PART 2

ACTIVITIES OF THE ASSOCIATION OF BANKS IN LEBANON

02

The ABL continued in 2017 to follow-up on the organizational and legislative cases with the relevant authorities, particularly the monetary and supervisory ones, as well as on other issues related to the banking profession.

I- THE CONTENTS OF SOME OF THE MOST IMPORTANT CIRCULARS AND GUIDELINES ISSUED IN 2017

01 The Implementation of Basle III Accord on Capital Adequacy

The Lebanese monetary and supervisory authorities continued in 2017 in coordination and cooperation with the Association and banks' administrations to make the necessary arrangements to pursuing implementing Basle III by strengthening bank capital, enhancing bank corporate governance and transparency, activating the role of administrative boards and their committees, and improving risk management and internal control.

a- About calculating solvency ratios

It is well known that Lebanese banks are seriously committed to the capital ratios imposed by the BDL which asked them in basic circular no. 44 (and its amendments especially intermediate circular 436/2016) to secure a total solvency ratio (total capital/ total risk weighted assets) at the end of 2017 amounting to a minimum of 14.5% so that it reaches 15% at the end of 2018. The common equity tier one ratio should represent a minimum of 9% and tier one ratio 12%. This ratio is more stringent than the one imposed in the Basle III accord where the Basle committee recommends a total capital ratio of 9.25% at the beginning of 2017, increasing gradually to 9.875% in 2018 and reaching 10.5% at the beginning of 2019. These ratios include a "capital conservation buffer" which should reach 4.5% of risk weighted assets at the end of 2018, whereas this buffer according to Basle III should range between 1.25% at the beginning of 2017 and increase gradually to 1.875% in 2018 reaching 2.5% only at the beginning of 2019.

Facing these stringent conditions, the BDL reduced some risk weights that can be improved, while continuing to commit to the Basle requirements especially the ones applied on bank deposits in foreign currency at the BDL. These deposits were given a risk weight of 50% which is an average weight between 20% and 100% that could be adopted whereas the Eurobonds were given a weight of 100%. However, the instruments in LBP (Treasury bills, Certificates of Deposits...) were given risk weights of 0%.

In order to reach this high level of capitalization, Lebanese banks adhered, as in the last few years -with the request of the BDL and the encouragement of the Association- to confine the largest part of their profits to strengthen and increase their capital (despite the fact that not distributing profits pressures their ability to attract new investors) in addition to securing the many required provisions and the free reserves in preparation for the commitment to IFRS 9 that will be implemented effective 1/1/2018 and will be discussed below.

We mention that the capital base of banks multiplied over the last eight years, increasing from USD 7.5 billion at the end of 2009 to more than USD 18.24 billion at the end of 2016, reaching USD 19.1 billion in 2017. Such development ought to convey relief to the international financial markets and confirm the strengths and robustness of the banking and financial sectors.

On another hand, **The Banking Control Commission (BCC)** issued **memoranda nos. 3/2017, 6/2017, 8/2017, 13/2017, and 4/2018** in which it requested banks to calculate their solvency ratio based on their audited balances of 31/12/2016 and balances of 31/3/2017, 30/6/2017, 30/9/2017 and 30/12/2017 consecutively. The BCC realized that the situation of the Lebanese banking sector is comfortable as the average solvency ratio for the sector as a whole exceeded 15% at the end of 2017.

In memorandum no. 3/2018, the BCC asked banks to provide it with the statement on operational losses individually (Lebanese branches) or consolidated where the highest consolidation level applies, so that it contains the accumulated balances for the period extending from the beginning of 2005 to the end of 2017.

The BCC conducted in **memorandum no. 5/2017** an amendment to the report concerning the Internal Capital Adequacy Assessment Process it requires from banks in its circular no. 283/2015 which is in line with the new capital requirements imposed by the BDL intermediate circular no. 436/2016.

b- Liquidity ratios according to Basle III standards

The Basle III Accord stresses the subject of liquidity as it does for capital requirements, where liquidity is no less important than capitalization since it determines the bank's ability to cope with financial crises, when it is hard to count on markets for funding and without resorting to taxpayers' funds.

The Lebanese monetary and supervisory authorities are following the subject of liquidity very seriously. The BCC has asked banks since 2013, based on circular no. 275, to continuously keep an adequate stock of high quality free unencumbered liquid assets, and this based on the results of the stress tests conducted by a bank. These assets divided by the short term net capital inflows represent the concept of Liquidity Coverage Ratio (LCR). The BCC issued regularly memoranda in which it asked banks to provide it with detailed information on the high quality free unencumbered liquid assets and monetary outflows and inflows in order to conduct a quantitative experiment on computing the above-mentioned LCR of banks. **In 2017,** it asked banks in **memorandum no. 11** to provide it with this information based on the balance of 30/9/2017.

The BDL issued on 8/3/2018 basic circular no. 145 concerning LCR in which it asked banks operating in Lebanon to keep a Liquidity Coverage Ratio which reflects their internal assessment of liquidity risk and is consistent with the characteristics and features of the liquidity risk they could be exposed to, provided this ratio exceeds 100% for each main foreign currency according to the following equation: Stock of high quality liquid assets divided by total net cash outflows over the next 30 calendar days. These ratios are more stringent than the Basle committee which adopted a time schedule to reach the required liquidity average progressing from 80% at the beginning of year 2017, passing by 90% in 2018, to 100% at the beginning of 2019.

The Liquidity Coverage Ratio is applied at two levels, the individual financial statements (Lebanon's branches) for the bank in Lebanon, and also the individual financial statements for the branch oversees and for the units that are directly owned.

The BDL also asked banks, in the framework of managing and examining the liquidity conditions, to adopt additional scenarios and apply more stringent assumptions, for example adopting higher weight factors for the net expected cash outflows for 90 calendar days, and conduct stress tests that include for example a major increase in deposit run-off rates or a severe decline in funding sources, with no-reliance on the BDL except when liquidity lines are extended. The circular exempted Islamic banks from applying its provisions, whereas the BCC continues to follow on the observance of banks of the required ratios, and it may issue new practical directives for the provisions of this circular.

c- Applying the International Financial Reporting Standard no. 9 (IFRS 9) and forming provisions

The requirements for this standard especially concerning forming provisions on financial assets and liabilities based on the expected credit loss model necessitate beginning data collection and improving the management information system. Thus, banks began effective the end of 2015 and based on the request of the Banking Control Commission, to prepare a detailed action plan to be applied on collective basis such as the adopted credit system, and how to compute the expected credit loss on a collective or individual basis, in addition to conducting a quantitative study on the effects of implementing the requirements of the standard concerning the impairment of financial assets depending on the yearly financial conditions.

The BDL issued in this framework a series of intermediate circulars in which it asked banks to form the many required provisions as part of the requirements of this international standard, especially forming a collective provision, not included in the capital, of 2% of risk-adjusted assets of all credit portfolios including retail loans, and use the surplus realized from the swap operations on financial instruments to secure, in addition to the above general provisions, any additional requirements resulting from applying the mentioned international standard. The BDL insisted on the necessity to achieve this operation quickly to liberate banks from the burdens that may ensue on them later on all at once.

On 7/11/2017, the BDL issued **basic circular no. 143** in which it asked banks to implement IFRS 9 effective 1/1/2018 and required the Board of Directors of the bank to certify the policies and measures concerning the implementation of this standard and assess them periodically especially ones concerning the business models, the policy and measures of classifying assets, the financial obligations and the computation of the expected credit losses on them, while emphasizing that the units of risk management and internal audit should play their role in ensuring the observation of this standard and assess the extent of compliance in the policies and measures concerning applying it. The BCC issued **at the end of 2017 circular no. 293** after elaborately discussing it with the Association. It is to mention in this framework that the Association has objected to the project of the practical circular above, after studying it by its specialized committees, given that it is a very vague circular that does not clarify the many practical aspects requiring clarifications and does not provide banks with clear and detailed directions about them, out of which and not confined to the subject of the treatment of sovereign risks, especially in foreign currencies, in addition to the tax aspects relevant to forming provisions.

Finally, after discussing the subject with the BCC and the BDL, it was emphasized during the monthly meeting with the Association to continue adopting the same risk weights used to compute capital ratios which we referred to above, on condition that the supervisory commissioners take these ratios into account to compute expected losses.

In order to avoid double standards with basic circular no. 50 concerning forming unspecified bank risk provisions, in addition to basic circular no. 81 concerning individual and collective provisions and general reserves on the portfolio of credit and loans, it was stressed in the provisions of this new basic circular no. 143 on the necessity to moving the balances of the above mentioned provisions and reserves to the provisions and reserves required in this new circular to comply with IFRS 9.

The BDL issued as well **on 7/11/2017 intermediate circular no.476** which stressed, in the framework of the credit, investment, shareholding and participation operations performed by banks, on the necessity to oversee the application of international standards of financial reports and the accounting international standards, especially standard no. 9 related to financial instruments, concerning the method of its classification and evaluation and the extent of the effects of this on liquidity, solvency and profitability.

The BCC issued memorandum no. **4/2017** in which it asked banks to provide it the realized results on the operations of selling sovereign financial instruments in LBP and the immediate and simultaneous purchasing of financial instruments in foreign currencies based on intermediate circular no. 446/2016 as this surplus is recorded in LBP and computed as part of Tier 2 capital. This realized surplus is used to assure the required due provisions, the required solvency ratio, in addition to any additional requirements resulting from the implementation of IFRS 9.

On the other hand and within the framework of forming provisions, the bank administrations continued in 2017 their attempts to clear and settle their loans accompanied by the BCC. With the rise of the difficult and unrestful conditions in the real estate sector at the end of 2017, the BDL wished the bank administrations to resort when needed to replace loans by owning the properties used as collateral based on the circulars and directives of the BDL and the BCC concerning this issue, which give a period of liquidation for up to five years that can be renewed if need arises for up to 15 years.

The BDL pointed-out based on **intermediate circular no. 497/2018** on the necessity that the bank receives the approval of the BDL based on the request of the BCC to make any amendment concerning the restructuring of the loans of its customers. In **memorandum no. 7/2018,** concerning the mechanism of taking possession of properties, contributions and partnership shares as a fulfillment of loans based on article 154 of the Code of Money and Credit, the BCC stressed on the necessity to classify these loans as non-performing or doubtful ones.

However, it appeared that banks are facing difficulties in liquidating these properties with the concerned authorities for the reason of selling them below the prevailing market prices. It becomes natural for banks to sell these properties at low prices to recover their liquidity. The BDL promised to consult with the concerned authorities, since what is of importance is to cooperate to absorb and surpass the crisis awaiting for the government to place under execution the plan of activating the economy and growth.

d- On Transparency and Declaration

In 2017, the BDL issued **intermediate circular no. 458** in which it added new information on basic circular no. 134/2015 concerning protecting the customer, where it was stressed on the principles of carrying out banking and financial operations with clients, and the necessity to educate them, raise their awareness, and explain to them their rights by providing them with detailed lists about their rights and duties. The BDL asked in this intermediate circular that banks take new measures concerning customers with special needs, especially the visually impaired to allow them to conduct banking operations easily (withdrawal, deposit, transfer…) and benefit from the banking and financial services, such as providing them with the necessary pathways and slopes and dedicating a specific number of interactive teller machines (ITMs) that are technically and artistically equipped to be used by them, such as the talking ATMs, and providing the visually impaired with an electronic copy of the agreement signed with them and the most important characteristics and conditions of the product or the service and the list of the customer's rights and duties.

In the framework of the transparency of declaration also, the BDL asked banks based on **basic circular no. 140/2017** to implement the international standards for the financial reports at the level of the individual or consolidated financial statements to reflect a true and fair picture of their financial positions and monetary flows. The BCC issued as well memorandum **no. 6/2018** in which it asks banks to declare on a monthly basis the report of profits and losses prepared according to these international financial reporting standards.

It is to pose at this stage on the strategy of the BDL to enhance financial inclusion which was launched in April 2017, as it perceives the great importance gained by the issues of enhancing the opportunities of reaching the financing and financial services in order to support the achievement of the all-inclusive and sustainable economic growth and reinforce economic and financial stability. It has worked for a while with the Association to develop the legislations, systems, and the regulatory frameworks that improve the spread of the financial and banking services and encourage innovation in this field. Facilitating and improving the means of payments that go in line with protecting the financial customer encouraged to a great extent the cooperation between the citizens and the Lebanese banking sector with innovative financial products.

The BCC organized on 28/2/2018 a seminar on the subject of customer protection **(memorandum no. 5/2018)** which is related in a principal manner to financial inclusion due to the importance placed on informing the heads of units assigned with the implementation of the principles of conducting the banking and financial operations with customers and the transparency, principles and conditions of lending in banks and financial institutions (BDL circulars nos. 124 and 134) on this subject.

e- On Compliance with the International Standards on the Effective Resolution Regimes: Recovery Plan

In consistency with the international standards issued by the Financial Stability Board on the principal standards of the effective resolution regimes, especially key attribute 11.5 related to the recovery plan, the BDL requested based on basic circular no. 141/2017 Lebanese banks to prepare a recovery plan to be approved by the Board of Directors to restore stability to their financial situation and to cope with any future difficulties in times of crises.

This plan must be written and adapted to the bank's size, to its level of expansion abroad, and to the degree of complexity of its activities and operations. The recovery plan must include the parties responsible for preparing, managing and implementing it, the parties responsible for monitoring the indicators that necessitate its activation, in addition to the mechanism of communication between the recovery plan's various stakeholders, and to the stress tests, scenarios and assumptions that lead to the activation of this plan.

The BCC shall review and assess the recovery plan of the Lebanese banks and of the branches of foreign banks operating in Lebanon and shall ask them to make the necessary amendments in case of the presence of any deficiencies and/or weaknesses in it, and issued to this effect at the end of 2017 **circular no. 294.**

f- Corporate Governance at Banks and the Plan to Choose Alternate Members in the Board of Directors of Banks

For information, the BDL had provided the Association with a draft circular concerning the plan to select alternate members of Boards of Directors. After studying the draft by its specialized committees, the Association asked to introduce major amendments to it to be in line with the Lebanese laws, especially the commercial law. One of the objections of the Association on the draft circular is that it was supposed to address independent board members, and not the members representing shareholders or executive members, whose choice and work are organized by circulars previously issued by the BDL and the BCC that banks had abided by. The Association also drew attention to the fact that the circular should consider the Lebanese legislations concerning the prerogatives of the general assemblies in nominating the members of the Boards of Directors and in defining their terms, and the attributes and qualifications required to be available in them.

After discussing these suggestions with the Association, we thank the BDL for taking them into account. It was also agreed upon that non-executive Board members ought to follow training sessions and workshops to improve their performance in overseeing the work of the institutions and developing them.

On 6/10/2017, the BDL issued **basic circular no. 140** concerning the plan of the Board of Directors in choosing a member in it, upon the end of the term of a member or the presence of a vacancy. This plan is to be prepared based on the strategy and future orientation of the bank by taking into consideration the structure of the Board and its culture concerning the availability of the appropriate skills, experiences and attributes in the members. The Board of Directors of the bank is also to identify the non-existing capabilities of the members of the Board and attempt to find these capabilities and present them to the general assembly. Banks are also to provide the BCC with a copy of the plan after approving it or amending it. And always within the corporate governance at banks, the BCC issued at the end of **2017 circular no. 292** in which it asked banks to provide it with their general strategy and business plan to achieve this strategy. The BCC mentioned that the general strategy and business plan should be prepared for at least three years, whereas the business plan is to be built on a realistic assessment of risks and on scientific and realistic assumptions concerning the economic and market conditions and competition, in addition to the competitive edges of the bank in comparison to other banks.

g- In the Framework of foreign placements of banks and their clients

Monetary and supervisory authorities continued in 2017 to monitor banks foreign placements in order to avoid investments in new risky financial instruments and the involvement in the currency and derivative products speculation.

The BDL asked, based on **intermediate circular no. 448/2017,** Lebanese banks to ensure that the total facilities granted by their branches and affiliated units abroad in a currency other than the domestic one, in addition to their placements in sovereign and non-sovereign debt in foreign currencies of countries in which they operate, not to exceed 60% of customers' deposits in foreign currencies other than the country's domestic currency at the concerned unit or branch.

The BCC also issued in 2017 **circular no. 288** in which it detailed, in addition to other information, the mechanism of computing the percent of loans and placements in sovereign and non-sovereign bonds in foreign currencies to the customer deposits in foreign currencies, and asked for a monthly statement about this level.

The Association had asked in its monthly meetings with the BDL and BCC, to exempt the units affiliated to the Lebanese banks in Iraq from the provision of item C from article one of the circular no. 62/1999 that prevents these units abroad from buying sovereign bonds issued by the host countries rated less than BBB (investment grade) except for the bonds of these countries issued in domestic currencies. The Association asked to allow these units working exclusively in Iraq to buy debt instruments in foreign currencies up to the limit of the capital detained at the Iraqi Central Bank, given that the domestic Iraqi authorities asked them to double their capital (up to USD 50 million) pointing-out that the risk of these bonds are lower than the exposure to the debt instruments of these countries in its domestic currency.
However, the BDL and the BCC stressed on the necessity to respect the constraints placed on the work of banks abroad out of which not to use liquidity in foreign currencies in the investments and placements of the external expansion.

h- We also mention in the framework of committing to the Basle standard to the **circular of the BDL no. 103/2006 concerning the academic, technical and ethical qualifications** required for persons entrusted with certain functions in the banking and financial sectors. The concerned committee in the Association often presented some suggestions deemed necessary to activate the implementation of this circular, especially cancelling the new certificates, as continuing in the trend of increasing the number of certificates and requiring all employees to earn them places unjustified burdens on banks in terms of the cost and time of the employees.

In August 2017, the BDL issued **intermediate circular no. 470** by which it extended until the end of 2018 the periods to earn the required certificates for the employees included in the circular before the issuance of the amendment on 23/9/2013, and until 2020 the periods to earn the required certificates confined to the organized tasks, which were added in 2016 and 2017 to the "schedule of organized tasks". On another hand, this circular is not confined to banks and financial institutions but included also the "lending counters".

The BCC issued **circular no. 289 dated 25/10/2017** to follow on the extent of the commitment of banks and financial institutions by the provisions of circular 103 above.

i- BDL Intermediate circular 437/2016 related to the operations in financial instruments and products.

After the BDL extended based on **intermediate circular no. 459/2017** the period of complying with the provisions of article 5 of circular 437/2016 mentioned above until year 2017, in response to the request of the Association, this latter wished for another time during its monthly meetings with the monetary and supervisory authorities to postpone working with this circular to provide ample time to study it further, especially that the many meetings held by the working team of the Association with the legal department at the BDL and with the BCC and the capital market authority did not result in an agreement taking into account the ability of medium and small banks to continue offering financial instruments services to their customers without resorting to establishing private intermediary companies as stipulated in article 5 of the circular, given that its cost is not in conformity with the return due to the narrow market size and the difficulty to find correspondent banks to deal with such companies.

The BDL extended based on **intermediate circular no. 480/2017** until 30/6/2018 the period granted to banks to settle their status. It informed the Association that it will not postpone the work in this circular for a third time, stressing that this circular would leave for the bank the freedom to establish a brokerage company or keep separated accounts, and in this situation, it will be left for the capital market authority, in accordance with the law, to assume additional duties for supervisory purposes such as being informed, for example, on the rules of compliance, the performance of the risk committee, and the work of the Board of Directors, whereas the law does not permit this authority to not implement based on a memorandum of agreement signed between the two supervisory authorities to prevent supervisory duality as asked by the Association.

02 New circulars aiming at enacting lending to the private sector

Banks continued in 2017 their expansion in lending the private sector, despite the large challenges faced by the country in the critical and grave period witnessed by the region. The amount of these loans increased to LBP 90,931 billion at the end of the year or by 5.5% compared with the preceding year.

Banks also continued in 2017 granting concessional loans with assured economic and social benefits, benefitting from government subsidized interest rates and from the many incentives and reductions in required reserves and the facilities provided by the BDL.
However, in 2018, the trend of growth in these loans started changing after the BDL resumed its support to the economic sectors including housing loans, as it continued this support but through supporting the interest rate on concessional loans instead of giving banks direct facilities to be relent by them at low interest rates. We will return to this subject later on.

Returning to 2017, after the Association expanded to the fire-brigade the scope of the protocols of cooperation in which banks grant concessional housing loans, the BDL issued **intermediate circulars no. 451 and 450/2017** to include them in the concessional loans package that benefit from reductions in required reserves or to benefit from facilities to banks against these loans when the amounts of required reserves for these mechanisms get depleted. The BDL also increased based on the two circulars above effective 7/2/2017 the percent of exemptions of required reserves (to 90%) and the percent of facilities provided to banks, and this for the housing loans subject to the protocol of cooperation with the Public Corporation for Housing, in addition to some other housing loans.

In 2017, the BDL continued expanding the scope/list of loans benefitting from the reduction in required reserves or from the facilities to banks based on **intermediate circulars nos. 460, 462, and 475** to many beneficiaries, especially the housing loans granted to the employees of the committee overseeing the social security administrations, and loans to finance the working capital to the industrial institutions for exports, and finally to the housing and non-housing loans in USD granted to the Lebanese expatriates. Whereas it established a ceiling for all housing concessional loans of LBP one billion and USD 800 thousand per loan.

It has become known that these financial incentives innovated by the BDL and that banks contributed effectively to their success, which brought back to the LBP its role as a tool of lending in the market, contributed in the previous years to activating internal demand and economic activity, and creating job opportunities through supporting small and medium enterprises in productive sectors, whereas the support for housing loans contributed to secure the social stability. The support of the BDL to the educational loans provided for the new generations equal opportunities to build a future. Concerning the support for environmental projects and alternative energy, the BDL helped preserving a low-polluted environment and ensured a saving in energy cost on the budgets of families, institutions and the government.

In order to preserve this lending trend, the BDL extended until 15/10/2017 **(intermediate circular no. 444/2016)** the period of the benefits to banks from the facilities it provides them with at an interest rate of 1% to grant concessional loans in return, and allocated for these facilities the sum of LBP 1500 billion, out of which LBP 900 billion for housing loans. **It then secured on 19/10/2017 based on intermediate circular no. 475,** new facilities to banks amounting to LBP 700 billion and always at an interest rate of 1%, and USD 500 million at an interest rate equal to the highest level of the federal funds rate, and this in return to continue granting concessional loans to the housing and many productive sectors specified by the BDL. However, it decided in return and always based on this circular (475) stopping benefitting the new concessional loans granted after 20/10/2017 from the deductions in required reserves due to the depletion of these reserves at banks, whereas the previous outstanding loans remain benefitting from this deduction.

However, at the beginning of 2018, and after the appearance of the need to manage liquidity at the BDL with the necessity to keep these concessional loans without creating a financial bubble, the BDL reorganized this support in a way that does not threaten monetary stability or create inflation. Thus, it issued on **1 February 2018, intermediate circular no. 485,** by which it stopped the direct lending that it used to provide banks with to grant new concessional loans and which was not used yet, whereas it encouraged in return banks to continue granting these loans in 2018, but from their own liquidity, with the BDL continuing to subsidize interest rates only. The BDL will provide up to the sum of LBP 810 billion as a support to all new concessional loans granted in LBP until the end of 2018, and USD 460 million for loans granted in USD, out of which LBP 750 billion to support the interest rates on housing loans to be distributed depending on the share of each bank in the housing loan market, awaiting the plan of the government to support the housing sector.

Due to the confusion that appeared in the market and the media concerning housing loans, and after following this subject during the monthly meetings among the monetary and supervisory authorities and the Association, it was agreed for banks to commit to all housing loan contracts that were signed with customers including the interest rate conditions and maturities, without the possibility of introducing any amendments to them. These loans will be included in the expected support package for 2019 as part of lists of names that banks will inform the BDL and the BCC about for follow-up. It is to note that banks will bear the cost of subsidy of the housing loan contracts that lists have been sent about to the BDL until 15 March 2018 as well as bearing the differences in subsidies until 12/31/2018.

It appeared from the statistics of the BDL that the size of the approved housing loan portfolio that is required to abide by does not exceed USD 300 million with an interest rate differential of 3% that banks may bear in 2018. The BDL stressed that the housing policy or any other industrial or agricultural ones will be in the future the responsibility of the government and not the monetary authorities.

On the other hand, the BDL stressed on the need for banks to make sure that the concessional housing loan ought to satisfy the adequate conditions, especially that it should be for the purchase of the principal house and that it should not be sold or the loan paid in advance before the passing of seven years. **The BCC issued as well memorandum no. 9/2018** in which it asked banks to make sure that the concessional housing loans granted to their customers, based on the two basic circulars no. 23 and no. 84, were used for the intended purpose, and to provide it with a list of concessional loans not satisfying any of the required conditions, such as for example, the customer benefitting from several housing loans or using the real estate collateral for other facilities.

In order to observe the proper implementation of basic circular 80/2001 related to loans and facilities that benefit from the subsidy of the debit interest rates on the facilities granted to the industrial, touristic or agricultural sectors, the BCC issued **circular no. 291/2017** by which it asked banks and financial institutions to undertake concrete internal measures and provide it with specific statements.

On the other hand, and always in the framework of facilities to the productive sectors, it is to pose on the important decision of the BDL, which created a firm cooperation between the financial and the knowledge economy sectors known as intermediate circular no. 331/2013, and on the success achieved by its implementation during the previous four years which caused the monetary authorities to continue providing the financial support to this emerging sector effective 2017 and over the long term. It became known that this circular encourages banks on performing a role exceeding their developmental one as it addresses directly the capital of firms instead of bank lending where banks are allowed to contribute within specific percentages of their capital (up to 4%) to the capital of the start-up projects, incubators, accelerators, and venture capital companies on condition that their activities center around the participation in the capital of "start-up companies" in Lebanon in which and through them, they see the possibility of growth and the ability to achieve profits. The activity of these companies is to center around the knowledge sector, which is based on information technology and the knowledge economy, and to operate in Lebanon and employ Lebanese labor force. One of the most important features of Lebanon is its human capital and its specialized cadres, and its productive and qualified capabilities, which prepare the country to compete at the regional and international levels in all fields.

At the beginning of 2017, the BDL issued **the two intermediate circulars no. 452 and 454** about this subject in which it stressed on the responsibility of banks and venture capital companies in ensuring that the uses of funds resulting from the above-mentioned facilities are conducted in the proper manner, especially by holding companies, and that these facilities are not to be used outside Lebanon except for the coverage of specific expenses.

The BCC issued as well **in 2017 circular no. 287** which carried detailed information to banks on how to apply intermediate circular 331, then it asked in **memorandum no. 1/2018,** to be provided with information on the contribution of banks to start-up companies, incubators, accelerators, and venture capital companies.

It goes without doubt that the scientific and technological developments impose on our world to reconsider the nature, role and relationships of governments, the society, markets and individuals and it has become known that the knowledge economy in itself can help in enlarging the national economy, attracting new investments and creating new jobs for an important segment of our youth.

Banks have a very encouraging experience through this intermediate circular 331, as the amounts of their investments in start-ups exceeded USD 368 million and they have a financing capability for this purpose approximating USD 750 million (or the equivalent of 4% of their capital) and they also contribute to the eight established investment funds. And due to this circular too, Lebanon witnessed an increase in the number and the amount of the investments in start-up companies so that the number of start-up companies in Lebanese incubators reached 800 institutions securing directly and indirectly close to 9000 job opportunities. The best evidence on that is the report of the "Global Entrepreneurship Index" for 2018. This report showed the fast development and growth in the environment of entrepreneurship in Lebanon. Out of the 54 countries included in the report, Lebanon occupies now the second place in the index of embarking on Entrepreneurship, and the fourth place in the developmental impact of Entrepreneurship in innovation, and the fourth place also concerning the sum of the activities of Entrepreneurship in their early stages. The knowledge economy today represents 1.5% of the Lebanese GDP. Lebanon occupies only after four years on launching this sector, the first place among the beginner countries with Knowledge in the MENA region and the eighth place among the beginner countries in the world.

II- PROFESSIONAL ISSUES

01 SOME BANKING OPERATIONAL ASPECTS

a- Rationalizing Interest Rates Market

The Association continued in 2017 to periodically send circulars to banks on the Beirut Reference Rate (BRR) in USD and in LBP. These rates fluctuated in 2017 on the USD between a minimum of 6.54% and a maximum of 6.83%, and on the LBP between a minimum of 8.61% and a maximum of 10.70%. These rates allow banks, after adding the quality of credit risk and profitability concerning facilities and loans in USD and LBP, to determine the prime debit rates.

On the other hand, it was lately agreed between the Association and the BDL to place the BRR on the page of the BDL. It is to mention that the Association has been computing these rates monthly and circulating them to banks since April 2009, or close to ten years, though the method of computation has been revised a year ago and most banks adopt these rates. The rates increased in USD and especially in LBP in 2017 compared to the previous year after the crisis that developed in November due to the resignation of the Prime Minister. This resignation caused high pressures in the exchange and interest rates markets, reflected in a conversion wave from LBP to USD reaching an unprecedented level and a wave of capital outflows that was largely limited by the administrations of banks through their solid cooperation with the BDL and through their strong relationship with large depositors. These pressures resulting from the crisis caused an unprecedented increase, in their turn, in interest rates especially credit ones in both the USD and LBP markets. High credit interest rates on the LBP cause depositors not to convert from LBP to USD, faced by high credit interest rates on the USD that prevent the transfer of funds outside Lebanon, and even contribute to attracting them.

But after the situation returned to normal at the beginning of 2018 where the USD was offered in the market, the credit interest rates remained at the high level they reached at the end of 2017 as the average deposit maturity increased from 40 days on average to four months. The BDL encouraged in its monthly meetings with the Association on preserving these levels that created a balance in the market as 47% of deposits at banks were renewed with some being placed for a one year term. The level of interest rates tends to increase world-wide as well with higher margins in the Arab region, and there exists a competition on foreign currency liquidity in the region.

b- Law no. 64/2017 and the tax basket that affects banks

In 2017, the Lebanese Parliament passed **law no. 64** which created a large number of taxes and fees that mostly affected the banking sector, in order to finance the new salary scale in the public sector.
The Association strongly objected to the relevant authorities on these taxes that are unfair to the banking sector and conducted intensified calls with the concerned responsible officials to remedy the situation stressing on the risks of these tax burdens on the banking sector that are rarely if not to say impossible to find in terms of nature and size in the world, not only in advanced countries but also in emerging and developing ones.

Law no. 64/2017 included in article 17 three major amendments to article 51 of Law no. 497/2003. The first of these amendments stated that the interest tax on banks (currently 7%) is considered as a burden reducing income and not a tax deducted in advance that reduces profit tax. This amendment caused tax dualism which is at the heart of the problem. The second amendment is represented by enlarging the scope of this tax to the Certificates of Deposits in LBP and USD issued by the BDL and subscribed to by banks. The mentioned taxes are then followed by a third one unprecedented in the world levied on the interbank operations among banks on one hand and between banks and the BDL on the other. Thus, the siege of the banking sector became complete by a fence of income tax on profit at a rate of 50%, if we add to them the income tax on profit of 17% which is the only just tax among this enormous flood of tax payments. The income tax on profit in its narrow form is the only tax that banks pay on their income in the world, except in Lebanon.

Here, it is necessary to mention that bank deposits at the BDL, including the Certificates of Deposits and other accounts, have their banking logic. They constitute, first and foremost, liquidity used by banks to complete the lending operations and to secure the uniformity in the means of payments in their internal and external sides. They represent, second, a protection to the exchange rate of the LBP, and thus the most important stability factor to the incomes of the Lebanese. They finally represent a principal tool within the reach of the BDL to manage bank liquidity, on one hand, and to secure the liquidity of the economy for the purpose of keeping it away from inflation or recession on the other.

Concerning taxes on the operations of banks with the BDL and between each other, or taxes on interbank, they are not within the norm and lay the foundations for a large and complex ambiguity in managing the financial system. This approach does not fall at all in the interest of the government and the management of public money. The Association is still following this issue with the relevant authorities to remedy the subject.

The return on equity that revolves currently around 10% to 12% will tumble to low return on investment levels making it impossible for investors to embark on investments, at a time when banks are in need to increase their capital to continue financing the state and the private sector. For information, loans to the private sector in the current Lebanese situation constitute the only source for economic growth with the dearth of investment and the external payments gap.

The banking sector constitutes in its current financial and human capabilities, besides the Lebanese army, the two pillars of monetary, financial and social stability in the country. Some would like to harm a sector that succeeded in attracting the savings of the Lebanese, in accompanying the modern professional rules, and in financing the state and the economy. The continuation of success requires capital, capable human resources, and the modern techniques and systems of business, in addition to quality, the usage of international standards, and capabilities in competition. Thus, the tax policy and measures that were imposed on the sector could prevent its development.

02 FIGHTING MONEY LAUNDERING AND TERRORIST FINANCING AND EXCHANGE OF INFORMATION FOR TAX PURPOSES

a- Fighting Money Laundering and Terrorist Financing

The banking sector continued in 2017 to spend its utmost efforts to combat money laundering and terrorist financing and to comply with the related international standards. The monetary and supervisory authorities, the Association, and banks' administrations adopt "the best practices" in this domain from strengthening the rules, pacts and ethics of the banking profession, to emphasizing the operation of preparing and developing the systems, and training the qualified human cadres.

In order to fortify the banking relationships with the world and solidify the firm and continuous commitment of the Lebanese government to applying international standards to keep Lebanon on the world financial map, the Association and the monetary authorities pursued for more than four years with the politicians to have the Lebanese parliament pass the four important financial laws (nos. 53, 44, 42, and 55 mentioned in the previous reports) allowing the country to comply with the international guidelines, with the last compliance being the commitment of banks to apply the standards of exchange of tax information with the foreign signatory countries and through the Ministry of Finance.

The BDL also issued several circulars guaranteeing the transparent practice in the banking sector, which protects our relationship with the correspondent banks abroad. This is a principle matter, as any banking sector fails from surviving whether in Lebanon or the world, if it is not committed to the transparent dealings or in contact with the international correspondent banks. This subject is also of utmost importance to Lebanon as the dollarization rate in it is high. This commitment facilitated the issue of financing in Lebanon as the Lebanese banking sector was able to finance the private and public sectors in a very natural way, despite classifying Lebanon by moderate grades, and the high political and security challenges it faces, and despite bearing the consequences of the regional disturbances and tensions. Thus, FATF considered Lebanon to have met all international requirements.

On the other hand, it has become known that the Lebanese banking sector complies with the sanctions adopted in the United Nations, the United States and the European Union, and prevents any attempt at violating or circumventing them for the purpose of preserving its reputation and international standing and the protection of the interest of its shareholders, depositors and customers as well as its clear and good relations with correspondent banks.

The commitment of the financial and monetary authorities and banks' administrations to the standards of the international banking industry and the international demands including American or European sanctions is one of the necessary commitments subject to the Lebanese laws and systems, especially to the Law no. 44/2015 and circular no. 137/2016 issued by the BDL, and executed through the mechanism developed by the BDL and accepted by the foreign authorities including the US Treasury. It is a commitment to the national interest before being for a narrow banking interest. We mention in this context the new legal formulations passed in the US Senate and House of representatives committees under no. S.1559 on 5/10/2017 and under no. HR3329 on 25/10/2017, knowing that placing them under execution needs the issuance of a joint law for the two formulations and also to a list of measures issued by the US Treasury.

b- The visit of the Association's delegation to Washington D.C. and New York in October 2017

The delegation of the Association of Banks in Lebanon participated in the joint annual meetings of the IMF and World Bank that are held in the US capital, and also in the annual meeting organized by the Federal Reserve Bank in New York centering around "Combatting Terrorist Financing and Reinforcing the Relationships with Correspondent Banks".

The delegation held over the period 10-13 October a series of meetings prepared by the international law office of DLA PIPER which has been in charge of the interests of the Association for the last five years. The visit included first, the key concerned members of the House of Representatives and Senate, especially the involved executives of the committees in charge of the draft law related to Hizbullah, HIFPA 2017. The visit also included the high concerned executives in charge of Lebanon in the Department of State and the National Security Council/White House. The delegation of the Association also held an important business meeting at the US Treasury with the new Deputy Secretary of State for fighting money laundering and combatting terrorist financing. The Association aimed from these meetings to isolate the Lebanese economy from the negative repercussions of the new legislations, on one hand, and to fortify the banking sector against the possible complications that may result from the new legal formulations. The delegation of the Association stressed repetitively that the current legislations are sufficient, which negates the need of an additional legislation especially that the banks succeeded in applying the compliance rules through the mechanism developed by the BDL and accepted by the international authorities, including the US Treasury.

The delegation of the Association of banks in Lebanon also participated in the conference organized by the Union of Arab Banks, the Federal Reserve Bank and the IMF on the topic of "The American Middle-Eastern Dialogue with the Private Sector" on 16 October 2017, in which participated VIPs composed of financial decision-makers and involved executives in the USA, such as the General Secretary and the executive Vice-President of the Federal Reserve Mr Michael Hild, and the new Assistant Secretary of the US Treasury for combatting terrorist financing Mr Marshall Billingslea, as well as Arab responsible executives including Ministers, Governors of Central Banks, and bank Presidents. The President of the Association inaugurated this conference whereas the delegation of the Association to New York conducted business meetings with the US correspondent banks.

As in the past, the visit aimed at preserving the interconnection of Lebanon with the world and at maintaining the Lebanese international banking relationships which are vital to all Lebanese and to their interconnection with the outside world whether through their dealings with the international markets or through their family ties with the Lebanese diaspora in the world.
The Association confirmed in all its meetings with the concerned executives of correspondent banks or with the Congress and the US Administration its commitments to the international banking rules including especially the US ones, as most operations are conducted in USD and through the US correspondent banks. The administrations of these banks expressed to the delegation of the Association their relief, as the relationships are characterized by objectivity and continuity due to the proper risk management at the Association on one hand, and due to what characterizes this relationship from transparency, speed, and accuracy in exchanging the information concerning banking operations on the other hand. In summary, the delegation of the Association stressed to the US administration and to the correspondent banks that no collateral damages ought to accrue to Lebanon, its economy and banks from the new legislations or their applications.

It becomes necessary to emphasize again that the visits that the delegations of the Association persisted on paying over the last five years to the US Congress, the US Treasury, the State Department and the National Security Council, and the meetings with their responsible executives in charge of the Lebanese dossier, were able to withdraw from the legislations what hurts the Lebanese economy and the Lebanese banks. This is to the advantage of the whole country and not only banks, as the banking sector has become the guardian of all the savings of the Lebanese, and its deposits belong to all its social constituents and to all individuals and all families that own monetary and liquid savings. Continuing the correspondence relationship with banks is truly an extremely vital issue as well as a necessary condition for the business of the Lebanese banking sector with the world, as a service to the Lebanese spread all over the world and to the resident Lebanese also. This movement, especially towards the United States of America, is launched also based on the fact that the Lebanese economy is dollarized to a great extent, and using the USD in financing Lebanese payments with international markets requires solid, organized and trustworthy correspondence relationships with the US banks in New York. The business rules that our banks respect are the same ones respected by all banks in the world, including US banks towards US citizens and US companies.

c- At the level of cybercrimes, it has become known that developing the payments systems, the larger use of the financial techniques and developing these techniques have become necessary and inevitable issues, as they reinforce economic growth. However, this technical development allows cyber criminals to resort to several piracy methods that affect the banking sector, out of which forging some electronic mails to transfer money, in addition to other modes requiring the penetration of the financial system of the institution then asking for a ransom to repair the damage.
In the piracy operations of today, the confrontation should not be at the individual level, or at the level of each country alone, as it is emphasized by the BDL in all international meetings. If funds leave one country for the other in the absence of cooperation between banks imposed by law, the funds would have been lost and it would be hard to recover them.

In this framework, the BDL issued at the end of 2017 **basic circular no. 144 concerning the protection from the acts of cybercrime,** in which it asked banks and financial institutions to prepare policies and make preventive arrangements and take measures against the acts of cybercrime of financial nature, especially adopting strict rules to examine electronic mail and verify the identity of the users and the techniques of complete and secure coding for the important reports to prevent manipulating them. This precaution relies in a principal manner on the "Cybercrime Prevention Guide" issued on 20/10/2016 by the BDL, the Special Investigation Commission, the Association of Banks in Lebanon, and the Cybercrime and Intellectual Property Rights Bureau at the Judicial Police. The compliance department in the bank or financial institution ought to apply the provisions of this circular.

d- In the framework of combatting tax evasion

It is to mention that the G20, and in compliance with the US legislation known as FATCA, elaborated the international agreement to prevent the non-residents from evading paying their taxes on the funds owned outside their countries or outside their countries of actual residence. Tax exchange is considered the gate to prevent tax evasion in this domain. Thus, Lebanon had no choice but to join the agreement to prevent placing its name on the list of non-cooperative and non-signatory countries. In October 2016, the Lebanese parliament passed the new Law no. 55 on the exchange of information for tax purposes.

In 2017, the Ministry of Finance issued the decree no. 1022 concerning specifying the detailed implementation of subparagraph 3, of paragraph "six" of expedited Law no. 55 of 27/10/2016 (law on the exchange of information for tax purposes) to be effective beginning July 1, 2017.

The BDL issued **on 21/7/2017 basic circular no. 139** which includes the principles and the work mechanisms and the protection measures that are to be adopted by banks and financial institutions for reporting and declaration, with an obligation to identify the financial accounts that are to be reported and to submit electronically "the declaration of information" directly to the Ministry of Finance.

It was realized that the Europeans did not include Lebanon on any lists of non-cooperative countries concerning the exchange of tax information. All this contributes to the strengthening of the financial and economic conditions in the country.

The BDL indicated in its monthly meetings with the Association that it will not play the role of the intermediary in receiving the information and then sending it to the Ministry of Finance, and it is better for the banks to provide the information to the Ministry directly. It also clarified that the OECD does not accept for the information to be sent in an encrypted form, and thus the protection of information will not be the responsibility of the Ministry of Finance. In the same context, the Association indicated again that there are many countries (29 countries), that Lebanon finds an interest in exchanging information with, that refuse despite joining the international agreement to sign with Lebanon on information exchange for several reasons (sufficiency of legislation, information security, information secrecy..) and this to protect their interests, whereas Lebanon ruches for reasons not understood or justified to sign the exchange agreement with a list of 60 countries. The Ministry of Finance excluded, in its implementation decree on the Law of exchange of tax information, the signing of agreements with the African countries which protects the Lebanese community in them from the negative repercussions. It remains that no effort was made to prevent exposing the Lebanese communities in all continents, especially in Europe and the USA, which deserve from us a similar gesture by at least passing one legislation.

The Association had pointed-out to the tax territoriality, which is the essence, the spirit and the philosophy of the tax system in Lebanon, necessitating subjecting residents and non-residents to the tax on their earned incomes on Lebanese territories, irrespective of their place of residence, which requires annulling article 69 of Law 144/1959, or annulling the tax of the third article on the return on non- transportable capital outside. This annulation may encourage Lebanese immigrants to choose Lebanon as the place for tax residency, paying taxes on incomes generated in Lebanon excluding the ones earned abroad. Keeping it with Lebanon joining the agreement of tax information exchange will largely limit the propensity of the non-resident Lebanese to move their economic residency to Lebanon.
And while waiting for the date of commitment to the implementation in September 2018, the Association will resume the contacts with the relevant authorities, whereas the banks will resume internally the classification of the customers between resident and non-resident.

The Association had organized from the beginning of 2017, in partnership with "Deloitte", a workshop with banks on this subject in which a draft manual on Common Reporting Standards (CRS) which is being prepared by "Deloitte" based on the request of the Association was discussed.
Banks on their part completed all that is required and necessary to comply with the declaration and have become ready. It remains for the Ministry of Finance to secure a trusted mechanism to protect the issued information and especially to protect the information that countries could send, especially the European ones, with the European General Data Protection Regulation (GDPR) being put into effect on May 25, 2018.

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

a- **At the internal level**

ABL reiterated in 2017 its commitment to the national public interest, while showing its concern to intensify its presence and reinforce its leadership position as one of the major economic groups in Lebanon. This was specifically achieved through the following means:

1- Enhancing the communications and the relations 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 publishing the positions pronounced by it.

2- Issuing press releases and/or holding press conferences centering 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 analysis related to the various sectors of the economy in Lebanon in general, and the banking activity in particular.

4- Cooperating with the different Lebanese economic bodies in order to draft working documents and develop common perceptions on the points of view of these organizations with regard to projects and measures proposed by the official authorities.

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 Agency for Employment; 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 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); and the Parliamentary Sub-Committee to prepare the draft of setting-up the National Panel of Anti-Corruption Corps (Parliament).

6- Taking part in sponsoring and/or supporting some major national and economic events, such as:
"The Arabic Economic Forum", organized by Al "Iktissad Wa Al aamal" (Beirut, 2 May, 2017); the conference on "The Contradictions of Conflict and Transformation in the Arab World" organized by the Army command (15-18 May, 2017); "The Lebanese Forum for Tourism in Lebanon" organized by the Ministry of Tourism (Beirut, 25-26 May 2017); the dinner party organized by the Lebanese banking sector in the frame of the WB and IMF Annual Meetings (Washington, 13 October, 2017); the conference on "the Companies' Social Responsibilities" held at Phoenicia Hotel (27 October, 2016); "The Lebanese Banking Day" in London (14 November, 2017); and the Diaspora Energy Conferences organized by the Ministry of Foreign Affairs and Immigrants in several of the continents of the Lebanese diaspora.

7- Hosting members of the foreign diplomatic corps in Lebanon (Ambassador of Italy, President of the European Delegation in Beirut, members of the US Congress...); hosting several Arab and international delegations (the Institute of International Finance, World Bank, European Investment Bank, International Monetary Fund, The U.S. Treasury Department, the Francophone Union of Banks (UBF), and participating in banking and official Lebanese delegations abroad.

At the level of publishing, the Association as in previous years continues to publish:

- Its Monthly Bulletin in three languages (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 subscribers in Lebanon and abroad.
- Quarterly Newsletter in English presenting the most important economic and banking activities and indicators, 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, trading in narcotics, and terrorist events.
- Key Indicators and the development of the portfolio of Treasury Bills in Lebanese pounds and in foreign currencies.

In 2017, the Association added to its publications list the following:

- The 2017 program of annual training (an electronic version in English);
- The 2017 Annual Report (printed version in Arabic and English);
- Almanac 2017(printed version in English);
- Facts and Figures entitled "The Lebanese Economy and the Banking Industry: Compliance with International Standards". Two issues were published (printed version) that were distributed to local banks as well as the participants in the "Lebanese Banking Forum in London" (14 November 2017);
- The Collective Labor Agreement for 2016-2017 (printed and electronic versions in three languages);
- The most Important Financial and Banking Legislations in Lebanon 2015-2016 as part of the files of the Association (File no. 29) (printed version in Arabic and French);

On the level of documentation and internal library, the ABL continued to update its data bank and press archives (1990-2017) and enrich its library periodicals (1553 specialized works and 60 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 that they may need.

Finally, the Association continues to update its Internet site (www.abl.org.lb) which allows the user of this site to obtain information in three languages (Arabic, French, and English) on ABL structure, General Secretariat, the composition of its 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 it issues. The site also publishes the news of banks and their activities in addition to the text of the Collective Labor Agreement which governs the professional relationships between bank administrations and their employees. This site also allows users to access the 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 2017, 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. Out of the most important Arab and international meetings and conferences in which the Association participated, we mention: The meeting of the administrative committee of the Federation of the Francophone Banks in Paris and the relevant working groups in that Federation; business meetings with the responsible officials of the American correspondent banks and official administrations concerned with the financial and banking affairs, the Joint Annual Meetings of the Word Bank and the International Monetary Fund in Washington and New York- USA (October 2017), and the Financial Conference for the Middle East held in Frankfurt-Germany (November 2017), and the "Diaspora Energy Conferences" organized by the Ministry of Foreign Affairs and Immigrants in various Continents.

2- The public relations external campaign

The Association continued in 2017 the public relations campaign that started in 2013 targeting specifically the USA and some European Countries. In this context, many delegations from the Association conducted visits to New York, Washington D.C., Paris, and London that 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 external parties to the activities of the Association and to expose the importance of the Lebanese banking sector and its vital role in the stability of Lebanon and even the region. On the other hand, the meetings stressed on the necessity to reinforce the correspondent relationships between the Lebanese banks and the banks of the largest world financial centers. The Lebanese banking delegations also focused in these meetings on the Lebanese efforts spent on fighting money laundering and terrorist financing based on an organized and continuous administrative work and on the cooperation with the UN, Interpol, EU, OECD, US banks and the US Treasury Department within their principles and rules of operation at this level. The working delegation teams stressed on the Lebanese banking sector's commitment to international sanctions against countries and parties concerned.

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 and the French-speaking banks, and to focus, in particular, on activating the communication mechanisms, the exchange of experiences, and the intensification of forums and workshops that are specialized in various aspects of the banking profession.