

**6**

**2005**

**Establishment and Activities of  
Leasing Companies  
in Lebanon**



**Banque du Liban**

## **Pamphlet no 6**

The information presented in this pamphlet provides the reader with basic information regarding the establishment and activities of Leasing Companies in Lebanon. The Banque du Liban has the right to modify the existing regulations as it deems proper. For additional information, the Foreign Studies Department may be contacted at the following address:

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**Pamphlet No 6  
(October 1, 2005)**

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## **I- Definition of Leasing Operations**

According to the Lebanese law, leasing operations comprise the rental of equipment and machinery of all types, purchased by the lessor to lease them to the lessee, while maintaining their ownership. These operations require that the lessee be given the right of ownership of the leased assets for a price set in the contract, taking into account, even if partially, the lease payments as rent.

## **II- Institutions Allowed to Carry Out Leasing Operations**

Leasing operations are restricted to the following institutions:

- A- Lebanese joint stock companies whose objective is to carry out leasing operations and complementary operations
- B- Branches of foreign joint-stock companies whose main objective is to carry out leasing operations
- C- Financial institutions registered at the Banque du Liban

Commercial institutions and companies that carry out leasing operations in supplement to their main commercial objective, are not considered leasing companies.

## **III- Establishment of a Leasing Company**

### **A- Banque du Liban prior authorization**

Leasing companies mentioned in sections (II/A) and (II/B) above must obtain a license from the Central Council of the Banque du Liban before beginning their activities.

The Central Council of the Banque du Liban<sup>1</sup> grants the license to the extent it deems it in the public interest. In this respect, the Council has a discretionary authority.

In case the license is granted for establishing a Lebanese leasing company, the Governor's decision is issued in a nominal form, i.e. by specifying the natural or moral persons allowed to subscribe to and pay for the company's shares, and the percentage of each individual participation. No person is allowed to transfer, without the approval of the Central Council of the Banque du Liban, his subscription and payment rights to another party, even if the latter has the right to subscribe and pay.

The license to establish a branch of a foreign leasing company is subject to the same provisions of non-transferability.

### **B- Documents required for obtaining the license**

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<sup>1</sup> The Central Council of the Banque Du Liban comprises: The Governor acting as chairman, the four Vice-Governors, the Director General of the Ministry of Finance, and the Director General of the Ministry of Economy and Trade.

### 1- The Lebanese leasing company

The application for a license to establish a Lebanese leasing company is submitted to the Banque du Liban, signed by the founders, to which an original copy and three copies of the following documents are attached:

- i- A document certifying the identity of the founders and persons who will subscribe to and pay for the company's capital, and the persons to be appointed in senior managerial positions (identity card/passport/copy of the registration file at the commercial register if any of the founders or shareholders is a moral person).
- ii- Statements signed by each of the above-mentioned persons, including their curriculum vitae (academic degrees, experience, and other information on their financial and moral credibility) and an accurate evaluation of their financial net worth.
- iii- A police record issued within the last three months for each of the above-mentioned persons.
- iv- An account of the percentage of participation set for each shareholder, provided it comprises the category of shares, their distribution between Lebanese and non-Lebanese, resident and non-resident.
- v- A feasibility study for the establishment of the company over a three-year period, showing in detail the following:
  - a) sources of finance and prospects for investment
  - b) projected profit and loss statements
  - c) projected balance sheets
  - d) projected cash flows
- vi- A statement that clarifies the nature of the direct or indirect relationship, if any, between the company to be established and a company, or a specific economic group or groups, in Lebanon and abroad.
- vii- A preliminary plan for:
  - a) the bylaws of the company
  - b) the administrative structure to be adopted
  - c) the organization of internal supervision and control

### 2- The branch of the foreign leasing company

A duly signed application for a license to establish a branch of a foreign leasing company should be submitted to the Banque du Liban to which an original copy and three copies of the following documents should be attached:

- i- The duly certified bylaws of the foreign leasing company
- ii- Documents and statements stipulated above in paragraphs (i), (ii), and (iii) of section (III/B/1), and related to the representative of the company in Lebanon, and the persons to be appointed in senior managerial positions, when necessary.
- iii- A duly signed certificate showing the registration of the leasing company in the country of origin, or the fully signed license granted by the concerned authorities to carry out leasing operations.
- iv- The duly signed resolution taken by the board of directors of the foreign leasing company, regarding:
  - the approval of opening a branch in Lebanon, whose main object is to carry out leasing operations;

- the appointment of the representative of the company in Lebanon and the specification of his/her prerogatives.
- v- The documents and statements specified above in paragraphs (v), (vi), (vii/b) and (vii/c) of section (III/B/1)
- vi- The audited annual reports of the company along with the balance sheets and profit and loss accounts for the last three years,.

### **C- Payment of the capital**

The capital of a Lebanese leasing company or the assigned capital of the branch of a foreign leasing company must be fully subscribed to and fully paid in cash through a blocked account in the name of the *company or branch under establishment*, within a period specified by the Banque du Liban in the license resolution. This account generates no interest and charges no expense or commission.

The Banque du Liban can accept a full or partial payment in the form of a transfer in a foreign currency, payable to the account of the Banque du Liban at an appointed correspondent. The Banque du Liban carries out a foreign exchange operation by which it settles the equivalent of the amount paid to its account with its correspondent in Lebanese Pounds.

### **D- Registration at the Commercial Register**

#### 1- Registration of a Lebanese leasing company

The supervisor of the Commercial Register registers the company upon submission of the following documents concerning its establishment:

- Resolution of the Banque du Liban authorizing the establishment of the company
- Copy of the bylaws initialed by the Banque du Liban and duly certified by a notary public
- Payment receipts proving the payment in full of the share capital at the Banque du Liban.
- Minutes of the constituent assembly's meeting that validated the establishment of the company and elected the first board of directors.
- Minutes of the board of directors' meeting that elected the first chairman and appointed, when necessary, the general manager.

#### 2- Registration of a foreign leasing company branch

The Ministry of Economy and Trade- Trade Department/Companies' division, first receives a copy of the documents prepared in section (III/B/2), to the exception of those prepared in paragraphs (v) and (vi).

The Ministry of Economy and Trade issues, following submission, a notification document of the registration of the company's branch and of the delegation of the person or persons in charge of management.

The Secretariat of the Special Commercial Register receives the copy of the documents presented to the Ministry of Economy and Trade- Trade Department/Companies Division, a copy of the resolution of the Central Council of the Banque du Liban approving the establishment of the branch, the receipt proving the

payment in full of the value of share capital assigned to the investment of the branch in Lebanon, and the notification document issued by the Ministry of Economy and Trade.

The Secretariat of the Commercial Register issues a registration certificate for the branch of a foreign commercial company.

### **E- Registration on the Banque du Liban List**

#### ***1- Registration of a Lebanese leasing company***

The Lebanese leasing company is registered on the List of Leasing Companies issued by the Banque du Liban, following a request by the chairman of the board of directors, to which a copy of the following documents, certified by the treasurer of the commercial register, is attached:

- The bylaws of the leasing company initialed by the Banque du Liban and certified by the notary public.
- Minutes of the constituent assembly meeting.
- Minutes of the board of directors meeting that elected the first chairman and appointed, when necessary, the director general
- The application submitted to the secretariat of the commercial register for registration.
- The registration certificate of the leasing company at the commercial register.

#### ***2- Registration of a foreign leasing company branch***

The branch of the foreign leasing company is registered on the List of the Banque du Liban, following a request by the person in charge of management. A copy of each of the following documents should be attached: the attestation issued for the registration of the branch at the secretariat of the Commercial Register in Beirut; the stamped documents registered at the said Register, the signature proving this registration, and the notification documents of the branch's registration at the Trade Department/Companies Division, at the Ministry of Economy and Trade.

The leasing company must clearly display at its headquarter and branches, the decision of its registration on the List of Leasing Companies issued by the Banque du Liban.

It must mention its assigned registration number on this List on all printed and written papers, in addition to other required information such as the Commercial Register it was registered at, its registration number at this register, its legal type (joint-stock company or foreign company branch), its capital etc.

### **F- Time limit for establishment**

The leasing company licensed for establishment by the Central Council of the Banque du Liban must complete the establishment procedures (including the payment of the capital stock or assigned capital and registration with the competent authorities) within six months from the date of notification of the license resolution. Failure to comply with this condition will result in the annulment of the license.



### **G- Release of funds blocked in the account of the “leasing company under establishment” at the Banque du Liban**

The capital blocked at the Banque du Liban in the account of the leasing company is released upon a request submitted by the chairman of the board of directors to the Banque du Liban.

The capital can be transferred to a credit current account opened in the name of the leasing company at the Banque du Liban, in case the latter agrees to open a deposit account for leasing companies with it, or to any other account to be opened in its name at any other bank.

## **IV- Capital of the Leasing Company**

### **A- Minimum capital**

The capital or the assigned capital of the leasing company should not fall below two billion Lebanese Pounds. The Central Council of the Banque du Liban can modify the value of capital or assigned capital at any time, allowing operating leasing companies to adjust within a specified time limit.

### **B- Assets against capital**

The Banque du Liban sets the principles of evaluation of asset components, against which capital is formed or assigned. It can require any leasing company to prove that its assets effectively exceed its liabilities at any time, by an amount at least equal to the value of capital or assigned capital.

### **C- Capital reconstitution and reduction**

The leasing company that might have recorded a loss, must, within a maximum period of six months, reconstitute its capital or assigned capital of the branch, block a cash reserve at the Banque du Liban upon the request of the latter, or reduce its capital or assigned branch capital, provided that it does not fall below the required minimum capital.

## **V- Shares of a Lebanese Leasing Company**

### **A- Category**

All shares of the Lebanese leasing company must be nominal.

### **B- Transfer**

Any transfer of shares of a Lebanese leasing company that leads, directly or indirectly, to the acquisition by one person of more than 10% of the total shares of the company is subject to the prior approval of the Banque du Liban.

The transfer of shares by way of inheritance, as well as the transfer between the spouses or between ascendants and descendants is not considered a transfer.

## **VI- Formation of Reserves**

All leasing companies must form cash reserves by setting aside 10% of their net annual profits.

## **VII- Regulations on Leasing Operations**

### **A- Transfer of ownership of leased assets**

Should the lessor, during the lease period, transfer the ownership of the leased assets, his obligations are automatically transferred to the lessor-transferee. The lessor remains the guarantor unless the lessee agrees to exempt him from the said obligations in writing.

### **B- Transfer of obligations of the lessee**

The lessee cannot transfer his obligations without a prior written authorization by the lessor. The initial lessee remains thereafter liable, individually and jointly with the lessee-transferee, assuming all the obligations resulting from the lease contract, unless otherwise specified in the contract.

### **C- Safekeeping leased assets**

The safekeeping of leased assets is conveyed to the lessee upon receipt, by virtue of a proceeding. He is then held accountable to any ensuing responsibility.

### **D- Depreciation of leased assets**

Depreciation risk is borne by the lessee, even if the depreciation is caused by factors beyond his control.

### **E- Responsibility towards leased assets**

The lessee bears the responsibility of leased assets towards third parties. Being the legal proxy of the owner/lessor, the lessee can prosecute third parties to compensate for any harm inflicted on him, provided he notifies the lessor. The latter has the right to intervene in the dispute, unless otherwise stipulated in the contract.

### **F- Coverage of defects in leased assets**

The lessor is not held accountable for any defects in leased assets, whether visible or invisible, nor is he liable for any obligation proper to the supplier of these assets. The lessee has the right to prosecute the supplier directly, regarding the obligations the latter is liable for towards the lessor.

The lessee must inform the lessor in writing upon taking such a measure, and the lessor has the right to intervene in support of the claims of the lessee to enforce the court decision.

### **G- Bankruptcy of the lessee**

The declaration of the lessee's bankruptcy has no implication on the lessor's ownership of the leased asset.

### **H- Re-Leasing/liquidating leased assets**

If the lessor is a financial institution registered at the Banque du Liban, it must re-lease the leased assets, or liquidate them within a maximum period of six months from the maturity date of the contract, in case the lessee did not exercise his purchase option, or from the termination date of the contract, before its end, whatever the reason may be. If the concerned financial institution is unable to abide by this deadline for reasons beyond its control, it should refer to the Banque du Liban.

### **I- Lessor-supplier and supplier-lessee relationships**

Since the lessee replaces the lessor in all obligations and rights ensuing from the purchase contract towards the supplier, the obligations of the lessee towards the lessor, as specified in the lease contract, remain in force regardless of changes in the purchase contract of leased assets. The lessor and the lessee can agree on different provisions in the lease contract .

### **J- Lawsuits**

The competent court shall follow special hearing procedures in leasing lawsuits. Decisions are issued without delay and are immediately executable, with or without guarantee.

### **K- Exemptions**

By virtue of the lease contract and throughout the agreed upon period in the contract, the leased assets benefit from any tax or custom duty exemption granted to the lessee. These taxes and custom duties are only re-applied when the lessor effectively redeems the leased assets, for whatever reason. The lessee also benefits from the exemptions stipulated in Article five (bis) of the Income Tax Law if the required conditions are met.

### **L- Accounting**

From an accounting point of view, a lease contract is considered an ownership contract to the lessee and a financing contract to the lessor, provided that the contract includes one of the following conditions:

- the certainty of transfer of ownership to the lessee at the end of the contract.
- a purchase option allowing the lessee to buy the leased asset at the end of the contract, at a price that does not exceed 10% of the pre-determined value used to calculate the lease payments at the date of conclusion of the contract.
- the term of the lease contract is at least equal to about three quarters of the remaining economic life of the leased asset, according to its estimated value at the date of conclusion of the contract.
- the present value of lease payments due during the contract, as calculated at the date of the contract, equals at least 90% of the market value of the leased asset at that date.

A company that undertakes leasing operations to acquire equipment or machinery for its own business, must record these operations in separate sections of its balance sheet.

## **VIII- Registration of Leasing Operations**

### **A- Recording leasing operations in two special registers**

All leasing operations are recorded and published in two alphabetical registers, regulated by decision of the Minister of Justice.

The first register: is kept at all courts of first order as an annex to the Commercial Register, where all operations are recorded, at the request of the lessor, in the names of the lessees-traders registered in the said Commercial Register. Leasing operations carried out by these lessees are also noted in the Commercial Register.

The second register: is established at the court of first order in Beirut as an annex to the civil institutions' register, where operations in the names of lessees-nontraders are recorded, upon the request of the lessor, wherever their residence or business location.

#### **B- Information to be recorded and published**

The text of the lease contract signed by the lessor and lessee, should be recorded and published in the previous two registers, specifically the following:

- the identity of the parties involved
- the type and value of the leased assets
- the date and term of the contract
- the number and value of lease payments
- the price specified in the contract at which the lessee can exercise the purchase option of the leased assets.

All amendments to the above-mentioned items are recorded and published in both registers.

#### **C- Acknowledgment by third parties of leasing operations' records**

Leasing operations are taken into account by third parties as of the registration date at the special alphabetical register. The registration proves the ownership of the leased assets by the lessor to third parties.

#### **D- Invalidation of leasing operations' registration records**

The registration records at the special alphabetical register are invalidated either by mutual agreement, or by virtue of a judicial decision.

#### **E- Copies of registration records of leasing operations**

Any person is allowed, at his/her expense, to obtain from the officer at the Register, a certified copy of the records of the special alphabetical register. The cost includes the fee stipulated in Article 34 of the Code of Commerce.

#### **F- Special Facilities**

Procedures for registration, amendments, and invalidation in the two registers previously mentioned in section (VIII/A), and procedures for obtaining copies and certificates of their records are exempted from presenting any quietus, whether from the ministry of finance or the national social security fund, or any other party.

### **IX- State Subsidy of Leasing Operations**

Touristic, agricultural, and industrial institutions, including information technology (IT) firms locally producing IT systems and specialized programs and providing related services, as well as craft industries, can benefit from a State subsidy on interest rates charged on leasing operations with leasing companies. This subsidy is granted in the following manner:

- 7% interest rate subsidy on the first five billion Lebanese Pounds of the value of the lease contract or its equivalent in a foreign currency.

- 5% interest rate subsidy on the balance exceeding five billion Lebanese Pounds and up to fifteen billion Lebanese Pounds or their equivalent in a foreign currency.

This subsidy is governed by the regulations issued by the Banque du Liban. To benefit from this subsidy, the capital or assigned capital of the concerned leasing company should not fall below ten billion Lebanese Pounds, or the company must be effectively owned by a bank operating in Lebanon whose capital does not fall below this amount.

## **X. Electronically-Implemented Financial Operations**

### **A- Implementation conditions**

Each leasing company wishing to carry out “financial operations by electronic means” must notify the Banque du Liban of its intention to carry out the activity that is partially or totally authorized by electronic means.

### **B- Guidelines**

Each leasing company carrying out “financial operations by electronic means” must fully apply the principles of honesty, integrity and transparency. They must follow procedures that ensure the highest possible security, in addition to taking measures that restrictively define the various responsibilities.

Moreover, the leasing company should abide by the following rules:

- a) The age of any customer should be eighteen years at least. He must be legally competent for being a contracting party.
- b) Information on a customer account may not be disclosed without prior written authorization.
- c) Electronic signature shall be accepted only when all the following conditions are simultaneously met:
  - i- An explicit agreement should exist between the concerned parties.
  - ii- The signing person should use a personal identification code.
  - iii- The execution of the operation must be confirmed by the leasing company by E-mail within 24 hours, and further by regular mail within a week, unless the customer requests the leasing company to retain his/her mail.
  - iv- A detailed monthly statement of account must be sent by the leasing company to the customer at the address he/she has specified.
- d) Total credit extended by electronic means to a physical or moral person shall not exceed 20% of the leasing company’s own funds.
- e) The registration number of the leasing company at the Banque du Liban must be indicated on its website.

## **XI. Disclosure of Information to the Central Office of Credit Risks**

Each leasing company must submit to the Central Office of Credit Risks at the Banque du Liban, a monthly statement showing credit facilities the value of which is greater or equal to LBP 9,000,000 (nine million Lebanese Pounds) or its equivalent in foreign currencies, and the extent of utilization of each of these facilities during the previous month.

The above mentioned statement should be prepared following the standardized format set by the Banque du Liban. It should be sent on a magnetic disk or in any other secure electronic way.

## **XII- Restrictions on the Founders and Employees of a Leasing Company**

Persons who have committed violations mentioned in Article 127 of the Code of Money and Credit cannot establish, manage or work in a leasing company, specifically:

- If, during the last ten years, he/she has been convicted, in Lebanon or abroad, of any crime, theft, breach of trust, fraud, or offense subject to the same penalties as fraud, extortion of funds, dishonest issue of cheques with insufficient funds, or impairing the State's financial credibility.
- If he/she has been declared bankrupt and his/her case has not been looked into for at least ten years.
- If he/she has been convicted for violating the provisions of the Banking Secrecy Law dated September 3, 1956.

Any person appointed as chairman of the board of directors, general manager, assistant general manager, manager, or assistant manager is prohibited from undertaking private commercial activities and from being a partner in any partnership of an unlimited liability nature.

## **XIII- Combating Money Laundering**

Leasing companies must:

- keep special records for operations that exceed the amount of USD 10,000
- ascertain, through official documents, the identity and address of each client, and keep, for a period of no less than five years, photocopies of these documents, as well as photocopies of the operation-related documents
- immediately report to the Special Investigation Commission the details of operations they suspect to be concealing money laundering.

In discharging their duties, the auditors of the Banking Control Commission must, through their Chairman, report to Special Investigation Commission any operation they suspect to be concealing money-laundering.

## **XIV- Examination of Annual Accounts by the General Assembly**

The annual general assembly of a leasing company should be convened during the first half of the calendar year, to examine the accounts of the previous financial year.

## **XV- Statements and Periodical Reports to be Submitted to the Banque du Liban**

### **A- Financial statements**

Each leasing company must submit to the Department of Statistics and Economic Research at the Banque du Liban a copy on diskette of their financial statements (Assets, Liabilities, Off Balance Sheet), prepared according to Form 2010 and its annex Form 2020 as designed by the Banque du Liban. Those shall include:

- A monthly statement, to be submitted within ten days from the closing date.
- An annual statement, to be submitted within six months from the end of the fiscal year.

### **B- Yearly reports**

#### ***1- Concerning Lebanese leasing companies***

Lebanese leasing companies must submit to the Legal Department at the Banque du Liban, as soon as possible after the meeting of the annual general assembly but before 30 September of each year, three copies of the following documents, one of which is an original duly signed and certified copy:

- i- The annual report of the board of directors submitted to the ordinary annual general assembly of shareholders.
- ii- The annual report of auditors submitted to this assembly, and prepared in accordance with Article 175 of the Code of Commerce.
- iii- The special report of the board of directors submitted to the general assembly in accordance with Article 158 of the Code of Commerce. Among other things, this report should include:
  - a presentation of the procedure for implementing the previously signed agreements with members of the board of directors
  - an extensive presentation of the agreements seeking approval;
- iv- The special report of auditors, mentioned in Article 158 of the Code of Commerce;
- v- The minutes of the ordinary general assembly annual meeting and its attendance sheet, duly certified by the Secretariat of the Commercial Register in case members of the board of directors have been elected in the said assembly;
- vi- When necessary, minutes of the session of the board of directors if it included the election of the chairman of the board, or the recruitment or appointment of a general manager to assist the chairman, certified by the Secretariat of the Commercial Register;

- vii- A list signed by the chairman of the board of directors including the names of the chairman and members of the board of directors for the current year, the names of major shareholders, the names of the general director, directors, and assistant directors. The list includes the following information:
  - first name, family name, and nationality of each
  - companies of all types in which any of them participates in or heads, and a statement showing the type of these companies and their relationship with them (chairman of the board of directors, member of the board of directors, director, major shareholder, partner, delegated partner etc...);
- viii- Police records issued within the last three months for all members of the board of directors, directors, and auditors.

#### 2- Concerning branches of foreign leasing companies

Foreign leasing companies must submit to the Legal Department at the Banque du Liban before the end of September of each year, the following documents:

- i- two copies of the annual publication issued by the company's headquarters, including the report of the board of directors, the budget, the decisions of the general assembly, and other information;
- ii- two copies of its resolution to appoint an auditor to its branch in Lebanon;
- iii- a copy of the police record of each of the representatives, directors, and auditors, issued within the last three month.

#### **C- Statistical reports**

Each leasing company must submit to the Department of Statistics and Economic Research at the Banque du Liban the following statistical reports, prepared according to the forms designed by the Banque du Liban and within the stated deadlines:

A quarterly report on:

- the number of branches and their addresses
- a summary of the credits granted by the head office and the branches
- the distribution of credits by economic sector
- the classification of payments and receipts to the Lebanese economy (inward and outward transactions) whose value is greater or equal to the equivalent of USD 10,000, according to economic sector (tourism, trade, investment, transportation, etc...) and based on the concept of residency as set forth for the balance of payments statistics.
- Investments of the leasing company in securities issued by non residents.

A semiannual report on:

- the administrative structure
- the staff organizational structure

An annual report on:

- the profits and losses of the head office and branches



- the maturity schedule of leasing operations for the following twenty years
- the distribution of leasing operations by economic sector

## **XVI- Establishment of Branches**

The opening and transfer of any branch of the leasing company, is subject to the prior approval of the Central Council of the Banque du Liban.

The Central Council grants its approval if the following conditions are met:

- a) availability of a feasibility study for the opening or transfer of the branch
- b) the ability of the leasing company to bear the burden of opening or transferring a branch;
- c) the compliance of the leasing company with the provisions of existing laws and regulations, and with the instructions and recommendations of the Banque du Liban and the Banking Control Commission;
- d) the soundness of the financial and administrative situations of the concerned institution.

Leasing companies are prohibited from using the expression 'Branch under establishment' or any other similar expression in its papers, advertisements, statements, or any of its documents before the issuing of the license by the Central Council of the Banque du Liban.

Any license for opening a branch in Lebanon or abroad, is valid for one year from the date of issuing. Accordingly, the leasing company must open the branch and start its operations with the public within this time limit, otherwise the license will become null and void.

The Central Council, upon the proposal of the Banking Control Commission, can repeal the license, if opening the branch proves to be a burden on the company's general situation.

## **XVII- Supervision of Leasing Operations**

### **A- Supervision by auditors**

All leasing companies operating in Lebanon must appoint external auditors for their operations according to provisions applicable to banks.

### **B- Supervision by the Banking Control Commission**

All operations carried out by leasing companies are subject to the supervision of the Banking Control Commission, according to the rules and norms applied to banks.

## **XVIII- Penalties**

### **A- Fines**

The Governor of the Banque du Liban can impose delay penalties of up to ten times the minimum monthly wage, for every day of delay, on every leasing institution that:

- does not bind to its obligation of submitting information, documents, and accounting and statistical statements requested by the Banque du Liban within the specified time limit; or
- obstructs the supervision of the Banking control commission.

This does not preclude the application of judicial or administrative penalties that can be imposed on the violating leasing institution.

The Banque du Liban earns interest for delays in settling the said delay penalties, by an amount equivalent to the interest rate on one-year Treasury Bills

### **B- Administrative penalties**

The Higher Banking Commission<sup>2</sup> established at the Banque du Liban may impose any of the following administrative penalties, on the leasing institution that:

- violates the provisions of its bylaws, the provisions of the Code of Commerce, the provisions of the law that regulates leasing operations, the legislation in force, or the measures, recommendations or instructions imposed by the Banque du Liban; or
- submits incomplete or false statements or information

These administrative penalties are:

- a) Warning.
- b) Prohibition of undertaking certain operations or the imposition of restrictions on some.
- c) Appointment of a comptroller at the expense of the institution.
- d) Removal from the List of Leasing Companies.

The penalties imposed by the Higher Banking Commission are irrevocable by normal or extraordinary , administrative or judicial processes.

## **XIX- Cessation of Activities**

Leasing companies operating in Lebanon must inform the Banque du Liban, when they intend to cease their activities.

The Central Council of the Banque du Liban has the prerogative to bind these companies to all obligations that precede their cessation of activity in Lebanon.

## **XX- Removal from the List of Leasing Companies**

The leasing institution is removed from the List of Leasing Companies issued by the Banque du Liban in any of the following cases:

- a) if it does not effectively begin its operations within six months from its date of registration on the List;

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<sup>2</sup> The Higher banking Commission comprises: The Governor acting as chairman, one of the four Vice-Governors, the Director General of the Ministry of Finance, a judge appointed by decree after the approval of the Higher Judicial Council, a member of the Banking Control Commission, and the chairman of the National Deposit Insurance Company.

- b) if it ceases to operate for six consecutive months;
- c) if it incurs losses and does not adjust its financial situation according to the three options presented in section IV/C above;
- d) if it does not reconstitute its capital to the minimum requirement set by the Central Council of the Banque du Liban within the specified time limit;
- e) if it is under liquidation;
- f) if it is declared bankrupt.

The Governor of the Banque du Liban decides the removal in cases (e) and (f), while the Higher Banking Commission established at the Banque du Liban does so in the other cases.

The removal from the List automatically prohibits the concerned institution from undertaking leasing operations and leads to its dissolution and liquidation according to existing regulations.

The leasing institution under liquidation is allowed to continue using the denomination “leasing company”, provided it clearly mentions after its name that it is “under liquidation”.

## Annex 1: List of Related Laws, Decrees, Decisions and Circulars

Laws / Legislative Decrees		
Number of Law/ Decree	Date	Subject
Legislative Decree no. 304	24/12/1942	Code of Commerce
Legislative Decree no. 13513	1/8/1963	Code of Money and Credit
Law no. 160	27/12/1999	Regulation of leasing operations
Law no. 318	20/4/2001	Combating Money Laundering

Ministerial Decisions		
Number of Decision	Date	Subject
21/1 issued by the Minister of justice	20/3/2001	Regulation of the special alphabetical register (created by virtue of Article 6 of law no. 160 dated 27/12/1999), which supplements the commercial register.

Banque du Liban Circulars/Decisions			
Banks = (B), Financial Institutions = (FI), Brokerage Firms = (BF), Leasing Companies = (LC), Money Dealers = (MD)			
Number of circular	Number of Decision	Date	Subject
Basic to (LC) No. 1	7540	4/3/2000	Conditions for establishment and activities of leasing companies and the commitment to combating money laundering.
<i>Intermediate to B, FI BF LC</i> <i>No. 5</i>	7996	4/12/2001	<i>Amended the section in Basic no 1 concerning the form of monthly balance sheet to be submitted to the BDL</i>
Basic to (B), (FI), and institutions carrying out electronic banking and financial operations No. 69	7548	30/3/2000	Electronic banking and financial operations
<i>Intermediate to institutions carrying out electronic banking and financial operations</i> <i>No.28</i>	8336	11/1/2003	<i>Electronic banking and financial operations</i>
<i>Intermediate to (B), (FI) and institutions carrying out electronic banking and financial operations</i> <i>No.54</i>	8710	29/4/2004	
Basic to (B), (FI), No. 75	7705	26/10/2000	The Bylaws of the Central Office of Credit Risks
<i>Intermediate to (B),(FI)(LC)</i> <i>No.42</i>	8572	21/11/2003	<i>The Bylaws of the Central Office of Credit Risks</i>
<i>Intermediate to (B),(FI)(LC)</i> <i>No.59</i>	8782	13/7/2004	
Basic to (B) No. 76	7723	2/12/2000	Monthly balance sheets submitted to the

<i>Intermediate to (B),(FI)(BF)(LC) No.5</i>	7996	4/12/2001	BDL
<i>Intermediate to (B),(FI)(BF)(LC) No. 9</i>	8021	10/1/2002	(Addition of some entries to the monthly balance sheet.) (Addition of some entries to the monthly balance sheet)
<i>Intermediate to (B),(FI)(BF)(LC) No.65</i>	8813	9/8/2004	
Basic to (B), (FI), and (LC) No.80	7743	2/1/2001	State subsidy of interest rates on loans extended to industry, tourist and agriculture sectors
<i>Intermediate to (B),(FI)(LC) No.57</i>	8780	13/7/2004	
Basic to (B), (FI), (BF), and (LC) No.85	7858	30/6/2001	Statistical reports to be submitted to the BDL
<i>Intermediate to (B),(FI)(BF)(LC) No.5</i>	7996	4/12/2001	Amendment of the format of the statistical reports
<i>Intermediate to (B),(FI)(BF)(LC) No.19</i>	8120	29/4/2002	Amendment of the format of the statistical reports
<i>Intermediate to (B),(FI)(BF)(LC) No.23</i>	8198	2/8/2002	Requesting banks to prepare an additional statistical report
<i>Intermediate to (B),(FI)(BF)(LC) No.68</i>	8854	29/9/2004	
Basic to (LC) and (FI) No. 2	7987	16/11/2001	Related to two reports to be submitted to the BDL.: 1-Maturity report and 2- classification of leasing operations by economic sectors
Basic to (B), (FI), (BF), (MD) and (LC) No.88	7990	26/11/2001	Deposit & withdrawal of amounts of money at the BDL cashiers
Basic to (B), (FI), (BF), and (LC) No.90	8047	4/2/2002	Submitting the BDL a quarterly report on international transactions
<i>Intermediate to (B),(FI)(BF)(LC)No.17</i>	8070	9/3/2002	Change of the date on which to start sending the report to the BDL
<i>Intermediate to (B),(FI)(BF)(LC)No.18</i>	8114	24/4/2002	Change of the date on which to start sending the report to the BDL
Basic to (B), (FI), (BF), and (LC) No.91	8052	13/2/2002	Submit to the BDL a quarterly report on the investments of Residents in securities Issued by Non-Residents

## **Annex 2: Leasing Companies and Financial Institutions Carrying Out Leasing Operations**

### **1- List of Leasing Companies Registered at the Banque Du Liban**

<b>Number on BDL List</b>	<b>Name of Leasing Company</b>	<b>Establishment Date</b>	<b>Registration Date</b>
1	Credilease S.A.L	1995	2000
2	Lebanese Leasing Company. S.A.L. "Leasing"	1995	2000
3	Arab Leasing S.A.L	2001	2001

### **2- Financial Institutions Carrying out Leasing Operations**

Sogelease Liban S.A.L, registered on BDL list of Financial institutions under No 6, carries out leasing operations since 1996.