



Capital Markets Authority

Announcement no 25

Related to the amendment of the Licensing and Registration Regulation

Series 2000

And the repeal of Decision no 24 dated 29/09/ 2016 (on the required qualifications for undertaking registered functions related to securities)

Pursuant to the Law No 161 dated 17/8/2011 on capital markets,
Pursuant to the decision of the Capital Markets Authority's Board No 13/7/17 taken in its meeting held on May 11, 2017,
Pursuant to the decision of the Capital Markets Authority's Board No 29/22/17 taken in its meeting held on August 21, 2017,
Pursuant to the decision of the Capital Markets Authority's Board No 10/12/17 taken in its meeting held on September 11, 2017,
Pursuant to the decision of the Capital Markets Authority's Board No 14/13/17 taken in its meeting held on October 2nd, 2017,
Pursuant to the decision of the Capital Markets Authority's Board No 12/13/17 taken in its meeting held on October 2nd, 2017,
Pursuant to the decision of the Capital Markets Authority's Board No 14/16/17 taken in its meeting held on November 28, 2017,
Pursuant to the announcement 22 of 20/6/2017 on the implementation of the implementing regulations and decisions issued by the CMA,

We inform you of the following:

First: The Licensing and Registration Regulation- Series 2000 was amended whereas:

- 1- Paragraph (6) of article 2204 related to licensing requirements was amended, and here below is the text:
(6) If the applicant is an associate of another person, the Authority must be satisfied with the integrity, business record as well as with the sound financial and legal situation of any such person.



The applicant should also contribute to the insurance product of the Financial Institution Professional Indemnity (FIPI) that includes the coverage of here below risks; the insurance coverage amounts to two (2) billion Lebanese Pounds as a minimum (USD 1.333 million) or the equivalent of the required capital. The highest amount is then adopted.

- 1- Incomplete transaction
- 2- Crime
- 3- Neglect (omission) and error

The standardized definition and drafting of the above are detailed in Annex VII.

In addition to above mentioned insurance policies, it would be recommended for any institution conducting securities business to have an insurance against the administrative liability of managers and staff that covers the legal fees and the damages incurred by managers and officials as a consequence of lawsuits filed against them for unlawful acts.

- 2- Articles of Part (E) related to Approval of Registered Persons- requirements and Process so they become as follows:

2401. Application

(1) This Part applies to a person that is applying for approval by the Authority as a registered person.

(2) In this Part, an applicant means the person that is applying for approval.

2402. Registered functions

(1) The approved institution is prohibited to appoint any person not registered with the Authority to fulfill any of the following functions:

i) CEO, Managing Director or General Manager – the person who has ultimate responsibility for the management of an approved institution's business.

ii) Senior Executive Officer – a person who has ultimate responsibility for one or more parts of an approved institution's business.

iii) Director – a person who is a director on the governing body of an approved institution.



iv) Finance Officer – the person who has ultimate responsibility for an approved institution’s financial administration and controls and for compliance with prudential and capital requirements.

v) Head of Compliance – the person who is responsible for compliance matters related to an approved institution’s business.

vi) Anti-Money Laundering Reporting Officer – the person who is responsible for the implementation of an approved institution’s anti-money laundering policies and procedures.

vii) Risk Management Officer – the person who is responsible for the design and implementation of an approved institution’s risk management policies and procedures.

viii) Senior Manager – any person who is responsible in whole or in part for the management, supervision or control of one or more parts of an approved institution’s business or administration.

ix) Client Representative – any person whose functions include dealing with clients of an approved institution’s securities business, including sales representatives, investment advisors, portfolio managers and corporate finance professionals, as prescribed by the Authority.

x) Trader – any person who deals in securities as agent for clients or for an approved institution as principal.

2403. Performance of registered functions

(1) Only a registered person may perform a registered function for an approved institution, unless the Authority provides prior written consent to a specific individual performing this specific function.

(2) Except as required by sub article (3), a registered person may perform more than one registered function for an approved institution if the Authority considers that person to be fit and proper to perform different functions and that no conflicts of interest will arise in performing these functions.



3) An approved institution may have one registered person performing more than one registered function, except that a separate, designated registered person must be in place to lead each of the following functions:

- i) CEO or Managing Director
- ii) Finance Officer
- iii) Compliance Officer (which may include the legal officer and anti-money laundering officer functions).

(4) A Head of Compliance, Legal Officer and Anti-Money Laundering Reporting Officer must not perform any client service functions.

(5) If a vacancy occurs in any function listed in sub article (3), the approved institution must notify the Authority immediately and of the appointment of an appropriate person to temporarily assume responsibility for the function until a registered person is appointed to assume the function on a permanent basis.

2404. Applications for registration

- (1) The application is submitted by the approved institution for which the applicant works and at its own responsibility.
- (2) An application for registration must specify each type of registered function that the applicant is seeking approval for.
- (3) An application for registration must be made on the application form prescribed by the Authority, and must include the information and documents required in Annex 4.

2405. Requirements for registration

- (1) The applicant's approved institution must be satisfied that the applicant is a fit and proper person who is competent to perform the functions covered by the application, and must take reasonable steps to verify the information in the application.
- (2) An applicant must have passed the qualification examinations prescribed by the Authority in Annex 5 for the applicable function, or obtained an exemption from the Authority.
- (3) If an applicant was formerly registered and his registration has been cancelled or suspended for a period of three years or more, the applicant must again pass any qualification examinations prescribed by the Authority.



(4) An applicant who has passed an examination listed in circular 103 issued by Banque du Liban on 9/3/2006 (securities and/or financial derivatives), or any equivalent qualification examination prescribed by the Authority, will be considered to have satisfied the requirement in sub article (2).

2406. Fit and proper person – individuals

(1) In assessing whether an applicant or a registered person is a fit and proper person under this Regulation, the Authority will consider:

- a) the applicant's skills, experience, competencies and integrity, including whether the person:
 - 1. has adequate qualifications, skills and professional experience to carry out the assigned responsibilities,
 - 2. is capable of fulfilling the responsibilities with diligence and in accordance with clients' interests and the Regulations, and
 - 3. has ever been convicted of an offence involving fraud or dishonesty, or has ever violated any laws, regulations or requirements governing financial business or aimed at protecting clients or investors,
- b) the applicant's ability to meet the requirements for registration for each function applied for, and
- c) any other matter that the Authority considers relevant.

2407. Process and powers of the Authority

(1) In assessing an application for registration, the Authority may:

- i) carry out any review, enquiry or investigation that it considers appropriate,
- ii) require the applicant, or any representative of the approved institution, to appear before the Authority to answer questions and explain any matter the Authority considers relevant to the application,
- iii) require the applicant or the approved institution to provide any additional information or documents that the Authority considers appropriate, and
- iv) require the applicant or the approved institution to verify, certify or substantiate any information provided to the Authority.

(2) The Authority may refuse to consider an application if:

- i) it is incomplete,



- ii) it does not meet the requirements prescribed by the Authority, or
 - iii) the applicant has failed to provide information requested by the Authority within a specified time.
- (3) After completing its consideration of an application, the Authority will make one of the following decisions:
- i) approve the application in whole or in part,
 - ii) approve the application subject to such conditions and limitations that the Authority considers appropriate,
 - iii) defer the application pending receipt of additional information,
 - iv) refuse the application with reasons for its decision.
- (4) If the Authority decides to approve an application for registration, it will notify the applicant and the approved institution in writing, including any conditions and limitations on the approval set by the Authority.
- (5) If the Authority decides to refuse an application, it will notify the applicant and the approved institution in writing, including the reasons for its decision.

2408. Cancellation of registration

- (1) If a registered person's registration is cancelled, his approved institution must ensure that the person immediately ceases to perform the given registered function.
- (2) If a registered person ceases to carry on a registered function or ceases to be employed or associated with an approved institution, the institution must notify the Authority within seven days in the manner prescribed by the Authority. Upon receipt of the notice, the registration will be suspended until the Authority decides to:
 - i) cancel the registration, or
 - ii) consent to the transfer of the registered person to another approved institution.
- (3) If a registered person is terminated for cause, his approved institution must also notify the Authority of the reasons for termination within seven days of the date of termination.
- (4) A registered person continues to be subject to the jurisdiction of the Authority for ten years after cancellation of his registration in respect of any act or omission that occurred before the cancellation. If at any time during this ten year period the Authority commences an investigation or enforcement proceedings, the registered person will continue to be subject to the jurisdiction of the Authority until the matter is closed.



2409. Exemptions

The following persons are exempted from taking the exams prescribed by the Authority in Annex 5:

- (1) Individuals holding a degree in securities and/or a degree in financial derivatives from Banque du Liban, according to basic circular number 103 of March 9, 2006.
- (2) Persons with a minimum 15 years' experience in the financial sector (securities business) prior to the issuance of the present Regulations. (In calculating the length of this experience, vacations exceeding 60 continuous days should be excluded).
- (3) Branch Managers appointed before 18/09/2009 with at least 7 years of experience in the financial sector (securities business). Such experience should have been gained within 9 years prior to 18/09/2009. (In calculating the length of this experience, vacations exceeding 60 continuous days should be excluded).
- (4) The Chairman and non-executive board members should be excluded from the certification requirements; however they should comply with the other requirements as stipulated in Annex 5.
- (5) Persons who have passed the following courses or certifications are exempted from the Securities exam:
 - a) USA: NASD/FINRA Series 7
 - b) Canada: Canadian Securities Institute – Canadian Securities Course 1 & 2.
 - c) Kingdom of Saudi Arabia: CME 1 part II.
 - d) CFA: Level 1, with at least 3 years of work experience.
 - e) UK: The Exams required in the UK are covered by ESA's Securities course.
 - f) Holders of equivalent qualifications from other nations such as France, Germany, Australia, GCC (to be determined on a case by case basis).
- (6) Persons who have passed the certifications are exempted from the derivatives exam:
 - a) USA: NASD/FINRA Series 3 or 7
 - b) Canada: Canadian Securities Institute – Canadian Securities Course 1 and 2.
 - c) Kingdom of Saudi Arabia: CME 1 part II.
 - d) CFA Level 2, with at least 3 years of work experience or Chartered CFA.
 - e) UK: The Exams required in the UK are covered by ESA's Derivatives course.
 - f) Holders of equivalent qualifications from other nations such as France, Germany, Australia, GCC (to be determined on a case by case basis).
- (7) The holder of the ICA certification issued by CAMS is exempted.



3- Article 2306 of the Licensing and Registration Regulation about Implementation was canceled, and (Part F) was added to the mentioned Regulation related to the Enforcement of this Regulation's Provisions that included Article 2501 about the Enforcement by the Authority of this Regulation's provisions, and here below the text:

- (1) This Regulation enters into force upon its publication in the Official Gazette, at the condition of obtaining all required publications according to the deadlines that would be determined later.
- (2) Banks, financial institutions and financial intermediary institutions should provide the Authority with the names of the individuals undertaking the registered functions for them but who did not take the exams prescribed by this Regulation, no later than 31/12/2017 from the date of the publication of this Regulation.
- (3) The institutions previously approved by Banque du Liban or by the Authority before this Regulation was issued to conduct securities business are given a deadline ending on 31/12/2017 in order to obtain the Authority's license for conducting securities business.

When applying for such license, all above mentioned institutions should ask their certified external commissioners to prepare a report that would be submitted to the Authority proving their compliance to all the obligations set in this Regulation.

4- The table related to the examinations that the applicant has to pass before submitting the application, and attached to Annex V of the Licensing and Registration Regulation, was modified and becomes as follows:

	Function	Qualification Examinations
1.	<u>CEO</u> , Managing Director	Securities exam Business conduct exam
2.	Senior Executive Officer: including heads of main departments or divisions	Securities exam Derivatives exam Business conduct exam
3.	Director	Securities exam Business conduct exam
4.	Finance Officer	Securities exam Business conduct exam
5.	Compliance Officer	Business conduct exam Securities exam Derivatives exam CAMS exam
6.	Anti-Money Laundering (AML) Officer	Business conduct exam Securities exam CAMS exam



7.	Head of Risk management department	Securities exam Derivatives exam Business conduct exam
8.	Senior Manager: including heads of business lines or product areas	Securities exam Derivatives exam Business conduct exam
9.	Client representative: - Account representative - Sales representative or broker - Investment manager - Investment funds manager - Portfolio manager – discretionary - Portfolio manager – non- discretionary - Investment advisor - Asset manager - Investment banking or corporate finance manager/officer - Research analyst or manager	Securities exam Derivatives exam Business conduct exam
10.	Trader	Securities exam Derivatives exam Business conduct exam

Second: In the context of standardizing all the regulations and decisions issued by the Authority within an integrated series:

- Decision No 24 of September 29, 2016 (on the required qualifications for undertaking registered functions related to securities) was repealed.
- The Licensing and Registration Regulation in Financial Markets- Series 2000 and its annexes were enclosed after being amended according to paragraph “First” above.

Third: This Announcement enters in force upon its publication in the Official Gazette.

Beirut, October 18, 2017

Chairman of the Capital Markets Authority/

Governor of the Central Bank of Lebanon

Riad Salame