

Lebanon

Chamber of commerce:

Chamber of Commerce, Industry and Agriculture of Beirut and Mount Lebanon
CCIABML building
Beirut Sanayeh Justinien Street
Beirut
Lebanon
Tel: +961 1 35 33 90
Fax: +961 1 35 33 95
Email: information@ccib.org.lb
Web: www.ccib.org.lb

Professional body:

Beirut Bar Association
Court of Justice
Beirut
Lebanon
Tel: +961 1 42 22 07
Fax: +961 1 42 79 82
Email: info@bba.org.lb
Web: www.bba.org.lb

Lebanon's legal landscape

Danny Rifaat
Rifaat Associates
Beirut

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 (Middle East & North Africa) 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 circulars 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
Ramzi Joreige & Partners
Sami S Nahas Law Offices
Tyan & Zgheib

"Our country lives from banking and finance," says one leading partner. "We've gone through many wars and our banks are still strong." Lebanon's large and stable financial sector was cushioned from the financial crisis, with the regulator's ban on banks investing in derivatives, plus the high interest rate on the Lebanese pound, attracting a large amount of foreign interest.

And this interest came in every possible way. International deposits increased at a ferocious rate. Foreign banks' lending strike brought a flock of borrowers into the country, knowing they could get a loan with the right collateral. And international financial institu-

tions looked to promote their instruments in the local market.

For several years real estate has taken up the lion's share of Lebanese banks' lending, and last year disagreement peaked over whether the property sector is experiencing a boom or a bubble. For tourism projects, however, we are clearly talking about the former. Lebanon has the highest hotel occupancy rates in the region, spurring resort construction and the financing that comes with it. A notable example is Abousleiman & Partners' helping Four Seasons Beirut secure a \$82 million facility.

The syndicated lending needed for these large projects is readily available, and it's getting more sophisticated. "We recently structured a repo transaction and many participants were surprised," says a lawyer from a leading firm. "It made me realise how new this process is here." But larger scale financing is not in sight, with talk of infrastructure projects being little more than that, and Lebanon lagging behind its neighbours in project finance.

Lawyers are quick to confirm that the Beirut Stock Exchange is limited in size and activity, but capital markets work has generated a steady stream of mandates for all firms over the past 12 months. Instructions mainly relate to capital raisings by way of private placements, often by banks, plus the government's annual bond issue which is typically lucrative and oversubscribed. No doubt last year's issue was assisted by the country's improved bond rating.

Abouhamad Merheb Nohra Chamoun Chedid

One of Lebanon's oldest law firms, Abouhamad Merheb Nohra Chamoun Chedid continues its run at the top of the rankings after consistent competitor praise.

One describes it as an "excellent and traditional firm which is well established in the banking sector". The firm is known for its loyal client base which includes local and regional banks as well as some of the world's biggest automotive names.

Leading lawyers

Nassib Chedid
Antoine Merheb

Abousleiman & Partners

Well connected and well respected among its peers, Abousleiman & Partners is particularly visible to Lebanon's other leading finance firms. Its central figure is managing partner and finance head Randa Abousleiman, through whose contacts the firm regularly

works with Dewey & LeBoeuf's London and Middle Eastern offices.

The firm's banking practice has a strong capital markets focus and has taken advantage of the country's small yet very strong (by regional standards) stock market. This speciality means it regularly advises the country's banks as issuers as well as lenders.

Clients describe Abousleiman & Partners as "prompt, well informed and professional." One says: "They are prepared to raise the pertinent issues that helps give a better structure and closing of the transaction," adding: "Their legal advice was always constructive ... their good grasp of the local legal aspects, coupled with good financial know-how, helped our financial institution a lot."

In 2009 the firm's equity work included acting for AGC Equity Partners Holding on its class A share offering, plus BankMed's debut preferred share issue which raised \$100 million. This year it acted for Corporate Finance House and Middle East Capital Group as placement agents in the \$26 million private share sale by Inkript Holding, a deal which transformed the issuer from a family business into a company held by multiple private-equity funds. Abousleiman led all three deals and was assisted by Toufic Soudayha.

In real-estate finance the firm advised Al Rawabi group on the issue of certificates of participation worth \$100 million which will allow non-nationals to invest in the local property sector. In another property deal, but on the borrower's side, it helped Four Seasons Beirut obtain its \$82 million facility which consisted of a subsidised loan, term loan and other credit facilities.

Leading lawyers

Randa Abousleiman

Badri and Salim El Meouchi Law Firm

In a traditional legal market such as Lebanon, Badri and Salim El Meouchi Law Firm stands out for its distinct branding and innovative approach to its work. Clients note the firm for its diversity, availability and lateral thinking, consistent with it securing instructions from international clients looking to become active in Lebanon.

A prime example is the firm's advice to a US bank on custody and clearing documentation as part of its entry into the Gulf region. The finance team also helps another bank in its launch in Lebanon. The firm's leading lawyers, Chadia and Salim El Meouchi, led the \$20 million deal which required cooperation with the central bank to obtain the banking licence and drafting of the private placement memorandum to send to investors. The

partners are also helping a Gulf bank enter the Lebanese market and advising a European bank launch its internet banking operations.

Its international prowess is further confirmed by its advice to General Motors Corporation on the conversion of rights held by local bondholders. The client sought advice to ensure the local aspects of its Chapter 11 reorganisation is consistent with Lebanese law. The automotive giant is the latest to turn to the firm for local regulatory advice, joining the likes of Citibank, JPMorgan, Morgan Stanley and Barclays.

The firm's banking lawyers also do capital markets work and in early 2010 acted for a Lebanese bank on its \$60 million capital increase.

Leading lawyers

Chadia El Meouchi
Salim El Meouchi

Moghaizel Law Offices

Peers say Moghaizel Law Offices is less exposed than the other tier one firms. But profile isn't everything, and the firm's reputation as a stable practice, ably led by managing partner Fadi Moghaizel, continues to win it good work.

The firm is best known for its corporate work, however its banking clientele includes Citibank, BNP Paribas, Bloomberg and global asset management company BNY Mellon.

Most clients appear to be longstanding, with one praising Moghaizel for his "organisation skills, his human and gentle approach along with his relentless aptitude for work and culture." This, the client says, has encouraged it always to refer to him for advice and guidance.

Leading lawyers

Fadi Moghaizel

Nabil Abdel-Malek Law Offices

In a market where the leading names tend to be well-established, Nabil Abdel-Malek Law Offices is a standout. Established in the 1990s, it has developed into a regional focused firm whose reputation is dominated by its banking practice.

The firm has a strong deal flow into the Gulf region, and has been preoccupied recently with Kuwait-based company Agility. Managing partner Nabil Abdel-Malek typically leads the advices, which include the restructuring and refinancing of the logistic company's \$500 million debt owed to European and Middle Eastern banks, and closing \$300 million worth of new facilities with international banks.

The firm also works on the lender's side, including for Credit Suisse, Bank of America and UBS.

Client feedback indicates it has an edge over its rivals when it comes to cross-border work. One international client seeking local law advice praised the firm for being "proactive and very responsive", adding: "We asked a lot of questions that were complex and they were very good about it. There was a lot of clarity, which you don't always get when asking advice from a developing legal market."

Another says: "They are one of the few law firms with good bilingual skills. Usually we have problems finding a lawyer that can write in English to the requirements needed for documentation." The client also says it found the firm to be reachable at all times, and that it uses email as its primary source of communication, which has not been its experience with other firms in Lebanon.

Although the firm's reputation is synonymous with its managing partner, both clients and competitors noted its team approach.

Raphaël & Associés

Competitors are quick to mention that Raphaël & Associés is not the leading firm it once was. Last year they focussed on the departure of Danny Rifaat, and this year it was the sad passing of managing partner and leading lawyer Moussa Raphaël.

But its work portfolio says nothing of a firm on the decline. And under the guidance of newly recruited managing partner Nada Abdelsater-Abusamra, the firm does not seem in danger of sliding down the rankings.

The firm receives strong client feedback: "Very good; efficient; professional. We always have the right structuring with them. The quality of service is superior," says one client.

Another client breaks the team down, describing Abdelsater-Abusamra as "the woman of accuracy who goes deep into the deal", Nassar as "the man of strategy ... a very good memory, sharp and reactive", and fellow partner Hala Raphael-Abillama as "accurate and an exceptional strategist".

Raphaël & Associés regularly acts for Fortune 100 companies on a local and regional basis. Recent new money instructions saw it advise one of the lenders on a \$680 million syndicated loan transaction as part of the financing of a project in Syria, and later on the financing of a \$200 million luxury resort development.

Sophisticated structuring is still relatively new to Lebanon's financial sector, and Raphaël & Associés was the firm entrusted by an Arab group on its \$50 million structured facility which included repos plus other instruments rarely used in local finance deals.

On the regulatory side partner Adel Nassar advises the acquirers of a Lebanese bank and, further afield, a group of private investors looking to take over a Swiss bank.

Other ranked firms

The name to watch in this table is **Alem & Associates**. The young firm takes a regional approach to its work, basing its teams in Beirut as well as Saudi Arabia and taking instructions from across the Gulf. The reason is simple - the firm believes development will happen on a regional level and is placing itself accordingly.

While its strategy seems to be working, some competitors note that the majority of Alem & Associates' work is outside of Lebanon and it is not visible on local deals. Its deal portfolio, however, shows it has done some local work, the majority of which relates to funds and capital markets. One highlight saw it advise an Islamic bank on its \$80 million rights issue. The deal was completed via private placement and marks the first rights issue by an Islamic bank in Lebanon.

The firm's success is somewhat attributed to the business suaveness and personable nature of managing partner Omar El Assir.

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 Soumrani Lawyers & Legal Counsels The Levant Lawyers

A domestic focussed corporate practice would not survive in Lebanon today. The dominance of regional work has never been clearer, with the relatively small M&A market being overwhelmed recently with two types of cross-border transactions.

On the one hand there is the expanding financial sector, characterised by cross-border mergers and foreign banks acquiring local competitors. The notable exception, and also the year's biggest transaction, was regional bank EFG-Hermes's sale of its 28% stake in Bank Audi. Although even this started off fol-

lowing the trend, turning into a divestment only after the seller's bid to increase its stake proved unsuccessful. A major driver of the sector's consolidation is the lifting of the ban on investment banking. Banks are now expanding their operations to include wealth management and other services by taking over financial institutions.

The other staple for corporate lawyers has been real estate. The country's traditional offices of M&A work showed no signs of slowing down last year, with a flurry of foreign companies looking to partner with local hotel chains through joint ventures.

Commentators suggest this interest was sparked by last year's amendment to offshore legislation. "We've been setting up offshore companies every week lately," says one leading lawyer. "It's one of the most used structures now."

The law is now more flexible, permitting offshore companies to engage in a broader range of activities. It has also clarified that non-Lebanese officers can be board members and that offshore companies can hold shares in Lebanese companies. Its being picked up by investors looking to set up regional businesses, with one commentator saying: "There is interest from foreigners because of the economic stability, of course, but also to get access to small neighbouring markets like Jordan, Syria and Cyprus."

The only other deals were a few industry purchases among telecoms and healthcare companies, with private-equity funds being at the bottom of the list of busy investors. Irrespective of where the activity comes from, lawyers are optimistic that the economy and their mandates will continue to grow, and they are building their practices accordingly with mid-level hires and opening offices overseas.

Badri and Salim El Meouchi Law Firm

Badri and Salim El Meouchi Law Firm's inclusion in the top tier is undisputed by the market, with two firms suggesting it has the country's best M&A practice. Managing partner Chadia El Meouchi is the name to note, leading on the majority of the firm's headline transactions. Many of these spread into the region, with the firm taking advantage of its offices in Qatar and the activity in the Gulf Cooperation Council (GCC).

One such deal involved advice to a regional bank on its merger with a GCC financial institution, and another saw it act as lead counsel for an international construction company on its takeover of a regional group. Senior advisor Sleiman Dagher was instrumental to the multi-jurisdictional transaction

which required the firm to draft all documents and coordinate activities in Lebanon, Qatar and the other countries where the target's subsidiaries were located. Further afield the firm advisors a local company looking to set up a joint venture focussed on servicing the underdeveloped Kurdistan region in northern Iraq.

The firm is well resourced to work in the buoyant real-estate sector, with partner Walid Honein having the industry knowledge to work not just on acquisitions, but actually develop projects from scratch.

For instance Honein and El Meouchi advised on a \$150 million joint venture plan for a retail project focussed on bringing foreign investors into the country. The pair also advised a GCC developer on its investment in an international hotel chain, the structuring of which was complicated by a collateral agreement which will see the target manage other hotels owned by the developer.

The firm has been one of the most active in setting up offshore companies following the recent clarification of the law in this area.

Leading lawyers

Chadia El Meouchi

Moghaizel Law Offices

Moghaizel Law Offices' corporate client list is an impressive reflection of its cross-border abilities. The inclusion of names like Coca-Cola, Citigroup, Adidas and Hewlett Packard demonstrate not only its ability to attract mandates from high-profile clients, but also the diversity of its industry expertise.

Clients say the firm has a "very professional and at the same time result oriented" approach, with senior practitioners Katia Bou Assi and Anwar Selwan being picked out for particular praise.

Another longstanding client says: "The advice that we get from them is unquestionable and we have a huge amount of trust in their opinion. We know that they do their homework 100% before they come up with any legal advice or opinion."

A glance at Moghaizel Law Offices' recent deal portfolio leads one to the same conclusion. In Q4 2009 the firm advised a Spanish company on its takeover of a local oil and fuel distributor. This was quickly followed by helping investors from the Gulf acquire a Lebanese publishing house, and then assisting a foreign insurer enter the domestic market by picking up a smaller would-be competitor.

Also in the financial sector but this time acting for the target, it worked on a Swiss company's investment in a local finance institution.

Leading lawyers

Fadi Moghaizel

Raphaël & Associés

Raphaël & Associés' corporate practice is subject to the same competitor misgivings as its banking practice. But client feedback is nothing short of glowing, and its recent mandates gives off the distinct impression of a top tier firm.

Much of this has to do with partner Adel Nassar. Not only has he led on the firm's major transactions over the past 12 months, but he is described by clients as "organised, detailed and well up-to-date in local, regional and international requirements and regulations", and is one international client's first choice for legal advice in Lebanon.

The firm benefits from its well-connected banking team, with most of its corporate highlights happening in the financial sector. Its recent work, invariably led by Nassar, includes acting for a regional investment bank on a \$900 million share sale, the \$100 million acquisition of a Swiss bank, and the takeover of a bank in Lebanon. It is also acting for the shareholders of a Middle Eastern insurance group on a \$400 million merger, a deal which must be structured to account for a proposed project finance undertaking.

An investment advisory client says the firm is "very professional, very responsive to our needs and are real deal makers and solution creators." The client adds: "The lawyers of Raphaël & Associés are highly skilled and very well connected in the market. They have an excellent international exposure. I enjoy working with them."

Abousleiman & Partners

The flagship work of Abousleiman & Partners' corporate team is its work on First National Bank's takeover of Capital Finance Company. The \$60 million deal which closed in February 2010 is notable for a few reasons; it's one of the first significant deals to take place after the financial crisis, one of the most prominent examples of banks expanding their activities by taking advantage of the country's new merger laws, and the price was paid in part with the vendor's shares.

This last factor added another dimension to the deal, requiring lead partners Randa Abousleiman and Toufic Soudayha to consider delicate issues like the ban of banks' ability to raise capital through in-kind contributions.

In the same sector the firm acted in a rare asset sale, advising a local bank on its \$35 million acquisition of an international bank's local operations.

Abousleiman & Partners is also at the forefront of activity in the tourism sector. Last year it acted on the \$60 million acquisition of a Beirut hotel chain, a deal complicated by the need to resolve a number of claims and lawsuits within the negotiations and transaction documents.

Alem & Associates

While every other corporate lawyer in town was mulling over industry sales, Alem & Associates worked on those seemingly elusive private-equity deals. True, they were centred in neighbouring Saudi Arabia (where it has an associated office), however work was led from the firm's base in Beirut.

One example is the August 2009 completion of advice to a regional fund on its SR25 million (€5.14 million) investment in IT security management systems. Built into the transaction documents was a ratchet mechanism which adjusted the price to account for changes to the investment value, ensuring the final price was also the right price. In a related transaction Alem & Associates advises the same fund's manager on its partial sale to an international sovereign fund for SR250 million.

Clients affirm Alem & Associates' cross-border abilities, with one saying: "We always use them for any international business law issues. The quality of their work and international connections is very sufficient".

The firm's other deals also bucked the market's trends, this time in terms of industries. While most M&A transactions concerned the financial or real-estate sectors, Alem & Associates busied itself advising on a \$14.5 million investment in a listed regional automotive group, a transaction that took advantage of the recently clarified advantages of using a Lebanese holding company.

Another mandate sees it act for the purchaser in its pick up a 50% stake a company about to acquire franchising rights of a multi-brand international restaurant chain. The team must structure the \$35 million transaction to account for subsidiaries in different jurisdictions, valuable intellectual property rights, plus the licensing and franchise aspects of the deal.

A client praises the firm's responsiveness and organisation. "We always know who will be in charge of the work so we know who to contact," says the client. "This means there is little business interruption - you don't find that easily in the Middle East."

saying it will soon rival those in tier two. "They are good," says a partner from a leading firm. "I worked with them a couple of years ago on a banking M&A and have taken notice of them since then."

Much of the firm's reputation is attributed to partner Patrick Soumrani, with different peers describing him as "very professional and a very good lawyer" and "someone to watch".

Other ranked firms

Competitors recommend **Soumrani Lawyers and Legal Counsels** for corporate working,