

## **Decision Number 4**

### **Compliance**

#### **Committees, Units and Departments to be established in Some Joint-Stock Companies**

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 declares the following,**

**Article 1:** 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).

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).

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

**Article 5:** Companies falling under abovementioned category (2) can designate a specialized external institution to perform the compliance duties totally or partially (outsourcing) 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 the present 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 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 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) or (2) 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.

**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)



## **Annex 1**

### **Notification Form about the Head of Compliance Department**

1	Data related to the Company
2	Personal data of the appointed person
3	How to contact the appointed person
4	Position entrusted to the appointed person
5	Professional / Judicial Behavior
6	Competence and qualifications
7	Acknowledgement of the appointed person
8	Company's Undertaking



<b>Position</b>	
<input type="checkbox"/> Head of the Compliance Department	

<b>1. Data related to the Company</b>
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a- Full Name
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b- Registration No. in the Commercial Register
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c- E-mail	Website
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d- Tel:
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e- Fax:
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<b>2. Personal data of the appointed person</b>
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**2.1 Name**

**Full Name**

Family Name	First Name	Father's Name

**2.2 Date of Birth**

Day	Month	Year

**2.3 Place of Birth**

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**2.4 Nationality**

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**2.5 Register No.**

**City or Village**

**District**

**Province**

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<b>3. How to communicate with the appointed person</b>
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**3.1 Permanent Place of Residence**



Address		
Street Name and number		
Area and City		
P.O. Box		
Tel / Mobile		
Fax and e-mail	(Fax)	(E-mail)

#### 4. Position entrusted to the appointed person

##### 4.1 Work Start Date

Day	Month	Year

##### 4.2 Clear and detailed description of the position's duties and responsibilities.

#### 5. Professional / Judicial Behavior

##### 5.1 Has the appointed person ever:

a- Been forbidden from exercising any trade, commerce or profession which requires authorization, registration or approval by virtue of the laws and regulations in force or have restrictions been imposed on such exercise?

Yes  No

b- Been convicted of any crime?

Yes  No

c- Been convicted of any deceit, fraud, abuse of trust or any prohibited action?

Yes  No

If yes, mention the details:



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**6. Competence and qualifications**

**6.1 Education background of the appointed person**

Degree	Name of University	Country	Graduation Year

**6.2 Professional record of the appointed person:**

	1	2	3
<b>Employer</b>			
<b>Type of Work</b>			
<b>Job duties</b>			
<b>Period of Service</b>	From ____ (Month / year) Until (Month / year)	From ____ (Month / year) Until (Month / year)	From ____ (Month / year) Until (Month / year)
<b>Reason for quitting the job</b>			

**Prior to signature, make sure of filling all the required data**

- Have all the questions been answered?
- Has the curriculum vitae been submitted?
- Has a copy of the judicial record been enclosed?
- Has a copy of the identity card been enclosed?





**7. Acknowledgement of the appointed person**

I the undersigned, hereby acknowledge having reviewed all the information of the present application (including all enclosures and annexes).

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**8. Company's Undertaking**

I the undersigned, hereby undertake that the information mentioned in the present application (including all enclosures and annexes) are complete, accurate and correct and I have taken notice that the Capital Markets Authority shall be entitled to ensure the validity of the abovementioned information and object to the present designation.

\_\_\_\_\_  
Name of Company's  
representative

\_\_\_\_\_  
Official Signature and seal

\_\_\_\_\_  
Date