



Middle East and North Africa
Financial Action Task Force

Mutual Evaluation Report 9th Follow-Up Report for the Lebanese Republic

Anti-Money Laundering and Combating the Financing of Terrorism

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Lebanese Republic

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This report provides an overview of the measures that Lebanon has taken to address the major deficiencies relating to Recommendations rated NC or PC since its last mutual evaluation. The progress shown indicates that sufficient action has been taken to address those major deficiencies, and in particular those related to R1, R5, R13, SRI, SRII, SRIII, SRIV, and SRV. It should be noted that the original rating does not take into account the subsequent progress made by Lebanon.

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9th Follow-Up Report for the Lebanese Republic Request to Move From Follow-Up Process to Biennial Update

A. Introduction:

1. The 10th Plenary Meeting adopted the mutual evaluation report (MER) for the Lebanese Republic (Lebanon) on 10 November 2009. As a result, Lebanon was placed under the regular follow-up process according to the mutual evaluation process procedures, and Lebanon submitted a number of follow-up reports as follows: The 1st follow-up report in November 2011, the 2nd follow-up report in April 2013, the 3rd follow-up report in June 2014, the 4th follow-up report in November 2014, the 5th follow-up report in April 2015, the 6th follow-up report in November 2015, the 7th follow-up report in April 2016 and the 8th follow-up report in November 2016. Lebanon has expressed its hope that the 25th Plenary Meeting examines its request to move from regular follow-up to biennial update.

2. This paper is based on the procedure for removal from the regular follow-up, as agreed by the 12th Plenary Meeting (November 2010) and the amendments on the procedures adopted in the e-Plenary Meeting (August - September 2013). The paper contains a detailed description and analysis of the measures taken by Lebanon with respect to the core 1 and key 2 recommendations rated Non-Compliant (NC) and Partially Compliant (PC) in the above-mentioned MER. It also contains a description and analysis of the other recommendations rated PC or NC. Annex 1 provides a list of the major laws and documents related to the AML/CFT system in the Lebanese Republic.

3. The procedures require that the Plenary Meeting considers the removal of the country from the regular follow-up if it has, in the opinion of the Plenary Meeting, an effective AML/CFT system in force, under which the country has implemented the core and key recommendations at the level essentially equivalent to a C (Compliant) or LC (Largely Compliant) taking into consideration that there would be no re-rating.

4. Lebanon was rated PC and NC on a total of 26 recommendations:

Core Recommendations rated PC or NC
R1, R5, R13, SRII, SRIV
Key Recommendations rated PC or NC
SRI, SRIII, SRV
Other recommendations rated PC
R9, R15, R17, R18, R22, R30, R32, R33, SRVI
Other recommendations rated NC
R6, R7, R8, R12, R16, R21, R24, SRVIII, SRIX

¹ The Core Recommendations according to FATF classification are R1, R5, R10, R13, SRII and SRIV.

² The Key Recommendations according to FATF classification are R3, R4, R23, R26, R35, R36, R40, SRI, SRIII and SRV.

5. As prescribed by the procedures of exiting the regular follow-up, Lebanon provided the MENAFATF Secretariat (the Secretariat) with a full report on its progress since the MER was adopted. Accordingly, the Secretariat drafted a detailed analysis of the progress made by Lebanon for the core and key recommendations rated NC or PC. The Secretariat provided its report to the Lebanese Authorities accompanied with a number of inquiries and requests. Lebanon has provided the Secretariat with all the documents and information requested during this process, and some comments provided by the Lebanese Republic were taken into consideration.

6. As a general note on all requests for removal from regular follow-up: This procedure is of a paper based desk nature, and is less detailed and thorough than a mutual evaluation report. The analysis focuses on the recommendations that were rated NC or PC, which means that only a part of the AML/CFT system is reviewed. Such analysis essentially consists of looking into the main laws, regulations and other material to verify the technical compliance of domestic legislation with the FATF standards. In assessing whether sufficient progress had been made, effectiveness is taken into account to the extent possible in a paper based desk review and primarily through a consideration of data provided by the country. Any conclusions in this report do not prejudice the results of the future assessments, as they are based on information which was not verified through an on-site process and was not as comprehensive as would exist during a mutual evaluation.

B. Main Conclusion and Recommendations to the Plenary Meeting

Core Recommendations

7. **R1:** Lebanon addressed the deficiencies relating to this Recommendation by passing the AML/CFT law No. 44 issued on 24/11/2015 (amending law no 318 of April 20, 2001 on fighting money laundering), where the list of predicate offenses was expanded to include the twenty offenses set out in the Methodology, defining illicit funds as tangible or intangible and movable or immovable assets, including legal documents or instruments evidencing title to, or interest in , such assets, resulting from the commission of, or the punishable attempted commission of, or the participation in any of the predicate offenses, whether those crimes occurred in Lebanon or not.

8. **R5:** Lebanon addressed the deficiencies relating to this Recommendation by amending the AML/CFT law, where all the financial institutions were subjected to control measures in the AML/CFT field and were required not to open anonymous, numbered or shell accounts, to identify and assess the risks, to update the information of their customers annually and ensure that it is continuously updated, to identify the object and nature of the customer's business, to determine the identity of permanent customers, whether natural or legal persons or a special legal entity, to implement Customer Due Diligence measures on transient customers if the amount of a single operation or series of operations exceeds the threshold set by BDL, to determine the identity of the economic right owner based on reliable documents or information or data, to retain copies of related documents of all operations for at least five years after performing the operations or terminating the relationship, to conduct ongoing monitoring of the business relationship and to take into account the indicators on the

likelihood of a money laundering or terrorist financing operations, as well as the due diligence principles to detect suspicious operations. In addition, the amended law required banks, financial institutions, finance leasing companies, institutions that issue credit or charge cards, institutions that perform money transfers electronically, exchange institutions, financial intermediation institutions, collective investments schemes, and any other institution requiring a license or supervised by Banque du Liban, to comply with the CDD obligations as imposed by the law.

9. In addition to the foregoing, The amended Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing subjected all the banks and financial institutions to the AML/CFT control measures and required them to apply CDD measures when establishing a relation with the customers and to prohibit dealing with **customers with shell or fictitious names or anonymous customers**. The said Regulations also required the banks and the FIs to verify the identity of their permanent and occasional customers, whether resident or non-resident, to determine the purpose of the transaction or of the account opening, the source of funds and the economic right owner. According to the regulations, when due diligence measures towards customers and actual beneficiaries cannot be fully applied, no account must be opened or relation started or operation performed and notification of the Special Investigation Commission must be considered.

10. **R13 and SRIV:** Lebanon addressed the deficiencies related to suspicious transactions reporting according to the AML/CFT Law which obliged the banks, financial institutions, finance leasing companies, institutions that issue credit or charge cards, institutions that perform money transfers electronically, exchange institutions, financial intermediation institutions, collective investments schemes, and any other institution requiring a license or supervised by Banque du Liban, as well as the DNFBPs to immediately report to the Chairman of the Special Investigation Commission the details of any operations that come to their knowledge in the course of their business which are suspected to be related to money laundering and terrorist financing. The Regulations on the Control of Financial and Banking Operations also require the banks and FIs to immediately notify the Governor of Banque du Liban in his capacity as Chairman of the Special Investigation Commission, when they hold evidence or doubts that the performed or attempted banking operation involves money laundering or terrorist financing or terrorist acts or terrorist organizations.

11. **SRII:** Lebanon addressed the deficiencies relating to this Recommendation, by issuing Law No. 77 which was published in the official Gazette on 3 November 2016 amending article 316 bis of the Lebanese Penal code which stipulates that: “the crime of financing terrorism applies to whoever willingly undertakes or attempts to undertake or directs or participates, intentionally and by any means, directly or indirectly, in financing totally or partially, or contributes to the financing of terrorism or terrorist acts, or the financing of an individual terrorist or terrorist organizations or any other related acts, including legitimate or illegitimate sources in Lebanon or abroad whether the funds were used or not used, and whether the terrorist act took place or not in Lebanon or abroad. The TF crime also includes travel, attempt to travel, recruitment, planning, preparation, organizing, facilitation, participation,

providing or receiving training, and any other related act with the intention of committing terrorist acts, without being linked to a specific terrorist act.

12. As a general result, it can be said that the level of compliance of Lebanon with these recommendations can be rated as equivalent to LC.

Key Recommendations

13. **SRI:** Lebanon addressed the deficiencies relating to this Recommendation, by issuing Law No. 53 which was published in the official Gazette on 26/11/2015 on joining and ratifying the International Convention for the Suppression of Terrorism Financing, taking the necessary procedures to execute the obligations set out in the Convention and the subsequent resolutions by the National Committee on Suppressing Terrorism Financing that adopted mechanisms for implementing UN Security Council resolutions No. 1267(1999) and No. 1373 (2001).

14. **SRIII:** Lebanon addressed the deficiencies relating to freezing and confiscation of terrorist assets, where the National Committee on Suppressing Terrorism Financing adopted mechanisms for implementing UN Security Council resolutions regarding the freezing of terrorist funds or other terrorist assets of the persons designated as related to Al-Qaeda by the UN Commission of Sanctions established by virtue of the Security Council Resolution No. 1267 (1999) and the other related resolutions, or those designated under the Security Council Resolution No. 1373 (2001) and the other related resolutions. As well as placing publicly-known procedures for considering de-listing requests and un-freezing the funds or other assets of de-listed persons or entities. Licensing, through the Commissions of Sanctions, the total or partial use of funds that were frozen by virtue of SC Resolution 1267 and subsequent resolutions and licensing through the Special Investigation Commission, to approve that the use of such frozen funds by virtue of SC Resolution 1373 is necessary to cover main or basic expenses or to pay reasonable professional fees or expenses against the provision of legal services or to settle fees, loan dues or service fees in favor of a bank or an FI against the management of the frozen funds.

15. **SRV:** The deficiencies related to international cooperation in the AML/CFT field were addressed, when the Ministry of Justice issued the legal measures adopted in relation to international assistance requests which comprise provisions on dealing with the mutual legal assistance requests and the implementation of the foreign judicial decisions. With regard to implementation, authorities provided judicial assistance in many cases, as a commitment of the country to the principles of international common law on international cooperation, according to the principle of reciprocity and international courtesy.

16. As a general result, it can be said that the level of compliance of Lebanon with these recommendations can be rated as equivalent to LC.

Other Recommendations

17. Lebanon addressed the deficiencies relating to other recommendations, and it is worth mentioning that the decision of moving Lebanon from the follow-up process is

based on the core and key recommendations. And this report does not provide a detailed analysis regarding the other recommendations.

Conclusion:

18. The follow-up procedures indicate that a country must have taken sufficient action to be considered for removal from the follow-up process, hence, a country must have an effective AML/CFT system in force, under which it has implemented the core and key recommendations at a level essentially equivalent to a C (Compliant) or LC (Largely Compliant) taking into consideration that there would be no re-rating. Plenary does, however, retain some flexibility with regard to the key recommendations if substantial progress has also been made on the overall set of recommendations that have been rated PC or NC.

19. With regard to core recommendations, it can be said that the level of compliance of Lebanon on these recommendations can be rated at a level equivalent to LC.

20. With regard to key recommendations, it can be said that the level of compliance of Lebanon on most of these recommendations can be rated at a level equivalent to LC.

21. With regard to other recommendations where Lebanon was rated NC or PC, it can be said that the level of compliance of Lebanon on these recommendations in general is equivalent to a level of LC.

22. With regard to effectiveness, the Lebanese authorities stated that one ruling was rendered on a crime related to terrorism financing in 2014, 6 rulings in 2015 and 16 rulings in 2016 and the Permanent Military Court is still considering 15 TF cases pending the rendering of a ruling in their regard. A ruling in a case of embezzlement of public funds was rendered in 2017, convicting accused persons of the felony stipulated in article 3 of the amended Law No. 318 on Fighting Money Laundering and of the misdemeanors stipulated in some articles of the Lebanese Penal Code. The statistics submitted by the Lebanese authorities show that the Public Prosecution of Cassation decided to initiate a judicial prosecution in a number of ML cases; consequently, 11 cases were prosecuted in 2014, 15 in 2015 and 15 in 2016. Lebanon has also submitted statistics on suspicious transaction reports received by the Special Investigation Commission from various sectors (banks, insurance companies, financial intermediation companies, money transfer companies, exchange companies, financial institutions), for the period extending from 2014 until 30/11/2016, where the total number reached 789 reports.

23. Regarding the effectiveness of the supervisory authorities monitoring the FIs and DNFBPs, it can be said that Lebanon has taken steps to enhance and activate the level of supervision over the FIs, in terms of the number of inspection visits to banks, FIs, insurance companies, exchange companies, money transfer companies and money intermediation companies, in the AML/CFT field. The supervisory authorities have imposed a number of penalties on many FIs for their non-compliance with the AML/CFT regulations.

24. As a result, since the level of compliance of Lebanon on the core recommendations is rated at a level equal to LC at a minimum and the level of compliance on key recommendations is rated at a level equal to LC at a minimum, the Plenary Meeting may consider approving Lebanon's request to move from regular follow-up to biennial update.

C. Overview of the Lebanese Republic

Overview of the Main Development since the Adoption of MER

25. Since the adoption of MER, Lebanon has made efforts to implement the action plan developed to fulfill the requirements of compliance with the AML/CFT international standards. In this context, the Lebanese Parliament passed the AML/CFT Law No. 44 in November 2015, addressing thereby a large number of remaining deficiencies, in addition to the promulgation of Law No. 42 (Declaration of Cross-border Transportation of Funds) published in the official Gazette in November 2015, Law No. 53 promulgated in November 2015 which authorizes the Lebanese Government to accede to the International Convention for the Suppression of Terrorism Financing signed on 9 December 1999. Further, the Attorney General at the Court of Cassation issued Circular no. 115 in December 2015 requesting all Judges of Public Prosecution to be strict in pursuing the perpetrators of the acts set out in the Circular on criminalizing TF. Also, the mechanism of implementing SC/RES/1267/1999 and the subsequent resolutions, as well as the mechanism of implementing SC/RES/1373/2001 and the subsequent resolutions became applicable in Lebanon as of the date they were approved by the National Committee on Suppressing Terrorism Financing on 10 December 2015, in addition to Law No. 77 dated 27/10/2016 amending article 316 bis of the Lebanese Penal code which criminalizes TF.

Legal and Regulatory Framework

26. The legal framework of the AML/CFT system in Lebanon is based on the AML/CFT Law No. 44 dated 24/11/2015 which was approved by the Lebanese Parliament at its legislative session held on 13/11/2015. The promulgated law is regarded as the summary of efforts exerted by Lebanon over the period which followed the adoption of the MER in 2009, through the review and the assessment of the AML/CFT regulations represented by the review and the amendment of the AML law No. 318 dated 20/04/2001, the drafting of the new law according to the requirements of the international standards on combating money laundering, terrorist financing and proliferation that the FATF issued in February 2012, and the methodology of assessing the technical compliance with FATF recommendations and the efficiency of the AML/CFT regulations issued in February 2013. The AML/CFT law No. (44) of 2015 included the list of predicate offenses related to the ML crime, comprising twenty-one predicate offenses (such as extortion, human trafficking and migrant smuggling, sexual exploitation, corruption and bribery, smuggling and piracy, insider trading and market manipulation), criminalizing the attempt of committing an ML offense, calling for more severe sanctions for the cases of ML conviction; as well, adding new aspects of criminalization associated to TF with respect to financing travel, organizing, training, recruitment and criminalization of terrorist individuals or organizations, in addition to provisions on granting the SIC powers to receive reports

and conducting investigations on transactions suspected of being involved in terrorism financing crimes, and to request from individuals and public and private competent authorities to take the required measures to prohibit disposing of the movable or immovable funds belonging to names listed or to be listed on the national lists issued by the Lebanese competent authorities or any other lists circulated on terrorism and terrorism financing and associated activities and requesting the individuals and official competent authorities and the private sector to answer without delay to such request, in addition to include some designated non-financial businesses and professions within the sectors addressed by the provisions of the law related to due diligence and to expand the scope of the obligation to report suspicious transactions and transactions suspected to be associated with TF by the reporting authorities.

27. The Parliament has approved in its legislative session held on 13/11/2015 Law No. (42) (Declaring the cross border transportation of money) which comprises special provisions on the application of both systems of declaration and disclosure of cross-border negotiable funds, where all the persons are obliged to declare the (in or out of the border) funds transported across the borders to the customs authorities. In cases exempted from the obligation of declaration, it may be sufficient to declare the funds which are transported abroad and the threshold designated for declaration or disclosure is 15,000 US Dollars. The law included powers to request additional information on transported funds in case of false declaration or disclosure and sanctions on false declaration or disclosure and when failing to make a declaration/disclosure.

28. In addition to the foregoing, Lebanon issued the Expedited Law No.53 (which was published in the official Gazette on 26/11/2015) which authorizes the Lebanese Government to accede to the International Convention for the Suppression of Terrorism Financing signed in New York on 9/12/1999.

29. The Prime Minister issued letter No. 1861/S dated 11 December 2015 to the effect that the mechanism of implementing SC resolution 1267/1999 and the subsequent resolutions; the mechanism on implementing SC resolution 1373/2001 and the subsequent resolutions became applicable in Lebanon as of the date they were approved by the National Committee on Suppressing Terrorism Financing on 10 December 2015.

30. BDL issued Basic Circular No. 136 dated 22 December 2015 addressed to banks and financial institutions and the institutions subject to the license or supervision of BDL enclosed thereto Basic Decision No. 12147 dated 22 December 2015 on implementing SC/RES 1267 (1999), 1988 (2011), 1989 (2011) and its subsequent resolutions.

31. On the other part, the SIC issued Circular No. 19 dated 22 December 2015 addressed to the institutions and entities listed under article 5 of law No. 44 dated 24 November 2015 and to the companies dealing with financial brokerage and to collective investment schemes on implementing Security Council Resolutions No. 1267 (1999) and No. 1988 (2011) and No. 1989 (2011) and the subsequent resolutions.

32. In addition, BDL issued Intermediate Circular No. (393) dated 30/6/2015 including Intermediate Decision No. 12018 on amending Basic Decision No. 7548 dated 20 March 2000 on the financial and banking transactions with electronic means and which includes provisions on requiring the institutions which perform electronic cash transfers to verify the identity of the customers and their addresses based on official documents, to keep specific records for operations exceeding USD (10,000) or its equivalent and to retain copies of the official documents and papers related to the operations which exceed such amount or its equivalent for a period not less than five years and to set up a new and efficient internal control system for combating money laundering and terrorism financing, which comprises the following, as a minimum: a) To establish a sufficient and effective AML/CFT procedures guide that includes due diligence measures required towards customers having frequent operations that exceed a specific amount, b) To appoint a Compliance Officer who should regularly attend AML/CFT training sessions, c) To adopt a software programs to monitor operations, d) The Compliance Officer should prepare periodic reports on operations control by adopting a Risk Based Approach and on the degree of compliance with the required procedures; provided that such reports include the degree of compliance of sub dealers with the applicable procedures and regulations, e) To establish and continuously update a computerized central archive for information collected about money laundering and terrorism financing operations that includes, at least, the names circulated by the Special Investigation Commission (SIC), and those reported to the SIC by the concerned institution.

33. In addition, BDL issued Intermediate Decision No.11850 dated 11/09/2014 on the amendment of some articles of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing issued in 2001, so as to replace the paragraph on appointing an officer in charge of controlling the operations in each of the bank's branches, different than the Branch Manager, and the Decision determines the conditions required to occupy this position and the responsibilities of the Officer in charge of controlling the operations of the branches and to require the authorities subjected to the Regulations to establish divisions under "the Compliance Unit" to verify the application of the operations control criteria at the headquarters and branches in Beirut and other branches in Lebanon which they supervise to verify their compliance with the AML/CFT rules. On the other hand, SIC issued Circular No. 17 dated 16/09/2014 addressed to banks and FIs and all institutions under the obligation of reporting ML/TF operations which requires banks and FIs to fill in the (E-STR) and send it to the "SIC" enclosing therewith all the required documents.

D. Review of the Measures Taken in Relation to Core Recommendations

R1: Rating: (PC)

Deficiency 1: Absence of a definition for the assets:

34. Lebanon has addressed the deficiencies relating to this issue through article 1 of the AML/CFT Law No. (44) issued on 24/11/2015 which defined illicit funds as follows: The tangible and intangible and movable or immovable assets, including legal documents or instruments evidencing title to, or interest in, such assets, resulting from the commission of, or the punishable attempted commission of, or the

participation in any of the predicate offenses, whether those crimes occurred in Lebanon or not.

Deficiency 2: Inability of the authorities to practically prove that it is not necessary that a person be convicted of a predicate offence to prove that the funds are illicit:

35. Lebanon has addressed the deficiencies relating to this issue through article 2 of the AML/CFT Law No. 44 issued on 24/11/2015 which stipulates that Money laundering is a separate offense that does not necessitate the offender to be charged with the underlying predicate offense and charging the offender with an underlying predicate offense shall not preclude the pursuing of any legal proceedings against him for a money laundering offense, in case of variation in the elements of the offenses. In application of this concept, the majority of the criminal prosecutions related to ML crimes were filed by the competent public prosecutions, notwithstanding the absence of a judgment of conviction in the predicate offense.

Deficiency 3: The predicate crimes do not include all the 20 crimes according to the methodology:

36. Lebanon has expanded the scope of predicate offenses related to ML crime by amending the previous AML/CFT list where article 1 of Law No. 44 stipulates that illicit funds are defined as the tangible and intangible and movable or immovable assets, including legal documents or instruments evidencing title to, or interest in, such assets, resulting from the commission of, or the punishable attempted commission of, or the participation in any of the predicate offenses, whether those crimes occurred in Lebanon or not; whereas the amended law determined the list of predicate offenses related to ML crime, and hereinafter a table that shows the expansion of the scope of predicate offenses in the Lebanese Law, so as to comprise all the twenty categories of offenses according to the assessment methodology, which must be criminalized:

Table No. (1): List of predicate offenses related to money laundering and the articles criminalizing them in the Lebanese laws

No	Category	Legislative Tool	Legal articles criminalizing the act/acts
1	Cultivation, manufacturing, or illicit trafficking of narcotic drugs and psychotropic substances	Law No. 673 dated 16/03/1998	Articles 125-150
2	Participation in illegal associations with the intention of committing misdemeanors and felonies	The Lebanese Penal Code	Articles 335 and 336, and articles 554 to 559
3	Terrorism including	The Lebanese	Article (316) of the Penal

	terrorism financing	Penal Code And the Terrorism Act dated 11/01/1958	Law Articles 1-8 of the Terrorism Act
4	Illicit arms trafficking	Legislative decree No. 137 dated 12/06/1959	Chapter 6, article 72 ff
5	Kidnapping, using weapons or any other means	The Lebanese Penal Code	Articles 569 and 570
6	Insider trading, breach of confidentiality, hindering of auctions, and illegal speculation	Law No. 160 dated 17/08/2011 and the Lebanese Penal Code	Article 6 of Law No. 160 dated 17/08/2011 Articles 579, 580, 581, 684, 685 and 686 of the Lebanese Penal Code
7	Incitation to debauchery and offense against ethics and public decency	The Lebanese Penal Code	Articles 523-534
8	Corruption and bribery	the Lebanese Penal Code, the Law on Illicit Enrichment No. 154 dated 27/11/1999	Articles 351-366, articles 371-378 of the Lebanese Penal Code Article 6 of the Law on Illicit Enrichment
9	Theft, breach of trust, and embezzlement	The Lebanese Penal Code	Articles 635-641 and articles 670-676
10	Fraud and fraudulent bankruptcy crimes	The Lebanese Penal Code	Articles 655-660 and articles 689-698
11	Counterfeiting of documents and currency	The Lebanese Penal Code	Articles 437-472
12	Smuggling	Customs Law (Decree No. 4461 dated 15/12/2000)	Articles 421-432
13	The counterfeiting of goods and fraudulent trading in counterfeit goods	the Lebanese Penal Code, Consumer Protection Law No. 659 dated 04/02/2005	Articles 682-683 and articles 701-706 of the Lebanese Penal Code Articles 105-117 of the Consumer Protection Law
14	Air and maritime piracy	The Lebanese Penal Code	Articles 641-643

15	Trafficking in human beings and smuggling of migrants	Laws No. 681 and 682 dated 24/08/2005 The Lebanese Penal Code	Articles 668-669 of the Lebanese Penal Code Laws No. 681 and 682 which authorize the Lebanese government to join the Protocol against the Smuggling of Migrants by Land, Sea and Air and the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime.
16	Sexual exploitation, including sexual exploitation of children	The Lebanese Penal Code	Articles 505 and 506 and 520 and articles 523-534 of the Lebanese Penal Code
17	Environmental crimes	Law for the Protection of Environment No. 444 dated 29/07/2002	Chapter 4 - Sanctions, Articles 58-65
18	Extortion	The Lebanese Penal Code	Article 650
19	Murder	The Lebanese Penal Code	Articles 547-553, articles 562 and 563 and articles 564-568
20	Tax evasion	Legislative decree No. 156 dated 16/09/1983	Articles 1 and 2

Deficiency 4: No criminalization for ML attempt:

37. Lebanon addressed the deficiency relating to this Recommendation through article (3) of Law No. 44 which punishes whoever undertakes or attempts to undertake or incites or facilitates or intervenes or participates in money-laundering operations, by imprisonment for a period of three to seven years, and by a fine not exceeding twice the amount laundered. Accordingly, the Lebanese Law has addressed the deficiency related to the non-criminalization of money laundering attempt.

R5: Rating: (PC)

Deficiency 1: Absence of a text that binds banks to provide records on the holders of numbered accounts to the compliance officer in a systematic way, without subjugating him to procedures that may restrict him from perusing such records:

38. Lebanon addressed the deficiency relating to this Recommendation through the amended Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing which expressly stipulate in article 11-2 related to the tasks of the Compliance Unit the following: “To monitor all the customer’s accounts and operations on a consolidated basis, on and off balance sheet, at the Head Office and at all branches in Lebanon and abroad, to ensure that they are consistent with the information provided in the KYC Form and with any other information held by the bank”.

Deficiency 2: Absence of a main or secondary legislation that binds compliance with CDD measures with regard to occasional wire transfers:

39. Lebanon addressed the deficiency relating to this issue through article 3 of the amended Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing which required banks to adopt clear procedures for opening new accounts, and apply due diligence measures including the verification of their permanent customers’ identity, (whether natural or legal persons or legal arrangements), to verify their identity on the basis of reliable documents or information or data and the occasional customers and to verify their identity if the amount of a single operation or series of operations executed exceeds the threshold designated by Banque du Liban, to verify the identity of residents or non-residents and to determine the purpose and the nature of the relation or of the account opening, to identify the economic right owner and the source of funds and to ensure the ongoing control of operations, notably in the following instances: (...) **Electronic transfers of funds**”. By virtue of the said legislation, Lebanon has addressed the deficiency in consistency with the Recommendations.

Deficiency 3: High threshold for the application of due diligence procedures regarding life insurance premiums:

40. Lebanon has addressed the deficiencies relating to this Recommendation through article 5 of the AML/CFT Law No. (44) which requires institutions not subjected to the Banking Secrecy Law, particularly insurance companies, to observe anything issued by the SIC, in application to the provision of this law, and also to comply with the obligations set out in article 4 of the same law. The Special Investigation Commission issued circular No. 21 dated 9/9/2016 addressed to the concerned authorities referred to in Article 5 of Law No. 44, namely the insurance companies, which stipulated the following:

1. To implement Customer Due Diligence measures on permanent customers (whether natural persons or legal persons or unique legal arrangements), in order to check their identity on the basis of reliable documents or information or data; to determine the identity of the economic right owner and take the steps needed to verify this identity, on the basis of reliable documents or information or data; and to obtain the information specified in the KYC Form attached to this circular, regarding life insurance policies, especially those linked to Unit-Linked Investments and Capitalization. .

2. To ensure that accredited insurance agents and brokers comply with the due diligence measures referred to in clause 1 above.

Deficiency 4: Ambiguity whether to link the customers' identity verification requirement to transactions exceeding USD 10,000, or not (for institutions not covered by Banking secrecy):

41. Lebanon largely addressed the deficiencies relating to this Recommendation where article 5 of law No. 44 required the institutions not subjected to the Banking Secrecy Law to comply with the obligations set out in article 4 of the same law and article 4 provided for the application of Customer Due Diligence measures on permanent customers in order to verify their identity and the application of Customer Due Diligence measures on occasional customers to verify their identity, if the amount of a single operation or series of operations executed exceeds the threshold designated by Banque du Liban and which must determine the amount according to the provisions of the said law.

Deficiency 5: Absence of an obligation, by virtue of a first or second legislation, that binds financial intermediaries, finance lease, insurance and exchange companies to apply the due diligence procedures in the following cases:

- 1- **Carrying out occasional transactions above the applicable designated threshold, when such transactions are conducted in one transaction or in several transactions that appear to be linked:**
- 2- **Carrying out occasional transactions that are wire transfers, in the circumstances covered by Special Recommendation VII (for exchange companies):**
- 3- **When there is a suspicion of money laundering or terrorism financing regardless of any exemptions or thresholds that are referred to elsewhere under the FATF recommendations:**
- 4- **When there are doubts about the accuracy or adequacy of previously obtained customer identification data:**

42. Lebanon addressed the deficiencies relating to this Recommendation through article 4 of Law No. 44 which required banks, financial institutions, finance leasing companies, institutions that issue and promote credit or charge cards, institutions that perform money transfers electronically, exchange institutions, financial intermediation institutions, collective investments schemes, and any other institution requiring a license or supervised by Banque du Liban, to comply with the CDD obligations and the regulatory texts issued by BDL for the purpose of implementing the provisions of this law: (...) 2- Application of Customer Due Diligence measures on occasional customers to verify their identity, if the amount of a single operation or series of operations executed exceeds the threshold designated by Banque du Liban”

43. In addition, BDL issued Intermediate Circular No. 264 dated 21/05/2011 amending the Implementation Rules of the Law regulating the Money Changer Profession, whereas article 15 of said rules stipulates that the exchange institutions classified as Category A must comply with the following conditions: (...) To appoint a Compliance Officer in order to control the institution's compliance with the applicable laws and the regulations and recommendations issued by Banque du Liban,

the Banking Control Commission and the Special Investigation Commission (SIC), **particularly the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing**, where applicable.” Therefore, article 3 of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing which addressed the second deficiency relating to this Recommendation is applicable to exchange institutions.

44. To this effect, article 4 of Law No. 44 stipulated the following: Banks, financial institutions, finance leasing companies, institutions that issue and promote credit or charge cards, institutions that perform money transfers electronically, exchange institutions, financial intermediation institutions, collective investments schemes, and any other institution requiring a license or supervised by Banque du Liban, to must comply with the obligations set out hereinafter and with the regulatory texts issued by BDL for the purpose of implementing the provisions of this law: (...) 6- Application of the measures specified in Paragraphs 1 to 5 above to permanent and occasional customers, whenever there are doubts regarding the accuracy or adequacy of declared customer identification data, or whenever there is a suspicion of money laundering or terrorist financing, regardless of any thresholds or exemptions that limit the implementation of these measures”. Therefore, Lebanon required banks and FIs to apply due diligence in cases 3 and 4 by virtue of the AML/CFT Law.

Deficiency 6: Absence of an obligation by virtue of a first or second legislation to require the financial intermediaries, finance lease companies, insurance and exchange companies to verify whether any person purporting to act on behalf of another person is actually authorized to do so, along with identifying and verifying the identity of that person and taking reasonable steps to obtain sufficient data in order to verify the identity of the other person:

45. Article 4 of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing stipulated the following: “When the bank suspects that the customer is not the economic right owner or when the customer states that the economic right owner is a third party, then the bank must request from the customer a written statement determining the economic right owner (the actual beneficiary), notably his full name, residential address, occupation and financial status. The bank must retain a copy of this statement and of the economic right owner’s identity for the period indicated in Paragraph 5 of Article 3 above.” According to this text, banks and FIs are required to verify that the customer is authorized to act on behalf of another person and also to determine and verify his identity and to verify the identity of the other person (the authorizer) and such text is consistent with the requirements of Recommendation 5.

R13: Rating: (PC)

Deficiency 1: The definition of illicit funds did not include the proceeds of all the twenty predicate offenses stipulated in the recommendations.

46. It has been previously mentioned that the Lebanese authorities addressed this issue through the Lebanese Legislator which expanded the scope of predicate offenses related to ML crime so as to include the 21 predicate offenses set out in the

methodology, and thus, Lebanon would have addressed the deficiencies relating to this Recommendation.

Deficiency 2: There is no obligation to report any attempts of suspicious transactions, regardless of the value thereof.

47. Article 5 of the amended Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing also requires banks to notify the Governor of Banque du Liban in his capacity as Chairman of the “Special Investigation Commission”, when they hold evidence or have doubts that the performed or attempted banking operation involves money laundering or terrorist financing or terrorist acts or terrorist organizations. This obligation shall be applicable to all the financial institutions operating in Lebanon. Therefore, all the banks and FIs operating in Lebanon are required, by virtue of the said legislative texts, to report attempts of suspicious transactions related to terrorism crimes or terrorism financing crimes regardless of the amount of the transaction. Accordingly, Lebanon would have addressed the deficiency relating to this Recommendation.

Deficiency 3: The Law does not include an express text about reporting in case there are any doubts that the funds are suspected, on the basis of reasonable reasons, of being used for terrorism purposes or terrorism acts or by terrorist organizations or terrorism financiers.

Deficiency 4: Reporting is concentrated in the banking sector, which indicates the lack of effectiveness of the Regulations.

48. The Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing were amended so as article 5 thereof expressly stipulates the following: “The bank must immediately notify the Governor of Banque du Liban in his capacity as Chairman of the “Special Investigation Commission”, if it has confirmations or doubts that the performed or attempted banking operation involves money laundering or terrorist financing or terrorist acts or terrorist organizations”. Knowing that these Regulations are also applicable to financial institutions whereas article 14 expressly stipulates the following: “The provisions of these Regulations shall apply to financial institutions operating in Lebanon”. They also apply to the exchange institutions pursuant to article 15 of the Implementation Rules of the Law regulating the Money Dealers Profession. Based on the statistics provided by Lebanon, reporting is still concentrated in the banking sector.

SRII: Rating: (PC)

Deficiency 1: The financing act is not clearly included in the form of providing or gathering funds

Deficiency 2: Restriction of the TF crime to TF or to terrorist acts or terrorist organizations

Deficiency 3: Absence of a definition for the funds, while determining that they might be from a licit or an illicit source

Deficiency 4: Not implementing the TF crime in the event of financing terrorism or a terrorist act or a terrorist organization outside Lebanon

Deficiency 5: Difficulty to estimate the efficiency in the absence of statistics

49. Lebanon addressed the deficiencies relating to this Recommendation, by issuing Law No. 77 which was published in the official Gazette on 3 November 2016 regarding the amendment of article 316 bis of the Lebanese Penal code concerning terrorism financing, which stipulates that: “the crime of financing terrorism applies to whoever willingly undertakes or attempts to undertake or directs or participates, intentionally and by any means, directly or indirectly, in financing totally or partially, or contributes to the financing of terrorism or terrorist acts, or the financing of an individual terrorist or terrorist organizations or any other related acts, including legitimate or illegitimate sources in Lebanon or abroad whether the funds were used or not used, and whether the terrorist act took place or not in Lebanon or abroad. The TF crime also includes travel, attempt to travel, recruitment, planning, preparation, organizing, facilitation, participation, providing or receiving training, and any other related act with the intention of committing terrorist acts, without being linked to a specific terrorist act.”. Article 3 of the AML/CFT Law No. 44 issued on 24/11/2015 stipulates that whoever undertakes or attempts to undertake or incites or facilitates or intervenes or participates in TF operations, or any related activities (mentioned in article 1, paragraph 4 of this law - “Financing of terrorism, terrorist acts and associated acts (travel - organization - training - recruiting...) or the financing of individuals or terrorist organizations” - shall incur the penalties stipulated in article 316 bis and articles 212 to 222 of the Penal Code.

50. Regarding the definition of funds, it has been previously indicated that Lebanon amended the definition of funds so as to comprise the funds derived from a licit or illicit source and the Lebanese Code criminalizes terrorism financing whether the terrorist act occurred or not, in Lebanon or abroad.

51. In addition to the foregoing, Lebanon provided the Secretariat with statistics on the rulings rendered in cases related to terrorism financing, whereas one ruling was rendered in a TF crime in 2014, 5 rulings in 2015 and 16 rulings in 2016. The Lebanese authorities stated that the Permanent Military Court is still considering 15 TF cases pending the rendering of a ruling in their regard.

SRIV: Rating: (NC)

Deficiency 1: The Law does not include a text about reporting in case there are any doubts that the funds are used for terrorism purposes or terrorism acts or by terrorist organizations or terrorism financiers.

Deficiency 2: There is no obligation to report any attempts of suspicious transactions.

52. The deficiencies were addressed in article 7 of the AML/CFT Law No. 44 which stipulates that the concerned parties referred to in Articles (4) and (5) of this Law (banks, financial institutions, finance leasing companies, institutions that issue and promote credit or charge cards, institutions that perform money transfers electronically, exchange institutions, financial intermediation institutions, collective investments schemes, and any other institution requiring a license or supervised by Banque du Liban, and the institutions not subjected to the Banking Secrecy Law issued on 03/09/1956, namely, insurance companies, casinos, real estate dealers and agents and dealers of high value items), must promptly report to the Chairman of “the

Commission” the details of operations undertaken or attempted to be undertaken that are suspected to be related to money laundering or terrorism financing. It is worth mentioning that the Beirut Bar Association and the Tripoli Bar Association are endeavoring to expedite the process of issuing the mechanism for reporting suspicious transactions. In addition to the foregoing, Article 5 of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing requires “the bank to immediately notify the Governor of Banque du Liban in his capacity as Chairman of the “Special Investigation Commission”, when it holds evidence or has doubts that the performed or attempted banking operation involves money laundering or terrorist financing or terrorist acts or terrorist organizations”. The said Regulations also apply to FIs as set out in article 4 thereof stipulating that “the provisions of these Regulations apply to the financial institutions operating in Lebanon”. Therefore, all the banks and FIs operating in Lebanon are required, by virtue of the said legislative texts, to report attempts of transactions suspected to be related to terrorism financing crimes, terrorist acts or terrorist organizations.

E. Review of the Measures Taken in Relation to Key Recommendations

SRI: Rating: (PC)

Deficiency 1: Failing to join and approve the 1999 UN Convention for the Suppression of the Financing of Terrorism.

53. The Lebanese Parliament ratified Law No. 53 at its legislative session held on 13/11/2015 (Authorizing the Lebanese Government to accede to the International Convention for the Suppression of the Financing of Terrorism signed in New York on 09/12/1999) as of 24/11/2015, stating that The Lebanese Government is authorized to accede to the International Convention for the Suppression of the Financing of Terrorism that was signed in New York on 09/12/1999 and came into force on 10/04/2002; however with certain reservations regarding the definition of terrorism as specified in Article 2, Paragraph 1, Sub-paragraph (b) of this Convention, and adopting the definition of terrorism as specified in Articles 1 and 2 of the Arab Convention for the Fighting of Terrorism, signed in Cairo on 22/04/1998, which authorized the Lebanese Government to accede to the Convention pursuant to Law No 57 of 31/03/1999.

Deficiency 2: Absence of laws, by-laws or other binding measures to meet the requirements of UNSCRs with regard to TF prevention and suppression.

54. The National Committee on Suppressing Terrorism Financing approved on 10/12/2015 the two following mechanisms:

- Mechanism for implementing UN Security Council resolution No. 1267/1999 and subsequent resolutions
- Mechanism for implementing UN Security Council Resolution 1373/2001 and subsequent resolutions

55. BDL issued Basic Circular No. 136 dated 22/12/2015 addressed to banks and financial institutions and the institutions subject to the license or supervision of BDL enclosed thereto Basic Decision No. 12147 dated 22/12/2015 on implementing SC/RES 1267 (1999), 1988 (2011), 1989 (2011) and its subsequent resolutions.

56. On the other part, the SIC issued Circular No. 19 dated 22/12/2015 addressed to the institutions and entities listed under article 5 of Law No. 44 dated 24/11/ 2015 and to the companies dealing with financial brokerage and to collective investment schemes on implementing Security Council Resolutions No. 1267 (1999) and No. 1988 (2011) and No. 1989 (2011) and the subsequent resolutions.

57. In addition to the foregoing, both BDL circular No. 136 and SIC circular No. 19 aforementioned, request from those concerned to review constantly any update to the UN Security Council Website (UNSC Website) concerning the names designated in the lists issued pursuant to UN Security Council Resolutions 1267 (1999), 1988 (2011), 1989 (2011) and any related subsequent resolutions, and/or issued by the Special Sanctions Committees; and to automatically and immediately freeze, without delay and without any prior notice, the funds, accounts, operations, or other assets in whatever form (direct or indirect, joint...) related to these names, as soon as such names are listed; and to inform the Special Investigation Commission of this action and provide it with any information in this respect within 48 hours.

SRIII: Rating: (PC)

Deficiency 1: Absence of a legal system that covers the procedures of freezing the funds and the assets of the persons whose names are mentioned pursuant to the SC/RES/1267.

Deficiency 2: Absence of announced procedures to consider requests of de-listing, cancellation of frozen funds or other assets for persons or entities, who or which were de-listed at that time.

Deficiency 3: Absence of suitable mechanism that defines the procedures for licensing the use of funds or other assets that were frozen by virtue of SC Resolution 1267, which decides that such use, is necessary to cover main expenses or to pay specific types of fees or expenses and fees against services or exceptional expenses.

Deficiency 4: Absence of effective laws for freezing the terrorist funds or other terrorist assets of the persons designated according to RES 1373.

58. Lebanon addressed the deficiencies related to this recommendation, whereas law No. 44 (article 6/paragraph 5) authorizes the SIC to request from individuals and competent authorities (public and private) to take the required measures to prevent the use of movable or immovable funds belonging to names designated or to be designated on the national lists issued by the Lebanese competent authorities or any other lists circulated concerning terrorism and terrorism financing and any acts related thereto; the individuals and competent authorities (public and private) must comply without any delay to such request. Therefore, the law has established a foundation for the SIC to request from individuals and official competent authorities (public and private) to prevent the use of movable or immovable funds; the law prohibits disposing of movable or immovable funds belonging to any names listed or to be listed on the national lists or any other lists circulated by the Lebanese competent authorities on terrorism and terrorism financing and any acts related thereto.

59. On another hand, the mechanism issued by the National Committee on Suppressing Terrorism Financing dated 10 December 2015 on implementing SC/RES/1267/1999 and its subsequent resolutions, has explained the reference of the

listed names or other lists circulated by the competent authorities as the lists issued by the Security Council according to Resolution No. 1267. As to implementing SC/RES/1373, the SIC may request the competent official and private individuals and entities to prevent the use of funds belonging to any names listed on the national lists issued by the Lebanese competent authorities. The mechanism issued by the National Committee on Suppressing Terrorism Financing dated 10 December 2015 on implementing SC/RES/1373/2001 and its subsequent resolutions, has made it clear that the authority which designates individuals listed on the national lists is the Public Prosecution of Cassation; while, the authority which issues such list is the Directorate General of Internal Security Forces as mentioned in Chapter 1 (item 3/1) and (item 5/a). Whereas the SIC is the authority which freezes and prevents the use of movable and immovable funds by virtue of items 3 and 5 of article 6, Law no. 44. Further, the issued mechanism clarifies the listing procedures to include the freezing requests from other countries, and the extent of "preventing the use" of funds and other assets belonging to such persons, fully or jointly, or which they controls, directly or indirectly, as well as measures of monitoring compliance with this article, and how to sanction the violators of such requirement by virtue of AML/CFT law. As well as placing publicly-known procedures for considering de-listing requests and un-freezing the funds or other assets of de-listed persons or entities. The authorities stated that on 16/12/2015, a national list was published comprising the names of individuals in line with the listing mechanism which was adopted to implement SC/RES/1373/2001. The Lebanese authorities stated according to the said mechanism 26 persons were listed on the national list published on the website of the Directorate General of Internal Security Forces www.isf.gov.lb

SRIV Rating: (PC)

Deficiency 1: Absence of appropriate laws and procedures to quickly and efficiently respond to the MLA requests submitted by foreign countries and which are related to defining or freezing or seizing or confiscating laundered property or property intended to be laundered, and the ML proceeds and assets used or intended to be used in financing terrorism, along with tools used to committing these crimes, and to confiscate property of corresponding value:

Deficiency 2: The Evaluation Team could not examine the efficiency of providing legal assistance in a timely manner:

60. Lebanon took significant steps to enhance the procedures of international cooperation with other countries, whereas it draws upon the international conventions it ratified and which comprises chapters on international cooperation and upon their self-executory provisions in this regard. Lebanon also draws upon many multilateral and bilateral international conventions which are all regarded as an ordinance according to article 2 of the Lebanese Civil Procedures Law. And in the absence of any international convention between the country requesting assistance and Lebanon, Lebanon ensures to answer such request as a commitment of the country to the international common law on international cooperation, namely to the principle of reciprocity and international courtesy.

61. In addition, the Ministry of Justice issued on 14/04/2016 the legal procedures it has adopted regarding the international legal assistance requests. Such procedures comprise a number of key provisions: Provisions related to the offering of MLA to foreign countries in terms of recovering funds derived from corruption, money laundering or terrorism financing, and MLA requests with foreign countries in terms of determining, freezing, seizing or confiscating laundered property or property intended to be laundered, and the assets used or intended to be used in financing terrorism, along with tools used in committing these crimes, and confiscating property of corresponding value, providing legal assistance in a timely manner and adopting clear arrangements to coordinate the seizure and confiscation measures.

62. Furthermore, the authorities stated that there is an efficient channel for international judicial assistance which is the Lebanese Financial Intelligence Unit), regarded as an independent entity with a judicial status. Law No. 44 entrusted this Unit with the task of collecting and keeping information received from Lebanese and foreign official authorities and granted it the right to decide on the final freezing of accounts and/or operations, to attach an encumbrance on the records and entries pertaining to movable and immovable assets indicating that such funds are under investigation and such encumbrance shall be kept until doubts are erased or until a final ruling is taken. The Special Investigation Commission in its capacity as the Lebanese FIU drew upon the provisions of the AML/CFT Law to freeze the funds for years pending the rendering of final rulings in their regard to confiscate and return them to Australia, Iraq, USA and Tunisia, where the Lebanese authorities returned the frozen funds without deducting any amounts in their favor as some countries impose to this effect.

Deficiency 3: Existence of ambiguity with regard to the need for dual criminality in MLA requests:

Paragraph 4 of the legal procedures issued on 14 April 2016 by the Ministry of Justice regarding the requests of international legal assistance confirms that it is not necessary to impose the dual criminality as a condition in MLA requests”.

Deficiency 4: Lack of clear arrangements to coordinate the seizure and confiscation procedures between Lebanon and other countries:

63. Lebanon joined and approved a number of international and regional bilateral conventions related to the combating of crimes, including ML and TF crimes, as well as agreements and memoranda of understanding which regulate cooperation and coordination concerning security between Lebanon and other Countries, to enhance the necessary instruments for combating crime and trace and confiscate its proceeds and to establish a framework for cooperation with other countries.

Deficiency 5: Not considering the possibility of establishing a fund for the confiscated assets where all the confiscated assets or part thereof are kept in order to be used for law enforcement purposes or for health care or education or other appropriate purposes:

64. Lebanon did not advise about considering the establishment of a fund for confiscated assets. It is worth mentioning that article 14 of the (AML/CFT) Law No.44 stipulates that movable and immovable assets that are proved, by a final Court

ruling, to be related to, or derived from, a money-laundering or terrorist financing offenses, shall be confiscated to the benefit of the State, unless the owners of the said assets prove in a Court of Law their legal rights thereupon. The confiscated assets shall be used to cover general expenses, by opening credits to the benefit of all the authorities, including the security authorities.

Deficiency 6: The issue of a license to share confiscated property between Lebanon and other countries in case the confiscation resulted in a direct or indirect way from coordinated procedures in law enforcement was not considered, since the criminal property and proceeds are being confiscated to the benefit of the treasury

65. Article 14 of the (AML/CFT) Law No.44 also stipulates that the confiscated assets may be shared with other countries, whenever the confiscation results directly from coordinated investigations or cooperation between the concerned Lebanese authorities and the concerned foreign bodies.

F. Review of the Measures Taken in Relation to the Other Recommendations Rated PC or NC

R6: Rating: (NC)

66. Lebanon addressed the deficiencies relating to the application of due diligence in dealing with Politically Exposed Persons (PEPs) through article 9 of the Regulations on the Control of Financial and Banking Operations which required banks to establish risk-based control measures and procedures concerning Politically Exposed Persons, customers and operations classified as high risks and to adopt the following measures and procedures: To raise awareness concerning strict control as a priority, to obtain more detailed information about customers, notably about the source of their wealth, to obtain, according to risk levels, the necessary administrative approvals, in order to deal or continue to deal with customers and to execute operations, to make a periodic review of the relationship with customers, to make a continuous peer comparison, and to set up an adequate system in order to determine whether the foreign customer is a Politically Exposed Person.

67. Authorities also stated that the previous Regulations apply as well to the financial institutions through article (14) which stipulates that the provisions of the Regulations apply to the financial institutions operating in Lebanon and to the exchange institutions pursuant to article (15) of the Implementation Rules of the Law regulating the Money Dealers Profession.

68. In addition to the foregoing, the SIC issued Circular No. (21) dated 09/09/2016 addressed to the entities referred to in Law No. 44 issued on 24/11/2015, namely insurance companies which were thereunder required to take the necessary procedures and measures to prevent the misuse of technological developments in ML/TF and when dealing with high-risk customers, as well as in the event where correspondent banking relationships are created. And to comply with the relevant circulars and announcements issued by the Banque Du Liban and the Special Investigation Commission within this framework.

R7: Rating: (NC)

69. Lebanon addressed the deficiencies relating to this Recommendation by amending the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing so as to expressly stipulate in article 2: “When establishing a relation with a foreign correspondent bank, the bank must ascertain that the correspondent bank is not a shell bank, that it really exists, based on submitted documentary evidence, that it does not deal with shell banks, has a good reputation, is subject to a good control and implements sufficient and effective procedures to fight money laundering and terrorist financing.

70. In addition to the foregoing, the bank must implement the following measures:

- 1- To obtain the approval of the Senior Executive Management before dealing with correspondent banks.
- 2- To ascertain the nature of the respondent bank’s business.
- 3- To determine the responsibility of both the bank and the respondent bank, particularly for payable through accounts opened by foreign correspondent banks, and make sure that the latter are capable, upon request, to provide relevant customer identification data.”

71. These Regulations are also applicable to financial institutions whereas article 14 expressly stipulates the following: “The provisions of these Regulations shall apply to financial institutions operating in Lebanon”. They also apply to the exchange institutions pursuant to article 15 of the Implementation Rules of the Law regulating the Money Dealers Profession.

The Basic Circular No. 126 (Basic Decision No. 10965) on the relation of banks and FIs with their correspondents stipulates the following:

72. Banks and FIs operating in Lebanon must strictly implement the Regulations for the Control of Financial and Banking Operations for Fighting Money laundering and Terrorism Financing, particularly with customers who request the conduct of cross border operations by way of correspondent banks and financial institutions, by:

- Adopting a risk based approach and vetting both the identity of the customers and the economic right owner and obtaining the requisite information and setting procedures for monitoring their accounts and operations on an ongoing basis.
- Updating their database for money laundering and terrorism financing operations in conformity with the provisions of this decision.
- Be fully informed of the laws and regulations governing their correspondents abroad, and deal with the latter in conformity with the laws, regulations, procedures, sanctions and restrictions adopted by international legal organizations or by the sovereign authorities in the correspondent’s home countries. Within this scope, banks and FIs must adopt the utmost accuracy and due diligence to vet the identity of the economic right owner in the operations conducted.
- Controlling the transactions on payable -through accounts and strictly implement enhanced due diligence measures on concerned customers.

73. External auditors must verify the compliance of the banks and FIs with the provisions of this decision. They must also insert in their report on the procedures adopted to control financial and banking operations for fighting money laundering and terrorism financing, detailed information about their inspection of the adopted procedures, the results of their audit, and their remarks in this regard.

74. The Special Investigation Commission issued circular No. 21 dated 9/9/2016 addressed to the authorities referred to in Article 5 of Law No. 44 dated 24/11/2015, namely the insurance companies, which stipulates the following:

“Take the necessary actions and measures in order to prevent the misuse of technological developments for money laundering or terrorist financing purposes and when dealing with high-risk customers, **as well as in the event where correspondent banking relationships are initiated**; and to comply accordingly with the relevant circulars and announcements issued by the Banque Du Liban and the Special Investigation Commission within this framework”. Therefore, the Lebanese law requires the financial institutions which have cross-border correspondent banking relationships to take the procedures related to such relationships and to payable through accounts, if the relation with correspondent banks included maintaining such accounts, which addresses the previous deficiency regarding the application of R7.

R8: Rating: (NC)

75. The Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing were amended so as article 8 thereof expressly stipulates the following: “Banks must (...) take sufficient measures to prevent the misuse of technological developments in money laundering or terrorist financing.”

76. Knowing that these Regulations are also applicable to financial institutions whereas article 14 thereof expressly stipulates the following: “The provisions of these Regulations shall apply to financial institutions operating in Lebanon”. They also apply to the exchange institutions pursuant to article 15 of the Implementation Rules of the Law regulating the Money Dealers Profession.

77. In addition, BDL issued Intermediate Circular No. 393 dated 30/6/2015 addressed to banks and FIs and Institutions performing electronic banking and financial operations, including Intermediate Decision No. 12018 dated 30/6/2015 on amending Basic Decision No. 7548 dated 30/03/2000 on the financial and banking transactions with electronic means which prohibits the following:

- 1- Carrying out banking transactions via fixed electronic devices among customers of different banks, except when receiving from the customer requests related to bank transfers within specific conditions.
- 2- Issuing electronic money by any party and the use thereof in any means.

78. BDL issued Intermediate Circular No. 415 dated 24/3/2016 and Intermediate Circular No. 418 dated 22/4/2016 addressed to Banks, Financial Institutions and Lebanese and Foreign Companies, authorized to issue fulfillment, payment and credit

cards related to the amendment of the Basic Decision No. 7299 dated 10/6/1999 (ATMs, credit and fulfillment cards) attached to the Basic Decision No. 63 where article 2 bis reads as follows:

"Banks and institutions are prohibited from issuing credit and fulfillment cards and from issuing or promoting prepaid cards."

79. In addition to the foregoing, the SIC issued Circular No. 21 dated 09/09/2016 addressed to the entities referred to in article 5 of Law No. 44 issued on 24/11/2015, namely insurance companies which are thereunder required **"to take the necessary actions and measures in order to prevent the misuse of technological developments in ML/TF** and when dealing with high-risk customers, as well as in the event where correspondent banking relationships are initiated; and to comply with the relevant circulars and announcements issued by the Banque Du Liban and the Special Investigation Commission within this framework".

R9: Rating: (PC)

80. Lebanon addressed the deficiency relating to this Recommendation by amending the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing, whereas article 3 stipulates that in the event of verifying the customer's identity, the employee in charge of performing the operation must (...) in case the operation is performed by correspondence, an official authentication of the customer's signature on the same document or on a separate certificate. The authentication of the signature of a customer residing abroad or the verification of his identity may be done through a correspondent or affiliated bank, or through a branch or a representative office of the concerned bank, or through another bank whose authorized signatures can be verified, provided it is subject to a good control and adopts sufficient and effective AML/CFT procedures and provided the first account-related operation is connected to an account held by the customer at a bank that is also subject to a good control and implements sufficient and effective AML/CFT procedures. The bank is responsible for the accuracy of statements or information when it relies on a third party for customers' identification and verification.

81. The bank must retain information on the customer, at least for five years after closing the account or ending the business relation, particularly the customer's full name, residential address, occupation and financial status, in addition to copies of all documents used to verify the above-mentioned information. It must also retain copies of all operations-related documents, for at least five years after performing the operation."

82. In article 7: "The bank must inquire from the customer about the source and destination of funds, the object of the operation, and the identities of both the beneficiary and the beneficial owner, when it finds that the operation is characterized by the following:

- a) The operation is carried out in exceptionally complicated circumstances. In this respect, the bank must assess the said circumstances, not only in relation to the nature and type of the operation, but also in relation to its apparent purpose.

- b) The operation seems to have no economic rationale or legitimate purpose, especially when there is a discrepancy between the operation and the customer's occupation, or even between the operation and the customer's habits or personality.
- c) When one of the concerned parties is a national of, or resident in countries that do not apply or insufficiently apply the FATF Recommendations. "

83. Knowing that these Regulations are also applicable to financial institutions whereas article 14 expressly stipulates the following: "The provisions of these Regulations shall apply to financial institutions operating in Lebanon". They also apply to the exchange institutions pursuant to article 15 of the Implementation Rules of the Law regulating the Money Dealers Profession.

84. The Lebanese authorities mentioned that during 2016 and 2017, the SIC required all the banks, financial institutions, exchange institutions, money transfer companies and insurance companies operating in Lebanon to refrain from dealing with exchange institutions that the Central Bank of Iraq prohibited dealing with them whether for being associated with ISIS or for being located in areas under ISIS control. The said banks and financial institutions were also required to inform the SIC of any accounts or operations conducted with any of the institutions with which it is prohibited to deal.

85. It is worth mentioning that during 2016 the report of the Financial Action Task Force (FATF) (on Detecting Terrorist Financing: Relevant Risks Indicators) was distributed to the concerned institutions, including banks, financial institutions, exchange institutions, money transfer institutions, to peruse the information contained therein, including the information related to the paragraph intended for high-risk countries with respect to countries classified by the FATF as having deficiencies and shortcomings in its AML/CFT regime.

R12: Rating: (NC)

86. The deficiencies were addressed in this Recommendation through the project of amendment of the AML/CFT Law, where article 5 thereof stipulates that the institutions not subjected to the Banking Secrecy Law issued on 03-09/1956, particularly casinos, real estate dealers and agents, and merchants of valuables (jewelry, precious stones, gold, works of art, antiques), must keep records of operations that exceed the threshold designated by the "Special Investigation Commission" (hereinafter referred to as "the Commission") that was established pursuant to Article (6) of this Law. Such institutions **must also comply with the obligations specified in Article (4)** and with the regulations and recommendations issued by "the Commission" for the purpose of implementing the provisions of this Law.

87. Article 5 also requires certified accountants and notaries to implement these obligations, when preparing or carrying out on behalf of their customers any of the following activities:

- Buying and selling of real estate.

- Management of customers' movable and immovable assets, in particular transactions consisting of money accumulation and joint investments.
- Management of bank accounts and securities accounts.
- Organization of contributions for the establishment or management of companies.
- Establishment or management of legal persons or unique legal arrangements, and buying and selling of single person enterprise or commercial companies.

88. Regarding the obligations stipulated in Article 4 of Law No. 44, they are as follows:

- To implement Customer Due Diligence measures on permanent customers (whether natural persons or legal persons or unique legal arrangements), in order to check their identity on the basis of reliable documents or information or data.
- To implement Customer Due Diligence measures on occasional customers to verify their identity, if the amount of a single operation or series of operations exceeds the threshold designated by Banque du Liban.
- To determine the identity of the economic right owner and take the steps needed to verify this identity, on the basis of reliable documents or information or data.
- To retain copies of related documents of all operations, and to retain information or data or copies of the customers' identification documents, for at least five years after performing the operations or ending the business relationship, whichever longer.
- To continuously monitor and review the business relationship.
- To apply the measures specified in Paragraphs 1 to 5 above to permanent and occasional customers, whenever there are doubts regarding the accuracy or adequacy of declared customer identification data, or whenever there is a suspicion of money laundering or terrorism financing, regardless of any thresholds or exemptions that limit the implementation of these measures.
- To take into account the indicators that flag the likelihood of a money laundering or terrorism financing operation, as well as the due diligence principles to detect suspicious operations.

89. The Lebanese authorities deem that the above-mentioned obligations addressed to the DNFBPs are sufficient in light of the findings of the ML/TF risk assessments and there is currently no need to issue regulations for this sector, according to FATF Recommendation 1 which stipulates that countries can allow simplified measures for some of FATF recommendations provided that the risks in the concerned sector are low.

R15: Rating: (PC)

90. Lebanon addressed the remaining deficiencies relating to this Recommendation, where Circular No. 21 issued by the SIC regarding the duty of the entities referred to in article 5 of Law No. 44 dated 24/11/2015, namely insurance companies, to establish an efficient internal control system for combating money laundering and terrorism financing showing the aspects of this system, such as the appointment of a Compliance Officer who must regularly attend training sessions and prepare periodic reports to be submitted to the Management on operations control by adopting a risk-

based approach, and on the degree of compliance with the required procedures and other aspects related to this system.

R16: Rating: (NC)

91. Lebanon addressed most of the deficiencies on this recommendation, by requiring the DNFBPs to report to the SIC when they suspect or have reasonable reasons to suspect the proceeds or operations or engage in ML/TF operations, or that the legal protection of the DNFBPs are comprised in such operations when reporting in good faith, and to prohibit disclosure (tipping off) or the attempt to report a suspicious transaction or information related to the SIC for anyone. The Ministry of Justice issued on 30/09/2016 the procedures it has adopted regarding the verification of the compliance of notaries with the obligations of the AML/CFT Law, and the Beirut Bar Association and the Tripoli Bar Association are currently working on establishing a mechanism for reporting suspicious transactions.

92. Also, the Syndicate of Chartered Accountants in Lebanon issued on 05/10/2016 the requirements for implementing Law No. 44 of 24/11/2015, and which includes the establishment of an AML/CFT Compliance Committee at the Syndicate in charge of setting policies, procedures and internal control measures to combat money laundering and terrorism financing.

93. Yet, the supervisory authorities did not issue any instructions on setting the requirements of tackling the business relationships and the transactions that are made with people from/in states which do not apply or insufficiently apply FATF recommendations. The Lebanese authorities informed that the supervisory authorities are currently working on issuing the necessary instructions.

R17: Rating: (PC)

94. Lebanon addressed the deficiency relating to this Recommendation by conferring upon the supervisory authorities the power to impose administrative measures and penalties on the DNFBPs for their non-compliance with the provisions of this Law, where article 13 of the AML/CFT Law No. (44) states the following whoever violates the provisions of articles 4, 5, 7, 10, and 11 of this Law shall be punishable by imprisonment for a period of two months to one year and by a fine not exceeding one hundred million Lebanese pounds, or by either penalties.

95. The Special Investigation Commission was also granted the power to address a warning to the parties who are in violation of the provisions of the regulations issued for the purpose of implementing this Law, and to request from these parties periodic reports about the measures taken to rectify their situation. "The Commission may as well, in case of violation, refer the parties mentioned in Article (4) to the Higher Banking Commission, and correspond with the supervisory or oversight authorities concerning the parties mentioned in Article (5).

96. The Higher Banking Commission was also granted the power to impose on the parties that were referred to it a fine for non-compliance with the regulations issued for the purpose of implementing this Law, provided this fine does not exceed two hundred times the official minimum wage. Fines shall be collected to the benefit of Banque du Liban.

97. The foregoing shall not preclude the enforcement of the administrative penalties stipulated in Article 208 of the Code of Money and Credit on the parties referred to in Article 4, nor shall it preclude the enforcement of the sanctions stipulated in all other laws and regulations on the parties referred to in article (5).

98. In addition to the foregoing, the authorities stated that article 13 of Law No. 44 was comprehensive and therefore the punishment of a member of the board of directors or executive management or supervision or director of a financial institution or manager of a non-financial businesses and professions, determined by the relevant investigations also determines the responsibility of the person who committed the violation, as a prelude to imposing the appropriate sanction against him. In addition to article 13 of the above-mentioned Law No. 44, the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing enclosed with the Basic Decision No. 7818 dated 18/05/2001, subject of the Basic Circular No. 83 were amended with regard to the establishment of an **“AML/CFT Board Committee” among the members of the board of directors**, provided that the Chairman of this committee is chosen among its members, provided he/she is independent and has the necessary practical expertise. Thus, the responsibility of the Board members became clearer regarding the fight against Money Laundering and Terrorism Financing.

R18: Rating: (PC)

99. Lebanon addressed the deficiencies by amending the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing, which expressly stipulates that banks and financial institutions, which might have a relation with correspondent banks, must verify the identity and activity of their correspondents in order to ascertain that they really exist and that they are not shell banks, based on submitted documentary evidence; they must also verify that their correspondents do not deal with shell banks. In addition, banks must implement a number of measures as follows: To obtain the approval of the Senior Executive Management before dealing with correspondent banks, to ascertain the nature of the respondent bank's business, to determine the responsibility of both the bank and the respondent bank, particularly for payable through accounts opened by foreign correspondent banks, and make sure that the latter are capable, upon request, to provide relevant customer identification data.

R21: Rating: (NC)

100. Lebanon addressed most of the deficiencies on this recommendation, by amending the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing, which expressly stipulates in article 7 that “the bank must inquire from the customer about the source and destination of funds, the object of the operation, and the identities of both the beneficiary and the beneficial owner, when it finds that the operation is characterized by the following:

- a) The operation is carried out in exceptionally complicated circumstances. In this respect, the bank must assess the said circumstances, not only in relation to the nature and type of the operation, but also in relation to its apparent purpose.

- b) The operation seems to have no economic rationale or legitimate purpose, especially when there is a discrepancy between the operation and the customer's occupation, or even between the operation and the customer's habits or personality.
- c) **When one of the concerned parties is a national of, or resident in countries that do not apply or insufficiently apply the FATF Recommendations.”**

Knowing that these Regulations are also applicable to financial institutions whereas article 14 expressly stipulates the following: “The provisions of these Regulations shall apply to financial institutions operating in Lebanon”. They also apply to the exchange institutions pursuant to article 15 of the Implementation Rules of the Law regulating the Money Dealers Profession. In order to ensure the safety of advising the financial institutions on the vulnerabilities of high-risk countries, it would be appropriate to put in place efficient measures for this purpose.

101. When necessary, banks and financial institutions and other institutions are informed of the weak points related to the AML regulations, namely those related to terrorism financing and this matter was already referred to as set out in paragraph 82 above.

R22: Rating: (PC)

102. Lebanon largely addressed the deficiency by amending the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing, which expressly stipulates in article 12: **“The branches of Lebanese banks operating abroad must, as a minimum, adopt the procedures mentioned in these Regulations. In case this proves to be impossible due to the Regulations’ incompatibility with the mandatory laws and regulations in force in the host country, the bank must inform the SIC.”**

103. Knowing that these Regulations are also applicable to financial institutions whereas article 14 expressly stipulates the following: “The provisions of these Regulations shall apply to financial institutions operating in Lebanon”. They also apply to the exchange institutions pursuant to article 15 of the Implementation Rules of the Law regulating the Money Dealers Profession.

104. The Regulations on the Control of Financial and Banking Operations also stipulates that branches of Lebanese banks and their financial institutions operating abroad must apply the procedures mentioned in the Regulations. In case this proves to be impossible due to the Regulations incompatibility with the mandatory laws in force in the host country, the bank must inform the SIC. In 2016, the report of the Financial Action Task Force (FATF) (on Detecting Terrorist Financing: Relevant Risks Indicators) was distributed to the concerned institutions, including banks, financial institutions, exchange institutions, money transfer institutions, to peruse the information contained therein, among which, the information related to the paragraph intended for high-risk countries with respect to countries classified by the FATF as having deficiencies and shortcomings in its AML/CFT regime.

R24: Rating: NC

105. Lebanon addressed the deficiencies related to this recommendation by complying with the obligations provided for in the law and regulations as well as the recommendations issued by the SIC. The Commission is in charge of following the compliance of DNFBPs (real estate agents, casinos, dealers of high value items) with the obligations imposed thereon by virtue of law and regulations issued by the SIC; identifying each of the Ministry of Justice and the Bar of Association of Beirut and Tripoli as well as LACPA (Lebanese Association of Certified Public Accountants) as a competent authority to follow the compliance of lawyers, accountants and notary public with the obligations stipulated by law and the regulations they issue. The law also covers the powers for such authorities to impose sanctions against institutions subject to law in case of non-compliance. The Ministry of Justice and both Beirut Bar Association and Tripoli Bar Association and the LACPA are expected to provide adequate mechanisms and resources to make sure that the subject entities are compliant with law requirements.

R30: Rating: PC

106. The Lebanese authorities mentioned that the number of officers at the Directorate General of Internal Security Forces was increased by approximately 30,000 officers (around 30% of the current number) and necessary human, logistic and technical resources were allocated to the divisions and offices of the Directorate, among them, the Anti-Terrorism and Serious Crimes Bureau and the Information Department. Officers from such bureaus followed specialized training sessions inside and outside Lebanon, such as assessors training workshops held by the MENAFATF in cooperation with the FATF, the International Monetary Fund and the World Bank and some of them participated in the evaluation of Tunisia and Mauritania.

107. In addition to the foregoing, the Lebanese security forces have the sufficient expertise in combating terrorism and terrorism financing and they are seeking to apply the preventive security by identifying and tracing terrorist networks, arresting its members and referring them to the competent courts of justice, which explains the number of rulings issued on TF crimes.

108. It is worth mentioning that a division specialized in combating terrorist financing was established at the Directorate of Intelligence - Army Command and at the Department of Information - Directorate General of Internal Security Forces.

109. The Customs Higher Council requested the Council of Ministers, by virtue of a letter No. 10787/2010 dated 22/9/2010 to recruit 500 sentinels and the Lebanese authorities consider such recruitment would allow enhancing the foundation of the AML squad at the Customs Authority. A decision issued by the Council of Ministers approved the request of the Customs Higher Council to recruit 400 sentinels, who are being currently recruited, as per the work requirements and needs, in order to deploy them at the concerned bureaus, among them “Drugs Repression Bureau and Money Laundering Repression Bureau.

110. The Lebanese authorities stated that many officers of the SIC followed specialized training sessions inside and outside Lebanon and provided the Secretariat with the following statistics:

- In the first quarter of 2016: 15 employees from the SIC participated in ten training sessions on combating money laundering, terrorism financing, cyber-crimes and strategic analysis.
- In the second quarter of 2016: 15 employees from the SIC participated in 7 training sessions and workshops on combating money laundering, terrorism financing, and related subjects.
- In the third quarter of 2016: 17 employees from the SIC participated in six training sessions on combating money laundering and terrorism financing.
- In the fourth quarter of 2016: 25 employees from the SIC participated in 15 training sessions and workshops related to combating money laundering and terrorism financing.

R32: Rating: (PC)

111. Lebanon mentioned that the majority of the required information is available in the records of the public prosecutions, courts and the Directorate General at the Ministry of Justice. In this context, the Ministry of Justice is working on a project to computerize the archives of the courts, in collaboration with the Office of the Minister of State for Administrative Development Affairs and funded by the European Union. This project aims at entering data of actions files in computers, documenting all the detailed information related thereto in order to facilitate the lawsuits follow-up efficiently, to produce information in relation thereto and to prepare reports and statistical data for submission to the competent judicial authorities when necessary.

112. In addition, a uniform network which would connect the palaces of justice and the courts with the other state department shall be established, in order to ensure the swift, efficient and safe exchange of judicial data.

113. Lebanon also stated that the preparatory procedures were completed, the draft agreement for funding was concluded, the conditions for sub-contracting a specialized company were set in order to establish the detailed job specifications and technical specifications for the information technology software, network and different hardware.

114. The Higher Council of Justice also declared that the project to computerize the archives of the courts funded by the European Union has reached its final stage, after establishing and equipping databases and connecting them to the data networks of the palace of justice in Beirut, the palace of justice in Jdeidet Al-Matn and the court of Jounieh, which would facilitate the exchange of data and the collection of statistics. The work on the electronic software is under completion. The country is found to have made headway towards preparing a database which would facilitates the obtaining of statistics in the future.

115. With regard to statistics, the Lebanese authorities provided a number of statistics on many aspects of the AML/CFT regime and which indicate the availability of useful statistical information, particularly with regard to STRs, outgoing and incoming assistance requests, spontaneous disclosures, and inspection visits related to combating money laundering and terrorist financing.

116. Lebanon provided a number of statistics obtained by the competent authorities in order to implement this recommendation, as follows:

-STRs received by SIC from the reporting institutions

The Entity	2014	2015	Until 30/11/2016
Banks	149	178	305
Financial institutions	4	4	0
Money transfer companies	23	25	10
Exchange Institutions	2	1	0
Insurance companies	1	0	0
Financial intermediation institutions	0	1	0
External auditors	0	79	0
The Banking Control Commission	4	1	2
Total	183	289	317

- STRs received by SIC and which were analyzed and disseminated

Year	Suspicious transactions		
	Number	Which were analyzed	Which were disseminated
2014	183	183	18
2015	289	289	34
Until 30/11/2016	317	317	71
Total	789	789	123

- Balances of accounts frozen by virtue of the SIC decisions in cases referred to the Public Prosecution of Cassation:

Year	Frozen funds	
	Number of decisions of freezing	Amounts in US Dollar
2014	13	92,680,489
2015	32	6,227,897
Until 30/11/2016	22	4,619,112
Total	67	103,527,498

- **Dismissal and prosecution decisions issued by the Public Prosecution of Cassation in cases related to money laundering**

Year	Decisions	
	Dismissal	Prosecution
2014	3	11
2015	6	15
2016	1	15

- **Assistance requests sent or received by the Special Investigation Commission regarding money laundering, predicate offenses and terrorism financing**

Year	Assistance requests					
	Requests sent by the SIC		Received from counterpart FIUs			
	Number	Number of received answers	Number	Executed	Rejected *	Under execution
2014	34	33	53	50	3	0
2015	59	58	75	70	5	0
Until 30/11/2016	88	73	80	53	5	22
Total	181	164	208	173	13	22

* Requests that do not meet the Egmont Group criterion

- **Spontaneous disclosures submitted by the SIC to counterpart FIUs**

Year	Number of automatic referrals
2014	2
2015	15
Until 30/11/2016	82
Total	99

- **Statistics related to AML/CFT on-site examinations**

Institution	Number of examinations		
	2014	2015	2016
Banks	30	22	22
Financial institutions	23	17	14
Insurance companies	14	28	22
Exchange institutions	58	130	119
Money transfer companies	0	7	0
Financial intermediation companies	7	3	7
Total	132	207	184

14 warning letters were sent between 2014 and 30/11/2016 and the license of one financial institution was withdrawn.

- **Assistance requests received by SIC (in its capacity as a supervisory authority) regarding money laundering and terrorism financing**

Year	Assistance requests received from supervisory authorities			
	Number	Executed	Rejected	Under execution
2014	5	4	1*	0
2015	2	2	0	0
Until 30/11/2016	12	4	1**	7
Total	19	10	2	7

* Does not Falls within its mandate

** Insufficiency of information received

- Judicial legal requests submitted by the Lebanese authorities in cases of money laundering and financial crimes

General	Subject	Executed	Under execution
2015	Threat, smuggling, fraud and extortion		X
	Request of information in a case of piracy, counterfeit and money theft		
	Request of information in a case of theft, embezzlement and electronic piracy		
	Piracy and money theft through internet		
2016	Request of information in a case of crimes related to cyber piracy, fraud, money theft through internet		
	Request of information in a case of fraud, theft and forgery		
	Request of information and carry out an investigation in a case of piracy and money theft through internet		
	Request of information and carry out an investigation in a case of forgery, fraud, theft and money laundering		
	Request of information in a case of e-mail compromise and fraud		

117. Lebanon has provided the Secretariat with a number of judicial assistance requests it has received from the Lebanese authorities in cases of money laundering and financial crimes; in 2014, Lebanon received 5 judicial requests from five countries and were all executed; in 2015, Lebanon received 7 requests from six countries and were all executed, and in 2016, Lebanon received 10 requests from 9 countries, 7 of which were executed and 3 are still processed.

118. With regard to the rulings rendered on terrorism financing cases, Lebanon stated that one ruling was rendered on a crime related to terrorism financing in 2014, 6 rulings in 2015 and 16 rulings in 2016 and the Permanent Military Court is still considering 15 TF cases pending the rendering of a ruling in their regard. A ruling in a case of embezzlement of public funds was rendered in 2017, convicting accused persons of the felony stipulated in article 3 of the amended Law No. 318 on Fighting Money Laundering and of the misdemeanors stipulated in some articles of the Lebanese Penal Code. The statistics submitted by the Lebanese authorities show that the Public Prosecution of Cassation decided to initiate a judicial prosecution in a number of ML cases; consequently, 11 cases were prosecuted in 2014, 15 in 2015 and 15 in 2016.

119. With regard to extradition requests, Lebanon submitted statistics showing that it has received 9 extradition requests from 6 countries in 2014, and it has received 5 requests from 4 countries in 2015 and it has received 13 requests from 11 countries in 2016. Knowing that all the said extradition requests were executed.

R33: Rating: (PC)

120. The Lebanese authorities stated that the Ministry of Justice is working, in collaboration with the Ministry of Administrative Development, on developing and computerizing the commercial registers in various governorates and the Ministry started executing this project in order to connect the said registers with Beirut Commercial Register, which would create a central database in Beirut comprising all the contents of the commercial registers in the governorates. Lebanon also referred to the difficulty in issuing controls and measures that limit the unlawful use of bearer shares in money laundering operations since amendments must be made in the legal texts, namely the Land Commercial Law, taking into account the concepts of the retroactivity of the laws and the reservation of the acquired rights. For this purpose, the Ministry of Justice seeks to establish a competent committee to reconsider the legal texts related to the bearer shares and to examine the possibility of preventing the use of such shares in money laundering operations.

121. Lebanon mentions that the Lebanese authorities issued Law No. 75 (Cancellation of bearer shares and shares to order) and it was published in the official Gazette on 03/10/2016. Such law prohibits the companies from issuing bearer shares or shares to the order of and replaces those issued before the promulgation of the Law with nominal shares and requires them to amend their bylaws accordingly. To this effect, the Lebanese authorities amended Intermediate Circular No. 411 dated 29/2/2016 addressed to banks, financial institutions, exchange institutions and finance leasing companies, so as to stipulate that they are prohibited from performing any kind of banking or financial operations with companies or mutual investment funds whose stocks and shares are totally or partially issued in bearer form, or with companies or mutual funds that are directly or indirectly owned by companies or investment mutual funds whose stocks and shares are totally or partially issued in bearer form.

SRVI: Rating: (PC)

122. Lebanon addressed the deficiency relating to this Recommendation through the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorism Financing which are now expressly applied to exchange institutions; adding that the Implementation Rules of the Law regulating the Money Dealers Profession requires the exchange institutions classified as Category "A" to comply with the recommendations issued by Banque du Liban and SIC, namely, the Regulations on the Control of Financial and Banking Operations, particularly by setting sufficient and efficient AML/CFT procedures, appointing a compliance officer who should continuously attend training sessions in this field, and periodically verifying the skills and ethical characteristics of its employees. In addition to the computerization of the collected information on money laundering and terrorist financing, which includes at least the names circulated by the SIC.

SRVIII: Rating: (NC)

123. In order to address the deficiencies relating to this recommendation, the Minister of Interior and Municipalities in Lebanon issued decision No. 1776 on 19/10/2010 to establish a commission which shall be in charge of the preparation of

draft amendment of the law of associations in conformity with the requirements of Special Recommendation VIII. This committee prepared a draft through which it requested the approval to amend articles 7 and 8 of the law issued by decree No. 10830 on 9/10/1962. Such request was sent to the Council of Ministers on 16/8/2011.

124. Considering the procedures taken by Lebanon to address the deficiencies, it appears that the authorities submitted to the Council of Ministers the draft amendment of articles 7 and 8 of the law of associations. However, there is no reference to whether such draft amendment covers all the deficiencies relating to SRVIII.

SRIX: Rating: NC

125. Lebanon addressed most of the deficiencies related to this recommendation through the law on cross border transportation of money (Expedited Law No. 42) on the declaration of cross-border transportation of money issued on 24/11/2015; the law requires the individuals to declare, when entering or leaving the country, the bearer negotiable instruments and currency in their possession or transported across the borders; the law sets the amount of USD (15.000) or its equivalent in other currencies as the reporting threshold whether carried in person or in a luggage or any other means or by containerized cargo or by any other means of shipping or through the post. Also, it may be sufficient to declare financial instruments and funds in exceptional cases as per the decision issued by the Customs Higher Council. The law grants the Customs powers to search the individuals and inspect their personal luggage to verify the accuracy of the information declared or disclosed as well as the powers to request additional information on the source of currency or financial instruments when verifying or suspecting in case of false declaration or false disclosure or when refraining from declaring or when suspecting that the transported funds are illicit within the meaning of Article 1 of law No. 318/2001 amended.

126. Additionally, the law requires the Customs authorities to establish an electronic database with safety and confidentiality specifications to maintain data and information obtained; the SIC may have direct access to such database to peruse the declarations, disclosures, records, files and official documents. Further, the law requires the Customs Authority in case of suspecting that the currency or financial instruments are proceeds related to illicit funds as per the definition of article 1 of amended law no 318/2001 or if the declaration were false or when refraining from submitting the requested information, to seize the currency or financial instruments and to prepare relevant seizure records in this regard after informing the Public Prosecution of Cassation which has the decision to maintain the frozen funds or unfreeze them within a maximum period of 2 days; and refer the information on such cases to the SIC with the decision taken in this respect.

127. With regard to sanctions, the law punishes whoever provides a false declaration/disclosure or refrain from declaring/disclosing with a fine not exceeding 10,000,000 Lebanese Liras, not precluding any criminal prosecution according to the provisions of law no. 318/2001 amended.

128. On 26/11/2016, the Customs Higher Council issued Decision No. 125/2016 which determined the principles of applying the provisions of the Expedited Law No.

42 dated 24/11/2015 according to the mechanism enclosed with its decision and enclosed thereto the declaration form referred to in article 2 of this Law.