

The Central Bank ratio of minima reserves shall not be in excess of 25 per cent of the liabilities at call nor over 15 per cent of the liabilities at fixed date.

The Central Bank shall enforce varying ratios on the different categories of banks liabilities within the limits set in the preceding subsection.

In exceptional cases, it may also impose special limit ratios on what exceeds, in these liabilities or some of their categories, a fixed limit, or on the excess occurring, in these liabilities or some of their categories, after a fixed date.

- e) compel banks to deposit with it assets (special minima reserves) amounting to a specific ratio of assets as may be fixed by the Bank.
- f) accept, in the light of the general monetary situation, deposits bearing interests as may be fixed by the Bank.

#### Article 77

The monthly holdings of a bank with the Central Bank (actual reserves) must at least reach the ratios, which have been set, of the monthly average of liabilities subject to reserve (compulsory reserves).

Without prejudice to administrative penalties under Section 3 of Title IV of the present law, the Central Bank may levy, on the amount on which actual reserve is below the compulsory, a penalty interest which may tantamount to a rate 3 points higher than the rates of its advances on securities prevailing at the time. The Central Bank cannot enforce such sanction if it becomes evident that the shortage has been rendered unavoidable as a result of unforeseen circumstances or if the bank concerned stands in a state of liquidation.

#### Article 78

A time-limit of at least 30 days must be given to banks for compliance with instructions imposing a compulsory reserve or modifying its rate.

Article 79 (as modified by the Law promulgated by Decree N° 6102 of  
----- (5 October 1973

The Central Bank may also exercise an influence over the general credit situation by limiting the volume of credit in specific categories or granted for specific purposes or to specific sectors, and lay down conditions to govern such credit.

### SECTION 7: CLEARING HOUSES

#### Article 80

The Bank shall set up Clearing Houses in cities where this is deemed necessary.

### SECTION 8: CENTRAL BANK OPERATIONS

#### 1.- Bullion and exchange operations

Article 81 (as modified by the Law promulgated by Decree N° 6102  
----- (of 5 October 1973

The Bank is authorised to:

1. Buy and sell, import and export gold and other precious metals and transact all other operations on these materials ;
2. Accept deposits of coined gold and gold ingots, and issue in favour of depositors, upon their request, certificates of gold in the form of Bonds "to Bearer" or "to Order";
3. Discount, rediscount, buy and sell trade Bills and instruments of payment and assets at call drawn up in foreign currencies. Maturity of Bills shall not exceed six months ;
4. Buy and sell loan Bonds issued or guaranteed by foreign Governments or international institutions, such Bonds to be drawn up in foreign currencies and readily marketable ;
5. Hold accounts with central banks or with correspondents abroad.;
6. Open accounts to central banks, foreign banks and international institutions and operate as correspondent to these banks and institutions;
7. Lend to and borrow from central banks, foreign finance institutions and banks, and international finance institutions on condition that these are short term operations and within the framework of the Central Bank's functions.

#### Article 82

The Bank is not entitled to transact the operations authorised under the preceding article except with and for the account of:

- a) The public sector
- b) Banks and finance institutions domiciled in Lebanon
- c) Central banks, banks and finance institutions abroad

- d) International finance institutions

#### Article 83

Exceptionally to the preceding article, the Bank may

- a) Issue gold certificates, referred to in paragraph 2 of article 81, in favour of all persons, and buy and sell gold without other banks acting as middlemen ;
- b) In exceptional circumstances, and with the agreement of the Minister of Finance, buy from and sell currencies to the public in straight dealings.

#### 2.- Operations with the public sector

#### Article 84

Within the context of the present law, the Public Sector is taken to mean the State, municipalities and the juridical persons of public law referred to in article 2 of Decree-Law No. 117 of 12 June 1959.

#### Article 85

The Bank operates as banker to the Public Sector. In this capacity:

- a) It is only depository of Public Sector funds;
- b) It effects such payments as may be ordered by the Public Sector, up to the value of the latter's holdings with it;
- c) It effects transfers of funds on the request of the Public Sector up to the value of the latter's holdings with it;
- d) It ensures the safe keeping, and if need be the management, of securities which it is entrusted with by the Public Sector and, broadly speaking, renders all banking services to this Sector;
- e) Finally, it may grant credits to the Public Sector, in such cases as are listed in articles 88, 91 and 92.

#### Article 86

Public Sector deposits in the Central Bank shall bear no interests. In agreement with the Minister of Finance the Bank may, however, grant an interest to Public Sector deposits, other than the deposits of the State.

#### Article 87

The Bank shall provide the services listed in sub-paragraphs b), c) and d) of article 85, free of charge.

#### Article 88

The Bank is authorised to grant the Treasury, upon the request of the Minister of Finance, cash facilities the amount of which shall not exceed ten per cent of the State ordinary average budgetary revenue of the last three financial years ended. The duration of these facilities shall not exceed four months.



#### Article 89

Permanent authorisation is given the Government to resort to the credit referred to in the preceding article whenever the Ministry of Finance and the Central Bank are inadequate to meet the State's immediate commitments.

Such authorisation, however, cannot be used more than once within the twelve-month period.

#### Article 90

Apart from the cash facilities under articles 88 and 89, the principle is that the Central Bank does not grant credits to the Public Sector.

#### Article 91

However, in circumstances of unusual seriousness or in cases of absolute necessity, should the Government consider resorting to a Central Bank loan, it shall inform the Governor of the Bank accordingly.

The Bank shall study with the Government the possibility of substituting its assistance by other means such as the floating of an internal loan, an external credit, an economy squeeze under other headings of expenditures, new fiscal resources, etc...

It is only in cases when it has been established that no substitute solutions are available and if, notwithstanding this, the Government presses its application, that the Central Bank can grant the requested loan.

The Bank shall then propose to the Government, if necessary, measures likely to limit the harmful economic consequence of its loan and, notably, its effects, in the prevailing circumstances, on the internal and external purchasing power of the money.

#### Article 92

Public Sector organisations other than the State may not apply for Central Bank loans, except in the circumstances or the cases referred to in paragraph 1 of article 91.

Applications from such organisations shall be filed straight with the Bank.

The Bank shall examine these applications from the standpoints enumerated in paragraphs 1 and 2 of article 91. It shall also examine the economic feasibility of the project for the financing of which the loan is requested, as well as the applicants refund power. Finally, it shall take into consideration the position of the Treasury and its commitments, in view of the eventual State guarantee.

The Bank cannot consider providing the loan requested unless its study establishes that no circumstances nor any objection stands in the way of the operations.

In this case, the Bank submits a detailed report to the Minister of Finance and, if the Government approves the project and declares itself ready to back the operation by State guarantee, the Bank may grant the loan in question. The Bank shall also acquaint the Minister of Finance with the reasons that shall have brought it not to attend to the loan application filed by an organisation of the Public Sector other than the State.

#### Article 93

Credits granted in compliance with articles 88, 91 and 92 shall bear interest for the benefit of the Bank. The rate of interest shall be assessed according to prevailing market conditions.

The rate of interest on the cash facilities under article 88 shall not be below the Bank discount rate, reduced by one point.

The rate of interest on credits under articles 91 and 92 shall not be below the Bank's discount rate, raised by one point.

#### Article 94

Credits under articles 91 and 92 shall not be granted for a period exceeding 10 years.

#### Article 95

The rate of interest, duration and other terms governing the credit shall be covered by a contract between the Bank and the borrower.

The contract shall be submitted to parliament, alongside the complete file of studies and reports from the Administration and the Bank.

#### Article 96

The Bank can lay it a condition that the credits under articles 88, 91 and 92 shall be effected against the issue and delivery to the Bank by the borrower of negotiable Bills likely to be sold to the public.

#### Article 97

The Bank is equally the financial agent of the public Sector in respect of the following:

- a) It extends its services, free of charge, for subscription to internal or external loans floated by the public Sector;
- b) Ten clear days before maturity the Bank shall undertake, without charge or commission, the payment of interests and redemption of these loans;
- c) The Bank participates in negotiations aiming at the conclusion of payment or compensation agreements;
- d) It is exclusively in charge of the accounting related to these agreements and may conclude all necessary arrangements on the subject.

The Bank's participation in the aforementioned agreements is provided on behalf of the State, which shall benefit of all profits and bears all risks, expenses, commissions, interests and charges whatsoever.

### 3.-Operations with banks

#### Article 98

The Bank shall open deposit accounts for funds from banks and finance establishments.

#### Article 99

The Central Bank shall not be held obliged, as a matter of principle, to grant credits to banks. It does so if it deems that such action contributes to general interest.

Article 100 (as modified by Law No. 28/67 of 9 May 1967)

The Bank may discount trade Bills emanating from actual debts due to commercial, industrial or agricultural operations. The Bills must have determined maturities not exceeding 180 days and bear three signatures known for solvency.

The Bank may accept a substitute in lieu of the third signature:

- either a warrant for goods agreeable to the Bank;
  
- or a mortgage of securities of the sort against which it is authorised to grant loans in conformity with article 102. In this event, the Bank may take proceedings against the two signatories, without having to sell out the collateral beforehand.

Article 101

The Central Bank may acquire trade Bills, complying with the conditions indicated in the preceding article; under the "pension" contract system, for a maximum 30-day period subject to one renewal. If, at the maturity of the contract, the operation has not been unwound by the seller bank, the Central Bank shall transform the "pension" into a discount.

Article 102 (as modified by the Law promulgated by Decree No. 14013  
----- (of 16 March 1970 and the Law promulgated by Decree  
(No. 6102 of 5 October 1973

The Bank may grant advances on current account by opening credits valid for a period of twelve months subject to a single renewal in case of necessity, on condition that such credits are secured by Bills maturing within one year or by bullion or foreign exchange or movable assets.

The Bank may accept as security for loans referred to in the preceding sub-section Bills whose maturity does not exceed three years, if these loans are for the financing of agriculture or industry or public works contracts or the export of Lebanese products to foreign countries, according to special terms it may lay down for this purpose.

In emergencies and in cases of dire necessity which may dictate compliance with the urgent needs of economy to ensure stability of the credit system, the Bank's Board may decide to grant exceptional loans guaranteed - as much as this is needed - by real securities other than the securities referred to in the preceding two subsections, and provided either by the bank benefiting from the loan, or by its Board Directors or by its clients; the nature of the required guarantees and the terms of the exceptional loans as well as their maturities to be determined by the Bank's Board.

Article 103

The rates of interest, the minima currency premiums, the charges and commissions applicable to discount, "pension" and advances, the margins and terms applicable to collaterals and all other conditions relating to discount, "pension" and advances, shall be laid down by the Bank in the Regulations governing its operations.

Article 104

It is also for the Central Bank to set, for each bank, the ceiling of its assistance, under all forms, notably with due regard to the importance of the bank concerned and the quality of its management.

Article 105 (as modified by Decree-Law No. 41 of 5 August 1967 and

----- (the Law promulgated by Decree No. 6102 of 5 October 1973

Should the public hold public Bonds issued by the State or guaranteed by the State, the Bank may discount or buy such Bonds through the "pension" system, on condition that their maturity is not in excess of 180 days.

The Bank may also discount or accept as collateral to advances, Government Bonds or Bonds guaranteed by the Government, the maturity of which is not in excess of five years, if such bonds are intended to implement constructive projects, provided that the interest rate is no less than the original interest rate raised by two points.

Article 106 (as modified by the Law promulgated by Decree No. 6102  
----- (of 5 October 1973

In pursuance of subsection (c) of article 76, the Bank may buy and sell without endorsement private Bonds, the maturity of which is not in excess of 180 days, and Government bonds and Government-guaranteed bonds the maturity of which is not excess of one year dating from purchase.

Article 107

In no case can operations on public Bonds as described in article 105 and 106 be dealt with on behalf of the Treasury or other issuing entities of the Public Sector.

Article 108 (as modified by the Law promulgated by Decree  
----- (No. 6102 of 5 October 1973

The Central Bank is authorised to discount Government Bonds and Bonds guaranteed by the Government, or to hold same through the "pension" system or to buy them within the framework of the conditions set down in articles 105 and 106 ,in so far as this is consistent with the requirements of monetary stability.

Article 109 (as modified by the Law promulgated by Decree  
----- (No. 6102 of 5 October 1973

The Central Bank does not transact operations authorised by articles 98 to 108 inclusive, except with banks and international finance institutions.

Purchase and sale operations of Government Bonds or of Bonds guaranteed by the Government shall be transacted by the Bank through the Beirut Stock Exchange whenever required, if this is deemed appropriate.

#### 4. Other Operations

Article 110 (as modified by Decree-Law No. 41 of 5 August 1967)

The Bank may also:

- a) Acquire, build and equip, by using its own funds, the buildings necessary for its operations ; sell or exchange such buildings;
- b) Acquire, through compulsory or amicable sale, all movable or immovable goods, in recovery of a debt; such goods are to be alienated as soon as possible, unless they are used for the Bank's operations;

- c) Manage the Funds created for the benefit of its personnel., such as provisions against indemnities for dismissal, providence, etc.
- d) Open deposit accounts for its agents; grant, out of its own funds, loans to its agents;
- e) And, broadly speaking, undertake all operations that can contribute to promote the execution or liquidation of operations authorised by the present law;
- f) Take up participations in Lebanese public utility companies or mixed national companies within the limit of its own funds.

Article 111 (as modified by Decree-Law N° 41 of 5 August 1967)

The Bank is to refrain from:

- a) Trade operations alien to its functions such as are defined by the present law;
- b) Participating, in whatever form that may be, in undertakings, irrespective of their nature excluding those companies referred to in paragraph "f" of article 110;
- c) Buying or keeping immovable goods other than those referred to in the preceding article;
- d) Transacting the authorised operations according to other conditions, under other guarantees, or with other persons than those designated in the present law.

## SECTION 9: FINANCIAL PROVISIONS

Article 112

The Bank's financial year runs alongside the calendar year.

Exceptionally, the first year shall include the period running from the day when the Bank has initiated operations to 31 December 1964.

Article 113

Excess receipts over overheads, charges, amortization and diverse provisions, constitute the net profit.

Fifty per cent of this net profit shall be carried into an account "General Reserve Fund" of the Central Bank and the other 50% shall be paid into the Treasury.

When the amount of the "General Reserve Fund" has reached fifty per cent of the Bank's capital, the net product shall be distributed in the proportion of 20% to this "Fund" and 80% to the Treasury.

If the outcome of a financial year has been adverse, the loss shall be covered by drawing on the "General Reserve Fund" and, if unavailable or short, by a compensatory payment from the Treasury.

When as a result of a drawing by virtue of the preceding sub-paragraph the balance of the account "General Reserve Fund" falls to under fifty per cent of the capital, the distribution of excesses shall be resumed on a 50-50 basis between this account and the Treasury, until this account rises again to half the amount of the capital.

#### Article 114

The Bank's gold and currency holdings shall be accounted according to their countervalue at the legal parity rate of the Lebanese Pound.

#### Article 115

A special account shall be opened in the name of the Treasury for the following entries

- a) The differences between the countervalue, at the legal parity rate, of the Bank's gold and currency holdings, and the actual purchasing or sale value of these holdings;
- b) The profit or loss entailed by the Bank's gold and currency holdings from the alteration of the legal parity rate of the Lebanese Pound or of a foreign currency;
- c) The sums referred to in articles 55 and 64.

#### Article 116 (as modified by the Law promulgated by Decree (No. 6105 of 5 October 1973

The debit balance of the special account referred to in the preceding article shall not be subject to payment nor interest-bearing, so long as it does not exceed the 25 % of the countervalue, at the legal parity rate, of the Bank's gold and currency holdings.

Sums in excess of the 25% limit shall be covered by the State, either in cash, or by interest-bearing Treasury Bonds, according to conditions to be laid down in agreement with the Bank.

If the special account shows a creditor balance, it shall be used for the advance redemption of the Treasury Bonds issued by virtue of Decree No. 581 of 8 December 1949, amended by Decree No. 3453 of 21 November 1950, and for the redemption of Treasury Bonds which will have been issued by virtue of the preceding sub-paragraph of the present article.

In case this special account shows a creditor balance following the amortizations referred to in the preceding subsection, it shall be necessary to retain, compulsorily, the equivalent of twenty per cent thereof in the bank as treasury deposit, the remaining eighty per cent to be switched to Treasury account.

#### Article 117

Before June 30 of every year, the Governor shall table before the Minister of Finance the balance sheet and the Profit and Loss Account of the previous fiscal year as well as a report on the Banks operations in the course of the said year.

The balance sheet and report shall be gazetted in the month following their presentation to the Minister of Finance.

A shortened statement of the situation shall be released every 15 days.

### SECTION 10: EXEMPTIONS AND PRIVILEGES

#### Article 118

The Central Bank shall be exempted from all taxes, imposts and rates whatsoever, already enforced or likely to be enforced for the benefit of the State, municipal corporations or other organisations.

#### Article 119

In the course of judicial proceedings, the Bank shall be dispensed from providing caution-money or advances in all cases where the law prescribes this obligation to be borne by the parties.

The Bank has a general mortgage right on the assets and other valuables it may hold, under whatever title, in the name and for the account of its debtors.

#### Article 120

Without prejudice to other provisions, existing or future, more favourable to mortgages, the Bank is entitled to sell the collateral covering its claims, according to the following procedure

1. Failing the recovery of a mature debt, the Bank may, notwithstanding all opposition, fifteen days after Notary summons have been served to the debtor, cause the collateral to be sold in recovery of the sums due as capital, interests, commissions and charges, without prejudice to other legal action which may be taken against the debtor and/or his guarantors and/or other persons jointly and severally liable with the debtor.
2. The sale shall be ordered by the President of the Court of primary jurisdiction simply upon the Bank's request, no hearing of the debtor being needed.
3. The Bank relinquishes its claim, directly and without further formalities, on the product of the sale.

In order to benefit from the procedure as authorised and described in the present article, the bank must have secured the written agreement of the Borrower to all the terms of this article, before or upon the conclusion of the loan.

### TITLE III

#### BANKING REGULATIONS

##### SECTION 1 : DEFINITIONS

#### Article 121

An enterprise whose essential object is to employ, for its own account in credit operations, the funds that it received from the public is qualified as bank.

#### Article 122

Shall be considered as funds received from the public by a bank the deposits and the product of loans.

#### Article 123

Deposits shall be regulated by article 307 of the Code of Commerce.

#### Article 124

Shall not be considered as funds received from the public by a bank set up as a joint-stock company

- a) The capital subscribed by shareholders, the reserves, the issue premiums of shares, the profit carried forward;
- b) The funds that the bank secures, by way of credits, of any form they may be, from other banks or finance establishments.

## SECTION 2: PROHIBITIONS

### Article 125

It is forbidden to any person, natural or juridical, not carrying on the banking profession, to receive deposits as implied by article 123.

Article 126 (as modified by the Law promulgated by Decree  
(No. 6102 of 5 October 1973

Only firms set up as Joint-Stock Companies or Anonymous Companies shall be authorised to carry on the banking profession in Lebanon.

Shall be excluded from the provisions of the preceding subsection foreign banks operating in Lebanon at the date of promulgation of this law on condition that these foreign banks are; considered as banks for the purpose of the law by which they are governed.

Article 127 (as modified by the Law promulgated by  
----- (Decree N2 6102 of 5 October 1973

No one can found or manage a bank, or be employed by a bank:

1. If he has been convicted less than 10 calendar years before:
  - a) for any crime of common law, theft, breach of trust, swindling or offence under the same penalties as swindling, extortion of funds or valuables, dishonest issue of cheques with insufficient funds, impairing State credit within the meaning of articles 319 and 320 of the Penal Code, receiving things obtained through such infringements;
  - b) for any infringement under penalty in any of the article 689 to 700 of the Penal Code;
  - c) for any attempt or complicity in infringements referred to in sub-paragraphs a) and b) mentioned above.

The prohibition prescribed in paragraph 1 of the present article is applicable to persons convicted abroad for infringements constituting, according to Lebanese law, one of the crimes or offences referred to in sub-paragraphs a), b), and c), mentioned above after verification that the foreign sentence is in order, in conformity with the last sub-paragraph of article 29 of the Penal Code.

2. If he had been declared insolvent and was not rehabilitated at least 10 calendar years before. If the declaration of insolvency took place abroad it will carry effect in Lebanon after verification that the foreign sentence is in order, in conformity with the last sub-paragraph of article 29 of the Penal Code.
3. If he has been convicted for infringement to the Law of 3 September 1956 relating to banking secrecy.

No person holding the post of Chairman of the Board, or General Manager or Assistant General Manager, or Manager or Assistant Manager shall be authorised to undertake commercial operations of their own or to be member of a Company involving unlimited liability.



The provisions of this article shall equally apply to the employees of the Central Bank. They shall not be authorised to be Board members of companies.

### SECTION 3: CONDITIONS OF ESTABLISHMENT

Article 128 (as modified by Decree-Law No. 77 of 27 June 1977)

- A. Establishment of any Lebanese bank and the opening of any branch of a foreign bank in Lebanon shall be subject to an authority emanating from the Central Bank Board.
- B. Any modification in the Articles of Association of Lebanese banks shall be subject to the approval of the Bank of Lebanon.

Article 129 (as modified by Decree-Law N°- 41 of 5 August 1967)

On the establishment of a bank or on the subsequent increase of its capital, the amount of the capital must be paid up in cash and deposited with the Central Bank, excluding those contributions in kind authorised under the provisions of article 132.

Central Bank intervention, mentioned in the preceding paragraph, shall be made without charge or commission.

Article 130 (as modified by Decree-Law No. 77 of 27 June 1977)

Any foreign bank that wishes to set up a branch in Lebanon, must obtain the authority mentioned in article 128 before undertaking the formalities of declaration and publicity provided by Order N° 96 of 30 January 1926 and article 29 of the Code of Commerce.

Article 131 (as modified by Decree-Law No. 77 of 27 June 1977)

The Central Bank Board shall grant the authority mentioned in article 128 in so far as it should deem that it serves public interest.

The Board shall be vested with appreciation authority in what pertains to the granting or refusal of the authority.

### SECTION 4: OBLIGATIONS OF BANKS

#### 1.- Minimum Capital

Article 132 (as modified by Decree-Law No. 41 of 5 August 1967,  
----- (by the Law promulgated by Decree No. 6102 of 5 October 1973,  
(and by Decree-Law N9 77 of 27 June 1977

- A. Every Lebanese bank established before 9 May 1977 shall be required to have a minimum paid up capital of three million Lebanese Pounds, allocated for its working in Lebanon.

The Bank of Lebanon may decide that minimal capital be increased up to five million Lebanese Pounds and fix the time limit for the full payment of that increase.

- B. Every Lebanese bank whose establishment is authorised after 9 May 1977, shall be required to have a minimal paid up capital of fifteen million Lebanese Pounds, of which seven million five hundred thousand Lebanese Pounds shall be paid before the beginning

of its activities by way of blocked deposit for its account lodged with the Lebanese Treasury, such deposit to be refunded interest-free on the winding up of its activities.

This deposit shall be deemed one element of the body of fixed assets determined under article 153.

All its shares shall be registered; at least fifty per cent of these shares shall belong to natural Lebanese persons or to companies or establishments whose members are natural Lebanese persons, and they may be made over solely to Lebanese persons.

The Bank formed through merger or incorporation with existing banks shall not be deemed new bank. However, prior approval by the Bank of Lebanon is required to this end.

- C. Every Lebanese bank shall be required to set up a reserve fund by setting aside 10 % of its net annual profit (for that purpose).
- D. Barring cases of incorporation, merger or transformation of a branch of a foreign bank into Lebanese joint-stock company, capital shall be paid up in full in cash to the Bank of Lebanon. It shall be possible, however, following agreement with the Bank of Lebanon, to settle one half of the capital in kind by contributing such real estate as may be necessary for the working of the bank.
- E. No Lebanese bank may reduce its declared capital or take back any portion thereof.

Article 133 (as modified by Decree-Law No. 41 of 5 August 1967, by the  
----- (Law promulgated by Decree No. 6102 of 5 October 1973 and  
(by Decree-Law No. 77 of 27 June 1977

- A. Every foreign bank duly authorised before 9 May 1977 to set up a branch in Lebanon shall be required to prove that a capital of at least three million Lebanese Pounds has been allocated to that branch.  
The Bank of Lebanon may decide that the minimal capital be increased up to five million Lebanese Pounds, and fix the time limit for the payment in full of that increase.
- B. Every foreign bank duly authorised to conduct banking activities through the setting up of a branch in Lebanon after 9 May 1977 shall be required to allocate a minimum capital of fifteen million Lebanese Pounds, of which seven million five hundred thousand Lebanese Pounds shall be paid up before the beginning of its activities by way of blocked deposit for its account lodged with the Lebanese Treasury, such deposit to be refunded interest-free upon the winding up of its activities.

A bank formed through incorporation or merger with existing banks or via transformation of a Lebanese bank existing in the form of a joint-stock company into the branch of a foreign bank shall not be deemed new bank; however, the prior approval of the Bank of Lebanon to this effect is required.

- C. Every foreign bank shall be required to set up a reserve fund by setting aside 10% of the net profit of its branch in Lebanon for that purpose.
- D. Barring cases of merger, incorporation or transformation of a bank established in the form of a Lebanese joint-stock company into the branch of a foreign bank, capital must be paid in cash into the Bank of Lebanon.

E. No foreign bank may reduce its declared capital allocated to its branch in Lebanon for any cause whatsoever.

Article 134 (as modified by Decree-Law No. 41 of 5 August 1967 and  
----- (by the Law promulgated by Decree No. 6102 of 5 October 1973

The Central Bank shall define the principles governing the assessment of the items of assets representing the counterpart of the bank's capital.

It shall require every bank to justify that its assets actually exceed, by an amount at least equal to its capital, the liabilities to which it is committed towards Third Parties.

The Bank which has sustained losses shall be required to rebuild its capital within a maximum period of one year.

However, supplementary time-limits not exceeding one calendar year all told may be granted by the Central Bank if the bank in question provides sufficient guarantees as to its capacity to rebuild its capital within the fixed time-limit.

Evaluation of loss shall be the assessment of the Banks Control Commission.

Should the bank concerned or any interested third party challenge the assessment of the Control Commission, the case shall be referred to the Central Board.

The Central Board's decision in this connection shall be final and open to no means of administrative or judicial review.

## 2.- Listing the banks

Article 135

Banks must apply for registration with the Central Bank.

The application shall be received if the interested parties comply with the provisions of the present law and with the requirements of the Code of Commerce.

Article 136

The Central Bank shall establish the list of banks (hereinafter referred to as the "list") whose application has been accepted.

It shall publish the list in the Official Gazette, in the course of January of each year. All alterations to the said list shall also be published in the Official Gazette.

Any person can consult the list, free of charge, at the Central Bank's Head Office or agencies.

Article 137

Unless duly entered on the bank list, no enterprise may carry on the banking profession, nor incorporate the terms of "bank", "banker", or "banking" or any other equivalent term in any language whatever, either in its style, or in the description of its object, or in its publicity; nor can it use such terms in any manner whatsoever likely to mislead the public on its quality.

#### Article 138

The banks centered on the list referred to in article 136 are required to mention the registration number assigned to them on the said list, in the same conditions, on the same documents and under the same penalties as govern registration on the Trade Register.

#### Article 139

Registration on the list referred to in article 136 shall replace the authorisation of the Minister of Finance, prescribed under article 1 of the Law of 3 September 1956 concerning banking secrecy.

### 3.- Delisting

#### Article 140 (as modified by Decree-Law No. 41 of 5 August 1967)

A bank is struck off the Bank's list:

- a) If it is in liquidation.
- b) If it declares itself in a state of suspension of payments.
- c) If it appears to the Higher Bank Board that it is no longer in a position to pursue its activities.
- d) If it has not gone into operation for one calendar year dating from its registration on the list.
- e) If it has suspended its activity for over one year.
- f) If it has failed to constitute its capital afresh within the time-limit set in article 134.
- g) In those cases referred to in article 208

In the event of both (a) and (b), it is for the governor of the Bank to decide on delisting; in all other cases, it is for the Higher Bank-Board to do so.

#### Article 141

Delisting entails the immediate prohibition prescribed in article 125 and the liquidation of the delisted bank, in conformity with the laws and regulations in force.

The bank in due process of liquidation may continue to use its style as "bank" on condition that its state of liquidation is clearly mentioned after its style.

#### Article 142

The Public Prosecutor shall ask the Court, on the Central Bank's request, to order all measures designed to safeguard the interests of depositors of the delisted bank, notably, the affixing of seals, inventory, the nomination of a sequestrator, etc...

### 4.- Accounts and Statistics - Supervision

#### Article 143

Banks are required to keep a separate accounting for the whole of their operations in Lebanon.

#### Article 144

For the execution of the present law, agencies or branches in Lebanon of the same bank, whether Lebanese or foreign, constitute one entity.

#### Article 145

The financial year of banks must run alongside the civil year.

#### Article 146

Banks are required to establish annual accounts, closed on December 31, comprising a balance sheet and a Profit and Loss Account, as well as other periodical statements, of accounts or statistics, which shall be requested of them by the Central Bank in the conditions, forms and time-limits decided by the latter.

They are also under obligation to provide the Bank, in respect of the documents referred to in the preceding sub-paragraph, with all information, clarification and justification the latter may require.

#### Article 147

Banks are also under obligation to furnish the Central Bank, for the operation of its Central Service of Banking Risks, periodical statements listing the credits they grant, in accordance with standard forms established by the Central Bank and within the time-limits the latter prescribes.

The operational costs of this Service must be met by the banks, according to the conditions and terms which shall be set by the Central Bank.

#### Article 148

The supervision of banks shall be the concern of a department of the Central Bank, absolutely distinct and independent of other departments and in direct link up with the Governor.

All agents of this department shall be sworn in. They shall be held, in favour of banks and their clients; to the secrecy prescribed by article 2 of the Law of 3 September 1956, even in relation to persons belonging to other departments of the Bank, excluding the Governor. This does not preclude the application of penalties referred to in article 151.

#### Article 149

The Central Bank shall exercise its supervision in the following manner:

1. It verifies the positions and documents, the information, clarifications and justifications that banks are required to submit or that the Central Bank is entitled to demand, in conformity with the provisions of the present law.
2. It requires responsible bank directors, whenever it deems it necessary, to furnish all additional information, clarifications or justifications, duly confirmed by them in writing and under their personal responsibility.
3. The Central Bank Governor is entitled, if he deems it necessary, to decide a further verification by his assessors, in order to satisfy him of the accuracy of all or part of what has been mentioned in the two preceding paragraphs.

Should the Governor take such a decision; the responsible managers of the bank or banks concerned shall be required to put at the disposal of the assessors, that the Governor will have chosen from among the assessors belonging to the Service referred to in article 148, the documents which will enable these assessors to discharge their duty and to submit a detailed report.

#### Article 150

In no case can the assessors of the Central Bank require bank managers to reveal the names of their clients, except for holders of debtor accounts. Nor can they apply to any other person except to the responsible manager of the bank.

Banks are authorised to arrange their accounts in such a manner that the names of the clients do not appear, except for holders of debtor accounts.

Central Bank assessors are strictly forbidden, in the exercise of their supervision, to enquire about any question of fiscal nature, to interfere in it, or to report it to whomsoever.

#### Article 151

Every person belonging to or having belonged to the Central Bank, in any capacity whatsoever, is bound by the banking secrecy Law of 3 September 1956. This obligation covers all information and facts concerning not only the clients of the Central Bank and banks and finance establishments but also these establishments themselves, and with which he has been acquainted through his association with the Central Bank.

### SECTION 5: GENERAL MANAGEMENT REGULATIONS

#### 1.- General principles

Article 152 (as modified by Decree-Law No. 41 of 5 August 1967 and  
----- (by the Law promulgated by Decree No. 6102 of 5 October 1973

Banks are forbidden to:

1. Carry on a trade, an industry or any activity whatsoever which is alien to the banking profession;
2. Enter into association, in whatever form, with industrial, commercial, agricultural enterprises or others, in compliance with the provisions of article 153;
3. Grant credits, in any form whatsoever, to their supervisory commissioners, to the Central Board and to the Central Bank's personnel of all grades, as well as to the family members of such persons;
4. Grant, either directly or Indirectly, credits to members of its Board of Directors or to persons in charge of its management, to its principal shareholders and to relatives of such persons without compliance to the conditions laid down in the following
  - a) Credits shall be the object of a prior authority, in principle, from the shareholders general meeting which would specify at least the maximum level of credits that could be granted to each person, while it would be the duty of the Board of Directors and of the Supervisory Commissioners to advise the shareholders ordinary annual meeting of the grant conditions governing such credits and of the way such conditions shall be met; if necessary the meeting's authority shall be rejuvenated each year.
  - b) The granting of every credit must be the object of an express permission of the Boards of Directors specifying the amount and the terms.
  - c) Credits shall be covered by real collateral security or by bank guarantee from a finance establishment duly registered in Lebanon and acceptable to the Supervisory Commission.

- d) Such credits shall not exceed, in the aggregate, 25 per cent of the bank's own funds.
- e) Any bank may grant these credits to members of its Board of Directors, to persons in charge of its management and to its principal shareholders, irrespective of the conditions stated in this article, within a margin of 6 per cent of its own funds and the maximum level referred to in the preceding subsection (d).
- f) It shall be the duty of the Banks Control Commission to appreciate to what extent the provisions of this article shall apply to specific accounts and risks particularly in so far as an indirect interest exists, each case to be examined individually. Where diverging viewpoints arise between the Banks Control Commission and the Board of the bank concerned, the matter shall be referred for adjudication to the Central Board. The decision of the Central Board in this respect shall be considered as final and no means of administrative or judicial review shall be accepted.

Excluded from the provisions of this article are such loans as may be granted by a bank to a subsidiary credit establishment it actually owns even though the persons in charge of the management of that establishment are at the same time members of its Board of Directors or of its staff, on condition that such establishment is duly registered with the Bank of Lebanon.

For the purpose of the application of subsections 3 and 4 of this article, the family shall include the spouse, the ascendants and descendants, the brothers and sisters if they are the borrower's dependents.

Article 153 (as modified by the Law promulgated by Decree  
----- (No. 14013 of 16 March 1970 and by the Law promulgated  
(by Decree No. 6102 of 5 October 1973

The total of all the elements of any bank's assets representing its initial formation outlays, its equipment and furniture, its investments in real estate, and its share in partnership or shareholdings of whatever description in any enterprise regardless of its object, together with the aggregate credits granted by virtue of the preceding article shall not exceed the total of its own funds at any time.

Fixed assets out of the total of all the elements of these assets shall be represented only by property agreeable to the Bank of Lebanon in conformity with special rules to be framed by the Board of the Central Bank.

Article 154 (as modified by the Law promulgated by  
----- (Decree N°- 6102 of 5 October 1973

By derogation to articles 152 (paragraph 2) and 153, a bank may acquire partnership, participation share, or real estate, in excess of the authorised margin, if such acquisition is effected in recovery of insecure or outstanding debts. These assets must, however, be liquidated within a maximum time-limit of two years; if it has not been able to respect this delay for circumstances beyond its control, the matter must be referred to the Central Bank.

The temporary ownership of real estate in conformity with the preceding article shall be exempted from the permit referred to in the law governing ownership by aliens but shall remain

subject to permit granted by the Banks Control Commission ascertaining that purchase has been actually made in settlement of an outstanding debt, or a debt of doubtful recovery.

#### Article 155

It lies within the Central Bank's competence to appreciate, in the light of the definitions of article 177, if the items of a bank's assets constitute acts of partnership, participation or freezing, in violation of the provisions of the two articles 152 and 153.

If the bank concerned challenges the Central Bank's view on the matter, the dispute shall be settled by simple arbitration, in conformity with the Code of Civil Procedure.

The arbitration compromise must be arrived at within the month following the date of the challenge.

The arbitration sentence stands without appeal.

The arbitrators and the supplementary arbitration are bound by the secrecy law of 3 September 1956.

#### Article 156

In their use of funds received from the public, banks must observe norms designed to safeguard the latter's rights.

They must notably adapt the period of such use to the nature of their resources.

#### Article 157

The investments of banks are classified into short, medium, and long-term operations.

#### Article 158

Short-term credits are essentially the temporary assistance extended by banks to their clients' treasury, or credits whose recovery is normally assured by the end, within a maximum period of one year, of operations for which they were granted.

#### Article 159

Medium or long-term credits are those which commit the banker, in his lender's capacity, to the financing of operations or projects which, by their nature, do not enable the client to repay, within a year, the sums which he borrowed for their execution.

#### Article 160

Banks must require every applicant for credit to produce a statement of his position or a balance sheet.

#### Article 161

They must follow up the use of credits they grant to make certain, as far as this is possible, that the funds they have furnished are not deviated from their declared destination.

#### Article 162

When the contract concluded between the bank and its client makes it an obligation upon the latter to subscribe to time drafts representing the advance granted to him, such drafts shall be, by derogation to article 9 of Legislative Decree No. 130/L of 20 December 1933, submitted only to a fixed stamp duty of one Lebanese Pound in respect of drafts not exceeding 5,000 Lebanese



Pounds; 2 Lebanese Pounds for drafts varying in amount between 5,001 and 10,000 Lebanese Pounds; and 5 Lebanese Pounds, for drafts beyond 10,000 Lebanese Pounds in value.

Article 163 (abrogated by the Law promulgated by  
----- (Decree No. 6102 of 5 October 1973

#### Article 164

It is forbidden to any bank to pledge the valuables they have received by mortgage, or to use them as collaterals for loans, without having previously obtained by special deed, the consent of the debtor who has given these valuables in mortgage. At no time must the bank pledge the valuables received in mortgage, nor use them as collaterals for loans, for an amount exceeding the amount of its own claim on the debtor who has placed these valuables under mortgage.

#### Article 165

A bank must not acquire its own shares, nor accept them as collateral for its credits.

### 2.- Special rules governing a number of operations

#### A. Savings Accounts

#### Article 166

Banks may receive savings deposits from natural persons or from non-profit associations.

#### Article 167

Funds deposited in order to constitute a capital shall be considered savings deposits.

#### Article 168

The opening of a savings account must lead to the delivery, by the bank, of a book in the name of the account owner.

The book constitutes the depositor's title to his claim. It is not transferable either through transfer or endorsement.

#### Article 169

Payments and drawings can be effected only by presentation of the book to the cash office which issued this document upon which these operations must be registered. Drawings by cheques or transfers are not authorised.

#### Article 170

It is for the banks to lay down the conditions governing the opening of savings accounts.

#### Article 171

Savings accounts are exempted from the income tax established by Decree Law No. 144 of 12 June 1959.

#### Article 172

Registration on the "List" exempts banks from the formality referred to in article 186 of Decree-Law No. 126 of 12 June 1959.

#### B. Travellers' Cheques

#### Article 173

The issue of Travellers' Cheques is subject to a previous authorisation from the Central Bank which shall lay down the conditions that the bank must fulfill to receive such authorisation.

#### 3.- Central Bank's Intervention

Article 174 (as modified by the Law promulgated by  
----- (Decree No 6102 of 5 October 1973

The Central Bank is empowered to make recommendations and to take steps designed to ensure a sound banking management.

Such recommendations and steps may be of a general or individual character.

It shall be duty of the Central Bank to lay down, following the findings of the Banks Association of Lebanon, such overall regulations as may be deemed necessary to ensure good relations between banks and their depositors and clients.

The Bank may, equally, specify and amend, whenever it deems it necessary, standards of management that banks shall be required to respect in order to remain within liquidity and solvency.

The Bank may, notably, specify and amend, whenever it deems it necessary, standards of management that banks shall be required to respect in order to remain within liquidity and solvency.

Article 175 (as modified by the Law promulgated by  
----- (Decree No. 6102 of 5 October 1973

In order to safeguard sound banking activity, it shall be the duty of the Central Bank to occasionally specify, either generally or pertinently to individual banks, the ratio that it is essential to maintain between assets and liabilities or between some items of the assets and liabilities.

Own funds shall be considered as liabilities within the concept of this article.

#### Article 176

The provisions which may be issued by virtue of the preceding article cannot be of immediate enforcement nor retroactive. In the directives it shall circulate to banks on this occasion, the Central Bank shall set the time at which the new ratios shall be applied and the conditions and terms according to which such ratios are to be worked out.

#### Article 177

In the regulations and directives which it shall establish for the enforcement of the present Law, the Central Bank shall accurately define the meaning of the terms "liquid assets", "liquidity", "assets at call", "short term commitments", "own funds or capital items", "freezing", etc.

### SECTION 6: PROFESSIONS LINKED UP TO THE BANKING PROFESSION: FINANCE ESTABLISHMENTS

Article 178 (as modified by the Law promulgated by  
----- (Decree No. 6102 of 5 October 1973

Within the framework of the special provisions of this law, shall be considered as finance establishments those organisations whose fundamental object is the transaction of credit

operations, regardless of their kinds, provided that the conditions laid down in articles 179, 180, 182 of this law are met.

Article 179 (as modified by the Law-promulgated  
(by Decree N° 6102 of 5 October 1973

Lebanese finance establishments shall be set up in the form, of joint stock companies.

Foreign finance establishments shall be authorised to reside in Lebanon only if they are foreign companies or branches of foreign companies set up in their country of origin as joint-stock companies.

Finance Establishments shall be governed by the provisions of articles 125 and 127, as well as the provisions of articles 128, 130, 131, 143, 144, 145, 146, 147 of the present law.

For the purpose of the present law and the enforcement of the provisions of article 125 on finance establishments, the following elements shall not be considered as deposits

- a) Capital, money set to reserves, dividends, share issue premiums.
- b) Assets accruing to finance establishments from operations with banks or other finance establishments or from the issue of debentures.

Article 180 (as modified by Decree-Law No. 41 of 5 August 1967  
(and by the Law promulgated by  
(Decree No. 6102 of 5 October 1973

Every Lebanese finance establishment shall be required to have a minimum paid-up capital of two million Lebanese pounds.

Every foreign finance: establishment shall have to provide evidence that it has set aside for its operations in Lebanon a capital of at least two million Lebanese pounds.

Article 181 (as modified by the Law promulgated by  
----- (Decree N2 6102 of 5 October 1973

Finance establishments shall be required to apply for registration with the Bank of Lebanon. Applications in conformity with the conditions specified by law shall be accepted.

The Bank of Lebanon shall publish the list of registered finance establishments in conformity with the provisions of article 136, concerning banks, of the Code of Money and Credit.

No establishment shall be entitled to assume the quality of finance establishment unless it is duly registered and listed among finance establishments.

Natural and juridical persons who have previously been registered as finance establishments shall be given, in implementation of the provisions of the Code of Money and Credit, a time-limit of one year dating from the promulgation of this law to comply with the provisions of articles 178 to 181 of this law; if they are not closed at the termination of this time-limit, they shall, as of right, be submitted to the provisions of articles 183, 184 and 222 of the present law.

Article 182 (as modified by the Law promulgated by  
----- (Decree 1;i°- 6102 of 5 October 1973

Finance establishments shall be required to comply with all the regulations which the Bank of Lebanon shall adopt concerning credit, particularly those regulations specified. in article 79 of

this law, and they shall abide by the directives they shall receive from the Central Bank in respect of management.

Supervision of finance establishments shall lie within the competence of the Banks Control Commission which, in relation with those establishments, shall be vested with the same powers as it exercises over banks.

Finance establishments and their supervisory commissioners shall be submitted to the provisions governing supervisory commissioners for banks.

Finance establishments shall come under the administrative penalties which apply to banks by virtue of article 208, and in case their registration has been struck off, they shall be allowed either to maintain their activity within the framework of article 183 below, or to wind up their business.

Article 183 (as modified by the Law promulgated  
----- (by Decree N° 6102 of 5 October 1973

Regulations governing finance establishments shall not apply to natural or juridical persons who engage in one or several of the operations referred to in article 178 and who have failed to meet the conditions of registration as finance establishments.

On such persons the regulations referred to under articles 125 and 127 shall apply.

Shall not be considered as deposits received by establishments designated in this article elements referred to in article 124 and assets placed at the disposal of the establishments by : partners in case the organisation has been set up in the form of partnership; managing and silent partners in case the company has been set up as a limited partnership; managing partners in case the company has been set up as a partnership limited by shares; as well as assets that accrue to joint-stock companies through the issue of debentures in accordance with article 22 and subsequent articles of the Code of Commerce.

Article 184 (as modified by the Law promulgated  
----- (by Decree No. 6102 of 5 October 1973

Establishments concerned by the preceding article shall be required within the six-month period following the enforcement of this law - in case they were established subsequently -to file with the Bank of Lebanon a declaration comprising their commercial name or style, their postal address, the amount of their capital and the nature of their operations.

They shall equally be required to submit copy of the dossier of their registration in the commercial register, as well as copy of the dossier of their registration with the Ministry of National Economy in case they are branches of foreign establishments. They shall send to the Central Bank, within the time-limit it shall set them, and in conformity with its model, forms and conditions, all statements of account and statistics that may be demanded of them.

They shall also abide by the regulations adopted by the Bank of Lebanon regarding credit, notably in respect of those operations designated in article 79, as well as by the directives the Bank may send them concerning management.

## SECTION 7: SUPERVISORY COMMISSIONERS

#### Article 185

No one can be designated to the functions of bank supervisory commissioner if he stands within one of the cases listed in article 127.

Article 186 (as modified by the Law promulgated  
----- (by Decree No. 6102 of 5 October 1973

By derogation to the provisions of articles 172 and 173 of the Code of Commerce, supervisory commissioners for banks and finance establishments shall be appointed as follows:

Supervisory commissioners shall be appointed by the shareholders general meeting for a period of three years ending when the general meeting which shall examine the accounts of the third year is held. The tenure of office of the commissioner who is appointed in replacement of another before the three-year period has run its course shall be terminated at the end of the remaining time of his predecessor.

In case the general meeting fails to appoint supervisory commissioners, every shareholder shall be entitled to require the competent tribunal to appoint a provisional commissioner whose tenure shall end on the appointment of a regular supervisory commissioner by the general meeting.

Supervisory commissioners are expected to meet all conditions and to be academically fully qualified to be acceptable as experts by tribunals ; they should be sworn in.

One shareholder or a group of shareholders representing at least ten per cent of the capital of the bank or of the finance establishment, shall be entitled to challenge the appointment of one or more than one supervisory commissioner by the general meeting, and to request the competent tribunal to nominate others. Should the tribunal comply with these shareholders' request, the supervisory commissioners thus appointed may not be removed before the end of their tenure except by decision of the competent tribunal.

Banks and finance establishment shall be exempted from the requirements of having a supplementary supervisory commissioner nominated by the tribunal.

With due regard to the provisions of the banking secrecy law, one shareholder or a group of shareholders representing at least 10 per cent of the capital of the bank or the finance establishment shall be entitled to require the competent tribunal to appoint an expert to examine specific matters. In case the tribunal deems the request grounded and acts accordingly, it shall fix the expert's assignment, his powers and his remuneration. The expert shall lay his report before the inviting shareholders) and the Board of Directors, such report to be also tabled before the first general meeting to be held by the shareholders.

Article 187 (as modified by Decree-Law No. 41 of 5 August 1967)

In the course of the year, commissioners must report immediately to the responsible authorities of the bank where they have assumed supervision, any irregularities and infringements they may have noticed, and call on these authorities to rectify the situation as soon as possible.

They are equally required to establish a detailed annual report on the supervision they have carried out and on the results thereof. This report shall be submitted to the responsible authorities of the bank concerned, at least at the end of the month of March following the fiscal year object of the supervision.

Additionally to the reports they draft in pursuance of the provisions of the Code of Commerce, the supervisory commissioners are required to table before the ordinary General Meeting of the Bank to which they have been seconded, a special itemized report on the advances granted by the said bank, directly or indirectly, to the members of its Board of Directors or to its managing Executives.

Article 188 (as modified by Decree-Law No. 41 of 5 August 1967)

The supervisory commissioners are required to send directly and simultaneously to the governor of the Central Bank :end to the Chairman of the Banks Control Commission, copies of their reports referred to in the preceding article.

They must, on the other hand, answer within the shortest delay possible, any enquiry for information or clarification submitted by each of these two authorities.

Article 189 (as modified by the Law promulgated by Decree N° 6102  
(Decree No. 6102 of 5 October 1973

Every foreign bank shall be required to appoint its supervisory commissioner in conformity with what has been prescribed in the provisions of article 186.

These supervisory commissioners shall see to the proper operation of the foreign banks in Lebanon within the framework of conditions set down in the present law.

Article 190

Supervisory commissioners are bound to the banking secrecy in the same manner as those persons referred to in article 2 of the Law of 3 September 1956.

Article 191

The Government is authorised to regulate the profession of the bank supervisory commissioners by decree adopted by the Council of Ministers on the Central Bank's proposal, and approved by the Minister of Finance.

## TITLE IV

### SANCTIONS

#### SECTION 1 : PUNITIVE SANCTIONS

Article 192

Refusal to accept Lebanese money within the framework of conditions laid down in articles 7 and 8 is subject to penalties listed in article 319 of the Penal Code.

Article 193

Infringements to article 11 come under the penalties listed in article 440 of the Penal Code.

Article 194

Infringements to article 23 come under the penalties listed in article 356 of the Penal Code.

Banks, finance establishments and enterprises referred to in article 23 are considered accomplices to persons who shall have accepted from them a mandate, an employment, or a participation, in breach of the said article 23.

#### Article 195

Infringements to articles 125, 137 and 141, 1st paragraph, are under the penalties listed in article 655 of the Penal Code.

#### Article 196

Whoever contravenes the prohibitions prescribed in article 127 shall be imprisoned for one month at least and three months at most and fined at least 300 Lebanese Pounds and 1,000 Lebanese Pounds at most, or subjected to one only of these penalties.

#### Article 197

Infringements to articles 152 and 153 shall be subject to a term of imprisonment of at least one month and three months at most and to a fine of 1,000 Lebanese Pounds at least and 5,000 Lebanese Pounds at most, or to one only of these penalties.

#### Article 198

Shall be subject to penalties referred to in article 655 of the Penal Code whoever shall have obtained from a bank a credit by giving out incorrect or incomplete information, in reply to the request which has been made to him in compliance with article 160. The bank which shall not have demanded the financial position or balance sheet referred to in article 160. comes under a fine of between 1,000 and 5,000 Lebanese Pounds.

#### Article 199

Infringements to articles 164 and 165 are subject to a term of imprisonment of at least one month and at most three months and a fine of 1,000 Lebanese Pounds at least and 5,000 Lebanese Pounds at most, or to one of these two penalties.

Article 200 (as modified by Decree-Law No 41  
(of 5 August 1967 and by the Law promulgated  
(by Decree No. 6102 of 5 October 1973

Shall be subject to the penalties of article 655 of the Penal Code the issue of Travellers' Cheques without due authorisation from the Central Bank or in violation of the terms prescribed by the latter by virtue of article 173.

Shall be subject to the same penalties any person who shall engage in credit operations, regardless of their nature, when he has not been registered with the Bank of Lebanon in conformity with the provisions of article 181 or when he has not applied for the permit required in accordance with article 184 of the present law.

#### Article 201

Any person who, being empowered to sign for a bank or for a finance establishment, or being a member of the Board of Directors, or manager, or employed by a bank or a finance establishment, shall have knowingly provided Central Bank with account statements, statistics, information, or explanations, incomplete or contrary to reality, shall be subject to a term of imprisonment of between 8 and 30 days and to a fine of between 100 and 1,000 Lebanese Pounds, or to one only of these penalties.

Moreover, the bank, which shall not have declared to the Central Service of Risks a client or a risk related to a client, may be subject to damages towards other creditor banks of the said client who happened to stop his payments.

#### Article 202

Shall be considered accomplices and open to the same penalties as the main authors those supervisory commissioners who, intentionally or through negligence, shall have failed to their obligations as defined in the present law.

Infringements to the last sub-paragraph of article 186 shall come under the penalties provided by article 356 of the Penal Code.

The Court may also bar from the exercise of the profession, either temporarily or definitively, the supervisory commissioners convicted by virtue of the preceding two paragraphs.

#### Article 203

Any breach to the banking secrecy by persons referred to in article 148, 151, 155 and 190, shall be subject to a term of imprisonment of between six months and two years, without prejudice to the application of articles 127 and 185.

#### Article 204

When a breach has been held against a juridical person, the physical penalties that such a breach is likely to ensue shall be uttered against the one or several managers or agents of the juridical person concerned, responsible for the breach.

This or these responsible persons are held jointly and severally with the juridical person for the payment of all fines, damages and charges.

#### Article 205

A bank or finance establishment cannot take advantage of the supervision exercised by the Central Bank to shun the civil or penal responsibilities it would have incurred. They cannot make use of this supervision as an element of publicity.

#### Article 206

Breaches to the present law shall be prosecuted before repressive Courts according to the procedure of urgency. Action is filled by the Public Prosecutor upon the Central Bank's request.

The Court shall order the publication or exhibition of the sentence, or both measures, in part or in full, at the expense of the convicted party.

### SECTION 2: PENALTIES FOR DELAY

#### Article 207

Without prejudice to the penal or administrative penalties applicable, any bank which does not, within the time-limits, meet the obligations prescribed under articles 146, 147, 175 and 176, or which obstructs Central Bank's control, referred to in article 149, is subject to a penalty for delay which may reach 100 Lebanese Pounds per day.

The same penalty is incurred by finance establishments which do not satisfy the obligations referred to in article 182.



The penalty for delay is set by the Central Bank and is due for computation the next day following the date of the formal notice it shall have addressed by registered mail to the bank or finance establishment concerned.

### SECTION 3: ADMINISTRATIVE PENALTIES

Article 208 (as modified by Law No. 28/67 of 9 May 1967)

Whether a bank has infringed its articles or the provisions of the present law or the measures prescribed by the Central Bank by virtue of the powers it holds from this law, whether it has furnished statements or information incomplete or non conforming to reality, the Central Bank, without prejudice to penalties for delay and repressive penalties applicable, is entitled to adopt towards the bank concerned the following administrative measures:

- a) warning
- b) reduction or suspension of credit facilities
- c) prohibition on certain operations or other limitations in the exercise of the profession
- d) the nomination of a supervisor or a temporary manager
- e) de-listing from the list of banks.

Article 209 (is modified by the Law promulgated by  
(Decree No. 14013 of 16 March 1970

The sanctions provided by the preceding article are decided by the Higher Bank Board, created by virtue of article 10 of Law No. 28/67 of 9 May 1967.

The decision of the Higher Bank Board are open to no channel of recourse whether ordinary or extraordinary, administrative or judicial.

Article 210 (as modified by Decree-Law No. 12 of 14 July 1967)

The Commission's decisions referred to in the preceding article are to be published, whenever such decisions refer to the appointment of a provisional manager or the delisting of a bank from the list of banks.

## TITLE V

### TRANSITORY PROVISIONS RELATING TO TITLE III

Article 211

The enterprises referred to in articles 121 and 178 are required, in conformity with articles 135 and 180, to apply for their listing or registration with the Central Bank, within three months from the date of publication in the press of the latter's notice inviting them to undertake these formalities.

Article 212

The list referred to in article 136 shall be published for the first time within nine months which shall follow the expiry of the three month time-limit set in the preceding article.

Article 213

Enterprises which shall not be entered on the list referred to in the preceding article, must, in conformity with article 137, cease exercising the banker's profession and making use of the terms "bank", "banker", or "banking", as from the publication of the said list.

#### Article 214

Banks are required to conform to articles 132 and 133 within the two years following the date of the Central Bank's notification that their application for listing has been accepted.

#### Article 215

From the date of their receiving notification of their listing, banks shall have to stop transacting those operations prohibited by virtue of article 152.

#### Article 216

A time-limit of five years is accorded to banks, to be computed from the day when notification for registration on the list has been made to them:

- a) to liquidate or regularise the operations referred to in article 152 in which they might be engaged at the time;
- b) to take the necessary measures to conform to article 153.

#### Article 217

Within the time-limit set in the preceding article, banks shall operate in such a manner as to comply with the requirements of paragraph II of article 156

#### Article 218

During the periods of re-adjustment, provided under articles 214, 216 and 217, the Central Bank shall take all appropriate measures, relating to the particular circumstance of each bank, so as to safeguard liquidity and solvency.

#### Article 219

The measures which the enterprises referred to in articles 121 and 178 shall be brought to tale, such as the modification of Articles to achieve a separation or an incorporation, the forming of a new company, movable and immovable contributions, sharing out, liquidation and, broadly speaking, all operations and all deeds, executed in compliance with articles 214, 215, 216 and 217 and within the time-limits set in the said articles, are exempt from all such duties as stamps, transfer, notary or registration.

#### Article 220

In banks set up as joint-stock companies, the decisions which would result from the execution of articles 214, 215, 216 and 217 shall be validly taken by a general extraordinary meeting of shareholders debating according to the conditions of quorum and majority outlined in articles 203 and 204 of the Code of Commerce.

#### Article 221

Registration on the original list, accepted by the Central Bank, is considered to have been given on condition that the enterprises concerned shall conform to the provisions of Title III within the prescribed time-limits.

Subsequent to these time-limits, any enterprise which shall not have put its situation in order and shall not have complied with the said provisions shall be delisted and considered to have reached its term and liquidated.

The foregoing provisions apply to finance establishments.

#### Article 222

No enterprise whose activity is submitted to Title III can take advantage of its vested interests against the application of the provisions of the present law.

### TITLE VI

#### DIVERSE AND FINAL PROVISIONS

#### Article 223

The Government is authorised to pay to the Bank the capital set in article 15, as soon as the Central Board has gone into operation.

The latter shall organise and gradually put into running order the Bank's various services so that this institution is in a state to carry on the whole set of functions devolving to it by the present law, as from 1 April 1964.

#### Article 224

The Central Bank is empowered to:

1. Determine with the Bank of Syria and Lebanon the items of assets and liabilities that the latter must transfer to it, consequent upon the termination of its privilege of issue, as well as the conditions and terms of this operation.
2. Negotiate and sign with the Bank of Syria and Lebanon one or several protocols to regulate outstanding matters between the State and this establishment, notably o
  - a) the question of counterfeit, in 1952, L.L. 100 notes of the Bank of Syria and Lebanon, issued on 1 December 1945.
  - b) the basis of assessment of the rate of interest served by the Bank of Syria and Lebanon to Public Administrations deposits, by virtue of article 11 of the covenant of 29 May 1937;
  - c) the claim put by the Bank of Syria and Lebanon regarding the partial amendment, effected by the Law of 24 May 1949, to the covenant of 29 May 1937.

The Central Bank is empowered to compromise and transact for the final liquidation of the relations between the State and the Bank of Syria and Lebanon stemming from the covenant of 29 May 1937.

To carry executory power, the one or several protocols referred to in the present article shall have to be approved by the Council of Ministers.

The Central Bank shall debit the Treasury sums which the State shall be held owing to the Bank of Syria and Lebanon and shall credit it with the amounts which shall be owing by the latter to the State, as a result of the settlement of the outstanding questions referred to above.

#### Article 225

Notes which shall have been issued up to 31 March 1964 inclusive, by the Bank of Syria and the Lebanon, in its capacity as Issue Institute of the Lebanese Republic, shall continue, from 1 April 1964, to be unlimited legal tender.

Pending the issue of its own notes, the Central Bank is authorised, if need be, to draw upon the stocks of the Bank of Syria and Lebanon the necessary denominations of notes and put them into circulation.

Subsequently, the Bank shall gradually withdraw the notes of the Bank of Syria and Lebanon, according to the conditions and terms set in articles 51 to 55 inclusive.

In execution of articles 56, 57, 58 and 69, the notes of the Bank of Syria and Lebanon still in circulation after 1 April 1964 shall be assimilated to Central Banks own notes.

#### Article 226

In execution of article 59, the Central Bank:

- a) Shall post to its liabilities, through the debit of a provisional account it shall open in the name of the Treasury, the nominal amount of subdivisational money in circulation up to late 31 March 1964.
- b) Shall take over, at cost price, the stock of the minted coins belonging to the Treasury and shall register the amount proceeding from the latter to the credit of the -provisional account referred to in sub-paragraph a) above.

Shall be considered as part of the stock the subdivision money lying in the tills of the Banks of Syria and Lebanon late on 31 March 1964.

The Bank may choose not to take over and cancel the money power of the subdivisational denominations of coins in stock which it shall deem unsuitable for circulation.

If, as a result of the entries referred to in sub-paragraph a) and b) above, the provisional account shows a debtor balance, the Bank shall deduct its claim on the State out of the latter's participation referred to in article 113. If the balance of the provisional account is creditor, the Bank shall pay this balance into the Treasury and shall post the stock of subdivisational coins to its assets.

#### Article 227

In compliance with sub-paragraph d) of article 97, the fulfillment of payment agreements, the execution of which stands entrusted to private banks, shall be assumed by the Central Bank. The latter shall give the interested banks the necessary time-limits and lay down the terms and conditions for the resumption of the clearing accounts they hold.

#### Article 228

Within the terms and conditions to be laid down in accord with the Minister of Finance, the Central Bank shall take over the assets of Exchange Control which is cancelled. The currencies acquired by the Bank, out of the application of the preceding sub-paragraph, shall be taken into account, in exactly the same manner as its other gold and currency holdings, in the assessment of the rates referred to in paragraph 1 of article 69.

#### Article 229

Until a new parity rate expressed in terms of gold has been worked out in agreement with the International Monetary Fund and approved by a law in conformity with article 2, the following transitory measures shall be taken by the Ministry of Finance and enforced, at dates which it shall set .

1. A real exchange rate, as close as possible to free market rates, shall be adopted for the Lebanese Pound, by reference to the USA dollar defined by 0.888671 gram of fine gold. This rate shall be "the transitional legal parity" of the Lebanese Pound.
2. The gold element of the cover for notes issued by the present Issue Institute shall be accounted on the basis of the "transitional legal parity".
3. The differences between, on the one hand, the countervalue to the transitional parity of gold and currencies of the cover, and on the other hand, their actual price, shall still be

governed by the provisions of Decree No. 15105/K of 27 Mar 1949 up to the transfer of these elements to the Central Bank.

Starting from this conveyance, the said elements, as well as the other gold and currency holdings of the Central Bank, shall be governed by article 115.

4. The duties and, taxes to be levied on sums worked in foreign currencies, now assessed on the basis of the parity set in article 1 of the Law of 24 May 1949, shall be calculated on the basis of the "transitional legal parity".  
The new exchange rate must not materialise into any increase of the duties and taxes applied to sums worded in forcing currencies. The Minister of Finance shall set, by orders, the adequate conditions and terms designed to ensure this principle.
5. The foreign currencies levied by the State shall be accounted according to the transitional parity rate.
6. The State's external expenditures, laid down in Lebanese Pounds, shall be reviewed in relation to the transitional legal parity and shall henceforth be transferred at the free market rate.

#### Article 230

Within the two months following the publication of the present law, the Government shall appoint the Central Board which shall have to go into operation immediately.

The other provisions of the present law shall be enforced, in order of their necessity, by decrees issued on the proposal of the Minister of Finance. The whole law shall be enforced in its entirety on 1 April 1964.

It is however possible to postpone the enforcement of all or of a number of provisions of articles 228 and 229, until 1 January 1965 through decrees issued on the proposal of the Minister of Finance.

Likewise, the obligation to dedicate one's self fully to the Bank, as required by article 20, shall be applicable to the Governor only as from 1 April 1964.

Shall be abrogated all the legal and regulatory provisions contrary to the new provisions of this law as and when this is enforced, as well as other provisions dealt with by the present law.

#### SECOND ARTICLE

The present decree shall be published in the Official Gazette.

Zouk, 1 August 1963

Signed: Fouad Chehab

By the President of the Republic

The President of the Council of Ministers

Signed: Rachid Karamé

The Minister of Finance

Signed: Rachid Karamé