

Lebanon

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Insurance companies in Lebanon must adhere to new provisions

Nady Tyan
Tyan & Associés
Beirut

Merger provisions have been included in an amendment to the decree pertaining to the organization of insurance companies. A new law, Law No 94 of June 18 1999, amended Decree No 9812 of May 4 1968.

Any intended merger must be approved by the Ministry of Economy and Commerce (the MEC) in consultation with the National Insurance Council.

Insurance companies wishing to merge must first notify their intent to the MEC. Each company must produce the relevant minutes of its board of directors meeting, the preliminary merger agreement, its balance sheet for the previous financial year and its auditor's report containing an evaluation of the balance sheet.

The MEC issues a preliminary decision to either approve or refuse the intended merger within three months of the date of notification. Sometimes the MEC may decide that a further period of time (again, not exceeding three months) is required for the companies to produce additional documents and guarantees. Within three months of receiving the additional documents and guarantees the MEC issues its final decision, which would include, among other things, the deregistration of the dissolved company.

From the moment the MEC issues its final approval, the surviving company assumes all the rights and obligations towards the insured parties and all other third parties.

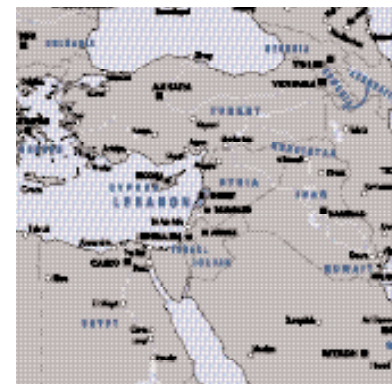
It is possible to terminate the employment contracts of some of the dissolved company's employees within six months of the MEC's approval, provided that the company clearly states that the decision is the result of the merger and that the employees benefit from an additional indemnity.

During the following year, the surviving company is exempt from taxes on revenues up to the sum of the merging companies' capital. The new law also provides for other tax exemptions, such as the exemption from stamp duty and from transfer and registration taxes on the necessary formalities relating to the finalization of the merger.

Impact of this legislation on the Lebanese insurance industry

The new law was largely inspired by Law No 192 of January 4 1993 on bank mergers. Law 192 had a positive impact on the bank industry through the merger of smaller banks with larger, more healthy and efficient banks. The new law has had similar positive effects on the insurance industry – an industry historically perceived as unreliable and disorganized. These effects can be summarized as follows:

- Smaller, less efficient insurance companies that were making little or no profit were only able to survive by merging with a larger company.



- These smaller insurance companies, some of which were contributing to customers' lack of confidence in the insurance industry, are gradually being eliminated from the market.
- The larger, merged insurance companies are able to provide better quality services at lower prices, restoring customer confidence.

As a result of a merger, the guarantees formerly deposited by the dissolved company for each insurance branch could be retrieved from the MEC because the surviving company had already deposited them. Therefore, the surviving company benefited from substantial additional cashflow.

But the intent of the new law was to encourage mergers in order to improve the insurance industry. It could have gone further in terms of providing additional benefits. First, although the tax exemptions were definitely a strong incentive for several companies to proceed with mergers, additional exemptions would have had a larger impact in that sense – even if it would have resulted in stricter conditions for merger approval, such as higher minimum capital requirements or additional guarantees.

Secondly, for economic reasons, collective dismissals are subject to a formal regime in Lebanon. Although employees of dissolved insurance companies have obtained the guarantee of an additional indemnity, no provisions exist that facilitate these formalities where collective dismissal occurs as a result of a merger.

Banking

Recommended firms

Abouhamad Merheb Nohra Chamoun Chedid

Abousleiman & Partners

Moghaizel Law Offices

Raphaël & Associés

Badri & Salim El Meouchi Law Firm

Baroudi & Associates

Nabil Abdel-Malek's Law Offices

Tyan & Associés

Capital markets

Recommended firms

Abousleiman & Partners

Abouhamad Merheb Nohra Chamoun Chedid

Moghaizel Law Offices

Nabil Abdel-Malek's Law Offices

Baroudi & Associates

Raphaël & Associés

Tyan & Associés

Mergers and acquisitions

Recommended firms

Abouhamad Merheb Nohra Chamoun Chedid

Moghaizel Law Offices

Raphaël & Associés

Tyan & Associés

Badri & Salim El Meouchi Law Firm

Baroudi & Associates

Khattar Associates

Project finance

Recommended firms

Abousleiman & Partners

Raphaël & Associés

Abouhamad Merheb Nohra Chamoun Chedid

Badri & Salim El Meouchi Law Firm

Ghaleb S Mahmassani Law Firm

Ramzi Joreige & Partners

Sami S Nahas Law Offices

Abouhamad Merheb Nohra Chamoun Chedid

Consistently cited as one of the best corporate finance firms in Lebanon, Abouhamad Merheb Nohra Chamoun Chedid advised on one of the country's biggest deals of recent times, when one of the firm's leading lawyers, Elie Chamoun, represented Byblos Bank in its \$36 million acquisition of the Lebanon branch of ABN AMRO.

Along with Chamoun, two other practitioners – name partners Nassib Chedid and Antoine Merheb – are singled out by peers and clients alike: one peer comments that “Nassib Chedid and Antoine Merheb are the two main star lawyers in this firm,” another stresses that “they have a lot of experience and are very well acquainted with the practice of corporate law”. And according to one client “Nassib Chedid is an outstanding lawyer – very well known.”

Abouhamad Merheb Nohra Chamoun Chedid is one of Lebanon's oldest and best established law firms.

Leading lawyers

Elie Chamoun
Nassib Chedid
Antoine Merheb

Abousleiman & Partners

Abousleiman & Partners is respected across all corporate and financial practice areas, but it has a particularly strong reputation for capital markets work. Rivals of the firm seem adamant that the firm's skills in this area are unparalleled. One says that “Abousleiman is above all, the number one in capital markets,” and another puts it even more plainly: “It is unfair to place Abousleiman at the same level as the other firms – it is far better and none of the other firms are at the same level.”

Leading lawyer Randa Baladi heads the two-partner and four-associate capital markets practice at the firm, and unsurprisingly comes in for praise equal to that of the practice overall – one client simply describing him as “the number one man”. The firm's recent roster of capital markets deals bears testament to its reputation: in January 2004 it advised Credit Suisse First Boston on First National Bank's issue of series 1 certificates of deposit under a \$150 million euro-deposit programme; in December 2003 it acted for Banque Audi on the issue by Lebanese Canadian Bank of \$15 million series 2 preferred shares; in October 2003 it represented BNP Paribas on Banque de la Méditerranée's issue of series 9 certificates of deposit under its \$500 million euro-deposit programme; and in March 2003, it advised Byblos Bank on its issue of \$100 million preferred shares.

Joelle Maalouf heads the banking practice, which also gets its share of work, while the M&A group has had a busy year advising Brasserie Almaze on its acquisition of shares in Laziza Holding, and acting for Adnan Kassar on his acquisition of shares in an Islamic bank.

Abousleiman & Partners handles legal matters for US firm Dewey Ballantine and for UK firm Norton Rose in Beirut.

The firm's partners and associates are all fluent in French, English and Arabic.

Leading lawyer

Randa Baladi

Badri & Salim El Meouchi Law Firm

One partner and 27 associates – four of whom are UK or US qualified – comprise this well-respected Lebanese firm. The firm's managing partner is Salim El Meouchi, who has “an interesting background” and is “a very good lawyer,” according to peers. The firm conducts business both inside and outside Lebanon, and as a result has advised an impressive range of local and international clients, such as the Central Bank of Lebanon, CAT Holding International, the National Bank of Canada, Skanska/Kvaerner and Standard Chartered Bank.

In one of the highest profile deals recently, the firm acted for HSBC on the complex privatization of the mobile telecom sector, involving, among other things, an auction for the issuance of two mobile licences and the tender for the grant of two management agreements. Among the year's transactional highlights, Badri & Salim El Meouchi acted for the Wilmotte-Akl consortium in connection with the redesign of Beirut's central urban area, advised a real estate company, Saudi investor and a consortium of local investors in connection with setting up, structuring, and drafting all commercial contracts and related agreements for a residential project in Beirut, and represented Fransabank on the acquisition of Bekaa Bank in August 2003.

The firm is the exclusive member for Lebanon of the World Services Group, one of the largest professional services networks with firms in over 200 countries. It is also the exclusive Lebanese member for Interleges, the network of international commercial law firms. The firm has cooperation agreements with various international law firms, working closely with, for example, Clifford Chance's London and Dubai offices. Salim El Meouchi is a shareholder in Bailliant and Associates, a law firm based in Paris.

Key contact partners

Chadia El Meouchi
Salim El Meouchi

Leading lawyer

Salim El Meouchi

Nabil Abdel-Malek's Law Offices

Nabil Abdel-Malek's Law Offices has been active in the Lebanese market since 1993, advising a broad client base across Lebanon, the UK, the US, France and the Gulf states on banking, capital markets, mergers and acquisitions, corporate, commercial and tax work. The firm's consulting services in the field of international investment banking and

capital markets are used by the Central Bank of Lebanon and the Ministry of Finance. The market described the firm as “very approachable, quick, reasonable in value and with good language skills.” As far as individuals are concerned, hiring Mazen Tajeddine in October 2002 gave the firm a real boost. With 10 years’ experience as a judge under his belt, he is, according to one peer, “very young and quite impressive.”

The firm represents Standard Chartered Bank and Al-Mawarid Bank in all their activities in Lebanon. Over the past year Nabil Abdel-Malek’s Law Offices has advised Credit Suisse First Boston in connection with a \$50 million repurchase transaction with Banque Libanaise pour le Commerce involving Lebanese eurobonds, and at the time of writing is acting for Deutsche Bank on a deal involving certificates of deposit, a conditional deposit agreement and a credit default swap, worth \$10 million.

In capital markets, in May 2003 the firm advised the Lebanese Ministry of Finance on Lebanon’s sovereign bond issues (\$108.8 million and €148.7 million (\$182.7 million) zero coupon notes), in October 2003 it acted for ABN AMRO on derivatives transactions involving Lebanese counterparties, and in December 2003 it represented Bank of America in respect of the sale of investment management services and fund shares in Lebanon. Although the moribund Lebanese project finance market does not yield much work, the firm did advise Sanitec on restructuring properties belonging to Lecico Lebanon, as well as on its acquisition of new properties.

Key contact partner

Nabil Abdel-Malek

Leading lawyer

Mazen Tajeddine

Tyan & Associés

Tyan & Associés comprises two partners and 11 associates in Lebanon, with – unusually for a Lebanese firm – a further partner based in Paris. The firm suffered a blow at the end of last year with the departure of Yara Maroun, who left in December 2003 to take up her new role as head of the legal department of British American Tobacco in Lebanon. However, overall lawyer numbers have increased over the past year: Romy Rahmeh was hired to replace Maroun in October 2003 and Claire Bechara joined the firm in February 2004. Both were hired as trainee lawyers.

Tyan & Associés has won mandates to advise on a number of general corporate and commercial deals over the past year. Before she left the firm, Yara Maroun advised her future employers, British American Tobacco, on restructuring its Lebanese office, and name partner Nady Tyan acted for France Télécom Mobiles Liban on the transfer of the mobile telecommunication network. Among the year’s other highlights, the firm advised Merck Sharp Dohme on

the liquidation of a Lebanese entity and acted for Canon Middle East on negotiations surrounding new distribution agreements.

Past banking clients of the firm include ING Bank and the Swiss branch of BNP Paribas, while in the M&A arena the firm has worked for, among others, Coca-Cola and the Beirut branch of ING Bank. Tyan & Associés is a member of TerraLex, the worldwide network of independent law firms.

Key contacts

Claire Bechara

Claudia Karam

Romy Rahmeh

Leading lawyer

Nady Tyan

Other notable firms

Baroudi & Associates is seen by the market as something of a mixed bag, although the overall impression is favourable. Some peers commented that they were “unsure of Baroudi & Associates’ position in the market,” particularly on capital markets deals, but other peers, and clients, disagree, saying that it is “a sound firm” that is “very attentive,” and that name partner Jean Baroudi “was educated in the UK so has an excellent knowledge of English, which always is a great help.” At **Moghaizel Law Offices**, name partner Fadi Moghaizel is considered by one peer to be “a highly esteemed lawyer,” and by a client as “an outstanding M&A lawyer”. Finally, the market identifies several lawyers at **Raphaël & Associés** who have “the potential ability to become stars.” Among other deals, the firm advised Libancell on the tricky privatization of the mobile telecom sector, which involved an auction for the issuance of two mobile licences and the tender for the grant of two management agreements.