

Announcement No. 12

On the Amendment of Decision no. 4 of 14/8/2013 (on Compliance)

Pursuant to Law 161 of August 17, 2011 on Capital Markets,

And pursuant to the Decision of the Capital Markets Authority's Board, taken in its meeting of 26/1/ 2015,

Please be informed of the following:

First: the Decision no. 4 of 14/8/2013 (on Compliance) has been amended as follows:

1. Article One of said decision was cancelled and replaced with the following text:

Article one: the provisions of this Decision shall apply to the following companies:

Category 1: Joint-stock companies operating in Lebanon having negotiable shares in organized Capital Markets

Category 2: Joint-stock companies operating in Lebanon having negotiable shares in organized Capital Markets or Over the Counter Capital Markets (OTC), with a number of shareholders exceeding twenty, and total revenues ranging between LBP 30,000,000,000 and 100,000,000,000 (thirty and one hundred billion Lebanese pounds).

Category 3: Joint-stock companies operating in Lebanon having negotiable shares in organized Capital Markets or Over the Counter Capital Markets (OTC) with a number of shareholders exceeding twenty, and total revenues exceeding 100,000,000,000 (one hundred billion Lebanese pounds).

Category 4: Companies that intend to transfer their assets in the framework of a securitization process by being the originator.

The provisions of this decision shall not apply to banks, financial institutions and financial intermediaries operating in Lebanon.

2. Article five of said decision was cancelled and replaced with the following text:

Article 5: Companies falling under abovementioned categories (3) and (4) can outsource a specialized external institution to perform the compliance duties totally or partially provided that:

- The company ensures that the outsourcing institution is qualified enough to perform the outsourcing work;



- The outsourcing agreement shall explicitly state the scope and nature of the outsourcing and confirm the company's full responsibility in relation to the proper implementation of the provisions of this decision.
 - The Company shall inform the Capital Markets Authority of the name of the outsourcing institution that will perform the compliance duties; if the Capital Markets Authority objects to the outsourcing institution, the company concerned should immediately comply with the CMA objection.
3. Article Twelve of said decision was cancelled and replaced with the following text:

Article 12: In compliance with the provisions of the Lebanese Code of Land Trade, especially the provisions related to auditors, companies which fall under the abovementioned categories (1), (2) or (4) should appoint at least one external auditor, as for companies which fall under category (3), they should appoint at least two external auditors.

All companies referred to in article 1 hereinabove should inform the Capital Markets Authority of the names of their external auditors; if the Capital Markets Authority objects to any of them, the companies concerned should immediately comply with the objection.

Second: Attached is Decision no. 4 of 14/8/2013 (on Compliance) amended as per the above.

Beirut, on January 27, 2015.

CMA Chairman/ Governor of the Central Bank of Lebanon

Riad Toufic Salame (signature)



Committees, Units and Departments to be Established in Some Joint-Stock Companies

Decision No. 4

Related to “Compliance”

Pursuant to the Law No 161 dated 17/8/2011 on the capital markets,

Pursuant to the decision of the Capital Markets Authority’s Board taken in its meeting held on August 5, 2013;

The Chairman of the Capital Markets Authority (CMA) / Governor of the Central Bank of Lebanon decides the following:

Article 1¹: The provisions of the present decision shall apply to the following companies:

Category 1: Joint-stock companies operating in Lebanon having negotiable shares in organized Capital Markets

Category 2: Joint-stock companies operating in Lebanon having negotiable shares in organized Capital Markets or Over the Counter Capital Markets (OTC), with a number of shareholders exceeding twenty, and total revenues ranging between LBP 30,000,000,000 and 100,000,000,000 (thirty and one hundred billion Lebanese pounds).

Category 3: Joint-stock companies operating in Lebanon having negotiable shares in organized Capital Markets or Over the Counter Capital Markets (OTC) with a number of shareholders exceeding twenty, and total revenues exceeding 100,000,000,000 (one hundred billion Lebanese pounds).

Category 4: Companies that intend to transfer their assets in the framework of a securitization process by being the originator.

The provisions of the present decision shall not apply to banks, financial institutions and financial intermediaries operating in Lebanon.

Article 2: All companies mentioned in article 1 hereinabove should establish a Compliance Department that ensures proper implementation of the procedures, laws and regulations in force, according to the details mentioned in article 7 hereunder for the purpose of guaranteeing commitment to the best management practices which protect the rights of shareholders and stakeholders.

Article 3: The Compliance Department shall be constituted of sufficient numbers of appropriately qualified staff commensurate with the Company’s size, diversity of activities and operations whereas one person can be assigned such duties (Compliance Officer).

¹ This article was amended by Announcement 12 of 27/1/2015



Article 4: Companies affiliated to a group of companies can have a common compliance department with the parent company.

Article 5²: Companies falling under abovementioned categories (3) and (4) can outsource a specialized external institution to perform the compliance duties totally or partially provided that:

- The company ensures that the outsourcing institution is qualified enough to perform the outsourcing work;
- The outsourcing agreement shall explicitly state the scope and nature of the outsourcing and confirm the company's full responsibility in relation to the proper implementation of the provisions of this decision.
- The Company shall inform the Capital Markets Authority of the name of the outsourcing institution that will perform the compliance duties; if the Capital Markets Authority objects to the outsourcing institution, the company concerned should immediately comply with the CMA objection.

Article 6: For the sake of greater objectivity, the Compliance Department, should be independent from the party assigned to carry out operations inside the Company and should not have executive duties in the latter.

Article 7: The Compliance Department should:

- 1- Have a work rule which clearly specifies its role and responsibilities.
- 2- Design a work program relevant to the size, nature and complexities of the Company's operations. It should determine the action plan to review the Company's compliance with the laws and regulations in force.
- 3- Specify and assess risks of non-compliance related to the Company's activities especially non-compliance risks related to new activities.
- 4- Take measures to ensure effective verification of compliance with the laws in force, as well as the regulations, procedures and instructions issued by the Capital Markets Authority and any competent vested authority.
- 5- Take measures to ensure effective verification of compliance with Anti-Money Laundering and Combating Financing Terrorism regulations. (AML / Compliance).
- 6- Keep up with regulatory changes and developments in laws and regulations and suggest the necessary amendments to the Company's policies and procedures in line with such developments.
- 7- Ensure proper implementation of corrective actions upon discovery of any violations resulting from non-compliance.

Article 8: The board of directors appoints the Head of Compliance Department and specifies his benefits and indemnities.. The board of directors will also be in charge of the Department if it is constituted of only one person.

Companies that fall under category (1) should inform the Capital Markets Authority in accordance with annex No. (1) enclosed herewith of the name of the Head of Compliance Department, any subsequent change and the reasons behind such change. if the Capital

² This article was amended by Announcement 12 of 27/1/2015



Markets Authority objects to the name of the assigned Head, the company concerned should immediately comply with the CMA objection.

Article 9: The Compliance Department should submit regular reports, at least semi-annually, to the board of directors on the completed tasks of assessment and follow-up and the violations and/or deficiencies of the laws and regulations in force. This is recommended to address them on a pro-active basis. .

Article 10: All companies referred to in article 1 hereinabove should make all the reports of the Compliance Department available to the Financial Control Unit and its External Auditors upon request.

Article 11: The provisions of the present decision shall apply to:

- All the departments, units, operations and activities of the Company including outsourced activities and operations.
- All branches and units affiliated to the Company in Lebanon and abroad.
- Subsidiaries which have a common Compliance Department with the parent company.

Article 12³: In compliance with the provisions of the Lebanese Code of Land Trade, especially the provisions related to auditors, companies which fall under the abovementioned categories (1), (2) or (4) should appoint at least one external auditor, as for companies which fall under category (3), they should appoint at least two external auditors.

All companies referred to in article 1 hereinabove should inform the Capital Markets Authority of the names of their external auditors; if the Capital Markets Authority objects to any of them, the companies concerned should immediately comply with the objection.

Article 13: External Auditors should submit an annual report to the Capital Markets Authority on the extent of compliance of all the companies referred to in article 1 hereinabove with the provisions of the present decision.

The said report should contain detailed information on the compliance of the companies concerned with the laws in force and the regulations, procedures and instructions issued by the Capital Markets Authority or any other competent vested authority. This reports should contain in particular, information on the required measures taken by the concerned companies to implement anti money laundering and combating financing terrorism regulations (AML/CFT Compliance).

All companies referred to in article 1 hereinabove should inform its external auditors, in writing, of the necessity of submitting the annual report stipulated herein.

Article 14: Whoever violates the provisions of the present decision shall be subject to the administrative penalties stipulated in the laws and regulations in force, especially those stipulated in law No. 161 dated August 17, 2011, related to capital markets.

³ This article was amended by Announcement 12 of 27/1/2015



Article 15: Companies subject to the present decision shall be given a maximum period of one year as of the date of publication of the same in the Official Gazette to abide by the provisions thereof. the Capital Markets Authority can, if deemed appropriate, impose a shorter deadline on the said companies.

Article 16: The present decision shall enter in force upon its publication in the Official Gazette.

Beirut on August 14, 2013

Chairman of the Capital Markets Authority / Governor of the Central Bank of Lebanon
Riad Toufic Salameh
(Signature and seal)