



هيئة الاسواق المالية
CAPITAL MARKETS AUTHORITY



Annual Report 2015

**Capital
Markets
Authority**

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Report
2015**



Chairman's Message



I am pleased to present the fourth annual report of the Capital Markets Authority (CMA) that showcases our main activities during 2016 covering a brief overview of the CMA's expenditures in 2015 and its budget for 2016.

In 2015, the CMA has managed to issue three new implementing regulations related to listing rules, offers of securities and collective investments scheme. These implementing regulations are part of the same effort that the CMA has been doing since 2014.

To that end, the CMA held two consultative conferences covering these newly issued regulations. Both events were attended by major stakeholders, mainly representatives from banks and Financial Institutions and other concerned parties such as lawyers, auditors, BSE listed companies and prospective issuers.

The regulations are in addition to the implementing regulations issued in 2014, which have been shared with the market, consulted for, and are currently awaiting the date of implementation and compliance by all the concerned financial institutions after completing their translation into Arabic.

Within the same context, the CMA Board issued a number of organizational and implementing decisions that ensured an efficient control and regulatory oversight such as, but not limited to, the decision related to "Know Your Customer" KYC and the activities of the external financial Auditors in issues related to financial institutions.

One of the major developments that occurred in 2015 was the launching of the Request for Proposal (RFP), in cooperation with the BDL, for licensing and establishing the Electronic Trading Platform by the CMA.

In this regard, I have repeatedly stressed the importance of such a platform in order to facilitate the funding of private sector companies, particularly small and medium enterprises, with local financing. Also, such platform will allow the Lebanese Diaspora to contribute by allowing them the opportunity to trade from abroad and under conditions and specifications set specifically to ensure ease of access.

Meanwhile, the ETP platform will incite individuals to invest in listed companies considering the progressive disclosure and transparency requirements, availability of publication information as a result of the electronic trading operation. We expect that such a development will contribute to a more robust economic activity and an increase in the growth rate and job opportunities which Lebanon is so much in need for. In this regard, the CMA shared the first draft of the RFP with all concerned parties within banks and financial institutions in order to assess their views and comments and benefit from their experience and understanding of the Lebanese market; Before launching the final RFP, concerned stakeholders will be invited to a consultative meeting in order to respond to their questions and comments on the draft, and discuss possible suggestions

that would ensure that the ETP is more accommodating to the market needs.

After reviewing the observations, the CMA will then officially launch the final version of the RFP, in the hope that the licensing process will be launched and the operating company or companies will be selected before the end of the year, in order to initiate trading activities on the Electronic Trading Platform by end of 2016.

As for international exposure, the CMA has been active through its participation in many of the specialized conferences that aims to strengthen the relationship with regional and foreign financial regulatory authorities, while significantly expanding its network. Regionally, the Capital Markets Authority successfully contributed in setting the strategic plan 2016-2020 for the Union of Arab Securities Authorities as the CMA Secretary General chaired the committee that led the preparation of the strategy.

Furthermore, Lebanon will host in June of 2016 the Annual Sessions of the IFREFI "Institut Francophone de la Regulation Financiere", which we expect around 17 countries to attend thus further improving the global position of Lebanon who was admitted as a member of the IFREFI organization in 2014.

From an operating point of view, the CMA carried on with its oversight and control missions while also approving the issuance of financial instruments that were found to be compliant with the legal requirements set to ensure the protection of investors. Furthermore, the CMA proved its effective role particularly through conducting investigations and auditing procedures that aimed at identifying potential risk factors in the markets, while certifying that the capital markets regulatory framework provides for the protection of investors, which is a prerequisite to boosting confidence, increasing investment appetite, and ensuring the development of the Lebanese capital market.

On the other hand, the CMA is cooperating with the World Bank and the International Monetary Fund as to the Financial Sector Assessment Program (FSAP) which provides a detailed assessment of the financial sector in Lebanon

This assessment will help identify the gaps which may restrain the CMA from joining the International Organization of Securities Commissions IOSCO and work on treating them. In this regard, the CMA has submitted its application to join IOSCO in the hopes to be officially admitted as members in the near future.

Kind regards,

Riad Toufic Salameh

Chairman of the Capital Markets Authority / Governor of the Central Bank of Lebanon (BDL)

Raising investment awareness among the Lebanese public and familiarizing them with the advantages of the financial markets.

Vision

To revive Lebanon as a regional hub for financial services through permanent development of financial markets in Lebanon.

To enhance economic efficiency and growth by directing capital towards productive uses.

To establish confidence in the Lebanese financial markets by keeping it safe and appealing to investors.

To protect investors from illegal, irregular or unfair practices, including the prohibition of direct or indirect insider trading, and provide access to any required information for investment.

Mission

To regulate and monitor the financial markets in order to ensure its expansion in line with the changes and the best local and international standards.

To reduce Systemic Risk in capital markets.

To follow up on the development of markets through constant communication with all stakeholders in all the productive sectors.

To raise investment awareness among the Lebanese public and familiarize them with the advantages of the financial markets.

To constantly seek the investor protection and use of financial markets in Lebanon and abroad.

To regulate access to information by people who distribute financial instruments to the public.

To organize and define the framework and professional activities carried out by people who engage in business related to financial instruments and ensure their adherence to the code of ethics.

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Promoting and developing the financial markets in coordination with the various sectors concerned, and protecting private savings invested in financial instruments.

Capital Markets Authority

1. The law establishing the Capital Markets Authority and its main goals

The Capital Markets Law No. 161 was ratified by the Lebanese Parliament on 17/8/2011. It stipulated the establishment of the Capital Markets Authority, «CMA». Whereby, the full-time Executive Board Members were appointed on 10/7/2012 by the Cabinet of Ministers. The CMA aims to achieve two main goals: promote and develop the financial markets in coordination with the various sectors concerned, and to protect private savings invested in financial instruments.

In this context, the law defines the mechanism of organization and promotion of financial markets focusing on establishing a culture centered on the importance of effective governance in financial institutions, and proper use of information. In this respect, the law aims to ensure absolute transparency in the sector due to its role in protecting the capital and investors. Accordingly, the law defines a mechanism to ensure accountability and sanction violators of the provisions of the law through legal frameworks, such as the Independent Sanctions Committee and the dedicated Special Court for Capital Markets.

The development of the Capital Markets is of great importance, since it does not only benefit the investors in financial instruments and the private sector, but also the economy in general, because of the ability to find sources of long-term funding to direct savings to the appropriate investment. This said, the Capital Markets Authority sets appropriate regulations and legislation that are consistent with international standards to ensure regularity in the financial markets. The strict control it portrays shall help encourage local and international investors to invest in financial instruments issued by financial companies regulated by the Capital Markets Authority. This allows faster growth in this sector, which may contribute to encourage companies operating in Lebanon to list their shares on the stock exchange and create job opportunities for young Lebanese.

Capital Markets Authority Board

Riyad Salame	BDL Governor	Chairman	
Samir Hammoud	Head of the Banking Control Commission	Board Member	
Alain Bifani	Director General of the Ministry of Finance	Board Member	
Alia Abbas	Director General of the Ministry of Economy and Trade	Board Member	
Fadi Fakih	Finance Expert	Executive Board Member	Vice president (2015-)
Firas Safieddine	Capital Markets Expert	Executive Board Member	Vice president (2013-2015)
Sami Saliba	Banking Expert	Executive Board Member	

2. Core functions of the Capital Markets Authority

Investor protection and organization of professional activities

- Protecting investors from illegal, irregular or unfair practices, including the prohibition of direct or indirect insider trading.
- Organizing the disclosure of information to persons who distribute Financial Instruments to the public.
- Setting the work environment and organizing the professional activities of the persons who perform operations on Financial Instruments, while monitoring their compliance with professional ethics.

Organizing Capital Markets and Reducing Systemic Risks

- Organizing and developing capital markets in Lebanon, and promoting their use by investors and Issuers in Lebanon and abroad.
- Reducing systemic risks in capital markets.

Licensing

- Granting licenses to brokers who provide services to investors and Issuers.
- Granting licenses to financial rating agencies, and defining and regulating their functions and work process.
- Licensing collective investment schemes, including mutual funds that invest in securitization.

Organize and control the work of the stock exchanges

- Regulating and controlling the work of licensed Stock Exchanges, and the persons who provide deposit, clearing or settlement service.
- Setting the general regulatory framework for listing Financial Instruments and approving their trading on stock markets.

Legal Control and Accountability

- Sanctioning administrative violations of this Law and its implementation rules.
- Initiating legal action against insider trading crimes, and against the circulation of false or misleading information about securities or Financial Instruments, or their Issuers.



For the CMA, 2015 is a year marked by significant developments and unique achievements, on both the local and international level.

Chapter I

Main Activities of 2015

Now that the Capital Markets Authority (CMA) has efficiently launched its activities, having set the regulatory frameworks for the Capital Markets main functions in line with the highest international standards and latest developments, here comes the 4th annual report documenting the regulatory and supervisory activities carried out by the Authority in 2015 and the relations with local and international regulatory bodies. This report comes in time of a decision by the CMA Chairman and BDL Governor Mr. Riad Salameh to launch the Electronic Trading Platform this year which aims to provide more funding opportunities for companies, enhance their capabilities and enable companies looking for growth to list their shares on the market and head towards new opportunities; such a development would reflect positively on the banking sector and the financial institutions leading them to expand their investment services and enhance growth, thus contributing to new job opportunities and improve the living standards of Lebanese citizens.

The CMA has made great strides in 2015 towards nearly completing its workshop on issuing implementing regulations with the cooperation of the World Bank which may help build trust in the Lebanese markets to attract both Lebanese and foreign investors and assist the CMA in joining the International Organization of Securities Commissions IOSCO as an ordinary member. Within this perspective, the CMA strives to sign other international agreements with the Capital Markets Authority of Tunisia, the Financial Services Regulatory Authority of Abu Dhabi (FSRA) and other prospective agreements in the year 2016.

1.1 At the Regulatory and Supervisory level

Establishing and Licensing an Electronic Trading Platform

With the cooperation of the BDL, the CMA prepared the Request for Proposal (RFP) in view of establishing an electronic trading platform that improves financing private sector institutions such as small and medium-sized enterprises as well as startups. It is worth mentioning that the Electronic Trading Platform will be available for all the Lebanese around the world. This system develops and enhances the operation of capital markets in Lebanon and supports the economic growth by creating new job opportunities.

The electronic trading has many advantages, including but not limited to the electronic execution of orders with no human intervention. The Electronic Trading Platform increases transparency and reduces transactions charges for all the concerned parties leading to more active capital markets while contributing to the creation of more liquidity and competition in the market.

Those advantages are convenient to Lebanon because there is a tremendous need to develop the markets in a way that increases the number of companies registered in the BSE. Therefore, the establishment of an electronic trading platform has a fundamental role in allowing the Lebanese residents and expatriates to participate electronically in the Lebanese capital markets activities with geographic restrictions, thus enhancing capital and economic markets in general.

On the other hand, considering the demand-side, electronic trading increases the demand on securities which reflects positively on the increase of supply in securities and bonds issuance in view of the prospective increase of the number of investors. Globally, the trend has been an increase in the share of secondary trading of government

bonds after the launch of the Electronic Trading Platforms; a case that would most likely prevail in Lebanon given the increasing supply of government debt issuance, and its availability for local trading via the Electronic Platform, thus reflecting positively on the liquidity level of the Lebanese Capital Markets which will contribute in the expansion and reinforcement of trading transactions in all markets.

At the regulatory level, the CMA carried on with the implementing regulations launched in 2014 and issued a series of decisions that set the basic regulatory concepts to be reached; In addition, it issued in 2015 decisions related to the trading procedures related to financial derivatives and established the “Know Your Customer” (KYC) system in addition to the decision related to External Auditors that requires the disclosure of securities trading activities information when issuing financial statements by auditors on the activities of financial institutions. Such a regulation aims in essence to enhance protection of investors.

In this context and within the mandate of the CMA, a public warning was issued against “MENA INVEST S.A.L.” for not complying with the regulations and the instructions of the Authority violating the applicable law and principles related to trading of financial instruments, the provisions of article 55 of Law 161 of 17/8/2011, the provisions of the CMA decision number 10 of 19/01/2013 and the Circular number 83 of 18/05/2001 issued by the BDL and related to the financial and banking operation control for combatting money laundering and terrorist financing; therefore, the CMA Board warned the aforementioned institution via an official notice on 18 March 2015 urging the institution to adjust immediately its situation and take appropriate measures to avoid future malpractices that violate the applicable Law and regulations and the principles of professional good practice, at the risk of imposing the most severe penalties by the CMA against the aforementioned institution.

Since the aforementioned institution did not abide by the official notice within the due date, the Higher Banking Commission has withdrawn the license of the institution thus prohibiting it from exercising any activity related to financial instruments.

Also within the regulatory scope, the Legal Affairs Unit ensured that all implementing regulations adopted by the CMA are in compliance with the highest international standards and the applicable Laws, and contributed with the World Bank on setting the second series of implementing regulations that will be issued by the CMA. In addition, the Legal Affairs Unit prepared policies and internal procedures related to activities of the CMA units.

During 2015, the Legal Affairs Unit has also contributed in setting the terms and conditions of the electronic trading platform and revised the applications for licenses by the institutions and registered persons involved in the capital markets, especially in cases related to the issuance or marketing of different types of financial instruments and the establishment of Collective Investments Schemes and submitted its recommendations to the CMA Board of Directors.

The Launching of Two New Series of Implementing Regulations in 2015

The CMA organized two consultative seminars on 15 June 2015 under the patronage of the BDL Governor Mr. Riad Salameh, during which the second and third series of implementing regulations related to “listing and offers of securities” were launched in addition to the launching of the implementing regulation related to “Collective Investments Schemes” on 24 October 2015 with the cooperation of World Bank experts and in the presence of representatives from the banking sector and financial institutions, financial intermediaries, lawyers and auditors that are involved in capital markets.

In its opening remarks, the CMA focused on the work development and the importance of the consultations conducted with experts in capitals markets, a policy which became an integral part of the organizational process in an effort to ensure the contribution, and at the same time strengthening the communication with and among those who work in this sector, while increasing transparency and investor protection in the markets; Such a policy reinforces the implementation of the Authority’s strategy that aims to an open flow of information in the markets according to international standards at IOSCO.

As for the second series related to “listing and offers of securities”, the CMA team conducted a technical presentation explaining the purpose of the listing regulation, the conditions of public offer of securities in Lebanon and the availability of adequate information for the investors, the organizers and the public.

During the third consultative seminar for the launching of the implementing regulation related to “Collective Investments Schemes”, the CMA team presented a detailed explanation highlighting the suggested items and their positive reflection on the proper governance and marketing of investment funds in Lebanon, whereas the attendees suggested additional remarks that were taken into consideration by the CMA.

A brief overview of the implementing regulations that were launched in 2015

Offers of Securities

Series 2000

This regulation aims at outlining the requirements related to offers of securities in Lebanon and determining the types of offers that are exempted from the imposed requirements on the public offer as well as setting the requirements for an exempted offer of securities.

Listing Rules

Series 7000

This regulation aims at outlining the necessary requirements for the issuer to list financial instruments in Lebanon and determines the requirements for maintaining this listing and for maintaining sound foundations for corporate governance by the listed issuers.

Collective Investments Schemes

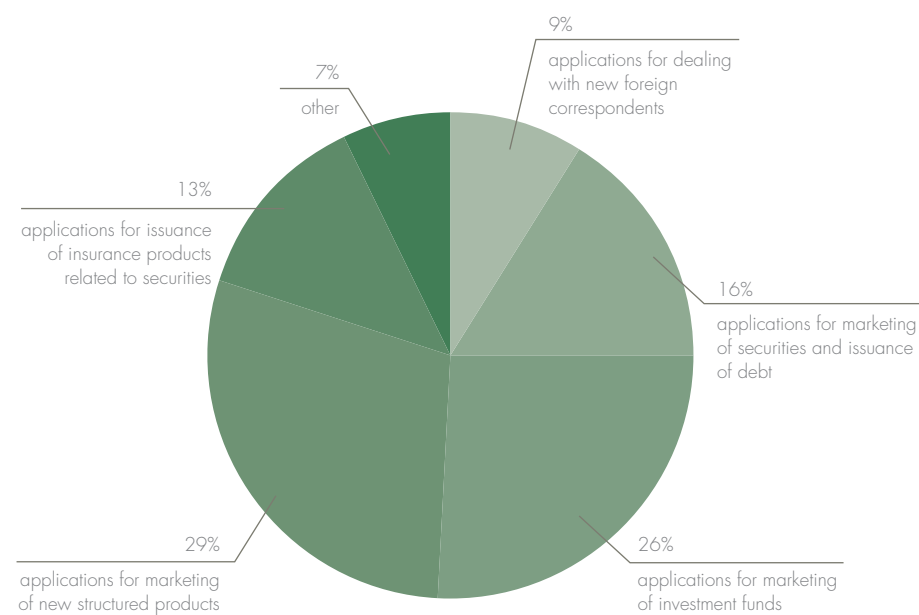
Series 8000

This regulation comprises the establishment and operation of Collective Investments Scheme including Islamic Investment Schemes in Lebanon according to Law 706 but excludes the use of Collective Investment Schemes for the purpose of securitization according to Law 705 as it is a separate Law simply using the form of a common fund for other purposes. This system aims at regulating the process of setting, licensing, suggesting and managing collective investment schemes and its complementary activities in Lebanon and determining the work requirements adopted by the managers, the depositaries and the accredited agents.

At the supervisory level, the Financial Control Unit (FCU) conducted twelve investigations and six auditing operations on financial institutions dealing with securities; the main focus revolved around several aspects, including but not limited to price manipulation, inside trading, intentional violation of disclosure requirements. In addition, the FCU continued its cooperation with foreign judicial authorities in view of reaching positive results in audit missions, among other relevant issues of importance. All activities and results were reported to the CMA's Board to take the necessary decisions.

In addition, the Unit examined applications submitted by financial institutions, financial intermediary institutions and banks, including requests for dealing with new foreign correspondents, subscription to capital increase, issuance of new licenses, and compliance with marketing guidelines for new securities, shares, collective investments funds and structured products. The chart below shows that the greater part of the 110 applications revised by the unit is to market new structured products (32 requests) followed by marketing of investment funds (29 requests), marketing of securities and issuance of debt (17 requests), whereas the lowest percentage was for the applications to deal with new foreign correspondents.

Percentage distribution of requests submitted by financial institutions, financial intermediary institutions and banks:



A brief overview of regulatory decisions issued by the CMA in 2015

Decision N°12 – Dealing in financial derivatives

This decision sets the rules and procedures related to financial instruments and derivatives mainly with respect to performing operations and transactions in financial instruments and derivatives by intermediaries. The decision also sets out the obligations financial intermediaries have to comply with when performing transactions in financial instruments and derivatives, as well as the rules for choosing their correspondents.

Decision N°17 - “KYC” Know Your Customer

This decision determines the KYC forms to be applied by the financial intermediary institutions, financial institutions and banks carrying out activities associated with securities in Lebanon.

Decision N°18 – Auditors

This decision is addressed to all institutions and authorities carrying out activities associated with securities in Lebanon on behalf of their customers or for their own account and to their accredited auditors order to include in their financial reports information related to activities related to securities and provide the CMA with all the necessary reports, documents and information as well as all audit an additional analysis.

The CMA Board

The Board has extensive powers that may enhance investors' protection and promote investment in the financial markets. It has the power to adopt general regulations concerning the establishment and management of stock exchanges, the regulations concerning the establishment and functioning of financial intermediary institutions which manage investment funds for the public. It also sets the code of conduct to be followed by financial service providers and users and the license validity of establishing institutions and bodies dealing in financial intermediation as well as capital investments and all types of securitization.

The Board conducted 22 meetings and issued 172 regulatory and administrative decisions including three regulatory decisions: decision N°12 related to dealing with derivatives, decision N°17 related to "KYC" Know Your Customer and decision N°18 related to Auditors.

#	Date of Boad Meetings	Number of decisions
1	9 January 2015	8
2	27 January 2015	10
3	17 February 2015	9
4	3 March 2015	7
5	22 April 2015	9
6	14 May 2015	10
7	19 May 2015	2
8	4 June 2015	12
9	2 July 2015	20
10	15 July 2015	12
11	14 August 2015	5
12	17 August 2015	5
13	31 August 2015	1
14	2 September 2015	11
15	14 September 2015	3
16	22 September 2015	2
17	12 October 2015	12
18	4 November 2015	11
19	3 December 2015	1
20	8 December 2015	11
21	10 December 2015	3
22	29 December 2015	5

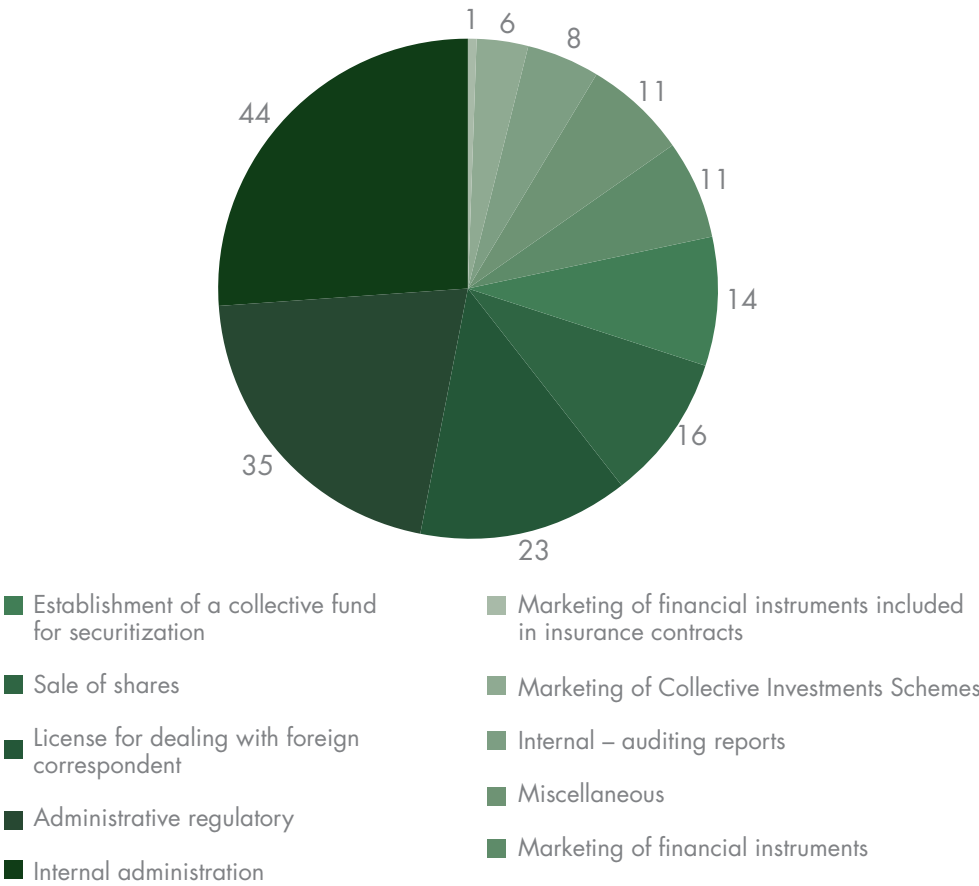
Within this context and in its endeavor to follow up with the development of the market and its needs in order to ensure best practices, the Board has amended some of the decisions as follows:

Announcement Number	Reason	Content
9	Related to the amendment of Announcement N° 2	Amendment of paid-in expenses and commissions of requests submitted to the CMA for approval
10	Related to the amendment of decision N°11	Amendment of the Financial Intermediary Institutions list
11	Related to the amendment of Announcement N°13	The introduction of an article stipulating the suspension of the CMA's approval on establishing a securitization fund on assets whether tangible or intangible, movable and immovable depending on the initiator compliance with the rules and regulations of the following decisions: <ul style="list-style-type: none">• CMA decision N°4 dated on 14/8/2013 related to conformity• CMA decision N°5 dated on 14/8/2013 related to internal auditing
12	Related to the amendment of Decision N°4	Companies wishing to dispose their assets are bound to do so within securitization operations and hold the status of initiator for decision N°4 disregarding the number of contributors and the capital size. Amendment of article 5 in order to allow the aforementioned companies to entrust specialized external institutions to carry out total or partial compliance. Amendment of article 12 in order to include the aforementioned companies
13	Related to the amendment of Decision N°5	Companies wishing to dispose their assets are bound to do so within securitization operations and hold the status of initiator for decision N°5 disregarding the number of contributors and the capital size. Amendment of article 5 in order to allow the aforementioned companies to entrust specialized external institutions to carry out total or partial internal auditing. Amendment of article 12 in order to include the aforementioned companies
14	Related to the amendment of Decision N°12	Amendment of the title of decision N°12 Amendment of definitions mentioned in article 1 Amendment of article 2 in order to comply with the new definitions and with the new title New fundamental amendments in article 3 in order to comply with the new definitions and the new title and amendments related to the required margin especially for electronic operations.
16	Related to the amendment of Decision N°12	Amendment of paragraph 2 of article 2 related to the classification of correspondents Amendment of article 3 in order to determine the entire initial margin related to currency operations including electronic operations with a contractual value of 20% and a secondary margin of 75% of the initial margin. Paragraph 8 (the previous) related to the electronic platform was deleted.
17	Related to the amendment of Decision N°12	Amendment of paragraph 6-A of article 3 in order to include margins with raw materials and metals (after it had been limited to currency).

The type of applications submitted to the CMA in 2015 came as follows:

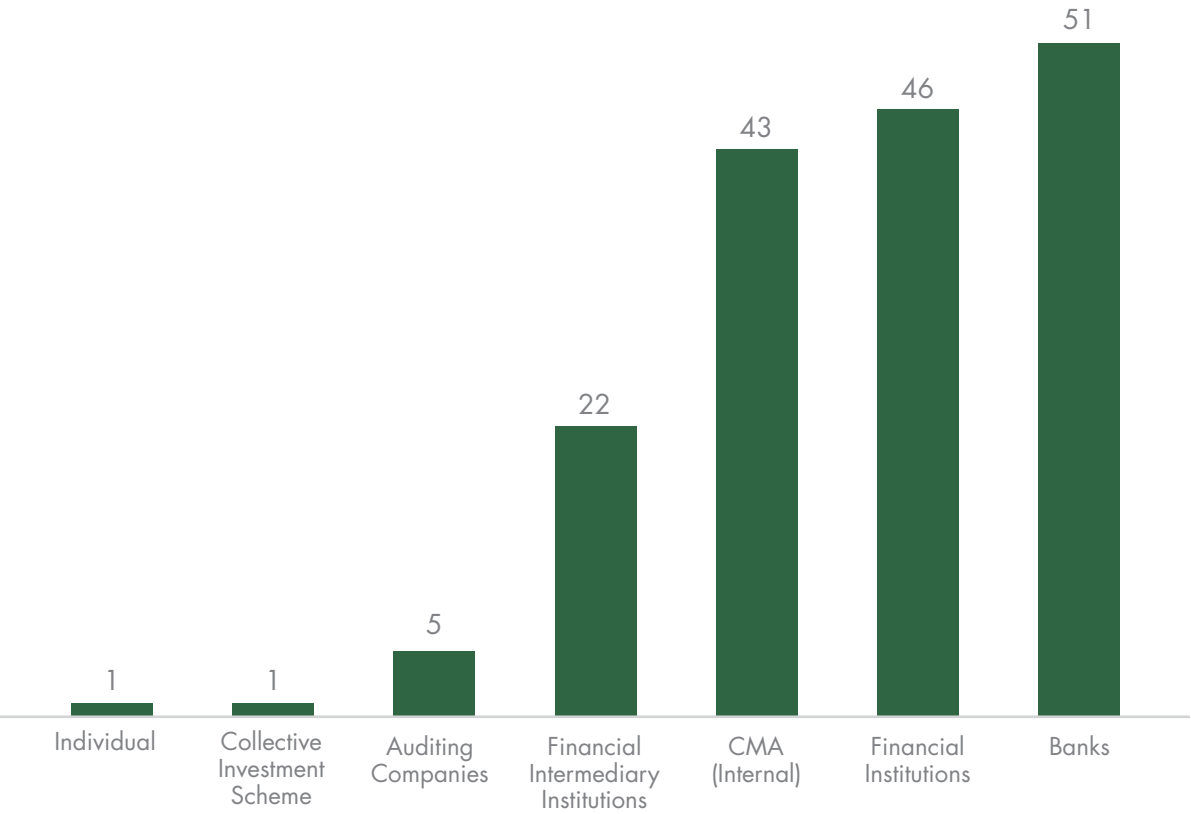
Applications for capital formation and capital increase of licensed financial intermediary institutions and deadline extension for licensing constituted around 21% of the applications submitted to the CMA and as for licensing of financial instruments marketing included in insurance contracts and marketing of financial instruments and collective investments scheme constituted around 43% of the total applications submitted to the CMA.

Type of applications reviewed by the CMA in 2015



The Board discussed around 129 requests among which 43 administrative requests related to the operation of the CMA, 51 applications submitted by Lebanese banks, 46 applications submitted by financial institutions, 22 applications submitted by financial intermediary institutions, 5 applications submitted by alternative auditing companies and 1 application submitted by a collective investment scheme in addition to one applications submitted by a citizen in his personal capacity.

The parties who submitted applications to the CMA



1.2 At the Administrative Level

At the administrative level, the CMA strived to apply and develop the applicable regulations and increased its team of experts qualified with the criteria and standards applied by the best companies. As per the Board's instructions, the Human Resources Department supported the Financial Control Unit in recruiting a team of specialized persons in the field of auditing and financial control who met the requirements set in the job description after passing the relevant examinations. This was achieved in cooperation with the "Takyim" Foundation and the Ecole Supérieure des Affaires (ESA) for the third year in a row.

1.3 Personnel and Internal Organization

During 2015, the Board completed the establishment of internal procedures and workflows while updating employee job descriptions which helps in achieving employee effectiveness at the highest level of proficiency within a transparent and clear work environment.

Within this scope, the Board conducted a comprehensive study related to updating job descriptions at the CMA while establishing an annual performance appraisal system for the employees with the cooperation of an HR consultancy firm, Purple Martin.

1.4 Development of Staff Abilities

With the coordination of the various CMA departments and units, the Human Resources department focused on the training and development of the employees to enhance their qualifications by enrolling in regional and international training courses; as for example, the annual training course organized by the French AMF in Paris, the 'GOV HR' third summit held in Abu Dhabi in addition to local training courses with the cooperation of the most prominent training institutions in Lebanon. As for the development of financial control abilities, the Head of the Financial Control Unit at the CMA Mr. Khalil Ghalayini attended The 21st Conference of the International Institute for Securities Enforcement and Market Oversight of the Securities and Exchange Commission SEC which gathered many international financial control authorities exchanging experience and knowledge which allows a better communication and the development of mechanisms associated with application and methodologies that enhances investor protection and transparency and credibility in the capital markets. This one week conference comprised many lectures, interactive workshops and case display which focused on treating several issues under the supervision of senior officials from the SEC and presidents of judicial institutions as well as self-regulatory institutions in the USA. The lectures highlighted the best methods for combatting fraud and protecting the

investor by providing a detailed explanation on specific issues related to financial instruments, while profiting from the experience of the organizing authorities and the present delegates. The lectures which span a wide range of technical topics emphasized on the following:

- Investigating and Prosecuting Insider Trading – Case Study
- Presenting a Persuasive Securities Violation Case in Court
- Accounting and Disclosure Fraud by Issuers
- Issues in Cross-Border Accounting Fraud Investigations
- Inside Trading Surveillance – FINRA
- Market Manipulation
- Manipulation of Illiquid Asset Portfolios
- Building an Effective Enforcement Program
- Criminal Enforcement (Focus on International Asset Freezes)
- Complex Financial Instruments: Swaps and Derivatives
- Investigating Ponzi Schemes
- Credible Deterrence for Securities Law Violations
- Market Structure Cases
- Issues for Consideration in High Frequency Trading
- Testing Compliance Programs
- Using Digital Forensics Tools in Investigations and Prosecutions
- Data and Data Analytics in Enforcement
- International Enforcement Cooperation

On behalf of the CMA Financial Control Unit, Mrs. May Yammout participated in the training program organized by the Union of Arab Securities Authorities in Amman – Jordan whereas the program focused on offering the participants the knowledge and technical skills required during control and investigation procedures within the accredited institutions as well as a deep coverage of the following topics:

- Programs for control of electronic trading
- Disclosure, electronic disclosure and applicable regulations
- Applicable mechanisms for stock exchange control and mechanisms of coordination with the CMA Control Unit.
- Settlement in electronic systems in particular those related the insiders' platform and the applicable methods for disclosure.
- Reviewing the recent developments of the securities commission related to:
 - Islamic investment instruments
 - Cash transactions and segregation of accounts at the intermediary institutions
 - Central risk system related to customers
 - Margin financing

On behalf of the Legal Affairs Unit, Mrs. Caline Aoun, Director of Legal Affairs participated in 'La Semaine d'immersion' organized by l'Autorité des Marchés Financiers (AMF) with whom the CMA has previously signed an MOU for technical support and exchange of expertise.

The seminars and workshops held in the French Capital, Paris on 21 till 27 September 2015 included various topics that were shared with various international regulatory bodies, in order to exchange expertise and lessons that promote the legislative and regulatory operations in the capital markets.

The seminar conducted interactive workshops whereas the AMF presented the delegates with technical applications in its various units for treating day-to-day and strategic activities. Within this context, participants enrolled with specific AMF Units whereby their knowledge of the daily activities were improved especially as they participated in researching on-site problems and engaged in problem solving sessions.

The different departments that the participants joined were: Human Resources, Research and information, Legal Affairs, Investigation Unit, Sanctions Committee, Combatting Money Laundering, Control Unit and others.

1.5 Information Technology

Over the past year, the Information Technology Department continued the setting of principles and standards for maintaining a successful IT and communication network. It was also keen on securing a safe operating environment for the CMA by ensuring the following steps were taken into consideration:

1. Identifying the latest developments and trends in information technology
2. Developing plans and policies for the construction, development, operation monitoring and maintenance of databases, data, hardware, software, networks, archiving and protection methods relating thereto.
3. Managing technical connections with foreign parties such as relevant suppliers, institutions and authorities
4. Providing technical advice and support to all departments and units.
5. Modifying patterns, managing login permissions, applying the necessary security to ensure the proper functioning according to the best international rules and practices of compliance and organization.
6. Developing the electronic services and the CMA website.

Website Development

As an integrated action plan between the IT Department and the Research & Communication Department and in order to improve communication with the public, the CMA initiated through the end of 2015 a development project for its website which provides the necessary information for the users through an organized and improved method. Among the features of the website (www.cma.gov.lb):

- Sharing with our site visitors the activities of the chairman and Board members
- Sharing with our site visitors the approved institutions and approved financial products by the CMA Board in order to enhance the protection of investors
- Publishing CMA regulatory decisions issued by the Board
- Providing the public with the newest market updates.
- Notifying the public particularly investors of any alert related to financial institutions or individuals within the same sector.
- Sharing with the public studies and statistics conducted by the CMA Research

& Communication Department.

- Enabling a section for filing complaints according to set CMA procedures
- Sharing updates related to the Board's regulatory and control activities.

Among the major features of the new website, a new program entitled **PIE (Program for Investor Education)** developed and supervised by the Research and Communications Department will be an integral part of the website. This program specializes in educating the investor on the basic principles of investment allowing them to understand the importance of investments and ensuring that risks related to securities and authorized financial instruments in the local and international markets are taken into consideration every time an investment is being considered. The program includes booklets, presentations, and videos relevant to investment education, which mainly focus on topics such as: How to avoid financial fraud, instructions on how to verify that all institutions or individuals or parties selling investments to investors are licensed and authorized by the CMA, in addition to recommendations on how to select a professional financial consultant and how to set investment strategies on the short-term and long term.

Among the projects undertaken by the CMA departments and units:

The Research & Communication Department organized a number of consultative seminars and conferences held by the CMA under the patronage of the Chairman Mr. Riad Salameh for the launching of the implementing regulations in the Lebanese capital markets. The conferences were marked by a high turnout from various stakeholders, in addition to international experts from the World Bank. Moreover, the Research & Communication Department published an electronic newsletter listing all issues and recommendations tackled during the conferences, which made all documentations available, including speeches conducted by the panelists and comments and discussions of participants, as well as copies of the new implementing regulations along with their amendments approved by the CMA after consulting the market.

Furthermore, the Department focused on internal activities such as the preparations of daily media reports summarizing the major local and international financial newspapers articles to be shared with the Board and CMA staff. Additionally, the Department issued its daily and periodic financial research related to the performance of the Beirut Stock Exchange and statistical data related to collective investments scheme and structured products of all financial institutions and financial intermediary companies and banks to be published on the CMA website.

1.6 Capital Markets in Lebanon

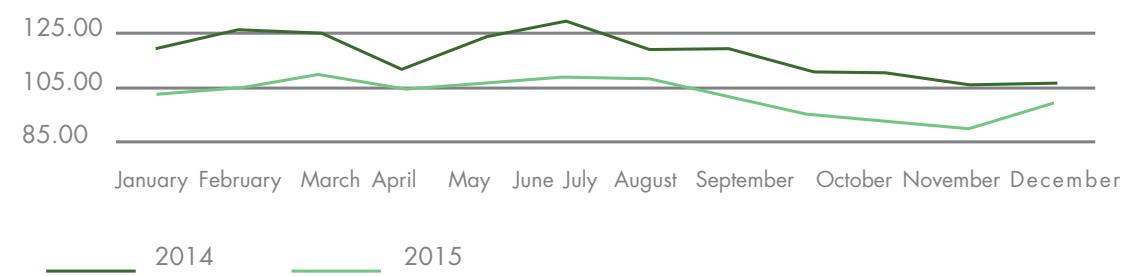
A brief on the state of the Lebanese Capital Markets in 2015

The Beirut Stock Exchange (BSE) Index

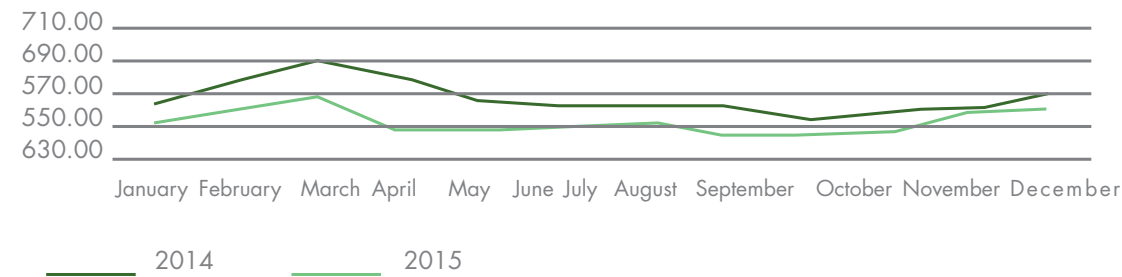
The number of companies listed in BSE is ten (10) displayed in table 1 below along with many structured products and investment funds. The market value of the BSE has reached at the end of year 2015 USD 11.220 billion

Table 1		
	Financial	Non-Financial
Listed Companies	BLC Bank	Solidere
	Audi Bank	RYMCO
	Bank of Beirut	Holcim
	Byblos Bank	Société Libanaise des Ciments Blancs
	BEMO Bank	
	BLOM Bank	
Total	6	4

Table 2
Market Value Weighted Index 2014 - 2015



Banks Value Weighted Index 2014 - 2015



The Market Value Weighted Index

The Market Value Weighted Index of shares listed in the BSE during the period in between 2014 to 2015 showed a regression of 12.96%, whereas the index in 2015 recorded 102.24 points (as shown in table 2) against 117.47 points in 2014.

The Banks Value Weighted Index of banks listed in the BSE increased in 2015 by 2.14% with a difference of only 14 points whereas the ratio in 2015 closed at 667.46 points against 653.47 points in 2014.

Table 3		
▼ Market summary report	2014	2015
Number of transactions	10.805	9.745
Volume of Trade	96.790.303	74.774.129
Value of stocks traded (USD)	661.412.925	629.973.104
Average value/working day (USD)	2.699.645	2.592.482
Average size/working day	395.062	307.712
Value/Volume	6.83	8.43
Number of trading days	245	243
▼ Market liquidity	2014	2015
Turnover Ratio = annual value traded / annual market value ratio	5.97%	5.54%
Percentage of free float	92.86%	92.74%
▼ Market size	2014	2015
Total number of listed securities	30	30
Total number of listed companies	10	10
Average of Market Value (Million USD)	11.076	11.365

As for the BSE index, table 3 displays a summary showing a decline in the volume of trade in 2015 by 22.75% attaining 74.774.129 shares against 96.790.303 at the end of year 2014. The value of stocks traded declined by 4.75% in late December reaching USD 630 million against USD 661 million at the trading closing date in year 2014. It is worth mentioning that the main reason behind this decline is the decrease by 11% of the number of transactions in year 2015 to 9.745 against 10.805 at the end of the year 2014.

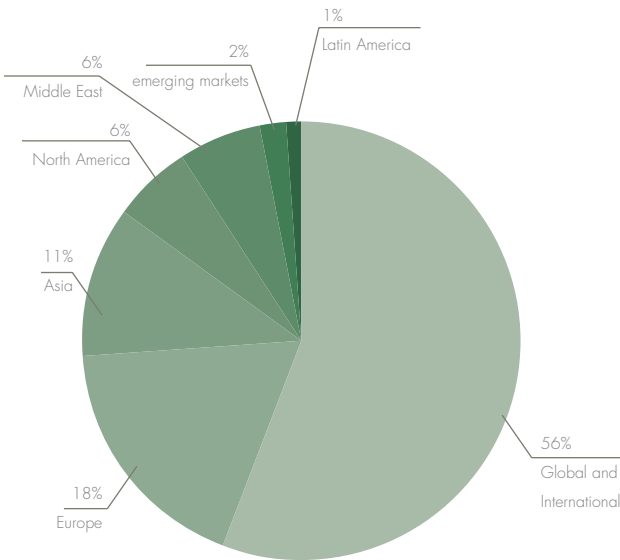
Foreign Collective Investment Schemes

The below table (4) displays the number of foreign collective investment schemes at 516 whereas the total number of subscribers in foreign investments are 9,149. The total value of subscriptions in foreign investments reached around USD 1.7 billion, among which 60% in equity stocks and 15.3% in investments based on Fixed Income Securities. The table clearly shows that subscribers to foreign collective investment schemes favored investments based on equities traded within the international geographical scope.

Table 4

Foreign Collective Investment Schemes Summary	
Total number of Investment Schemes	516
Total number of subscribers	9.149
Total subscriptions (USD)	\$1.668.800.798.27
Transference Capital	511
Fixed Capital	5

Investment geographical scope



Type of Investment

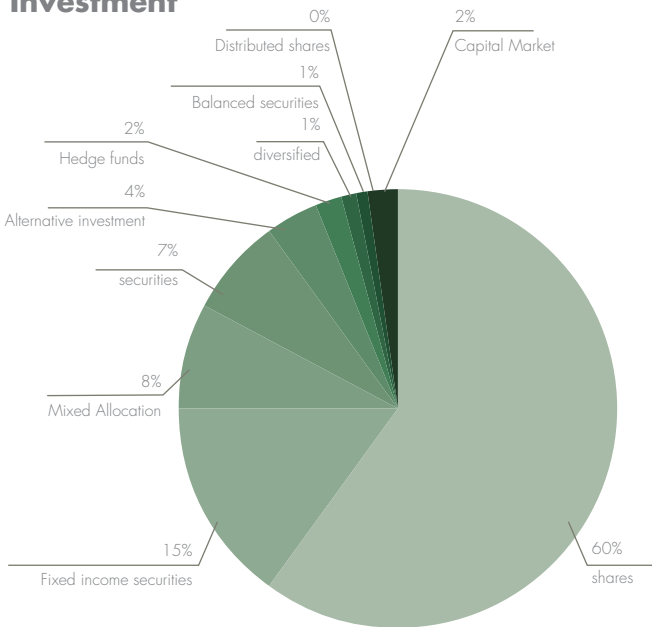


Table 4

Foreign Collective Investment Schemes Summary	
Currency	
USD	323
EUR	148
CHF	21
GBP	7
JPY	6
LBP	8
JOD	1
CAD	1
SAR	1
Type of investment	
Equity Shares	311
Fixed Income securities	79
Mixed Allocation	39
Securities	37
Alternative investments	19
Hedge Funds	12
Diversified	5
Balanced Securities	4
Distributed shares	1
Capital Market	7
Real Estate	1
Specialized Securities	1
Investment Geographical Scope	
Global and International	287
Europe	92
Asia	59
North America	33
Middle East	29
Emerging Markets	8
Latin America	6
OECD	1
Russia	1
Type of Institution	
Bank	420
Financial Institution	96

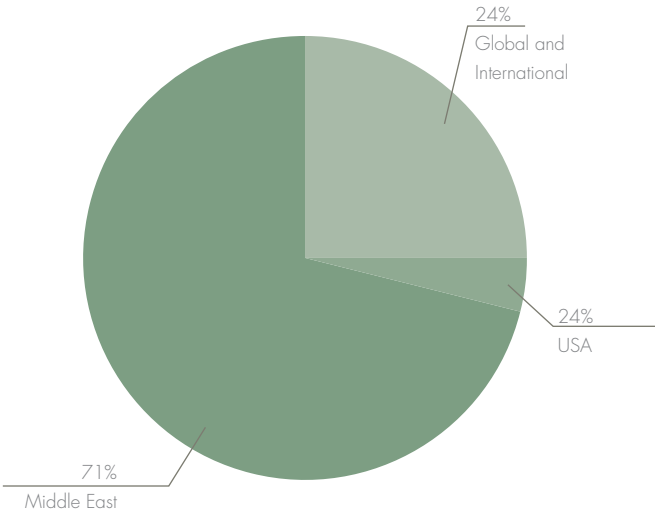
Local Collective Investment Schemes

The below table (5) displays the number of local collective investment schemes which is 28 whit a total amount of subscriptions reaching USD 789 million whereas 71% of the investments is placed in the Middle East with 43% in securities and 22% in capital market.

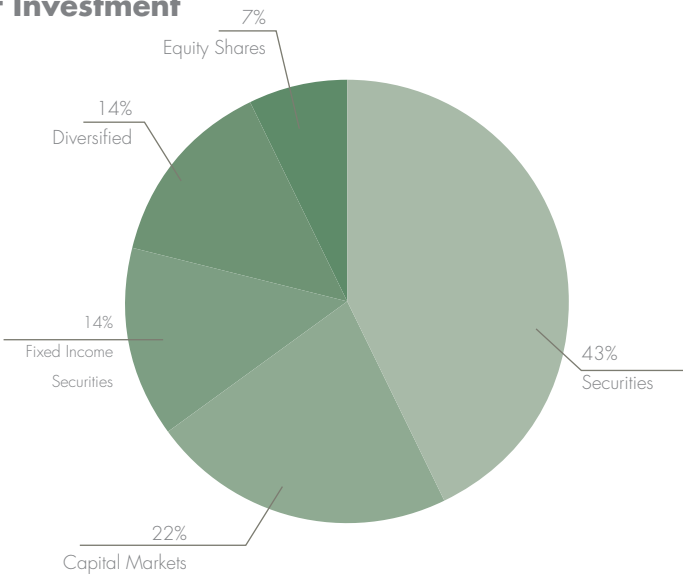
Table 5

Local Collective Investment Schemes Summary	
Total Number of Investment Schemes	28
Total Number of Subscribers	5.098
Total amount of subscriptions (USD)	\$789.006.841.55
Transference Capital	28
Fixed Capital	-
Currency	
USD	20
LBP	6
JOD	1
EUR	1
Type of Investment	
Securities	12
Capital Market	6
Fixed Income Securities	4
Diversified	4
Equity Shares	2
Investment Geographical Scope	
Middle East	20
Global and International	7
USA	1
Type of Institution	
Bank	26
Financial Institution	2

Investment Geographical Scope



Type of Investment



1.7 Coordination with local and international regulatory bodies

Financial Sector Assessment Program (FSAP)

The CMA Board launched the FSAP with the cooperation of the World Bank and the International Monetary Fund. This program provides a detailed assessment of the financial sector management in Lebanon and identifies and fills the gaps that may hinder the CMA from joining the International Organization of Securities Commissions IOSCO taking into account that most of the requirements have been met.

IOSCO Growth and Emerging Markets GEM Committee Annual Meeting

The Capital Markets Authority, and upon the Chairman’s request, seeks to officially join the International Organization of Securities Commissions. IOSCO which is the international body that supervises the world’s capital markets is recognized as the global standard setter. CMA’s board members visited the IOSCO in Madrid and expressed Lebanon’s wish to initiate the process of membership to the regulatory organization as an associate member first, and then continue to increase level of participation to ordinary member.

Within this context, the CMA pursued its endeavor to reach the IOSCO membership by following up with the objects of the GEM committee annual meeting as an observing party; this committee constitutes one of the biggest IOSCO committees and known for being dynamic and has motivated all its member countries to make significant changes related to their regulations and the nature of their capital markets and this highlights several subjects that are of an interest for the CMA. The meeting held in Cairo, Egypt focused on identifying the work mechanisms to develop the capacities of the supervisory authorities particularly in identifying the risks the capital markets may be exposed to such ass Systemic Risks and others.

Membership to the IOSCO is a great indicator to how eager the CMA is in positioning itself as a regulator of international business standards and awareness, especially as it works to enhance transparency and increase confidence in a bid to attract more investors, while utilizing a policy that highlights the interest of the Lebanese market along IOSCO guidelines.

The 25th conference of the U.S. Securities and Exchange Commission (SEC) on the Economic Growth and Development of Financial Instruments

The Secretary General of the Capital Markets Authority participated in the conference organized by the U.S. Securities and Exchange Commission (SEC) from 12 to 26 March 2015 held in Washington, United States of America attended by a significant number of representatives from developing countries. The organizing party selected proficient lecturers opening the floor to discuss several topics that are of interest for the supervisory Authorities in the Capital Markets, including efficient disclosure; small and medium size projects investments and strategic economic sectors; companies investment and capital formation; investor’s awareness; organization of Collective Investment Schemes; Market manipulation and fraud; corporate governance and other. Furthermore,

Testimonies on workshops and conferences

The attendance reflected a large degree of consensus on the importance of the seminars and discussions carried out during the 25th Conference of the U.S. Securities and Exchange Commission (SEC) on the Economic Growth and Development of Financial Instruments especially that the conference presented specifics of the methods conducted by the SEC and American Stock Exchanges in undergoing regulatory oversight and operations. The main focus was on the experience of the SEC, and though the market regulations are different between both CMA and SEC, the CMA could benefit largely from the American experience.

Dr. Saade Chami
CMA Secretary General

the conference included activities such as visiting other organizations namely the Financial Industry Regulatory Authority (FINRA), the Congress and other.

In general, the majority of the attendance agreed on the importance of the lectures and discussions during the conference which emphasized on the methods adopted by the SEC in Business Management. For instance, the lectures revolved around the investor's awareness and the effective economic analysis focusing on the SEC market experience which is an extreme benefit for the developing countries though the market regulations are different.

On the sideline, the Secretary General of the CMA networked with the attendees and the SEC employees and attended a private business lunch gathering a few number of VIP participants and Mr. Michael Piwowar one of the 5 SEC commissioners appointed by the U.S. President.

The CMA Secretary General spoke about the challenges that Lebanon is facing in the market development and the importance of the economic and risk analysis conducted at the SEC, which enables better decision-making by ensuring that decision related to the market requires the approval of the economic section in order to come into force.

On the other hand, the Secretary General discussed the possibility to provide technical help to the Lebanese CMA, a request that was acknowledged by the concerned parties who suggested alongside an assessment of activities, a gap analysis that identifies any gaps in order to provide the CMA with the proper advice regarding its core activities.

Lebanon contribution in setting the 2016-2020 strategic plan for The Union of Arab Securities Authorities

The CMA Secretary General participated in the meeting organized by the Union of the Arab Securities Authorities in view of forming a committee constituted of members of the Union to set a strategic plan for the next five years 2016-2020. The CMA Secretary General was chosen unanimously by the representatives of the five countries to chair the committee.

The Secretary General oversaw the drafting of the strategic plan with the coordination and cooperation of the Union Secretary General and members. A Second meeting was held in December over two days in Dubai whereas the plan was discussed point-by-point. As a result of deliberations and suggestions proposed by the members of the committee, the plan was finalized in both Arabic and English languages and approved by presidents and representatives of regulatory bodies during the annual meeting of the Union of Arab Securities Authorities held in Egypt in early 2015.

Signing of Memorandums of Understanding (MOUs)

MOU between the Lebanese and Tunisian CMA

6 June 2016

The CMA represented by its Chairman Mr. Riad Salameh signed a Memorandum of Understanding with the Capital Markets Authority of Tunisia on June 2015. This MOU aims at exchanging technical and regulatory information in between the authorities which contributes in enhancing transparency and developing the market as well as protecting the investor. Both parties reflected their desire to cooperate and coordinate in this MOU, inline with all the international agreements that were concluded between the CMA and its international counterparts aiming at protecting the market from manipulation and fraud. The MOU included a mechanism for exchange of expertise and stated the possibility of organizing common programs for training and development of staff competence.

MOU between the CMA and FSRA the Financial Services Regulatory Authority in Abu Dhabi

1 December 2015

In response to the letter received from the Abu Dhabi Global Market, the Secretary General contacted the External Relations Officer of the Abu Dhabi Financial Services Regulatory Authority (FSRA) to set a Memorandum of Understanding between the CMA and the FSRA. The MOU signed in Beirut, December 2015, intends to provide an official foundation for cooperation, along with an agreement to the exchange of information and support related to investigation procedures that aims to protect the development of the financial systems operating under the authority of both the CMA and the FSRA, and according to the standards set by the International Organization of Securities Commissions IOSCO.

1.8 Activities & Achievements

2015 was marked by the great participation in conferences that were organized and sponsored with the coordination of the CMA. The participation of CMA personnel in regional and international conferences and seminars strengthens its relation with foreign counterparts and enhances the staff abilities by introducing them to new expertise in their fields.

Euromoney Lebanon Conference: Finance and Technology Euromoney Conferences

9 June 2015



Under the patronage of the Capital Markets Authority CMA and the Bank of Lebanon BDL, the CMA Chairman Mr. Riad Salameh opened the Euromoney Lebanon conference entitled “Finance and Technology Partners for Growth” held at the Four Seasons Hotel. The Chairman introductory speech expressed a strategy that supports the private sector, particularly the startup companies, pointing out at the effective participation of the CMA in ensuring a convenient environment that guarantees a fair and transparent capital market, which aims to complement the role of the BDL circular number 331 and the support offered to the Accelerators. In his speech, the Chairman announced the launch of the Electronic Trading Platform that will connect banks, financial institutions and intermediaries in Lebanon and further improve the creation of market liquidity through the introduction of gold and currency trading, a development that would reflect positively on the trading of shares and commodities. The objective of this electronic market is to provide a solution for startup companies wishing to list their shares when it is time for investors to exit their positions in companies.

The Chairman indicated that the private sector is responsible for the management and operation of the market that is to be monitored by the CMA, which has made available the necessary rules and regulations for the bidding process. Thus, the CMA is seeking to connect this market internationally particularly with countries embracing the Lebanese Diaspora making investment in Lebanon easy and reliable for whoever wishes to invest in the Lebanese market.

Furthermore, and on a separate panel during the conference, Mr. Firas Safieddine CMA Executive Board Member discussed the role of the markets and their ability to support startup companies away from the prevailing global funding patterns which emphasizes the role of bond markets, and the possible initiatives to motivate the private sector to benefit from transparent capital markets.

UASA's 9th Assembly Board Annual Meeting, Algeria

18 February 2015

Represented by Mr. Sami Saliba, executive Board member, the CMA participated, for the first time, in the Union of Arab Securities Authorities 9th Assembly Board Annual meeting held in Algeria whereas the discussion revolved around the infrastructure of the markets and requirements for transparency and disclosure. The Algerian Minister of Finance Mr. Mohammad Jallab opened the meeting stating that capital markets play a major role in financing large projects in both private and public sectors pointing out that the Algerian Government is seeking to develop its Stock Exchange and encourage the Arab capitalist to invest in its market.

Chairmen and Arab capital markets representatives attending the 9th Assembly Annual Board meeting held in the Capital of Algeria agreed that Egypt will chair the 2016 term of the Union of Arab Securities Authorities and host the 2016 annual meeting in Cairo, Egypt. The participants approved the 2014 Union's financial statements and the 2015 budget and agreed on the re-election of Mr. Jalil Tarif from Jordan as the Secretary General for the coming three years.

2015 ARAB IPO SUMMIT

Dubai, UAE

14-17 September 2015

Mr. Sami Saliba, representative of the CMA, participated in the 2015 Arab International Property Owners Summit along with activists in the capital markets, stock exchange and investment banks, in addition to the top companies in the private sector and discussed the latest trends and practices in the Arab capital markets as well as the future of these markets regionally and the listing rules.

Clearing, Settlement and Custody Middle East Forum IBC Asia

7 December 2015

On behalf of the CMA, Mr. Sami Saliba attended the Clearing, Settlement and Custody Middle East Forum held in Dubai, United Arab Emirates covering several topics related to capital markets in the Middle East mainly regarding the trends and standards of the market and the development of assets management and custody as well as other procedures within a series of interactive debates. Mr. Saliba's intervention covered the role played by the CMA in protecting and following up with the relations between Businessmen and the banks and financial institutions accordingly with the market's needs for an efficient mechanism.

Arab Federation of Exchanges Annual Meeting Bahrain Bourse & Thomson Reuters

22 April 2015

With the cooperation of Thomson Reuters the leading source of intelligent information for businesses and professionals, the Bahrain Stock Exchange hosted the Arab Federation of Exchanges conference on 22 and 23 April 2015 whereas the AFE Annual meeting is held in parallel attended by more than 18 Stock Exchanges and Arab capital markets.

The Vice Chairman Mr. Fadi Fakih attended the conference on behalf of the CMA and exchanged experience and expertise with senior officials of Arab Stock Exchanges shared viewpoints related to the best practices and approaches applied in the region.

The objective of the conference is to contribute in the development of Arab Stock Exchanges and promote integration and methods to increase liquidity in addition to the development of initial public offerings in the Arab capital markets and raise awareness of the latest technical developments related to the financial sector.

This conference plays a major role in providing the appropriate structure for the Arab Stock Exchanges officials to meet with experts and competent parties in the Arab and foreign financial sector sharing points of view related to the latest updates in the Arab and international Stock Exchanges.

Corporate Governance in the Middle East and North Africa Annual Meetings World Bank

27 May 2015

Represented by the Vice Chairman Mr. Fadi Fakih, the CMA participated in the MENA Corporate Governance Annual Meeting held in Tunisia and organized by the World Bank which covered the subject of adaptation and flexibility of governance development in the Middle East – Resilience in the MENA Region – in the presence of the Lebanese Ministry of Finance and Arab and International capital markets. Mr. Fakih delivered a lecture on CMA's experience in spreading

governance awareness in listed and unlisted companies, and the characteristics of Law 121/2011 based on which the CMA was established.

“Developing Sukuk Market” Conference AMF with the cooperation of the World Bank

19 April 2015

With the cooperation of the World Bank, the Arab Monetary Fund held the “Developing Sukuk Market” Conference in Abu Dhabi from 19 to 23 April 2015.

Mr. Ali Hennawi, Communication & Research Officer at the CMA, attended the debate covering the Sukuk market development to learn about the latest progress.

The conference's main focus was on the role of Sukuk in terms of economic development by presenting a general overview about the different capital markets and their connection with Islamic Sukuk. Moreover, the conference elucidated the adopted structure of Sukuk Bonds and the securitization mechanism along with the effective role of supervisory and legal institutions on market stabilization. The conference pointed out the connection between the Islamic Shariah and Sukuk clarifying the appropriate methods of the market's risk management as to their compliance with an accredited jurisprudential reference and how regulatory and control bodies can supervise the Sukuk Markets and legitimize them. In this section, the audience discussed what turned out to be a conflict of vision in between the regulatory bodies and the Islamic Shariah Scholars whereas the scholars have the authority to contest the judgment decrees issued by regulators. Therefore, the establishment of an Islamic Unit compliant with the Islamic Shariah was taken into consideration to resolve any issue related to Sukuk, or a specialized section within the regulatory structure to approve Sukuk before issuance. Throughout the conference, one of the hosts defined the activity of the independent international organization of the Auditing and Accounting Organization for Islamic Financial Institutions (AAOIFI) and presented a detailed analysis on its contribution in standards implementation in most of the Arab and International countries. At the end, studies related to previous experiences were presented showing cases of Sukuk bankruptcy such as East Cameroon and Nakheel UAE.

The seminars and training workshops on “Developing Sukuk Markets” were very beneficial and valuable notably with the participation of the World Bank and the Arab Monetary Fund. My participation in these training workshops helped me learn more about Sukuk knowing that there are many ramifications related to this subject that is still being discussed since there is still room for development in terms of control and organization. The financial instruments still lack the required liquidity compared to the size of the traditional bonds trading. One of the characteristics mentioned during the conference is that Sukuk attract investment capitals in Islamic countries. Therefore, Sukuk remain a financial instrument that may boost the success of private companies and enhance the economy as well.

Ali Hennawi

Communication & Research Officer at
the CMA

4th Capital Markets Regulator Forum COMCEC Organization of Islamic Cooperation and Capital Markets Board of Turkey

28 November 2015

On behalf of the CMA, the Vice-Chairman Mr. Fadi Fakih attended the 4th Capital Markets Regulator Forum held in Istanbul, Turkey and initiated by the Organization of Islamic Cooperation. The conference was opened by the Chairman of the CMB of Turkey and the Director of the Coordination Office in COMSEC presenting the committees reports on activities carried out last year related with respect to financial awareness, Islamic investment and market development.

World Bank Financial Infrastructure Week World Bank

1-4 September 2015

The CMA Research and Communication Department Director Mr. Tarek Zebian attended the World Bank Conference on Capital Markets financial Infrastructure held in Istanbul, Turkey from 1 to 4 September 2015. The World Bank payment programs team suggested the participation of the CMA in this international conference that is held once every two years to discuss the latest supervisory developments related to payment programs and electronic clearance as being the supervising party on settlement, clearing and trading electronic systems while the CMA is getting ready to launch the Electronic Platform license process due in 2016.

Lebanese Diaspora Energy Conference 2015 Ministry of Foreign Affairs and Emigrants

21 March 2015

Mr. Tarek Zebian, Research and Communication Department Director, represented the CMA during the “Lebanese Diaspora Energy” conference held under the patronage of the Ministry of Foreign Affairs and Emigrants. Mr. Zebian participated in a specialized panel on the Lebanese financial sector and its relation with foreign and local capital whereas he pointed out the importance of the regulations issued by the Authority in relation to the protection of investors, and ensuring market transparency is a main requirement for any investor, particularly emigrants and foreigners who know less about the business culture of the countries that they intend to invest in. Mr. Zebian also mentioned the major opportunity for strengthening the capital market activity in Lebanon due to the high percentage of Financial Inclusion, when compared with other countries in the region, especially with the current low trading activity in Lebanon vis-à-vis the strong and complementary role that the banks will be playing in developing the Lebanese capital markets.

CMA Lebanon Conference: Prospects and Opportunities Beirut Traders

13 March 2015

Along with the series of lectures conducted throughout the year for the third year in a row in the Beirut Traders Conference Center under the patronage of BLOM Bank, Mr. Sami Saliba CMA Executive Board Member attended a conference on “Lebanese Capital Markets: Prospects and opportunities” in the presence of many financial institutions and Trade Associations representatives and senior Businessmen.

In his introductory speech, Mr. Nicolas Chammas, Chairman of Beirut Traders Association, focused on the importance of the CMA as to the development of the capital market structure and the application of new investment instruments in Lebanon.

On the other hand, Mr. Saad Azhari, Chairman of the Board of Directors and General Manager of BLOM Bank stressed the continuous support of the CMA by the banking sector adding that the CMA is facing many financial and political challenges as well as challenges in terms of the development of the companies Law, financial structure and the familial monopoly in addition to the limited financial awareness and the regional and foreign market competition. Furthermore, he stated that the capital markets do not compete with the banking sector as to what some claim, instead it constitutes a complementary service and a major factor as to the development of business and investment banks performance and the modernization of its financial and banking services.

The CMA Executive Board Member Mr. Sami Saliba affirmed that the Authority will strengthen the relation between businessmen and business banks and financial institutions according to their needs for the market development to

constitute the third basis of an effective economic country. Moreover, he stated “capital markets play a major role as to the national economy, investors and financial instruments issuer companies for being the source of finance required by the companies for investment projects capitals and expansion and growth fund operations and for being one of the economic reform requirements”.

He also indicated that the CMA, as per the instructions of the BDL Governor Mr. Riad Salameh, is conducting a detailed study aiming at developing and licensing a secondary parallel market seeking to develop the market and motivate investment while the BSE privatization process is concluded.

Conference on Capital Markets in the Middle East University

9 December 2015

Mr. Firas Safieddine, CMA Executive Board Member, delivered a lecture on the Lebanese Capital Markets in the Middle East University in the presence of BSE representatives and Financial Experts. The President of the Middle East University Dr. Leif Hongisto attended the conference along with presidents and deans from various universities, businessmen, teachers, financial banking experts, journalists and students.

In his speech, Mr. Firas Safieddine stressed the importance of the CMA a to supervise the development of capital markets according to its authority stipulated by the Capital Markets Law 161/2011 particularly in terms of organization, control and accounting. Mr. Safieddine indicated the major change accomplished by the Authority till now and mentioned the importance of the Electronic Trading Platform launch that will allow the emerging companies to be listed and enable successful companies to list their shares on the market.

Conference on the CMA at the American University of Beirut

1 December 2015

The Research and Communication Department Director Mr. Tarek Zebian delivered a lecture on the prohibition of Inside Trading Law 160/2011 and the Capital Markets Law 161/2011 based on which the CMA was established. He made a brief presentation on the latest developments, importance of activities and influence of CMA on the Lebanese financial and capital markets in General.

Mr. Zebian also participated as a jury member for prospective projects presented by students of the Economics and Agricultural Trade Faculty and provided comments on how to enhance the sustainability and success of these projects and fund them through capital markets.

1.9. Budget of the Capital Markets Authority

The CMA 2015 expenses amounted to LBP 9.7 billion. Current expenditures represented 87% of the gross total, the greater part of which is allocated to staff wages and salaries.

Deloitte & Touche conducted the 2015 fiscal year audit in accordance with International Standards on Auditing and found that the statements display equitably the financial status of the CMA.

The CMA's expenses are expected to rise by LBP 1 billion in 2016, as per the budget approved by the Board of Directors, reflecting mainly the increase in salaries due to new recruitments.

2015 Budget (LBP Million)

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Gross Total	925	572	1,014	1,005	490	940	675	489	1,113	636	568	1,336	9,762
Current Expenditures	778	525	841	946	463	790	645	465	968	617	551	912	8,501
Personnel Charges	420	395	785	735	415	739	415	415	922	494	499	857	7,091
Occupancy Expenses	300	25	20	185	21	26	204	26	22	98	22	26	975
Consumables Expenses	26	10	9	9	9	8	10	7	8	9	13	9	127
Conferences and International rganizations	0	60	0	0	0	0	0	0	0	0	0	0	60
Telecommunication	8	9	9	9	9	8	8	8	7	7	8	8	98
Services and Administrative Installations	14	8	8	8	8	8	8	8	8	8	8	7	101
Consultancy	10	18	10	0	1	1	0	1	1	1	1	5	49
General Statutory Reserve	23	16	25	28	14	24	19	14	29	19	17	27	255
Capital Expenditure	120	30	143	30	13	123	10	10	113	0	0	385	977
General Statutory Reserve	4	1	4	1	0	4	0	0	3	0	0	12	29

2016 Budget (LBP Million)

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Gross Total	1,023	926	1,111	617	614	963	619	952	1,022	689	671	1,059	10,304
Current Expenditures	966	889	1,058	583	585	915	584	904	982	642	640	1,009	5,795
Personnel Charges	834	499	983	509	509	853	509	589	918	574	577	951	8,305
Occupancy Expenses	63	341	27	27	27	27	27	289	27	27	27	27	936
Consumables Expenses	28	12	12	11	12	10	12	9	11	9	15	10	151
Conferences and International rganizations	10	10	10	10	10	0	10	10	10	10	10	8	108
Telecommunication	7	9	8	8	9	7	8	8	8	9	8	9	98
Services and Administrative Installations	14	8	8	18	8	13	8	9	8	8	8	7	117
Consultancy	10	10	10	0	10	5	10	0	10	5	5	5	80
General Statutory Reserve	29	27	32	17	18	27	18	27	29	19	19	30	294
Capital Expenditure	27	10	21	16	11	20	17	20	10	27	11	19	209
General Statutory Reserve	1	0	1	0	0	1	1	1	0	1	0	1	6

The sole existence of capital markets is not sufficient to serve the economy in the absence of effective regulations and efficient sustainable control for the protection of the investor and avoidance of financial relapses.

Chapter II

Future Outlook for 2016

Throughout 2016, as the regulatory workshop is nearly completed, the CMA's main attention will be focused on the implementation of best practices for market development and enhanced private sector integration in capital markets. To this end, the CMA will continue to its oversight and regulatory work that further enhances transparency, control and accountability in accordance to international developments.

Therefore, the CMA will embark on a study involving the current situation of capital markets, the primary initiatives needed for development, and assessing the barriers that have hindered capital market access to promising sectors that may play a major role in market development. In expectation of becoming an Associate Member in the IOSCO, the CMA will work on fulfilling all the paper requirements to be submitted for an Ordinary Member membership in 2017.

As previously stated, being a member in IOSCO will provide international technical and legislative support when needed, allowing the CMA to further profit from international experiences and lessons learned at other global regulators. This anticipated step will contribute in 2016 in enhancing international cooperation with counterparts through seeking memberships in many international committees specialized in subjects relevant to the IOSCO members opening new doors for a greater number of MOUs to be signed with regional and international bodies. Within the same scope of foreign cooperation, the CMA is organizing the international conference of the francophone organization for financial control IFREFI which is projected to enhance the CMA activity and strengthen its relation with the French and francophone regulatory bodies. Lebanon represented by CMA is also seeking membership to the Mediterranean Financial Regularity Authority Organization in 2016.

On the other hand, with the collaboration of the Ministry of Finance, the CMA will establish a regulatory framework for implementing the privatization of the BSE in preparation to its integration with the Electronic Trading Platform (ETP) that is being established by the CMA, a step that will assist the process of market development as the ETP allows for the trading of various securities and foreign currencies, metals and derivatives such as Forward Contracts, Options Contracts and Treasury Bonds trading to secure liquidity as well as a major role in listing the shares of emerging companies.

The CMA received suggestions and comments from financial institutions regarding the set conditions related to the electronic platform and will discuss them during a consultative meeting presided by the CMA Chairman in furtherance to clarify and improve them.

The sole existence of capital markets is not sufficient to serve the economy in the absence of ideal implementing regulations and efficient sustainable control for the protection of the investor and avoidance of relapses. The vision of the CMA Chairman and BDL Governor clearly expresses the persistence of assessing the financial sector, supervised by the World Bank and the International Monetary Fund, to ensure the importance of identifying possible shortages in legislations, organizational structure, as well as the applied legal frameworks particularly after conducting legislative workshops that contributed in improving the work environment in the Lebanese markets.

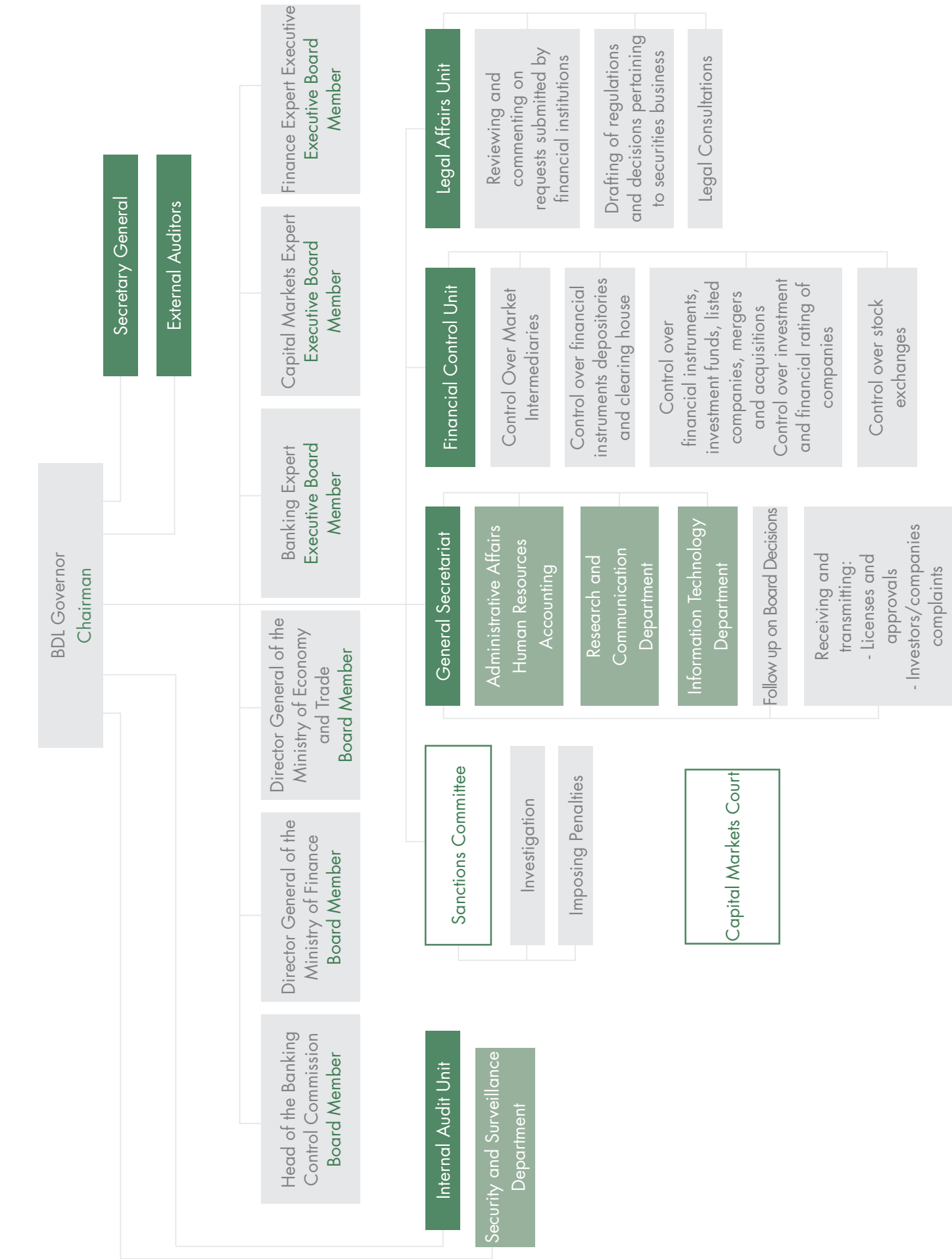
Appendix 1

About the Capital Markets Authority

1. Organizational Structure

Since the CMA was recently established, it is necessary to review the organizational structure and powers of its units, which shall serve as a brief to the public, in the effort to facilitate contacting the staff of CMA when needed.

Following the recent amendments made to its structure, the CMA consists now of four main units: the General Secretariat; the Financial Control Unit; the Legal Affairs Unit and the Sanctions Committee; in addition to the following Departments: Administration, Human Resources and Accounting, Information Technology, Communication and Research, Internal Audit and Security and Surveillance.



2. Chairman and Executive Board Members

The management of the Capital Markets Authority is entrusted to a Board formed of seven members and chaired by the BDL Governor. The Board comprises three full-time members experts in banking and financial affairs, and three part-time members representing ministries and departments directly involved in the work of the CMA: the Director General of the Ministry of Finance, the Director General of the Ministry of Economy and Trade and the Chairman of the Banking Control Commission.

The Board has extensive powers that may enhance investor protection and promote investment in the financial markets. It has the power to establish general regulations concerning the establishment and management of stock exchanges, the regulations concerning the establishment and functioning of financial intermediary institutions which manage investment funds for the public. It also sets the code of conduct to be followed by stock exchanges and their users, as well as by financial service providers and their users. The Board of Directors has the power to regulate governance related issues, such as the obligations of financial instrument Issuers to publish and disclose to the public price-sensitive information.

In the same context, the Board has the power to license the establishment and functioning of financial intermediary institutions, and securitization; ratify (or cancel previous ratification of) the decisions taken by the administration of each stock exchange concerning the registration of securities and financial instruments; and approve the regulations set by the administrations of stock exchanges concerning the transactions undertaken on such stock exchanges. Moreover, the Board of Directors is mandated by law to issue consultations and opinion on draft laws and decrees related to the work and development of the capital markets.

3. Secretariat

The role of the Secretariat is crucial since it is the administrative body of the CMA and its work affects, and is affected by, the work of other units and the Board. The Secretariat will ensure that the decisions taken by the Board are executed and suggest to the Board investigations and inspections regarding the violations of Law 161 or any of the CMA regulations. The Secretariat shall also transmit the complaints to the Board, while also communicating to the Board the decisions taken by the Sanction Committee, and notify these decisions to the concerned parties. It shall submit the CMA Reports to the Board and ensure that the Board regulatory decisions and general directives or instructions are published. The Secretariat shall also suggest to the Board the establishment or amendment of the provisions and regulations relating to capital markets.

4. Financial Control Unit

The Financial Control Unit (FCU) monitors the compliance of capital markets to the rules and procedures put forward by the CMA, and ensures that financial institutions are abiding by the set regulations and detailed instructions, and trading conditions stipulated under the law are applied. The Financial Control Unit may request from the external auditors of the concerned institutions, or from independent experts, to further audit and analyze the operations of these institutions, and to perform compliance investigations and collect evidence for detecting violations detrimental to the functions of a sound capital market.

It ensures that the companies and institutions whose securities and financial instruments are traded on stock exchanges are disclosing information to the public on a periodic basis, as stipulated in the laws and regulations. It also ensures the accuracy and quality of the published information and the timely dissemination of price-sensitive information in relation to the company itself, or any of its securities and financial instruments.

The control unit may require that these companies and schemes provide additional information, and make amendments deemed necessary to the information published, if it finds that the information published is incomplete or inaccurate.

It is worth mentioning that the audit and control activities of the CMA constitute the backbone of the functions of the Authority. In this regard, it secures the proper functioning of financial institutions and imposes transparency in the market that aims to protect the investor, through the adoption of best international standards in this area.

5. The Legal Affairs Unit

The Legal Affairs Unit at the Capital Markets Authority is entrusted with three essential roles. (1) It supports the various units and divisions of the CMA by providing them continuously and in a timely manner with legal guidance necessary to successfully achieve their objectives; (2) it drafts the regulations that will be issued by the CMA in fulfillment of its task of regulating the capital markets in Lebanon; and (3) it reviews applications for licensing for market institutions and intermediaries and product and various other requests, and submits its recommendations to the CMA Board.

The Legal Affairs Unit also drafted several legal opinions in order to provide the proper legal framework for the projects related to other units, such as a legal study on the possible financing of the CMA, or a legal memo on the different legal backgrounds related to the CMA scope of work.

Therefore, developing legal frameworks and making sure that all the regulatory systems adopted by the CMA do not conflict with the Lebanese laws in force are an essential part of the work of the CMA.

6. The Sanctions Committee

The Sanction Committee is expected to be formed in the near future so that the CMA can take necessary measures against anyone who violates the laws and regulations that govern the functioning of CMA. The Sanction Committee shall examine violations transmitted by the Board, and take the necessary decisions. It shall have the authority to impose administrative sanctions and monetary penalties on all parties, entities and natural persons who deal with financial instruments and services.

Institutions and Private Businesses Subject to the Supervision and Control of the Capital Markets Authority

Institutions and private businesses subject to the supervision and control of the Capital Markets Authority Law 161 defines all activities that are subject to the control and authority of the CMA. It includes all operations related to the issuing, purchase, sale, or promotion of financial instruments that are directly offered for Public Subscription, or that are purchased or sold on behalf of the public, in addition to Financial Instruments listed or traded on the stock exchange, and financial instruments and financial rights licensed by the Capital Markets Authority. The law clearly defines all activities pertaining to financial instruments, as well as institutions that are subject to the authority and control of the financial markets as shown in the following table:

Parties subject to the supervision and control of the CMA

- Licensed individuals
- Companies listed on the Lebanese Stock Exchange
- Lebanese stock exchanges or institutions whose objective is to manage and conduct the business of stock exchanges, provided such institutions are established as Lebanese joint-stock companies
- Financial companies or licensed institutions and bodies including:
 - Collective investment schemes dealing in securities and other financial instruments
 - Investment schemes in securitization operations
 - Islamic investment and securitization schemes
 - Financial consultants and all other institutions providing services related to financial instruments
 - Financial Rating Agencies

Financial instruments and services subject to the supervision and control of the CMA

- Stocks, bonds or shares issued by a public or private company or entity.
- Debenture bonds, stocks, bonds, certificates of deposit, depositary receipts or treasury bills and bonds.
- Financial rights, options, futures, and all derivatives or structured financial products.
 - Investment and Securities Brokerage services
 - Portfolio Management and Book Keeping
 - Securities Custody
 - Underwriter
 - Underwriting process

