

Lebanon

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Banking sector regulation

Chadia El Meouchi and Jihad Rizkallah Badri and Salim El Meouchi Law Firm Beirut

Lebanon's banking sector is regulated by the Central Bank of Lebanon (the BDL). The BDL has the exclusive right to issue and safeguard the national currency. It is also vested with the power to regulate, supervise and develop the banking sector, and it advises the government on financial and economic policy. It also authorizes (i) the opening of any Lebanese bank, or branch of a foreign bank, by virtue of an authorization to be granted by the BDL; (ii) the monitoring of banks through special committees authorized to request any information deemed necessary; (iii) investigations of such banks; and (iv) the subsequent imposition of disciplinary sanctions to defaulting banks.

Main regulations

In 1956, Lebanon enacted the law on banking secrecy, which applies to banks operating in Lebanon. Managers and employees of the banks who have knowledge of the bank's books, operations and correspondence are bound to absolute secrecy in favour of the bank's clients, and cannot disclose information related thereto to any party whatsoever. Banks can open numerical accounts or rent numerical safes for their clients, where the name of the client is known only to the bank's director.

The law on joint accounts enacted in 1961 provides that banks can open joint accounts for clients that are operated by either one of the holders of such joint account. In the event of the death of one of the holders, the surviving holder(s) can operate the entire account. The bank cannot provide any information to the heirs of the deceased holder unless a clause to the contrary is expressly provided for in the joint account contract.

Banks facing financial difficulties are subject to specific regulations. A law was enacted with the aim of (i) providing a mechanism for banks in difficulty; (ii) preserving viable banks with respect to the bankruptcy provisions; (iii) increasing the liability of banks' senior officers; and (iv) sanction the defaulting individuals and legal entities. The law, combined with a law of 1993 that was renewed in 2005 to give incentives for the consolidation of the banking sector through the facilitation of bank mergers, can be used by banks to avoid the enforcement of the law concerning banks' insolvency.

The 1996 law on the development of the financial markets and fiduciary agreements has provided Lebanon with a valuable tool for financial transactions. In fiduciary agreements, a person (the constituent) grants to another person (the fiduciary agent) the right to

manage, and dispose of, for a determined duration, movable rights or securities (the fiduciary assets). The law provides protection for investors against the insolvency of the fiduciary agent entrusted with the fiduciary assets. Furthermore, the constituent of a fiduciary account can isolate fiduciary assets from his own insolvency, bankruptcy or estate by assigning them to a specific beneficiary. Fiduciary agreements enjoy tax benefits.

A law enacted in 1999 allows the setting up of securities accounts.

In 2001, a law was enacted to fight money laundering, defined as (i) any act committed to conceal the source of illicit funds; (ii) the transfer of funds known to be illegal, for the purpose of concealing or disguising their source, or (iii) helping an offender to avoid liability, or to acquire, hold or use illicit funds, to purchase movable or immovable assets, or to carry out financial operations, while being aware of the illicit nature of these funds (that is, any funds resulting from or related to narcotics, organized crime, terrorism, illegal arms trade, theft, embezzlement, breach of trust and counterfeiting). The BDL can approve the lifting of banking secrecy to the benefit of the competent judicial authorities in the event it suspects any such activities are going on.

Banks must control their operations with clients in compliance with the relevant BDL regulations. For example, banks must adopt clear procedures for opening new accounts, particularly for determining the beneficial owner and information about his profession and financial status. Also, when a bank finds that an operation is not within the normal activities of the client, it must enquire from that client about the source and destination of funds, the object of the operation, and the identities of both the beneficiary and the beneficial owner(s). Therefore, banks operating in Lebanon are requested to set up units dedicated to fighting money-laundering.

A law of 2001 concerning the issue and transfer of bank shares requires the BDL to authorize all share transfers that involve more than 5% of the bank's shares, irrespective of the nationality of the subscriber or buyer. The law also provides for the issue of preferred non-voting shares and stock options under specific conditions.

A law of 2004 on Islamic banking in Lebanon has regulated Islamic transactions, especially trust financing, cost-plus financing, equity financing and operating lease financing. Indeed, Islamic banks can (i) undertake commercial, financial and investment operations without being subject to the limitations incumbent on traditional banks; (ii) invest and place 50% of their investments in Lebanon; and (iii) purchase real estate for investment projects, without being subject to the restrictions imposed on the acquisition of real estate in Lebanon by non-Lebanese parties. Islamic banks must appoint an advisory committee specialized in *shari'ah* and banking law, whose purpose is to ensure compliance with *shari'ah* law. They

must also include specific provisions as mentioned the contracts with the depositors, and must ensure full disclosure in the context of Islamic transactions, taking into account the main principles of *shar'iah* law – namely, the prohibition of interest and *gharar*.

Banking

Recommended firms

Tier 1

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

Tier 2

Badri and Salim el Meouchi Law Firm
Baroudi & Associates
Nabil Abdel-Malek Law Offices
Tyan & Zgheib

Capital markets

Recommended firms

Tier 1

Abousleiman & Partners

Tier 2

Abouhamad Merheb Nohra Chamoun Chedid
Moghaizel Law Offices
Nabil Abdel-Malek Law Offices

Tier 3

Badri and Salim el Meouchi Law Firm
Baroudi & Associates
Raphaël & Associés
Tyan & Zgheib

Mergers and acquisitions

Recommended firms

Tier 1

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

Tier 2

Abousleiman & Partners
Badri and Salim el Meouchi Law Firm
Baroudi & Associates
Khattar Associates

Project finance

Recommended firms

Tier 1

Abousleiman & Partners
Raphaël & Associés

Tier 2

Abouhamad Merheb Nohra Chamoun Chedid
Badri and Salim el Meouchi Law Firm

Tier 3

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

Abouhamad Merheb Nohra Chamoun Chedid

Abouhamad Merheb Nohra Chamoun Chedid retains its top-tier rankings for banking and mergers and acquisitions this year after being consistently praised by the market for the quality of advice provided. Peers found it hard to single out one individual from such an outstanding team, but one did refer to the “extremely high competence” of Antoine Merhab.

Established in 1900, the firm is one of Lebanon’s oldest law firms, and regularly advises the Association of Lebanese Banks. Leading lawyer Nassib Chedid acted for the construction company CCC Group when its entire shareholding was acquired by leading Portuguese cement company Secil.

Leading lawyers

Elie Chamoun
Nassib Chedid
Antoine Merhab

Key contact partners

Nassib Chedid
Antoine Merhab

Abousleiman & Partners

Abousleiman & Partners is strong in all areas of financial law but, according to a rival lawyer, “is the leader by far” for capital markets advice. Randa Baladi Abousleiman is a key figure at the firm, and her brother Camille Abousleiman is a London partner at US firm Dewey Ballantine, giving the firm strong international credentials.

The firm is also strong in banking, where it has advised a range of international financial institutions, including Credit Suisse First Boston, Banque Audi, BNP Paribas and Byblos Bank. Partner Chucru Khoury left the firm this year to set up on his own, though no details of the new firm were available at time of going to press.

Leading lawyer

Randa Baladi Abousleiman

Key contact partner

Randa Baladi Abousleiman

Badri and Salim el Meouchi Law Firm

Two-partner, 25-associate firm Badri and Salim el Meouchi joins the capital markets ranking this year in the third tier, and remains in the second tier in all other areas.

The firm provided financial services advice in the early months of 2006 to Morgan Stanley London on listings on the Beirut Stock Exchange, and acted for Société Générale on numerous detailed International Swaps and Derivatives Association transactions.

Chadia El Meouchi, one of the firm's star lawyers, heads the commission of the corporate governance task force, and in this capacity drafted and issued new capital markets' and securities' laws and regulations in September 2005. She was involved in the key transaction this year, which included representing real estate fund Colony Capital's Middle Eastern and North African fund on a deal that aims to list a Saudi Arabian retail company on the Saudi Arabian stock exchange for over \$500 million. The firm advised the same company again on the establishment of Mena Opportunity Capital, a holding company established in Kuwait in a joint venture with the National Investment Company, to invest in the Middle East and north African region.

In general corporate work, Salim El Meouchi guided Fransabank through the \$55 million restructuring of its debt portfolios for foreign and local clients. The firm advised on the restructurings of Audi Saradar Private Bank's and Banque Misr Liban's debt portfolios, which were both worth \$40 million.

In mergers and acquisitions the firm had a busy 2005. One of the standout deals entailed representing two major Lebanese investors in Qatar and the UAE through a Lebanese holding company in the acquisition of 12% of Credit Bank, a large Lebanese bank. The practice also served as counsel to Secil, a Portuguese cement company, in relation to its acquisition of the entire shareholding of Seament, a major cement company in Lebanon, and on its acquisition of the entire shareholding of the CCC Group.

In real estate financing the firm acted for CGI on the development of a large residential luxury village and mall in Gemmayzeh, Beirut for \$150 million. In May 2006 the firm worked with Clifford Chance Dubai in representing Gulf Finance House on the Energy City project in Qatar. Finally, it acted for Abu Dhabi Financial House on the development of a large real estate project in the central district of Beirut.

Leading lawyers

Chadia El Meouchi
Salim El Meouchi

Key contact partner

Salim El Meouchi

Nabil Abdel-Malek Law Offices

Nabil Abdel-Malek's Law Offices is a two-partner, six-associate firm that has a particularly strong reputation for top-quality banking and finance advice. For this reason the firm represents Standard Chartered Bank and Al-Mawarid Bank in all their activities in Lebanon. Over the past year name partner Nabil Abdel-Malik acted for JP Morgan Securities on a repurchase transaction with First National Bank that closed in May 2006, and acted for Deutsche Bank on a \$16 million repurchase transaction with Banque de Syrie et du Liban. One UK banking client was pleased with the responsiveness and expertise of this firm, which he described as "financially aware".

The firm's reputation is strongest in capital markets, where it acts for the Lebanese Ministry of Finance on its eurobond issues. In May and June 2005 three were issued, all for \$250 million. Elsewhere, the firm represented JP Morgan Chase, Barclays and UBS on derivatives transactions with Lebanese counterparties, and advised Deutsche Bank on bond forward and over-the-counter deposit transactions.

Nabil Abdel-Malek's operation is not only active in the finance arena, however – it also picks up its fair share of corporate and M&A work. For example, this year the firm acted for Dream Holding on its acquisition of 72.3% of Idarat for \$15

million, helped PrimeCorp acquire a shareholding stake in Pro.Sec, a major security company in Lebanon, and in May 2006 advised the Sultan Centre on the acquisition of 75% of the shares of a Lebanese company that owns one of Beirut's biggest hotels.

At the time of writing, highly-rated lawyer Mazen Tajeddine was advising food distribution company Lorico on its \$90 million bankruptcy.

Leading lawyer

Mazen Tajeddine

Key contact partners

Nabil Abdel-Malek
Mazen Tajeddine

Raphaël & Associés

Raphaël & Associés remains in the top tier for all aspects of financial law in Lebanon except capital markets. All the lawyers at this dynamic firm were praised by peers at other firms, though founding partner Moussa Raphaël was particularly highly recommended for his expertise.

Adel Nassar has also done some pioneering privatization work and is tipped to make a big impression on the market in the future.

Leading lawyer

Moussa Raphaël

Key contact partner

Moussa Raphaël

Tyan & Zgheib

Tyan & Zgheib is best known for its corporate work, where name partner Nady Tyan advised Linde, the German energy company, on the restructuring of its affiliate company in Lebanon this year. In January 2006 the firm showed its expertise by helping to complete a \$96 million transactional agreement between France Télécom and the Lebanese government.

In general financial advice, meanwhile, Tyan advised on distribution agreements entered into between Seita, an affiliate of Altadis, and one of its distributors in the Middle East, and acted for Assicurazione Generali, an Italian insurance company, on a specific point of Lebanese law.

The firm boasts an impressive list of clients which includes Colgate-Palmolive, Danone, McDonalds International, McGraw Hill, Merck Sharp & Dohme and Six Continents Hotels.

Tyan & Zgheib is a member of TerraLex, a worldwide network of independent law firms.

Key contact partners

Romy Rahma
Mireille Richa
Nady Tyan