



هيئة الأسواق المالية
CAPITAL MARKETS AUTHORITY

Announcement No 54

Related to the amendment of
The Regulation on Business Conduct in Capital Markets- Series 3000
The Regulation on Licensing and Registration in Capital Markets- Series 2000

Pursuant to Law No 161 dated 17/8/2011 on Capital Markets,
Pursuant to the decision of the Capital Markets Authority's Board No 24/11/18 taken in its meeting held on 1/10/2018,
Pursuant to the decision of the Capital Markets Authority's Board No 21/5/2019 taken in its meeting held on 27/3/2019,
Pursuant to the decision of the Capital Markets Authority's Board No 18/5/2019 taken in its meeting held on 27/3/2019,
Pursuant to the decision of the Capital Markets Authority's Board No 27/5/2019 taken in its meeting held on 27/3/2019,

We advise you of the following:

First: Paragraph (1) of Article 3210 in the Business Conduct Regulation in Capital Markets related to the Auditor shall be amended to read as follows:

“The approved institution must communicate to the Capital Markets Authority the name of its appointed Auditor in charge of reviewing its financial statements and operations and reporting thereon, in accordance with the provisions related to auditors established by the Banque du Liban for the banks, the CMA, the financial institutions and financial intermediation institutions, and in accordance with the provisions of the Code of Commerce. The Capital Markets Authority may request the approved institution to change its appointed Auditor, or instruct it to appoint an additional Auditor to undertake the above mentioned tasks”.

Second: Paragraph (4) of Article 3308 in the Regulation on Business Conduct in Capital Markets related to Opening accounts: client agreement shall be amended to read as follows:

“A client account must contain at least fifteen thousand US Dollars or an equivalent amount in cash and/or securities on opening. Such amount shall be maintained as is, except for any reduction due to investment losses.

Approved institutions shall be given a period of three months, as of the publication date of the present Announcement in the Official Gazette, to settle their position with regards to accounts amounting to less than fifteen thousand US Dollars or an equivalent amount in cash and/or securities”.

Third: Paragraph (5) of Article 3311 in the Business Conduct Regulation in Capital Markets related to Managing conflicts of interest shall be amended to read as follows:

“(5) The approved institution that fails to segregate its own assets from its clients’ assets with any depository, and that decides to obtain credits from such depository for accounts holding both its assets and its clients’ assets, shall abide by the following:

- Obtain the written consent of the clients regarding the non-segregation of assets with the depository.
- Obtain the written consent of the clients upon receiving the credits for accounts holding both its assets and its clients’ assets.
- Ask their appointed external auditors to ensure, on a semi-annual basis, that the assets value of the approved institution is sufficient to cover the debt”.

Fourth: Paragraphs (4) and (5) of Article 3322 in the Business Conduct Regulation in Capital Markets related to the Employees’ personal dealings shall be amended to read as follows:

“(4) Before opening a trading account with another approved institution in Lebanon or abroad, any employee at an approved institution shall inform the latter thereof.

(5) If an employee at an approved institution holds an account at another approved institution in Lebanon or abroad, the employee’s approved institution must receive a copy of all contract notes and account statements sent to the employee. The latter must provide all necessary consents to authorize his employer to receive such copies.”

Fifth: An article numbered 3601 shall be added to Part “G” of the Business Conduct Regulation in Capital Markets defining some concepts as follows:

“3601- **Defining some concepts**

1- Concept of financial instruments and derivatives under this Part

In this Part, financial instruments and derivatives shall mean any financial instruments and products (shares held for public offer, schemes, securities, deeds, derivatives, certificates or structured financial instruments... or financial contracts and instruments whose value is linked to in-kind/financial assets, indexes or rates...) including those whose returns or capital repayment is linked to the following:

- Stocks, shares, certificates of deposit including financial flows resulting therefrom, or at the price level of any such stocks, shares or certificates,
- Debts, trade bills, certificates, government bonds or debt securities, including financial flows resulting therefrom, or at the price level of any such bills and certificates,
- Exchange rates of currencies and precious metals,
- Interest rates,
- Goods prices,
- Indexes or financial derivatives.

2- Concept of account balance under this Part

It encompasses all amounts deposited by the client with the institution including those deposited by the client to cover the value of initial margins and any other cash amounts.”

Sixth: Paragraph (f) of Article 3603 (previously Article 3602) in the Business Conduct Regulation in Capital Markets related to the approved institution’s obligations when dealing with a Correspondent shall be amended to read as follows:

“f- Determine the initial and maintenance margins for the positions held on financial instruments and derivatives, listed or unlisted in regulated and unregulated financial markets, including those held through an electronic platform, in the following manner:

- 1- Concerning transactions on currencies or raw material, or metals or other goods:
 - Initial margin: 5% of the contractual value of transactions in currencies or precious metals
 - Initial margin: 10% of the contractual value of transactions in raw material or other goods
 - Maintenance margin: 75% of the initial margin on all above mentioned transactions.

Approved institutions shall follow up the percentages imposed by the European Securities and Markets Authority (ESMA) in case the latter raises the margins percentages on transactions mentioned in paragraph (1) above to more than 5%. Approved institutions shall immediately apply the new percentages and apply them to all open positions. If margins set by ESMA on the previously mentioned transactions are less than 5%, the institution shall then apply the 5% margin.

Seventh: Paragraph (2) of Article 2409 in the Licensing and Registration Regulation related to Exemptions shall be amended to read as follows:

“(2) Persons with a minimum of 15 years of experience in finance and banking, 5 of which minimum are related to securities business activities prior to the issuance of the present Regulation.

Persons who have accumulated between 10 and 15 years of experience in finance and banking, 5 of which minimum are related to securities business activities prior to the issuance of the present Regulation are also exempted from taking the qualification examinations under the condition that they attend all the lectures related to said examinations.”

Eighth: This Announcement shall enter into force upon its publication in the Official Gazette.

Beirut, April 10, 2019
Chairman of the CMA/
Governor of Banque du Liban
Riad Toufic Salame