



PART II:
ACTIVITIES OF THE
ASSOCIATION OF BANKS
IN LEBANON

02

The ABL continued in 2014 to follow-up on the banking regulations and legislations with the relevant authorities, particularly the monetary and supervisory authorities, as well as on other issues related to the banking profession.

I- THE CONTENTS OF MOST IMPORTANT CIRCULARS AND GUIDELINES ISSUED IN 2014

01

The Implementation of Basle 3 Accord on Capital Adequacy

The Lebanese monetary and supervisory authorities continued in 2014 taking the necessary measures to implement Basle III requirements in coordination and cooperation with the Association and administrations of banks by adjusting conditions of accepting capital instruments in the category of capital accounts and the solvency ratios for banks operating in Lebanon, in addition to defining the concept of capital accounts to compute the regulatory ratios and their content and the deductions from capital.

a- Calculating solvency ratio

It is a known fact that Lebanese banks are committed to the solvency ratios imposed in the Basle III Accord. Banks have respected in the past the BDL's request to secure a total solvency ratio not lower than 10% at the end of 2013 with a share of common stocks of a minimum of 6% and core capital of 8%. In addition, banks are gradually increasing their solvency ratio to reach 12% by the end of 2015. These minimum ratios imposed by the BDL are more stringent than those imposed by Basle III Accord where the Basle committee recommends a total capital ratio of 8% in 2013 increasing gradually to 10.5% at the beginning of 2015.

At the beginning of 2014, the BDL informed the Association that it is necessary to re-consider the way to apply Basel III in a direction facilitating the commitment to the Accord without changing the capital ratios that Lebanese banks have started applying. Thus, on 6/3/2014, the BDL issued **intermediate circular n° 358** setting up the organizational framework for capital adequacy of banks operating in Lebanon. The circular specified the capital tools other than common stocks, and new provisions other than the systemic and legal ones, including reserves on property subject to liquidation and other reserves related to comprehensive income that can be counted as part of the rights of holders of common shares and core capital. The circular addressed the credit risk weights consistent with the requirements of the Basle Accord reducing some weights that can be improved especially the ones applied to bank deposits in foreign currency at the BDL, which are not used by BDL who is satisfied with placing them at correspondent banks. Based on this circular, a weight of 50% was assigned which is an average between 20% and 100% that could be adopted as the BDL confirmed to the Association. These adjustments will open

venues for new investors to join the banking sector. The BDL kept unchanged the time frame to comply with the new capital ratios. This means reaching at the end of 2015, 8% for common shares, 10.5 % for tier 1 capital, and 12% for total capital. This schedule is more stringent than the requirements of Basle III.

On another hand, **the Banking Control Commission (BCC)** issued in 2014 **memos n° 3/2014** and **n° 5/2014** in which it requested banks to calculate thoroughly their solvency ratio based on their audited balance of December 31, 2013 and June 30, 2014 consecutively, while adopting the same weighting rates for credit, operational and market risks as proposed by the Basle II and Basle III Accords with detailed information about the structure of their capital based on Basle III.

b- Liquidity ratios according to Basle III standards

The Basle III Accord stresses the subject of liquidity as it does for capital requirements due to the experience of the global financial crisis, where liquidity appeared as important as capitalization since it determines the bank's ability to cope with financial crisis, when it is hard to count on markets for funding and without resorting to public funds i.e. taxpayers.

In addition, **the BCC issued in November 2014 notice number 8** in which it requested banks the provision of detailed information on the high quality free unencumbered liquid assets and financial outflows and inflows based on the balance of 30/9/2014 in order to conduct a quantitative experiment on computing the Liquidity Coverage Ratio (LCR) of banks.

c- Committing to the Basle III banking industry standards

It is well known that the Basle Accord addresses in addition to the previously mentioned topics the internal control and corporate governance's principles which are the two subjects of circulars 106, 118, 183 and others.

At the beginning of 2014, the BDL submitted a draft circular to the Association for its review and comments on the compensation and bonuses granted to banks' employees in which it asked the banks to develop a written policy for those "compensations" approved by the Board of Directors in addition to the creation of a "compensation" committee composed of the non-executive Board members. After studying the proposal by its specialized committees, the Association raised comments on the frequency of the meetings of the above-mentioned compensation committee to be once or twice a year instead of quarterly and the possibility of having a member of this committee participate in the membership of any of the audit and risk committees due to the non-existence of conflict of interest with these committees. The Association asked for defining the framework of the committee concerning disclosure and other operational duties and for including the information on compensation in the annual reports instead of the quarterly financial statements.

In accordance with Basle standards, the BDL issued also **basic circular n° 132 on 8/3/2014** in which it reemphasized denying the members of the Board of Directors of

the bank, the major shareholders, their family members and their related institutions from direct or indirect facilities offered by related banks and financial institutions outside Lebanon. A detailed explanation of all the rules related to these facilities subject to paragraph 4 of articles 152 and 153 of the Code of Money and Credit was conducted. **On 7/8/2014 and 1/11/2014**, the BDL issued **intermediate circulars 368 and 373** to modify the basic circular 132.

With regards to basic circular n° 103 related to academic, technical and ethical qualifications required to perform certain function in the banking and financial sectors, the BDL is increasing the number of required certificates and possibilities of the sector's employment given that this circular issued in 2006 is addressed to employees of the financial markets and their products to protect customers. Thus, on **11/3/2014**, the BDL cancelled through **intermediate circular 363** one certificate and added others to new categories in addition to exempting holders of specialized certificates (CFA level 1, CME) from sitting for some exams.

d- General provisions

As it is well known, banks are showing large flexibility with debtors who are facing circumstantial difficulties, due to the current situation in Lebanon and the region, thus studying each case separately. And because of the large importance of collective provisions, it was necessary for the BDL to come-up with a solution to this issue. Based on that, it issued **on 21/8/2014 the intermediate circular n° 369** specifying lending conditions of retail credit and the formation of necessary reserves for these loans.

On 1/11/2014, the BDL issued the **intermediate circular n° 376** asking banks to form collective provisions on the portfolio of loans and facilities generating interest income based on the stress tests that are necessary in line with the international accounting standards and the directives of the BCC to that effect, in addition to making some adjustments on basic circular n° 81 and intermediate circular n° 369.

On 24/12/2014, the BDL issued the **intermediate circular n° 383** that modified ratios adopted in circular n° 376 for forming collective provisions on the portfolio of retail loans that did not witness a payment delay exceeding 30 days. It also asked for the formation of general reserves based on the portfolio of general provisions that it asked to be formed in **intermediate circular n° 376**.

e- **Banks' foreign investment of available banking liquidity**

In 2014, monetary and supervisory authorities continued with the collaboration of the Association to monitor banks foreign investments in order to avoid new investments in risky instruments. This approach helped during the global financial crisis to preserve Lebanese banks from getting involved in the risky foreign speculative investments drift, derivative products, and foreign financial instruments.

After prohibiting banks and financial institutions operating in Lebanon based on **intermediate circular n° 333/2013** from allowing correspondents or depositors abroad in handling or lending Treasury bills issued by the Lebanese government or the CDs issued by the BDL and placed in it or presented as a collateral and imposing that contracts stipulate a clear text to that effect, the BDL issued **on 12/11/2014 intermediate circular n° 378**. This circular prohibits banks and financial institutions operating in Lebanon, except under specific conditions, to borrow or receive financing from the non-resident financial sector backed by Treasury bills in foreign currency issued by the Lebanese government or CDs issued by the BDL in foreign currency or foreign Treasury bills or any other foreign bills.

And as it is known, the Capital Markets Authority (CMA) was established by Law n° 161/2011 as a control authority for financial markets. In July 2012, the interest of this authority centered around the organizational, control and operational issues. Thus, it issued a set of decisions developing the general by-laws of financial markets. After issuing intermediate circular n° 342 that allows banks to open trading accounts subject to the control of this authority, and intermediate circular n° 350 that prevents banks from trading in derivative products except for hedging, the BDL issued on 28/2/2014 intermediate circular n° 353 that prevents banks and financial institutions, except under some specified conditions, from contributing to collective investment organizations established or residing in Lebanon, or in operations in structured products and instruments issued in Lebanon, or in operations in structured products and instruments issued in Lebanon and tied to Treasury bills issued by the Lebanese government or tied to CDs issued by the BDL in foreign currency. It also imposed on banks in case they were asked to provide financial guarantees to promote or market foreign collective investment organizations or offer or sell their stocks or shares in Lebanon that the value of the financial guarantees not exceed 7% of the capital of the concerned bank.

02

New circulars aiming at enacting lending to the private sector

It is known that the BDL launched in 2013 a new incentive-based program to help banks to continue granting concessional loans with assured economic and social benefits and also to encourage banks to support the launching of start-ups and activate financial markets. This program contributed to activating domestic demand and economic activity that had started to slow-down.

As a result of this program, banks continued in 2014 to expand their loans to the private sector, despite the difficult circumstances in the country and the region. The size of these loans increased to LBP 76,730 billion at the end of the year or by an increase of 7.4% compared with the preceding year. Concessional loans benefitting from government subsidized interest rates, from incentives and reduction in required reserves and from the facilities of the BDL constituted around 30% of the total portfolio of bank loans to the private sector.

This program centers on the following issues:

First, The BDL placed in 2013 at the disposal of the banking sector, based **on intermediate circular n° 313 and its amendments**, credit or facilities lines in the amount of LBP 2,210 billion (around USD 1.47 billion) at an interest rate of 1% so that banks can at a later stage lend them to customers at lower interest rates between 0.75% and 6%. These facilities included most economic sectors especially housing which constituted 56% of the total figure, the environment constituting 24%, the productive sectors at 18%, education at 2% with some sums allocated to business leaders and projects in the areas of knowledge economies, innovation and small enterprises. And given that these loans rely on a new lending mechanism different than the one of using the required reserves, the average interest rates on them were higher (by less than 1%) than previous ones.

The BDL adjusted the intermediate circular n° 313 by introducing **intermediate circulars n° 365, n° 380, n° 382 and n° 372**, adding to the list of facilities granted by the BDL to banks at 1% interest, loans in LBP or in US dollars that are granted for a period not exceeding seven years to finance projects that are environment friendly to limit pollution, and loans in LBP that are granted to finance the part of the environment in environment friendly projects other than in energy that do not benefit from subsidized- interest, and loans to productive sectors in LBP that are granted as part of the "Kafalat trees" program benefitting from subsidized- interest, and loans in LBP that are granted to finance the part of the environment in environment friendly projects in energy that are granted by KAFALAT benefitting from subsidized- interest, and loans to productive sectors in LBP that are granted as part of the KAFALAT program for "small enterprises", approved by BDL to benefit from subsidized-interest loans.

The BDL had extended based **on the intermediate circular n° 346** until the end of October 2014 the period for banks to benefit from these facilities to grant more concessional loans, and added to the sums not used the amount of LBP 500 billion so that the remaining

available facilities became equivalent to LBP 1,200 billion in 2014.

On 7/10/2014, the BDL issued **intermediate circular n° 372** in which it modified circular n° 346 by changing the sum of LBP 500 billion to LBP 900 billion.

Second, in 2013, the BDL enacted a new financial service concerning directly the capital of firms instead of bank lending where banks and financial institutions were allowed within 3% of their capital to capitalize emerging projects, incubators, and speed-up business companies whose activities center around the knowledge economy. Placements in these new companies are allowed up to seven years on condition the companies work in the knowledge economy and operate in Lebanon with Lebanese labor force. The BDL secures to the concerned bank, in return for these placements, facilities for a maximum period of seven years at no interest with a risk coverage of 75% of bank investments in these companies. Concerned banks need to have an active role in developing the business of these firms supporting their continuing growth and proper management.

On November 20 and 21, 2014, the BDL celebrated one year to launching funds allocated for start-ups based on intermediate circular n° 331 and circular n° 367, by hosting the first international conference in Lebanon on start-ups in the Forum of Beirut.

The conference included more than 500 participants from among businessmen, investors and specialists in the knowledge economy attending from all over the globe to make Lebanon one of the best international locations for start-ups similar to London, Singapore, Toronto, Santiago and Moscow.

The conference opened discussions of various directions, opinions and opportunities presenting them in specialized meetings, primary interventions, and side sessions between leading international personalities in the field of start-ups among which are investors in the capital of start-ups from the Silicon Valley, New York and experienced businessmen from London, Berlin and Paris.

The Association financed all conference expenses being the strategic sponsor of this event that aimed at creating the knowledge economy sector in Lebanon based on the strong cooperation between the BDL and the Association.

03

The most important new circulars

On 6/3/2014, the BDL issued the intermediate circular n° 359 based on which the basic circular n° 43 was amended. The previous title of “Defining Banks’ Shareholders Equity” became after the amendment “Regulatory Capital for Calculating the Prudential Limits on Banks Operating in Lebanon”. This circular defined “Shareholders Equity to Calculate Regulatory Ratios” and then listed the components of capital and the deductions included in the official amendments.

On 27/10/2014, the BDL issued the intermediate circular n° 374 that amended basic circular n° 57 and required that the direct or indirect contributions of any Lebanese bank in any foreign financial sector be subject to a prior approval from the BDL. It then defined the concepts of the direct and indirect participation and contribution and listed the exceptions to the rule.

At the beginning of 2015, the BDL issued the basic circular n° 134 aiming at defining the basics of conducting banking and financial operations with the agents emphasizing the need to educate them, make them aware, and clarify their rights through publishing the programs of awareness and education in the head office of the bank and in all of its branches. The BCC issued circular n° 281 to help banks apply basic circular n° 134.

II- PROFESSIONAL ISSUES

01

Some banking investment aspects

a- Rationalizing the Market for Interest Rates

In 2014, the Association continued to periodically send circulars to banks, the Beirut Reference Rate (BRR) in dollars and in Lebanese pounds. These rates fluctuated in 2014 on the USD between 5.93% and 6.12% and on the LBP between 8.55% and 8.71%. These rates increased slightly on the USD and on the LBP compared to 2013. These averages allow banks, after adding the quality of credit risk and profitability concerning loans and credit in USD and LBP, to determine the prime rates.

b- The list of banking conditions

The Association did not make any adjustments on the list of banking conditions circulated to banks since 2012. The Banking Terms and Conditions Committee studied this list and suggested some adjustments. This list remains valid given that it is still in line with bank practice. It is published by the Association to be available to the public representing a reference to the commissions charged by banks on customer services. It covers the customer operations such as issuing and collecting checks, documents, documentary letters of credit, guarantees, and various other services. The Association publishes this list for transparency.

02

Fighting money laundering and tax evasion

a- Fighting money laundering

The banking sector continued in the last year to spend its utmost efforts to combat money laundering and countering the financing of terrorism and to comply with the international standards on the subject. Over the last few years, cooperation continued among the monetary and supervisory authorities, the Association and bank administrations, to adopt "the best practices" in this domain. The purpose is to strengthen rules and ethics of the profession and its pacts, and emphasize the operation of preparing and developing the systems, and training the qualified human cadres.

After previously asking one of the largest auditing firms "Deloitte" to prepare with the cooperation of members of the committee on compliance and anti-money laundering in the Association the necessary material for issuing the **Manual for Policies and Procedures** on fighting money laundering and countering the financing of terrorism, the Association requested this firm in 2014 to prepare a document on sanctions.

At the beginning of 2015, the Association invited all heads of compliance and anti-money laundering units in member banks to a meeting in its premises to discuss the "Sanctions and Embargoes Program-Generic Policy and Procedures Manual" that was previously sent to them. Deloitte prepared the manual with the close participation of some members of the compliance and anti-money laundering committee in the Association.

The purpose of this manual directed at banks operating in Lebanon of all sizes is to strengthen awareness concerning risks of sanctions and to shed light on the sanctioned financial operations based on the restrictions imposed by the BDL, the Office of Foreign Assets Control of the US Department of the Treasury, the European Union, the United Nations...

Speakers stressed on the necessity of not only adopting the content of the manual by banks but on revising it regularly in a manner consistent with their needs and related developments. The manual shall be modified in line with the organizational structure of each bank, its geographic location, and the nature of its products/services. Each bank shall consider this manual as the cornerstone on which to build its own manual taking into consideration that the sanctions manual complements the one on fighting money laundering and terrorist financing and should be applied in conjunction with it.

As for the draft law on Business Conduct Regulation issued by the Capital Market Authority, the Association expressed its view that the work is professional and consistent with international standards. The Association decided to issue the Code of Conduct manual concerning dealing with the Capital Market Authority provided that Deloitte or any other company drafts it, and that it contains a section on classifying customers to unify standards and reduce the pressure as much as possible on banks so that each bank can develop its own manual.

In the same context, the BDL issued **intermediate circular n° 371 on 11/9/2014** requesting banks to appoint in each of the bank branches a person in charge of observing the financial and banking operations with the purpose of combatting money laundering and terrorist financing (AML/CFT Branch Officer). The circular also mentions the creation of at least two departments in the "compliance unit" with the first overseeing the head office and Beirut branches and the second various other branches in Lebanon.

At the beginning of 2015, the BDL issued basic circular n° 1 directed towards "lending counters" asking them to provide the BDL with some information such as the address of the offices and branches, telephone numbers, postal address, the type of practiced operations, all to strengthen the sphere of combatting money laundering and terrorist financing.

Early in 2014, the Association strengthened its relationship with the INTERPOL and with the "INTERPOL for a safer world" created lately and headed by a Lebanese personality with international consent as this Lebanese presidency constitutes an

opportunity to help Lebanon including its banking sector from the available and future capabilities and to explore the ways for future cooperation in the fields of combatting financial crimes and money laundering. The cooperation between the Association of Banks and the INTERPOL is not new as the Association has been providing banks for the last few years in a regular and organized way all information and documents sent by the INTERPOL.

Future cooperation will not be confined only to what was in effect but will surpass it to allow Lebanese banks upon opening an account for any person to make sure whether the name is part of the INTERPOL records.

b- The visit of the Association delegation to the USA

The Association continued in 2014 on developing its link with US banks and US administration by conducting two visits to the USA on May 18-21 and October 7-17. The meetings with the US administration especially the US Treasury, members of Congress committees concerned with the banking profession, the Federal Reserve Bank, in addition with the meetings of correspondent banks, stressed on the importance of the continuation of banks to abide by the rules of combatting money laundering adopted by the US banks due to the dollarization of the Lebanese economy and banking activities.

The delegation of the Association also emphasized the commitment of Banks in Lebanon to the international sanctions imposed by the American and European authorities and by the ones issued by the United Nations in line with what is being practiced by correspondent banks.

The results of these visits allowed the Association to strengthen correspondent relationships with the US administration and banks, which is considered vital for the banking profession and the Lebanese economy.

c- In the framework of fighting tax evasion

Since the promulgation by the American Congress of the Foreign Account Tax Compliance legislation known as FATCA which included new standards to prevent American citizens from conducting tax evasion abroad placing the responsibility of implementing and following these instructions on banks and financial and non-financial institutions worldwide, the Association addressed this issue and conducted several steps to facilitate the task of the banks in applying this law.

It is known that Lebanon chose the agreement path, implying that each bank shall enroll on an individual basis. This choice is the most difficult possibly changing in a future period when the application of FATCA is reconsidered through an agreement signed by the two governments after the constitutional entitlement. The BDL sent a notice to banks (and not a circular) n° 897 requesting them to take the necessary measures to apply FATCA.

And since the deadline for banks to enlist with the IRS was June 2014, the Association asked its members to abide by this date which improves our image with correspondent banks. As such, in July 2014, the Association declared that all banks operating in Lebanon joined the FATCA agreement.

The Association insisted on detecting the number of banks enlisted from the electronic web page of the IRS which publishes a list of the enlisted financial institutions. The Association also asked enlisted banks to concentrate on how to address any shortcomings or weaknesses in the subject of FATCA or in determining any problem and its nature in the application of the agreement and how to manage the program continuously.

This subject has become essential and vital for Lebanon as correspondent banks are witnessing pressure from their control authorities reflected in their dealings with banks worldwide including ones in Lebanon. Therefore, our banks are required to cooperate with the additional demands in their dealings with correspondent banks. This could be achieved through an increase in internal control and in presenting the necessary explanations and required documents on customers operations and working towards ceasing the use of personal accounts for commercial objectives.

d- **Regional Banking Relationships: The Case of Cyprus**

The advent of the crisis in Cyprus and its deterioration in 2013 made the Lebanese banking sector address with responsible flexibility the problems faced by this neighboring country to help it overcome the critical phase it is passing through as there exist old historical links between Lebanon and Cyprus. In addition to the geographic proximity, Cyprus opened its doors to the Lebanese and Lebanese banks during the war in Lebanon. Currently, there are two Cypriot banks in Cyprus owned by two Lebanese banks and there are nine Lebanese banks with branches in Cyprus.

The monetary authorities aimed at keeping the best relationships with Cyprus. Thus, they insisted on Lebanese banks present there not to withdraw liquidity from this country based on the requests of depositors trying to transfer their funds, but to show full commitment to the Cypriot laws, pending the settlements that will be granted to foreign banks.

In 2014, three associations composed of the Association of Banks in Lebanon, the Association of Banks in Cyprus and the Association of Foreign Banks in Cyprus organized a **Lebanese-Cypriot banking day** in Limassol on 14 February, with the participation of the monetary and control authorities in the two countries and the presence of more than 70 persons of which 32 bankers and Lebanese officials attending from Beirut.

This banking reunion aimed at discussing the means of cooperation of the banking sector whether in Lebanon or through its presence in Cyprus with the Cypriot banks. The **first** mean is in the field of **financing Cyprus foreign trade**. Cypriot banks had overcome the severe financial crisis that spread through the island in 2012 recording

a loan/deposit ratio of over 100%. This high ratio reflects the lack of liquidity or the loss in the ability to open external credit and the issuance of letters of guarantees. Second, the Cypriot banks rely on our banks to **accompany the large Cypriot enterprise** sector that gains contracts and foreign projects especially in Qatar and the rest of the Gulf, as our cooperation provides the financing requirements through the standard instruments such as Bid Bonds, Performance Bonds, etc. Third, the Cypriot banks are offering ours the opportunity to enter into syndicated loans for the benefit of the gas and oil sector in Cyprus.

As a result of meetings and discussions, the Lebanese banks emphasized that the possibility of cooperation with Cypriot banks is large and is based on a vision summarized in three pillars: First, the cooperation is to be done on a case by case basis so that the Lebanese bank can have the opportunity to study the file of the customer on condition that the Cypriot bank provides the Lebanese bank with a complete file or one including the guarantees provided or required to be shared by the two concerned banks.

Second, the Central Bank of Cyprus is to lift the restrictions placed on transferring funds abroad in case of financing. The latter promised to grant permission in case the financing is for foreign trade and when the amounts exceed one million Euro. The Lebanese banks also wished at this level to lift the restrictions on institutions and individuals for opening bank accounts in the branches of Lebanese banks operating in Cyprus including accounts opened to receive permanent residency or Cypriot nationality. The Central Bank promised to study the request and allow it if it is related to the financing of the Cypriot economy. The Lebanese banks finally showed the intention to get into syndicated loans not for the gas and oil sector but to finance large enterprises for projects in the Gulf countries on condition that the syndicated loan is of good structure and managed by a trusted banking source. The industry of oil and gas, however, is another issue requiring special skills and large financing sources that Lebanese banks do not possess on their own the energy to organize. It was decided at the end of the meeting to form a joint committee to pursue the means and contents of the cooperation.

Thus, the Lebanese banking appearance on Cyprus came as an initiative encouraging the Cypriot economy as it received a major interest and welcome, and a large coverage from local media sources. Banks and Lebanese in general owe Cyprus for the hosting of our banks and citizens during the Lebanese war of the seventies and eighties of the previous century. This meeting may present an opportunity to extend a helping hand within the Lebanese systems and laws that govern the work of banks. In all conditions, Cyprus remains the neighbor of Lebanon and a European country situated only hundreds of kilometers away from our border representing a good and positive location for future investments.

03

The contribution of the Association in supporting the Center of Research and Strategic Studies in the Lebanese Army

The army chief sent the Association a letter asking its contribution in the annual regional conference organized by the center for research and strategic studies in the Lebanese army. The Association agreed to finance this conference as happened in the previous two years.

04

The relationship with the Public Corporation for Housing (PCH)

Banks providing housing loans in cooperation with the Public Corporation for Housing faced some difficulties during 2014 due to the delay of the Corporation in making interest payments on behalf of customers to banks. This is due in reality to the fact that the Ministry of Finance did not provide resources to the Institute as per the practiced laws.

It is to note that the outstanding portfolio of housing loans within this mechanism approaches USD 4 billion out of which benefit over 50 thousand borrowers with limited income. As a result of the efforts of the Association towards the Corporation and the Ministries of Social Affairs and Finance, a temporary solution was found for the delayed payments. Banks continued their lending within this mechanism pending a permanent treatment of this issue.

III- INTERNAL AND EXTERNAL PRESENCE OF THE ASSOCIATION AND ITS COOPERATION WITH THE ECONOMIC BODIES

a- At the Internal Level

ABL reiterated in 2014 its commitment to the national public interest, while revealing its concern at increasing its presence and reinforcing its position as one of the major economic groups in Lebanon. This was specifically achieved through the following means:

- 1- Enhancing the communication and the relation with the responsible groups on economic issues in all the Lebanese media outlets which serves the continuous and complete coverage of the activities of the Association and its positions.
- 2- Issuing press releases on the national, economic and professional issues of interest to the Association and the banking community.
- 3- Providing the media, regularly and intensively, with ABL publications (press releases, monthly bulletins, leaflets and manuals, series of articles and studies, etc.), to be adopted as a major source of information and ethics on the various sectors of the economic activities in Lebanon in general, and the banking activity in particular.
- 4- Cooperating with different Lebanese economic groups in order to draft working documents and common perceptions on the points of view of these organizations with regard to projects and measures proposed by the official authorities, especially the formulation of common economic and social recommendations among the economic groups, the General Labor Union, and the syndicates.

In this context, and following the recommendations of the parliamentary committees on the draft tax amendments to finance the ranks and salaries scales for the teachers, the public sector employees and the military, particularly regarding the proposal of imposing new additional taxes on interests of banks' deposits and on banks' underwriting treasury bills of the Lebanese State, the Association of Banks in Lebanon held an extraordinary General Assembly of Members on Thursday April the 10th, where members discussed the said tax amendments proposal and decided to issue a press release regarding important positions:

- a- Serious warning that could be generated by imposing new taxes on interests of banks' deposits and on banks' underwriting treasury bills of the Lebanese State, of a definite negative repercussion and a serious inflation and stability of the national currency and the purchasing power of citizen.

- b- Categorical refusal of the additional tax proposal, as it will increase tax deductions on interests of depositors, especially the smallest one, thereby eliminating the desired end of the socio-economic ranks and salaries series.
 - c- The increase of taxes on the Lebanese depositors' benefits and the banks underwriting to finance the Lebanese State will definitely lead to an increase in the interest on loans and credits, particularly on personal and housing loans, retail and other credit programs granted to the enterprises, especially the small and medium ones, which constitute a pillar of the national economy.
 - d- **Closure of banks on April 11, 2014**, in a protest attitude on the actions proposed by the joint parliamentary committees
- 5- Continuing to closely cooperate with the different ministries, public institutions, national committees with social, economic, and environmental interests, through the representation of the banking sector and the Association in the following institutions: the Board of Directors of the National Fund for Social Security; the Board of Directors of the National Agency for Employment; the banking commission and the commission on environment (International Chamber of Commerce – Lebanon); the commission for the promotion of the rights of the disabled in the labor market (Ministry of Labor); the Board of Directors of the Industrial Research Institute (Ministry of Industry); The group of national coordination on issues of climate change (Ministry of Environment); the guidance committee on fighting environmental pollution (Ministry of Environment); the administrative commission for the Fund for Environment (Ministry of Environment); National Advisory Council for Environment (Ministry of Environment); The organization and management committee of the National Afforestation Program for the planting of 40 million trees on Lebanese Territories (Ministry of Agriculture); The committee on equipping public parks with the internet (Ministry of Telecommunication).
- 6- Taking part in sponsoring and/or supporting some major national and economic events, such as: the Lebanese-Iraqi banking conference and the Arabic economic Forum, both organized by the economy and affairs Group (June 9 and June 20 2014 respectively); the conference organized by the Army command on: the expected *Statu quo* in the middle east in light of the changes and possible compromises (April 2014); "Accelerate 2014" organized by the Banque du Liban (Forum de Beyrouth, October 24-25, 2014); The Conference of the Companies' Social Responsibilities on: "The business positive role in the environment and society" (December 8, 2014).

- 7- Hosting a number of official figures (Mr. Elias El Murr and the Minister of Interior, Mr. Nohad Machnouk), members of the Arab and foreign diplomatic corps in Lebanon and hosting several Arab and international delegations (the Institute of International Finance, World Bank, European Investment Bank, International Monetary Fund, The U.S. Treasury Department, INTERPOL, the Francophone Union of Banks (UBF) and participating in official Lebanese delegations abroad.
- 8- Renewal of the agreement between the Association, the Ministry of Communication and SODETEL in order to provide free internet service in a number of public parks in Lebanon. Following this agreement, this service was provided in 2013 to the Jesuit Garden and Saint Nicholas Garden in Ashrafiéh, Beirut. Other parks are being prepared to receive the same service under this agreement.
- 9- Support of the Government plan to rehabilitate the prisons by offering a gift of US Dollars 6 million to the Ministry of interior.

At the level of publishing, the Association continues to publish its **Monthly bulletin** (1200 issues per month, distributed equally to subscribers and media representatives in Lebanon), **The Economic Letter – in English** - includes a brief overview of the evolution of the major sectors of the Lebanese economy, with statistical tables and figures, and of which 1100 electronic copies are distributed to banks, institutions, individuals, and associations, in addition to a number of registered in Lebanon and abroad. Lately, a **Quarterly Newsletter – in English** was added to these publications presenting the most important economic and banking activities, as well as the most important publications, training workshops, and cultural seminars aimed at informing the bank employees about methods to fight organized crime especially financial crimes related to money laundering and trading in narcotics. Besides, monthly bulletins on **Key Indicators** and on **the portfolio of Treasury Bills** in Lebanese pounds and in foreign currencies are still distributed. In addition to the **Annual Report of 2013**, in Arabic and English, **the Almanac of Banks in Lebanon 2014** was also issued in English. Finally, and as part of the series on the documents of the Association (under n° 26), a new document entitled **“The Most Important Financial and Banking Legislations in Lebanon”** (2013-2014) also published in Arabic and French in 2014.

On the level of documentation and internal library, the ABL continued to update its **data bank and press archives** (1990-2014) and enrich its **library periodicals** (1546 specialized works and 130 periodicals in Arabic, French, and English). It is to note that the ABL places, at the disposal of banking staff, specialized researchers, university professors and students a full series of documents and references they may need.

The Association continues **to update its Internet site (www.abl.org.lb)**. The site is available in three languages (Arabic, French, and English) and allows users to obtain information on ABL structure, General Secretariat, Board of Directors, and committees, as well as its various services, and most important domestic and foreign activities especially in the field of fighting organized crime and on various publications. The site also publishes the news of banks and their activities in addition to the 2013-2014 version of

the **Collective Labor Agreement** which governs the professional relationships between bank administrations and their employees. This site also allows users to access thanks to the “useful links”, the Internet websites of a large number of local Arab and foreign financial and economic institutions and associations.

b- At the External Level

1- Participating in Arab and international banking events

In 2014, the Association participated in several regional and international meetings and conferences. Its representatives (President, Vice-President, members of the Board or some consultative committees, and the Secretary General) had many interventions and contributions during these activities and several communications on the side. Some of the most notable Arab and international events in which the Association participated were: The Lebanese Banks Day in Cyprus (Limassol, Cyprus – February 2014); Effective participation of the Association at the assembly of the francophone banks in Brussels, headed by ABL president, to attend the conference on financial education (April 2014); Team groups of the Francophone Banking Federation meetings in Paris (June 2014); Business meetings with the American correspondent banks managers and the concerned US departments of financial and banking affairs officials (July 2014); the Joint Annual Meeting of the World Bank and the International Monetary Fund in addition to the Annual meeting of the International Finance Corporation IFC in Washington D.C. – USA (October 2014); and finally, the Financial Frankfurt Conference for the MENA Region organized by Maliki Group in Frankfurt – Germany (November 2014).

2- The Public Relations External Campaign

The Association continued the public relations campaign in 2014 that started in 2013 and especially targeting the USA and some European Countries. In this context, many delegation from the Association conducted visits to New York, Washington D.C., Paris, London and Brussels. The trips covered many institutions, administrations, and persons concerned with issues of interest to the Association. The purpose of these meetings, on one hand, was to introduce the importance of the Lebanese banking sector and its vital role in the stability of Lebanon and even in the region. On the other hand, the meetings emphasized the importance of correspondence between the Lebanese banks and the banks of the largest world financial centers. The Lebanese banking delegation also presented in these meetings the efforts spent on fighting money laundering and terrorism financing based on an organized and continuous administrative work and on the cooperation with the UN, Interpol, EU and US banks and the US Treasury Department in their principles and rules of operation at this level. During the meetings, the working delegation team stressed on the Lebanese banking sector’s commitment to international sanctions against countries and parties concerned, with reference to a number of draft Laws forwarded by the Lebanese government to the Parliament. These draft laws would strengthen the procedures to combat terrorism and organized crime, especially on the financial level.

It is well known that the Association is a founding member of the **Union of Francophone Banks (UBF)** and an active member in its committees. In this context, the Association is seeking as part of this international important forum to strengthen correspondent relations with the French banks and the French-speaking ones, and to focus, in particular, on activating the communication mechanisms, the exchange of experiences, the intensification of forums and workshops that are specialized in various aspects of the banking profession. It is decided that Beirut (the Lebanese Capital) is scheduled to host in 2016 one of those seminars according to the proposal of the Association of Banks in Lebanon.