

Announcement No. 16

On the Amendment of Decision no. 12 of 10/2/2014 (on the Regulations on Securities and Derivative Transactions)

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 June 1st, 2015,

Please be informed of the following:

First: the Decision no. 12 of 10/2/2014 (on the Regulations on Securities and Derivative Transactions) has been amended as follows:

1. Article two of the regulation attached to said decision was cancelled and replaced with the following text:

The “financial intermediary” is prohibited from performing, for its own account or on behalf of its clients, a transaction on “Securities and derivatives” or an Off-Exchange Retail Forex transaction with a correspondent, except when the latter is:

- 1- A correspondent that carries out activities in the United States or is a resident of the United States, on condition that it is a member of the National Futures Association (NFA) and licensed by the Commodity Futures Trading Commission (CFTC).
- 2- A correspondent that carries out its activities outside the United States or is not a resident of the United States, on condition that this correspondent has an “Investment Grade” and is licensed to trade in financial derivatives by the relevant regulatory authorities in countries with an “Investment Grade”, in accordance with the ratings of Standard and Poor's or its equivalent by other international rating agencies.

The Capital Markets Authority's Board may make, for each case considered separately, an exception for a correspondent that has a rating below “Investment Grade” or is not rated, on condition that this correspondent is licensed to trade in financial derivatives by the relevant regulatory authorities in countries with sovereign “Investment Grade” and above.



2. Article three of the regulation attached to said decision was cancelled and replaced with the following text:

Article 3: The “financial intermediary” must:

- 1- Confirm, pursuant to clients’ orders, all transactions performed for clients with correspondents, related to “financial securities and derivatives”, listed or unlisted in the financial markets, with the exception of market makers’ transactions and liquidity providers’ transactions at the best price..
- 2- Require the client to pay the whole premium on long option contracts.
- 3- Require the client to deposit an initial margin when opening a position for “financial securities and derivatives”, on condition that the said position is revalued daily, one time at least.
- 4- Require the client to rebuild the initial margin when the equity drops to the maintenance margin level, which shall be no less than 75% of the initial margin, and, in case of the client’s refusal, liquidate immediately enough positions to cover the equivalent of the value of the missing amount to reach the required margin. The institution should inform the client ahead of time of the criteria upon which the positions to be closed are selected; FIFO or LIFO in that case.
- 5- Pay the margins to the correspondents not on a net but on a gross position basis, and build a margin for each long or short position separately, knowing that clearing long positions with short positions is prohibited.
- 6- Determine the initial and maintenance margins for the positions held on “financial securities and derivatives” listed or unlisted in organized and OTC markets, including those performed on an electronic platform in the following manner:
 - a. For all transactions:
 - Initial Margin: 20% of the notional value of transactions
 - Maintenance Margin: 75% of the Initial Margin
 - b. For futures contracts: excepting the transactions on currencies on which the two margins specified in (a.) apply, margins must be no less than the margin required from the correspondent or the margin required from the concerned stock exchange, for each long or short position, whichever is higher.
 - c. For short options: except the transactions on currencies on which the two margins specified in (a.) apply, margins must be no less than the margin required from the correspondent and the margin required from the concerned stock exchange, whichever is higher, until the liquidation or maturity date of the concerned short option. A guarantee formed of underlying assets may be given, on condition that it can be liquidated immediately in case of a sell call option. Margins do not apply on short options if the underlying assets are in the client portfolio at the financial intermediary.
- 7- Determine the initial and maintenance margins for the positions held on listed and unlisted financial securities and derivatives, so that these margins are no less than the amount required from the correspondent.



- 8- Separate cash accounts, including clients' margin accounts linked to financial derivatives, from the accounts of the financial intermediary.
- 9- Make sure, through daily matching, that the clients' credit balance remaining with the financial intermediary is no less than the clients' credit balance deposited with correspondents.

Second: Attached is Decision no. 12 of 10/2/2014 (on Regulations on Securities and Derivative Transactions) amended as per the above.

Beirut, on June 1, 2015.

CMA Chairman/ Governor of the BDL
Riad Toufic Salame (signature)