

# **BANQUE DU LIBAN**

## **Law No 705 of December 9, 2005**

### **Asset Securitization Law<sup>1</sup>**

#### **Single Article:**

The draft law transmitted by Decree 15313 of October 5, 2005, on Asset Securitization is approved as amended by the joint Parliamentary Commissions.

This Law shall become effective upon its publication in the Official Gazette.

Baabda, December 9, 2005  
Signed: Emile Lahoud

Promulgated by the President of the Republic  
The President of the Council of Ministers  
Signed: Fuad Siniora

The President of the Council of Ministers  
Signed: Fuad Siniora

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<sup>1</sup> Text of the Law published in the Official Gazette No 57 of December 15, 2005, and modified according to what was published in the Official Gazette No 1 of January 5, 2006.

# ASSET SECURITIZATION LAW

## Section I - Terminology and Definitions

### Article 1:

The purpose of this Law is to define the legal framework that governs asset securitization in Lebanon. In the context of implementing its provisions, the following expressions shall mean:

**Originator** Any Lebanese or foreign, natural or legal, person from the persons of public or private law, wishing to assign assets owned by the said person through a securitization process.

**Assets** Any financial property, tangible or intangible, movable or immovable that is part of the Originator's financial estate, including receivables.

**Receivables** Any type of debt due to the Originator by natural or legal persons.

**Fund** Any securitization mutual Fund.

**Manager** Any company that is entrusted with the management of the Fund and meets the conditions stipulated by this Law.

**Custodian** The institution with which the Fund assets are deposited.

**Legal Entity** Securitization mutual Funds specified in Article 3 et seq. of this Law, and other legal entities accepted by the Banque du Liban for this purpose, pursuant to BDL regulatory decisions that determine the features and legal status of these entities, whether governed by Lebanese or foreign laws.

### **Management**

**Expenses** Total expenses incurred for establishing and managing the Fund or the Legal Entity, and for managing the financial estate of any of them, in accordance with their respective by-laws.

### **The Fund's or Legal Entity's**

**Revenues** Revenues which, regardless of their nature, result from assets assigned through securitization.

**Restricted**

**Securitization** A securitization process in which shares and debentures are not marketed for subscription by the public. In this case, marketing and subscription are restricted to banks and financial institutions authorized by the Banque du Liban; institutions governed by insurance and reinsurance legislation; the Banque du Liban; and any type of institution whose specifications are defined by the BDL, through its regulatory decisions.

**Credit**

**Enhancement** Any additional guarantee submitted in favor of the Fund or any other Legal Entity. Additional guarantees include:

- 1- Any assignment of assets whose value exceeds that of the shares and/or debentures issued by either the Fund or the Legal Entity.
- 2- Any surety, guarantee, insurance policy or the like. Fund-backing transactions may include debentures issued by the Fund or the Legal Entity either for:
  - a- backing the financial estate or improving the guarantee concerning the shares and/or debentures issued by the Fund or the Legal Entity; or
  - b- improving the credit rating of these shares and/or debentures.

This credit enhancement may be provided by the Originator or by a third party. It is an integral part of the financial estate of the Fund or the Legal Entity.

**Islamic****Securitization****Fund**

Any securitization mutual Fund complying with the provisions of Islamic Law (Sharia).

**Islamic****Securitization****Sukuks**

Any Sukuks of equal value that are issued and traded in accordance with the provisions of Islamic Law, and that represent joint shares in the ownership of assets, rights or services.

**Article 2:**

Securitization is the financial process resulting from the assignment of assets by the Originator to a Legal Entity established for this purpose according to the provisions of this Law, with or without the assistance of a financial intermediary.

## **Section II - Establishment of Securitization Mutual Funds**

### **Article 3:**

The Fund is not a legal person; it is considered an allocated financial estate, separate and independent, established solely for achieving, through its Manager, the following objectives:

1. Acquiring the assets assigned to the Fund through the securitization process, as well as any related credit enhancement and rights.
2. Issuing securitization certificates that represent joint shares in the ownership of the Fund's estate, or debentures that are wholly or partly backed by this estate.
3. Paying to the Originator the agreed consideration for the assignment of these assets.

### **Article 4:**

For the purposes of this Law, any owner of a securitization certificate issued by the Fund shall be deemed, in the same capacity, as owning the share represented by this certificate.

This share is considered assignable and any securitization certificate is considered tradable, according to the terms and conditions prescribed by the Fund's by-laws.

Shares may be issued in registered form or to bearer. However, the assignment of any registered share is effective only between the concerned parties, unless recorded in a special register where all operations of transfer, assignment, substitution or partition are recorded. The Manager or Custodian shall be responsible for recording these transactions, in accordance with the procedures prescribed in the Fund's by-laws.

The shareowners, their heirs, successors or creditors may not request the partition of the Fund's assets. The provisions of Articles 824 to 843 of the Code of Obligations and Contracts concerning the community of property or the quasi-company, and the provisions of Articles 247 to 253 of the Code of Commerce concerning jointly-owned companies shall not apply to the Fund.

### **Article 5:**

In addition to the shares, or in replacement thereof, the Fund may issue, through the Manager, debentures that are backed by part or whole of the Fund's financial estate. This estate, or the part allocated to these debentures according to the Fund's by-laws, shall have a floating lien or be exclusively in favor of the debenture holdersowners, unless the by-laws stipulate specific degrees, preferences or priorities among debentures.

The debentures may be in registered form or to bearer, with or without coupons. They may also be issued with an interest at a fixed rate to be paid at specific dates, or they may be pre-discounted.

The by-laws of the Fund shall determine the characteristics of the debentures and the related rights, degrees, preferences and priorities, in addition to their categories and sequences, if any.

The debentures are tradable. However, the assignment of nominal debentures is effective only between the concerned parties unless recorded in a special debenture register, similar to the register mentioned in Article 4 of this Law.

**Article 6:**

A person, who subscribes to shares or debentures or acquires them through a “restricted securitization” process, may assign them only to persons included in the definition of this process, as specified in Article 1 of this Law, unless otherwise provided for in a special legal text or a general regulatory text issued by the Banque du Liban.

**Article 7:**

a) The Manager establishes the Fund and sets the details of its by-laws. The Fund, the by-laws, and any amendment thereto, are subjected to a prior approval by the Banque du Liban.

The Banque du Liban grants the above-mentioned approval to the extent it deems it serving the public interest. For this purpose, the Bank shall have a discretionary power.

b) The Fund is not liable for any obligations incumbent upon the shareowners or the Manager, except for what is stipulated in Article 12 of this Law.

The Fund is exclusively liable for the obligations and expenses explicitly specified in its by-laws.

c) The subscription to, or acquisition of, a share implies the acceptance of the Fund’s Statutes. These must, at least, include the following information and provisions:

1-The name and duration of the Fund; the names and addresses of the Originator, Manager, and Custodian, and those of the financial intermediary, if any; the appointment and termination of functions procedures of the Manager and the Custodian; and the publication procedures concerning this information.

2-A description of the intended securitization, including the nature of the assets to be assigned to the Fund, the possibility of credit enhancement and other guarantees, and an indication on whether this process is a “restricted securitization” or opened to the public. This description must also include the categories and characteristics of the shares and debentures to be issued, together with their respective degrees, preferences, and priorities, if any.

3-Special provisions for establishing a shareowners’ assembly whose task is to safeguard the various interests of its members, according to special regulations that prescribe the procedures to be followed, provided this assembly is empowered to take the appropriate decisions, particularly for terminating the Manager’s functions.

4-Special provisions for establishing a Debentures Owner Assembly whose task is to safeguard the interests of its members.

5-The setting of share and debenture issuing prices, or when necessary, the highest and lowest levels of these prices.

- 6-The maturity dates and the method of distributing the Fund's revenues among the shareowners, and the method of reimbursing the principal and interests of debentures.
- 7-The nature, percentage and computation method of Management Expenses to be incurred by the Fund.
- 8-The commissions to be collected upon subscriptions to, and assignments of, shares and debentures.
- 9- The opening and closing dates of the Fund's periodic accounts.
- 10-The type and frequency of information to be provided to the owners of shares and debentures.
- 11- The measures to be taken to avoid and settle any possible conflict of interests.
- 12- The procedures and conditions for amending the Fund's by-laws.
- 13-The procedures, rules and criteria for investing the Fund's assets, and for subscription, issuing, distribution and assignment of shares and debentures.
- 14- The names and term of office of the first auditors, the procedures to be followed for their appointment and that of their successors, in conformity with the provisions and regulations applying to banks' auditors.
- 15- The method and conditions for managing the Fund's financial estate and, when needed, for delegating and revoking such management.
- 16- The process and conditions for consulting the owners of shares and debentures, the decisions they take, the prior acceptance or approval of such decisions and the required majorities in this respect.
- 17- The conditions and criteria for managing and investing the Fund's revenues.
- 18- The events of Fund liquidation, other than those legally provided for, the conditions of such liquidation and the method of asset distribution.
- 19- In case of liquidation, the indication of beneficiaries of the Fund's balance, after payment of all rights and portions of rights related to debentures, of all kinds of due expenses, and after withholding all relevant provisions.
- 20- Any other information or provisions required or specified by this Law or its implementation texts.

**Article 8:**

The Banque du Liban shall issue, when needed, regulatory decisions, notably concerning the procedures and conditions of the securitization operations that aim at attracting savings from the public.

**Article 9:**

In all its documents, invoices, advertisements and bulletins, the Fund must include its name, followed by the expression “Mutual Securitization Fund”.

Documents issued by the Fund must also include the name and address of the Manager and the Custodian.

**Article 10:**

- 1- The management of the Fund is entrusted to a company from the following categories:
  - Institutions specialized in the management of collective investment schemes in securities and all other financial instruments, established and operating in accordance with the general standards and regulations set by the Banque du Liban.
  - Branches of foreign institutions specialized in the management of mutual securitization Funds, whose head office effectively undertakes such activity.
  - Banks and financial institutions registered with the Banque du Liban, provided they have a separate department specialized in the management of collective investment schemes in securities and all other financial instruments
- 2- The Manager is prohibited from securitizing its own assets, or using the Fund’s assets for its own needs, or commingling its own investments with those of the Fund.
- 3- The Manager represents the Fund toward third parties and may introduce legal action in court for protecting the rights and interests of the shareowners.
- 4- The Manager must manage the Fund in conformity with its by-laws, taking exclusively into consideration the interests of the shareowners.
- 5- The Manager remains liable to the shareowners for any damage caused by an error or failure in fulfilling its obligations.
- 6- In order to preserve sound and smooth working conditions, the Central Council of the Banque du Liban may issue regulatory decisions regarding the management of the Fund and the obligations of the persons entrusted with this management.

**Article 11:**

- 1- The Manager issues registered certificates, or debentures in registered form or to bearer, which represent a share or a group of shares in the Fund.
- 2- The Manager signs the certificates and debentures issued by the Fund.
- 3- Certificates and debentures may be signed electronically, according to the relevant legislation.

### **Section III - Functioning of the Fund**

#### **Article 12:**

The Fund may not undertake any activity except through the Manager; and the latter may not, in its managing capacity and in connection with the Fund's activity, undertake any activity, or take any commitment on any debt or obligation or responsibility, except for:

- 1- Receivables represented by debentures issued during the securitization process, if any.
- 2- Obligations and responsibilities, if any, arising from the nature of the assets assigned to the Fund, and those specifically incumbent upon the Fund as indicated in its by-laws.  
The Fund is liable for the obligations indicated in this Article and for the management expenses provided for in its by-laws, each as specified in and within the limits of its by-laws.

#### **Article 13:**

The Fund may issue various senior and junior shares which represent, if any, different rights within the Fund's financial estate or the components of this estate.

In the same vein, the debentures issued by the Fund and their respective senior and junior categories may be backed by different components in the financial estate of the Fund; these debentures may also represent different rights within these components.

#### **Article 14:**

The senior and junior categories of shares and debentures may be subordinated to each other as provided for in the by-laws of the Fund. In this respect, some categories may bear the risks of non payment of receivables. However, all shares and debentures pertaining to a specific senior or junior category shall carry equal rights and have the same rank as the other shares and debentures that are from the same basic or sub-category.

#### **Article 15:**

Shares and debentures issued by the Fund may be redeemed or settled at their owners' will, unless otherwise provided for by the Fund's by-laws.



**Article 16:**

The Manager runs the Fund and its financial estate, in accordance with the by-laws of the Fund and the provisions of this Law. It must fulfill its obligations with the diligence expected from a remunerated proxy.

**Article 17:**

The financial estate of the Fund may not be encumbered, in whole or in part, with any lien, except in the cases and pursuant to the conditions specified in the Fund's by-laws, such as the encumbrance of the financial estate of the Fund (under establishment) with temporary liens for the purpose of financing the acquisition of the Originator's assets and until the issuing of shares and debentures.

**Article 18:**

- 1- The assets of the Fund must be deposited with a Custodian that meets the conditions prescribed by the Banque du Liban, whether it is a bank, a financial institution or any other institution.
- 2- The Custodian remains liable, even if it transmits to a third party, in whole or in part, the assets with which it is entrusted.

**Article 19:**

The Custodian takes all measures concerning the normal management of the Fund's assets, in addition to the following:

- a- Make sure that the operations carried out for the Fund or the Manager are consistent with the provisions of this Law and the by-laws of the Fund, and promptly notify the shareowners and the Banque du Liban of any violation thereof.
- b- Carry out the Manager's instructions, unless they are inconsistent with the provisions of this Law or the statutes of the Fund.
- c- Make sure that it has received the consideration for the transactions carried out on the assets of the Fund, within the time limit prescribed by its by-laws.
- d- Make sure that the revenues of the Fund are used as specified in its by-laws.

**Article 20:**

The functions of the Manager and those of the Custodian will respectively come to an end in the following cases:

- a- When the Manager resigns, provided it is replaced, within a three-month period, by another institution that meets the conditions prescribed by the Banque du Liban.
- b- When the Custodian resigns voluntarily or upon the Manager's request. In such a case, and subject to liability, the Custodian must take all necessary measures to protect the interests of the shareowners, until the appointment, within a three-month period, of another Custodian that meets the conditions prescribed by the Banque du Liban.
- c- When the Manager or the Custodian benefits from the provisions of a pre-bankruptcy composition or a deferred payment, or when any of them is declared bankrupt or must be liquidated.
- d- When the Manager or the Custodian ceases to meet the conditions prescribed by the Banque du Liban.
- e- In any other case specified for this purpose in the by-laws of the Fund.

**Article 21:**

The Fund shall be deemed in liquidation in any of the following cases:

- a- At the end of the period specified in its by-laws.
- b- When the functions of either the Manager or the Custodian come to an end, as in the cases mentioned in paragraphs b, c, d, and e of Article 20 above, and when neither has been replaced within the time limit prescribed by the Banque du Liban.
- c- In any other case specified for this purpose in the by-laws of the Fund.

The Manager and, if need be, the Custodian, must publicize promptly the liquidation status of the Fund. Otherwise, this will be done by the Banque du Liban at the Manager's expense.

In case of dissolution or liquidation of the Fund, the Manager or, if not, the Custodian shall act as liquidator. Otherwise, the Banque du Liban shall appoint a liquidator for this purpose, upon the request of any share or debenture owner.

## **Section IV- Assigning Assets To The Fund**

### **Chapter One: Assigning the Creditor's Receivable**

#### **Article 22:**

This section governs the assignment by Originators of Receivables in favor of the Fund, under special regulations set for this purpose by the Banque du Liban, without affecting the possible assignment by originators in favor of the Fund, through securitization, of other components of the assets, regardless of their nature.

#### **Article 23:**

The Originator assigns any receivable just by signing a transfer deed that stands for a contract and enumerates these receivables. This transfer deed is handed to the Manager and the Custodian, provided each of them signs an acknowledgement of receipt.

The assignment transfers by law the ownership of the definitively assigned receivable to the Fund's financial estate.

The assigned receivable is removed from the Originator's financial estate and from the assets item of its balance sheet. The Originator may grant the assignee, in total or in part, the right of recourse, provided this is clearly indicated in the Originator's financial statements.

#### **Article 24:**

The transfer deed referred to in Article 23 above must, at least, include the following necessary information:

- The expression "contract for the assignment of receivables through securitization".
- A clear indication that the contract is governed by the provisions of this Law.
- The names and addresses of the Originator, the Custodian and the Manager.
- The appellation of the Fund.
- The date of approving the establishment of the Fund by the Banque du Liban.
- A list of assigned Receivables and their respective identification elements, notably the debtor's name, address and trade name, the receivable's payment place, principal, maturity date and interest rate, if any, and, when necessary, the nature and details of all related guarantees.
- The amount due by the Manager in exchange for the assignment, with indication of the payment date and modality.
- The components of credit enhancement, if any.

**Article 25:**

The assignment deed may be completed by a supplementary agreement comprising the information and documents related to the assigned Receivables, provided the agreement terms are not inconsistent with the information provided in the assignment deed, the by-laws of the Fund, the provisions of this Law and its implementation texts.

**Article 26:**

The assignment operation transfers to the Manager and to the Fund's account the various receivables' guarantees, such as sureties, guarantees, insurance policies or any other ancillary right.

The assignment shall be effective between both parties, and also regarding the debtor and his/her heirs and regarding third parties, as of the date indicated in the deed mentioned in Article 23 of this Law. Starting from the said date, the assignee shall automatically replace the assignor, with no need for any other procedure, and in any case without the need for any notification, approval request or intervention from the debtor, the debt's guarantor or any other person.

**Article 27:**

The assignment of receivables referred to in the table mentioned in Article 23 of this Law does not include any guarantee of the debtor's solvency, unless otherwise stipulated by the supplementary agreement.

**Article 28:**

The assignment specified in Article 26, Paragraph 2, of this Law may be opposable to the creditor and to third parties, without informing or notifying the debtor.

The Originator shall notify the assignment to the debtor through ordinary prepaid mail to be sent to his/her domicile, as stated in the initial debt contract.

Any part of the assigned debt, collected by the Originator after the assignment, shall be considered received in favor of the Fund.

The provisions of this Article shall also apply to the insurer (the party granting the insurance and/or the issuer of insurance policies) or to the guarantor referred to in Article 26 of this Law. They shall apply also to any person who, pursuant to an assigned debt or to any prior commitment, regardless of its cause, pays any amount for the debtor's account, whether in cash or by deduction at the source or from the salary, or by any other means.

**Article 29:**

The assignment of receivables pursuant to Section IV of this Law may not be cancelled due to the Originator insolvency or bankruptcy, or when a voluntary or judicial liquidation takes place.

**Article 30:**

Without prejudice to the provisions of Chapter two of this Section, the Banque du Liban shall issue the necessary decisions about the recording and deleting of the assignment-related pledges and guarantees, and about other assignment conditions, regarding each kind and category of secured debts being the object of securitization, except for mortgage-backed debts requiring the recording of any related surety or guarantee in special registers, including, for indicative purposes but not restrictively:

- Cars, motorcycles, tractors and all kind of vehicles.
- Airplanes.
- Ships.
- Commercial enterprise.

**Chapter Two - Assigning Mortgage-Backed Receivables**

**Article 31:**

Contrary to the provisions governing the recording of real estate rights pertaining to registered real properties and their entries in the Land Registry, the provisions of this Chapter, notwithstanding any legal or regulatory texts to the contrary, shall apply to any recording or entry concerning the assignment, through the transfer deed specified in Article 23 of this Law, of receivables backed by a transferable mortgage, and also to the consequences if this assignment. For the purpose of implementing the provisions of this Law, transferable mortgages are those which have not been expressly mentioned as being otherwise.

**Article 32:**

In order to transfer a mortgage that secures a mortgage-backed receivable that has been assigned pursuant to the transfer deed for assigning mortgage-backed receivables, the Manager and the Custodian must notify the said transfer deed, signed by them and by the Originator, to the Registrar of the District Land Registry, whether by coming in person to the said Registry, or by sending a registered letter with acknowledgement of receipt or by handing the letter in person against a receipt.

In case the transfer deed is not communicated in person, the signature of the Originator, and those of the Manager and the Custodian must be authenticated by a notary public.

The Originator is deemed liable for the veracity of the information provided in the transfer deed.

**Article 33:**

In addition to the information provided in Article 24 of this Law, the transfer deed specified in Article 32 above must comprise the following:

- The registration number, given by the District Land Registry to the real estate mortgaged for securing a mortgage-backed receivable assigned pursuant to the transfer deed.
- The identity and address of the real estate owner.
- The assignment date.
- The date and terms of the mortgage contract pertaining to each mortgage-backed receivable mentioned in the transfer deed.

**Article 34:**

The Land Registrar registers, in favor of the Fund, the transfer of any mortgage mentioned in the transfer deed. The registration formality is carried out, regardless of any provisional attachment on the mortgaged real estate.

**Article 35:**

The transfer of any mortgage, executed pursuant to the transfer deed mentioned in Article 32 of this Law, is deemed definitive between the Originator and the Manager, and becomes effective on its execution date, as recorded in the mentioned transfer deed.

**Article 36:**

In addition to the guarantees mentioned Article 26, Par. 1, of this Law and all other contractual and legal guarantees, or those offered by the Originator, the assignment of a mortgage-backed receivable under the provisions of this Law shall include the Originator's guarantee of the following:

- 1- That the information contained in the transfer deed, mentioned in Article 32 of this Law, is identical to the information recorded in the Land Register Sheet.
- 2- That the mentioned mortgage has been properly taken out and duly registered, in particular on the title deed of the registered mortgage-backed property, and that the mortgage is valid, legal and of the degree indicated in the transfer deed mentioned in Article 32 of this Law, and that it is enforceable according to the mortgage contract by which it was instituted.

These guarantees shall be considered of the public order.

**Article 37:**

The assignment of a mortgage-backed receivable within a securitization process, according to the provisions of this Chapter, shall be opposable to third parties, with no need to any additional formality.

Noncompliance for any reason with the procedures prescribed in Article 34 of this Law shall not affect the validity of the assignment, and shall not hinder the implementation of all other provisions of this Chapter.

**Article 38:**

The assignment of any mortgage-backed receivables under the provisions of this Law shall also cover the assignment, in favor of the Fund, of any registration certificate issued by the District Land Registrar, and of any right or privilege pertaining to these receivables.

**Section V- Obligations of the Fund**

**Article 39:**

Following the establishment of the Fund, and prior to the issuing of shares and debentures, a prospectus must be prepared by the Originator and the Manager as well as by the financial intermediary, if any, if the latter has subscribed to shares or debentures for investing them with investors or in case the financial intermediary is a marketing agent of this investment. This prospectus must include a brief description and a list of the most important components of the securitization process., It must be submitted to the Banque du Liban for approval, without any liability for the Central Bank in this respect. The prospectus shall be handed to each subscriber.

The authors of this prospectus shall be, each in his own field, responsible for the veracity and accuracy of the included information and statements.

**Article 40:**

The Manager must submit to each share or debenture owner an annual report on each accounting period of each Fund under its management, unless the by-laws of the Fund specifies a higher frequency of reporting.

The annual report must be submitted within three months from the closing of each accounting period, and must contain, at least, the following financial statements:

- The balance sheet
- The revenue account
- The expenditure account, including administrative expenses.

- An inventory of Assets, with assessment of their value, according to the relevant accounting standards, as applicable to each type of assets.

All these financial statements must be internally audited.

The report must also include information that allows the tracking of changes in the Fund's financial estate.

Concerning Receivables, the report should indicate the situation and changes in outstanding and unpaid Receivables, the execution of guarantees, and an estimation of losses that may affect these Receivables.

## **Section VI - Tax Provisions**

### **Article 41:**

- 1- The Fund, the Legal Entity, and the formalities and transactions they carry out, or that are carried on their behalf by a third party, are exempted from all taxes and fees prescribed by general and special texts, and any other text, in which they are mentioned, except for exemptions explicitly excluded or those that are conditional under the provisions of this Law, **particularly** the stipulations of Paragraphs 2 to 5 of this Article.
- 2- Real estates acquired by the Fund or the Legal Entity or assigned by either of them to a third party are exempted from 50% of the real estate registration fees (assignment and transfer). Likewise, movable assets acquired by the Fund or the Legal Entity, or assigned by either of them to a third party, are exempted from 50% of the registration fees (assignment and transfer).
- 3- Profits resulting from the activities of the Fund or the Legal Entity are exempted from income tax (Income Tax Code, Section One). Likewise, profits realized upon the liquidation of the Fund or the Legal Entity are exempted from income tax (Income Tax Code, Section One), unless these profits are part of the revenues of a banking or financial institution established in Lebanon, and considered the results of its business activities.
- 4- Profits distributed at any time by the Fund or the Legal Entity are subjected to income tax (Income Tax Code, Section Three).
- 5- Interests due to the Fund or the Legal Entity are subjected to a 5 percent tax, pursuant to the provisions of the Law on Interest Tax (Article 51 of the 2003 Budget Law and its implementation texts).
- 6- Except for the activities and transactions exempted from taxes and fees under this Law and carried out by the Fund or the Legal Entity on movable and immovable assets, all what is related to these assets, including the resulting revenues and profits, shall be subjected to the various taxes and fees, pursuant to the relevant provisions.



## **Section VII - Penalties**

### **Article 42:**

A penalty of imprisonment for a period of three months to one year and/or a fine not exceeding LBP 15,000,000 shall be imposed on:

- 1) Any party that uses illegally, on its own or on behalf of another natural or legal person, a trade name, advertisement or any other mean of expression leading to the belief that the said party is established as a securitization mutual fund.
- 2) The Manager or the Custodian through their managing officers, including those effectively in charge, and any person working under their authority, acting in violation of the legal provisions applicable to Funds, or in violation of the Fund's by-laws.
- 3) Any internal auditor, who knowingly gives or confirms, on his own or in his capacity of partner in an audit firm, false information about the situation of a Fund.
- 4) The Originator, the financial intermediary, the Manager or the Custodian, whether in person or through their managing officers, including those effectively in charge, in case:
  - a- They start, without regulatory authorization, a securitization process that includes a public offering for subscription or participation.
  - b- They sign the prospectus mentioned in Article 39 of this Law, in case it contains any false or misleading information or statement on a material fact that must be indicated or is necessary, so that the statement in the prospectus would not be inaccurate, in light of the circumstances of its inclusion.
- 5) The legal or effective officials of a financial intermediary, a Custodian, a Manager or an Originator, and the persons working under their authority, shall not be punishable, if they prove that, in this respect, they have acted with due care and diligence in their work.

### **Article 43:**

The Court may decide to publish, in whole or in part, its rulings on the penalties specified in this Section. The publication shall take place at the convicted party's expense, in the Official Gazette and in the newspapers designated by the Court.

## **Section VIII - Special Provisions for Islamic Securitization Funds**

### **Article 44:**

The provisions of this Law that are consistent with the working principles of the Islamic Securitization Fund shall apply entirely, except for what is governed by a special provision of this Law.

### **Article 45:**

Regarding Islamic securitization funds, the Banque du Liban shall apply the same regulatory and supervisory powers stipulated by this Law concerning securitization mutual funds.

### **Article 46:**

The Banque du Liban shall set the regulatory and legal conditions to be met by Islamic securitization sukuks, issued or marketed in Lebanon.

## **Section IX - Miscellaneous and Final Provisions**

### **Article 47:**

For all what is not stipulated in this Law, all legal provisions that are not inconsistent with it shall remain effective, particularly those of the Code of Land Trade and those of Article 1 of Law 520 of June 6, 1996, and the Law on Collective Investment Schemes in Securities and All Other Financial Instruments.

### **Article 48:**

This Law shall enter into force upon its publication in the Official Gazette.