02

PART II
ACTIVITIES OF THE ASSOCIATION OF BANKS IN LEBANON

The ABL continued in 2016 to follow-up on the financial regulations and legislations with the relevant authorities, particularly the monetary and supervisory authorities, as well as on other issues related to the banking profession.

I. THE CONTENTS OF THE MOST IMPORTANT CIRCULARS AND GUIDELINES ISSUED IN 2016

01 | The Implementation of Basle III Accord on Capital Adequacy

The Lebanese monetary and supervisory authorities continued in 2016 in coordination and cooperation with the Association and banks' administrations to take the necessary arrangements to pursuing implementing Basle III by strengthening bank capital, enhancing bank corporate governance, activating the role of administrative boards and their committees, and improving risk management and internal control.

a- About calculating solvency ratio

Lebanese banks are seriously committed to the capital ratios imposed by the BDL which asked them in basic circular no. 44 to secure a total solvency ratio (total capital/ total risk weighted assets) not lower than 12% at the end of 2015. Despite the fact that this ratio is more stringent than the one imposed in the Basle III accord where the Basle committee recommends a total capital ratio of 8% at the beginning of 2015, increasing gradually to 8.625% in 2016 and reaching 10.5% at the beginning of 2019, the BDL issued in **2016 intermediate circular no. 436** in which it asked banks to secure a total capital ratio of 14% as a minimum at the end of 2016 to reach 14.5% then 15% at the end of 2017 and 2018. The share of common stocks should represent a minimum of 8.5% and core capital of 11%. These ratios include a capital conservation buffer which should reach 4.5% of risk weighted assets at the end of 2018.

We mention that this buffer can be used during emergencies to avoid falling below required ratios while gradually re-establishing it after the end of the emergency. This buffer is composed of the acceptable components of common stocks which command the highest quality among capital components. The ratio of this buffer to the risk-weighted assets according to Basle III ranges from 0.625% at the beginning of 2016 and reaching only 2.5% at the beginning of 2019.

Facing these stringent conditions, the BDL reduced some risk weights, while continuing to commit to the Basle requirements especially the ones applied on bank deposits in foreign currency at the BDL. These deposits were given a risk weight of 50% which

is an average weight between 20% and 100% that could be adopted. However, the weight of the banks' portfolio in foreign currencies with the government was left to the discretion of banks' management.
In order to reach this high level of capitalization in a short period of time, and with the request of the BDL and the encouragement of the Association, Lebanese banks adhered, as in the last few years, to confine the large part of their profits to strengthen and increase their capital (despite the fact that not distributing profits pressures their ability to attract new investors) in addition to securing required provisions and free reserves in preparation for the commitment to IFRS 9 that will be applied effective 1/1/2018.

In this framework, the BDL issued **intermediate circular no. 428/2016** with its amendments in **intermediate circular no. 440/2016 and then circular 446/2016**, asking banks to record the surplus resulting from the operations of selling LBP sovereign financial instruments, and buying simultaneously and in conjunction financial instruments in foreign currencies included the item on deferred liabilities, so that this surplus is recorded in LBP and computed as part of Tier 2. This realized surplus is used to secure the requirements of due provisions and the requirements of the capital ratio in addition to any additional requirements that may arise while applying IFRS 9. The financial engineering (swaps) conducted by the BDL in this framework in 2016 helped banks record financial surpluses used to strengthen their capital, in addition to improving their balance sheets and begin applying the international standard stated above.

The **Banking Control Commission (BCC)** issued as well **during 2016 memoranda** nos. 9-12-16-18-19, in which it asked banks to provide it on a monthly basis detailed information on the operations on financial instruments, the subject of intermediate circular no. 428 mentioned above and its amendments, and thus to monitor the proper finalization of all of these operations within the proper banking principles.

There is also the necessity to be alert to avoid the duplication of standards in the provisions of both circulars, basic circular no. 50 concerning the constitution of reserves for unspecified banking risks, which is included in core capital, and intermediate circular no. 428/2016 which is more recent in addressing the subject of provisions in the framework of applying international standard IFRS 9. We note that banks capital base doubled during the last seven years increasing from USD 7.5 billion at the end of 2009 to more than USD 16.75 billion at the end of 2015, and then to USD 18.24 billion at the end of 2016, which is a development that would convey relief to international financial markets and confirm the strength and robustness of the banking and financial sectors.

On another hand, **the BCC** issued **memoranda no. 5/2016, no. 11/2016, and no. 3/2017** in which it requested banks to calculate their solvency ratio based on their audited balances of 31/12/2015 and balances of 30/6/2016 and 31/12/2016 consecutively, adopting the same weighting rates for credit, operational and market risks as proposed by the Basle II and Basle III accords with detailed information about the structure of their capital based on Basle III. The BCC realized that the situation of the Lebanese banking sector is comfortable as the average solvency ratio for the sector as a whole stood over the required 14% reaching close to 15% at the end of 2016. The BDL also asked banks under the intermediate circular no. 435/2016 to provide the BCC with their capital ratios for every year, on a quarterly instead of semi-annual basis, starting the beginning of 2017.

b- Liquidity ratios according to Basle III standards

The Basel III Accord stresses the subject of liquidity as it does for capital requirements, where liquidity is no less important than capitalization since it determines the bank's ability to cope with financial crises, when it is hard to count on markets for funding and without resorting to taxpayers' funds.

Concerning liquidity in the short term or the concept of LCR (Liquidity Coverage Ratio), the Basle committee adopted a time schedule to reach the required liquidity average progressing from 60% at the beginning of year 2015, passing by 70% in 2016, to 100% at the beginning of 2019. This average is computed as the ratio of High Quality Liquid Assets (HQLA) to the total monetary outflows from the bank net of total inflows over a period of 30 consecutive days. The purpose is to determine if the bank is capable of satisfying its liquidity needs over a month in the case of crisis without resorting to the market. In as far as the structural liquidity or the Net Stable Funding Ratio (NSFR), the Basle committee is planning on imposing it effective 2018.

The BCC issued in **November 2016 memorandum no. 18** in which it asked banks to provide it with detailed information on the high quality free unencumbered liquid assets and monetary outflows and inflows based on the balance of 30/9/2016 in order to conduct a quantitative experiment on computing the above-mentioned LCR of banks.

The banking sector in Lebanon still enjoys a high liquidity ratio in LBP and a convenient net liquidity ratio in foreign currencies in comparison to the required international standards. The administrations of banks operating in Lebanon aimed at preserving high levels of liquidity to protect the sector against crises. Despite the cost of this liquidity especially in foreign currencies, it remains necessary even vital for a safe administration of the banking sector.

C- Applying the International Financial Reporting Standard no. 9 (IFRS 9) and forming provisions

After the issuance of the final text of the International Financial Reporting Standard no. 9 (IFRS 9) in July 2014 in its three topics: classification and measurement, impairment of financial assets and hedge accounting, which becomes effective in 2018, and given that the requirements for this standard especially concerning forming provisions on financial assets and liabilities based on the expected credit loss model necessitate beginning data collection and improving the management information system, the Banking Control Commission asked in August 2015 based on memorandum no. 18 all banks and financial institutions operating in Lebanon to begin, in cooperation with their external auditors, the preparation for the implementation of this standard and provide the Commission with a detailed plan of action to be applied for the bank's group before the end of the mentioned year.

In June 2016, **The BDL issued intermediate circular no. 429** in which it asked banks, while conducting operations on financial instruments, to commit to specific requirements of IFRS 9, such as the conditions of "derecognition" and for the selling operations to be in conformity with market values, in addition to other conditions.

On 5/10/2016, **the Banking Control Commission issued memorandum no. 15** in which it asked banks to provide it with detailed information on how to apply this standard such as the adopted credit system, and the method of computing the expected credit loss in a collective or individual manner, in addition to conducting a quantitative study impact study of applying the requirements of the standard concerning impairment of financial assets based on the financial statements of 30/9/2016, and providing it with the results of this study.

The BDL pointed-out in its monthly meetings with the Association concerning the need to provide the necessary funds for the application of IFRS 9 in 2018, to the exigency of finalizing this deal in the coming year so that banks would be liberated from the possible burdens that may ensue later on all at once as many banks operating in Europe may not be able to commit to these new standards. There is a large amount needed at European banks exceeding Euro 150 billion to cover the additional capital. It was shown that the latest financial engineering that the BDL conducted with banks that was completed fully within the safe banking practices, relieved the Lebanese banks and those operating with them especially abroad, as it caused the improvement of banks' balance sheets in addition to boosting the confidence in the LBP. In this framework, it is essential to mention the change of the outlook of S&P for Lebanon from "negative" to "stable".

Concerning the commitment to IFRS 9 regarding sovereign risk, the Banking Control Commission advised that it is in the process of studying the subject from all of its sides including corporate risks and other risks, and that it will send its recommendations to the BDL with this issue being a subject of consultation with the Association.

And always in the framework of commitment to the above-mentioned IFRS 9, the subject of general provisions takes a new importance as the BDL issued intermediate circular no. 439 on 8/11/2016 in which it asked banks to form general provisions at the end of 2016, that are not included in capital, equivalent to 2% of risk-weighted adjusted assets in all lending portfolios, including retail loans and this as part of IFRS 9 mentioned above.

The BDL issued as well **intermediate circular no. 446/2016** in which it asked banks to use the realized surplus from the swap operations on financial instruments to guarantee, in addition to the general provision defined in circular no. 439 and any additional requirements that may result from applying the mentioned international standard, a provision in LBP to offset the decline in external contributions and also provisions in LBP to face the decline in the value of reputation (impairment of goodwill), and that after conducting the impairment test for these contributions and reputation.

On the other hand, the BDL asked banks based on **intermediate circular no. 420/2016** to form **provisions against debit accounts** that are closed as part of the measures, sanctions, and constraints decided by the international legal organizations and work on collecting loans from the concerned clients and this without modifying their credit classification.

The BDL also issued **intermediate circular no. 422/2016** related to basic circular no. 58 concerning the classification of credit risk, which distinguished in classifying retail loans for supervisory purposes, between regular loans (which witness a delay in payment up to 30 years) and loans to follow-up, whereas it kept the classification of other loans as they were: 6 categories for supervisory purposes and 10 categories for loan grading system, but it modified the specifications of the client and the loan pertaining to him and the remedies required for every category. We mention that the Banking Control Commission had issued in 2015 circular no. 280 regarding the loan classification, the formation of specific provisions, the reserves concerning retail credit, the formation of collective provisions, the total reserves on the portfolio of loans and other performing advances, and this based on impairment tests that banks conduct on the portfolio of these loans.

In 2016, banks' management continued their efforts to clear and settle their borrowings in coordination with the Banking Control Commission. We mention that the BDL had issued at the end of 2015 basic circular no. 135 on debt restructuring outside courts after discussions with the working team of the Association. This circular guarantees the continuation of the economic activity of the client on one hand and the preservation by the bank of the amount lent on the other as banks can discount at the BDL 50% of the restructured bills. In February 2016, **the Banking Control Commission issued circular no. 284** detailing the practical aspects of circular 135, and asked banks to provide it on a quarterly basis with the restructured loans.

The banks reiterated in 2016 that they will continue as usual in dealing with responsible flexibility with the borrowers that face temporary difficulties in fulfilling their commitments due to the standing economic conditions especially in the field of housing loans. The Association held many meetings in this framework with the economic bodies especially the Traders Association and ideas were exchanged on how to activate this circular.

d- On Transparency and Declaration

In the framework of commitment to the standards of Basle over transparency and declaration, we mention that the BDL issued in 2015 basic circular no. 134 on protecting the customer which aims at defining the principles of carrying out banking and financial operations with clients. The circular stressed on the necessity to educate customers, raise their awareness, and explain to them their rights by spreading awareness and education programs in banks' head offices and branches. It also emphasized preparing detailed lists stating customers' rights and duties and putting them at the disposal of the customers in addition to developing a proper mechanism for customer requests insuring their processing. The circular also stipulates the creation of an independent unit to execute the operations that take care of applying the provisions of this circular. The BCC detailed based on circular no. 281 its many applied sides.

The Association had wished the BDL to introduce amendments to the mentioned circular to facilitate placing it for execution and to be in line with the reality of the applied banking profession. The Association did not feel the need to create a special unit but to assign its duties to the many existing units in the bank given that the human element in banks has expanded heavily in the last years in the areas of audit, control, and compliance at the expense of service and commercial tasks with what it entails in costs. It also stressed on the necessity to extend the period of implementation of the signature of the agents on the written document concerning receiving the list of "rights and duties". **And on 25/8/2016**, the BDL extended based on **intermediate circular no. 434** until the end of the year the period of signing, while the Banking Control Commission asked banks **based on memorandum 14/2016** to be provided with the percent of clients that have signed the said list to follow-up on the matter.

We mention that the Association cooperated in 2015 with the audit company "Deloitte and Touche" to develop a complete guide of procedures on the subject. This guide entitled "Business Ethics and Customer Protection" was circulated to banks to save on the cost and is complete concerning the information to be provided as well as managing the operations by bank employees and finally concerning the ethics of the profession.

And always in the framework of transparency, **The Banking Control Commission issued memorandum no. 20/2016** concerning remunerations and bonuses granted to bank employees which is the subject of basic circular no. 133 where the Commission stresses on the need to comply with this circular on the side of incorporating in the annual report the declarations asked in it, including the information concerning the allowances granted to all categories of employees and various amounts. The Commission also asked to be provided with the meeting minutes of the compensation committee that took place since the beginning of 2016.

e- In the Framework of foreign placements of banks and their clients

Monetary and supervisory authorities continued in 2016 to monitor banks foreign placements in order to avoid investments in new risky financial instruments and the involvement in the currency speculation and the derivative products game.

And with the continuous large fluctuations abroad resulting from the vote favoring the exit of the United Kingdom from the European Union, the BDL also cautioned in its monthly meetings with the Association on the necessity to continue respecting basic circular no. 48 where banks insist on requesting margins no less than 20% from customers participating in the foreign exchange markets. This margin is important to protect the bank and especially the clients themselves as a result of the positions they take and the possible impact on their ability to pay their obligations to banks.

The BCC monitors the degree of exposure of banks and clients resulting from their placements abroad by requesting from banks based on memorandum no. 8/2016 to provide it with the sum of the net negative values and the reduction in the margins in the portfolios of agents, insisting on taking the proper measures to cover the reductions in the margins on the clients' portfolios or immediately liquidating the necessary positions.

The BDL asked, based on **intermediate circular no. 448/2016**, Lebanese banks to ensure that the total facilities granted by their branches and affiliated units abroad in addition to their placements in sovereign and non-sovereign debt in foreign currencies of countries in which they operate, not to exceed 60% of customers' deposits in foreign currencies at the concerned unit or branch.

f- We also mention in the framework of committing to the Basle standard to the circular of the BDL no. 103/2006 concerning the academic, technical and ethical qualifications required for persons entrusted with certain functions in the banking and financial sectors. The concerned committee in the Association presented in February 2016 some of the suggestions deemed necessary to activate the implementation of this circular, especially cancelling the new certificates, as continuing in the trend of increasing the number of certificates and requiring all employees to earn them places unjustified burdens on banks in terms of the cost and time of the employees.

Banks' administrations work very seriously in preserving the stability of the sector and in protecting its clients, in training its employees and qualifying them to earn most of the certificates required in this circular. The situation is that the BDL continues to modify the basic circular, whether in terms of the required certificates and the field of banking functions that include them, or cancelling some certificates that many of the bank employees have applied for and substitute them with others. The Association has asked to reconsider some certificates to become more convenient for the Lebanese banking sector while giving priorities to three of them namely: The Lebanese financial systems, fighting money laundering, and the ethics of the banking profession. We also mention that in August 2016, the BDL issued intermediate circular no. 430 in which it extended the periods to earn the required certificates for employees included in the circular before the issuance of the modification on 23/9/2013, and the periods to earn the required certificates confined to the organized tasks which were added on 16/8/2016 to the "schedule of organized tasks".

02 New circulars aiming at enacting lending to the private sector

Banks continued in 2016 to expand their loans to the private sector, despite the difficult circumstances in the country and the region. The amount of these loans increased to LBP 86,199 billion at the end of the year or by 5.5% compared with the preceding year. Banks continued granting concessional loans with assured economic and social benefits which gave back to the Lebanese pound its role as a lending tool benefitting from government subsidized interest rates, incentives and reduction in required reserves, and the subsidized facilities of the BDL.

In order to maintain this lending trend, the BDL extended based on **intermediate circular no. 442/2016** until the end of 2017 the period of benefitting from the incentives granted since 2009. It also extended based on **intermediate circular no. 444/2016** until 15/10/2017 the period over which banks can benefit from the facilities that the BDL grants to them at an interest rate of 1% to provide concessional loans with these funds. It provided for these facilities the sum of LBP 1,500 billion on condition that the part of these facilities allocated to housing loans does not exceed the sum of LBP 900 billion.

After the Association, encouraged by the BDL, expanded in 2016 to the fire-brigade the scope of the protocols of cooperation in which banks grant concessional housing loans, the BDL issued **intermediate circular no. 424/2016** in which it granted deductions of 100% of required reserves on these loans. Additionally, based on **intermediate circulars no. 425/2016 and no. 450/2017**, the BDL is to provide facilities to banks against these loans when the amount of required reserves available for these mechanisms gets depleted. The BDL added based on **intermediate circular no. 416/2016** to the list of loans benefitting from these bank facilities ones granted to support Lebanese production of art works. The BDL also provided deductions of 100% of required reserves on loans granted to build a general public garage to rent parking spaces for cars (**intermediate circular no. 433/2016**) and on housing loans in LBP granted to the employees of the financial market authority (**intermediate circular no. 442/2016**).

On another hand, due to the existence of excess liquidity in LBP at the banking sector, the BDL raised, based on **intermediate circular no. 450/2017**, the percent of exemptions of required reserves to 90% for some housing loans in addition to the loans subject to the protocol with the Public Corporation for Housing, effective 7/2/2017, and it raised as well based on **intermediate circular no. 451/2017** the percent of facilities to banks to provide these loans when the sums of required reserves are depleted. Banks will attempt to expand granting these loans always within the framework of safe lending, given that they alone carry their risks. Banks are also aware of the necessity that these loans do not form a bubble, knowing that the Banking Control Commission monitors of course this subject.

The Banking Control Commission asked banks and financial institutions based on **circular no. 285/2016** to declare, on semi-annual basis, on all subsidized facilities and loans that witness a delay in payments for a period exceeding 180 days.

We mention in this framework the difficulties that faced banks providing **housing loans in cooperation with the Public Corporation for Housing (PCH)** in 2015 due to the delay of the PCH in making interest payments on behalf of the customers to banks. This is due in reality to the fact that the state did not provide resources to the PCH as per the practiced laws. To avoid classifying the loans of the PCH as non-performing despite being guaranteed by the government, it was agreed with the monetary authorities to cover the outstanding debt of 2014 by taking reserves for it awaiting studying with concerned banks the possible remedies of the outstanding portfolio. And after the issuance of the Ministry of Social Affairs **decree no. 1463/2015** in which it grants the PCH a Treasury loan of LBP 40 billion to pay the interest owed to banks, the Association asked the monetary authorities to find a radical solution to this issue so that banks do not remain captives to Treasury loans that may be approved or delayed, suggesting a solution based on increasing the subsidy factor in return for maintaining the low interest rates for borrowers. **In 2017**, the BDL raised the percent of facilities it provides to banks and the percent of exemptions from required reserves from 80 to 90% from the balances of loans granted in LBP to the said corporation after the date of 7/2/2017 **based on circulars no. 450 and no. 451**.

In this framework, it is to pose on intermediate circular no. 331 issued since 2013 which created a firm cooperation between the financial and the knowledge economy sectors. The success achieved by its implementation during 2014 and 2015 caused the monetary authorities to continue providing the financial support to this emerging sector in 2016 and over the long term. It became known that this circular concerns directly the capital of firms instead of bank lending where banks were allowed to contribute to the capital of start-up projects, incubators, accelerators, and venture capital companies based on specified percentages of their capital on condition that their activities center around the knowledge sector, which is based on information technology and the knowledge economy, on condition that the companies operate in Lebanon and employ Lebanese labor force.

In 2016, and given the importance of this measure that helps banks perform their developmental role, the BDL raised, based on **intermediate circular no. 419/2016**, the limit of bank participation from 3 to 4% of their capital, on condition that the bank's share of any of these start-ups does not exceed the ceiling of 10% of the 4%

participation except for Venture Capital companies whose share can reach 20%. In **circular no. 416/2016**, the administrative fees were defined at a maximum of 2.5% from the invested amounts to prevent raising the costs.

The BDL secures to the concerned banks, in return for these contributions, facilities for a maximum period of seven years at no interest with risk coverage of 75% of bank investments in these companies. Concerned banks need to have an active role in developing the business of these firms supporting their continuing growth and proper management.

In **memorandum no. 7/2016**, the Banking Control Commission asked banks to be provided with information on the contribution of banks in start-ups, incubators, accelerators, and Venture Capital companies.

At the beginning of 2017, the BDL issued **intermediate circulars nos. 452 and 454** around this subject in which it emphasized on the responsibility of banks and Venture Capital companies in ensuring that the uses of funds resulting from the above-mentioned facilities are conducted in the proper manner, especially by holding companies, and that these facilities are not to be used **outside Lebanon** except for the coverage of specific expenses.

It is certain that the banking sector needs a fast change in the speed and size of the communication infrastructure network to improve its services for the economy, be it institutions or individuals. The knowledge economy in itself can help in enlarging the national economy, attracting new investments and creating new jobs for an important segment of our youth. Banks have a very encouraging experience in financing start-ups by an amount that has exceeded USD 400 million through **circular no. 331 and its amendments**.

After the success of " BDL Accelerate" in 2014 and 2015 in transforming Lebanon into an international center for start-ups, the BDL organized the third international conference on start-ups "BDL Accelerate 2016" over the period of three days on 3, 4, and 5 November 2016 at the Forum de Beirut.

The conference addressed the topic of "innovation": Business leadership in large companies and Business leadership in general. The conference presented this diversity in a new area carrying the name of "the innovation theater" which is a dynamic and interactive area that includes tens of start-ups and large companies coming from all over the world to present their leading innovations.

The conference included over 20,000 participants, out of which 3,000 from abroad, 4,000 professionals, 3,000 business leaders, and 2,000 students. Thus, "BDL Accelerate 2016" without dispute, became the largest conference in the Mediterranean countries in the field of innovation and start-ups and is characterized by an international distinctive trait.

The **Association and some Lebanese banks** participated in the third round of the said conference which was characterized by the presence of a large number of local and international prominent figures in this domain, especially Mr Toni Fadel, one of the inventors of Ipod and Iphone, and Mr Steve Wozniak, the founding partner in Apple. The conference opened the outlooks of the participants and the Lebanese youth to finance their ambitions through a series of interventions and inspiring discussions.

II. PROFESSIONAL ISSUES

01 | Some banking operational aspects

a- Rationalizing Interest Rates Market

The Association continued in 2016 to periodically send circulars to banks on the Beirut Reference Rate (BRR) in dollars and in Lebanese pounds. These rates fluctuated in 2016 on the USD between a minimum of 6.19% and a maximum of 6.45% and on the LBP between a minimum of 8.61% and a maximum of 8.8%. These rates allow banks, after adding the quality of credit risk and profitability concerning facilities and loans in USD and LBP, to determine the prime rates.

On the other hand, the Association proposed and the BDL approved to place the BRR on the page of the BDL. It is to mention that the Association has been computing these rates monthly and circulating them to banks since April 2009, or close to nine years.

b- Settling the payment of the tax on built properties at banks

The board of directors of the Association approved the suggestion of the Minister of Finance concerning settling the payments of the tax on built properties at the branches of banks operating in Lebanon. This service helps non-resident taxpayers to pay the due tax from their bank accounts. In 2016, a meeting was held between the team of the Ministry of Finance and the Association to discuss the mechanism, the principles, and the procedures to be adopted for this purpose. Some of the recommendations and actions of the meeting concerned the domiciliation of the tax on built properties whose rental value does not exceed LBP 20 million, and developing a domiciliation request by the banks for the client to sign. The Ministry of Finance will study how to connect with banks in addition to the possibility of using the system of Pay Gov, RTGS clear to settle payments.

c- The Proposed Budget of 2017

The Association praised the insistence of the government to pass the 2017 budget and reach a proper solution to the file of accounts closure, that operationally spans two periods from 1993-2005 and from 2005 onwards, knowing that this would entail many benefits, most importantly the necessary and required return to the commitment to the rules and basics of managing public finances. The Association praised during the deliberations of the finance and budget committee, based on a welcome invitation, the fact that the budget forward includes the financial and economic policy of the government and the intention to control and rationalize expenditure and improving public revenue collection, in addition to the priorities and objectives that incentivize growth and correct the conditions of public finances. In return, the Association voiced its opinion, in accordance with the position of the economic bodies, on the impermissibility of levying new taxes and fines in an economy suffering from weak growth, as what is demanded is to provide incentives to achieve growth causing tax revenues to increase naturally by expanding the economy.

d- Tax on interests and double taxation

As it has become known, the government dropped the tax basket included in the budget proposal as presented by the Minister of finance, because of its conviction that it should be sent separately to the parliament to discuss it and determine its implementation feasibility in isolation from the budget itself. Recently, the tax and fees basket was passed by the parliament along with the financing of the salary scale.

The Association complained about levying a tax on the returns on banks' placements in bills and CDs considering it a burden that reduces revenues rather than being a tax advance deducted from profits as is the current practice. The Association bases its complaint, first, on the fact that taxing the return on its placements and then its profits constitutes double taxation as its returns result from interest margins which constitute the source of its profits after deducting the investments costs. Second, such a tax creates a differential treatment regarding the average profit tax among banking institutions on one hand and other institutions on the other, applying the average of 15% or 17% on some institutions and different or higher rates on banks. The method of computing the proposed tax creates as well a difference in the average tax rates among banks themselves as the averages range between 15% or 17%, and 76% based on the size of banks' portfolios of Treasury- bills, LBP CDs and foreign currency CDs. This discourages the subscription in government LBP debt, and creates an unjustified competition against the benefit of the LBP. Simulation analysis conducted by the Association showed that such a tax will place unusual possible difficulties on 14 small and medium size banks, which may create systemic risk.

The Association raised a letter to that effect to the concerned authorities and is conducting intensive communication with the concerned officials to address this file.

e- Collective Labor Agreement 2016-2017

The Association of banks and the Syndicate of banks' employees signed the Collective Labor Agreement for 2016-2017 on December 21, 2016. This signature, irrespective of the contents of the agreement, is an essential and most important issue for the continuity of the collective labor agreements that govern the relationship between banks and their employees in most if not all the fields and levels of relationships. Thus, signing the agreement by itself is considered an achievement, though it came late, given that it covers all of 2016.

It is true that the agreement of 2016-2017 came very similar to the agreement of 2013-2014 as most the items remained as they were. However, the items solidified important and essential notions and offerings and preserved the appendix of "The loan system for bank employees" especially concerning housing loans.

The post end of service hospitalization system deserves a special stance as it was actually the reason for the delay in signing the labor agreement for two years. Had the collective labor agreement not included article 49 that stipulates **the post end of service hospitalization system,** a new generation of bank employees would have approached retirement without benefitting from this right similar to the other employees of the private sector! Article 49 in its new version is an achievement for those working in the sector realized by the cooperation between the Syndicate and the Association on the basis of the common interest in providing a good coverage for the retirees that protects their health and dignity. This article 49 requires every bank operating in Lebanon to purchase for its employees upon employment what is known in the world of insurance/security as **"the right to continuity past age 64"** (CPO). The new article 49 clearly stipulates on not introducing an exclusion close, for people or illnesses, that was not present during the practice of the right to continuity. This presents an advantage to the retirees. Finally, article 49 introduced an item allowing the retiree to benefit from a second class insurance policy at a premium consistent with the declared price index for given age groups and applied by the insurance company on the active employees of the given bank. It is hoped that this will be generalized to all workers in Lebanon by applying Law no. 27 of 10/2/2017 (official gazette no. 8/ 2017) which stipulates on the benefits of the insured retirees from the offerings of the branch of coverage of illness and maternity in the national social security fund. This new law provides retirees with a third option alongside the options of the staff solidarity fund and insurance companies.

02 | Fighting money laundering and terrorist financing and tax information exchange

a- Fighting Money laundering and terrorist Financing

The banking sector continued in 2016 to spend its utmost efforts to combat money laundering and terrorism financing and to comply with the related international standards. It has become known that the monetary and regulatory authorities, the Association, and banks' managements adopt "the best practices" in this domain from strengthening the rules, pacts and ethics of the banking profession, to emphasizing the operation of preparing and developing the systems, and training the qualified human cadres.

Lebanon falls in a high risk area especially political and security risks while the financial and banking sectors operate in a business environment characterized by high economic and financial risks particularly reputational ones. In the middle of this environment and in the spirit of large openness to the world, it becomes natural for the financial sector in Lebanon to adjust to the international developments. In order to fortify the banking relationships with the world and solidify the firm and continuous commitment of the Lebanese government to applying international standards to keep Lebanon on the world financial map, the Association and the monetary authorities pursued for more than four years with the political branch to have the Lebanese parliament pass the four important financial laws nos. 42, 43, 44, 53 on declaring the cross-border transportation of money, exchanging of tax information, the major amendments to Law no. 318 on combatting money laundering, and allowing Lebanon to join the United Nations Convention on combatting terrorist financing signed in 1999. The legislative authorities also passed **in 2016 law no. 77** which amended article 316 of the Lebanese Penal Code by expanding significantly the concept of terrorism financing. Thus, FATF considered Lebanon to have met all international conditions.

On the other hand, it has become known that the Lebanese banking sector complies with the sanctions adopted in the United Nations, the United States and the European Union, and prevents any attempt at violating or circumventing them for the purpose of preserving its reputation and international standing and the protection of the interest of its shareholders, depositors and agents as well as its clear and good relations with correspondent banks.

The commitment of the financial and monetary authorities and banks' administrations to the standards of the international banking industry and the international demands including sanctions is one of the necessary requirements to protect the interests of Lebanon and preserve the wealth of all of its nationals and the benefit of all citizens and bank clients, depositors and lenders guaranteeing the integrity and continuity of business through the international financial system. The sector has close to 6.9 million credit and debit accounts distributed over all the districts, cities and towns of Lebanon. The share of sects out of these accounts is consistent with the economic and demographic weight of each.

After the passage of the US law on 18/12/2015 and its implementing regulations regarding the prevention of access by Hizballah to international financial and other institutions, and in order to safeguard the high national interest, the BDL issued on 3/5/2016 **Basic circular no.137** on the implementation mechanism with a view to prevent any arbitrary procedure that could extend beyond the scope of the above-mentioned US Act and its implementing regulations, and which could cause harm to depositors and clients' interests, in particular cases of closure of, or the refraining from, opening accounts, or dealing with such depositors and clients, in an unjustified manner or to avoid risks (de-risking). The compliance with the US law is a must, however, it is necessary for the implementation to be fair. The rules of work respected by our banks are the same ones respected by all banks in the world, including US banks and in regards to US citizens and institutions. Those who examine the OFAC, the United Nations and the European lists will observe the huge amount of people, organizations, and companies included. The mechanism relies on some important standards such as the refraining from dealing in any currency with the names included on the OFAC list. Banks are to coordinate with the Banking Control Commission regarding the debit accounts that are subject to liquidation and close them. Whereas the suspicious accounts are to be reported to the Special Investigation Commission that conducts its work and informs the bank of its decision.

It is to mention the Manual for "Policies and Procedures on the subject of sanctions" issued by the Association in early 2015 after having asked Deloitte to prepare the manual with the close cooperation of members of the compliance and anti-money laundering committee in the Association. The purpose of this manual is to strengthen awareness at banks concerning risks of sanctions and to shed light on the prohibited financial operations. It is a continuation to the manual on fighting money laundering and terrorist financing that was previously issued by the Association also prepared by "Deloitte".

On another hand, the BDL issued **two basic circulars no. 1/2015 and no. 2/2016 directed towards "Specialized Lending Entities (Comptoirs)"** to supervise their activities. It asked these comptoirs based on the first circular to provide it with specific information about them. The second circular detailed the conditions and principles they should comply with so that they are permitted to conduct lending operations.

The BDL prohibited also based on **intermediate circular no. 410/2016** banks and financial institutions to lend directly or indirectly the "Specialized Lending Entities" mentioned above so that they do not carry the credit risk of these loans and also to strengthen the sphere of combatting money laundering and terrorist financing.

The BDL also prohibited based on **intermediate circular no. 411/2016** banks and financial institutions from performing any kind of banking or non-banking or financial or non-financial operations, with companies or mutual funds whose stocks and shares are totally or partially issued in bearer form. The BDL justified this measure on the basis that it falls under the context of international standards which is a new culture in the world that we have to join. There may be a cancellation of shares issued in bearer form in many countries due to the difficulty in identifying the beneficial economic owners of their holder and to prevent their use for money laundering. It is preferred not to accept these shares in the accounts of banks despite their knowing of the owners.

On 27/10/2016, **Law no. 75 was passed which abolished the category of shares in bearer form and shares to the order**, and prevented joint stock companies (including limited partnerships) from issuing shares in bearer form and shares to the order after the law became effective. It also required companies with shares that include ones in bearer form and ones to the order issued before the date of the Law to substitute them with nominal shares over the period of a year from the date the law became effective.

In order to close any new loophole that could be used for money laundering, the BDL also issued in 2016 **intermediate circular no. 415** which prohibited banks and institutions issuing debit and credit cards from issuing or promoting prepaid cards. The BDL then clarified through **intermediate circular no. 418/2016** that the cards linked to a bank account and issued in the name of a specific person (such as cards linked to a customer's account and issued in the latter's name or in the name of one of his/her family members, as well as cards issued upon an employer's request to pay employees' wages or allowances) are not considered prohibited pre-paid cards. This also applies to cards issued upon the request of legitimate international organizations and allocated to local humanitarian and social aid, contingent upon BDL approval.

The Banking Control Commission also issued memorandum no. 13/2016 in which it asked banks to report to it in writing any activity involving fraud, misconduct and material incident upon its occurrence whether it resulted from parties inside or outside the bank.

The committees of the Association discussed also the latest draft of the booklet that the Association asked Deloite to prepare under the heading: "Anti-bribery and Corruption Generic Policies and Procedures Manual". This guide like the other booklets, especially the one concerning combatting money laundering, is the cornerstone that helps every bank to prepare its own guide in line with its internal policies and procedures. This guide comes in light of the rising interest that correspondent banks attach to this subject and after the amendments of the law on combatting money laundering based on the new law no. 44/2015, which made corruption a financial crime similar to other money laundering crimes, thus requiring dealing with the funds produced or linked to corruption as illegal.

b- In the framework of combatting tax evasion

It is to mention that the G20, and in compliance with the US legislation known as FATCA, elaborated the standards concerning the automatic exchange of tax information over the period of five years (2009-2014) until its final form has been passed by the Presidents of member countries during the G20 conference in Brisbane in November 2014. This international agreement aims at preventing the non-residents from evading paying taxes on the funds owned outside their countries or outside their countries of actual residence. Tax exchange is considered the gate to prevent tax evasion on this front.

Joining the agreement is unavoidable to prevent placing the name of Lebanon on the list of non-cooperative and non-signatory countries. The period to join ends on September 26, 2016 according to the calendar of the Global Forum which manages the operation of information exchange within the OECD. However, after the passage of the law no. 43/2015, it was realized that the OECD found it inappropriate, especially concerning the necessity to ratify the accession to the international convention by the Lebanese authorities.

Awaiting the amendment of the above-mentioned law, the BDL issued **basic circular no. 138/2016** in which it asked, as far as each is concerned, banks and financial institutions to take at their own full responsibility the appropriate administrative and technical measures required to provide the Special Investigation Commission (SIC) with the information that the concerned foreign authorities request from the Lebanese Ministry of Finance regarding the accounts of residents in the requesting countries in compliance with the recommendations issued by the Global Forum on Transparency and Exchange of Information for Tax Purposes and by the OECD, and according to the regulatory mechanism to be set for that purpose by the SIC in coordination with the BDL.

In October 2016, the Lebanese parliament passed the new Law no. 55 on the exchange of tax information which annulled law no. 43/2015 after it introduced major reforms on it. This law allowed the government to ratify international agreements in this domain, such as the multilateral convention on technical assistance in tax matters, and the competent authority agreement. The law empowered the minister of finance to sign on these two agreements after their passage by the government.

It was realized that there is a strategic subject that the Association drew attention to, which is **the concept of economic residency** in Lebanon that ought to be expanded to facilitate for the Lebanese in the diaspora to choose their economic residency in Lebanon. The indicators for such residency are many, from owning a house, to the children continuing their education in the schools and universities in Lebanon, to the ownership of institutions or businesses in Lebanon and others. This will give the immigrants again a reason to return by protecting their savings and not exposing them to risks. Thus, **Law no. 60 issued on 27/10/2016** included a new definition to the concept of residing in Lebanon.

An important subject remains regarding tax territoriality, which is the essence, the spirit and the philosophy of the tax system in Lebanon, necessitating subjecting residents and non-residents to the tax on their earned incomes on Lebanese territories, irrespective of their place of residence, which requires annulling article 69 of Law 144/1959.

This annulation may encourage Lebanese immigrants to choose Lebanon as the place for tax residency, paying taxes on incomes generated in Lebanon excluding the ones earned abroad. For information, most foreign countries including the Gulf States do not tax the incomes of Lebanese earned in them. Additionally, many countries competing with the Lebanese market concerning attracting capital out of which Cyprus, Malta and Switzerland propagate to exclude the non-residents' incomes from declaration or payments and provide, in return for depositing money in them, incentives for residency and citizenship! The Association drew attention to the responsible authorities many times on the risks of this subject to protect the remittances of the Lebanese, with the BDL sharing this opinion.

Awaiting the completion of the legal documents and the beginning of the official implementation, the specialized committees in the Association suggested that the Lebanese banks ought to be present and ready for the implementation at any time and for the preparations to be joint. In February 2017, the Association organized with Deloitte a workshop with banks on this subject in which a draft manual on Common Reporting Standard (CRS) prepared by Deloitte based on the request of the Association was discussed.

It is to mention, in the framework of tax evasion, the US tax legislation known as FATCA which imposed new standards to prevent American citizens from conducting tax evasion abroad. It is known that the Lebanese banking sector worked hard for many years on clarifying its contents and applying its provisions. It is to mention that Lebanon has chosen the contractual agreement with all banks operating in Lebanon which started to join the FATCA agreement since 2014. The Association issued the Manual of policies and measures about this subject prepared by Deloitte.

03 | The visit of the Association delegation to the USA

a- The visit of the Lebanese banking delegation to New York City and Washington D.C. in April 2016.

In the framework of the regular visits that the Association organizes to the financial capitals in Europe and the USA in order to strengthen the relationship with correspondent banks of Lebanese banks, and the communication with the official powers and the foreign financial and monetary authorities, a delegation of the Board of Directors of the Association along with the Secretary General visited in April 2016 New York city and Washington D.C. in the USA to participate in the conference organized by the Union of Arab Banks on the premises and under the auspices of the Federal Reserve Bank of New York. It was noticeable the intense presence of the Lebanese banking system from the BDL, the BCC and banks compared to the attendance of bankers from various Arab countries. The Lebanese bankers had an effective and noticeable participation which contributed to the reaffirmation of the poised standing of Lebanon and its leading and continuous banking role in promoting and solidifying the international standards of the banking profession. It was also noticeable the distinct presence in the conference of representatives from the major US banks and some administrations. The Lebanese banking delegation held meetings with executives and directors of compliance in US correspondent banks: Bank of New York, Citibank, J.P. Morgan, and Standard Chartered Bank.

It was emphasized in the meetings on the rightness of the Lebanese banking model which creates a positive balance between the commercial work and the seriousness of applying the banking rules accepted internationally. The US bankers met by the delegation praised the professionalism of Lebanese banks in their dealings with US correspondent banks and the strength of the relationship, its continuity and success.

In the same context, the Lebanese banking delegation visited Washington D.C. where it held business meetings with some high responsibles in the US Treasury and the Ministry of Foreign Affairs concerned with the financial and banking matters. The delegation met the President of the Foreign Affairs Committee in the US House of representatives in addition to distinct members, some of whom from Lebanese origin, in the financial service and foreign affairs and combatting terrorism committees in the US Congress.

The delegation of the Association carried in its meetings the four important financial laws passed by the Lebanese parliament in 2015, which came about to reflect the commitment of the Lebanese state and banks to the business rules and the current international banking and financial standards, especially the American ones, given that most of the operations of the Lebanese banking sector with the outside world and the financing of the Lebanese external trade and the Lebanese remittances take effect in US dollars and through the correspondent accounts with the correspondent banks based in New York.

b- The visit of the Lebanese banking delegation to Washington D.C. and New York City in October 2016.

Like every year, a large banking delegation consisting of 30 bankers participated in the yearly joint meetings of the IMF and World Bank held in Washington D.C. between 1 and 5 October, 2016. The Lebanese embassy in the US capital held a dinner in the honor of the Governor of the BDL and the Lebanese participating delegations including banks, the BDL, the Ministry of Finance, the Council for Development and Reconstruction, in the presence of some large US responsible executives concerned with the Lebanese affairs from the US Treasury, the Ministry of Foreign Affairs, and the National Security Council.

The Association organized in its turn in cooperation with the group "Financial Times" a reception that was distinct by a prominent presence of banks that Lebanese banks deal with throughout the world. On the occasion of these meetings, a delegation from the Board of the Association held business meetings in Washington D.C. with some key executives concerned with the banking and financial matters in the US Treasury, the Ministry of Foreign Affairs and the financial services and foreign affairs committees in the House and Senate. All US responsible executives emphasized during these meetings on their position supporting Lebanon and strengthening its role as a model in the region, and stressed on the importance of preserving its stability that is based, in their opinion, on two pillars namely the banking sector and the Lebanese army. These responsible executives reiterated their praise for the leading role of the banking sector in terms of its reputable respect for the international banking rules, especially ones concerning fighting money laundering and the financing of terrorism. The Lebanese banking delegation wished from all these US official parties to base any measure taken in the field of combatting money laundering on the legal rules concerning the right to follow-up and defend, and the proper evidence with no measure possibly taken to have a negative influence on the sector and the country, in line with the US position that is keen on a stable Lebanon and the continuous success of the banking sector. This proposal was met positively by the US

official parties.
Moving to New York City, the Board delegation held business meetings with the responsible executives, the directors of compliance in the main US banks that act as correspondent to Lebanese banks, namely Standard Chartered Bank, Bank of New York, Citibank, J.P. Morgan in addition to an enlarged meeting at the Federal Reserve Bank of New York.

The discussion concentrated during these banking meetings on the working mechanisms of Lebanese banks concerning the commitment to the standards and rules adopted by the US banks themselves, especially in the field of combatting money laundering and terrorist financing. The banking responsible executives showed relief for the transparency of dealing with Lebanese banks and the speed of cooperation with the clarifications asked. And contrary to the orientation of many of them to reduce correspondent relationships (De-Risking) with some of the countries and banks in the world, the US bankers praised the professionalism of Lebanese banks and the strength of the correspondent relationship with them, stressing on preserving, strengthening and keeping this relationship successful.

C- The visit of the Lebanese banking delegation to London in March 2017

A delegation of members of the Board of Directors of the Association along with the Secretary General conducted a business visit to London over the period of 7-10 March 2017. The delegation held intensive business meetings in London with the economic responsible executives in the Ministries of foreign affairs and finance, in addition to a series of meetings with the British Bankers' Association and with the executive administrations of the three main British banks that Lebanese banks deal with namely Standard Chartered Bank, Barclays Bank and HSBC.

The delegation organized a meeting with the executive Lebanese banking and financial cadres working in London in cooperation with the Lebanese International Financial Executives "LIFE". Most of these meetings pertain to the context of strengthening the Lebanese banking relationship with the important London Financial markets.

III. INTERNAL AND EXTERNAL PRESENCE OF THE ASSOCIATION AND ITS COOPERATION WITH THE ECONOMIC BODIES

a- At the internal level

ABL reiterated in 2016 its commitment to the national public interest, while revealing its concern at increasing its presence and reinforcing its position as one of the major economic groups in Lebanon. This was specifically achieved through the following means:

1- Enhancing the communication and the relation with the responsible groups on economic issues in all the Lebanese media outlets which serves the continuous and complete coverage of the activities of the Association and its positions.

2- Issuing press releases on the national, economic and professional issues of interest to the Association and the banking community.

3- Providing the media, regularly and intensively, with ABL publications (press releases, monthly bulletins, leaflets and manuals, series of articles and studies, etc.), to be adopted as a major source of information and ethics on the various sectors of the economic activities in Lebanon in general, and the banking activity in particular.

4- Cooperating with different Lebanese economic bodies in order to draft working documents and common perceptions on the points of view of these organizations with regard to projects and measures proposed by the official authorities.

Continuing to closely cooperate with the different ministries, public institutions, national committees with social, economic, and environmental interests, through the representation of the banking sector and the Association in the following institutions:
The Board of Directors of the National Fund for Social Security; the Board of Directors of the National Agency for Employment; the banking commission and the commission on environment (International Chamber of Commerce – Lebanon); the commission for the promotion of the rights of the disabled in the labor market (Ministry of Labor); the Board of Directors of the Industrial Research Institute (Ministry of Industry); The group of national coordination on issues of climate change (Ministry of Environment); the guidance committee on fighting environmental pollution (Ministry of Environment); the administrative

commission for the Fund for Environment (Ministry of Environment); National Advisory Council for Environment (Ministry of Environment); The organization and management committee of the National Afforestation Program for the planting of 40 million trees on Lebanese Territories (Ministry of Agriculture); The committee on equipping public parks with the internet (Ministry of Telecommunication); and the Parliamentary Sub-Committee to prepare the draft of setting-up the National panel of Anti-Corruption corps.

5- Taking part in sponsoring and/or supporting some major national and economic events, such as:

"The Arabic Economic Forum", organized by Al "Iktissad Wa Al aamal" (Beirut, May 12 and 13, 2016); the conference organized by the Army command on: "The Middle East in Light of the Changes and Possible Compromises (July 12-15, 2016); The dinner party organized by the Lebanese Banking Sector in the frame of the WB and IMF Annual Meetings (New York , October 7, 2016); The Conference of "the Companies' Social Responsibilities" held at Phoenicia Hotel (October 27, 2016); "Accelerate 2016" organized by the Banque du Liban (Forum de Beyrouth, November 7-9, 2016).

6- Hosting members of the foreign diplomatic corps in Lebanon (British and French Ambassadors to Lebanon); hosting several Arab and international delegations (the Institute of International Finance, World Bank, European Investment Bank, International Monetary Fund, The U.S. Treasury Department, the Francophone Union of Banks (UBF), The Chamber of Commerce, agriculture and industry of Oman, etc.., and participating in official Lebanese delegations abroad.

At the level of publishing, the Association continues to publish its **Monthly bulletin** (1200 issues per month, distributed equally to subscribers and media representatives in Lebanon), **The Economic Letter – in English** - includes a brief overview of the evolution of the major sectors of the Lebanese economy, with statistical tables and figures, and of which 1100 electronic copies are distributed to banks, institutions, individuals, and associations, in addition to a number of registered in Lebanon and abroad. Since 2014, a **Quarterly Newsletter in English** was added to these publications presenting the most important economic and banking activities, as well as the most important publications, training workshops, and cultural seminars aimed at informing the bank employees about methods to fight organized crime especially financial crimes related to money laundering and trading in narcotics. Besides, monthly bulletins on **Key Indicators** and on **the portfolio of Treasury Bills** in Lebanese pounds and in foreign currencies are still distributed. In addition to the **Annual Report of 2015,** in Arabic and English, **the Almanac of Banks in Lebanon 2016** was also issued in English. Also, and with the collaboration of the Basil Fuleihan Institute of Finance, the Association published "Towards a National Strategy for Financial Education in Lebanon 2016-2019). Finally, the Association published 3 booklets (in January, April and October): The Lebanese Economy and Banking Industry: Compliance with International Standards (2016).

On the level of documentation and internal library, the ABL continued to update its **data bank and press archives** (1990-2015) and enrich its **library periodicals** (1549 specialized works and 60 periodicals in Arabic, French, and English). It is to note that the ABL places, at the disposal of banking staff, specialized researchers, university professors and students a full series of documents and references they may need.

The Association continues **to update its Internet site** (www.abl.org.lb). The site is available in three languages (Arabic, French, and English) and allows users to obtain information on ABL structure, General Secretariat, Board of Directors, and committees, as well as its various services, and most important domestic and foreign activities especially in the field of fighting organized crime and on various publications. The site also publishes the news of banks and their activities in addition to the 2016-2017 version of the **Collective Labor Agreement** which governs the professional relationships between bank administrations and their employees. This site also allows users to access thanks to the "useful links", the websites of a large number of local Arab and foreign financial and economic institutions and associations.

b- At the external level

1- Participating in Arab and international banking events

In 2016, the Association participated in several regional and international meetings and conferences. Its representatives (President, Vice-President, members of the Board or some consultative committees, and the Secretary General) had many interventions and contributions during these activities and several communications on the side. Most important meetings and conference are: The meeting of the administrative committee of the Federation of the Francophone Banks and the relevant group of works in that Federation. The Association held also business meetings with the American correspondent banks and official administrations concerned by the financial banking affairs in New York and Washington DC, the Joint Annual Meetings of the Word Bank and the International Monetary fund (October 2016), and the Financial Conference for the Middle East held in Frankfurt-Germany (November 2016).

2- The public relations external campaign

The Association continued the public relations campaign that started in 2013 and especially targeting the USA and some European Countries. In this context, many delegation from the Association conducted visits to New York, Washington D.C., Paris, London and Brussels that covered many institutions, administrations, and persons concerned with issues of interest to the Association. The purpose of these meetings, on one hand, was to introduce the importance of the Lebanese banking sector and its vital role in the stability of Lebanon and even in the region. On the other hand, the meetings emphasized the importance of correspondence between the Lebanese banks and the banks of the largest world financial centers. The Lebanese banking delegation also presented in these meetings the efforts spent on fighting money laundering and terrorism financing based on an organized and continuous administrative work and on the cooperation with the UN, Interpol, EU and US banks and the US Treasury Department in their principles and rules of operation at this level. During the meetings, the working delegation team stressed on the Lebanese banking sector's commitment to international sanctions against countries and parties concerned, with reference to the 4 Laws that were approved by the Lebanese Parliament. These laws would strengthen the procedures to combat terrorism and organized crime, especially on the financial level. The Association along with the supervisory and monetary authorities played a crucial role with both legislative and executive authorities in order to encourage issuing these laws.

It is well known that the Association is a founding member of **the Union of Francophone Banks (UBF)** and an active member in its committees. In this context, the Association is seeking as part of this international important forum to strengthen correspondent relations with the French banks and the French-speaking ones, and to focus, in particular, on activating the communication mechanisms, the exchange of experiences, the intensification of forums and workshops that are specialized in various aspects of the banking profession.