



United States Department of the Treasury  
Financial Crimes Enforcement Network

# FinCEN Advisory

Subject:  
**Transactions  
Involving  
Lebanon**

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Advisory:  
**Issue 18**

Banks and other financial institutions operating in the United States are advised to give enhanced scrutiny to all financial transactions originating in or routed to or through Lebanon, or involving entities organized or domiciled, or persons maintaining accounts, in Lebanon. The need for such enhanced scrutiny is discussed in the remainder of this Advisory.

Lebanon, with a population of approximately 3.5 million, is situated between Israel and Syria and borders the Mediterranean Sea. In recent years, Lebanon has made great strides to repair an economy and infrastructure seriously damaged by its 1975-91 civil war. An important component of Lebanon's economic recovery has been the strength of the Lebanese banking system.

The counter-money laundering regime embodied in the legal, supervisory, and regulatory systems of Lebanon suffers from serious systemic problems. Although Lebanon has adopted many policies and requirements designed to detect and prevent financial activity harmful to the safety and soundness of its 66 commercial banks, and to prevent the influx into the Lebanese banking system of criminally-derived funds, the effectiveness of such measures is severely hampered by Lebanon's commitment to strict bank secrecy. The country's 1956 Law on Bank Secrecy prohibits bank managers and employees from revealing client names, or information regarding client assets and holdings (with certain limited exceptions) to any individual or public administrative, law enforcement, or judicial authority.

- The Banking Control Commission, with supervisory authority over all commercial banks in Lebanon, does not have access to individual account information and the names of depositors.
- Numbered accounts are permitted in Lebanon. Only bank managers know the identities of numbered account-holders, and they are prohibited by the Law of Bank Secrecy from revealing this information to Lebanese officials.
- The Law on Bank Secrecy may impede access to financial and commercial records in criminal investigations. However, bank



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secrecy does not apply to investigations into public corruption or money laundering charges involving drug manufacturing.

- The Law on Bank Secrecy can operate to prevent foreign authorities from obtaining customer identity information, even pursuant to formal requests for judicial assistance.

Bank secrecy is not the sole deficiency present in Lebanon's counter-money laundering system.

- Although banks are required to terminate account relationships with clients suspected of engaging in suspicious activity, they are not required to report suspicious activity to Lebanese authorities. External auditors may report suspicious activity to Lebanese officials if they believe that an examined bank has not taken appropriate action with respect to a particular account, but they are prohibited by bank secrecy from revealing the name of the account holder.
- Money laundering is only a crime in Lebanon with respect to narcotics and public corruption, a fact that further limits any obligations relating to suspicious activity.

These deficiencies, among others, have caused Lebanon to be identified by the Financial Action Task Force on Money Laundering (the "FATF") as non-cooperative "in the fight against money laundering." The FATF, created at the 1989 G-7 Economic Summit, is a 29 member international group that works to combat money laundering.

Lebanese officials have indicated an awareness of deficiencies in Lebanon's counter-money laundering systems. They have stated that Lebanese banks are now required to comply with the Due Diligence Convention, a formerly voluntary set of requirements designed to combat the laundering of money obtained from illegal drug-trade. According to the Lebanese Minister of Finance, the Banking Control Commission has formed an anti-money laundering unit. In addition, a joint-committee of the Banking Control Commission, the Ministry of Finance, the Central Bank of Lebanon, and the Lebanese Banking Association was formed on May 19, 2000, to coordinate anti-money laundering activities in Lebanon.

Nonetheless, the legal, supervisory, and regulatory systems of Lebanon at present create significant opportunities and tools for the laundering and protection of the proceeds of crime, and allow criminals who make use of those systems to increase significantly their chances to evade effective investigation or punishment. Lebanon's commitment to bank

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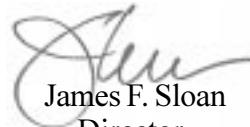
secrecy and the absence of certain key supervisory and enforcement mechanisms aimed at preventing and detecting money laundering increase the possibility that transactions involving Lebanese entities and accounts will be used for illegal purposes.

Thus, banks and other financial institutions operating in the United States should give enhanced scrutiny to any transaction originating in or routed to or through Lebanon, or involving entities organized or domiciled, or persons maintaining accounts in Lebanon. A financial institution subject to the suspicious transaction reporting rules contained in 31 C.F.R. 103.18 (formerly 31 C.F.R. 103.21) (effective April 1, 1996), and in corresponding rules of the federal financial institution supervisory agencies, should carefully examine the available facts relating to any such transaction to determine if such transaction (of \$5,000 or more, U.S. dollar equivalent) requires reporting in accordance with those rules. Institutions subject to the Bank Secrecy Act but not yet subject to specific suspicious transaction reporting rules should consider such a transaction with relation to their reporting obligations under other applicable law.

It should be emphasized that the issuance of this Advisory and the need for enhanced scrutiny does not mean that U.S. financial institutions should curtail legitimate business with Lebanon.

To dispel any doubt about application of the “safe harbor” to transactions within the ambit of this Advisory, the Treasury Department will consider any report relating to a transaction described in this Advisory to constitute a report of a suspicious transaction relevant to a possible violation of law or regulation, for purposes of the prohibitions against disclosure and the protection from liability for reporting of suspicious transactions contained in 31 U.S.C. 5318(g)(2) and (g)(3).

United States officials stand ready to provide appropriate technical assistance to Lebanese officials as they work to remedy the deficiencies in Lebanon’s counter-money laundering systems that are the subject of this Advisory.



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Director

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