

# **LAWS AND REGULATIONS GOVERNING BANKS IN LEBANON**

I

## **CODE OF MONEY AND CREDIT**

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CODE OF MONEY AND CREDIT

Decree № 13513 of 1 August 1963 including modifications

FIRST ARTICLE.- The Bill communicated to the Chamber of Deputies as a matter of urgency by Decree № 12825 of 21 May 1963 shall be put into execution. Under is the text :

TITLE 1

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.-Currency tokens are divided into :

- a) banknotes of equal or superior value to the currency unit;
- b) banknotes or coins of a lower value than the currency unit.

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.-Banknotes may be issued in the following denominations :  
1, 5, 10, 25, 50, 100 and 250 pounds.

Article 6.-Subdivisions of banknotes and coins may be in piastres of : 1; 2.50; 5; 10; 25 & 50.

Article 7.-Banknotes of a value of one pound and over shall be unlimited legal tender throughout the Lebanese territory.

Article 8.- Subdivisional units shall be legal tender of :

- a) Up to two pounds for coins of a face value equal or under 10 piastres.
- b) Up to 10 pounds for banknotes or coins of 25 piastres.
- c) Up to 20 pounds for banknotes or coins of 50 piastres.

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.

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TITLE II

THE CENTRAL BANK

SECTION 1 - ESTABLISHMENT - 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 moral 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 legislative decrees 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 amounting to fifteen million Pounds Lebanese (L.L. 15,000,000).

The capital may be increased, either through a new 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 or on the proposal of the Finance Minister.

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.-The management of the Bank shall be the concern of a Governor assisted by a first 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-governors 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 the Lebanon may have subscribed;
- Represent the Lebanon at international conferences.

Article 22.- The renumerations 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.- 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 Bank's 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 subject to the regulations of private law. They shall however be governed also by article 15 of legislative decree No. 112 of 12 June 1959, as well as by articles 340 to 343 inclusive of the Penal Code. Remunerations and grants under any form whatever of commissions or percentages on the Bank's proceeds or profits are strictly prohibited.
  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 legislative decree 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 10 qualified persons shall be presented, to this effect, to the Minister of Finance by the representative bodies of each of the banking, trading 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 Plan Board.
3. The sixth member shall be drawn from among university professors of economics, of Lebanese nationality.

Article 36.- The Committee members shall be appointed by decree on the proposal of the Ministry of Finance, following the advice of the Central Board of Banks. 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.

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 Finances 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 Government 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 banker's secrecy as provided by the law of 3 September 1956.

They shall check the tills and holdings of the 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 legislative decree 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.- Notes of a value equal or over one pound shall bear the fac-simile signatures of the Governor and first sub-governor of the Bank.

Article 49.- The format, design, text and other features of denominations 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 be 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 fac-simile 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 & 57 shall be applicable to subdivision notes.

Article 66.- Subdivision coins which can no longer be identified or which have suffered alterations or mutilations shall not be accepted or refunded.

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.- The Bank shall have to maintain, in its assets, holdings of gold and foreign currencies convertible into gold, corresponding to at least 30% of the money it has issued and of its sight deposits, on condition that the percentage of the aforementioned bullion and currencies is not less than fifty per cent (50%) of the money issued.

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.- The Bank's overall mission shall be the safeguard of the currency so as to ensure a basis for a permanent economic and social progress.

To this end, it shall exercise the powers vested in it by the present law.

##### 1. Co-operation 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.- The Bank shall make use of all means which, in its judgment, are likely to promote exchange stabilisation. To achieve this end, the Bank may notably undertake open market operations, with the consent of the Minister of Finance buying or selling bullion or foreign currencies.

Such interventions shall bear exclusively on currencies convertible into gold and shall be accounted in a special account styled "Exchange Stabilization Fund" the balance of which shall be entered with the Bank's other holdings of bullion and currencies in the working of the two ratios required under sub-paragraph 1 of article 69.

If need be, the Bank shall - within the framework of the present article - undertake financial operations listed in article V of I.M.F. Statutes.

3. Action on liquidity and the volume of credit

Article 76.- (as modified by law No. 28/67 of 9 May 1967)

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 lodge with it holdings (minima reserves) up to a specified percentage of their commitments due to deposits and borrowed funds, except such commitments of similar kind towards other banks equally under obligation to lodge reserve deposits.

The Bank may not set the required percentage at over 25% for sight commitments or more than 15% for time commitments.

Article 77.- The monthly holdings of a bank with the Central Bank (actual reserves) must at least reach the percentages, which have been set, of the monthly average of commitments 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.- The Central Bank can also exercise its action on credit by regulating advances on securities and credit to consumption (hire purchase).

#### 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.- 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 and rediscount, buy and sell trade Bills, instruments of payment and sight assets, made out in foreign currencies convertible into gold. Maturity of the Bills must not exceed three months;
4. Buy and sell loan Bonds issued or guaranteed by foreign Governments or international institutions on conditions that such securities are made out in foreign currencies convertible into gold, that their maturity does not exceed three months and that they are easily negotiable;
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 conditions 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 moral persons of public law referred to in article 2 of legislative decree 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 States deposits.

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 aware that the holdings of the Treasury with 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 & 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 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 & 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 applicant's 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 operation.

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 & 92 shall not be below the Bank's discount rate, raised by one point.

**Article 94.-** Credits under articles 91 & 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 & 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 for funds from banks and finance establishments.

Such accounts shall bear no interests.

Article 99.- The Central Bank shall not be held obliged, as a matter of principle, to grant credits to banks. It does so in far as 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.-The Bank may grant advances on current accounts, through the establishment of Letters of Credit, guaranteed by trade Bills such as are defined in article 100, by gold, currencies or movable assets, for a period which shall not exceed 12 months.

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 legislative decree No. 41 of 5 August 1967)  
In cases where public Bonds, issued by the State or with State guarantee, should be held by the public, the Bank could discount or acquire such Bonds, through the "pension" system on condition that they do not fall due later than 90 clear days:

The Bank could also accept, as collateral to advances, public Bonds issued by the State or with State guarantee.

Article 106.- By application of sub-paragraph c) of article 76, the Bank can buy public or private Bonds, of 90 days maturity or more, and resell such Bonds, without endorsement.

Article 107.- In no case can operations on public Bonds as described in articles 105 & 106 be dealt with on behalf of the Treasury or other issuing entities of the public Sector.

Article 108.- The amount of public Bonds, discounted, acquired under the "pension" system or bought by the Central Bank, within the terms defined in articles 105 & 106, shall not exceed the amount of the Bank's capital and its general reserve Fund referred to in article 113.

Article 109.- The Central Bank does not transact operations authorised by articles 98 to 108 inclusive except with banks and international finance institutions.

#### 4. Other Operations

Article 110.- (as modified by legislative decree 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 resources.

5. Prohibited operations

Article 111.- (as modified by legislative decree No. 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 divers 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.- 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.

After the redemptions referred to in the preceding sub-paragraph, the creditor balance - if any - of the special account, shall be maintained with the Bank, as a matter of obligation, as Treasury deposit.

Article 117.- Before June 30th 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 Bank's 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.

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### 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 receives 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 institutions.

##### SECTION 2 - PROHIBITIONS

Article 125.- It is forbidden to any person, physical or moral, not carrying on the banker's profession, to receive deposits as implied by article 123.

Article 126.- The banker's profession cannot be carried on in Lebanon except by concerns set up as joint-stock companies.

Shall not be submitted to the provision of the preceding sub-paragraph establishments of foreign banks in Lebanon, on condition that the latter are considered as banks by the legislation governing them.

Article 127.- 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, extorsion 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 banker's secrecy.

The provisions of the present article are equally applicable to the Central Bank.

### SECTION 3 - CONDITIONS OF ESTABLISHMENT

- Article 128.-** The Central Bank must be consulted on the establishment of any bank in Lebanon, as well as on all modifications of its articles.
- Article 129.-** (as modified by legislative decree No. 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 shall be made without charge or commission.
- Article 130.-** Any foreign bank which contemplates the setting up of one or several agencies or branches, must, prior to the formalities of declaration and publicity required by Order No. 96 of 30 January 1926 or article 29 of the Code of Commerce, file an application with the Government Commissariat to the Central Bank.
- Article 131.-** This application shall be examined by the Government Commissioner and by the Central Bank. The unfavourable opinion of these authorities will be deemed an obstacle to the formalities of declaration and publicity referred to in the preceding article.  
Such opinion, however, is subject to appeal before the Council of Ministers fifteen clear days to be computed from its notification to the Applicant by the Government Commissariat. The decision taken on this matter by the Council of Minister is not open to any channels of review.

SECTION 4 - OBLIGATIONS OF BANKS

**Article 132.-** (as modified by legislative decree No. 41 of 5 August 1967)  
Any Lebanese bank is required to have a minimum paid up capital of three million Lebanese Pounds allocated for its exploitation in Lebanon.

It is required, on the other hand, to build up a reserve fund by deducting 10 per cent of the net profit of its exploitation in Lebanon.

Barring cases of union, merger or transformation of a branch of a foreign bank into a Lebanese joint-stock company, the capital of the bank is to be paid up in cash and deposited with the Bank of Lebanon. However it is conceded, subject to the approval of the Bank of Lebanon, to pay-in part of this capital in kind, in the shape of Real Estate investments required for the exploitation of the Bank and within the limits defined in article 153.

**Article 133.-** (as modified by legislative decree No. 41 of 5 August 1967)  
Any foreign bank is required to prove that it has invested for its operations in Lebanon a minimum capital of three million Lebanese pounds.

It is required, on the other hand, to build up a reserve fund by deducting 10 per cent of the net profit of its exploitation in Lebanon.

**Article 134.-** (as modified by legislative decree No. 41 of 5 August 1967)  
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 form its capital within the new time-limit.

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 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 gazetted.

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 banker's 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 entered 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 the banker's secrecy.

### 3. Delisting

Article 140.- (as modified by legislative decree 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 Bankers' Commission 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 Banker's Commission 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 & 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 September 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 himself 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 them to whomsoever.

**Article 151.-** Every person belonging to or having belonged to the Central Bank, in any capacity whatsoever, is bound by the banker's secrecy law of 3 September 1956 . This obligation covers all information concerning not only the clients of the Central Bank and banks and finance institutions, but also these institutions 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 legislative decree No. 41 of 5 August 1967)  
Banks are forbidden to :

1. Carry on a trade, an industry or any activity whatsoever which is alien to the banker's 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 loans, under any form whatsoever, directly or indirectly, to the members of the Board of Directors or to their managing Executives as well as to the family relations of these persons, without it being required that the following conditions are met :
  - a) Credits must be the object of a special and prior authorisation in each individual case, granted by the General Meeting of Shareholders. The Board of Directors and the Supervisory Commissioners are required to inform the annual Ordinary Meeting of Shareholders of these credits. Such special authorisation is to be renewed annually if need be.
  - b) The granting of every credit must be the object of an express permission of the Board of Directors specifying the amount and the terms.
  - c) Loans are to be covered by real guarantees.
  - d) The total amount of such credits must not exceed 25% of the capital.

For the application of the aforementioned paragraphs 3 and 4, the family comprises the Borrower's dependents (spouse, ascendants, descendants, brothers and sisters).

**Article 153.- (as modified by legislative decree No. 41 of 5 August 1967)**

The whole of a bank's assets representing outlay for its foundation and establishment fixtures and furnishing, its immovable investments and its shares from partnership or participation, under any form whatsoever, in any enterprise, whatever its object may be, shall not exceed 75% of its own funds.

Real Estate goods comprised within the whole of the said elements of the Assets may not be constituted except by buildings utilised in part or as a whole for the operation of the Bank.

**Article 154.-** By derogation to articles 152, paragraph 2) and 153, a bank may acquire partnership or participation share, debentures 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.

**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 mores 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 bank's uses 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 1935, 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.- Banks operating in Lebanon can take real estate mortgages to guarantee their loans, without being submitted to the obligations stipulated in articles 2, 3 and 4 of legislative decree No. 110 of 12 June 1959.

However, in case of execution, the real estate so mortgaged by the banks cannot be acquired by them or by Third Parties except according to the conditions referred to in articles 2, 3 and 4 of legislative decree No. 110 mentioned above.

Article 164.- It is forbidden to any bank to pledge the valuables they have received by mortgage, or to use them for 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 never acquire its own shares, nor accept them as collaterals for its credits.

2. Special rules governing a number of operations  
a. SAVINGS ACCOUNTS

Article 166.- Banks may receive savings deposits from physical 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 legislative Decree No. 144 of 12 June 1959.

Article 172.- Registration on the "List" exempts banks from the formality referred to in article 186 of legislative Decree 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.- 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.

The Bank may, notably, set or modify, whenever it deems it necessary, standards of management, to remain within liquidity and solvency.

Article 175.- In execution of the last sub-paragraph of the preceding article, the Central Bank may periodically determine the ratios which must exist :

1. Between the amount of a bank's assets classified according to their rate of liquidity, on the one hand, and the amount of its commitments classified according to their rate of execution, on the other;
2. Between the amount of a bank's own capital, on the one hand, and the global amount either of deposits, or of all commitments, at sight or short-term, on the other;
3. Between the amount of a bank's own capital, on one hand, and the amount of commitments by acceptance, on the other;
4. Between the amount of a bank's own capital items, on one hand, and the total of its commitments to Third Parties, on the other;
5. Between the total of credits granted by a bank to the same person, physical or moral, on the one hand, and the total of its own capital items and deposits, on the other.

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.- Are not registered on the list referred to in article 136 those enterprises which, while receiving no deposits in the sense of article 123, are designed by their object to transact credit operations, financial operations, or to participate, under whatever form, in going concerns or concerns under formation.

The enterprises referred to in the preceding paragraph are designated, in the present law, by the terms "finance establishments".

Article 179.- Without prejudice to the same prohibitions as those outlined in article 127, finance establishments may be founded and exploited by physical persons or companies established under one of the forms authorised by the Code of Commerce.

Article 180.- (as modified by legislative decree No. 41 of 5 August 1967)  
Finance establishments must be duly registered with the Central Bank.

Their registration, however, shall be object to no publicity.

Any person who shall have been registered with the Bank of Lebanon may not, as a matter of usual practice, transact financial, credit or participation operations.

Article 181.- These establishments shall be under the prohibition provided by article 125.

Article 182.- Finance establishments are required to address to the Central Bank according to the conditions, forms and time-limits laid down by the latter, balance sheets, Profit and Loss Accounts and statistical statements.

They must also furnish all information, clarifications and justifications that the Bank may require them to provide.

They must conform to the directives that the Bank could give them in credit matters.

Through its assessors, the Central Bank may undertake such verifications and controls over finance establishments as it may deem necessary.

The said establishments are subject to disciplinary sanctions prescribed for banks under article 208; delisting their registration shall entail their liquidation.

Article 183.- Are not considered as deposits received by finance establishments : the funds put at the disposal of finance establishments by : joint liability associates if the establishment is set up in the form of a private company by the financed and the sleeping partners, if it is set up in the form of a simple limited partnership company; by the financed, if it is formed as a partnership limited by shares; as well as the funds referred to in article 124 if the establishment is formed as a joint-stock company.

Article 184.- Finance establishments which would have been formed as joint-stock companies are required to have supervisory commissioners according to the same conditions as banks.

#### SECTION 7 - SUPERVISORY COMMISSIONERS

Article 185.- No one can be designated to the functions of supervisory commissioner if he stands within one of the cases listed in article 127.

Article 186.- The supervisory commissioners which banks appoint by virtue of article 172 of the Code of Commerce are required to meet the conditions and be so qualified as to be eligible for acceptance as experts before law courts. Moreover, they are to be sworn in.

These commissioners and the supplementary commissioners referred to in article 173 of the Code of Commerce must, concurrently with the mission assigned to them by the said Code, make certain of the correct application, by the banks where they are appointed, of the provisions of the present law and of all other measures prescribed in execution of this law.

They are barred from carrying on other functions with these banks.

Article 187.- (as modified by legislative decree 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, as irregularities and infringements as 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 the latest 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 legislative decree No. 41 of 5 August 1967)  
The supervisory commissioners are required to send directly and simultaneously to the governor of the Central Bank and 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.- Every foreign bank must appoint a supervisory commissioner selected out of the category listed in the first paragraph of article 186 and, on the other hand, ask the president of the Court of primary jurisdiction of the Head Office of its main establishment in the Lebanon to appoint a supplementary commissioner.

The commissioners referred to in the preceding article shall ensure control over the foreign banks' exploitations in Lebanon, according to the conditions laid down in the present law.

Article 190.- Supervisory commissioners are bound to the banker's 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 banks' supervisory commissioners by decree adopted by the Council of Ministers, on the Central Bank's proposal, and approved by the Minister of Finance.

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TITLE IV  
SANCTIONS

SECTION 1 - PUNITIVE SANCTIONS

Article 192.- Refusal to accept Lebanese money within the framework of conditions laid down in articles 7 & 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 12 come under the penalties listed in article 356 of the Code Penal.

Banks, finance institutions 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 those 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 legislative decree No. 41 of 5 August 1967)  
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 punishable by the same penalties whoever, as a matter of usual practice, carries out financial, credit and participation operations prior to his registration with the Bank of Lebanon in conformity with the provisions of the preceding article 180.

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 institution, shall have knowingly provided the Central Bank account statements, statistics, information, or explanations, incomplete or contrary to reality, is 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 banker's secrecy by persons referred to in articles 148, 151, 155 and 190 is 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 moral 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 moral person concerned, responsible for the breach.

This or these responsible persons are held jointly and severally with the moral 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 filed 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 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) delisting from the list of banks.

Article 209.- The measures provided under sub-paragraphs a) and b) of the preceding article are decided by the Central Bank, which must, previously, give an oral hearing to the bank concerned.

The penalties provided under sub-paragraphs c), d) and e) of the present article shall be uttered by a Commission made up as follows :

- A judge chosen from among Chamber presidents and counsels of the Supreme Court of Appeal and nominated by decree, after approval by the Higher Council of the Bench, Chairman;
- A representative of the Central Bank, appointed by the Governor, member.
- The Government Commissioner to the Central Bank, member.

The Commission shall pronounce judgment after hearing the responsible persons of the bank concerned or its authorised agents.

The Commission's decisions are beyond appeal.

Article 210.- (as modified by legislative decree 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.

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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 take, 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 stamp, 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.

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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 :
  - a) the question of counterfeit, in 1952, L.L. 100 notes, issued on 1 December 1945, by the Bank of Syria and Lebanon;
  - 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 Organisation 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 Bank's 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 subdivisional money in circulation up to late 31 March 1964.
- b) Shall take over, at cost price, of 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 Bank of Syria and Lebanon late on 31 March 1964.

The Bank may choose not to take over and cancel the money power of the subdivisional 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 subdivisional coins to its assets.

Article 227.- In compliance with sub-paragraph d) of article 97, the fulfilment 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 gramme 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 their actual price, shall still be governed by the provisions of decree No. 15105/K of 27 May 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 worded 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 foreign 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.

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