

**BANQUE DU LIBAN**

**Basic Circular No 83**  
**Addressed to Banks**  
**and also to Financial Institutions**

Attached is a copy of Basic Decision<sup>1</sup> No. 7818 of May 18, 2001, and the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing (AML/CFT)<sup>2</sup> attached thereto.

Beirut, May 18, 2001

The Governor of Banque du Liban

Riad Toufic Salamé

Old Number: 1912

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<sup>1</sup>- Pursuant to the provisions of Article 2 of Intermediate Decision No 8488 of September 17, 2003 (Intermediate Circular No 35), banks and financial institutions must communicate this Decision and the attached Regulations to their external auditors.

<sup>2</sup>- The title of these Regulations was modified pursuant to Intermediate Decision No 10622 of December 30, 2010 (Intermediate Circular No 241) and was initially: "Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering".

**Basic Decision No 7818**

**Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing (AML/CFT)<sup>1</sup>**

**The Governor of Banque du Liban,**

**Pursuant to the provisions of Law No 318 of April 20, 2001 (Fighting Money Laundering), particularly Article 5 thereof, and**

**Pursuant to the Decision of the Central Council of Banque du Liban (BDL), taken in its meeting of May 16, 2001,**

**Decides the following:**

**Article 1:**

The “Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing”<sup>1</sup> that are attached to this Decision shall hereby become effective.

**Article 2:**

The following paragraph and Article shall be repealed:

- 1- Paragraph 2 of Article 1 of Basic Decision No 6349 of October 24, 1996 attached to Basic Circular No 29 of October 24, 1996 addressed to banks and financial institutions.
- 2- Decision No 7511 of January 21, 2000 attached to Circular No 1792<sup>2</sup> of January 21, 2000 addressed to banks.

**Article 3:**

This Decision and the attached Regulations shall come into force upon their issuance.

**Article 4:**

This Decision and the attached Regulations shall be published in the Official Gazette.

Beirut, May 18, 2001

The Governor of Banque du Liban

Riad Toufic Salamé

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<sup>1</sup>- The title of these Regulations was modified pursuant to Intermediate Decision No 10622 of December 30, 2010 (Intermediate Circular No 241) and was initially: “Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering”.

<sup>2</sup>- The number of the Circular is given according to the old numbering system.

## **Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing (AML/CFT)<sup>1</sup>**

### **Article 1:**

These Regulations are set under the provisions of Law No. 318 of April 20, 2001, on Fighting Money Laundering.

Banks must control their operations with customers in order to avoid any involvement in operations related to money laundering or terrorist financing, by following at least the rules set out in these Regulations.

### **Section I: Relations with foreign correspondent banks abroad**

#### **Article 2:**

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

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

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

### **Section II: Relations with customers and due diligence measures**

#### **Article 3:**

- 1- A customer is meant to be any natural person or legal entity, whether a company or an institution of any kind, or a commission or an organization or a non-profit organization (mutual funds, cooperatives, welfare centers, charities, clubs, etc.).
- 2- Banks must, as far as each is concerned, adopt clear procedures for opening new accounts, and apply due diligence measures including checking their permanent and transient customers' identity, whether resident or non-resident, determining the purpose and the nature of the relation or of the account opening, identifying the beneficial owner and the source of funds and ensuring the ongoing control of operations, notably in the following instances:

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<sup>1</sup>- These Regulations were replaced pursuant to Article 1 of Intermediate Decision No 10622 of December 30, 2010 (Intermediate Circular No 241).

- Before or upon dealing with a customer or opening any kind of account, including fiduciary accounts and numbered accounts
- Lending operations
- The conclusion of contracts for leasing bank safes
- Electronic transfers of funds
- Cashier's operations totaling or exceeding USD 10,000 or its equivalent in any other currency.

Cashier's operations include cash payments made by the customer at the bank's counters (deposit of funds, exchange of currencies, purchase of precious metals, purchase of financial instruments in cash, cash subscription to vouchers at the counter, purchase of checks in cash, including traveler's checks, etc.).

- 3- Regardless of the amount involved, the employee in charge of performing the operation must check the customer's identity when noticing that, on the same account or on multiple accounts held by the same person, several operations are being carried out for amounts that are separately less than the minimum specified in Paragraph 2 of this Article but totaling or exceeding USD 10,000 or its equivalent. The same identity checking must take place if the employee suspects one of the customers of a money laundering or terrorist financing attempt.
- 4- In order to check the customer's identity, the employee in charge of performing the operation must request the following documents from the customer:
  - a) In case the customer is a natural person: a passport, an identity card, an individual civil registration, or a residence permit.
  - b) In case the customer is a legal entity: duly authenticated documents regarding its by-laws, registration certificate, and ownership structure, a list showing the stocks or shares distribution (directly or indirectly), a list of the authorized signatories, in addition to a copy of the identity of its legal representative and the directors and natural persons who hold, whether directly or indirectly, a percentage of shares enabling them to have effective control over the company.
  - c) In case the operation is performed through a proxy: the original power of attorney or a certified copy thereof, in addition to a copy of the documents regarding the identity of both the customer and the proxy. Moreover, the due diligence measures stipulated in Paragraph 2 of Article 3 above must apply to the non-professional proxy.
  - d) In case the operation is performed by correspondence: an official authentication of the customer's signature on the same document or on a separate certificate. The authentication of the signature of a customer residing abroad or the verification of its identity may be done through a correspondent or affiliated bank, or through a branch or a representative office of the concerned bank, or through another bank whose authorized signatures can be verified, provided it is subject to a good control and adopts sufficient and effective AML/CFT procedures and provided the first account-related operation is connected to an account held by the customer at a bank that is also subject to a good control and implements sufficient and effective AML/CFT procedures.

The bank is responsible for the accuracy of statements or information when it relies on a third party for customers' identification and verification.

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

#### **Article 4:**

When the bank suspects that the customer is not the beneficial owner or when the customer states that the beneficial owner is a third party, then the bank must request from the customer a written statement determining the beneficial owner (the actual beneficiary), notably his full name, residential address, occupation and financial status. The bank must retain a copy of this statement and of the beneficial owner's identity for the period indicated in Paragraph 5 of Article 3 above.

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

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

#### **Article 5:**

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

- When it has persistent doubts about the veracity of the written statement submitted by the customer regarding the beneficial owner's identity, or that false or inaccurate information was given about this identity.

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

**Article 6:**

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

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

**Section III: Controlling certain operations and customers**

**Article 7:**

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

2- <sup>1</sup>The bank must:

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

- a) Make sure that it has received the notification, stipulated in Paragraph 1 of Article 9 of the Implementation Rules of the Law Regulating the Money Exchange Profession, attached to Basic Decision No. 7933 of September 27,

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<sup>1</sup>- This paragraph was amended pursuant to Article 1 of Intermediate Decision No 10792 of August 22, 2011 (Intermediate Circular No 277).

2001, concerning the information requested about the check-related operation or the banking operation, particularly whether or not the check-related operation or the banking operation was performed against an amount received in cash, in addition to information about the source and destination of funds, and the identity of both the beneficiary and the beneficial owner.

- b) Retain this notification for a five-year period.
- c) Obtain this notification directly from the concerned exchange institution if not yet received when the check is submitted, or when the banking operation is requested.

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

- a) Make sure that it has received the notification, stipulated in Paragraph 2 of Article 9 of the Implementation Rules of the Law Regulating the Money Exchange Profession, attached to Basic Decision No. 7933 of September 27, 2001.
- b) Retain this notification for a five-year period.

3- <sup>1</sup>Promptly inform Banque du Liban when an exchange institution fails to send any of the notifications specified in Paragraph (2) above.

4- <sup>2</sup> The bank is prohibited from:

- Opening any account for any exchange institution, before obtaining the approval of the Compliance Unit stipulated in Article 10 below.
- Opening accounts for exchange institutions or executing transfers upon the latter's request for purposes other than those specified in the Implementation Rules of the Law Regulating the Money Exchange Profession issued by Banque du Liban.
- Accepting or performing an exchange operation in favour of any exchange institution, unless the latter is one the concerned bank's customers.

5- <sup>3</sup> Upon issuing a checkbook in favour of an exchange institution, the bank must insert in all the checks the expression "payable to the first beneficiary only".

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<sup>1</sup>- This paragraph was amended pursuant to Article 1 of Intermediate Decision No 10792 of August 22, 2011 (Intermediate Circular No 277).

<sup>2</sup>- This paragraph was added pursuant to Article 1 of Intermediate Decision No 10725 of May 21, 2011 (Intermediate Circular No 262).

<sup>3</sup> This paragraph was added pursuant to Article 1 of Intermediate Decision No 10725 of May 21, 2011 (Intermediate Circular No 262).

## **Article 8:**

Banks must, as far as each is concerned:

- a) Take the following indicators into account, for indicative purposes but not restrictively, as an evidence of operations involving money laundering or terrorist financing:
  - 1- The exchange of big amounts of small-denomination bills for large-denomination bills of the same currency or of any other currency.
  - 2- Large or recurrent foreign exchange operations (cambio), by using cash funds.
  - 3- Certain movements in the customer's account, such as making large or recurrent deposits unjustified by the customer's apparent activities.
  - 4- The operation of an account for the main purpose of transferring abroad, or receiving from abroad, sizeable amounts of money, when such operations are unjustified by the customer's activities.
  - 5- Large or recurrent operations related to the customer's offshore activities, and which appear to be inconsistent with the volume of the customer's activities.
  - 6- The replacement of large cash amounts by electronic transfer requests or by bank checks.
  - 7- A change in the pattern of deposit operations made by a customer exempted from filling the cash transaction slip (CTS).
  - 8- The undertaking by a customer of large cash operations in the form of deposits and withdrawals, with insufficient personal identification.
  - 9- The fact of receiving or cashing checks to the bearer issued abroad, or drawn to the order of a person but previously endorsed by persons other than the depositor; or the fact of receiving or cashing checks of different amounts that may be unrelated to commercial operations or are alleged to be resulting from gambling.
  - 10- Cash deposits and/or bank transfers followed by direct and numerous withdrawals.
  - 11- The holding by the customer of several accounts unjustified by the nature of his activities, or the undertaking of numerous cash transfers between and through these accounts.
  - 12- The occurrence of cash deposits and/or bank transfers, while the customer's activities do not generate such a volume of funds.
  - 13- The fact of depositing bank/traveler's checks in the account of a company/institution whose activities do not justify such deposits.
  - 14- Cash operations and/or bank transfers that appear unusual, considering the location of the branch.
  - 15- E-banking operations that appear unusual.
  - 16- <sup>1</sup>Transfers between the accounts of an exchange institution and other accounts, particularly those held by any of the institution's owners, partners, shareholders, directors or authorized signatories or any of the family members of these persons (spouse, ascendants, descendants), especially if these transfers are followed by withdrawals.

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<sup>1</sup>- This paragraph was added pursuant to Article 2 of Intermediate Decision No 10725 of May 21, 2011 (Intermediate Circular No 262).

- b) Monitor the accounts opened and operations carried out, through the units and divisions mentioned in Article 11 of these Regulations, by using specialized software programs for retrieving (daily, weekly, monthly, annual) reports on the accounts and operations to which indicators such as the afore-mentioned apply.
- c) Take sufficient measures to prevent the misuse of technological developments for money laundering or terrorist financing purposes.

**Article 9:**

Banks must:

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

1- Customer risks:

- a) <sup>1</sup>Customers whose occupation relies mainly on cash (money exchange, gold and precious stones dealers, restaurants and night-clubs, real estate companies, car dealers, specialized lending entities known as “Comptoirs” (governed by the provisions of Articles 183 and 184 of the Code of Money and Credit), non-banking institutions performing cash transfers through electronic means...).
- b) Foreign Politically Exposed Persons who hold or have held important official positions (PEPs), their family members and close associates.
- c) Offshore companies.
- d) Companies established in countries known to be tax havens.
- e) The non face-to-face customers of the bank.
- f) Customers dealing only through intermediaries.
- g) Customers dealing through fiduciary contracts or trusts.
- h) Companies with a capital totally or partly constituted of bearer shares.
- i) Customers who are nationals or resident in countries that do not or insufficiently apply the FATF Recommendations.
- j) <sup>2</sup>Non-profit organizations (NPOs), particularly newly established NPOs that do not have clear programs or clear funding sources.

2- Country risks:

- a) The strictness of AML/CFT laws, and the efficiency of the regulatory and judiciary authorities in charge of their implementation.
- b) The existence of banking secrecy.
- c) The situation of the country regarding corruption and organized crime.

3- Service risks:

- a) Private Banking.
- b) Payable Through Accounts, which are accounts opened by banks and financial institutions at other banks and put at their customers’ disposal to be used directly or through subaccounts.

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<sup>1</sup> This clause was amended pursuant to Article 1 of Intermediate Decision No 12255 of May 4, 2016 (Intermediate Circular No 421).

<sup>2</sup> This clause was added pursuant to Article 2 of Intermediate Decision No 12255 of May 4, 2016 (Intermediate Circular No 421).

c) Electronic Banking.

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

- 1- To raise awareness concerning strict control as a priority.
- 2- To obtain more detailed information about customers (Increased KYC Levels), notably about the source of their wealth.
- 3- To obtain, according to risk levels, the necessary administrative approvals, in order to deal or continue to deal with customers and to execute operations.
- 4- To review periodically the relationship with customers.
- 5- To make continuous peer comparisons.
- 6- To set up an adequate system in order to determine whether the foreign customer is a Politically Exposed Person.

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

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

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

#### **Section IV- Committees and administrative units in charge of the control of operations for fighting money laundering and terrorist financing, and their tasks**

##### **Article 10<sup>1</sup>:**

Each bank operating in Lebanon must:

- 1- <sup>2</sup>Establish an AML/CFT Board Committee composed of three Board members at least, according to the following conditions:
  - To appoint a Chairman to this Board Committee chosen among its members, provided he/she is independent and has the necessary expertise.
  - To determine the remunerations of the Chairman and members of this Board Committee.

Except for the Chairman, any member of the AML/CFT Board Committee may, simultaneously, serve as member of the Audit Committee or the Risk Committee or the Remuneration Committee (Cross membership).

The Chairman of the AML/CFT Board Committee may not delegate his/her powers to any other person.

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<sup>1</sup>- This Article was amended pursuant to Article 3 of Intermediate Decision No 10725 of May 21, 2011 (Intermediate Circular No 262).

<sup>2</sup> This paragraph was amended pursuant to Article 3 of Intermediate Decision No 12255 of May 4, 2016 (Intermediate Circular No 421) whose Article 9 reads as follows: "Banks are granted a one-year time limit from the issuance date of this Decision to comply with the provisions of Article 3 thereof".

- 2- Establish the AML/CFT Compliance Unit (hereafter the Compliance Unit). This Unit's Head must have sufficient experience in fighting money laundering and must hold specialized certificates such as the CAMS-Certified Anti-Money Laundering Specialist- and its staff must have the required skills. The Unit must have the necessary resources to fulfil its duties.
- 3-<sup>1</sup> Appoint, in each branch of the bank, an AML/CFT Branch Officer in charge of controlling the operations, and who is not the director of the branch. This Officer must hold a high position, have professional and academic expertise, with independent functions, and without performing any marketing activity or receiving any kind of incentives against this activity (bonuses, remunerations, grants ...).

The AML/CFT Branch Officer's performance shall be directly evaluated by the Head of the Compliance Unit who will communicate the results of the evaluation to the Human Resources Department and to the AML/CFT Board Committee<sup>2</sup>.

- 4-<sup>3</sup> Establish, within the Compliance Unit, two Divisions at least. The first Division shall oversee the Head Office and the branches in Beirut, while the second Division shall oversee all other branches in Lebanon. Each Division shall ascertain that operations control standards are implemented by the Head Office and the branches, to ensure their compliance with AML/CFT regulations.

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

#### **Article 11:**

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

- 1- <sup>4</sup>Regarding the AML/CFT Board Committee mentioned in Paragraph 1 of Article 10 above:

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<sup>1</sup>- This paragraph was amended pursuant to Article 1 of Intermediate Decision No 11850 of September 11, 2014 (Intermediate Circular No 371) whose Article 6 reads as follows: "provided banks are granted a time limit ending on March 31, 2015 to comply with the provisions of this Decision".

<sup>2</sup> This subparagraph was amended pursuant to Article 4 of Intermediate Decision No 12255 of May 4, 2016 (Intermediate Circular No 421) whose Article 9 reads as follows: "Banks are granted a one-year time limit from the issuance date of this Decision to comply with the provisions of Article 3 thereof".

<sup>3</sup>- This paragraph was added pursuant to Article 2 of Intermediate Decision No 11850 of September 11, 2014 (Intermediate Circular No 371) whose Article 6 reads as follows: "provided banks are granted a time limit ending on March 31, 2015 to comply with the provisions of this Decision".

<sup>4</sup> This paragraph was amended pursuant to Article 5 of Intermediate Decision No 12255 of May 4, 2016 (Intermediate Circular No 421) whose Article 9 reads as follows: "Banks are granted a one-year time limit from the issuance date of this Decision to comply with the provisions of Article 3 thereof".

- a) To support the Board of Directors in its functions and supervisory role with respect to fighting money laundering and terrorist financing and understanding the related risks, and to assist it with making the appropriate decisions in this regard.
- b) To review, from a risk-based approach, the reports submitted by the Compliance Unit and the Internal Audit Unit on adopted procedures, unusual operations and high-risk accounts, regarding cash deposits and withdrawals, transfers, exemptions from filling Cash Transaction Slips (CTS) and the link between these operations and economic activities, and to also take the relevant decisions.

2- <sup>1</sup>Regarding the Compliance Unit:

- a) To prepare a procedure guide on the implementation of the AML/CFT Law and the present regulations, and to submit this guide to the Board Committee mentioned in Paragraph 1 of Article 10 above.
- b) To prepare a Form for customer's identification (KYC: Know Your Customer) that includes basic information to be provided about customers, in particular the information specified in Article 3 of these Regulations, for indicative purposes but not restrictively, and to submit this Form to the Board Committee mentioned in Paragraph 1 of Article 10 above.
- c) To verify the proper implementation and effectiveness of AML/CFT procedures and regulations.
- d) To review periodically the above-mentioned procedures and regulations, and to develop them in line with the latest adopted methods.
- e) To prepare a staff training program concerning the methods of controlling financial and banking operations in order to fight money laundering and terrorist financing.
- f) To monitor, when the operation totals or exceeds USD 10,000 or its equivalent, the adequacy of exemption procedures whereby some well-known customers are exempted from filling the cash transaction slip, and also to determine the exemption ceiling and to modify it according to developments in the customer's economic situation.
- g) To ascertain that concerned employees are complying with the procedure guide on the implementation of AML/CFT legal and regulatory texts, and that the KYC Forms are filled, and to prepare reports to this effect.
- h) To review periodically the effectiveness of AML/CFT procedures and regulations, improve them and propose amendments thereon to the Board Committee referred to in Paragraph 1 of Article 10 above, for taking the appropriate decision.
- i) To review the daily/weekly reports received from the concerned departments and branches about cash operations and transfers.
- j) To monitor all the customer's accounts and operations on a consolidated basis, in and off balance sheet, at the Head Office and at all branches in Lebanon and abroad, to make sure that they are consistent with the information provided in the KYC Form and with any other information held by the bank.
- k) To investigate unusual operations, in particular those mentioned in Paragraph 1 of Article 7 and Paragraph (a) of Article 8, provided the reasons behind these operations and their purpose are verified, the findings documented, retained for a

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<sup>1</sup>- This paragraph was amended pursuant to Article 6 of Intermediate Decision No 12255 of May 4, 2016 (Intermediate Circular No 421) whose Article 9 reads as follows: "Banks are granted a one-year time limit from the issuance date of this Decision to comply with the provisions of Article 3 thereof".

- five-year period and submitted to the SIC upon request; and also to prepare a periodical (at least, monthly) report to this effect and submit it to the Board Committee mentioned in Paragraph 1 of Article 10 above.
- l) To approve the opening of accounts for exchange institutions.
  - m) To control the accounts of the exchange institution on a consolidated basis.
  - n) To prepare the agenda of the AML/CFT Board Committee.
  - o) To notify directly the Chairman of the Board/ Director General whenever the Compliance Unit is in possession of evidence or doubts that the banking operation involves money laundering or terrorist financing
- 3- Regarding Internal Audit:
- a) To audit cash operations, transfers, and account movements.
  - b) To ascertain that branches and specialized sections are complying with the procedure guide on the implementation of AML/CFT legal and regulatory texts, and that the KYC Forms are properly filled.
  - c) To report discrepancies to the appointed external auditor, through a periodical report.
  - d) To inform the Compliance Unit through reports concerning the stipulations of Paragraphs a, b and c above, and any risky or unusual operations.
- 4-<sup>1</sup> Regarding the AML/CFT Branch Officer:
- a) To ascertain that the employees of the branch are complying with the procedure guide on the implementation of AML/CFT applicable laws and regulations, and that the KYC Form is properly filled.
  - b) To control cash operations, transfers, and any other account-related operations, in particular those carried out through ATMs, and all other operations carried out electronically (non face-to-face banking).
  - c) To spread awareness among the employees of the branch on the AML/CFT procedures.
  - d) To inform both the Head of Compliance Unit and the Head of the relevant Division within the Compliance Unit, of any unusual operations and of the branch's compliance with the required procedures; and also to submit to them directly periodic reports, without going through the director or the management of the branch.
- 5- Regarding the Head of the Transfers Section:
- a) To verify transfers credited to customers' accounts, particularly electronic transfers that do not include the name of the originator (ordering customer), exceed a specified amount and do not follow a usual pattern, in view of the nature and size of the customer's activities. To verify also the accounts in which recurrent or unusual transfers are made, and to ascertain the validity of these transfers in relation to the veracity of their sources.
  - b) To report to the Compliance Unit, through the Officer responsible for operations control at the branch, any doubtful transfer that may involve money laundering or terrorist financing operations.
  - c) To retain for a five-year period at least, a record including all the information accompanying a cross-border wire transfer received from an ordering financial

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<sup>1</sup>- This paragraph was amended pursuant to Article 3 of Intermediate Decision No 11850 of September 11, 2014 (Intermediate Circular No 371) whose Article 6 reads as follows: "provided banks are granted a time limit ending on March 31, 2015 to comply with the provisions of this Decision".

institution, where limitations prevent this information from being transmitted when the bank executes a related domestic wire transfer.

6- Regarding Cashiers:

- a) To require from customers, except from those exempted, to fill and sign a cash transaction slip (CTS), which must include in addition to the amount involved, information on the object of the operation, the source of funds, and the beneficial owner, in case of cash deposits totaling or exceeding USD 10,000 or its equivalent, or in case of multiple cash deposits involving lower amounts but totaling or exceeding USD 10,000 or its equivalent.
- b) To prepare special tables for operations that exceed the ceiling specified for customers exempted from filling the cash transaction slip, and to take the necessary technical measures to safeguard these tables, in order to make them available, upon request, to the Internal Audit Unit, the External Auditors, or the SIC.
- c) To report to the Compliance Unit, through the Officer responsible for operations control at the branch, any doubtful cash deposit that may involve money laundering or terrorist financing operations.

7- Regarding the Head of the Check Section:

- a) To give caution and attention to checks endorsed to a third party and to bank checks that are not deposited by the first beneficiary, as well as to traveler's checks and checks issued by institutions in foreign countries, in addition to those in which the identity of the account holder is not specified.
- b) To report to the Compliance Unit, through the Officer responsible for operations control at the branch, any check deemed suspicious.
- c) To make sure that checks are not credited to customers' accounts before being effectively collected from the issuing banks.

8- Regarding the Branch Director:

- a) <sup>1</sup>
- b) <sup>2</sup>To review account opening operations, to approve the exemption of certain customers from filling the cash transaction slips, and to determine the ceilings of exemption, based on criteria that justify these exemptions and ceilings, provided the names of exempted customers and the ceilings of exemption are submitted to the Compliance Unit for consideration.
- c) To coordinate with the Credit Director concerning debit accounts, and with the Branches Director concerning credit accounts.
- d) To make personally or to entrust the Branch Accounts Officer with making periodical visits to debtor customers to take cognizance of their business, assess their accounts' movements, and prepare a relevant report of which a copy must be submitted to the Compliance Unit in case it shows the occurrence of unusual operations.

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<sup>1</sup>- This paragraph was repealed pursuant to Article 4 of Intermediate Decision No 11850 of September 11, 2014 (Intermediate Circular No 371) whose Article 6 reads as follows: "provided banks are granted a time limit ending on March 31, 2015 to comply with the provisions of this Decision".

<sup>2</sup>- This subparagraph was amended pursuant to Article 7 of Intermediate Decision No 12255 of May 4, 2016 (Intermediate Circular No 421) whose Article 9 reads as follows: "Banks are granted a one-year time limit from the issuance date of this Decision to comply with the provisions of Article 3 thereof".

- 9-<sup>1</sup> Regarding each of the Divisions established within the Compliance Unit, as mentioned in Paragraph 4 of Article 10 of this Decision:
- a) To ascertain that operations control standards are implemented by the Head Office and the branches under its supervision, to ensure their compliance with AML/CFT regulations.
  - b) To prepare a monthly report on the compliance of the Head Office and branches with AML/CFT requirements, and to keep this report with the Senior Management.

## **Section V- Final Provisions**

### **Article 12:**

First: Each bank must:

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

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<sup>1</sup>- This paragraph was added pursuant to Article 5 of Intermediate Decision No 11850 of September 11, 2014 (Intermediate Circular No 371) whose Article 6 reads as follows: "provided banks are granted a time limit ending on March 31, 2015 to comply with the provisions of this Decision".

<sup>2</sup>- This paragraph was amended pursuant to Article 6 of Intermediate Decision No 10725 of May 21, 2011 (Intermediate Circular No 262).

**Second:**

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

**Third<sup>1</sup>:**

Each Lebanese bank must apply due diligence measures towards the customers of any of its branches abroad, whenever executing an operation or opening an account in Lebanon for any such customer, even if these branches abroad are also applying due diligence measures.

**Article 13:**

The external auditor of the bank must:

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

**Article 14:**

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

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<sup>1</sup>- This paragraph was added pursuant to Article 8 of Intermediate Decision No 12255 of May 4, 2016 (Intermediate Circular No 421).