

Lebanon

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Lebanon's legal landscape

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Lebanon has long encouraged and attracted foreign investment in all fields of activity due to its free market economy and its highly-educated and competent human resources. Despite the turmoil it has endured from the 1970s to date, Lebanon has for the most part maintained its leading role within the MENA region.

Corporate laws

Lebanon's corporate laws provide for a number of corporate vehicles to cater for the needs of investors (whether domestic or foreign), depending on the intended activities and territory.

As such, the most commonly-used vehicles to operate within Lebanon are SAL (joint stock companies) and LLC (limited liability companies). The liability of shareholders in SALs and that of partners in LLCs is limited up to the extent of their contribution to the company's capital. Such vehicles are taxed at a rate of 15% on profits and 10% on dividend distribution. Transfer of shares in SALs are exempt from stamp duty tax and from tax on capital gains if held by individuals, whereas transfer of interests in an LLC is subject to tax on capital gains (10%) and to stamp duty tax (0.3%). A draft law for the creation of a simplified form of the joint stock company (*Société Anonyme Simplifiée*, as in France) is under consideration of the new parliament elected in June 2009.

The Lebanese holding company (LD 45/1983) and the Lebanese offshore company (LD 46/1983 recently amended by Law 19/2008) – both SAL companies – are governed by a favourable tax regime. Holdings, commonly selected by investors to consolidate

their businesses (both domestic and regional), are subject to a progressive tax based on the capital – with a fixed ceiling not to exceed approximately \$3,333 each year. Offshore companies, commonly selected by investors for their activities outside Lebanon, are subject to a fixed corporate tax of around \$666 a year. Dividends distributed and profits realised in offshore and holding companies are exempt from tax.

Lebanese parliamentary commissions continue to express a strong will to encourage commercial transactions and investments by amending further articles of the commercial code to modernise and simplify procedures.

Banking laws, Islamic banking and financial markets

Banking secrecy laws, one of Lebanon's major characteristics, were enacted very early on (1956). Lebanese banks and financial institutions are subject to banking secrecy in order to protect clients of such institutions from disclosure to any third party, including tax authorities and judicial authorities. Banking secrecy can only be lifted in very limited cases i.e. authorisation by the client, bankruptcy, litigation between the client and the bank relating to banking transactions, or under a decision by the special investigation commission created by the Money Laundering Fighting Act (enacted in 2001 to protect the banking sector and comply with international standards and requirements).

As such, the presence of such a law has played a major part in attracting large amounts of capital to Lebanese banks.

Catering for the needs and requirements of investors from the Gulf Co-operation Council (GCC), the BDL (Banque du Liban/Central Bank of Lebanon) has taken numerous measures and issued laws and circulars. In February 2004 it set out the regulatory framework for Islamic banking in Lebanon. This has been supplemented by a number of circu-

lars and although only four Islamic banks have been licensed in Lebanon to date, it remains a niche sector that promises growth and prosperity.

Regarding financial markets, a draft Capital Markets Law remains pending before parliamentary commissions aiming to restructure and reform financial markets in Lebanon. The major contribution of this law is the establishment of an independent regulatory commission for the purpose of regulating and supervising the financial markets. To date, financial markets are regulated and supervised by the BDL and the Beirut Stock Exchange committee. The draft law also provides for the creation of a dedicated and specialised tribunal to settle disputes related to financial markets. An additional draft law is also pending before parliamentary commissions in order to prohibit insider trading and tipping off made on the basis of material non-public information. This law provides for both criminal and civil sanctions.

Lebanon and the global financial crisis

The Lebanese economy has shown remarkable strength and resilience in the face of the unfolding global financial crisis. Any major impact has so far been prevented due to measures taken by the BDL over the years.

The BDL has been following a financial architecture that is very different to that of other countries. This is due, on the one hand, to proactive regulation and supervision by the BDL and the BCC (Banking Control Commission) that have strictly limited banks' engagement in structured products and real estate speculation. Such policy has led to a point where Lebanese banks have very little exposure to foreign financial institutions severely affected by the financial crisis.

On the other hand, the BDL set out lending regulations that place a ceiling of 50% on the value of an equity portfolio and a requirement of 20% down-payment on foreign

exchange operations. Regarding real estate operations, banks would not lend more than 60% of a project's value, and banks cannot lend more than the equivalent of 70% of their deposits and must keep 30% in liquidity at all times.

These are but a few examples of the measures taken by the BDL to help Lebanese banks withstand the global financial crisis, and recent stress-testing by the BCC suggests that even under a number of shock scenarios, banks remain well-capitalised.

Arbitration

Arbitration in Lebanon is regulated by an innovative law modified via Law 440/2002. Pursuant to this amendment, all state contract disputes (e.g. disputes relating to public work contracts, electricity and water etc) may be resolved through arbitration.

Investors' hopes and expectations are high for both the newly elected parliament (June 2009) and the new government to be formed to favour and encourage further investment in Lebanon, which is bound once again to become a beacon of legal systems, democracy and transparency.

Banking and finance

Recommended firms

Tier 1

Abouhamad Merheb Nohra Chamoun Chedid
Abousleiman & Partners
Badri and Salim El Meouchi Law Firm
Moghaizel Law Offices

Tier 2

Nabil Abdel-Malek Law Offices
Raphaël & Associés

Tier 3

Alem & Associates
Baroudi & Associates
Ghaleb S Mahmassani Law Firm
Ramzi Joreige and Partners
Sami S Nahas Law Offices
Tyan & Zgheib

Mergers and acquisitions

Recommended firms

Tier 1

Abouhamad Merheb Nohra Chamoun Chedid
Badri and Salim El Meouchi Law Firm
Moghaizel Law Offices
Raphaël & Associés

Tier 2

Abousleiman & Partners
Alem & Associates
Tyan & Zgheib

Tier 3

Baroudi & Associates
Khattar Associates
The Levant Lawyers

Lebanon has bucked world trends and actually expects its economy to grow in 2009, a welcome bit of news for the beleaguered state.

But despite the economic rise, law firms report a slowdown in real-estate work in the past year, subsequently depleting what is the main source of M&A work for firms here.

Restructuring work is emerging, particularly corporate restructuring, a sign says one partner that "people are basically ready for the next step, not developing so much but building up the structures". Project finance is an area that firms are trying to establish a presence in, given the expected growth in this type of transaction in Lebanon.

Lebanese banks have not provided work for law firms in the way that they have in other countries, with the central bank maintaining a tight grip on how banks operate.

However, the combination of favourable secrecy laws and a stable banking system has seen an influx of money into the country's banks, which, along with the arrival of a more flexible offshore law, should yield work for firms.

Retaining lawyers is still a problem, with the tri-lingual Lebanese lawyers an attractive prospect for Middle-Eastern firms who can offer more money than those only operating domestically. There have also been a number of spin-off firms launching in recent years, taking talent away from more established firms.

Some Lebanese law firms are looking to establish a regional presence, with many firms setting up offices around the Middle East. On the flipside, the prospect of foreign firms being allowed to set up in Lebanon is a possibility within the next three to five years, according to commentators.

Abouhamad Merheb Nohra Chamoun Chedid

Abouhamad Merheb Nohra Chamoun Chedid is "a stable law firm doing good jobs", says one competitor. The firm is active on both M&A and banking and finance matters and possesses a number of high-calibre partners. "Antoine Merheb is a brilliant mind," says one peer, "who is very conscious of resolving deals." For M&A, Elie Chamoun "is quite a good guy", while Nassib Chedid is a good banking and finance lawyer.

Leading lawyers

Elie Chamoun
Nassib Chamoun
Antoine Merheb

Abousleiman & Partners

Abousleiman & Partners' strength is banking and finance matters according to the market, particularly capital markets work such as IPOs and government bonds. Name partner Randa Abousleiman is "the leading lawyer in banking and finance" says one peer. "It was pleasure to have worked with her; she is a very deal-orientated deal maker." The firm is believed to benefit from close connections with Dewey & LeBoeuf.

Leading lawyers

Randa Absousleiman

Badri and Salim El Meouchi Law Firm

"El Meouchi is really good and they know what they are talking about," says one competitor. The firm has pushed into the top tier in both rankings for the first time, with the market acknowledging the firm's development over the last number of years.

The firm possesses a couple of leading lawyers, with managing partner Chadia El Meouchi well regarded by the market. However, it is senior partner Salim El Meouchi that garners most praise. "He is traditionally a great lawyer; he is outstanding," says one peer.

The firm counts banks like JPMorgan, Morgan Stanley and HSBC as clients and has established a practice in important growth areas like project finance. The benefits of this practice are apparent already, with the firm advising a power company on obtaining a licence for the construction of a new power plant in Lebanon in a transaction that could be worth over €100 million.

El Meouchi is gaining a foothold in Qatar and was working on one large deal that is now on hold. The deal saw the firm advise an investment bank based in the Qatar Financial

Centre on the establishment of *shariah*-compliant property and equity funds worth around \$1 billion.

Chadia El Meouchi led the firm when it advised Imex and Exchange Holdings, the former owner of Imex, on the acquisition of Imex by the Qatar Investment Authority. The deal was completed in December 2008.

Leading lawyers

Chadia El Meouchi
Salim El Meouchi

Moghaizel Law Offices

Moghaizel Law Offices is a respected firm, particularly for corporate work. Moghaizel Law Office is the Lex Mundi representative in Lebanon and is also a member of the Alliance of Arab Lawyers. Fadi Moghaizel is the most recognised partner at the firm.

Leading lawyers

Fadi Moghaizel

Alem & Associates

Alem & Associates is seen as a young and aggressive firm by the market. The firm has a presence beyond Lebanon with a significant base in Saudi Arabia. Alem & Associates is good in banking, finance, and capital markets work, but has made a particular name for M&A transactions.

Clients appreciate the service offered by the firm. "They are a good law firm; they know their rules and regulations," says one client. "We use them for M&A, corporate and other stuff when we are doing business in Lebanon. They produce interesting documents ... they are good in general."

The firm is advising Electricity of Aley on a joint venture with a global contracting company. The project is valued at \$120 million, with the joint-venture formed to bid for an independent power plant in Lebanon.

Alem & Associates is advising on a \$70 million merger involving Cedarcom Holding. The firm also advised Transmog on the sale of a majority stake in a Lebanese internet provider.

Alem & Associates is active on the finance side, too. The firm has established a number of companies in Saudi Arabia operating under a license from the country's Capital Markets Authority. Alem also advised Joe Seikaly on the offering of preferred shares in a Lebanese company.

Raphaël & Associés

The market says that Raphaël & Associés has been affected by the loss of a number of

lawyers in recent years, with two law firms leaving to launch a spin-off practice this year. It is felt that it is stronger on the M&A side than banking, and this is why the firm has lost its spot in the top tier in banking and finance.

Moussa Raphaël is seen as a wise and knowledgeable lawyer that brings the right kind of experience to the table. The firm is particularly known for working deals in the telecom, technology, and construction industries.

Leading lawyers

Moussa Raphaël

Tyan & Zgheib

Tyan & Zgheib is stronger on the corporate side than the financial side according to the market, and has moved down in the finance rankings to reflect this. The firm has some good corporate clients and maintains the respect of clients.

"They are my preferred choice in Lebanon," says one international client. "I have used them on more than one deal in Lebanon. They are competent, trustworthy, and produce good quality work."

Nady Tyan is respected by the market, but one client says that his lack of English meant that when they were discussing matters a translator needed to be present.

The firm has been busy advising Antonios Project on the implementation of a large investment project in Lebanon. The firm has also been mandated by German industrial gases and engineering company Linde on the restructuring of its affiliate in Lebanon.

Other ranked firms

Nabil Abdel-Malek Law Offices's main star is name partner Nabil Abdel-Malek: "He is a very good bank and finance lawyer," says one competitor.

The Levant Lawyers is a law firm that formed from a merger of three Lebanese firms and has a significant Middle-Eastern presence. The firm has established an association with the CMS network in Europe.

The firm joins the rankings table based on some strong recommendations from the market. "They are someone you should keep an eye on," says one competitor.

Other notable firms

Rifaat Associates is a firm which spun-out of Raphaël & Associés. It is another firm trying to establish a regional presence in the market, with offices and associations throughout the Middle East. Rifaat Associates works in the

securities and finance market and in the M&A sector.

Soumrani Lawyers & Legal Counsels made a name for itself working on an acquisition by Heineken in the country. "They are very good at corporate M&A," says one peer. "Patrick Soumrani is a very good lawyer."