

Annual Report 2016



هيئة الأسواق المالية
CAPITAL MARKETS AUTHORITY

**Capital
Markets
Authority**

**Annual
Report
2016**



The Chairman's message



I have the pleasure to present the fifth annual report of the Capital Market Authority in which we summarize the major activities undertaken by the CMA in 2016, at the national and international levels. Indeed, the CMA marked the year 2016 by launching an action plan for the development of financial markets in Lebanon, alongside important developments in terms of regulating and developing the financial markets and their staff, as well as exceptional achievements at the international level after the CMA joined the International Organization of Securities Commission (IOSCO).

As per our commitment to regulate and develop financial markets, the CMA's Board issued three Implementation Regulations finalized by the Authority in 2015, and these are: The Licensing and Registration Regulation, the Business Conduct Regulation and the Market Conduct Regulation. After holding consultations with the relevant stakeholders, the Authority published the Regulations in the Official Gazette, and issued several complementing decisions related to financial markets issues.

The three Implementation Regulations issued by the Authority are in the heart of the process for developing financial markets in Lebanon, and allowing for the licensing of the largest number of financial institutions on one hand, and increasing the number of people engaged in financial markets in the private sector on the other hand.

In fact, in the process of developing the market, the Licensing and Registration Regulation is important in building the capacities of the financial professionals to establish financial intermediation institutions, after the Authority reduced the required capital for such establishment. Indeed, the required capital for setting up financial intermediation institutions that only provide advice to the public in all issues pertaining to engaging in business in financial markets was decreased from five billion Lebanese Pounds at a minimum to only 150 million Lebanese Pounds, with the aim to attract Lebanese engaging in this profession abroad so they could gain a positive perspective of the Lebanese financial markets and contribute to its development.

Within the same context, and after the Lebanese Council of Ministers commissioned the CMA to work on setting a mechanism to privatize Beirut's Stock Exchange and transform it into a limited liability company "Beirut Stock Exchange S.A.L", the CMA finalized its work with the competent authorities, and referred the file to the Minister of Finance to follow it up with the Cabinet and proceed with the implementation of the said mechanism. It is worth noting in this regard that the Electronic Trading Platform that will be approved by the Authority will become part of the "Beirut Stock Exchange S.A.L", thus strengthening and ensuring the growth and development of the same, while providing it with sufficient liquidity. It will also extend an essential support not only to large companies listed therein, but also to different production sectors, small and medium enterprises like restaurants, industries, start-up companies and other institutions wishing to expand, to provide capitalization or to undertake property transfer operations, or merger and acquisition operations, through listing their shares on that Stock Exchange, and use the liquidity generated by subscribing to those shares to develop and grow its business.

As for increasing the number of people engaging in business in financial markets in the private sector, the CMA had to work on organizing people operating in this sector, from the executive director in any institution dealing with securities related

business to traders in that same institution, with a view to strengthen the investor's trust in the Lebanese financial markets and to reinforce the soundness thereof. Therefore, the Capital Market Authority issued a decision to decrease the registered functions from around forty to only ten. And after receiving a number of complaints from the market, the Authority worked on improving the necessary qualification examinations requirements for registration, and on authorizing the exercise of registered functions, as to have two to four examinations as a maximum.

While the circulars issued by the Central Bank of Lebanon, and the decisions taken by the Authority with regards to necessary qualification requirements for individuals engaging in securities business in the private sector are still being implemented, we can affirm that the majority of those individuals will become very soon registered persons with the Authority as they could operate in an investment environment aiming at protecting the Lebanese investor and his savings according to international standards, likewise the major financial trading centers around the globe. At the international level, we are proud to announce that the CMA joined the IOSCO as an Associate Member in June 2015, in record time in view of the complicated membership requirements, especially with regards to developing the regulatory and supervisory structure of the financial markets. The approval of Lebanon's membership in IOSCO stands as an international recognition of the Authority adopting the best international standards within the supervisory, regulatory and technical frameworks it established in the Lebanese financial markets. This membership will also provide the Authority with an international support to its work on the technical and regulatory aspects, when needed, and increase its capacities to take stock of international experiences. Such initiative would contribute in strengthening the relationship of the Authority with its counterparts abroad, and in fostering the trust of foreign investors in Lebanon's financial markets.

At this same international level, 2016 was also the francophone year for the Capital Market Authority in the heart of the capital Beirut. Indeed, the Authority hosted the fifth annual conference of the Francophone Institute for financial regulation (IFREFI) that was attended by 25 chairmen and representatives of the financial bodies, members of this organization. During that conference, the Lebanese CMA was elected vice president of the organization for two years.

I would like in this regard to thank the delegations that took part in that conference for all the support and the trust they expressed towards the Lebanese economy, even in the most difficult times our country passed through before the election of his Excellency President Michel Aoun. We welcome the new developments emerging on the local political scene, especially with the institutions functioning again orderly following the presidential void that was very costly for the economic cycle in general, and for the monetary policy in particular. We also look positively to the steps proposed by the Lebanese government with regards to identifying corruption in the state, reducing wasteful spending which will contribute in lowering the debt cost on the Treasury and the Lebanese citizens, thus curbing public deficit and cutting down indebtedness.

Finally, it is worth commending the capacity of the Lebanese financial market and the flexibility it never failed to show through all tribulations that Lebanon witnessed, particularly because of the continued pressures encountered by the Lebanese economy due to the deficit of the balance of trade and the balance of payments, in addition to the exorbitant cost of the Syrian refugee crisis which the international competent institutions set at around 13 billion dollars so far.

As Chairman of the Capital Market Authority in Lebanon, I feel very proud of the work of all the Authority's staff and we promise the Lebanese citizens and specifically the investors, that we will exert additional and exceptional efforts in 2017, especially with regards to the implementation of the roadmap established by the Authority about the development of the financial markets in Lebanon.

With my best wishes,

Riad Toufic Salame
Chairman of the Capital Market Authority/ Governor of Banque du Liban

Raising investment awareness among the Lebanese public and familiarize them with the advantages of the financial markets

Vision

Establishing confidence in the Lebanese financial and capital markets by enhancing their integrity and maintaining their attractiveness to investors by developing the local markets to better serve the national economy.

Mission

- To regulate and monitor the financial markets in order to ensure its expansion in line with the changes and the best local and international standards.
- To reduce Systemic Risk in capital markets.
- To organize and define the framework and professional activities carried out by people who engage in business related to financial instruments and ensure their adherence to the code of ethics.
- To raise investment awareness among the Lebanese public and familiarize them with the advantages of the financial markets.
- To constantly seek the investor protection and use of financial markets in Lebanon and abroad.
- To follow up on the development of markets through constant communication with all stakeholders in all the productive sectors.

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Promotes and develops the capital market, while aiming to protect private savings invested in financial instruments.

Chapter 1: Capital Markets Authority

1. The Capital Markets Law and the CMA's main goals

The Capital Markets Law No. 161 was ratified by the Lebanese Parliament on 17/8/2011. It stipulated the establishment of the Capital Markets Authority, «CMA». Whereby, the full-time Executive Board Members were appointed on 10/7/2012 by the Cabinet of Ministers. The CMA aims to achieve two main goals: promote and develop the financial markets in coordination with the various sectors concerned, and to protect private savings invested in financial instruments. In this context, the law defines the mechanism of organization and promotion of financial markets focusing on establishing a culture centered on the importance of effective governance in financial institutions, and proper use of information. In this respect, the law aims to ensure absolute transparency in the sector due to its role in protecting the capital and investors. Accordingly, the law defines a mechanism to ensure accountability and sanction violators of the provisions of the law through legal frameworks, such as the Independent Sanctions Committee and the dedicated Special Court for Capital Markets. The development of the Capital Markets is of great importance, since it does not only benefit the investors in financial instruments and the private sector, but also the economy in general, because of the ability to find sources of long-term funding to direct savings to the appropriate investment. This said, the Capital Markets Authority sets appropriate regulations and legislation that are consistent with international standards to ensure regularity in the financial markets. The strict control it portrays shall

help encourage local and international investors to invest in financial instruments issued by financial companies regulated by the Capital Markets Authority. This allows faster growth in this sector, which may contribute to encourage companies operating in Lebanon to list their shares on the stock exchange and create job opportunities for young Lebanese.

The law also defines the mechanism for regulating and promoting the financial markets by instituting a culture centered on the importance of effective governance in the financial institutions, and the proper use of specific and significant information in addition to published information. At the same time, it provides for absolute transparency in the sector due to its role in protecting capitals and investors. Accordingly, the law sets a mechanism to ensure accountability and take disciplinary action against any individual who breaches provisions thereof through the legal frameworks it provides for, such as the Independent Sanctions Committee and the Capital Markets Court that we intend to set up after the Lebanese government makes the required appointments within the mechanism proposed in the Capital Markets Law No. 16.

The Capital Market Authority is administered by a board composed of seven members and chaired by the Governor of Banque du Liban. The Board has among its members three full time members experts in banking and financial affairs, and three other part time members representing ministries and administrations directly involved in the Authority operations. These are the Director General of the Ministry of Finance, the Director General of the Ministry of Economy and the Head of the Banking Control Commission.

Capital Markets Authority Board

Riad T. Salame	BDL Governor	Chairman	Alternate Chairman of the CMA, First Vice Governor of the Banque du Liban, Mr. Raed Charafeddin
Samir Hammoud	Head of the Banking Control Commission	Board Member	
Alain Bifani	Director General of the Ministry of Finance	Board Member	
Alia Abbas	Director General of the Ministry of Economy and Trade	Board Member	
Sami Saliba	Banking Expert	Executive Board Member	Vice president (2016-2017)
Fadi Fakih	Finance Expert	Executive Board Member	Vice president (2014-2016)
Firas Safieddine	Capital Markets Expert	Executive Board Member	Vice president (2012-2014)

2. Core functions of the Capital Markets Authority

Investor protection and organization of professional activities

- Protecting investors from illegal, irregular or unfair practices, including the prohibition of direct or indirect insider trading.
- Organizing the disclosure of information to persons who distribute Financial Instruments to the public.
- Setting the work environment and organizing the professional activities of the persons who perform operations on Financial Instruments, while monitoring their compliance with professional ethics.

Organizing Capital Markets and Reducing Systemic Risks

- Organizing and developing capital markets in Lebanon, and promoting their use by investors and Issuers in Lebanon and abroad.
- Reducing systemic risks in capital markets.

Licensing

- Granting licenses to brokers who provide services to investors and Issuers.
- Granting licenses to financial rating agencies, and defining and regulating their functions and work process.
- Licensing collective investment schemes, including mutual funds that invest in securitization.

Organize and control the work of the stock exchanges

- Regulating and controlling the work of licensed Stock Exchanges, and the persons who provide deposit, clearing or settlement service.
- Setting the general regulatory framework for listing Financial Instruments and approving their trading on stock markets.

Legal Control and Accountability

- Sanctioning administrative violations of this Law and its implementation rules.
- Initiating legal action against insider trading crimes, and against the circulation of false or misleading information about securities or Financial Instruments, or their Issuers.



Chapter 2: Main Activities in 2016

The year 2016 may be among the years during which the CMA witnessed the largest developments at the national and international levels, especially after it strived in recent years since its establishment to regulate the work of the financial markets and persons operating therein. It also elaborated a roadmap for developing the financial markets in Lebanon, and joined the International Organization of the Securities Commissions (IOSCO) as an Associate member in June 2016. This present document is the fifth annual report that presents the evolution of the Authority's work and its interaction with its regional and international counterparts, as well as the development of its human capacity, which requires it to play a stronger supervisory and regulatory role in the markets. At the regulatory level, 2016 was an exceptional year knowing that the Authority officially issued the first series of the implementation regulations that aim, in addition to regulating and supervising the markets and preserving their transparency, to launch the development process of the financial markets through the various frameworks available to the Authority by virtue of Law no 161.

In the same context, and following the major stride the Authority took in 2016 when it joined the International Organization of the Securities Commissions (IOSCO) as an Associate member, the CMA will spare no efforts to activate its participation in the said Commission as to become an ordinary member. Moreover, it expanded the spectrum of its international relationships and continues to work in this regard to sign Memorandum of Understandings planned for 2017 so as to strengthen its regulatory and supervisory capacities at the national and international levels.

At the international level too, 2016 stood out as the Francophony year for the CMA from the heart of the capital Beirut, when the Authority hosted the Fifteenth Annual Conference of the Francophone Institute for Financial Regulation that was attended by more than 25 chairmen and representatives of capital markets members of the Institute. During that conference, the Lebanese Capital Market Authority was elected vice-president of the Organization for a period of two years, and the discussion focused on a series of topics among which "Capital markets Funding for Small and Medium Enterprises" and "Opportunities and Challenges of this Funding".

1.1. Organization and Sponsorship of Conferences

The Fifteenth Annual Conference of the Francophone Institute for Financial Regulation (IFREFI)

The Francophone Institute for Financial Regulation was established on June 24th, 2002 as an initiative from authorities entrusted with the regulation of capital markets in French speaking countries, with a view to foster cooperation and exchange between members of these markets. The Institute aims at promoting training, coordination and technical cooperation between its members, and at looking into all issues pertaining to financial regulation. It strives to strengthen professional relationships and skills exchange between francophone regulating bodies, as well as to contribute in better coordinating the financial regulation within the francophone environment.

Under the patronage of Mr Riad Salame, Chairman of the Capital Market Authority, and Governor of Banque du Liban, Lebanon had the privilege to host the fifteenth annual conference of the IFREFI that was held in Beirut on June 1-3, 2016, and during which Lebanon, represented by the CMA, was elected vice president of the IFREFI until 2018. The CMA's membership was accepted during the thirteenth session of the IFREFI held in Abidjan in 2014.

The Chairman of the CMA opened the conference with a welcoming note addressed to participants from French speaking countries. He declared that Lebanon was very proud of being francophone and underlined the fact that “one of the main reasons leading to the world financial crises in 2008 was the lack of communication between the different supervision authorities”. He said: “In Lebanon, our objective was to avoid this problem, so we started few years ago to work on fostering communication between the various authorities. The link that brings together all banks, the capital market Authority and the Anti-Money Laundering Committee in Lebanon is the fact that they all fall under the chairmanship of the Governor of Banque du Liban.

This session held in Lebanon and that was attended by high level figures and delegations among which more than 12 delegations representing the Institute’s members, discussed several emerging issues as “The capital markets’ funding of small and medium enterprises”, and “Opportunities and Challenges related to this funding”.

The meeting shed light on the need to protect investors, as well as on the role and powers entrusted to markets regulating authorities in order to improve the practices of listed companies and rebuild the trust in the banking sector. The conference tackled also topics related to the economic and financial climate particularly in the emerging markets, and to the institutional and statutory development of the different financial systems, investments, mechanisms for the protection of investors and their compensation.

The participants highlighted the important role that the Lebanese Capital Market Authority plays, and its comprehensive approach towards the regulatory framework of the capital market in cooperation with experts from the World Bank. A major development in this context is the signature of the first international convention with the French Financial Markets Authority (Autorité de Marchés Financiers- AMF), which paved the way to the signature of other different conventions with a number of international supervisory and regulatory bodies. In this regard, the Capital Market Authority sought to sign agreements with all IFREFI members by the end of 2016.

This conference, which was held during the presidential void period, represented an opportunity to confirm the commitment of IFREFI members to support the Lebanese financial system, especially in the most difficult times the region went and is still going through, at the economic and political levels.

The Euromoney Lebanon Conference for the Revival of the Capital Markets

Under the sponsorship of the Capital Market Authority and Banque du Liban, the Chairman of the Authority Mr Riad Salame opened the Euromoney Lebanon conference that was held in Beirut under the title “Revitalizing Capital markets for the Digital Future” on May 31, 2016. The Chairman of the Authority underlined in his opening statement the importance of technology in developing financial markets, and the need for Lebanese institutions to back this sector that Banque du Liban supported when it issued the circular no 331.

Mr Firas Safieddine, member of the Executive Board, held a special session on the work of the Authority, and answered the audience’s questions. He gave information about recent developments regarding the legislations that the Authority is working on issuing with the Parliament in order to activate financial markets and attract investors, through cooperation with a number of institutions engaged in the financial market, and in coordination with the office of the Lebanese Prime Minister. Mr Safieddine also raised the issue of the privatization of Beirut Stock Exchange, as well as the need to educate both the citizens and the investors on the role and importance of financial markets.

Inauguration of the Anti- Cybercrime Forum in Cooperation with the International Federation for Arab Bankers and the Capital Markets Authority

The Minister of Finance in the Caretaker Government, Mr Ali Hasan Khalil, represented by the Director General Mr Alain Bifani, opened the Anti-Cybercrime Forum that was held in November 2016. The forum was organized by the World Union of Arab Bankers and the Capital market Authority at Coral Beach Hotel, in the presence of the Secretary General of the Union of Arab Banks, Mr Wissam Fattouh, and several Arab and Lebanese bankers and diplomats. Representatives of 13 countries took part in the forum’s proceedings, alongside a number of Arab and foreign compliance experts and representatives of local and Arab judicial and security authorities.

The President of the World Union of Arab bankers and Chairman of the Association of Lebanese Banks, Dr Joseph Torbey, took the floor during the opening session, as well as the Max Zaccar, Chairman of Insurance Companies in Lebanon and President of the General Arab Insurance Federation, and Mr Sami Saliba, Vice president of the Capital Market Authority.

Mr Saliba made a brief survey of the genesis of the Authority, underlining that its main objective lies in “protecting the savings invested in these markets from any manipulation or fraud that could occur, in cooperation and coordination with the different relevant control bodies in the concerned sectors.”

He indicated that major financial crimes have occurred in the past through fraud against investors, manipulation of prices in world stock exchanges and disclosure of inside and confidential information, which lead to the bankruptcy of many companies and individuals. He declared that “such crimes were dealt with by modernizing the market behavior regulations and implementing them rigorously in financial markets around the world”. Mr Saliba considered that “global companies started to feel the threat of “virtual electronic globalization” and all the risks for their products, their funds and even their viability, which urged them to set up special committees at their Boards’ level, like Committees for Risks, Investigation and Compliance. He added: “Even though Lebanon is less exposed to this kind of crimes in comparison with other countries, it does not mean at all that the situation will remain unchanged, especially with the evolution and dissemination of electronic banking tools and programs in the Lebanese market, and with markets starting to deal through electronic platforms and virtual stock exchanges”. He insisted on the need for “Lebanese institutions, particularly the financial institutions entrusted with people’s funds and governmental institutions in charge of national security and of citizens’ safety and security, to organize awareness campaigns aiming at rationalizing the safe use of electronic means, and at protecting internal systems, reducing piracy risks and information theft, and thus being less subject to loss and even to crash.” He asserted that the Authority will pay a great deal of attention to these risks through appropriate regulations and controls as to reduce the damages that such transactions could entail.

The Head of the Legal Affairs Department presented a lecture during the conference in which she raised the role of the Authority in establishing regulations dedicated to fighting financial crimes and protecting investors therefrom, in particular the use of undisclosed information in trading on electronic platforms.

1.2. At the Regulatory and Supervisory Levels

Following the commissioning of the Authority by the Cabinet to set the mechanism for the privatization of Beirut Stock Exchange as to transform it into a Lebanese limited liability company "Beirut Stock Exchange S.A.L", the Authority completed its work with the competent authorities, and referred the file to His Excellency the minister of Finance to follow it up with the Council of Ministers and proceed with the implementation of the said mechanism. The CMA declared in this regards that the Electronic Trading Platform that will be approved will become part of "Beirut Stock Exchange S.A.L", which will strengthen and ensure its growth and development.

Fostering transparency and reducing the costs of transactions for all interested parties are among the benefits of working in an electronic trading system, which will create a greater rallying around the markets and contribute in ensuring better liquidity and increasing transparency. At the Lebanese level, it is suggested inter alia, to offer treasury bonds to local trading on the electronic platform as this will reflect positively on the liquidity level in financial markets, given the size of the public debt in Lebanon. This step will contribute to the expansion and deepening trading business in all markets.

All these benefits together are favorable to Lebanon in light of the dire need to develop the markets beyond the companies listed for trading in Beirut Stock Exchange. Thus, establishing an electronic trading platform would play a major role in providing Lebanese, in Lebanon and abroad, a valuable opportunity to engage electronically in trade activities in Lebanon, given that this trading abolishes geographical constraints existing in traditional markets and generally reinforces financial and economic markets. On the fringe of the fifteenth session of IFREFI, the Chairman of the CMA and Governor of Banque du Liban, delivered a speech in June 2016 in which he defined the perception of the Authority towards the work of the Electronic Trading Platform. He said: "We are getting ready for the moment to launch the Electronic Trading Platform in order to encourage Lebanese individuals and companies as well as expatriates to show interest in the internal market and increase internal liquidity with a view to ensure better funding of small and medium enterprises, and even large enterprises, which provides the financial policy with a greater flexibility".

He concluded by saying: "We insist for the Platform to be endowed with world electronic specifications, transparent and well supervised. Moreover, the Lebanese Government decided to privatize Beirut Stock Exchange, and we perceive it as a very positive factor for financial markets. We hope that this privatization will go hand in hand with the launch of the electronic platform that aims, among other objectives, to constitute a new market for small and medium enterprises with the support of Banque du Liban that granted financial incentives to banks so they could promote their investments in companies

engaged in knowledge economy and investment funds, by virtue of circular no 331 issued by Banque du Liban, because we are confident in the role these companies play in increasing job opportunities".

Implementation Regulations: a Comprehensive Overview of Regulations Issued by the CMA

Regarding the regulations officially issued in 2016, they aimed inter alia, at strengthening the capacities of financial specialists to set up financial intermediation companies, after the Authority decreased the required capital for such establishment. For example, the required capital for establishing financial intermediation companies engaging only in 'Advising' the public in all issues related to work in financial markets was decreased from a minimum of five billion Lebanese Pounds to only 150 million Lebanese Pounds. The Authority strived also to facilitate the establishment of financial intermediation companies that aim at 'Arranging' business related to financial markets like working on 'Arranging' merger and acquisition agreements, public or private offerings, in a constitutive capital of 300 million Lebanese Pounds. As for the license for 'Dealing' or trading in securities from the institution's or clients' account, and the license for a market maker and dealing, the incorporation capital was also reduced to 600 million Lebanese Pounds from a minimum required capital for the incorporation of a financial intermediation company of 5 billion Lebanese Pounds previously.

As for licenses related to portfolio 'Management' and Collective Investment Schemes, and licenses to provide custody services and manage rights and benefits, the required incorporation capital was set at 3 billion Lebanese Pounds for managing business licensing and 6 billion Lebanese Pounds for 'Custody' business.

It is worth noting that the required capital is considered as an operating capital, and if a company secures the highest amount, it can undertake all approved transactions the incorporation capital of which is lower than the due capital.

A Brief on the Implementing Regulations Issued by CMA in 2015 & 2016

Licensing & Registration Regulation

Series 2000,

December 2016

This regulation aims to identify the different categories of licenses required to carry out securities related business in Lebanon, identify exclusions from the requirements, and set the requirements for licensing institutions and registering individuals as registered persons. It also sets the conditions for the maintenance of a license or a registration, and established the procedures of applications, approvals, changes and termination of a license or registration.

Business Conduct Regulation

Series 3000,

November 2016

This regulation aims to establish the rules and code of conduct that an approved institution must comply with in carrying out securities business and dealing with clients. It also defines the policies and procedures, systems and controls that an approved institution must establish and implement. The regulation also sets out the rules for approved institutions on how to handle client money and client assets, while it sets the requirements to notify or report certain changes and events to the Capital Markets Authority.

Market Conduct Regulation

Series 4000,

November 2016

This regulation aims to regulate the conduct of trading in the securities markets, and set out the details of the prohibitions on insider trading and the prohibitions on market manipulation. The regulation also aims to cover the obligations of approved institutions when trading in the markets, as principal and for clients.

Offers of Securities

Series 6000,

Expected to be published in the Official Gazette in 2017

This regulation aims at outlining the requirements related to offers of securities in Lebanon and determining the types of offers that are exempted from the imposed requirements on the public offer as well as setting the requirements for an exempted offer of securities

Listing Rules

Series 7000,

Expected to be published in the Official Gazette in 2017

This regulation aims at outlining the necessary requirements for the issuer to list financial instruments in Lebanon and determines the requirements for maintaining this listing and for maintaining sound foundations for corporate governance by the listed issuers.

Collective Investments Scheme

Series 8000,

Expected to be published in the Official Gazette in 2017

This regulation comprises the establishment and operation of Collective Investments Scheme including Islamic Investments Scheme in Lebanon according to Law 706 but excludes the use of Collective Investments Scheme for the purpose of securitization according to Law 705 as it is a separate Law simply using the form of a common fund for other purposes. This system aims at regulating the process of setting, licensing, suggesting and managing collective investments scheme and its complementary activities in Lebanon and determining the work requirements adopted by the managers, the depositaries and the accredited agents.

At the regulatory level, the Authority worked on the translation of the implementation regulations it launched in 2015 into Arabic, following the various consultations, revisions and modifications it made then. The Authority expects to publish all its implementation regulations in the Official Gazette at the end of 2017, knowing that they were not officially issued yet given that they are now in the translation process. The Authority is also looking to incorporate the decisions issued by its Board in previous years, in a series of new implementation regulations reflecting its renewed supervisory and regulatory expectations.

In 2016, the Authority issued several decisions, among which a decision on preventing manipulation of securities prices, and a decision related to setting up a clear mechanism for filing and handling complaints, in addition to a decision on registered functions subjected to the supervision of the CMA.

Decision 22 pertaining to preventing manipulation of prices, through providing the definitions of businesses and practices that include manipulation or deceit like implementing delusive trading transactions on common financial instruments, or implementing trading transactions that do not generate a change in the bare owner or in the holder of the economic right of the concerned instrument. Deceit operations are defined as having a false or deceiving impression towards trading, bidding, asking for a security or towards its price, or creating a false bid price, or ask price or trade price, by determining the transactions that could lead to prices manipulation.

In this regard, the decision emphasizes on the need for securities tradings to be limited, at all times, to prices prevailing within the context of the market, while confirming the mechanisms for undertaking trading for clients in an orderly manner, and having these transactions being reflected in the actual price at which they were implemented in the clients' accounts.

As for decision 24 related to registered functions in capital markets, it aims at limiting the Registered Functions to only ten, after there were around forty. After receiving many petitions from the market, the Authority worked on improving the necessary qualification examination requirements for registration and allowing the exercise of registered business, so as to have two to four examinations maximum.

Brief Regarding the Decisions Launched by the Authority in 2016

Decision Number 19 – List of Financial Intermediaries.

This decision shall establish the list and numbers of the duly registered Financial Intermediation Institutions issued annually by the Authority.

Decision Number 20 – Filing a Complaint

This decision determines the complaint mechanism of the CMA and how it is handled by the CMA Board

Decision Number 21 – Inauguration of BLOM Asset Management

This decision places the name “Blom Asset Management SAL” on the list of Financial Intermediation Institutions and gives the number 22.

Decision Number 22 – Prevention of price manipulation of financial instruments

This decision defines the assets of dealing and preventing manipulation of the prices of financial instruments.

Decision Number 24 – Qualifications Required for Securities Business Activity

This decision establishes the categories of registered functions required to carry on securities business in Lebanon, and establishes the categories of registration required by Persons to carry out designated functions and activities on behalf of an approved institution. It also identifies exemptions for performing regulated functions and provides the required applications for approval of registered persons and regulated functions.

The CMA limited the registered functions to only ten, from around forty, after several requests from the market

At the supervisory level, the Financial Control Unit (FCU) conducted nine investigations and seventeen auditing operations on financial institutions dealing with securities; the main focus revolved around several aspects, including but not limited to price manipulation, inside trading, intentional violation of disclosure requirements. In addition, the FCU continued its cooperation with foreign judicial authorities in view of reaching positive results in audit missions, among other relevant issues of importance. All activities and results were reported to the CMA's Board to take the necessary decisions.

In addition, the Unit examined applications submitted by financial institutions, financial intermediary institutions and banks, including requests for dealing with new foreign correspondents, subscription to capital increase, issuance of new licenses, and compliance with marketing guidelines for new securities, shares, collective investments funds and structured products.

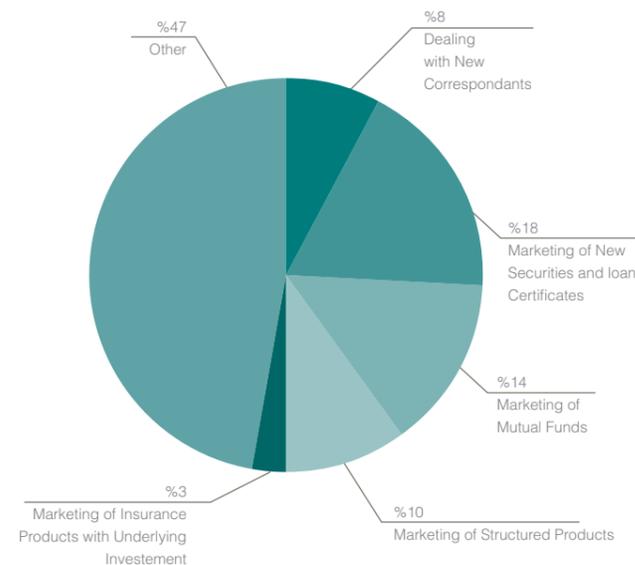
The chart below shows that the greater part of the eighty eight applications revised by the unit is to the marketing of new securities and loan certificates (16 requests) followed by marketing of mutual funds (12 requests), marketing of structured products (9 requests), whereas the lowest percentage was for the applications to deal with

marketing of insurance products with underlying investment.

At the level of the CMA's Board, it enjoys comprehensive powers aiming at fostering the protection of the investors and promoting investments in financial markets, knowing that its mandate includes the setting of general regulations for the establishment and management of stock exchanges, as well as regulations concerning the establishment and functioning of financial intermediation institutions and the investment of funds by the public. The Board also sets the regulations pertaining to the code of conduct to be followed by financial service providers and their employees. It is entrusted with the power to grant licenses to institutions and schemes dealing in financial intermediation, investment of funds and different kinds of securitization.

According to its above mentioned responsibilities, the Board held fifteen meetings in 2016 and took 106 regulatory and administrative decisions, among which five regulatory decisions issued by the Authority: Decision no19 on the List of Financial Intermediation Institutions, Decision no 20 on filing complaints, Decision no 21 related to BLOM Asset Management SAL, Decision no 22 concerning the prevention of price manipulation of financial instruments and Decision no 24 on Registered Functions.

Percentage Distribution of Requests Submitted by Financial Institutions, Financial Intermediary Institutions and Banks



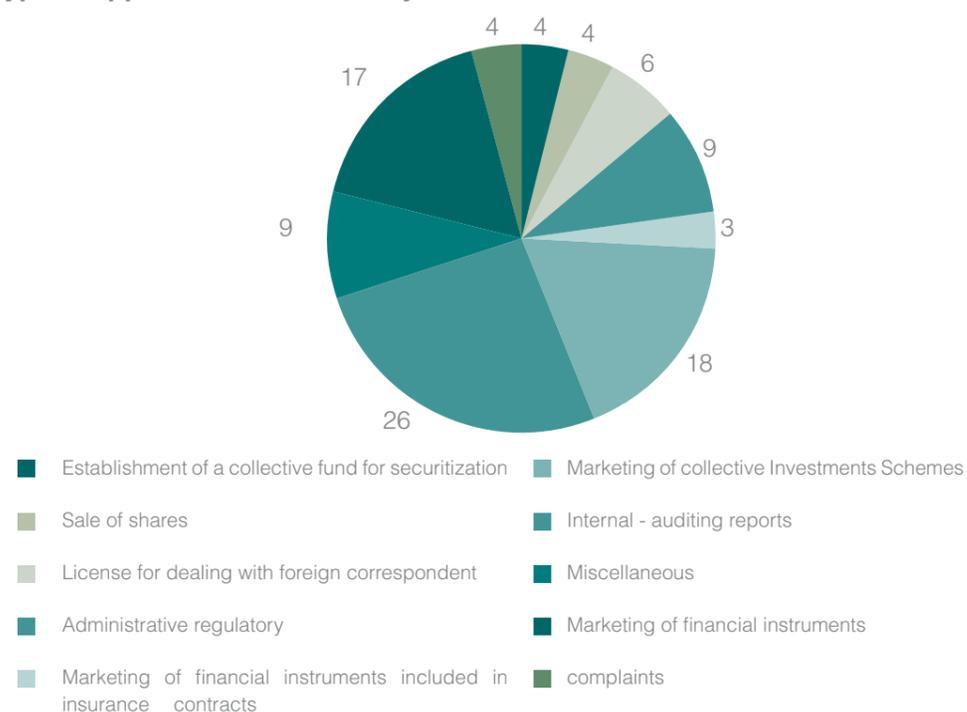
#	Date of Boad Meetings	Number of Board Decisions
1	25 January 2016	8
2	22 February 2016	13
3	07 March 2016	4
4	21 March 2016	12
5	29 March 2016	1
6	09 May 2016	1
7	30 May 2016	10
8	20 June 2016	15
9	15 July 2016	11
10	08 August 2016	5
11	05 September 2016	3
12	26 September 2016	5
13	24 October 2016	14
14	14 November 2016	3
15	12 December 2016	1

Within this framework, and in line with the continuous efforts of the Board to keep abreast of the developments and needs of the market and to interact with it to ensure best practices, the Authority has amended the content of some of the Board's Decisions which are as follows:

Announcement Number	Reason	Content
18	Amendment of Decision 4,5,13	Amendments to Decision No. 13 of 10 February 2014 [on asset allocation], Decision No. 4 of 14 August 2013 [on compliance] and Decision No. 5 of 14 August 2013 [on internal audit]
19	Amendment of Decision 10	Amendments to Decision No. 10 dated 9 January 2014 [on Financial intermediation Institutions]
20	Amendment of Decision 10	Amendments to Decision No. 10 dated 9 January 2014 [on Financial intermediation Institutions]

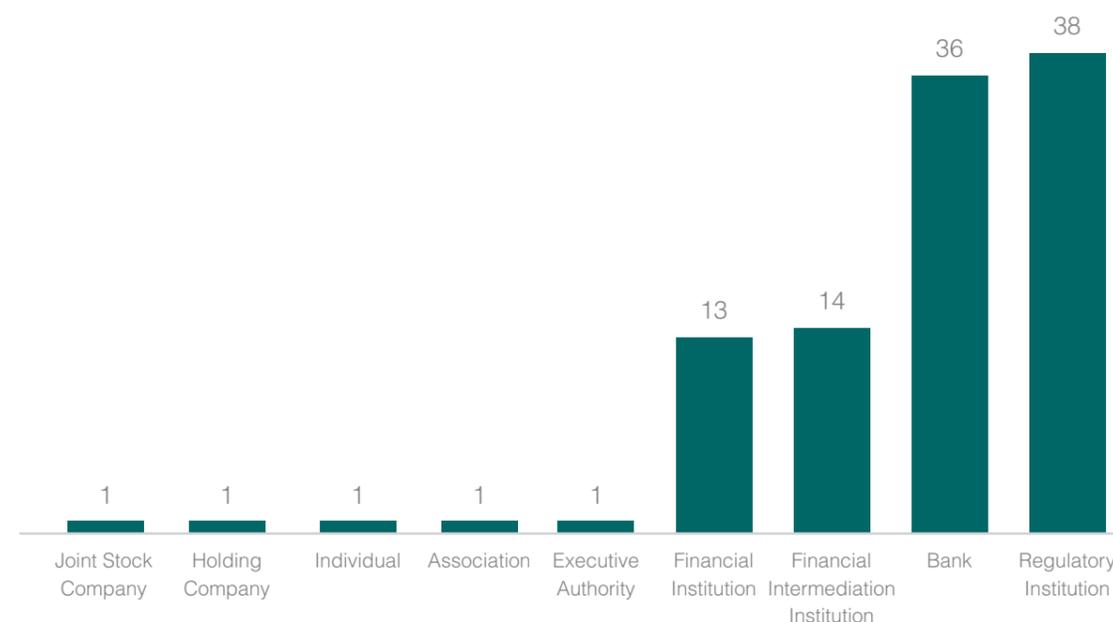
As for the type of applications reviewed by the CMA Board in 2016, they were as follows: the applications for the construction and increase of the capital of licensed financial intermediation institutions and the extension of licensing terms represent around 7% of the total applications submitted to the Authority [miscellaneous]. Licenses granted for the marketing of financial instruments included in insurance contracts and the marketing of financial instruments and collective investments schemes accounted for almost 38% of the total applications submitted to the Authority Board.

Type of applications reviewed by the CMA in 2016



The Board handled around one hundred six [106] applications among which ten [10] administrative applications related to the work of the Authority in the financial markets, thirty six [36] applications from Lebanese banks, thirteen [13] applications from financial institutions, fourteen [14] applications from financial intermediation institutions, thirty eight [38] applications from regulatory institutions and one [1] application submitted by a joint stock company, a holding company, a public institution and an association engaged in financial markets and a single application submitted by an individual in his personal capacity.

Applications Received by the CMA



The Legal Department also worked in 2016 on drafting some new regulatory decisions issued by the Authority, among which Decision no 20 dated 22/2/2016 on filing complaints, Decision no 22 dated 9/8/2016 concerning the prevention of manipulation of financial instruments prices and Decision no 24 dated 29/9/2016 on needed qualifications for the exercise of some registered functions. Moreover, it engaged in amending some other regulatory decisions and elaborated few policies and internal procedures related to the units of the Authority.

The Legal Department took also part in the translation of three implementation regulations into Arabic, that entered in force after their publication in the Official Gazette, and these are: the Registration and Licensing regulations, the Market Conduct and the Business Conduct.

1.3. The CMA's Activities at the Administrative Level

Since the Capital Markets Authority was established in 2011 by Law no 161, it worked on achieving many objectives and most importantly, strengthening the regulatory and supervisory frameworks on the markets, ensuring education and awareness towards the role of financial markets in developing the national economy. This mandate allowed it to recruit staff members distinguished by a high level of understanding, awareness and knowledge of the functioning of local and global financial markets.

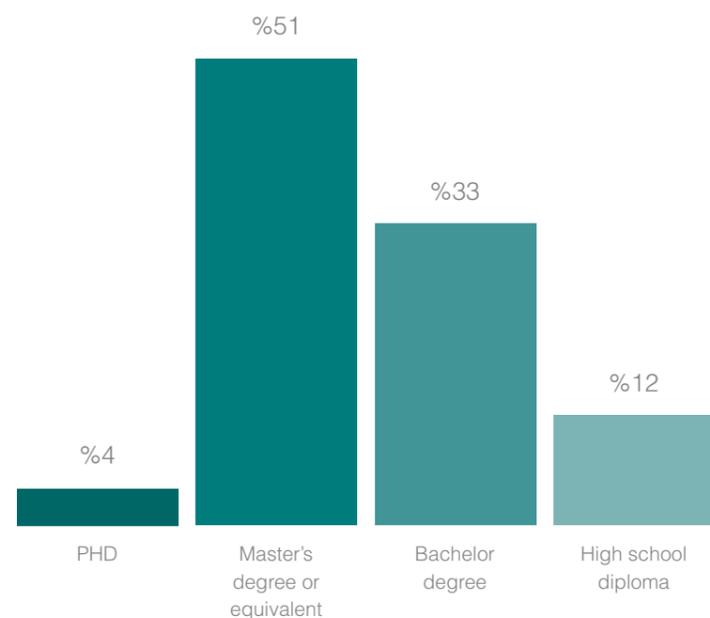
The Authority was thus very active at the administrative level and strived to implement and develop the applicable regulations therein, as well as to recruit more professionals and experts according to the mechanisms and standards adopted in the best companies.

1.4. At the Staff Level

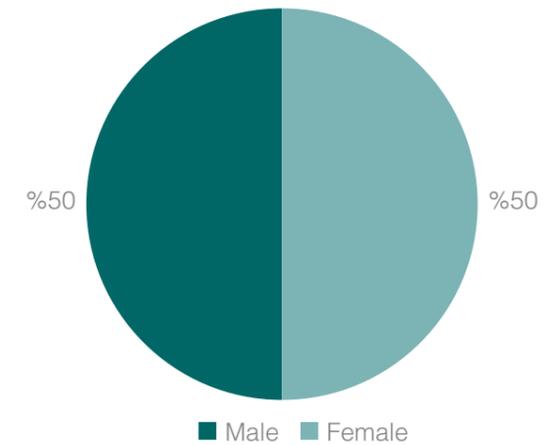
Upon the directives of the CMA Board, the Department of Human Resources completed the staff members of the "Authority" with a number of professionals and experts in control and auditing. Applicants fulfilling the conditions set in the job description took the required tests, in cooperation with "Evaluation" (Taquyim) institution and the Ecole Supérieure des Affaires (ESA) for the fourth consecutive year.

Among the distinctive features for setting up the work team of the Authority, it is worth mentioning gender balance and equality among staff members, excellence in professional competence of human resources knowing that high diplomas holders enjoy a long experience in the nature of markets functioning, since around 73% of the total staff have at least 10 years of experience in this area.

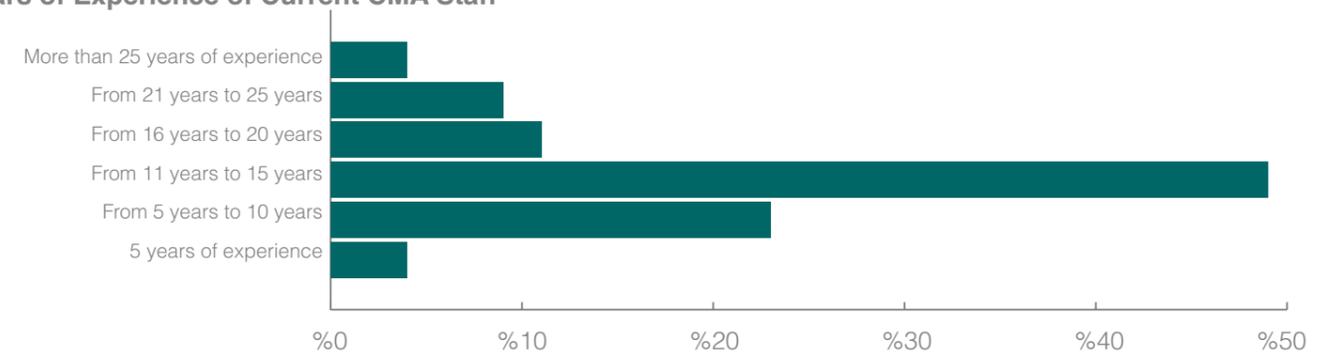
Educational Level of CMA Staff



Staff Diversity By Gender



Years of Experience of Current CMA Staff



At the level of building the capacities of the Authority's supervisory and legal staff

In terms of building the job capacities, the Human Resources Department, in coordination with the heads of administrative units, started training and development of the employees as to strengthen their competences through participation in regional and international training sessions; for example, a workshop was organized by the Securities and Commodities Authority in Dubai and attended by supervision specialists from the Financial Control Unit and work teams from the Legal Affairs Department. Other sessions were organized by companies specialized in financial matters, and attended on behalf of the Authority by the Internal Audit Department given its importance in following all recent developments in applicable work rules and international standards that contribute to the regulation and development of the internal business of the enterprise, in addition to local trainings organized in cooperation with the major training institutions in Lebanon.

As regards the development of supervisory capacities, the Head of Financial Control Unit, Mr Khalil Ghalayani, attended the conference held by the Securities and Exchange Commission- SEC on fighting bribery and corruption in financial markets in November 2016. Most of the deliberations that took place during that conference were considered confidential given the sensitivity of the issues raised and the information provided. The proposals issued by the conference aimed at protecting the investor and establishing transparency and credibility in the financial markets.

The SEC organized as well the 27th annual training session held by the International Institute for Securities Market Growth and Development, and that was attended by Mrs Valerie Harrouk and Maya Milan. Most of the interventions focused on the best ways to build and develop the emerging financial markets, setting the best standards related to governance and management of companies, in addition to the supervision of settlement and clearing systems, fighting fraud and protecting the investors by providing detailed explanations and taking stock from the experiences of the supervisory bodies organizing the conference. In fact, the various presentations dealt with the following topics:

- Investigate and prosecute trading transactions based on inside confidential information, and make convincing pleas before the court about violations committed in securities trading.
- Accounting, fraud and disclosure by companies, cross-border accounting issues and fraud investigation.
- Control of insider information trading, manipulation of markets and of non-liquid assets portfolios.
- Establishing effective implementation program, and finding ways to benefit from information and data analysis upon implementation, and international cooperation mechanisms for implementation.
- Complex financial instruments related to electronic intermediation companies.
- Preventing violation of laws pertaining to securities.
- Investigating Ponzi schemes
- Some issues related to conflict of interest in trading
- Educating and sensitizing the investors

In addition to lectures, the training session included, at the margin of the annual conference, some visits to other organizations like the Financial Regulation Authority in the USA [FINRA] and the World Bank. This program was attended by 147 representatives from 57 different countries and allowed the participants to exchange experiences and expertise in the area of the regulation and control of financial markets.

In the same context, Mr Patrick Bou Saada, participated on behalf of the Financial Control Unit in a training session organized by the Securities and Commodities Authority in Dubai, UAE, in May 2016. Senior experts from the Securities Authority and American Stock Exchanges took part in that training. The agenda focused on providing the participants with the required knowledge on issues related to compliance rules and implementation programs concerning both the investors and the supervisory bodies. Mr Ali Fardoun from the Financial Control Unit also participated in a training program on "The basics of supervision and regulation of the financial markets" organized by the Egyptian Financial Supervisory Authority on October 18 in Cairo-Egypt. The training focused on the supervision of all transactions related to trading on stock exchanges, the role of supervisory authorities in supervising companies' shares and bonds offerings, capital increases and acquisitions. Investigation and inspection of securities companies business and indexes funds, as well as anti-money laundering and financing terrorism were among the issues that were discussed during that training.

As for the technical cooperation between the French Securities Commission (Autorité des Marchés Financiers- AMF) and its Lebanese counterpart that was established by virtue of a Memorandum of Understanding between the two parties, Mrs Caline Aoun, Head of the Legal Affairs Department, participated in a workshop organized by the French Securities Commission (Autorité des Marchés Financiers- AMF) on November 23rd, 2016 in Paris- France in the presence of Mrs May Yammout and Mrs Loyal Mardini representing the Financial Control Unit. The international conference that was organized on "Supervision mechanisms in financial markets and expected challenges", tackled three main topics: listed companies and their funding, markets, infrastructure and brokers, risks in assets management and ways to control them, and identification of markets trends. As regards the market trends, many issues were raised related to the establishment of emerging regulatory frameworks given the accelerated developments resulting from innovations in the financial markets, among which for example, issues pertaining to funds mobilization and challenges encountered by supervisory and regulatory bodies.

Moreover, and with the aim to develop the work of the Legal Affairs Department, the Head of the Department Mrs Caline Aoun, took part in the Young Arbitrators Forum organized by the International Chamber of Commerce on "Improving the Arbitration Process: Q& A on the ICC'S new policies to foster transparency and efficiency" on September 30, 2016 in Dubai-UAE. The two-days training discussed the new techniques in arbitration and the new procedures adopted at the international level. It tackled specifically the reactivation of the role of legal intermediation in disputes settlement.

Mr Anis Wakim from the Legal Affairs Department also participated in a workshop organized by the American Securities and Exchange Commission on "International Institute for Securities Market Growth and Development", which is one of the main activities organized by the Commission in the presence of more than 140 delegates from 60 countries, and with the participation of his colleagues from the Financial Control Unit. This workshop aimed mainly at facilitating convergence, cooperation and exchange of ideas and expertise between the supervisory authorities from all over the world in order to set the best practices and improve the international standards for establishing prosperous and developed financial markets.

The participants discussed the new and increasing challenges that the supervisory bodies face, including issues related to cyber security, data confidentiality, new financial innovations and emerging risks ensuing therefrom.

In this context, participants were introduced to means adopted by the Securities and Exchange Commission aiming at controlling the financial markets functioning and detecting the infringers, and that rely mainly on the increasing capacity to collect and process large bulks of data, and on software able to process this data and analyze the patterns and relationships between individuals engaged in markets as to reveal forbidden or adverse practices for both the financial markets and the investors.

Moreover, it was emphasized that no matter how efficient and successful the supervisory bodies are, they will not be able to prevent harmful practices without cooperating with each other. Indeed, there are always limits to what a single agency can achieve alone, given that financial transactions have become linked in most cases to many countries and markets. Thus, the threats that ensue therefrom are global in nature and require a worldwide cooperation between the various supervisory authorities.

The Capital Markets Authority organized as well a series of in-house workshops to strengthen the technical capacities in the supervision and control areas, the latest of which was held with the World Bank specialists on December 13&14, 2016 on activating the supervision and regulating the work of Collective Investments Schemes in the framework of the implementation regulations issued by the Authority in this regard. This workshop was attended by staff from the Financial Control Unit, the Legal Affairs Department as well as from the Internal Audit and the Communication and Research Departments, which ensured the coverage of different topics related to control over the Collective Investment Schemes. It is worth mentioning that this workshop gave rise to proposals hinging on some amendments following the observations

and comments received from the relevant staff, to be submitted for consideration in view of their incorporation in the final version of the implementation regulation for Collective Investment Schemes that is being prepared for publication.

And in the framework of developing the staff capacities in the Financial Markets Authority, the Head of the Internal Audit Department, Mr. Pierre Abou Diwan, participated in a training session that was held in Germany in January 2016, and organized by Ken Blanchard Trainings. The participants tackled the issues of leadership and communication in enterprises between staff members, as well as dealing horizontally and vertically with the administrations, guiding the leadership and setting the objectives of management staff operations and training, and undertaking an actual and practical assessment of their performance. The session also discussed frameworks for settling crisis and internal conflicts in enterprises, and planning to avoid them between the above mentioned parties. It further focused on linking the objectives and instructions of the enterprise with pragmatic plans with accounted for results and controlled steps.

Moreover, the Head of the Internal Audit Department took part in a training session in London in December 2016 organized by “Euromoney learning Solutions” on the latest developments in the functioning and performance of internal audit in major and public enterprises, and the updates of governance, laws and standards issued by the CIIA and that are now available on the website of International Standards for the Professional Practice of Internal Auditing. This training tackled the role of internal audit in rationalizing the prerogatives between the different administrations and positions inside the enterprises according to their effects.

Testimonies on workshops and conferences

26th Annual International Institute for Securities Market Growth and Development, held at U.S. SEC headquarters in Washington, DC, April 4- 14, 2016.

2 members of the Financial Control Unit attended the conference organized by the U.S. Securities and Exchange Commission (SEC) that was held in Washington, DC from the 4th of April to the 14th of April 2016. The conference was designed for securities regulators and included lectures and workshops around several topics such as Insider Trading Surveillance, Market Manipulation and Fraud Detection, Investigating and Prosecuting Financial Fraud, High Frequency Trading, Investor Education, Investigating and Prosecuting Broker-Dealer Violations and Oversight of Exchanges and Self-Regulatory Organizations (“SRO”). Furthermore, the conference included visits to organizations such as the Financial Industry Regulatory Authority (FINRA) and the World Bank. This program was attended by 147 officials from 57 different countries and offered participants the opportunity to share and learn from each other experiences in the regulation and oversight of the capital markets domain.

Valerie Harrouk
Financial Control Unit

Date	Subject	Organisers	Location	Related Department/Unit
25 January 2016	Leadership and communication in institutions	Ken Blanchard Trainings	Frankfurt, Germany	Internal Audit Department
3 April 2016	International Institute For Securities Market Growth And Development	Securities and Exchange Commission (SEC)	Washington DC, United States of America	Financial Control Unit
				Legal Affairs Department
11 April 2016	Improving the Arbitration Process:Q& A on the ICC'S new policies to foster transparency and efficiency	International Chamber of Commerce (ICC)	Dubai, United Arab Emirates	Legal Affairs Department
27 May 2016	ACFE Training program "Decoding Expressions for Investigative Analysis Level I"	The Association of Certified Fraud Examiners (ACFE)	Beirut, Lebanon	Internal Audit Department
30 May 2016	Investing in the Future: Markets and Prosperity	The Organisation for Economic Co-operation and Development (OECD)	Paris, France	Human Resources, Administration and Accounting Department
14 May 2016	Regulation of Securities Markets :Innovation and Best Practices	Securities and Commodities Authority	Dubai, United Arab Emirates	Financial Control Unit
30 September 2016	Third Forum of the Regional Conference for Africa, the Middle East and Turkey	Forum of young arbitrators at the International Chamber of Commerce	Beirut, Lebanon	Legal Affairs Department
13 November 2016	Conference on comprehensive developments in the information systems operating in the financial markets sector	Finance Magnate	London, United Kingdom	IT Department
17 October 2016	The basics of supervision and regulation of the capital markets	Egyptian Financial Supervisory Authority	Egypt, Cairo	Financial Control Unit
22 November 2016	The Development of supervision and regulation in the financial markets	Autorité des marchés financiers (AMF)	Paris, France	Financial Control Unit
				Legal Affairs Department
29 October 2016	Foreign Bribery and Corruption Conference	Securities and Exchange Commission (SEC)	Washington DC, United States of America	Financial Control Unit
4 December 2016	Head of Internal Audit Banking and Financial Services Program	Euromoney Learning	London, United Kingdom	Internal Audit Department
13 December 2016	Enhancing the technical capabilities on control and supervision of Collective Investment Schemes (CIS)	Capital Markets Authority (in collaboration with the World Bank)	Beirut, Lebanon	Financial Control Unit
				Legal Affairs Department
				Communication and Research Department
				Internal Audit Department

1.5. Communication with the public

The Communication and Research Department played an efficient role in preparing a number of conferences held by the CMA under the patronage of its Chairman, Mr. Riad Salame. These conferences witnessed the wide participation of active individuals engaged in financial markets business. And the department launched a detailed electronic information bulletin about the market, including the main discussions that took place in the conferences organized by the Authority, or to which it contributed. In addition to publishing and covering all the Authority's activities in the media, the Communication and Research Department continued to prepare daily newsletter reports at the internal level summarizing the most important articles published in the local and global economic newspapers to share them with the Board and all the CMA's staff. It also carried on the preparation of daily and periodic financial data pertaining to the activity of Beirut Stock Exchange, as well as statistical data on Collective Investment Schemes and structured products in all financial institutions, financial intermediation institutions and banks for the purpose of publishing the same on the Authority's website. Given its vision and experience in communicating with the public, the Communication and Research Department completed the development of the Authority's website in 2016, and embarked on a new design thereof early 2017 after checking the concordance of the proposed design with the practical vision of the Authority. Thus, it undertook all necessary tests to ensure the optimal experience for the users, whether they are professionals or investors in the markets.

The new design enjoys many features among which increasing the visibility of the main concepts that the Authority strived to institute throughout its past five years of existence, among which transparency, protection of the investor through financial education and the implementation regulations that it worked on launching. Moreover, through this new design, the Authority granted the public and the markets specialists the opportunity to access information considered as essential for the markets functioning, like periodic reports summarizing the markets activity, reports related to investment funds approved by the Authority, in addition to all laws and implementations regulations pertaining to financial markets in Lebanon. In this context, the Authority created a page dedicated to investors and that gives an overview of the applicable implementation regulations, as well as pages aiming at educating the investor and informing him about the most basic concepts of financial markets in the world and the way to approach them from the perspective of averting potential risks.

Commenting on the launch of the new design of their official page on the website, the Chairman of the Authority and Governor of Banque du Liban, Mr Riad Salame emphasized on "the importance of this step that fosters communication between the Authority, the financial sector and the public, knowing that it provides services that are mainly aimed at protecting the investor, which helps in creating an attractive investment environment for Lebanese citizens wherever they may be."

Given that the investor's protection is among the fundamental issues on which the Authority is working, the site managed and developed by the Communication and Research Department dedicated a section to investor education on the basic investment principles, which contributes to better understand the risks related to the different licensed securities and financial instruments in the local and global financial markets. The program includes booklets, references and videos specifically related to the raised issues, like providing advice on how to avoid being victim of financial fraud, and guidance to ensure that all institutions and individuals trying to promote investments are licensed and approved by the Authority. It also contains some tips about the best ways to appoint a professional financial advisor.

From the technical side, in order to protect the information available to the Authority and allow it to continue serving the market and communicating with the public, the IT Department started last year to elaborate plans and policies to build, develop, operate, follow and maintain the databases, data, servers, programs, networks, archives and ways to protect the same. In light of the proliferation of malware and advanced persistent threats, and the quick emergence of zero-day threats, securing a sound and safe working environment becomes a challenge for all IT staff, especially for the information security departments. Thus, the Department carried out last year a comprehensive review of adopted policies and procedures, in an attempt to identify any potential weaknesses and remedy thereto. It also conducted vulnerability assessments of all applicable systems and applications as to keep them fully patched.

With the view to support and rationalize the daily work of the Authority, the IT Department carried out a comprehensive study of the enterprise resource planning and the results that could ensue in terms of the improvement in productivity, the facilitation of human resources work and the systems of accounting, payment and internal auditing. It also started to coordinate with concerned external parties in several projects, the most important of which is the project of moving to the new headquarters of the Authority that are expected to be completed by summer 2017. This will surely entail fitting the IT infrastructure with the required design, hardware and installations, in addition to the adoption of an electronic system to distribute outgoing and ingoing mails in order to administer the work of the Authority by optimal means and techniques.

Our Official Web Address

www.cma.gov.lb

1.6. Budget of the Capital Markets Authority

The CMA 2016 expenses amounted to LBP 10.3 billion. Current expenditures represented 95% of the gross total, the greater part of which is allocated to staff wages and salaries.

Deloitte & Touche conducted the 2015 fiscal year audit in accordance with International Standards on Auditing and found that the statements display equitably the financial status of the CMA.

The CMA's expenses are expected to rise by LBP 1 billion in 2016, as per the budget approved by the Board of Directors, reflecting mainly the increase in salaries due to new recruitments.

2016 Budget

(LBP Million)

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Gross Total	1,023	926	1,111	617	614	963	619	952	1,022	689	671	1,059	10,304
Current Expenditures	966	889	1,058	583	585	915	584	904	982	642	640	1,009	9,795
Personnel Charges	834	499	983	509	509	853	509	589	918	574	577	951	8,305
Occupancy Expenses	63	341	27	27	27	27	27	289	27	27	27	27	936
Consumables Expenses		12	12	11	12	10	12	9	11	9	15	10	151
Conferences and International organizations	10	10	10	10	10	-	10	-	-	10	-	-	108
Telecommunication	7	9	8	8	9	7	8	8	8	9	8	9	98
Services and Administrative Installations	14	8	8	18	8	13	8	9	8	8	8	7	117
Consultancy	10	10	10	-	10	5	10	-	10	5	5	5	80
General Statutory Reserve	29	27	32	17	18	27	18	27	29	19	19	30	294
Capital Expenditure	27	10	21	16	11	20	17	20	10	27	11	19	209
General Statutory Reserve	1	-	1	-	-	1	1	1	-	1	-	1	6

2017 Budget

(LBP Million)

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Gross Total	1,101	952	1,190	722	724	1,176	762	1,095	1,153	767	791	1,197	11,741
Current Expenditures	1,019	875	1,105	630	632	1,072	669	992	1,046	671	693	1,087	10,599
Personnel Charges	865	540	1,035	540	530	973	598	689	975	600	610	1,015	8,970
Occupancy Expenses	76	261	27	27	27	27	27	261	27	27	27	27	841
Consumables Expenses	29	13	13	12	13	12	13	11	12	11	16	12	167
Conferences and International organizations	-	30	-	-	30	-	-	-	-	-	-	-	168
Telecommunication	6	8	7	8	9	7	8	8	8	9	8	9	95
Services and Administrative Installations	28	8	8	28	8	38	8	8	9	9	9	9	170
Consultancy	15	15	15	15	15	15	15	15	15	15	23	15	188
General Statutory Reserve	31	26	33	19	19	32	20	30	31	20	21	33	318
Capital Expenditure	50	49	50	71	71	70	71	71	73	74	75	75	800
General Statutory Reserve	2	1	2	2	2	2	2	2	2	2	2	2	24

2.7 Capital Markets in Lebanon

A brief on the Activities of the Lebanese Capital Markets in 2016

Table 1

	Financial	Non-Financial
Name of Listed Company	BLC Bank - Listed shares	Solidere
	Bank Audi	Rasamny Younis Motor Co.
	Bank of Beirut - Listed shares	HOLCIM Liban
	Byblos Bank	Ciments Blancs
	Banque BEMO - Listed shares	
	BLOM Bank - Listed shares	
Total	6	4

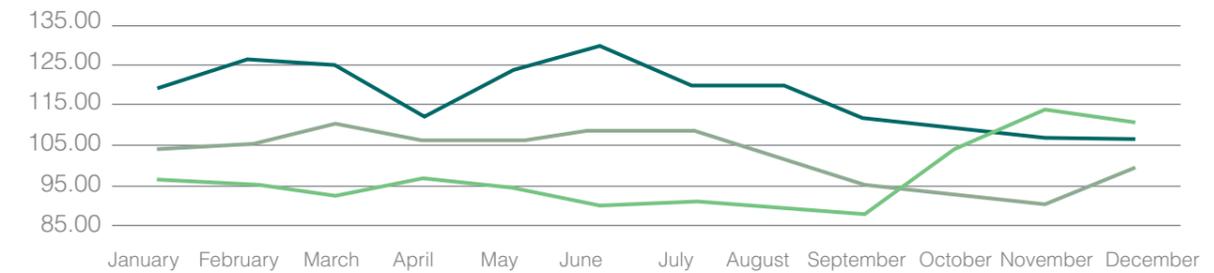
Beirut Stock Exchange was established in 1920 under the French mandate, and is still so far the only securities market in Lebanon. It has known a golden age in the fifties and the sixties before going through a state of stagnation due to war. Indeed, it closed in 1983 given the deteriorating economic and security situation, and resumed its activity in January 1996.

There are 10 listed companies on Beirut Stock Exchange as shown in Table (1) above, alongside some structured products and investment funds. The market value of Beirut Stock Exchange increased by 46.5% at the end of 2016, thus amounting to \$US 11,833 billion compared to \$US11.220 at the end of 2015.

In 2016, two shares were written off: the Lebanese Bank for Trade- Preferred shares "A", Bank of Beirut- Preferred shares "E". And two shares were listed: Lebanese Bank for Trade- Preferred shares "D", Bank of Beirut- Preferred shares "K".

Table no 2

Market Value Weighted Index 2014 - 2016



Banks Value Weighted Index 2014 - 2016

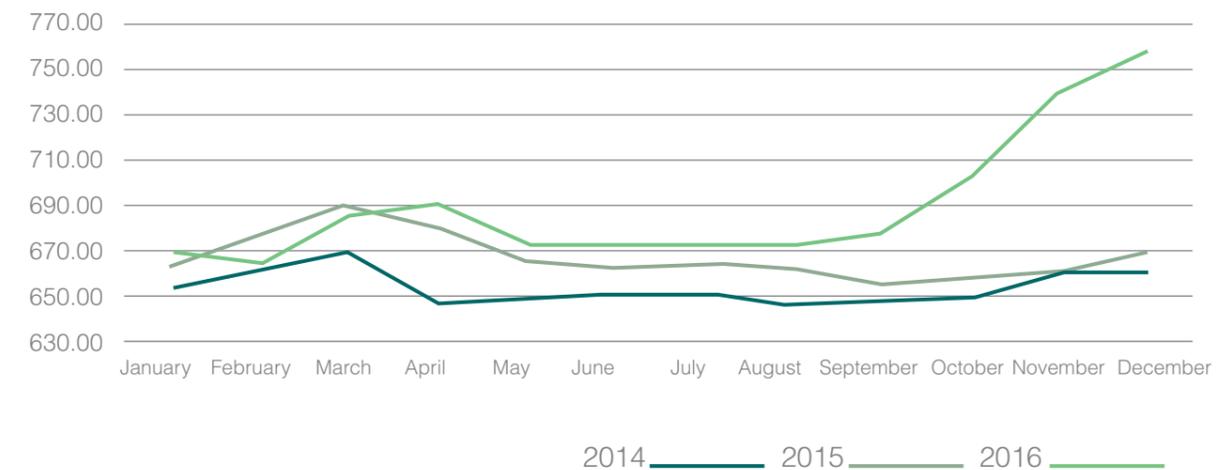


Table 2 gives a clear picture of the market value weighted index for shares listed on the Beirut Stock Exchange, alongside the market value index for banks listed on the Beirut Stock Exchange for 2014-2016. The market value weighted index for shares listed on the Beirut Stock Exchange shows a progress of 12,22% in January 2016 knowing that it closed at the average of 111,18 points compared to 99,07 points in January 2015. Indeed, the performance early 2016 was at its lowest level compared with previous years, and it made a major progress starting October 2016. As for the market value index for banks listed on the Beirut Stock Exchange, it showed some progress in December 2016 by 13.49% and closed at the average of 757,79 points compared to 667,73 point in December 2015.

With regards to the closing of the market value weighted index for shares listed on the Beirut Stock Exchange in 2016, it showed a decrease by 5,40%, knowing that the difference in the average amounted to 96,73 points in 2016 compared to 102,24 points in 2015. As for the market value index for banks listed on the Beirut Stock Exchange, it showed a progress by 3,31% in 2016, knowing that the difference in the average was 689,56 points in 2016 compared to 667,46 points in 2015.

Table 3

Report Market Summary ▼	2014	2015	2016
Number of Transactions	10,805	9,745	10,939
Volume Traded	96,790,303	74,774,129	119,745,228
Value Traded (Turnover) (\$)	661,412,925	629,973,104	963,814,191
Avg Value Per Working Day (\$)	2,699,645	2,592,482	3,982,703
Avg Volume Per Working Day	395,062	307,712	494,815
Market Avg (Value / Volume)	6.83	8.43	8.00
Number of Trading days	245	243	242
MARKET LIQUIDITY ▼	2014	2015	2016
Turnover Ratio =YTD Value Traded / Avg Market Cap.	5.97%	5.54%	8.57%
Percentage of The Free Float	92.86%	92.74%	100.07%
▼ MARKET SIZE	2014	2015	2016
Total Number Of Listed Securities	30	30	30
Total Number Of Listed Firms	10	10	10
Average FF Market cap in Current Year (M of \$)	11,076	11,365	11,248

Table 3 provides a summary of the activity of Beirut Stock Exchange as it shows an increase in the number of traded shares in 2016 by 60,14% amounting thus to 119,754,228 shares compared to 74,774,129 shares at the end of 2015; as for the value of traded shares, it increased by 52,99% at the end of December 2016 and reached \$US 964 million compared to \$US 630 at the date of trading closing in 2015. It is worth mentioning that this increase is mainly due to the higher number of market transactions in 2016, as there were 10,939 transactions compared to 9,745 transactions at the end of 2015, i.e an increase of almost 12,25%, and thus 2016 was the best year since 2014 in terms of trading, both in quality and quantity.

Collective Investment Schemes- Domestic

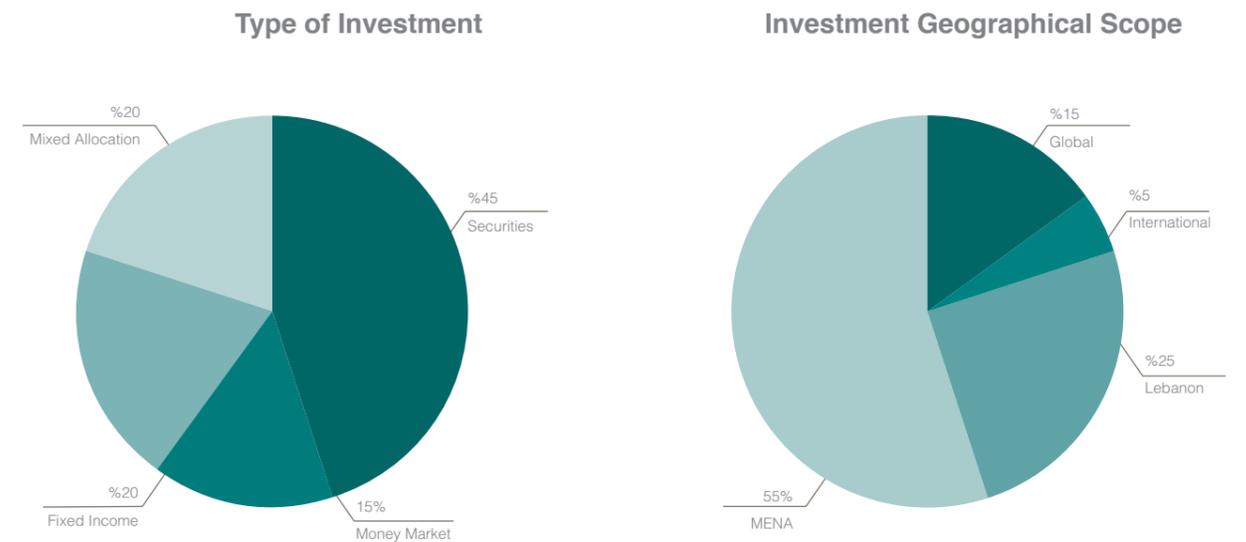


Table 4

Domestic Collective Investment Schemes Overview	
Total Number of Funds	20
Total Number of Subscribers	5,441
Total Subscriptions (\$)	\$ 846,714,913.34
Open ended	20
Closed ended	-
Currency	
USD	12
LBP	6
JOD	1
EUR	1
Type of Investment	
Securities	9
Money Market	3
Fixed Income	4
Mixed Allocation	4
Sector of investment	
Global	3
International	1
Lebanon	5
MENA	11
Banks or Financial Institutions	
Banks	19
Financial Institutions	1

Table 4 shows the number of local collective investment schemes. i.e 30 funds, in which the total subscriptions amount to \$US 846,71 millions. 55% of the funds rely on investments in the Middle East region, knowing that most of their investments are in securities (45%) and financial markets (15%).

The Value of Subscriptions in Local Investment Funds increased By almost ten Percent, to exceed USD 800 million in 2016

Yearly change in Number of Domestic Collective Investments Schemes

Collective Investment Schemes - Domestic			
	2015	2016	Percentage Change 2015-2016
Banks	20	19	-5.00%
Financial institutions	1	1	0%
Grand Total	21	20	-4.76%

Despite the slight drop in the total number of the domestic Collective Investment Schemes, the subscriptions value increased significantly in 2016, while the number of subscribers augmented by almost 10,39%, which shows a clear attraction to the domestic Collective Investment Schemes.

Collective Investments Schemes - Domestic

Percentage Change 2015-2016

Type	Number of Funds	Subscribers	(Million USD)
Fixed Income	100%	8.21%	-9.17%
Mixed Allocation	300%	3990.91%	1859.48%
Money Market	-50%	-15.91%	0.32%
Securities	-25%	-8.03%	-10.16%
Grand Total	-4.76%	10.39%	9.83%

2015

Type	Number of Funds	%	Subscribers	%	(Million USD)	%
Fixed Income	2	9.52%	195	3.96%	17.11	2.22%
Mixed Allocation	1	4.76%	22	0.45%	7.14	0.93%
Money Market	6	28.57%	44	0.89%	195.92	25.41%
Securities	12	57.14%	4668	94.70%	550.79	71.44%
Grand Total	21	100%	4,929	100%	\$770.96	100%

2016

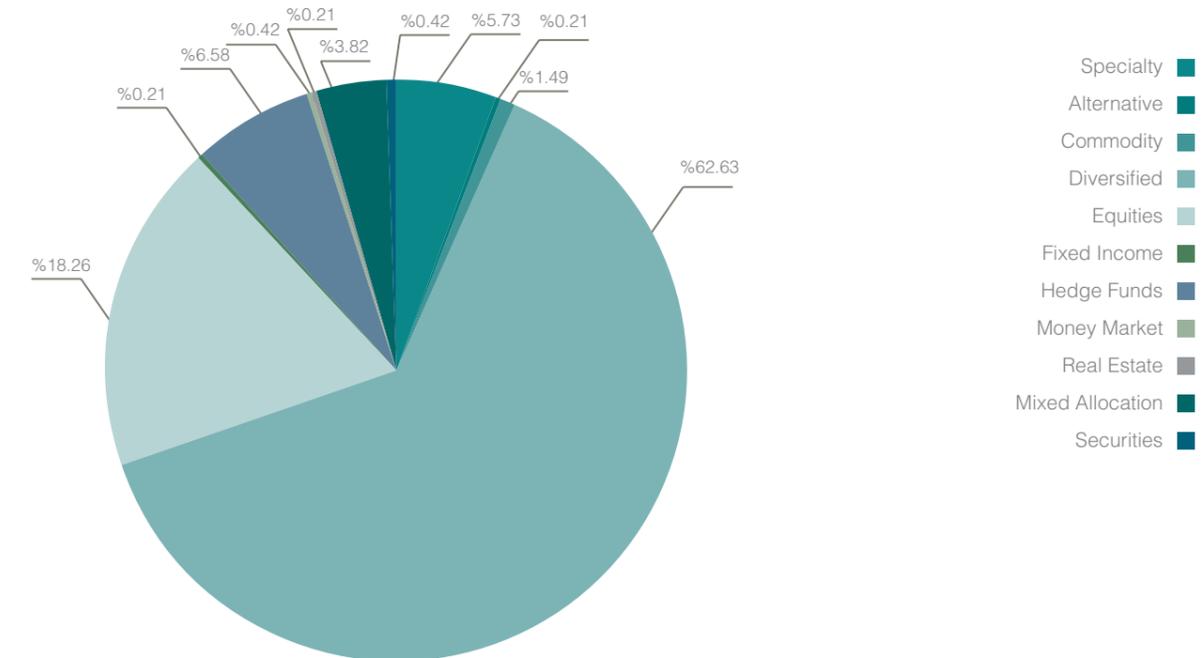
Type	Number of Funds	%	Subscribers	%	(Million USD)	%
Fixed Income	4	20.00%	211	3.88%	15.54	1.84%
Mixed Allocation	4	20.00%	900	16.54%	139.81	16.51%
Money Market	3	15.00%	37	0.68%	196.56	23.21%
Securities	9	45.00%	4293	78.90%	494.80	58.44%
Grand Total	20	100%	5,441	100%	\$846.71	100%

Collective Investments Schemes - Foreign

Table 5

Summary of Foreign CIS	
Total Number of Funds	471
Total Number of Subscribers	3,940
Total Subscriptions (\$)	\$902,579,220.45
Open ended	455
Closed ended	5
Fund of Funds	3
Hedge Fund	8
Currency	
USD	307
EUR	131
CHF	11
GBP	12
JPY	4
LBP	1
CAD	3
SAR	2
Type of Investment	
Alternative	27
Commodity	1
Diversified	7
Equities	295
Fixed Income	86
Hedge Funds	1
Mixed Allocation	31
Money Market	2
Real Estate	1
Securities	18
Specialty	2
Geographical Zone	
Global & International	253
Europe	84
Asia	60
North America	38
MENA	15
Emerging Market	6
Latin America	7
OECD Countries	1
Russia	7
Banks or Financial Institutions	
Banks	348
Financial Institutions	123

Table 5 shows that the total number of foreign Investment Schemes reached 471 funds, decreasing by around 4,3% in 2015 with a slight drop of approximately 0.15% in the percentage of subscriptions thus amounting to almost \$US902 billion, 62.63% of which were concentrated in equities funds and around 18.26% in funds based on fixed income securities. The table also shows that the subscribers in foreign investment schemes preferred to invest in the international geographical zone.



The number of funds Which are marketed by Financial Institutions and Financial Intermediary Institutions increased by %5 from 2015.

Yearly change in Number of Foreign Collective Investments Schemes

Collective Investment Schemes - Foreign			
	2015	2016	Percentage Change 2015-2016
Banks	392	348	-11.22%
Financial institutions	100	123	23%
Grand Total	492	471	-4.27%

The number of foreign Collective Investment Schemes decreased in 2016 by 4,27%, and amounted to a total of 471 funds while Equities and Fixed Income securities conserved the majority of subscribers and the highest share of subscriptions value.

Collective Investments Schemes - Foreign

Percentage Change 2015-2016

Type	Number of Funds	Subscribers	(Million USD)
Alternative	42.11%	26.19%	81.85%
Commodity	-75.00%	-75.00%	-97.53%
Diversified	-12.50%	-15.94%	-18.80%
Equities	-4.22%	-21.98%	-54.13%
Fixed Income	11.69%	-18.35%	12.39%
Hedge Funds	-91.67%	12.89%	4.15%
Mixed Allocation	-20.51%	22.09%	22.75%
Money Market	100.00%	100.00%	-91.33%
Real Estate	0.00%	200.00%	89.46%
Securities	-18.18%	7.48%	3.21%
Specialty	100.00%	100.00%	340.30%
Grand Total	-4.27%	-5.61%	-0.15%

2015

Type	Number of Funds	%	Subscribers	%	(Million USD)	%
Alternative	19	3.86%	42	1.01%	9.56	1.37%
Balanced	4	0.81%	4	0.10%	1.49	0.21%
Diversified	8	1.63%	69	1.65%	6.46	0.92%
Equity	308	62.60%	1506	36.08%	92.11	13.16%
Fixed Income	77	15.65%	594	14.23%	85.16	12.16%
Hedge Funds	12	2.44%	388	9.30%	60.38	8.62%
Mixed Allocation	39	7.93%	258	6.18%	53.49	7.64%
Money Market	1	0.20%	1	0.02%	1.29	0.18%
Real Estate	1	0.20%	1	0.02%	0.02	0.00%
Securities	22	4.47%	1310	31.38%	593.91	55.72%
Specialty	1	0.20%	1	0.02%	0.07	0.01%
Grand Total	492	100%	4,174	100%	\$903.93	100%

2016

Type	Number of Funds	%	Subscribers	%	(Million USD)	%
Alternative	27	5.73%	53	1.35%	17.39	1.93%
Commodity	1	0.21%	1	0.03%	0.04	0.00%
Diversified	7	1.49%	58	1.47%	5.24	0.58%
Equities	295	62.63%	1175	29.82%	42.25	4.68%
Fixed Income	86	18.26%	485	12.31%	95.71	10.60%
Hedge Funds	1	0.21%	438	11.12%	62.88	6.97%
Mixed Allocation	31	6.58%	315	7.99%	65.65	7.27%
Money Market	2	0.42%	2	0.05%	0.11	0.01%
Real Estate	1	0.21%	3	0.08%	0.04	0.00%
Securities	18	3.82%	1408	35.74%	612.97	67.91%
Specialty	2	0.42%	2	0.05%	0.30	0.03%
Grand Total	471	100%	3,940	100%	\$902.58	100%

2.8. Signing of MOUs

The Lebanese Capital Markets Authority strives since its establishment to conclude strategic international agreements with its counterparts around the globe, with a view to ensure cooperation and coordination between financial markets supervisory bodies as to strengthen local markets by setting cooperation frameworks between institutions and finding ways to develop them.

MOU between the Capital Markets Authority in Lebanon and the Federal Financial Supervisory Authority in Germany

The Capital Markets Authority in Lebanon, represented by its chairman Mr. Riad Salame, signed a Memorandum of Understanding with the Federal Financial Supervisory Authority in Germany (BAFIN), represented by the Executive Director of Securities Supervision Mrs Elisabeth Rugel in the German city of Bonn, in the presence of the Executive Board member Mr. Sami Saliba on May 20, 2016. This MOU aims at setting a cooperation framework that would provide assistance, facilitate the exchange of regulatory and technical information between both authorities so as to contribute in ensuring the transparency of securities markets, their development and the protection of investors therein. This MOU responds to the wishes of both parties as regards cooperation and coordination, and it also included a mechanism for the exchange of experience and information and provides for the possibility to establish joint programs for training their staff and developing their competences.

Memorandum Of Understanding between the Regulatory Authority for Financial Services in Abu Dhabi Global Market [FSRA] and the CMA in Lebanon

Commissioned by the vice-chairman of the CMA, and in response to a letter received from Abu Dhabi Global Market, the Secretary General initiated contacts with the Public Relations officer at the Regulatory Authority for Financial Services rattaché to the Abu Dhabi Global Market [FSRA], and a MOU was signed between both authorities. This Memorandum aims at providing an official basis for cooperation, including the exchange of information and investigation assistance, with a view to develop the financial regulations issued by the Abu Dhabi Global Market and the CMA in Lebanon according to the standards established by the International Organization for Securities Commissionms (IOSCO), and the fundamental principles for effective financial supervision set by the Basel Committee on banking supervision and the recommendations about anti-money laundering issued by the financial action group.

List of agreements signed since the launching of CMA's business

#	Date	Country	Authority
1	05/05/2014	France	Autorité des Marchés Financiers
2	25/11/2014	Egypt	Egyptian Financial Supervisory Authority
3	15/12/2014	Qatar	Qatar Financial Center Regulatory Authority
4	01/06/2015	Tunisia	Conseil du Marché Financier
5	01/12/2015	United Arab Emirates	Regulatory Authority for Financial Services
6	29/02/2016	United Arab Emirates	Securities and Commodities Authority
7	20/05/2016	Germany	Federal Financial Supervisory Authority (Bafin)
8	24/01/2017	Russia	Central Bank of Russia
9	07/03/2017	Oman	Capital Markets Authority

2.9. Coordination with Local and International Regulatory Authorities

Cooperation with the World Bank through FIRST Initiative

Within the frame of cooperation with the World Bank under FIRST Initiative, the Capital Markets Authority organized a series of in- house workshops in order to strengthen and build the technical capacities in supervision and control. The latest workshop was held in cooperation with the World Bank specialists on December 13&14, 2016, on reinforcing supervision and regulating the work of Collective Investment Schemes according to the concepts stated in the implementation regulations issued by the Authority in this regards.

Lebanon as associate Member in the International Organization for Securities Commissions (IOSCO)

The International Organization for Securities Commissions (IOSCO) approved the membership of Lebanon as an Associate Member, represented by the Capital Markets Authority. This step followed the assertion by the Chairman of the CMA and Governor of Banque du Liban, that the Authority will continue fostering and strengthening cooperation with local and international supervisory authorities, and will spare no efforts leading to Lebanon joining IOSCO in 2016. He declared that this will contribute to reinforcing the Authority's relationships with international supervisory authorities, building trust and increasing investments in the Lebanese financial markets. This approval serves as an international recognition that the Authority is adopting the best international standards within the supervisory, regulatory and technical frameworks that it established, and follows the signature of a number of cooperation agreements between Lebanon and member countries in the IOSCO.

On the other hand, thanks to its membership in IOSCO, the Authority will benefit from an international support in its work at the technical and regulatory levels when needed, and will be able to take stock of international experiences. This step will also allow the Authority to become member of one of the most important committee of the IOSCO, i.e the committee for Growth and Emerging Markets, which is considered as being the most effective and influential committee of the Organization. It is worth noting that the Authority joined the IOSCO's Regional Committee for MENA countries.

The Annual Conference of IOSCO

The Secretary General of the CMA, Mr. Saade Chami, attended the 41st annual conference of IOSCO that was held in Lima, Peru on May 8 2016. He also took part, at the margin of the conference, in several meetings especially the meeting of arab regulatory and supervisory authorities that discussed common interest issues, like the introduction of an advanced version of the Multilateral MOU (eMMOU) and the adoption of Arabic as an official language in IOSCO.

The advanced version of the Multilateral MOU was also discussed among the members of the IOSCO's Committee for Emerging Markets and Regional commissions given its sensitivity, knowing that its implementation mechanism could require some changes and amendments of the financial and regulatory laws in some member countries.

In the same context, and upon the invitation of the International Monetary Fund, the Secretary General of the CMA participated in a seminar organized by the IMF in cooperation with the World Bank and IOSCO, in Kiev, Ukraine on December 6, 2016. The seminar tackled the IOSCO's principles and their implementation in the various countries, particularly with regards to the Multilateral MOU that every country, including Lebanon, should sign to become a full member of IOSCO.

The Annual Meetings with the World Bank and the International Monetary Fund

The Chairman of the CMA and Governor of Banque du Liban, Mr. Riad Salame, headed the Lebanese delegation at the World Bank- IMF meeting that was held in Washington in October 2016. The delegation was composed of the the Authority's vice Chairman Mr. Sami saliba and its Secretary General, Mr Saade Chami, along with representatives of Banque du Liban, the ministry of Finance, the ministry of Economy and Trade and an extended delegation from the Association of Banks in Lebanon.

The delegation meetings with the World Bank looked into means to implement and improve laws, and dicussed the World Bank report on the best ways to develop financial markets. At the margin of these meetings, the Secretary General was called upon to present the activity of the CMA to the International Institute for Finance. The Secretary General tackled in his intervention the future projects that the Authority intends to work on, in particular initiating work in the Electronic Platform that will facilitate the provision of funding to the private sector.

The CMA's representatives raised in Washington some technical issues that affect financial markets in Lebanon, including the tax system, post trading settlement and payment systems, as well as the possibility of establishing a fund for investors' protection. The Authority's delegation also met with some representatives of the US Securities and Exchange Commission in Washington to discuss issues related to financial markets in general and their development.

The Arab Monetary Fund's forum on the governance of supervisory and regulatory authorities in the Arab region

The vice Chairman of the Authority and Board member, Mr. Sami Saliba, participated to the two-day Forum on the governance of supervisory and regulatory authorities in the Arab region organized by the Arab Monetary Fund in February 2016. It was attended by high officials and experts from financial institutions, international bodies, the Ministries of Economy, Finance and Trade, Central Banks, Capital Markets Authorities and Chambers of Commerce and Industry in Arab countries.

The Director General and President of the Arab Monetary Fund, Dr Abel Rahman Al Hamidi, stressed in his opening remarks on the importance of improving the governance practices in the financial and banking institutions and in the financial markets in Arab countries. He also emphasized the need to make more efforts to foster the culture and concepts of governance, disclosure and transparency in the Arab countries.

The Forum discussed the latest developments in the international principles related to governance and that are issued by the Organization for Economic Cooperation and development (OECD) and adopted by the G20. It aslo tackled the challenges in terms of full and transparent implementation of all principles issued by the OECD in the Arab countries, stressing on the important role that the supervisory and regulatory authorities are expected to play so as to create a favorable legislative, legal and regulatory environment for these principles. The President of the Fund looked too into the requirements for the effective enforcement and implementation of the governance's principles, including aspects related to awareness-raising, training and building human resources. The enforcement challenges in the practices of Boards are also discussed, along with issues pertaining to indemnities and the rights of investors and shareholders, in addition to the needs for developing corporate and public institutions governance, the role of independent Boards members, the method and effective tools used in assessing and measuring the enforcement and commitment level in the enterprises.

The 10th meeting of the Union of Arab Securities Authorities

The two CMA members Mr. Sami Saliba and Mr. Fadi Falih, along the Secretary General of the Authority, Dr Saade Chami, participated to the 10th annual meeting of the Union of Arab Securities Authorities that was held un Dubai, UAE, in March 2016, in the presence of a large number of high officials in the arab securities authorities to discuss some important issues, including the union's strategy until 2020. Indeed the Lebanese CMA played a fundamental role in elaborating this strategy, as well as in the initiatives for developing the markets' infrastructure and reinforcing transparency and disclosure requirements. The participants to the 10th meeting of the Union discussed initiatives aiming at improving the financial controllers' skills and endorsed the Union's financial statements for 2015 and the budget for 2016.

The Union seeks to raise the legislative and regulatory levels of the Arab Securities Authorities so as to ensure justice, competence and transparency, and to work on joining efforts to reach effective levels of supervision over transactions in the Arab Securities Authorities, in addition to cooperation and coordination between the Union's members in order to achieve the highest degree of harmony and consistence between relevant laws and regulations. The Union has the goal of overcoming the difficulties that investment encounters in the arab securities markets, as well as expanding the basis of such investment, diversifying its tools, deepening the investment's culture and the concepts of disclosure, transparency and governance, in addition to better implement international standards and practices. Thus, the lebanese Capital Markets Authority aims at developing its relationship with the Union and its members in the best interest of its fianacial markets and given the importance of a fruitful coordination for all concerned parties.

Lebanon's contribution to the elaboration of the strategic plan for 2016-2020 of the Union of Arab Securities Authorities

The Secretary General of the CMA contributed to the 10th meeting of the Union of Arab Securities Authorities, as a committee composed of the Union's members was set up to elaborate the strategic plan for the five upcoming years 2016-2020. The Committee held its first meeting in Dubai to discuss the following issues: selecting the President of the Committee, adopting the general rules governing the work of the Committee, discussing the questionnaire that will be distributed to all the Union's members.

The Secretary General of the CMA was unanimously chosen by the five countries representatives to serve as the president of the said committee. The Secretary General supervised the drafting of the strategic plan, in cooperation and coordination with its members and the Secretary general of the Union.

The first meeting was followed by a second two-day meeting held in Dubai in December, where the participants discussed the details of the plan the first draft of which was prepared by the Secretary General with inputs from the Committee's members. At the end, the Secretary General took note of the ideas and proposals of the Committee after discussing the details with all members in order to draft the final version in both arabic and english. It was then submitted for approval to the annual meeting of the Union of Arab Securities Authorities that was held in Cairo early 2015.

2.10 Various Activities and Achievements

The CMA sponsored and coordinated a number of conferences in 2016, a year that witnessed an intensive participation of the members and staff of the Authority in several local and international conferences and seminars that contributed to reinforce its relationship with its counterparts in foreign countries, and to strengthen the capacities of its staff through the exchange of expertise and experience at all levels.

Tenth summit of Regulatory Authorities in GCC Countries

Abu Dhabi market and Thomson Reuters

22 January 2016

The Board member, Mr, Firas Safieddine, participated to the Tenth summit of Regulatory Authorities in GCC Countries in January 2016, where he presented the GCC's achievements at the financial regulation level through launching by Thomson Reuters of a magazine entitled "10 years of advanced regulations". The conference aroused the interest of the participants given the extensive achievements and initiatives presented by the financial supervisory community in the GCC countries in terms of advocacy and keeping a high level of regulatory practices and standards in the region. The conference was attended by more than sixty experts from around the globe taking part in twenty five different discussion sessions on regulatory trends in the Middle East, analysis of success stories and working on introducing improvements where needed in the coming years in order to foster trust in the financial regulation at the regional and international levels.

CMA participates in Lebanese delegation to Silicon Valley

American Lebanese Chamber of Commerce

September 2016

After the success of the "Start-Up Lebanon" conference in New York 2015, the American Lebanese Chamber of Commerce and Startup Megaphone organized Lebanon's first startup Roadshow to Silicon Valley that included a representative delegation of ecosystem stakeholders from Lebanon to meet, network, and connect with industry leaders in California on the 12th of September 2016.

Representing the Capital Markets Authority in the delegation was Executive Board Member Mr. Firas Safieddine, and Director of Research and Communications Mr. Tarek Zebian. As a major stakeholder in the growing knowledge economy, the CMA will be providing an Electronic Trading Platform (ETP) that will aim to ensure a favorable business framework for startups and SMEs benefiting from Banque Du Liban Circular 331 funding that has thus far been the engine behind the tech scene revolution in Lebanon. The ETP, to be launched in 2017, will ensure that entrepreneurs, founders and investors in Circular 331 funded companies would have an accessible and liquid market with favorable requirements for IPO offerings in order to exit their positions invested in startup companies whenever they consider suitable to do so.

Remarking on the visit to Silicon Valley, Mr. Zebian noted that "meeting with industry professionals in Silicon Valley is an eye opener to what a successful ecosystem looks like, and I believe Lebanon after circular 331, and the surge in innovation focused institutions shall prosper given the many competitive advantages it holds over peers in the region. It was a delight to know that the likes of Google, Facebook, and other international players have Lebanese situated in strategic positions, this will definitely help in enriching our ecosystem with time".

Closing the trip, the American Lebanese Chamber of Commerce Chairman Mr. Salim Zeenni hosted on behalf of the AmCham on Friday the 16th of September, a VIP Gala Dinner & Conference at the Four Seasons Hotel in San Francisco, bringing together 150 change-makers from Silicon Valley and Lebanon altogether in one room, looking to support Lebanon in its mission to establish a global presence in the knowledge economy.

The Lebanese delegation to the world's tech capital included in addition to the Capital Markets Authority, the Embassy of the United States in Lebanon, the American Lebanese Chamber of Commerce, Startup Megaphone, Berytech, Leap Ventures, MEVP, Phoenician Funds, Kafalat, UK Lebanon Tech Hub, the Lebanese Broadcast Corporation International (LBCI), MTV, Pepsi Lebanon, Firehorse, Salhab Partners Law Firm, and White Lab.

Seminar on Lebanese Capital Markets: liquidity, accessibility and governance of the Capital Markets Authority and LIFE

August 2016

Representing the Capital Markets Authority, the Executive Board member Mr. Firas Safieddine, participated in a seminar on Lebanese capital markets organized by LIFE, which deals with Lebanese individuals engaged in the global financial sector. Mr. Omar Slim, head of Investments in Pinebridges Investments Company, Singapore, lead the discussion in light of his previous experience in organizing similar debates with Asian policy makers. This event was particularly important given that it involved major market experts, like regulatory authorities, market makers and investment bodies, to discuss the status of Lebanese financial markets including issues related to providing liquidity to markets, facilitating access and investment, ensuring a protection net for investors through an effective governance of listed companies and market mechanisms, as well as analyzing successful global initiatives and submitting proposals to strengthen markets.

Strengthening legislations and supervision of Islamic banks in Arab countries

The Arab Monetary Fund in partnership with the International Monetary Fund

May 22, 2016

The Board member, Mr. Fadi Fakih, and the Secretary General of the Capital Markets Authority, Mr. Saade Chami, attended a high level conference on “Strengthening legislations and supervision of Islamic banks in Arab countries” that was held in Dubai, United Arab Emirates. The conference was also attended by His Excellency Mohammad Abdallah El Karkawi, minister of Council of Ministers’ Affairs and CEO of Dubai Islamic Economy Development Center, alongside a large number of high level experts and officials from regional and international financial authorities and institutions, central banks and Arab monetary institutions. The conference stressed on the increasing importance of Islamic banks in supporting financial integrity and development financing in Arab countries, in light of the steady growth of the Islamic banks sector, commending in this regard the efforts of regulatory authorities in Arab countries and regional and international institutions involved in supporting the growth of Islamic banking activity.

Lebanese Energy Diaspora Conference

Ministry of Foreign Affairs of Lebanon

November 25, 2016

The Board member, Mr. Firas Safieddine, participated to the Diaspora Energy Conference that was held in Sao Paolo in the presence of His Excellency the President of Brazil, Mr. Michel Temer, and His Excellency Minister of Foreign Affairs and Expatriates, Mr. Gebran Bassil, alongside a number of ministers and MPs from a Lebanese origin in Brazil and other Latin American countries and more than one thousand Lebanese figures having achieved much success. The conference stressed on the important role that the Lebanese diaspora plays, and its effective presence that impacts the Brazilian life and society at all levels: politics, trade, medicine, culture, art and industry. It also emphasized the important ties between Lebanon and Brazil at all levels.

12th high level meeting on the latest developments in banking supervision and issues related the financial stability

Abu Dhabi, United Arab Emirates

December 7, 2016

The Board member, Mr. Sami Saliba, participated to the 12th high level meeting on the latest developments in banking supervision and issues related the financial stability that was held in Abu Dhabi, United Arab Emirates, in the presence of His Excellency Mr. Mubarak Rached El Mansouri, Governor of the Central Bank of the UAE. A large number of high officials attended the conference, including governors, MPs, heads of banking supervision departments from central banks, Arab banking institutions and capital markets authorities representing fifteen Arab countries. Many international institutions were also present at the head of which the Bank for International Settlements, the Basel Committee on banking supervision, the Central Bank of Europe, the Federal Reserve Bank in Boston, the G30, the Institute for International Finance, the Accounting and Auditing Organizations for Islamic Financial Institutions.

The meeting discussed important topics like short term and medium term supervision challenges, the latest developments in terms of corporate governance. It also tackled the proposed amendments to the hedging framework so as to deal with the credits and operational risks that commercial banks face. On another hand, the agenda included a review of the most important results of the field survey that was prepared by the Basel Committee to identify emerging risks and supervision priorities, in addition to the latest developments and the actual work of the Basel Committee on banking supervision. The meeting also debated the challenges encountered by central banks and supervision authorities in the Arab region to reinforce financial stability, with other topics and issues related to ways for improving risk management in the financial and banking sector in Arab countries. The meeting focused on the repercussions of accelerated developments in modern financial techniques, their impact on the banking sector and on ways to counter financial cyber crimes. Finally, it broached the updated standards pertaining to Islamic financing issues.

Sixth Annual forum for heads of Anti Money Laundering/Counter Terrorism Financing units in Arab banks and financial institutions,

Union of Arab Banks

October 27, 2016

The Union of Arab Banks held a forum on Anti Money laundering- legal requirements and examination procedures on May 27&28, 2016 in Beirut. This event was attended by a number of distinguished experts from the Special Investigation Commission in Lebanon and from Lebanese judicial and security authorities, in addition to representatives from regulatory authorities in Arab countries and from the Arab and Lebanese banking sector, all of whom shared their experiences with the participants.

The Internal Auditing Department participated on behalf of the CMA, as it had the opportunity to exchange information on ways to deal with challenges encountered by local and Arab markets, on procedures that legislative and regulatory authorities seek to adopt in order to modernize laws and legislations as well as on strengthening the supervisory work in order to effectively fight against money laundering and terrorism financing.

This forum, that became an annual platform, tackled the latest developments in the procedures aiming at fighting money laundering and terrorism financing, and in managing risks related thereto.

The 21st session of the Annual Arab banking Conference on “Lobbying for better Arab- International banking cooperation”

Banque du Liban, Union of Arab banks, Association of Banks in Lebanon, World Union for Arab Bankers

October 24, 2016

The CMA participated to the conference organized by the the Union of Arab Banks in cooperation with Banque du Liban, the Association of Banks in Lebanon and World Union for Arab Bankers, for the 21st session of the Annual Arab banking Conference on “Lobbying for better Arab- International banking cooperation” that was attended by more than 700 Arab, European, American and international figures from the financial and banking sectors. The event was marked that year by

the presence of a high level Turkish banking delegation, an African banking delegation in addition to the participation of China with a governmental, financial and banking delegation. A special session was dedicated in the framework of the event to discuss the Arab-Chinese banking relations, knowing that the Union will organize in 2017 in China a conference on “The Arab- Chinese Banking Dialogue”, and will sign a Memorandum Of Understanding with the Union of Chinese Banks.

Comprehensive Developments in the IT systems operating in the capital markets sector

Finance Magnate

November 2016

Within the context of developing work in the IT Department, the head of the Department Mr. Alaa Sukarieh participated to a conference on comprehensive developments in the IT systems operated in the the capital markets sector, in the United Kingdom in October 2016, in the presence of an elite of representatives of banks and world financial institutions in addition to representatives of different capital markets authorities. The conference which was organized by the British Finance Magnate discussed the emerging developments in the IT sector, including for example the best practices adopted in online payment, exploiting information potential for markets, as well as reducing costs and risks through the use of a modern technique called “blockchain”. This is a distributed database capable of managing a growing list of records [blocks], and when storing the information in the blockchain, it becomes impossible to identify this information, in addition to other developments in the IT related to trading and other innovations in managing the regulations pertaining to electronic dealing platforms.

Lecture about financial markets in Middle East University

The CMA's Board Member, Mr Firas Safieddine, gave a lecture about Lebanese capital markets at Middle East University in the framework of specialized seminars on financial issues that have essential impact on the Lebanese economy. The conference was attended by a representative of the Chairman of Middle East University, Mr. Leif Hongisto, alongside other universities' chairmen and deans, businessmen, professors, banking and economic experts, media professionals and students.

Mr. Safieddine stressed in his intervention on the important role the Authority plays in overlooking the development of financial markets, by virtue of the large powers granted by the Capital Markets Law no 161/2011, especially in terms of regulation, supervision and accountability. He underlined the need to develop the markets so as to reduce unemployment and provide job opportunities to young people in the financial sector that accounts for a large share of the national income.

Lecture about financial markets at Notre Dame University, NDU

The CMA's Board Member, Mr Firas Safieddine, gave a lecture about Lebanese capital markets at NDU on “The Lebanese financial markets, new horizons”. He tackled in his debates with the students the latest international developments that took place in the financial markets and the way for Lebanon to benefit from such developments on both the short and long terms.

Date	Topic	Organizer	Participants from the CMA	Country
January 2016	Standing Committee for Economic and Commercial Cooperation of the Islamic Cooperation Forum for capital markets: working Group on Islamic Financing		Sami Saliba	Ankara, Turkey
January 24, 2016	Tenth summit of the GCC Countries		Firas Safieddine	Abu Dhabi, United Arab Emirates
February 8, 2016	Governmental Forum for Supervisory and Regulatory Authorities in the Arab Region: Opportunities and Challenges		Sami Saliba	Abu Dhabi, United Arab Emirates
April 2nd, 2016	Tenth meeting of the Union of Arab Securities Authorities		Sami Saliba Saade Chami Fadi fakih	Cairo, Egypt
April 26, 2016	Annual conference of the Arab union for exchanges 2016		Firas Safieddine	Amman, Jordan
May 14, 2016	Regulating securities markets: Innovation and best practices		Firas Safieddine	Dubai, United Arab Emirates
May 8, 2016	Annual Conference of the International Organization of Securities Commissions [IOSCO]		Saade Chami	Lima, Peru
May 21, 2016	High-level Forum on strengthening control and supervision of Islamic banking		Fadi Fakih Saade Chami	Dubai, United Arab Emirates
September 6, 2016	Discussion group on investment funds and fixed income instruments		Sami Saliba	Dubai, United Arab Emirates
September 9, 2016	Meetings of the delegation of the American-Lebanese chamber of commerce in Silicon Valley		Firas Safieddine Tarek Zebian	San Francisco, USA
October 2nd, 2016	Annual meetings of the IMF and the world Bank 2016		Sami Saliba Saade Chami	Washington, USA
November 11, 2016	Third meeting of the Standing Committee for Economic and Commercial Cooperation of the Islamic Cooperation Forum in the Capital Market Authority		Saade Chami	Istanbul, Turkey
December 5, 2016	12th high level annual meeting on new developments in banking control and financial stability issues		Sami Saliba	Abu Dhabi, United Arab Emirates
December 6, 2016	Specialized conference for IOSCO members on preparations for full membership		Saade Chami	Kiev, Ukraine
November 25	Conference on Lebanese Diaspora Energy		Firas Safieddine	Sao Paulo, Brasil

The Authority will also intensify its contacts with all stakeholders in the financial sector, from both public and private sectors, in order to assess the present situation and look into ways to develop the infrastructure underpinning financial markets, like taxation and legislations that affect the CMA's vision both in the short and long term

Chapter 3

Perspectives for 2017

The Authority initiated efforts to obtain the status of ordinary member in the International Organization for Securities Commission through preparing to sign a Multilateral Memorandum of Understanding, or the updated version thereof i.e the eMMOU, in 2017. This step is of an utmost importance as it would give Lebanon a voting right in the IOSCO, and allow it to exchange information with supervisory authorities around the world and with the Organization's members, which helps to ensure more transparency and trust in Lebanese capital markets and positively reflects on the plan for developing financial markets and the capacity to attract foreign investors and Lebanese expatriates to invest in Lebanon.

In order to achieve the expected development of financial markets in Lebanon, it is necessary to complete efforts on the provision of Law no 161/2016 pertaining to the transformation of Beirut Stock Exchange into a limited liability company by the government so as to pave the way to its privatization. In this context, and given the importance of initiating the process of developing and strengthening financial markets, these markets have worked on setting up a mechanism for licensing an Electronic Trading Platform that would be merged with Beirut Stock Exchange after its privatization as a way to confirm that work is being deepened in the markets, and to contribute in generating the required liquidity.

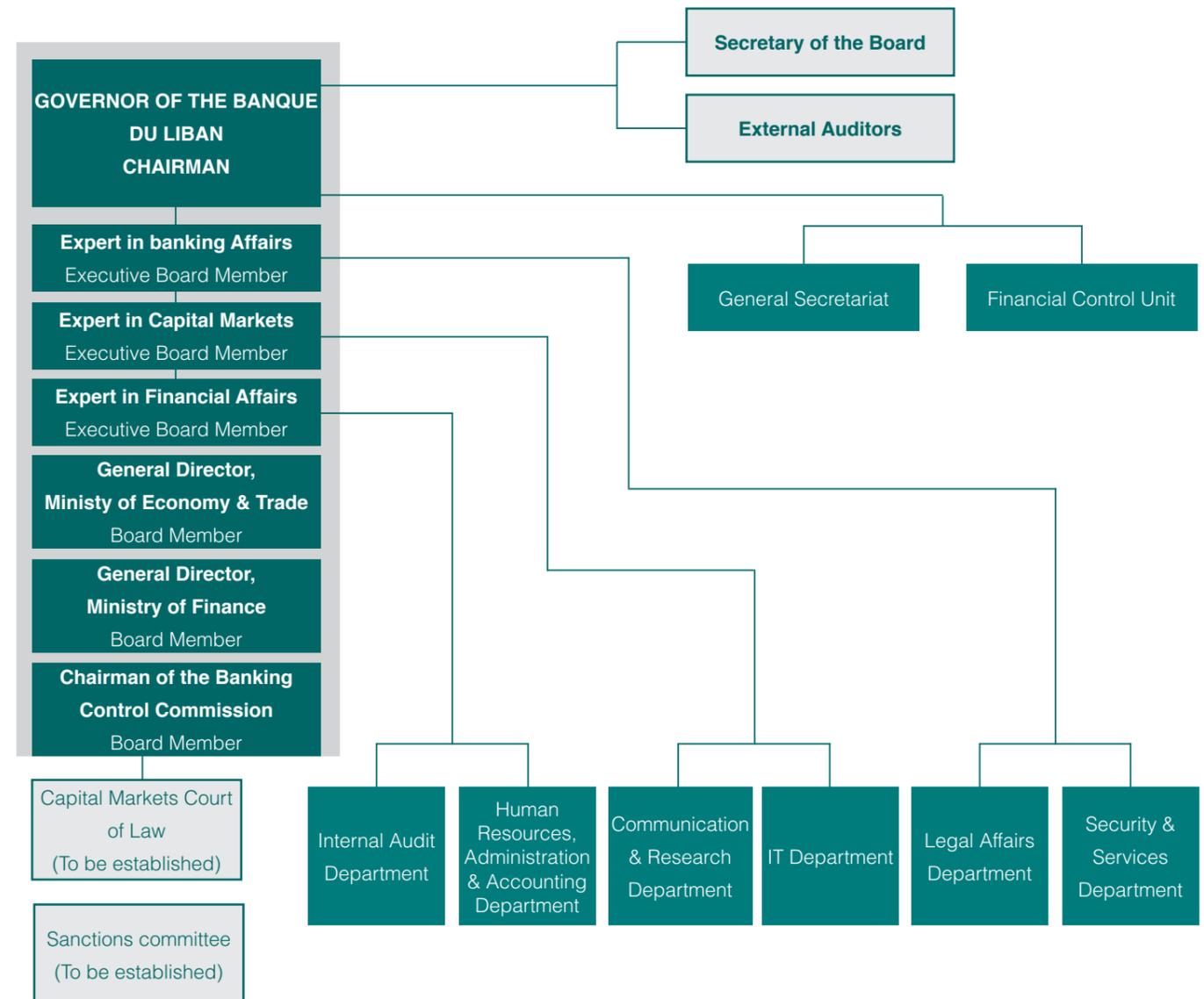
At another level, the Authority will finalize its work on implementing the decisions related to the necessary qualification requirements for people operating in the sector so as the largest number of individuals engaging in securities business become registered with the Authority, which makes them eligible to provide securities related services. This change, in terms of establishing the minimum standards for operating in the securities sector, would foster the investor's trust and consolidate the relationship between the service provider and the investor. It would also impact on the ability of the sector to attract capitals and invest them in various financial instruments from listed companies or collective investment schemes or other high liquidity instruments.

This is only part of all the projects the Authority is working on with regards to developing financial markets, and which constitute a solid basis for its work in the next phase, in cooperation with specialists from the World Bank within the FIRST agreement. The Authority will also intensify its contacts with all stakeholders in the financial sector, from both public and private sectors, in order to assess the present situation and look into ways to develop the infrastructure underpinning financial markets, like tax procedures and main legislations that correspond to the vision of the Authority both in the short and long terms.

Chapter 4: Capital Markets Authority, Who we Are

4.1 Organizational Structure

Following the latest modifications to its structure, the CMA is now composed of three main units: the General Secretariat, the Financial Control Unit and the Sanctions' Committee; in addition to the following departments: Legal Affairs Department, Human Resources and Administration Department, the IT Department, the Communication and Research Department, the Internal Audit Department, Security and Services Department.



4.2 Chairman and Executive Board Members

The management of the Capital Markets Authority is entrusted to a Board formed of seven members and chaired by the BDL Governor. The Board comprises three full-time members experts in banking and financial affairs, and three part-time members representing ministries and departments directly involved in the work of the CMA: the Director General of the Ministry of Finance, the Director General of the Ministry of Economy and Trade and the Chairman of the Banking Control Commission.

The Board has extensive powers that may enhance investor protection and promote investment in the financial markets. It has the power to establish general regulations concerning the establishment and management of stock exchanges, the regulations concerning the establishment and functioning of financial intermediary institutions which manage investment funds for the public. It also sets the code of conduct to be followed by stock exchanges and their users, as well as by financial service providers and their users. The Board of Directors has the power to regulate governance related issues, such as the obligations of financial instrument Issuers to publish and disclose to the public price-sensitive information.

In the same context, the Board has the power to license the establishment and functioning of financial intermediary institutions, and securitization; ratify (or cancel previous ratification of) the decisions taken by the administration of each stock exchange concerning the registration of securities and financial instruments; and approve the regulations set by the administrations of stock exchanges concerning the transactions undertaken on such stock exchanges. Moreover, the Board of Directors is mandated by law to issue consultations and opinion on draft laws and decrees related to the work and development of the capital markets.

4.3 General Secretariat

The role of the Secretariat is crucial since it is the administrative body of the CMA and its work affects, and is affected by, the work of other units and the Board. The Secretariat will ensure that the decisions taken by the Board are executed and suggest to the Board investigations and inspections regarding the violations of Law 161 or any of the CMA regulations. The Secretariat shall also transmit the complaints to the Board, while also communicating to the Board the decisions taken by the Sanction Committee, and notify these decisions to the concerned parties. It shall submit the CMA Reports to the Board and ensure that the Board regulatory decisions and general directives or instructions are published. The Secretariat shall also suggest to the Board the establishment or amendment of the provisions and regulations relating to capital markets.

4.4 Financial Control Unit

The Financial Control Unit (FCU) monitors the compliance of capital markets to the rules and procedures put forward by the CMA, and ensures that financial institutions are abiding by the set regulations and detailed instructions, and trading conditions stipulated under the law are applied. The Financial Control Unit may request from the external auditors of the concerned institutions, or from independent experts, to further audit and analyze the operations of these institutions, and to perform compliance investigations and collect evidence for detecting violations detrimental to the functions of a sound capital market.

It ensures that the companies and institutions whose securities and financial instruments are traded on stock exchanges are disclosing information to the public on a periodic basis, as stipulated in the laws and regulations.

It also ensures the accuracy and quality of the published information and the timely dissemination of price-sensitive information in relation to the company itself, or any of its securities and financial instruments.

The control unit may require that these companies and schemes provide additional information, and make amendments deemed necessary to the information published, if it finds that the information published is incomplete or inaccurate.

It is worth mentioning that the audit and control activities of the CMA constitute the backbone of the functions of the Authority. In this regard, it secures the proper functioning of financial institutions and imposes transparency in the market that aims to protect the investor, through the adoption of best international standards in this area.

4.5 The Legal Affairs Department

The Legal Affairs Department at the Capital Markets Authority is entrusted with three essential roles. (1) It supports the various units and divisions of the CMA by providing them continuously and in a timely manner with legal guidance necessary to successfully achieve their objectives; (2) it drafts the regulations that will be issued by the CMA in fulfillment of its task of regulating the capital markets in Lebanon; and (3) it reviews applications for licensing for market institutions and intermediaries and product and various other requests, and submits its recommendations to the CMA Board.

The Legal Affairs Department also drafted several legal opinions in order to provide the proper legal framework for the projects related to other units, such as a legal study on the possible financing of the CMA, or a legal memo on the different legal backgrounds related to the CMA scope of work.

Therefore, developing legal frameworks and making sure that all the regulatory systems adopted by the CMA do not conflict with the Lebanese laws in force are an essential part of the work of the CMA.

4.6 The Sanctions Committee

The Sanction Committee is expected to be formed in the near future so that the CMA can take necessary measures against anyone who violates the laws and regulations that govern the functioning of CMA. The Sanction Committee shall examine violations transmitted by the Board, and take the necessary decisions. It shall have the authority to impose administrative sanctions and monetary penalties on all parties, entities and natural persons who deal with financial instruments and services.

Institutions and Private Businesses Subject to the Supervision and Control of the Capital Markets Authority

Law 161 defines all activities that are subject to the control and authority of the CMA. It includes all operations related to the issuing, purchase, sale, or promotion of financial instruments that are directly offered for Public Subscription, or that are purchased or sold on behalf of the public, in addition to Financial Instruments listed or traded on the stock exchange, and financial instruments and financial rights licensed by the Capital Markets Authority. The law clearly defines all activities pertaining to financial instruments, as well as institutions that are subject to the authority and control of the financial markets as shown in the following table:

Parties subject to the supervision and control of the CMA

- Licensed individuals
- Companies listed on the Lebanese Stock Exchange
- Lebanese stock exchanges or institutions whose objective is to manage and conduct the business of stock exchanges, provided such institutions are established as Lebanese joint-stock companies
- Financial companies or licensed institutions and bodies including:
 - Collective investment schemes dealing in securities and other financial instruments
 - Investment schemes in securitization operations
 - Islamic investment and securitization schemes
 - Financial consultants and all other institutions providing services related to financial instruments
 - Financial Rating Agencies

Financial instruments and services subject to the supervision and control of the CMA

- Stocks, bonds or shares issued by a public or private company or entity.
- Debenture bonds, stocks, bonds, certificates of deposit, depositary receipts or treasury bills and bonds.
- Financial rights, options, futures, and all derivatives or structured financial products.
 - Investment and Securities Brokerage services
 - Portfolio Management and Book Keeping
 - Securities Custody
 - Underwriter
 - Underwriting process

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