

Lebanon

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Wide-ranging changes to financial legislation and related matters in Lebanon

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Lebanon has witnessed several changes in its banking and financial systems during the last couple of years, notably in relation to capital markets, Islamic finance laws, the Kyoto Protocol and corporate governance.

With the aim of improving the Lebanese financial market and attracting and encouraging foreign investments, the Lebanese legislator drafted a new Capital Markets Law in 2006. The draft law is still pending at the Lebanese Parliament despite the pressure to accelerate its enactment. It aims to accomplish the creation of an independent regulatory authority for financial markets, whose role would notably consist of: protecting investors against unlawful and fraudulent practices; regulating the activities of the persons negotiating financial instruments; providing consultations in the investment field and managing private portfolios of financial instruments; the surveillance and regulation of the activities of regulated markets; granting authorizations to brokers and mutual funds; and regulating the access to information. Furthermore, the project sets rules for the regulation of stock exchanges: their creation (with the regulatory authority's prior authorization); their obligations; their management and their activities; and the creation of a compensation fund for investors (to compensate the investors who have suffered losses, particularly due to the misconduct of persons undertaking activities related to financial instruments). The project also regulates public subscription and listing of financial instruments in stock exchanges

and creates a special court to settle disputes related to financial markets.

Concerning Islamic finance, the incorporation of Islamic banks in Lebanon is now possible. This has numerous economic and social benefits such as attracting individuals and companies reluctant to deal with traditional banks for ideological reasons. Lebanon has taken the initiative of expanding its Islamic banking sector and is now able to provide a wide array of Islamic banking services.

Since the issuance of law number 575 of February 11 2004 on the incorporation of Islamic banks in Lebanon, the Central Bank of Lebanon (the Banque du Liban, BDL) has issued several notable decisions. These govern the exercise by Islamic banks of operations in Lebanon, the incorporation of Islamic banks in Lebanon, *murabaha* operations (cost-plus financing), *musharakah* operations (equity financing), Islamic mutual funds, *ijara* (operating lease), *ijara wa iqtina* (finance lease), *mudarabah* (trust financing), *salam* (payment for future delivery), and *istisna'a* (production and manufacturing financing). The BDL has imposed mandatory financial statements which have to be submitted by Islamic banks established in Lebanon.

To further expand the Lebanese Islamic banking sector, the BDL could develop regulations to cover additional Islamic transactions such as *sukuk* (bond issuance) and *arbutun* (pre-purchase of right to acquire assets) and introduce *takaful* (Islamic insurance).

Another initiative taken by Lebanon was the ratification on May 25 2006 of the Kyoto Protocol, in order to achieve sustainable development of the Lebanese market and industries through the implementation of the Clean Development Mechanism (CDM) pursuant to article 12 of the Protocol. There are numerous promising initiatives by the relevant players in order to comply with the goals of the Protocol; notably, the Ministry of Energy has engaged Global Wind Energy to

study the possibility of implementing renewable energy sources in certain areas of the country. Furthermore, there are international private initiatives suggesting that the technology and financing modalities that are being developed under the Kyoto mechanisms, and specifically in CDM projects, be used for the reconstruction of the Lebanese electricity sector. The proposed model is based on a private-public partnership. With such initiatives and projects, Lebanon is evolving and seeking to become an active contributor to the carbon credits-linked market.

Since the ratification of the Kyoto Protocol last year, there has not been yet a full implementation of a Kyoto-compliant infrastructure; hence, we recognize the need to set up a functional designated national authority to manage the Kyoto process and, more specifically, the CDM process. However, such requirements should be met in a short period of time, considering that Lebanon is already involved in the Middle Eastern carbon credits market which is growing at a very fast pace.

Finally, in relation to corporate governance, the BDL issued Decision 9382 in July 2006, addressing the issue expressly for the first time and imposing on Lebanese banks compliance with the basic principles of corporate governance (principally corporate values, transparency, accountability of board members, evaluation of the bank's corporate governance policies and controlling their implementation). Meanwhile, certain non-governmental organizations and associations have taken serious measures to spread awareness of corporate governance in the Lebanese business environment. For example, a Corporate Governance Code was drafted by the Lebanese Transparency Association in 2006; a report on corporate governance recommendations for the banking sector was drafted by our law firm in collaboration with the International Finance Corporation, Ernst & Young, the Lebanese Association of Banks and

Alem & Associates; and a report is now being drafted by the Lebanese Corporate Governance task force on the amendments to bring to the Lebanese Code of Commerce in order to improve corporate governance in Lebanon.

Banking and finance

Recommended firms

Tier 1

Abouhamad Merheb Nohra Chamoun Chedid
Abousleiman & Partners
Raphaël & Associés
Moghaizel Law Offices

Tier 2

Badri & Salim El Meouchi Law Firm
Nabil Abdel-Malek Law Offices
Tyan & Zgheib

Tier 3

Baroudi & Associates
Ghaleb S Mahmassani Law Firm
Ramzi Joreige & Partners
Sami S Nahas Law Offices

Mergers and acquisitions

Recommended firms

Tier 1

Abouhamad Merheb Nohra Chamoun Chedid
Moghaizel Law Offices
Raphaël & Associés
Tyan & Zgheib

Tier 2

Abousleiman & Partners
Badri & Salim El Meouchi Law Firm

Tier 3

Alem & Associates
Baroudi & Associates
Khattar Associates
Sami S Nahas Law Offices

“Have there been any trends this year in Lebanon? Ha! Nothing but the bombs,” commented one lawyer. Lebanon has had a very difficult year. The country’s military conflict with Israel in August 2006 destroyed swathes of Lebanese infrastructure and now the political stalemate between the government and Hezbollah has gridlocked finance in the country. “There is practically no government,” noted one lawyer, “so legal work is a challenge.”

There haven’t been many mergers in Lebanon this year and the little work there is has been a result of consolidation in the local

market. “Companies can’t keep up economically,” observed one lawyer, “so they are forced to consolidate.” Meanwhile foreign investors have been liquidating their assets and leaving the country.

The legal market has survived this year thanks to the booming economies of several countries in the Arab Gulf. Lebanese law firms are being engaged to do deals for Bahraini, Qatari, and Kuwaiti investors in Lebanon and to act on deals in the gulf. Badri & Salim El Meouchi Law Firm has even established a base in Doha to cope with all the work Qatar has generated. “2008 should be a better year,” one partner said. “A boom in gulf countries always has an impact on Lebanon as gulf Arabs like investing in Lebanon as it’s not so harsh.”

The domestic market is still fairly quiet. Although real-estate investment survived relatively unscathed by the conflict, political paralysis has prevented any significant projects from getting off the ground. Lawyers however remain stoical. One said: “I am very optimistic that, if we have a presidential election and it goes smoothly, the market will definitely witness a substantial move forward. But if not, the future is extremely gloomy.”

Abouhamad Merheb Nohra Chamoun Chedid

Abouhamad Merheb Nohra Chamoun Chedid is a strong Lebanese firm with a particularly good reputation for domestic work. One client said: “Their knowledge of Lebanese law is excellent and they are very business-like and helpful.”

Banking is a particular area of expertise. Leading lawyer Nassib Chedid is one of the firm’s banking specialists. He was described by one peer: “He has a diverse clientele and has good international exposure.”

Fellow named partners Antoine Merhab and Elie Chamoun were also highlighted by the market. One competitor said of Merhab: “Of all the lawyers at Abouhamad, I’d pick Antoine. He’s excellent, really very very good and has an extremely high competence.” Chamoun was singled out for his in-depth knowledge of legislation. One rival commented: “He has a very strong theoretical knowledge of law; on anything to do with applying the law and finding a solution, he is very good.”

Leading lawyers

Elie Chamoun
Nassib Chedid
Antoine Merhab

Abousleiman & Partners

Abousleiman & Partners specializes in capital markets. Named partner Randa Abousleiman is well respected by the legal market for her work in this field: “She’s very specialized in financial law,” said one lawyer. “Abousleiman is one of the few law firms able to do private placements and capital markets, and has acquired good experience as it’s been doing it for more than 15 years.”

In March 2007 Abousleiman assisted Obegi Consumer Products on its \$150 million asset-backed commercial paper securitization and is now advising Creditbank on its \$25 million issuance of non-cumulative redeemable Series I preferred shares. The firm has a well established relationship with the Lebanese government and this year helped update its global medium-term note programme from \$17 billion to \$22 billion.

Lebanese companies have had to consolidate their positions over the past 12 months, and banks have been no exception. Abousleiman is representing Fransabank in its \$152 million bid to acquire 97% of BLC Bank.

Money from the Middle East has also bolstered Lebanon’s economy. In June 2007 Abousleiman and new partner George Harb counselled a group of Kuwaiti investors on their \$16.5 million purchase of Riviera Hotel in Beirut. The firm has a good international reputation, thanks in part to support from Camille Abousleiman at LeBoeuf Lamb Greene & MacRae in London. The firm will be hoping that its expertise in capital markets and experience with foreign clients will help bring in work over the course of 2007 and 2008.

Leading lawyers

Randa Abousleiman

Badri & Salim El Meouchi Law Firm

“It is absolutely superb, one of the very best law firms I’ve worked with,” commented one client. “Firstly, they are superbly professional, secondly they are extremely well informed – you are not charged for them to learn, they already know what you need – and thirdly the response is world class. You don’t expect that from a Middle Eastern firm. They are more responsive than some American firms I’ve worked with.”

Badri & Salim el Meouchi is gaining an excellent reputation among clients for its quality and value for money. One client commented: “I would have gladly paid twice, but don’t tell them that!” With such commendations, it is unsurprising that the firm is pulling in a lot of interesting mandates.

Property was one of the few sectors largely unaffected by the clash with Israel in 2006. At the end of 2006 Salim El Meouchi led a team advising CGI – a real-estate company – on two luxury developments in Lebanon worth a total of \$190 million. The firm is also counsel to a financial institution and another real-estate company on the \$1 billion Beirut Gate project. Global Capital – a global private-equity fund focusing on property – engaged the firm in February 2007 to help it set up a base in Kuwait from which to invest across the region and has since asked the firm to help on a project in Morocco to build a hotel and leisure complex. A Bahraini group is also consulting the firm on two real-estate deals worth a total of \$600 million.

In corporate mandates, managing partner Chadia El Meouchi acted on a consolidation in the insurance industry. In January 2007 she helped an insurance company acquire another shareholder's stake in the group. Chadia was highlighted by one client: "She is beyond fantastic. She is knowledgeable and professional, responsive and takes the initiative. She will go beyond what you require and will act as an entrepreneur on behalf of her clients."

Perhaps this is why the firm receives so much international work. As well as advising Colony Capital and Kuwaiti and Bahraini investors, the firm represented Secil, a Portuguese cement company, on buying a majority interest in Ciment de Sibline; counselled Xenel-Balderrie, a Saudi Arabian-Canadian joint venture, on Clean Development Management projects; and a foreign aviation group on acquiring a Lebanese air cargo company. The firm's new office in Qatar can only boost the firm's international profile.

Leading lawyers

Chadia El Meouchi
Salim El Meouchi

Moghaizel Law Offices

The conflict between Israel and Hezbollah may have left its mark on Lebanon but international aid is slowly entering the country to help with reconstruction. Moghaizel Law Offices has been favoured with two of these mandates.

The firm is advising Agence Française de Développement – a French government agency – on a project to provide local banks with between €5 million and €25 million each to enable these banks to fund local businesses. The firm is also assisting Citigroup on a similar programme backed by the Overseas Private Investment Corporation.

Most of the firm's work this year has however been M&A. At the end of 2006, the firm

counselled an Italian cement company on a \$20 million acquisition of a local business and in 2007 Moghaizel Law Offices advised an American multinational taking over a domestic pharmaceuticals company. This \$18 million transaction followed the acquisition of several other pharmaceuticals companies across the region.

Banks have also been seeking buyouts and consolidation. Named partner Fadi Moghaizel represented the investment arm of a government in the gulf on acquiring a local bank for \$250 million in the first half of 2006 and the firm continues to give advice on putting the agreed structures into practice. The latter half of 2007 provided the firm with more of this type of work: the firm has been engaged to act for the sellers in the takeover of another local bank.

Nabil Abdel-Malek Law Offices

"Despite being a smaller firm, it is very good," said one peer, "especially in banking."

Nabil Abdel-Malek Law Offices has an excellent reputation in Lebanon for its financial work. The firm is retained by Lehman Brothers, Credit Suisse, and Morgan Stanley among others, and devotes 70% of its practice to advising domestic and international banks on deals involving Lebanon.

On the corporate side, Agility – a Kuwait-based logistics provider, formerly known as PWC Logistics – has consulted the firm on a number of matters. In February 2007 the firm helped Agility acquire Leader Group, an Egyptian specialist in freight forwarding, and has since advised Agility on incorporating a Lebanese aviation company, and on incorporating seven Lebanese subsidiaries for The Sultan Center in Kuwait.

The firm is certainly benefiting from the limited nature of the Kuwaiti legal market and is considering establishing a presence there in the future.

Raphaël & Associés

Raphaël & Associés is awarded a top-tier position in both ranking tables this year, thanks to considerable respect from the market. One lawyer said: "I would highly recommend them."

The firm is regarded by competitors as one of the largest firms in terms of turnover, but opinion is divided about the role of named partner and elder-statesman Moussa Raphaël. One rival commented: "He is a wonderful man and a wonderful lawyer but he's not really there." Another had a different view: "He's over 75 but still working and active."

The firm is encouraging younger talent. Adel Nassar was singled out as a rising star.

One competitor said: "He negotiated well on behalf of a telecoms company and is doing very well. He's a good lawyer."

The situation of Moussa Raphaël and the firm will be easier to determine if and when Lebanon returns to stability.

Leading lawyers

Moussa Raphaël

Tyan & Zgheib

Tyan & Zgheib is primarily known for its corporate work but this year the firm has broadened its expertise, acting on several banking and regulatory matters.

Named partner Nady Tyan is advising Opic on a \$200 million facility to give small enterprise loans to individuals to help kick-start Lebanon's economy after the war. Tyan has also been assisting France Telecom on a \$125 million agreement with the Lebanese government regarding the government's decision to award a licence to another party.

Tyan & Zgheib has strong links with French corporations. The firm has been representing France Telecom since 1994 and Air France since the nineties, and is currently advising Legrand on establishing an office in Lebanon.

In domestic work, the firm is also involved in the privatization of Lebanon's electricity sector but the success of this venture is heavily dependent on Lebanon's unpredictable political future.

Other notable firms

Alem & Associates enters the *IFLR1000* rankings for the first time this year, following commendations from fellow lawyers. Managing partner Mohamed Alem leads a team of 20-plus lawyers. Alem has made a splash in the market recently. One competitor commented: "He is a very impressive individual, very intelligent and very active and dynamic. He is also very internationally orientated and distinguishes himself from other lawyers in the market. He has lots of vision and lots of strategy."