



هيئة الأسواق المالية  
CAPITAL MARKETS AUTHORITY

2011

2012

2013

2014

2015

2016

2017

2018

2019

**ANNUAL REPORT**

# CHAIRMAN'S MESSAGE

Year after year, the role of the Capital Markets Authority has grown in importance. The responsibility of overseeing and regulating the Lebanese capital markets along with ensuring investor protection and education has become increasingly tangible. I am pleased to present the Capital Markets Authority 2019 Annual Report that reviews the highlights of the CMA's achievements in 2019.

The year 2019 was momentous for the CMA, marking significant developments related to launching the Electronic Trading Platform (ETP). After officially launching the bidding process to license the ETP in 2018, year 2019 witnessed the selection of Bank Audi Group and Athens Stock Exchange as the winning consortium; granting them the license to setup and operate the platform. The ETP has become one of the Authority's most important achievements in the context of capital markets development, in alignment, with the set of implementing regulations that the CMA has previously issued.

Accordingly, and after years of persistent work, the CMA aims to restore the role of capital markets in financing productive sectors in Lebanon. In this regard, the ETP allows for funding opportunities from regional and international stock exchanges, which would in turn strengthen the foundations of the financial sector in Lebanon.

Meanwhile, and in the context of enhancing cooperation with its regional and international counterparts, the CMA hosted for the first time in Beirut the 14<sup>th</sup> Annual "World Exchange Congress" in February 2019. More than 50 International Exchanges and over 400 participating CEOs and executives from global capital markets organizations, regulatory authorities and technology providers gathered in Beirut for two days to discuss the latest trends in global capital markets. This event was a very important milestone to introduce the Electronic Trading Platform and share the latest capital market development plans envisioned by the CMA to international players in the securities business.

With the global Corona pandemic ensuing a global economic crisis, both regional and global markets are facing uncharted economic terrains. Just recently, global demand on crude oil has collapsed and its future contract price has registered negative prices for the first time in history. Unemployment rates have registered unprecedented levels since the last global financial crisis.

In this regard, the CMA will aim to instill more balanced private sector financing mechanisms between capital markets and banks. Moreover, the CMA will focus on its role to encourage the Lebanese private sector to utilize capital markets as a means for low cost financing, allowing for better and sustained growth in productive economic sectors. This would facilitate the diversification of risks in financial markets, allowing for a positive deleveraging of the banking sector.

In conclusion, and as the Capital Markets Authority labors to protect investors and develop the regulatory framework that enhances confidence in the market, we trust that Lebanon will overcome the economic distress and once again have vibrant financial markets and a growing economy.

**Riad Toufic Salame,**  
**Chairman of the Capital Markets Authority**  
**Governor of Banque du Liban**





# VISION & MISSION



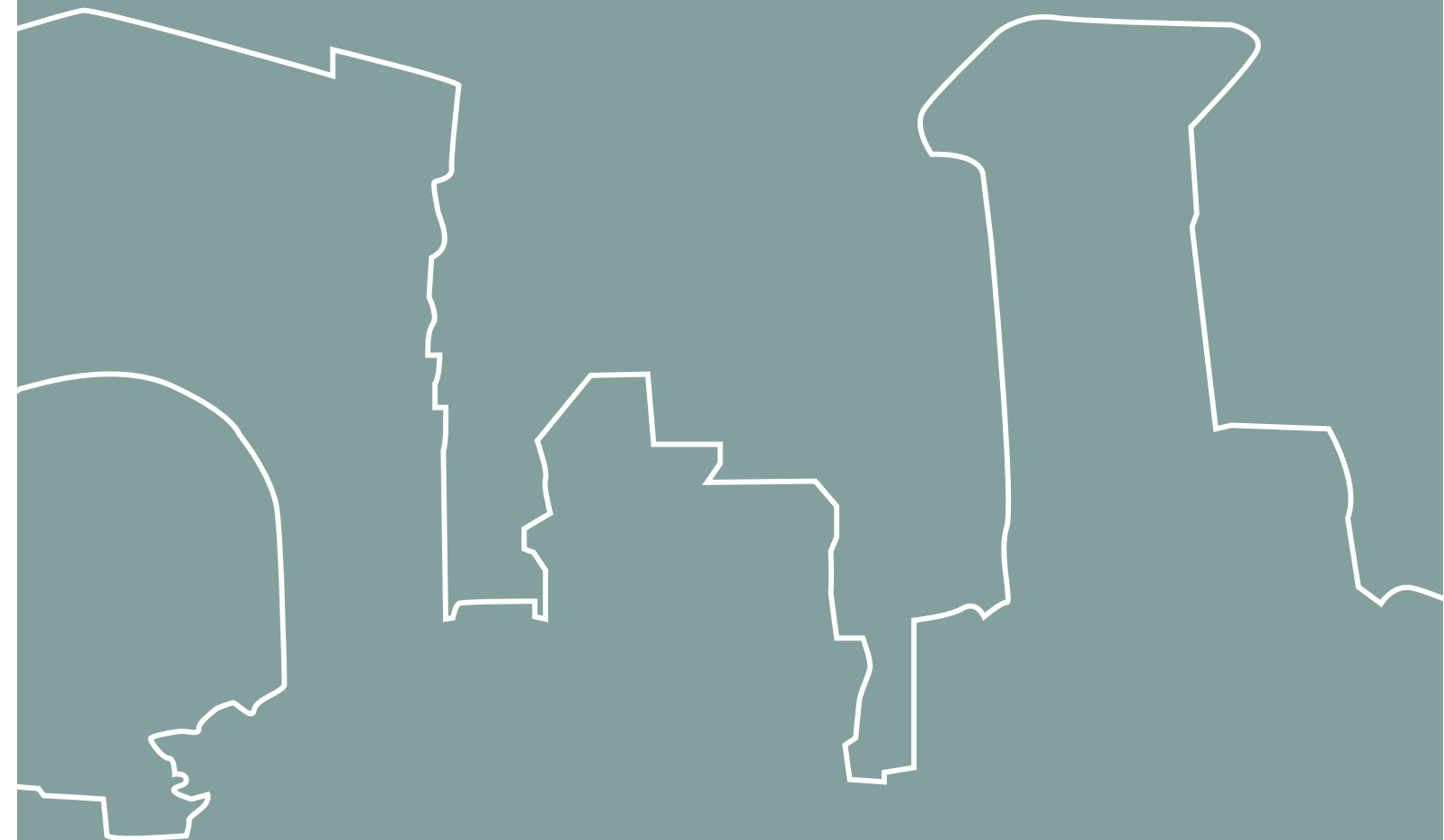
# VISION

Establishing confidence in the Lebanese Capital Markets by enhancing their integrity and maintaining their attractiveness to investors by developing the local markets to better serve the national economy.

# MISSION

The CMA ensures the protection of savings invested in Financial Instruments, encourages the capital markets in Lebanon, and coordinates between the various concerned sectors. For this purpose, the CMA shall perform all functions and activities entrusted to it, including but not limited to:

- Reducing Systemic Risk in Capital Markets
- Protecting the investor by providing a fair and transparent investment environment
- Facilitating access to the information necessary for investors by organizing and defining the framework, and setting the professional actions carried out by persons engaged in financial instruments and ensuring their adherence to professional ethics
- Raising Investor Awareness in Lebanon and increasing their knowledge on capital markets
- Protecting the investor and aiming to increase the use of capital markets by investors in Lebanon and abroad
- Developing the Capital Markets through continuous communication with all stakeholders in all productive sectors



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CHAPTER 1  
**THE CAPITAL MARKETS  
AUTHORITY**



# THE CAPITAL MARKETS LAW AND THE CMA’S 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».

The CMA aims to achieve two main goals: promote and develop the financial markets in coordination with the various sectors concerned, and protect private savings invested in financial instruments. In this context, the law defines the mechanism for the regulation and promotion of financial markets in the effort to eliminate systemic risk through promoting a culture of absolute transparency in the sector that will ensure the safeguarding of investor savings in capital markets.

The vision around which the work of the Authority revolves is based on the importance of establishing trust in the Lebanese capital markets by means of reinforcing their safety and preserving their attractiveness so they could be developed and serve the Lebanese economy.

Indeed, the development of the financial markets has direct bearing on the increase of the growth rate in the economy, which reflects positively on the capital movement and the unemployment rate, in view of the ability to find long term funding sources for the

private sector, and to guide public savings in the economy towards appropriate investments.

Accordingly, the law sets a mechanism to ensure accountability and enforces disciplinary action against any party found in breach of the provisions thereof through the legal frameworks it provides. Such mechanisms are duly reflected in the core functions designated to the Independent Sanctions Committee and the Capital Markets Court of Law that still require establishment through appointments conducted at the level of the Lebanese cabinet as proposed in the Capital Markets Law No. 161.

Moreover, Law No. 161 also allows the Authority to express its opinion on all matters relating to the capital markets, including but not limited to, draft laws and decrees relating to the operations and development of those markets in Lebanon.

Also, and in the same regard, the Law allows the Authority to oversee the regulations and activities of licensed stock exchanges in Lebanon, especially in light of formulating new policies that may have an impact on the performance of the capital markets and the ability to attract investors.

## CMA BOARD

The Capital Markets Authority is administered by a Board composed of seven members and chaired by the Governor of Banque du Liban. The Board includes three executive members, experts in Banking, Capital Markets and Financial Affairs, and three non-executive

members representing ministries and administrations directly involved in the operations of the CMA. These are the Director General of the Ministry of Finance, the Director General of the Ministry of Economy and Trade and the Head of the Banking Control Commission.

THE CAPITAL MARKETS AUTHORITY BOARD IN 2019 WAS COMPOSED OF:			
RIAD SALAME	GOVERNOR OF BANQUE DU LIBAN	CHAIRMAN	REPRESENTED BY THE FIRST VICE GOVERNOR OF THE BANQUE DU LIBAN
FIRAS SAFIEDDINE	EXPERT IN CAPITAL MARKETS	VICE CHAIRMAN	VICE CHAIRMAN OF THE CMA IN 2019
SAMI SALIBA	EXPERT IN BANKING AFFAIRS	EXECUTIVE BOARD MEMBER	
FADI FAKIH	EXPERT IN FINANCIAL AFFAIRS	EXECUTIVE 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	
SAMIR HAMMOUD	CHAIRMAN OF THE BANKING CONTROL COMMISSION	BOARD MEMBER	

# CORE FUNCTIONS OF THE CMA

### 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.

### Organizing and Controlling 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 for insider trading crimes and for the circulation of false or misleading information regarding securities or Financial Instruments, or concerning their Issuers.



## CHAPTER 2

# CMA MAIN ACTIVITIES IN 2019





# MAIN ACTIVITIES IN 2019

## GRANTING THE LICENSE TO OPERATE THE ETP

## HOSTING THE 14<sup>TH</sup> ANNUAL "WORLD EXCHANGE CONGRESS"

## REGULATING AND SUPERVISING THE CAPITAL MARKETS

## ENHANCING INVESTOR EDUCATION & PUBLIC OUTREACH

## INTERNATIONAL COOPERATION

## SIGNING MEMORANDUM OF UNDERSTANDING

Since its establishment by Law No. 161 in 2011, the Capital Markets Authority has aimed at creating an investment-friendly environment based on the principles of fairness, transparency and integrity in order to protect all investors in the Lebanese Capital Markets. With the aim to raise awareness on financial markets, The CMA has published several implementing regulations based upon best practices in the securities business internationally. These regulations covered licensing and registration, business and market conduct, collective investment schemes and offers of securities.

The CMA has continued to cooperate and establish fruitful relations with its regional and international counterparts. In addition to its admission as an Associate Member in the International Organization of Securities Authorities (IOSCO) since 2016, the Authority has signed numerous memoranda of understanding with several of its counterparts worldwide (France, Russia, Germany, Cyprus, UAE, Oman, Tunis, Egypt, Qatar and Mauritius). Such initiatives define and facilitate necessary frameworks of coordination between the signatory regulatory authorities, allowing for valued information to be shared within the right institutional channels, resulting in the growth of confidence in the Lebanese capital markets. This invites Lebanese and foreign investors, as well as aids, in establishing Lebanon's position as an advanced financial center in the region.

Represented by the Capital Markets Authority, and for the first time, Lebanon hosted the 14th Annual World Exchange Congress titled «Trading Venues Re-Imagined,» an essential highlight of CMA's achievements for 2019. The conference brought together distinguished representatives from over 48 countries around thought-provoking discussions on the latest technological and global trends in financial markets; including 60 international exchanges, capital market institutions, clearing houses, digital specialists and prominent economic and banking officials.

The World Exchange Congress acted as a key platform in showcasing Lebanon's capital markets' development plans, particularly at a time when the CMA was in preparing to launch the licensing round for the Electronic Trading Platform, with the goal to inspire growth and create job opportunities for the Lebanese youth.

In June 2019, the CMA's Board came to a unanimous decision, announcing the winning consortium to operate the Electronic Trading platform, formed by Bank Audi Group and Athex Group. After a thorough evaluation of all three submitted proposals, in line with the highest standards of transparency, the winning consortium took the lead with a commitment to contribute a capital of 20\$ million to create the operating company. In addition, a sum of up to 100\$ million will be made available for market-making activities that aim at providing continuous demand and supply within the platform.

To ensure that the Lebanese business community recognizes the

importance of launching the ETP, CMA organized an open discussion seminar on the importance of capital financing in Lebanon, in the presence of Presidents of Lebanese Economic & Business Associations, leading private sector executives and family business owners. The discussion focused on the importance of having the Lebanese Joint-stock companies utilize the platform in the best way possible in order to achieve long-term financing and capitalization at a low cost.

As it has always done, the CMA continued in its active role in raising investor awareness, and in 2019, the Authority had set a cooperation framework with private sector institutions, organizing 15 lectures in various universities across Lebanon throughout the months of October and November, 2019. With educational teachings, given by members of the CMA Communications & Research Department and the Legal Affairs Department, discussions aided in raising awareness on the regulatory framework set by the CMA and its role in ensuring the protection of investors in capital markets.

Also in line with CMA's mission to ensure investor protection, the number of Registered Persons approved to carry out specific registrable functions as per the Licensing and Registrations Regulation Series 2000, witnessed a remarkable increase in 2019. Total Registered Persons with the CMA reached 520 by the end of 2019, in comparison to 66 Registered Persons at the end of 2018.

On a regional level, the CMA continued to be an involved and active member in the Union of Arab Securities Authorities as it participated in the 13th Annual UASA Meetings in Amman, Jordan, where it passed on the Presidency of the UASA to Jordan, represented by the Jordan Securities Commission. The 13th Annual meetings brought to light major themes related to capital markets, including strategic growth and development, challenges facing Arab financial markets, innovation opportunities, enhanced disclosure and transparency guidelines, investor protection, and financial infrastructure impact on Arab capital markets.

At a global level, the CMA attended several international conferences taking part in many important discussions. As an Associate Member of the International Organization of Securities Commissions (IOSCO) since 2016, the CMA participated in IOSCO's 44th Annual Meeting which

included meetings of the IOSCO Board, IOSCO's Growth and Emerging Markets (GEMC) Committee, its four Regional Committees and the Affiliate Members Consultative Committee (AMCC).

Within the continuous efforts to strengthen the national financial markets and in collaboration with its counterparts around the world, the CMA continues to strive since its establishment in 2011, to conduct several memoranda of understanding with international regulators. These MoUs establish joint technical assistance and cooperation mechanisms that aim to enhance securities activities in Lebanon. In 2019, the CMA signed a memorandum of understanding (MoU) with the Financial Services Commission (FSC) of Mauritius, to establish a framework for cooperation, promote mutual assistance, strengthen technical capacities and facilitate the exchange of information between the FSC and the CMA.

Finally, and in the context of international cooperation, the CMA has continued in 2019 its work with the World Bank to issue the road map for capital markets development in Lebanon, which highlights its vision on supporting SMEs through utilizing capital markets as a venue for financing corporations.

# THE 14<sup>TH</sup> ANNUAL WORLD EXCHANGE CONGRESS

FEBRUARY 25-27, 2019

PHOENICIA HOTEL, BEIRUT

In a first-of-its-kind event in Lebanon, the Capital Markets Authority hosted the 14<sup>th</sup> Annual World Exchange Congress (WEC) at the Phoenicia Hotel, Beirut on February 26, 2019 under the title of «Trading Venues Re-Imagined».

The conference is a leading international platform that joins representatives from over 48 countries representing more than 60 international exchanges, financial market bodies, clearing houses, digital specialists, prominent economic and banking officials to discuss the latest technologies and global trends in financial markets.

This event came at a crucial time for Lebanon's stock exchange and capital markets especially as the CMA was preparing to launch its Electronic Trading Platform (ETP). The World Exchange Congress, in its capacity as a global forum for capital markets professionals, was therefore an important international stage to showcase the CMA's local market development plans.

Mr. Rainer Riess, Director General of the Federation of European Securities Markets, presented the opening remarks of the conference, during which he emphasized the importance of such an event in shedding light on the role of capital markets and exchanges. Mr. Riess stressed on the importance of «constantly modernizing trading platforms in order

to keep pace with market developments», especially as capital markets are heading towards diversifying sources of income by remaining up-to-date with the latest technologies.

In his keynote speech, the Chairman of the Capital Markets Authority H.E. Mr. Riad Salame stressed on the importance of hosting the World Exchange Congress in Beirut, given the positive message it carries on behalf of international investors and how they view the Lebanese markets. The Chairman welcomed participants to the WEC 2019 which brought together international exchanges, capital market institutions, clearing houses and digital specialists in a unique knowledge centered event. In his opening remarks, Chairman Salame highlighted the importance of active stock exchanges as crucial elements for the development of capital markets, emphasizing the importance of having the supply and demand of financial instruments in a transparent and continuous manner, with clear rules and regulations designed to reduce the risk of price manipulation in markets.

Furthermore, Chairman Salame added that in light of the challenges that the region and Lebanon in particular had been facing, the CMA had been proactive in addressing economic challenges by translating initiatives into tangible projects, such as the ETP, to support both the financial and knowledge sectors which form the basis of the Lebanese economy. "Such endeavors will create growth and jobs for the Lebanese youth", Chairman Salame mentioned in his keynote address.

CMA Vice Chairman Mr. Firas Safieddine stressed on the importance of this conference, which builds on an economic roadmap that reflects the international community's commitment to Lebanon through the CEDRE conference, which can act as a unique opportunity for securities markets. He then shed light on the importance of moving towards a more balanced financial system, where the capital markets should play a bigger role, especially as debt financing through banks is the norm in the Lebanese markets. In light of the new opportunities available in the market, Mr. Safieddine emphasized how the WEC 2019 could act as a golden opportunity to share experiences and help transform the Lebanese financial markets from a bank-based market to a more capital-based market.

BLOM Chairman, Mr. Saad Azhari affirmed that the conference represents an important opportunity

for Lebanon, which is expected to embark on major reforms without sacrificing competitiveness and positive governance. He added that the issue of Lebanon's export of oil and gas would add life to the Lebanese market, while pointing out that it is necessary to restructure the financial system in Lebanon and activate the role of the private sector.

For his part, Bank Audi's Group Head of Corporate Banking Mr. Khalil Debs spoke of the Lebanese financial markets and the chance to re-launch and revive the stock exchanges as a means to promote growth. Mr. Debs highlighted that privatization will lead to success in this area, especially with the availability of companies that can be floated such as the Middle East Airlines and Casino du Liban, as well as a number of public-private partnerships that can help build the activity in capital markets.

Chairman of Cedrus and Cedrus Invest Bank, Mr. Fadi Assali discussed the opportunity for investment in Lebanon and the economic transformations that are required of financial markets and for the development of stock exchanges. Mr. Assali hoped that economic objectives will be achieved and that financial and fiscal reforms will be carried out, alongside imbalances that will be corrected. He also hoped for a solution to the crises of the region, which would contribute to enhancing the economic growth in Lebanon.

Mr. Jean Riachi, FFA Private Bank Chairman and CEO, considered that Lebanon is called upon to implement the fiscal and structural reforms, especially due to its debt, deficit, old infrastructure and refugee crisis. Furthermore, Mr. Riachi stressed on the importance of focusing on financial markets in order to improve liquidity, utilizing them to invest

in infrastructure, improvement of governance and promoting public-private partnership. The two-day conference featured more than 10 focus sessions and round-table discussions, including «Achieving Growth and Strategic Success», «How to Coordinate Efforts Between Local Stock Exchanges and Financial Markets and Governments», «The Role of New Technological Innovations», and «Fintech in Banks and Trading Markets».

Moreover, the roundtables also discussed «The Financing of Innovation in Lebanon», «Key Ways to Enhance Liquidity and Activate Financial Markets», «Changes in Trading Strategies in the Middle East», «New Technologies for Financial Market Development», and «Financial Stability Signs for 2019».





GRANTING OF A LICENSE TO OPERATE THE ELECTRONIC TRADING PLATFORM

After officially launching the bidding process for the Request for Proposal to license the Electronic Trading Platform (ETP) on December 5, 2018, the Chairman of the Capital Markets Authority, Governor of BDL H.E. Mr. Riad Salame announced that Bank Audi Group and Athex Group were granted the license to setup and operate the Electronic Trading Platform.

The CMA Board in a unanimous decision on 18/6/2019 selected the winning consortium after a thorough and systematic evaluation of the offers submitted by the three bidders to establish the ETP. The bidding process took place in the presence of representatives of all bidders to ensure the highest standards of transparency.

The grating of the license to launch the ETP was announced on the sidelines of the “Barclays International Conference” that took place in London in the presence of economic experts, bankers and representatives of global investment institutions.

The winning consortium is expected to form a Joint Stock Company (Société anonyme libanaise or S.A.L) with a capital of \$20 million to operate the platform. After ten years of operating the ETP, the

winning consortium is expected to list 65 percent of the licensed company shares on the ETP itself. In its official bidding documentation, the consortium has committed up to \$100 million for market-making activities.

The Capital Markets Authority envisions the ETP to enable the Lebanese companies and investors to list, trade and invest in all types of financial instruments, currencies and precious metals. This platform will have regional and international presence in cooperation with other exchanges in the world. In addition, it aims to attract investments from the Lebanese Diaspora, allowing participants to trade and invest in Lebanon without geographical boundaries.

As a follow up to the launching of the ETP, the CMA has formed a ‘Steering Committee’ that is mandated to meet at least twice a month in order to follow up on the required procedures to launch the ETP in a timely manner and according to an agreed schedule between the CMA and the operators.

AT THE REGULATORY AND SUPERVISORY LEVELS

At the level of developing the capital markets, the CMA persisted in its set vision of cooperation with regional and international institutions for the benefit of the Lebanese markets. Throughout the year 2019, experts from the World Bank in cooperation with CMA staff were finalizing the blue print for ‘Capital Markets Development in Lebanon’ with an emphasis on supporting SMEs. Furthermore, and given that the ETP has been one of the CMA’s core projects since its establishment, the Capital Markets Authority was focused in 2019 to increase the public awareness on the Electronic Trading Platform, and its importance in changing the culture of private financing in the sector.

In this regard, the Authority hosted an open discussion on ‘Capital Financing in Lebanon’ on July 4, 2019 at Banque du Liban. This event brought together Presidents of Lebanese Economic & Business Associations, leading private sector executives, and family business owners.

The seminar provided a platform for the attendees to understand the positive impact of the ETP on their respective businesses, and its role in reviving the national economy.

The event, chaired by the Governor of BDL, Chairman of the Capital Markets Authority, provided the attendees with brief presentations by members of the winning consortium. The presentations focused on the role of Athex Group in growing the market cap of a number of exchanges around the world, in addition to the capacity building measures provided by the company in order to develop the skills of the working teams responsible for listing and securitization operations within companies that aim to go public. As such, a similar strategic framework of cooperation was suggested to achieve the best results for Lebanese private sector companies.

AT THE REGULATORY LEVEL

The CMA conducted a full review on its previously issued announcements and decisions in order to assimilate their content within the implementing regulations issued since 2015. Accordingly, each

capital markets related activity has a specific legal reference within these six implementing regulations issued by the Authority. As a result, decisions 1,2,8,9, 14 and 15 were cancelled as per announcements 51 and 53.

CMA DECISION NUMBER	DATES	DECISION TITLE
29	24/01/2019	A LIST OF THE NAMES OF THE DULY REGISTERED FINANCIAL INTERMEDIATION INSTITUTIONS
30	12/03/2019	
31	13/06/2019	
32	21/06/2019	
33	16/07/2019	

The CMA Board issued special Announcements regarding listing and delisting institutions from the list of financial intermediation institutions.

LICENSED FINANCIAL INTERMEDIATION INSTITUTIONS	DELISTED FINANCIAL INTERMEDIATION INSTITUTIONS
EXCILLIS TRADING S.A.L.	PREMIUM CAPITAL GROUP S.A.L.
SHENANDOAH CONSULTING S.A.L.	
VALPRE CAPITAL S.A.L.	
HSBC FINANCIAL SERVICES (LEBANON) S.A.L.	
SARADAR FAMILY OFFICE (SFO) S.A.L.	

The CMA Board issued sixteen (16) Announcements to the public in 2019 whereby several previous decisions issued by the CMA Board were cancelled, whereas some of the Announcements amended the list of Licensed Financial Intermediation Institutions. Furthermore, a number of Announcements through the year 2019 amended the Business Conduct and the Licensing and Registration implementing regulations.

Announcement No. 51 cancelled Decisions 14 and 15 on Collective Investment Schemes (CIS) and replaced them by the provisions set in the CIS Series 8000. Moreover, Announcement No. 61 amended the

Licensing and Registration Series 2000 whereby the approved institutions with a capital exceeding five billion Lebanese Pounds were subject to exemptions from the requirement of contribution to the insurance product of Financial Institution Professional Indemnity (FIPI) as requested for other types of licenses against ‘incomplete transactions, crime and neglect and error’ as highlighted in the Announcement.

# ANNOUNCEMENTS ISSUED BY THE CAPITAL MARKETS AUTHORITY IN 2019

ANNOUNCEMENT NUMBER	DATE	SUBJECT	CONTENT
49	04/02/2019	LISTING OF HSBC FINANCIAL SERVICES (LEBANON) S.A.L ON THE LIST OF FINANCIAL INTERMEDIATION INSTITUTIONS	LISTING OF "HSBC FINANCIAL SERVICES (LEBANON) S.A.L" ON THE LIST OF FINANCIAL INTERMEDIATION INSTITUTIONS.
50	04/02/2019	LISTING OF SARADAR FAMILY OFFICE (SFO) S.A.L ON THE LIST OF FINANCIAL INTERMEDIATION INSTITUTIONS	LISTING OF "SARADAR FAMILY OFFICE (SFO) S.A.L" ON THE LIST OF FINANCIAL INTERMEDIATION INSTITUTIONS.
51	05/03/2019	RELATED TO THE CANCELLATION OF DECISION NO. 14 RELATED TO COLLECTIVE INVESTMENT SCHEMES DATING 10 FEBRUARY 2014, AND THE CANCELLATION OF DECISION NO. 15 RELATED TO ISLAMIC COLLECTIVE INVESTMENT SCHEMES	CANCELLATION OF DECISIONS 14 AND 15 AND REPLACEMENT BY THE PROVISIONS SET IN THE COLLECTIVE INVESTMENT SCHEMES – SERIES 8000.
52	05/03/2019	DE-LISTING OF PREMIUM CAPITAL GROUP S.A.L FROM THE LIST OF FINANCIAL INTERMEDIATION INSTITUTIONS	DE-LISTING OF "PREMIUM CAPITAL GROUP S.A.L" FROM THE LIST OF FINANCIAL INTERMEDIATION INSTITUTIONS.
53	12/03/2019	RELATED TO THE CANCELLATION OF DECISION NO. 1 DATING 11 JUNE 2013, DECISION NO. 2 DATING 11 JUNE 2013, DECISION NO. 8 DATING 27 DECEMBER 2013, DECISION NO. 9 DATING 27 DECEMBER 2013	CANCELLATION OF DECISIONS NO. 1, 2, 8 AND 9.
54	10/04/2019	RELATED TO THE AMENDMENT OF THE IMPLEMENTING REGULATION BUSINESS CONDUCT SERIES 3000 AND THE IMPLEMENTING REGULATION LICENSING AND REGISTRATION SERIES 2000	AMENDMENT OF PARAGRAPH (1) OF ARTICLE 3210, PARAGRAPH (4) OF ARTICLE 3308, PARAGRAPH (5) OF ARTICLE 3311, PARAGRAPHS (4) AND (5) OF ARTICLE 3322, PARAGRAPH (F) OF ARTICLE 3603 AND ADDING OF ARTICLE 3601 TO THE BUSINESS CONDUCT REGULATION – SERIES 3000. AMENDMENT OF PARAGRAPH (2) OF ARTICLE 2409 OF THE LICENSING AND REGISTRATION REGULATION – SERIES 2000.
55	13/05/2019	RELATED TO THE AMENDMENT OF THE IMPLEMENTING REGULATION BUSINESS CONDUCT SERIES 3000	AMENDMENT OF ARTICLE 3318 OF THE BUSINESS CONDUCT REGULATION.
56	21/05/2019	RELATED TO THE AMENDMENT OF THE IMPLEMENTING REGULATION LICENSING AND REGISTRATION SERIES 2000	AMENDMENT OF PARAGRAPH (2) OF ARTICLE 2409 OF THE LICENSING AND REGISTRATION REGULATION – SERIES 2000.

57	13/06/2019	LISTING OF VALPRE CAPITAL S.A.L ON THE LIST OF FINANCIAL INTERMEDIATION INSTITUTIONS	LISTING OF "VALPRE CAPITAL S.A.L" ON THE LIST OF FINANCIAL INTERMEDIATION INSTITUTIONS.
58	21/06/2019	LISTING OF SHENANDOAH CONSULTING S.A.L ON THE LIST OF FINANCIAL INTERMEDIATION INSTITUTIONS	LISTING OF "SHENANDOAH CONSULTING S.A.L" ON THE LIST OF FINANCIAL INTERMEDIATION INSTITUTIONS.
59	16/07/2019	LISTING OF EXCILLIS TRADING S.A.L ON THE LIST OF FINANCIAL INTERMEDIATION INSTITUTIONS	LISTING OF "EXCILLIS TRADING S.A.L" ON THE LIST OF FINANCIAL INTERMEDIATION INSTITUTIONS.
60	22/08/2019	RELATED TO THE AMENDMENT OF THE IMPLEMENTING REGULATION BUSINESS CONDUCT SERIES 3000	AMENDMENT OF PARAGRAPH (1) OF ARTICLE 3506 OF THE BUSINESS CONDUCT REGULATION.
61	23/08/2019	RELATED TO THE IMPLEMENTING REGULATION LICENSING AND REGISTRATION SERIES 2000	AMENDMENT OF PARAGRAPH (7) OF ARTICLE 2205 OF THE LICENSING AND REGISTRATION REGULATION.
62	24/09/2019	RELATED TO THE AMENDMENT OF THE IMPLEMENTING REGULATION BUSINESS CONDUCT SERIES 3000	AMENDMENT OF ARTICLE 3319 AND OF CLAUSE (3) OF ARTICLE 3521 OF THE BUSINESS CONDUCT REGULATION.
63	15/11/2019	RELATED TO THE AMENDMENT OF THE TIME LIMITS MENTIONED IN THE CMA ANNOUNCEMENTS AND IMPLEMENTING REGULATIONS	EXTENSION OF ALL DEADLINES PROVIDED FOR IN THE REGULATIONS, ANNOUNCEMENTS AND DECISIONS ISSUED BY THE CMA TO 30/06/2020.
64	04/12/2019	RELATED TO BANKS AND SPECIALIZED BANKS	REMINDER FOR BANKS TO ABIDE BY THE PROVISIONS OF THE MARKET CONDUCT REGULATION ESPECIALLY THE PROHIBITION OF INSIDER TRADING PRIOR TO PUBLICATION OF THE RELEVANT BANK'S FINANCIAL STATEMENTS FOR THE THIRD QUARTER OF 2019.



## BRIEF REGARDING THE IMPLEMENTING REGULATIONS ISSUED BY THE AUTHORITY SINCE 2016

### Business Conduct Regulation

**Series 3000,  
November 2016**

This regulation aims to establish the rules and code of conduct that an approved institution must comply with in carrying out securities business and dealing with clients. It also defines the policies and procedures, systems and controls that an approved institution must establish and implement. The regulation also sets out the rules for approved institutions on how to handle client money and client assets, while it sets the requirements to notify or report certain changes and events to the Capital Markets Authority.

### Market Conduct Regulation

**Series 4000,  
November 2016**

This regulation aims to regulate the conduct of trading in the securities markets, and set out the details of the prohibitions on insider trading and the prohibitions on market manipulation. The regulation also aims to cover the obligations of approved institutions when trading in the markets, as principal and for clients.

### Licensing & Registration Regulation

**Series 2000,  
January 2017**

This regulation aims to identify the different categories of licenses required to carry out securities related business in Lebanon, identify exclusions from the requirements, and set the requirements for licensing institutions and registering individuals as Registered Persons. It also sets the conditions for the maintenance of a license or a registration, and establishes the procedures of applications, approvals, changes and termination of a license or registration.

### Offers of Securities Regulation

**Series 6000,  
August 2017**

This regulation aims to outline the requirements related to offers of securities in Lebanon and determine the types of exempted public offers as well as set the requirements for such exemption.

### Listing Rules

**Series 7000,  
Draft**

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

### Collective Investments Scheme Regulation

**Series 8000,  
January 24, 2019**

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



# REGISTERED PERSONS WITH THE CAPITAL MARKETS AUTHORITY

As per Announcement No. 56, which aims to facilitate the registration process with the CMA, Persons with 10 to 15 years of experience in the financial and banking sector up until 14/12/2017, out of which a minimum of 5 years' experience in securities business, are exempted from the required exams provided they attend all related seminars as specified in Series 2000.

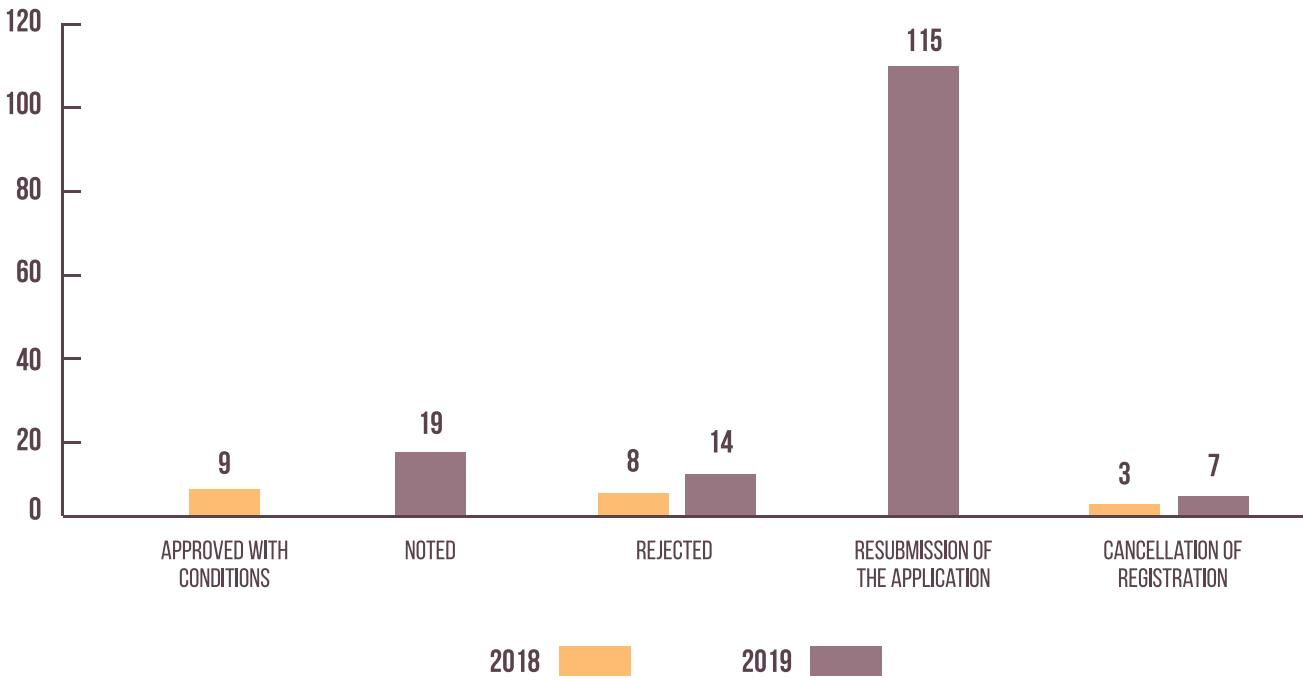
It is worth noting that as an implementation to the Licensing and Registration Regulation Series 2000, which regulates the process of registering persons in approved institutions in order to perform registrable functions, the number of persons officially registered at the CMA in 2019 increased remarkably from 2018 to become 520 registered persons in total, of which, four hundred fifty four (454) registered in 2019.

A total of 609 applications were received by the CMA in 2019, whereby fourteen (14) applications were rejected, seven (7) registrations were cancelled and one hundred and fifteen (115) applicants were asked to resubmit. This sets the approval rate for registration at the CMA since the launch of Series 2000 to be 76% of total applications, with a 3% rejection rate, and a request rate to resubmit applications for registration at 17%.

The reason for this noticeable increase in the number of Registered Persons with the CMA is due to the deadline set by the Authority for approved institutions to submit registration applications for their eligible staff by 31/12/2019.

BOARD DECISION ON REGISTERED PERSONS APPLICATIONS	2018	2019	GRAND TOTAL	% OF TOTAL
APPROVED	66	454	520	74.82%
APPROVED WITH CONDITIONS	9		9	1.29%
NOTED		19	19	2.73%
REJECTED	8	14	22	3.17%
RESUBMISSION OF THE APPLICATION		115	115	16.55%
CANCELLATION OF REGISTRATION	3	7	10	1.44%
GRAND TOTAL	86	609	695	100%

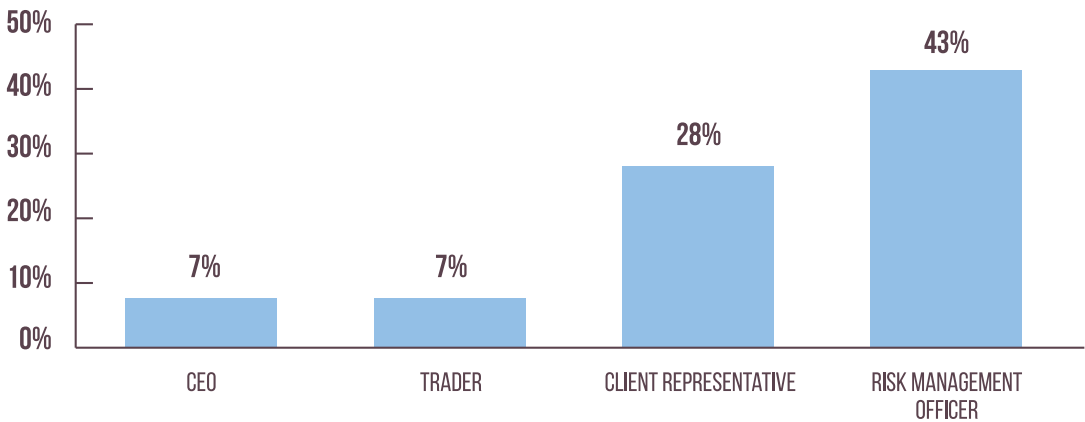
BOARD DECISION ON REGISTERED PERSONS APPLICATIONS



NUMBER OF APPLICATIONS PER TYPE OF INSTITUTION	2018	2019	% OF TOTAL
BANKS	48	527	86.5%
FINANCIAL INSTITUTIONS	38	82	13.5%
GRAND TOTAL	86	609	100%

## THE TOP 4 REGISTERED FUNCTIONS BY THE CMA TILL END OF YEAR 2019

- **Risk Management Officer:** A total of 43% whereby 189 were registered in 2019 in comparison to 41 in 2018.
- **Client Representative:** A total of 28% whereby 141 were registered in 2019 in comparison to 8 in 2018.
- **Trader:** A total of 7% whereby 34 were registered in 2019 in comparison to 3 in 2018.
- **CEO:** A total of 7% whereby 32 were registered in 2019 in comparison to 4 in 2018.



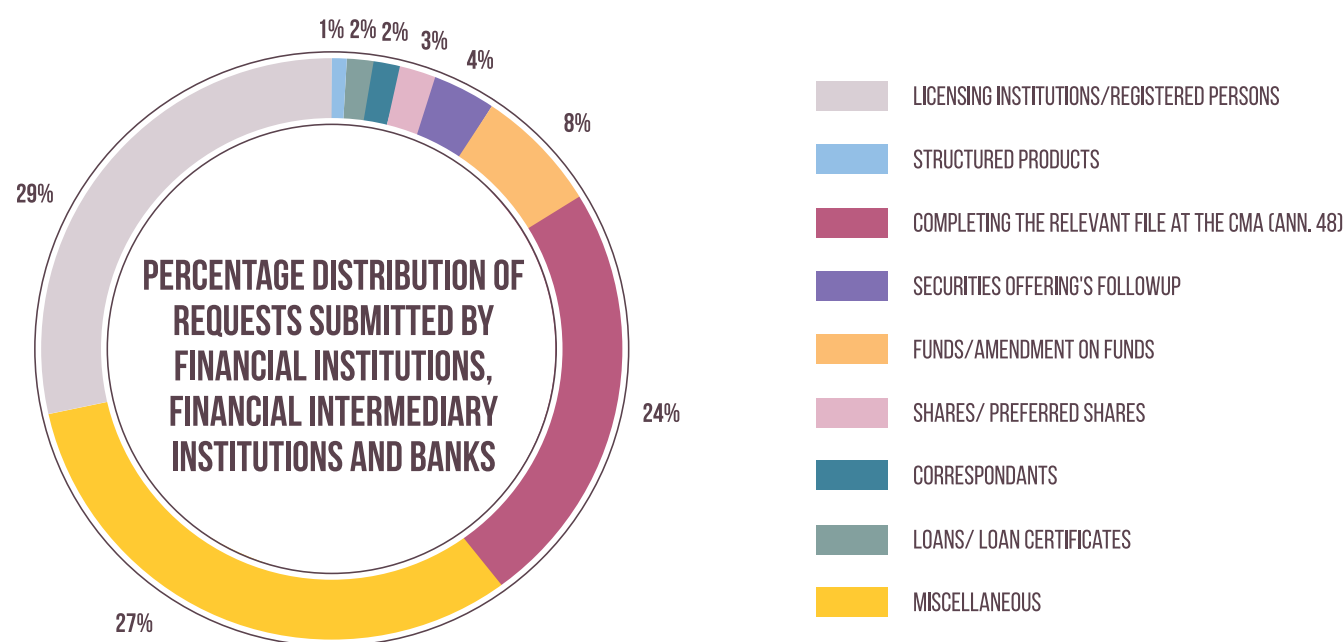


## AT THE SUPERVISORY LEVEL

The Financial Control Unit (FCU) conducted twenty-one (21) investigations and eighteen (18) audits on approved institutions. Furthermore, the FCU conducted two (2) investigation follow-ups and twenty (20) audit follow-ups.

The FCU reviewed one hundred and fifty six (156) applications submitted by approved institutions in 2019 (financial institutions, financial intermediation institutions and banks). These applications tackled various aspects including requests to deal with new correspondents, market shares and structured products for investors, market loans and loan certificates, market funds and amendments on funds, among other types of applications.

The chart below shows that among the one hundred and fifty six (156) applications revised by the FCU, those related to securities offerings were as such:



## AT THE LEGAL AFFAIRS LEVEL

Throughout 2019, the Legal Affairs Department at the CMA was involved in the process of issuing several Announcements which have amended specific implementing regulations, as well as listed and delisted several financial intermediation institutions from the list of approved institutions.

As per Announcement 31 and Announcement 48, the Legal Affairs Department worked on ensuring that all the required files submitted by approved institutions to complete their files with the Authority were in order and as per the guidelines set by the CMA.

As part of its legislative role, the Legal Affairs Department's staff reviewed applications related to the establishment/licensing of a number of financial intermediation institutions, the issuance and marketing

Twelve (12) applications related to market funds (or amendments on them), four (4) applications related to market shares/preferred shares, two (2) applications to market structured products, seven (7) follow-ups of securities offerings and three (3) applications related to loans and loan certificates.

The FCU received forty-two (42) applications to register persons and three (3) applications to license institutions as well as thirty-eight (38) applications to complete the institutions files at the CMA as per announcement 48, in addition to three (3) applications to deal with new correspondents. The FCU received forty-two (42) miscellaneous applications such as but not limited to: suspension of license, compliance/exemptions related to CMA decisions, suggestions for amendments to CMA regulations and others.

of securities, licensing of Collective Investment Schemes, marketing of securities contained in guarantee contracts, assignment of shares, registering persons and revoking the registration of persons.

Furthermore, the Legal Affairs Department ensured that all complaints submitted to the CMA by investors were in compliance to the procedures set by the requirements stipulated in the Business Conduct Implementing Regulation Series 3000 before referring them to the competent authorities to take the required action.

In reference to the Electronic Trading Platform, the Legal Affairs Department was active on setting the conditions required for establishing the ETP, in addition to its role in reviewing the legality of the documentation related to its licensing and operation.

## AT THE LEVEL OF THE CMA'S BOARD,

and as per the Capital Markets Law No. 161, as stated in Article 11 thereof, the CMA Board is committed to protecting investors and promoting investments as per the executive authority granted by law to set the implementation rules and the general/individual instructions and directives to regulate and oversee the establishment and management of stock exchanges; as well as the conditions of registering and trading securities and financial instruments.

Furthermore, the Board also has the exclusive authority to set the code of conduct to be followed

by Stock Exchanges and their employees, as well as by financial service providers and their employees. Moreover, the Board is entitled to grant the license for the establishment of the financial intermediation institutions, Collective Investment Schemes and the licensing of securitization activities.

In this regard, throughout 2019, the CMA Board issued several decisions, announcements and regulations to enhance the performance of capital markets in Lebanon. According to its above-mentioned responsibilities, the CMA Board held a total of 20 meetings in 2019 and took 547 regulatory and administrative decisions.

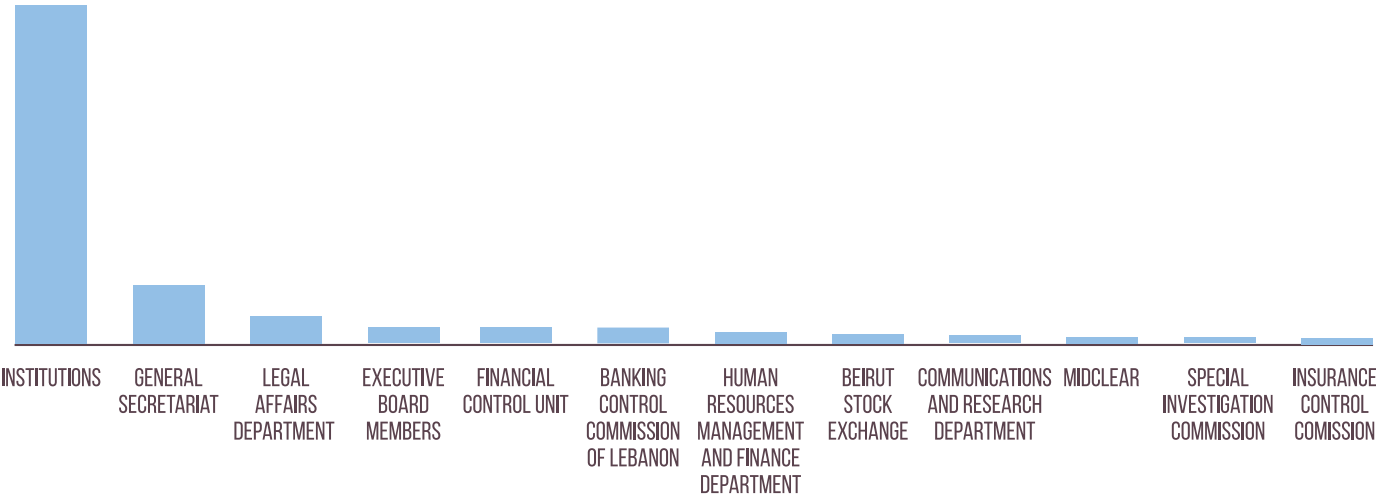
#	DATE	NUMBER OF ISSUED DECISIONS
1	JANUARY 21, 2019	23
2	FEBRUARY 4, 2019	33
3	FEBRUARY 26, 2019	25
4	MARCH 12, 2019	22
5	MARCH 27, 2019	31
6	APRIL 10, 2019	33
7	MAY 2, 2019	26
8	MAY 14, 2019	22
9	MAY 28, 2019	19
10	JUNE 18, 2019	30
11	JULY 2, 2019	30
12	JULY 16, 2019	28
13	AUGUST 6, 2019	29
14	AUGUST 27, 2019	30
15	SEPTEMBER 11, 2019	19
16	SEPTEMBER 24, 2019	23
17	OCTOBER 8, 2019	45
18	NOVEMBER 12, 2019	32
19	NOVEMBER 26, 2019	21
20	DECEMBER 17, 2019	26

The **General Secretariat** which was tasked with following up the implementation of the decisions issued by the CMA Board in 2019, succeeded in concluding eighty-two percent (82%) of the decisions' requirements as per the following classification:

BOARD DECISIONS ISSUED IN 2019

CATEGORIES	#	%
IMPLEMENTED DECISIONS	449	82.08%
DECISIONS UNDER CONSIDERATION	50	9.14%
DECISIONS THAT DID NOT EXCEED DEADLINES	19	3.47%
DEFERRED DECISIONS	11	2.01%
NON-IMPLEMENTED DECISIONS (NON-COOPERATING INSTITUTIONS)	6	1.10%
POSTPONED	3	0.55%
DECISIONS ON HOLD AS PER COUNTRY SITUATION	2	0.37%
AMENDED DECISIONS	7	1.28%
TOTAL NUMBER OF DECISIONS FOR 2019	547	100%

BOARD DECISIONS ISSUED IN 2019	#	%
INSTITUTIONS	386	70.57%
GENERAL SECRETARIAT	79	14.44%
LEGAL AFFAIRS DEPARTMENT	26	4.75%
EXECUTIVE BOARD MEMBERS	13	2.38%
FINANCIAL CONTROL UNIT	14	2.56%
BANKING CONTROL COMMISSION OF LEBANON	14	2.56%
HUMAN RESOURCES MANAGEMENT AND FINANCE DEPARTMENT	3	0.55%
BEIRUT STOCK EXCHANGE	2	0.37%
COMMUNICATIONS AND RESEARCH DEPARTMENT	1	0.18%
MIDCLEAR	1	0.18%
SPECIAL INVESTIGATION COMMISSION	3	0.55%
INSURANCE CONTROL COMISSION	5	0.91%
TOTAL NUMBER OF DECISIONS FOR 2019	547	100%





# AT THE ADMINISTRATIVE LEVEL

Pursuant to the decision to insure consistency of the terms used in the CMA implementing regulations, a committee has been established with the participation of the General Secretariat, the Legal Affairs Department and the Communications and Research Department in order to revise the implementing regulations issued by the Capital Markets Authority. This committee reviews the technical terms used in the regulations with the aim of unifying them, in addition to establishing mechanisms that contribute to ensuring their regular update as per new directives issued by the CMA Board.

On another note, and in terms of activating data management of the Authority and insuring systems and data protection, the Information Technology Department at the CMA continued to develop the security protocols of information systems at the Authority, especially with the growing cyber security threats that are affecting businesses worldwide. The security protocols established a Security Operations Center in order to detect known and unknown risks that are a threat to the CMA information systems. In this regard, threats are constantly identified, controlled and prevented thus eliminating risks that may result from them.

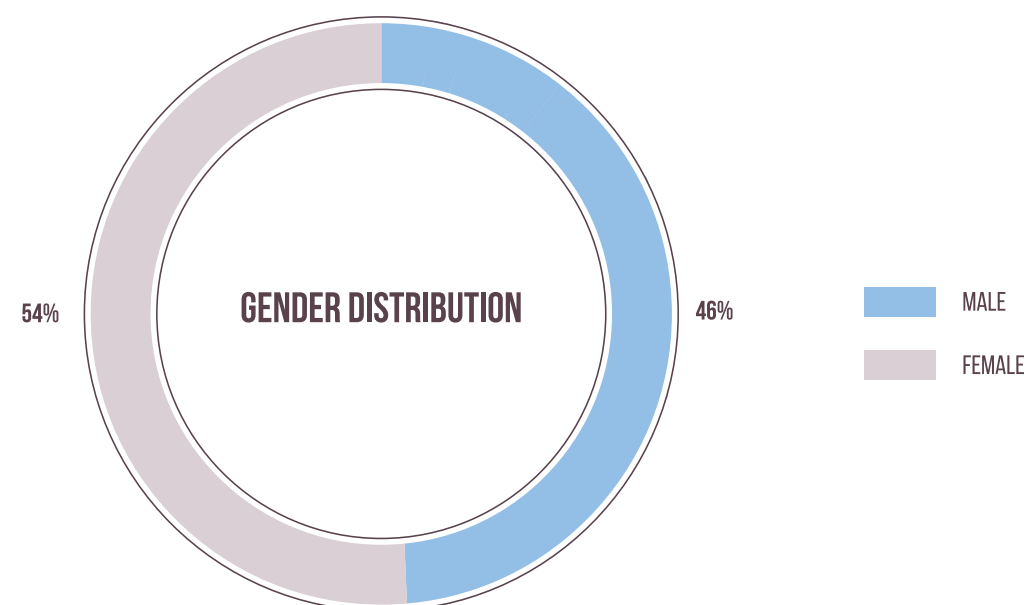
## AT THE STAFF LEVEL

The Human Resources Department coordinated with the Heads of the Administrative Units and Departments at the CMA for the training and development of the staff in the effort to enhance their regulatory and supervisory competencies. This has

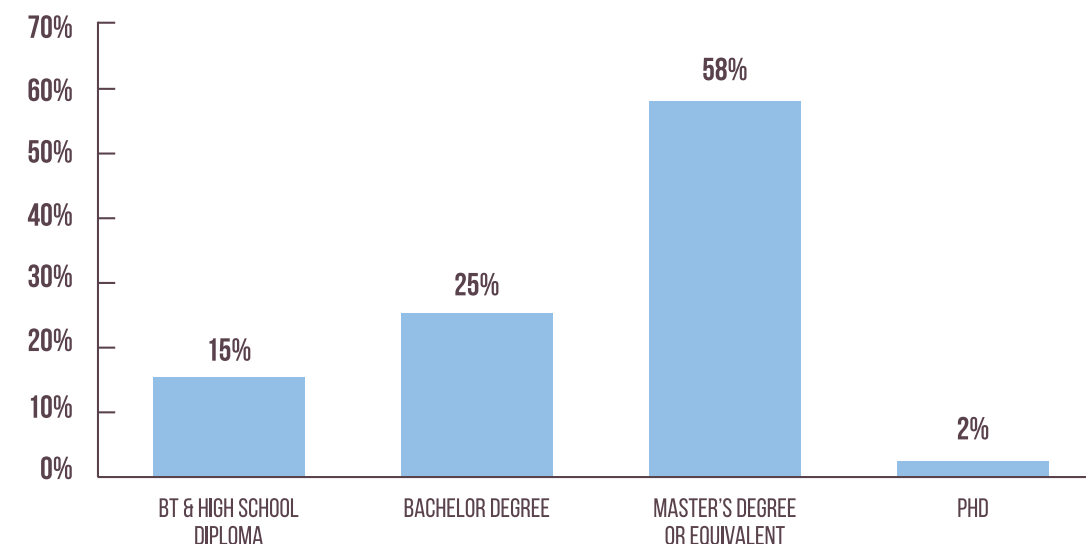
been achieved through facilitating the participation of CMA staff in local, regional and international training courses, in cooperation with leading training institutions in Lebanon.

The number of female employees at the Authority exceeded the number of male employees in 2019, as the following graph shows.

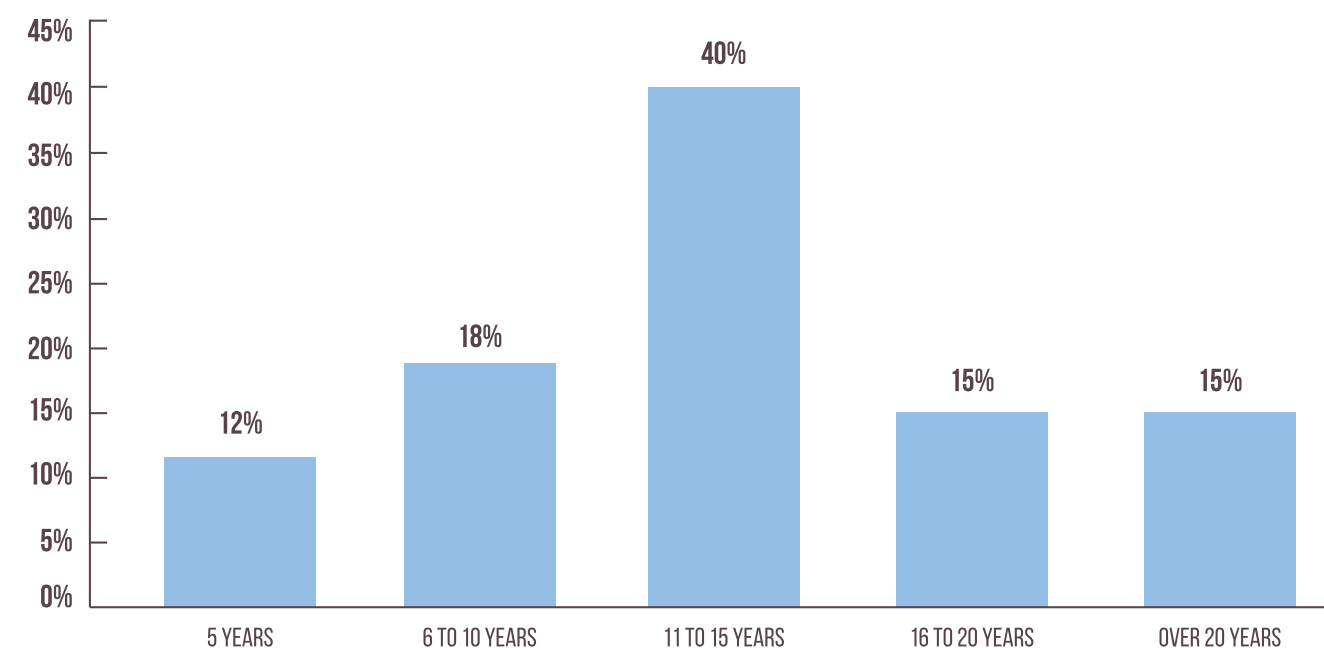
In terms of experience, the largest proportion of CMA employees, i.e. %70 of the total number of staff, shows an extensive experience of 11 years and above in capital markets.



## ACADEMIC ACHIEVMENT OF THE CMA STAFF



## YEARS OF EXPERIENCE OF THE CMA STAFF



AT THE LEVEL OF STAFF DEVELOPMENT

The CMA ascribes great effort in training its staff and developing both their academic and professional experiences, especially in the regulatory and supervisory domains. Accordingly, the CMA staff took part in several training programs in order to get acquainted with the latest developments in issues related to capital markets development and supervision on both the regional and international levels.

As part of the ongoing cooperation between the CMA and the U.S. Securities and Exchange Commission, the CMA, represented by Executive Board Member Mr. Sami Saliba and Director of the Communications and Research Department Mr. Tarek Zebian attended the 29<sup>th</sup> Annual International Institute for Securities Market Growth and Development on April 1, 2019 at the SEC headquarters in Washington D.C.

The technical workshop was given by senior officers as part of an inclusive program on capital markets which included lectures, case studies and interactive small group workshops. The lectures revolved around several topics including the challenges facing securities regulation globally, investigating and prosecuting broker dealer violations, insider trading, investing and prosecuting various types of fraud, market manipulation, anti-money laundering in the capital markets, corporate governance, investor education, Fintech and others.

As part of their visit to the SEC headquarters in Washington D.C., Mr. Saliba and Mr. Zebian met with Assistant Regional Director Mrs. Julie Priett, and Mr. Owen Donley from the Office of Investor Education and Advocacy, to discuss future collaborations between both entities.

Financial Control Unit staff members Mrs. Layal Mardini and Mr. Patrick Abou Saada attended the 23<sup>rd</sup> Annual International Institute for Securities Enforcement and Market Oversight in Washington D.C on October 28, 2019. The Annual Meeting's

sessions focused on detecting, investigating and prosecuting different kinds of financial fraud violations, cybercrimes violations, insider trading, and market manipulation.

Mrs. Yasmina Merhi, FCU team member, attended the IOSCO Seminar Training Program, "Protecting the Retail Investor: A Securities Regulator Perspective" in Madrid, Spain on the 24<sup>th</sup>-26<sup>th</sup> of April 2019. The training program involved several interactive panels which covered in detail the retail securities market, the importance and purpose of know your customer (KYC), investment strategy options and investor protection and education.

Director of the Information Technology Department, Mr. Alaa Sukkariah participated in the FOR500: Windows Forensic Analysis program, which was held in London on August 5, 2019. The intensive program focused on building in-depth digital forensics knowledge of Microsoft Windows operating systems. The program also aimed to establish an understanding of forensic capabilities and artifacts as core components of information security.

General Secretariat team member Ms. Romy El-Helou participated in the training program held by the Union of Arab Securities Authorities titled "Financial Derivatives" in Dubai on June 11 2019. The objective of this training was to present the basic knowledge of the regulations and practices in financial and commodity derivatives, their underlying markets, trading and the principles of investment strategies. The training program tackled several topics such as: Underlying Markets, Exchange Traded Futures and Options, Principles of Exchange-Traded Futures and Options and Principles of OTC Derivatives.

Mrs. Roula El Dana, General Secretariat team member, participated in the IFRS Executive Workshop for Financial Regulators in Beirut, Lebanon on June 10, 2019. Representatives of the World Bank held a specialized training program on the international principles for preparing financial reports.

TRAINING TITLE	HOSTING INSTITUTION	COUNTRY	PARTICIPATING UNIT/DEPARTMENT
29TH ANNUAL INTERNATIONAL INSTITUTE FOR SECURITIES MARKET GROWTH AND DEVELOPMENT	SECURITIES AND EXCHANGE COMMISSION S.E.C.	UNITED STATES OF AMERICA	EXECUTIVE BOARD MEMBER / COMMUNICATIONS AND RESEARCH DEPARTMENT
PROTECTING THE RETAIL INVESTOR: A SECURITIES REGULATOR PERSPECTIVE	INTERNATIONAL ORGANIZATION FOR SECURITIES COMMISSIONS, IOSCO	SPAIN	FINANCIAL CONTROL UNIT (FCU)
23 <sup>RD</sup> ANNUAL INTERNATIONAL INSTITUTE FOR SECURITIES ENFORCEMENT AND MARKET OVERSIGHT	SECURITIES AND EXCHANGE COMMISSION S.E.C.	UNITED STATES OF AMERICA	FINANCIAL CONTROL UNIT (FCU)
FINANCIAL DERIVATIVES	UNION OF ARAB SECURITIES AUTHORITIES, UASA	UNITED ARAB EMIRATES	GENERAL SECRETARIAT
IFRS EXECUTIVE WORKSHOP FOR FINANCIAL REGULATORS	WORLD BANK	LEBANON	GENERAL SECRETARIAT
FOR500: WINDOWS FORENSIC ANALYSIS	THE SANS INSTITUTE	UNITED KINGDOM	INFORMATIONAL TECHNOLOGY DEPARTMENT

## PUBLIC OUTREACH

The public outreach strategy of the Communications and Research Department (CRD) was developed to help keep the CMA's stakeholders informed about its role as a leading regulatory body, focused on promoting and developing the Lebanese capital markets as well as protecting investors from fraudulent activities.

In this context, the CRD has widened its audience by utilizing social media pages as an important media tool to update the public on the latest developments at the level of the Authority. These developments which are usually in the form of new market regulations, development plans and campaigns initiated by the CMA, are communicated through a set of different media outlets to ensure wide media coverage.

In this regard, the CMA issues periodic newsletters to ensure a flow of information to its stakeholders, including investors and financial institutions dealing in securities business and the public at large. These newsletters usually cover CMA's latest updates and developments such as events, trainings, international cooperation, regulatory updates,

latest developments related to the Lebanese capital markets, and many more. Internally, the CRD distributes three reports per day that sum up the daily national market activity, in addition to a daily news report which assembles the most important articles in local and international media allowing for the CMA staff and management to be up to date with the ensuing economic discussions.

The CRD also publishes monthly statistical reports that cover the activities of capital markets in Lebanon. Since 2014, the CRD has issued approximately 300 monthly financial reports. These include in-house analytic reports on the performance of the Beirut Stock Exchange, and an update on the latest economic indicators of relevance to the local financial markets.

Furthermore, the CRD organized several conferences, training programs and seminars, the most prominent among them was the 14<sup>th</sup> Annual "World Exchange Congress 2019" that took place for the first time in Lebanon. Also, the CRD represented the Authority in various events conducted by international institutions.

## ENHANCING INVESTOR AWARENESS

Given that investor awareness and protection are among the main goals of the CRD, the Authority participated in the global "World Investor Week" campaign, hosting it for the first time in 2018. Since then, the event has become a yearly initiative utilized to further promote investor education and raise investor awareness in the Lebanese market.

As part of its initiation campaign as a new member of the "World Investor Week", the CMA launched an informative social media campaign managed by the CRD which aimed at raising awareness on the various implementing regulations issued by the CMA with the purpose of ensuring that investors understand their rights, while shedding light on the lawful obligation of licensed institutions and registered persons to protect such investors and safeguard their investments, when dealing in securities business.

For its 2019 campaign initiative, and due to the unforeseen events that took place across Lebanon in October 2019, the CMA was not able to launch its yearly awareness campaign. However, the CRD produced an investment guidebook titled "Introduction to Investing" which is set to be published on a wide scale in the near future.

This guidebook aims at educating the youth about the role that capital markets play in their daily lives, as well as highlighting the importance of capital markets in the growth and development of any economy, while offering guidelines that reveal means through which potential investors can invest and protect their investments.

## TRAINING PROGRAMS

### FINANCIAL MARKETS: INTERNAL CONTROLS, CMA REGULATIONS AND CASE STUDIES

#### The Institute of Internal Auditors (IIA)

The Financial Control Unit (FCU) staff at the CMA attended a training seminar held at The Institute of Internal Auditors (IIA) titled "Financial Markets: Internal Controls, CMA Regulations and Case Studies", on April 16 and 17, 2019. The FCU team members which participated as speakers at the training workshop covered topics related to the newly issued Collective Investment Schemes Series 8000, alongside several case studies which were considered to highlight the role of internal audit, and the importance of applying the highest ethical standards as part of corporate governance.

Furthermore, the FCU team discussed several other topics including: the licensing requirements under CMA's Licensing and Registration Regulation, the review of adherence to the fees schedule, the approaches for detecting churning, and examples related to certain behaviors in the prop book trading which could impact the financial statements of institutions, as well as the importance of suitability assessments, the relationship between the institutions and their custodians, and the reconciliation of securities positions.

### RISKS IN FINANCIAL SERVICES

#### Union of Arab Securities Authorities

The Capital Markets Authority in Lebanon, in cooperation with the Union of Arab Securities Authorities, organized a training course titled «Risks in Financial Services», in Beirut on July 10-11, 2019 in the presence of a group of Lebanese and Arab financial and economic experts.

The training focused on the main risks that financial services face, while presenting methods used to identify, reduce and manage specific aspects of risk and corporate governance.

## CMA PARTNERS WITH BLOM INVEST TO HELP NURTURE AN EDUCATED INVESTOR BASE IN LEBANON

CMA is an active player in the field of investor education and protection. Therefore, it constantly strives to set frameworks of cooperation with entities that work with investor education in order to raise awareness and ensure that the role of the CMA in protecting investors in the Lebanese capital markets is widely recognized. In this context, the Capital Markets Authority cooperated with BLOM Invest S.A.L, a CMA approved institution, to organize the Virtual Stock Exchange (VSE) Competition in Lebanese Universities. The VSE competition is a national university competition that allows for students to establish their own securities portfolios, within the directives and regulatory framework set by the CMA, giving them the ability to experience real life investment knowledge. The partnership was announced during the Annual Gala dinner hosted by BLOM Invest S.A.L to celebrate the winners of the last VSE Competition cohort.

On behalf of the Capital Markets Authority, Vice Chairman Mr. Firas Safieddine and Director of the Communications and Research Department Mr. Tarek Zebian attended the event in the presence of Mr. Saad Azhari, Chairman and General Manager of BLOM Bank, and Dr. Fadi Osseiran, General Manager of BLOM Invest Bank, and Mr. Alexandre Mouradian, Head of Investor Relations.

Mr. Safieddine highlighted the importance of such a step in enhancing investor protection and building on the financial education that students undertake at their universities, in order to nurture developed capital markets in Lebanon.

Such partnerships between academia, regulatory, and investment institutions have proven to be successful, as they provide the students with an opportunity to put theory into practice in order to merge knowledge with experience and improve their skills as investors.



## UNIVERSITY LECTURES

### CMA HOLDS MORE THAN 15 LECTURES IN UNIVERSITIES ACROSS LEBANON

As part of the partnership between the Capital Markets Authority and BLOM Invest S.A.L to nurture and develop an investor education culture among the Lebanese youth, staff from the CMA Communications and Research Department and the Legal Affairs Department held more than 15 lectures in various universities across Lebanon during the months of October and November 2019. The lectures conducted by CMA staff Mr. Ali

Hennaoui, Ms. Danielle Karam, Ms. Joanna Kazan and Ms. Lama Frangieh helped raise awareness on investor education policies set by the CMA to protect and safeguard Lebanese savers in capital markets, and acted as an opportunity to showcase the steps being undertaken to develop capital markets in Lebanon.

### CMA LEGAL AFFAIRS PARTICIPATE IN PANELS HIGHLIGHTING CAPITAL MARKETS LEGAL FRAMEWORK IN LEBANON

Highlighting the CMA's regulatory and supervisory role in ensuring investor protection and capital market development through the implementing regulations issued by the CMA, Legal Affairs Department Director Me. Caline Aoun Maaraoui, held two informational seminars at the Holy Spirit University of Kaslik (USEK) and at the Saint Joseph University of Beirut (USJ).

Moreover, Me. Caline Aoun Maaraoui presented the role of the CMA in regulating and supervising the Capital Markets at the 3<sup>rd</sup> International Colloquium on Commercial Law as organized by USEK Univeristy on April 12, 2019. Me. Maaraoui also participated as a speaker on Capital Markets at a USJ panel entitled "CMA Legal Framework" on May 2, 2019.

## CONFERENCES AND SEMINARS ON CAPITAL MARKETS

Throughout the year 2019, the Authority organized a number of events which provided a platform for local and international investors, stakeholders, experts and capital market enthusiasts to exchange

their thoughts and perspectives regarding the latest developments and challenges facing the Lebanese capital markets.

### EUROMONEY 2019 NAVIGATING THE FINANCIAL FUTURE

With the support of the Capital Markets Authority, The Euromoney Conference 2019 titled "Navigating the Financial Future" was held in July 2019 at the Four Seasons Hotel, Beirut. The focus of the conference was how technology will shape the financial future in growing economics.

The conference brought together incumbent players in the field of finance and tech, which varied from regulators and tech experts, to new entrants, innovators, and policy-makers, all of which were gathered to discuss on a strategic level how tech can better aid Lebanon, and the many opportunities it could add to the financial markets. The discussion also focused on digital banking and whether it should be viewed as a competitor to

traditional banking or an evolutionary step in the right direction.

In his keynote interview H.E. Mr. Riad Salame, Chairman of the Capital Markets Authority, Governor of Banque Du Liban, discussed ways to develop the Lebanese banking sector and the role of technology in the country's financial future. Furthermore, Mr. Firas Safieddine, Vice Chairman of the CMA participated as a panelist in a special session on the role of capital markets and financing of start-ups and SMEs.

## CMA PARTICIPATES IN PANEL ON «LEBANON'S STOCK MARKET AND CORPORATE GOVERNANCE IMPLICATIONS FOR SME LISTING»

In an effort to raise awareness on the CMA's strategy to build a culture of corporate governance and capacity building at the level of independent directors on the boards of Lebanese companies, Vice Chairman of the Capital Markets Authority, Mr. Firas Safieddine participated in a panel discussion titled: "Lebanon's Stock Market and Corporate Governance Implications for SME listing" which brought together Mr. Yahia Al-Husseini representing the International Finance Corporation (IFC), Dr. Fouad Zmokhol, President of the Association of Lebanese Business People in the World (RDCL World), in addition to the Assistant Chairman of the Egyptian Exchange (EGX), Mrs. Hiba El Sarafi and Dr. Josiane Fahed Sreih, founder of the Institute of Family and Entrepreneurial Business at the Lebanese American University.

The panelists focused on the importance of the role of the Capital Markets Authority and other institutions that are active on initiatives related to governance in

the private sector, especially in developing a culture of good governance and transparency at corporations that will ultimately translate in better performance at the level of companies, and a facilitated access to low cost financing through capital markets.

Mr. Safieddine, stressed on the regulatory role of the CMA in this regard, highlighting that corporate governance is part of CMA's implementing regulations, which addresses good governance at the level of institutions and financial instruments and securities offered to the public, adding that initiatives such as "Tamayyaz" are supported by the CMA, especially as it enables the preparation of Certified Independent Directors crucial to alleviating the performance of local companies and their respective boards.

## STRENGTHENING WOMEN'S ECONOMIC AND FINANCIAL EMPOWERMENT

In the framework of a series of programs and awareness campaigns organized by the National Commission for Lebanese Women (NCLW), headed by Mrs. Claudine Aoun Roukoz, the Capital Markets Authority represented by Executive Board Member Mr. Sami Saliba participated in a panel titled "Collaborative Empowerment for Sustainable Development".

Throughout the panel, Mr. Saliba discussed the topic of "Transforming Our World" related to the sustainable development on gender equality and women empowerment. In this context, Mr. Saliba focused on the role of financial markets in strengthening women empowerment within the economic and financial domains. Moreover, the panel discussed the CMA's role at both the regulatory and supervisory levels in protecting investors and developing the capital markets.

## CMA AND THE RAMI FOUAD MAKHZOUMI INITIATIVE IN CORPORATE GOVERNANCE ORGANIZED A PANEL AT THE SULIMAN S. OLAYAN SCHOOL OF BUSINESS

Emphasizing on the role of corporate governance in ensuring transparency thus creating robust economic development, the Capital Markets Authority and the Rami Fouad Makhzoumi Initiative in Corporate Governance organized a panel at the Suliman S. Olayan School of Business on April 23, 2019. The panel joined together experts on the topics of corporate governance and capital markets including academics, bankers and regulators.

Representing the Capital Markets Authority, Vice Chairman Mr. Firas Safieddine discussed the CMA's perspective on the importance of promoting corporate governance in Lebanon, and how it is seen as the foundation to develop companies to be ready for growth and expansion using capital markets in an effort to increase access to new investors. The panel stressed the implications of good governance on facilitated access to finance, lower cost of capital, better company valuation and enhanced performance when listed on capital markets.

# COOPERATION WITH LOCAL AND INTERNATIONAL REGULATORY BODIES

## CMA PARTICIPATES IN UNION OF ARAB SECURITIES AUTHORITIES’ 13<sup>TH</sup> ANNUAL MEETING

**March 27, 2019**  
**Amman, Jordan**

As an active member in the Union of Arab Securities Authorities, the CMA participated in the the 13<sup>th</sup> Annual Union of Arab Securities Authorities (UASA) Meetings that took place in Amman Jordan in March 2019.

Mr. Fadi Fakih, who presided the 13<sup>th</sup> Annual Meeting in Jordan, also participated as a moderator of the opening panel, discussing several topics such as the proper level of regulation to enhance capital market development and protection of investors, systematic risk, default risk and market

disruption, entry standards, capital and prudential requirements and minimizing the damage and loss of investors.

This meeting brought together UASA members to discuss a number of key themes related to Arab capital markets, including strategic growth and development, the challenges facing Arab financial markets, innovation opportunities, enhanced disclosure and transparency, investor protection, and the financial infrastructure’s impact on Arab capital markets.

## CMA PARTICIPATES IN 44<sup>TH</sup> ANNUAL IOSCO CONFERENCE

**May 13, 2019**  
**Sydney, Australia**

As an active member in the International Organization of Securities Commissions (IOSCO) since 2016, the CMA joined the 44<sup>th</sup> Annual Meeting held in Sydney, Australia on May 13, 2019. Vice Chairman Mr. Firas Safieddine joined more than 350 IOSCO members, to discuss priority issues facing securities market regulators and supervisory bodies. The annual meeting included as part of its agenda IOSCO’s Growth and Emerging Markets (GEMC) meetings, its four Regional Committees and Affiliate Members Consultative Committee (AMCC) meetings.

As part of the IOSCO event, Mr. Safieddine met with World Bank members to discuss the final touches on the CMA Market Development Plan. Furthermore, Mr. Safieddine also met with Board Member Mr. Herve Lassemillante from the Financial Services Commission (FSC) Mauritius in order to discuss possible cooperation between both countries on issues pertaining to investor education and protection. In September of 2019, the CMA signed an MoU with FSC Mauritius.

## CMA PARTICIPATES IN IOSCO GEMC MEETINGS

**September 18, 2019**  
**St. Petersburg, Russia**

Represented by its Vice Chairman Mr. Firas Safieddine and Executive Board Member Mr. Sami Saliba CMA participated in IOSCO’s Growth And Emerging Markets Annual Conference (GEMC) & European Regional Committee Meeting on September 18-20, 2019 in St. Petersburg, Russia.

The meetings tackled several topics related to Fintech in emerging markets and how the rise of new technologies has positively impacted these markets. Discussions also focused on the use of innovation facilitators, such as innovation hubs to

promote sustainable financing and capital markets activities. Furthermore, the committee discussed the several market and regulatory updates by GEMC members specifically related to the national initiatives in Crypto-assets as well as national digital asset regulatory framework and tokenization initiatives.

On the sidelines of the committee meetings, the CMA representatives participated in a workshop on “Building Financial Resilience for a Changing Environment - Empowering Leadership”.

## CMA PARTICIPATES IN THE 8<sup>TH</sup> COMCEC CAPITAL MARKET REGULATORS FORUM MEETING

**September 24, 2019**  
**Istanbul, Turkey**

The CMA, represented by Executive Board Member Mr. Fadi Fakih participated in the 8<sup>th</sup> Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation (COMCEC) Capital Market Regulators Forum held on the 24<sup>th</sup> of September 2019 in Istanbul, Turkey.

The regulatory forum discussed several topics related to the role of Islamic finance in developing markets alongside traditional securities business activities in order to create an investment-friendly environment.

Alongside the meeting, Mr. Fakih also participated in the Workshop on “Sukuk and Collective Investment Schemes”, and a workshop on “Markets and Regulatory Perspectives” and took part in a panel discussion that assessed the Real Estate Securities Markets of member countries as a means for portfolio diversification. The panel also addressed the challenges and opportunities of integrating COMCEC member countries in real estate securities markets, with an emphasis on the current and future role of the Fintech industry in the market.

## INTERNATIONAL SUPPORT GROUP FOR LEBANON MEETS IN PARIS

**December 11, 2019**  
**Paris, France**

The International Support Group for Lebanon (ISG), jointly chaired by France and the Office of the United Nations Special Coordinator for Lebanon, held a meeting in Paris on December 11<sup>th</sup>, 2019. The Lebanese delegation headed by Secretary General of the Ministry of Foreign Affairs, Ambassador Mr. Hani Chmaitelli, included Director General of the Ministry of Finance in Lebanon Mr. Alain Biffani, Economic Affairs Advisor to H.E. Prime Minister Saad El Hariri, Mrs. Hazar Caracalla, and Executive Director at BDL and Secretary of the CMA Board Mr. Raja Abou Asli.

The ISG group in Paris concluded in a written statement that as part of a stabilization strategy for Lebanon, the Lebanese authorities are required to fully commit themselves to timely

and decisive measures and reforms. The Group called upon Lebanon to immediately adopt a reliable 2020 budget as a first step towards a multi-year fiscal program, including permanent revenue and expenditure measures, aiming at sustainable improvement of the primary balance, while strengthening social safety nets to protect the poorest and most vulnerable; in addition to a debt management strategy.

The Lebanese delegation discussed the conclusions of the meeting with the ISG participants. It indicated Lebanon’s appreciation for the support granted by the Group and Lebanon’s determination to implement its decisions with the support of the international community.

«GHERBAL INITIATIVE» HONORS THE CAPITAL MARKETS AUTHORITY FOR PUBLIC TRANSPARENCY

“Gherbal Initiative” launched its reports on “Transparency and Spending in Lebanese Public Administrations – 2017” in cooperation with the Office of the Minister of State for Administrative Reform to assist the Lebanese government in better applying the law on Access to Information.

The ceremony that was held at the National Library was attended by several MPs, General Directors, business owners and representatives of local and international civil society organizations, who stressed on the role that “Gherbal Initiative” plays in the context of promoting transparency and fighting corruption in both the private and public sector.

One of the purposes of this ceremony was to highlight the role of 17 public administrations for their continuous efforts in complying with the “Right of Access to Information” law and for

providing information to the public within the legal timeframes stated by this law.

The Capital Markets Authority was one of the main administrations honored during the closing session of the ceremony. On behalf of the CMA, Director of Communications and Research at the Capital Markets Authority Mr. Tarek Zebian received the trophy, alongside other representatives of public administrations.

MEMORANDA OF UNDERSTANDING

In an aim to serve the CMA’s regulatory objectives in developing the Lebanese Capital Markets and enforcing investor protection, the CMA constantly

strives to advance cooperation with its counterparts around the world.

MOU WITH THE FINANCIAL SERVICES COMMISSION (FSC) OF MAURITIUS.

September 4, 2019  
Mauritius

The Capital Markets Authority signed a memorandum of understanding with the Financial Services Commission (FSC) of Mauritius on September 4, 2019. The MoU signed by Mr. Sami Saliba, Executive Board Member of the CMA and Mr. Harvesh Seegolam, FSC Chief Executive, aims to establish a framework for cooperation, promote mutual assistance, strengthen technical capacities and facilitate the exchange of information between the FSC and CMA in their respective operations,

in accordance with the legislation in force in the Member States’ respective jurisdictions.

The MoU was signed alongside the 18<sup>th</sup> Annual l’Institut Francophone de la Régulation Financière (IFREFI) Meetings that were held in Mauritius between September 4 and 6, 2019. Lebanon, represented by the Capital Markets Authority presided the IFREFI Annual Meetings for a second term.

#	DATE	COUNTRY	AUTHORITY
1	05/05/2014	FRANCE	AUTORITÉ DES MARCHÉS FINANCIERS
2	25/11/2014	ARAB REPUBLIC OF EGYPT	FINANCIAL SUPERVISORY AUTHORITY
3	15/12/2014	QATAR	QATAR FINANCIAL CENTER REGULATORY AUTHORITY
4	01/06/2015	TUNISIA	CONSEIL DU MARCHÉ FINANCIER
5	01/12/2015	UNITED ARAB EMIRATES	FINANCIAL SERVICES AUTHORITY
6	29/2/2016	UNITED ARAB EMIRATES	SECURITIES AND COMMODITIES AUTHORITY
7	20/05/2016	GERMANY	FEDERAL FINANCIAL SUPERVISORY AUTHORITY
8	24/01/2017	FEDERATION OF RUSSIA	CENTRAL BANK OF RUSSIA
9	07/03/2017	SULTANATE OF OMAN	CAPITAL MARKETS AUTHORITY
10	13/06/2017	REPUBLIC OF LEBANON	INSURANCE CONTROL COMMISSION
11	19/09/2017	UNITED ARAB EMIRATES	DUBAI AUTHORITY OF FINANCIAL SERVICES
12	28/08/2018	REPUBLIC OF CYPRUS	REPUBLIC OF CYPRUS SECURITIES AND EXCHANGE COMMISSION
13	04/09/2019	MAURITIUS	THE FINANCIAL SERVICES COMMISSION (FSC) OF MAURITIUS



# CAPITAL MARKETS AUTHORITY BUDGET 2019

At the level of the Authority’s budget, the CMA’s expenses in 2019 amounted to 14,223 billion LBP. The largest part of such expenses, around 93% of the gross total, is mainly related to staff’s wages. The 2019 financial statements were audited by Deloitte & Touche in accordance to international accounting standards. It has concluded and showed that all financial statements present a fair result in regards to the financial position of the CMA.

2019 BUDGET (MILLION LBP)														
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL 2019	
GROSS TOTAL	1,283	861	1,711	956	862	1,531	934	848	1,766	989	891	1,601	14,233	
CURRENT EXPENDITURES	1,191	795	1,606	883	793	1,433	857	780	1,660	917	823	1,501	13,239	
PERSONNEL CHARGES	926	615	1,231	645	616	1,062	626	626	1,295	686	671	1,135	10,134	
OCCUPANCY EXPENSES	63	31	248	36	30	253	31	36	248	31	36	248	1,291	
CONSUMABLE EXPENSES	27	27	26	27	26	25	26	25	26	25	25	26	311	
CONFERENCES AND INTERNATIONAL ORGANIZATIONS	13	43	13	13	43	13	13	13	13	13	13	13	216	
TELECOMMUNICATION	8	8	7	8	7	9	7	9	7	8	7	8	93	
SERVICES AND ADMINSTRATIVE INSTALLATIONS	75	42	42	75	42	42	75	42	42	75	42	42	636	
CONSULTANCY	79	29	39	79	29	29	79	29	29	79	29	29	558	
GENERAL STATUTORY RESERVE	36	24	48	26	24	43	26	23	50	28	25	45	397	
CAPITAL EXPENDITURE	55	41	55	45	44	53	50	43	55	43	42	53	579	
GENERAL STATUTORY RESERVE	2	1	2	1	1	2	2	1	2	1	1	2	17	

2020 EXPENDITURE (MILLION LBP)														
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL 2020	
GROSS TOTAL	1,094	865	1,714	905	873	1,551	899	847	1,767	956	896	1,623	13,990	
CURRENT EXPENDITURES	1,046	834	1,639	873	832	1,490	862	818	1,700	922	864	1,560	13,438	
PERSONNEL CHARGES	801	641	1,256	656	641	1,106	651	651	1,321	711	696	1,179	10,310	
OCCUPANCY EXPENSES	61	29	241	34	29	251	29	34	246	29	34	246	1,262	
CONSUMABLE EXPENSES	18	18	17	18	17	16	17	17	18	16	17	17	206	
CONFERENCES AND INTERNATIONAL ORGANIZATIONS	13	43	13	13	43	13	13	13	13	13	13	13	216	
TELECOMMUNICATION	8	8	7	8	7	9	7	9	7	8	7	8	93	
SERVICES AND ADMINSTRATIVE INSTALLATIONS	66	66	66	65	66	66	66	65	66	66	68	68	793	
CONSULTANCY	79	29	39	79	29	29	79	29	29	79	29	29	558	
GENERAL STATUTORY RESERVE	31	25	49	26	25	45	26	25	51	28	26	47	403	
CAPITAL EXPENDITURE	16	6	25	6	16	16	11	5	16	6	6	16	145	
GENERAL STATUTORY RESERVE	0.48	0.18	0.75	0.18	0.48	0.48	0.33	0.15	0.48	0.18	0.18	0.48	4.35	

CHAPTER 3  
**CAPITAL MARKETS ACTIVITY  
IN LEBANON**



BEIRUT STOCK EXCHANGE

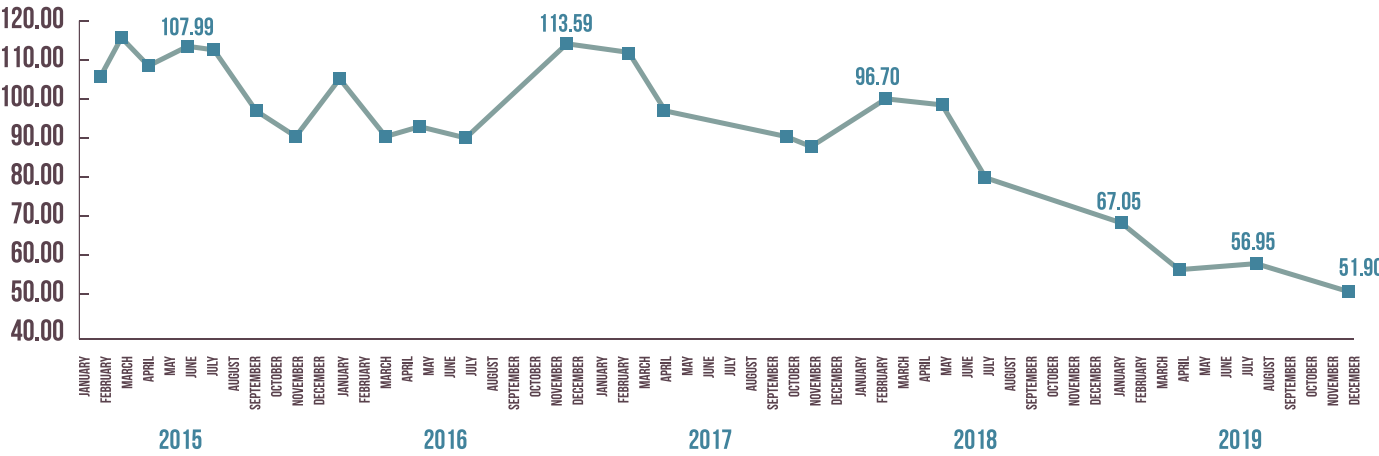
NAME OF LISTED COMPANIES	FINANCIAL	NON FINANCIAL
	BLC BANK	SOLIDERE
	BANK AUDI	RASAMNY YOUNIS MOTOR COMPANY
	BANK OF BEIRUT	HOLCIM (LIBAN)
	BYBLOS BANK	S.L. DES CEMENTS BLANCS
	BANQUE BEMO	
	BLOM BANK	
TOTAL	6	4

FIGURE (1)

There are 10 listed companies on the Beirut Stock Exchange as shown in Figure (1) above, alongside other securities traded on the exchange. The market value of Beirut Stock Exchange decreased

by 20.71% at the end of 2019, thus amounting to a total market capitalization of US\$ 7.6 billion compared to US\$ 9.6 billion at the end of 2018.

HISTORICAL AVERAGE MARKET VALUE WEIGHTED INDEX 2015 - 2018



HISTORICAL AVERAGE BANKS VALUE WEIGHTED INDEX 2015 - 2018

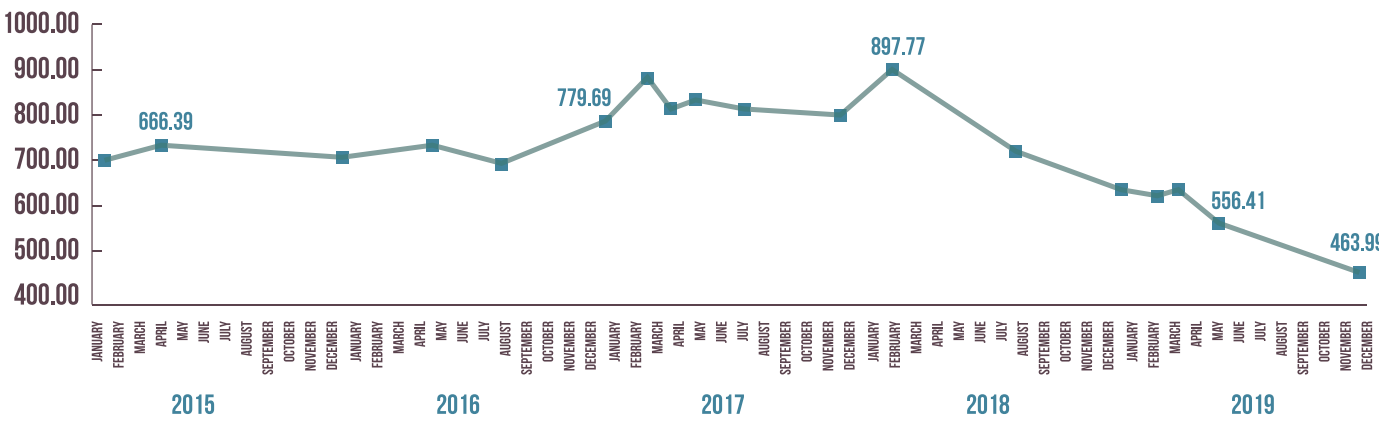


FIGURE (2)

Figure (2) shows the Average Market Value Weighted Index (MVWI) for shares listed on the Beirut Stock Exchange, alongside the Average Banks Value Weighted Index (BVWI) for banks listed on the Beirut Stock Exchange for 2015-2019.

The Average Market Value Weighted Index shows a decrease of 24.16% in December 2019 given that it closed at the average of 51.90 points compared to 68.43 points in December 2018.

As for the BVWI, it showed a decrease in December 2019 by 27.92% and closed at the average of 463.99 points compared to 643.72 points in December 2018. BLC Preferred C Shares were de-listed from the Beirut Stock Exchange. Accordingly, the total number of listed shares was 27 in 2019.

MARKET SUMMARY REPORT	2015	2016	2017	2018	2019
NUMBER OF TRANSACTIONS	9,745	10,939	10,759	8,790	5,732
VOLUME TRADED	74,774,129	119,745,228	85,919,093	89,879,701	34,986,735
VALUE TRADED (TURNOVER) (\$)	629,973,104	963,814,191	741,753,014	632,842,372	218,303,290
AVERAGE VALUE PER WORKING DAY (\$)	2,592,482	3,982,703	3,116,609	2,681,535	1,128,669
AVERAGE VOLUME PER WORKING DAY	307,712	494,815	361,005	380,846	109,335
VALUE / VOLUME	8.43	8.00	8.63	7.04	6.24
NUMBER OF TRADING DAYS	243	242	238	236	221
MARKET LIQUIDITY	2015	2016	2017	2018	2019
TURNOVER RATIO =YTD VALUE TRADED / AVERAGE MARKET CAP.	5.54%	8.57%	6.35%	5.98%	2.61%
PERCENTAGE OF THE FREE FLOAT	92.74%	100.07%	99.37%	99.28%	96.76%
MARKET SIZE	2015	2016	2017	2018	2019
TOTAL NUMBER OF LISTED SECURITIES	30	30	29	28	27
TOTAL NUMBER OF LISTED FIRMS	10	10	10	10	10
AVERAGE FREE FLOAT MARKET CAP. IN CURRENT YEAR ( M OF \$)	11,365	11,248	11,672	10,588	8,375

FIGURE (3)

Figure (3) provides a summary of the trading activity of Beirut Stock Exchange as it shows a decrease in the traded volume in 2019 by 61.07% in comparison to 2018. The total number of traded shares was 34,986,735 at the end of 2019 compared to 89,879,701 shares at the end of 2018.

As for the value of traded shares, it decreased by 65.50% at the end of December 2019 and reached US\$ 218 million compared to US\$ 633 million at the date of the closing of trading in 2018.

Total number of transactions in 2019 were 5,732 compared to 8,790 transactions at the end of 2018, i.e. a decrease of almost 34.79%.



STRUCTURED PRODUCTS & OTHER FINANCIAL INSTRUMENTS

The total number of subscribers in Structured Products was 5,156 subscribers with a total subscription value of US\$ 881,225,111 by the end of 2019, in comparison to 7,716 subscribers with a total subscription value of US\$ 1,482,612,52 in 2018. This shows a decrease of 33.18% in the number of subscribers and 68.24% in the total subscription value.

As for the other financial instruments (OFI) marketed in Lebanon, among them financial instruments previously licensed by Banque Du Liban, the total subscription value amounted to US\$ 2,933,059,342 with 7,519 subscribers, compared to total subscription value of US\$ 3,051,920,690 with 9,870 subscribers in 2018. This drop represents a decrease of 23.9% in the number of subscribers and 3.9% in the total subscription value.

	DEC-18	DEC-19		DEC-18	DEC-19	
	NUMBER OF SUBSCRIBERS AT END OF MONTH		% CHANGE	SUBSCRIPTION AT END OF MONTH		% CHANGE
OFI	9,870	7,519	-23.82%	\$ 3,051,920,690	\$ 2,933,059,342	-3.9%
SP	7,716	5,156	-33.18%	\$ 1,482,612,528	\$ 881,225,111	-40.5%
GRAND TOTAL	17,586	12,675	-27.93%	\$ 4,534,533,218	\$ 3,814,284,454	-15.88%

DOMESTIC COLLECTIVE INVESTMENT SCHEMES

DOMESTIC COLLECTIVE INVESTMENT SCHEMES 2019	
TOTAL NUMBER OF CIS FUNDS	15
TOTAL NUMBER OF SUBSCRIBERS	2,868
TOTAL SUBSCRIPTIONS (\$)	\$269,628,445.51
OPEN-ENDED	15
CURRENCY	
USD	9
LBP	5
EUR	1
TYPE OF INVESTMENT*	
ALTERNATIVE	5
FIXED INCOME	5
MONEY MARKET	3
EQUITIES	1
MIXED ALLOCATION	1
GEOGRAPHICAL ZONE	
MENA	7
LEBANON	4
INTERNATIONAL	3
NORTH AMERICAN REGION	1
TYPE OF INSTITUTION	
FINANCIAL INSTITUTION /FINANCIAL INTERMEDIARY INSTITUTION	9
BANK	6

FIGURE (4)

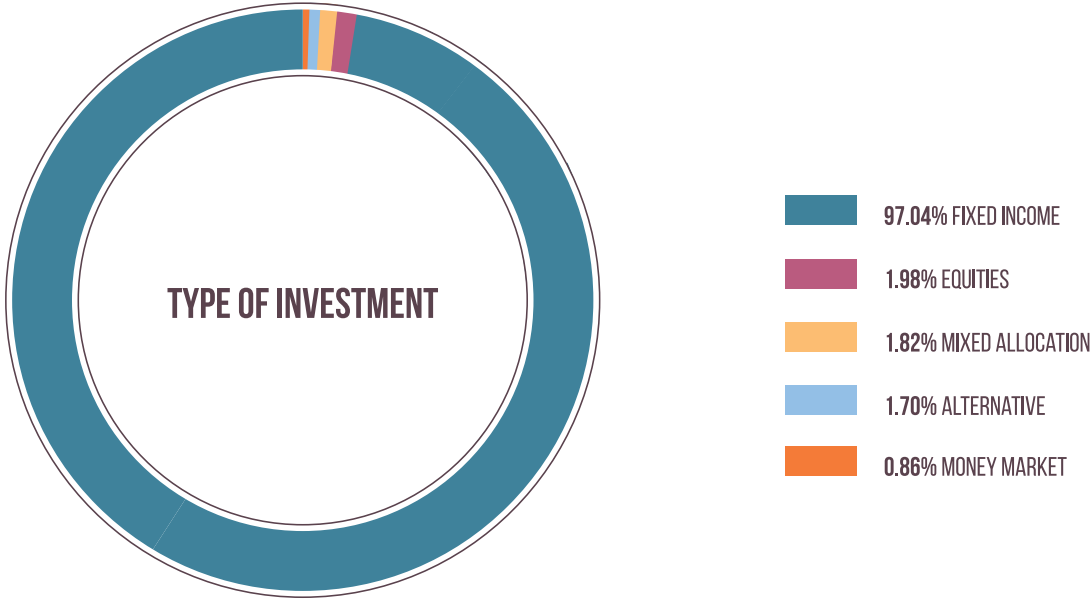
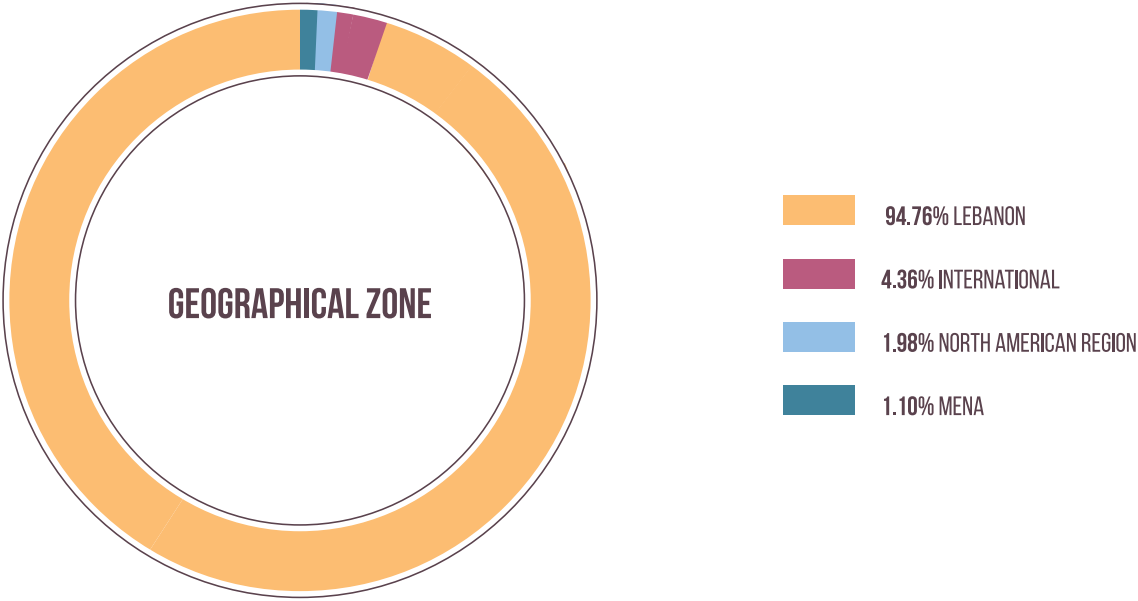
Figure (4) shows that 15 Domestic Collective Investment Schemes (CIS) were traded in Lebanon in 2019.

Of the Domestic CIS Funds, 97.04% of the value of subscriptions were primarily focused in Fixed Income

and 1.98% in Equities. The total value of subscriptions decreased by 49.29% to reach US\$ 269.63 million compared to US\$ 531.66 million in 2018.

94.76% of the Domestic CIS are based on investments in Lebanon, followed by 4.36% in International markets.

\* The Category Classification is based upon transparent rule-based methodologies set by by Morningstar (www.morningstar.com). Morningstar Inc. is a global financial services firm that provides an array of investment-research and investment-management services.



DOMESTIC CIS FUNDS DISTRIBUTION		
	2018	2019
BANKS	11	6
FINANCIAL INSTITUTIONS/INTERMEDIATION INSTITUTIONS	9	9
GRAND TOTAL	20	15

YOY COMPARISON OF DOMESTIC CIS FUNDS 2018-2019		
NUMBER OF DOMESTIC CIS	NUMBER OF SUBSCRIBERS	VALUE OF SUBSCRIPTIONS
DECREASED BY 5 CIS FUNDS	DECREASED BY 1,683 SUBSCRIBERS	DECREASED BY 262.03\$ MILLION
-25.00%	-36.98%	-49.29%

2019 - DOMESTIC CIS						
TYPE	NUMBER OF FUNDS	%	SUBSCRIBERS	%	VALUE IN MILLION USD	%
FIXED INCOME	5	33.33%	2,717	94.74%	\$ 261.65	97.04%
EQUITIES	1	6.67%	2	0.07%	\$ 5.33	1.98%
MIXED ALLOCATION	1	6.67%	12	0.42%	\$ 4.91	1.82%
MONEY MARKET	3	20.00%	19	0.66%	\$ 2.33	0.86%
ALTERNATIVE	5	33.33%	118	4.11%	\$ - 4.60	-1.70%
GRAND TOTAL	15	100%	2,868	100%	\$ 269.63	100%

2018 - DOMESTIC CIS						
TYPE	NUMBER OF FUNDS	%	SUBSCRIBERS	%	VALUE IN MILLION USD	%
FIXED INCOME	10	50.00%	4,359	95.78%	\$ 461.99	86.90%
MONEY MARKET	3	15.00%	26	0.57%	\$ 56.70	10.66%
EQUITIES	1	5.00%	2	0.04%	\$ 9.39	1.77%
MIXED ALLOCATION	1	5.00%	15	0.33%	\$ 5.38	1.01%
ALTERNATIVE	5	25.00%	149	3.27%	\$ -1.80	-0.34%
GRAND TOTAL	20	100%	4,551	100%	\$ 531.66	100%

FOREIGN COLLECTIVE INVESTMENT SCHEMES

FOREIGN COLLECTIVE INVESTMENT SCHEMES 2019	
TOTAL NUMBER OF CIS FUNDS	407
TOTAL NUMBER OF SUBSCRIBERS	2,443
TOTAL SUBSCRIPTIONS (\$)	\$ 633,288,622.60
OPEN-ENDED	381
CLOSE-ENDED	19
HEDGE FUND	7
CURRENCY	
USD	264
EUR	115
GBP	15
CHF	9
JPY	3
SAR	1
TYPE OF INVESTMENT	
EQUITIES	210
FIXED INCOME	82
MUTUAL FUNDS	38
MIXED ALLOCATION	27
PRIVATE EQUITY	18
HEDGE FUND	8
BONDS	7
ALTERNATIVE	6
MONEY MARKET	6
SPECIALTY	3
COMMODITY	1
DIVERSIFIED	1

\* The Category Classification is based upon transparent rule-based methodologies set by by Morningstar (www.morningstar.com). Morningstar Inc. is a global financial services firm that provides an array of investment-research and investment-management services.

GEOGRAPHICAL ZONE	
INTERNATIONAL	215
EUROPE	66
NORTH AMERICAN REGION	45
ASIA	40
MENA	10
UNITED KINGDOM	8
EMERGING MARKETS	6
LATIN AMERICA	7
LEBANON	5
OECD COUNTRIES	2
RUSSIA	2
AFRICA	1
TYPE OF INSTITUTION	
BANKS	336
FINANCIAL INSTITUTIONS / FINANCIAL INTERMEDIATION INSTITUTIONS	71

FIGURE (5)

DISTRIBUTION OF FOREIGN CIS FUNDS

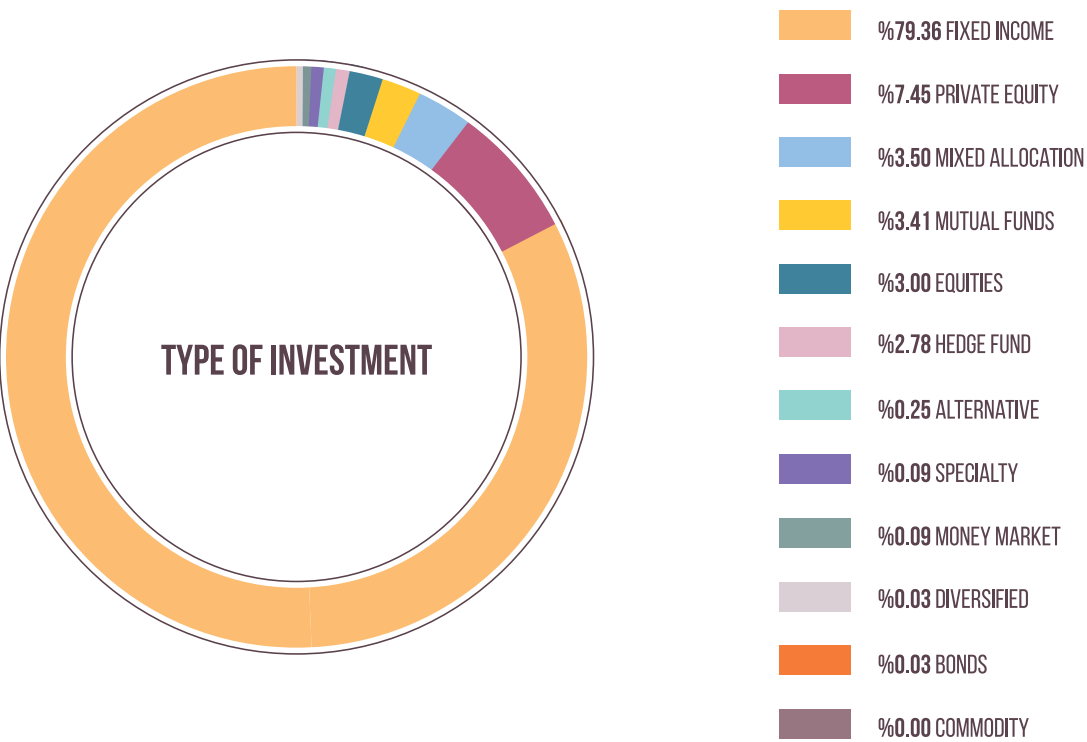
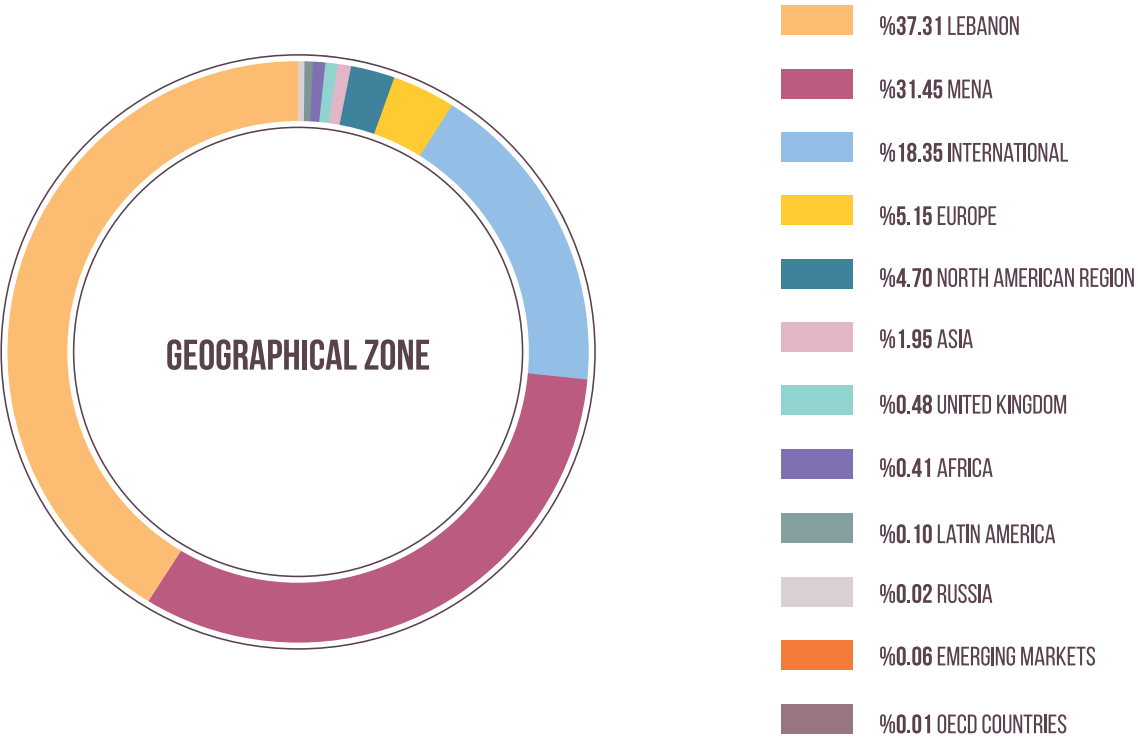
	2018	2019	YOY % CHANGE
BANKS	503	336	-33.20%
FINANCIAL INSTITUTIONS / INTERMEDIATION INSTITUTIONS	128	71	-45%
TOTAL	631	407	-35.50%

Figure (5) shows that the total number of Foreign Collective Investment Schemes reached 407, decreasing by around 35.50% in 2019, with a drop of approximately 22.53% in the value of subscriptions to reach US\$ 610.77 million compared to US\$ 788.44 million in 2018.

Of the Foreign CIS Funds, 79.36% of the total

subscriptions of foreign CIS Funds were concentrated in Fixed Income, and 7.46% in Private Equity. Subscribers in Foreign Investment Schemes preferred to invest primarily in Lebanon (37.31%) followed by 31.45% in the MENA Region.



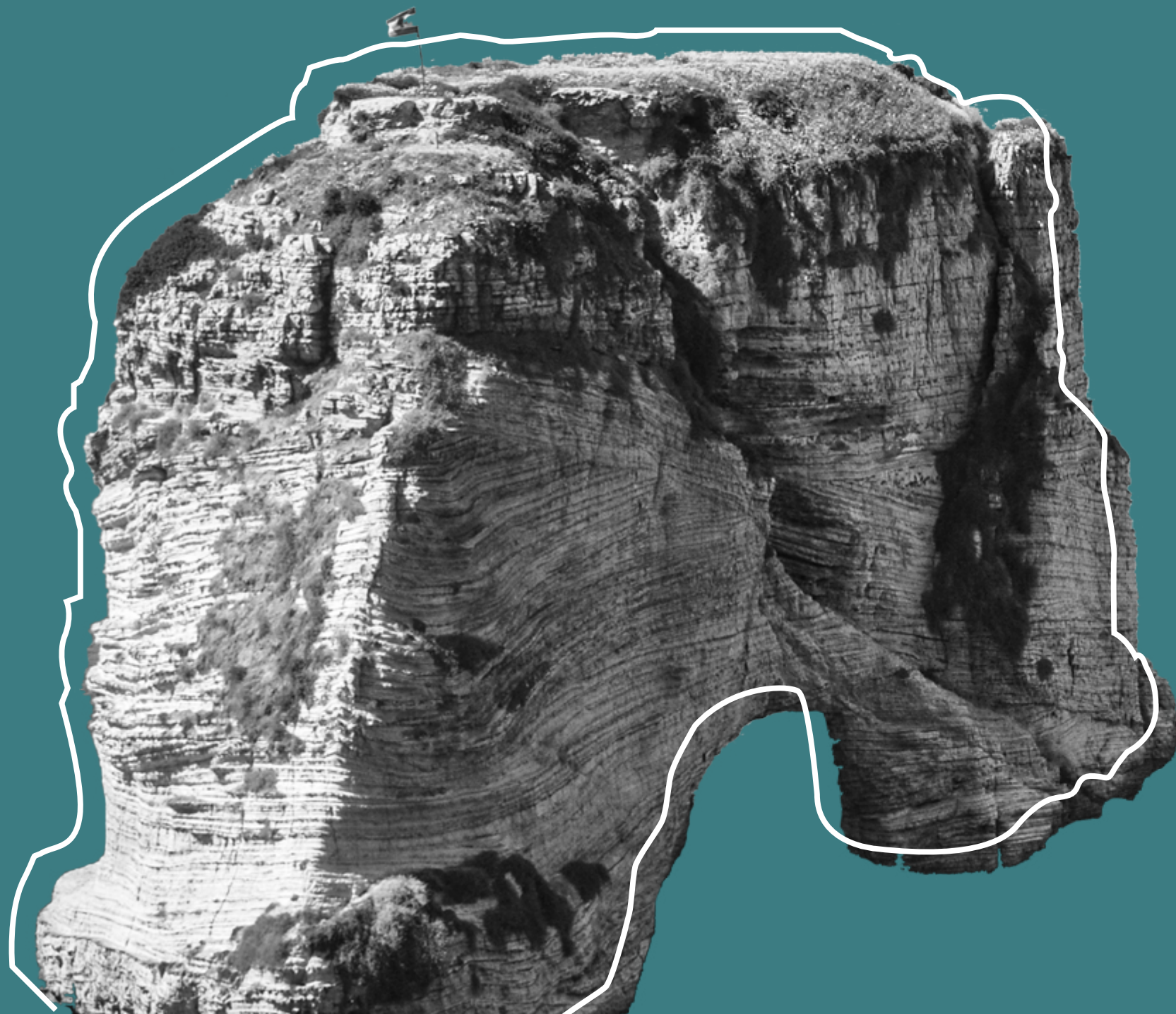


2019 - FOREIGN CIS						
TYPE	NUMBER OF FUNDS	%	SUBSCRIBERS	%	VALUE IN MILLION USD	%
FIXED INCOME	82	19.90%	1277	51.03%	\$ 502.58	78.60%
PRIVATE EQUITY	18	4.42%	184	7.72%	\$ 47.22	7.73%
MIXED ALLOCATION	27	6.63%	97	4.07%	\$ 22.15	3.63%
MUTUAL FUNDS	38	9.34%	177	7.43%	\$ 21.62	3.54%
EQUITIES	210	51.60%	660	27.70%	\$ 18.98	3.11%
HEDGE FUND	8	1.97%	17	0.71%	\$ 17.59	2.88%
ALTERNATIVE	6	1.47%	6	0.25%	\$ 1.59	0.26%
MONEY MARKET	6	1.47%	7	0.29%	\$ 0.59	0.10%
SPECIALTY	3	0.74%	8	0.34%	\$ 0.55	0.09%
DIVERSIFIED	1	0.25%	1	0.04%	\$ 0.22	0.04%
BONDS	7	1.72%	8	0.34%	\$ 0.20	0.03%
COMMODITY	1	0.25%	1	0.04%	\$ 0.00	0.00%
GRAND TOTAL	407	100%	2,383	100%	\$ 610.77	100%

2018 - FOREIGN CIS						
TYPE	NUMBER OF FUNDS	%	SUBSCRIBERS	%	VALUE IN MILLION USD	%
FIXED INCOME	110	17.43%	1497	42.40%	\$ 551.09	69.90%
MIXED ALLOCATION	41	6.50%	289	8.18%	\$ 67.31	8.54%
EQUITIES	336	53.25%	987	27.95%	\$ 57.01	7.23%
HEDGE FUND	19	3.01%	404	11.44%	\$ 48.83	6.19%
PRIVATE EQUITY	17	2.69%	121	3.43%	\$ 35.33	4.48%
MUTUAL FUNDS	68	10.78%	154	4.36%	\$ 20.33	2.58%
ALTERNATIVE	24	3.80%	27	0.76%	\$ 4.68	0.59%
DIVERSIFIED	2	0.32%	38	1.08%	\$ 3.25	0.41%
COMMODITY	3	0.48%	3	0.08%	\$ 0.44121	0.06%
BONDS	10	1.58%	10	0.28%	\$ 0.08	0.01%
MONEY MARKET	1	0.16%	1	0.03%	\$ 0.10	0.01%
GRAND TOTAL	15	100%	3,531	100%	\$ 788.44	100%

CHAPTER 4

**CMA'S STRATEGIC FUTURE  
PROJECTS AND AN OUTLOOK  
FOR 2020**



Despite the many challenges facing the Lebanese markets, the Capital Markets Authority will be diligently pursuing its mission to develop, supervise and regulate all market activities related to dealing in securities business in Lebanon. The priority of the CMA has always been to instill a culture of transparency in financial markets, leading to enhanced investor protection and a more confident investor base.

After officially announcing the granting of a license to establish and operate the Electronic Trading Platform, the CMA will work hand in hand with the winning consortium in order to launch the ETP in the nearest future. Such an effort is a step forward in realizing the vision of the CMA to grow the capital markets in Lebanon and facilitate the low cost financing of joint stock companies on the market.

Investor protection and awareness are among the fundamental pillars of the CMA. Since it officially joined the International Organization of Securities Commissions (IOSCO) as an Associate Member in

2016, the CMA was active in global initiatives that focused on alleviating the awareness of the general population on capital markets. In this regard, the CMA will aim to host the “World Investor Week 2020” in cooperation with IOSCO in order to nurture investor education programs by building local partnerships with active community members in order to enhance investor protection.

Within the framework of international cooperation in the interest of developing the Lebanese capital markets, the CMA will continue to coordinate with its international counterparts and stakeholders. In this regard, the Authority will continue to work with the World Bank, in order to finalize and officially launch the roadmap to enhance and develop the Lebanese capital markets. The roadmap, as designed by the CMA in cooperation with international experts, aims to address the challenges of financing faced by SMEs alongside other private sector institutions through utilizing capital markets and stock exchanges for low cost financing that enables economic growth.





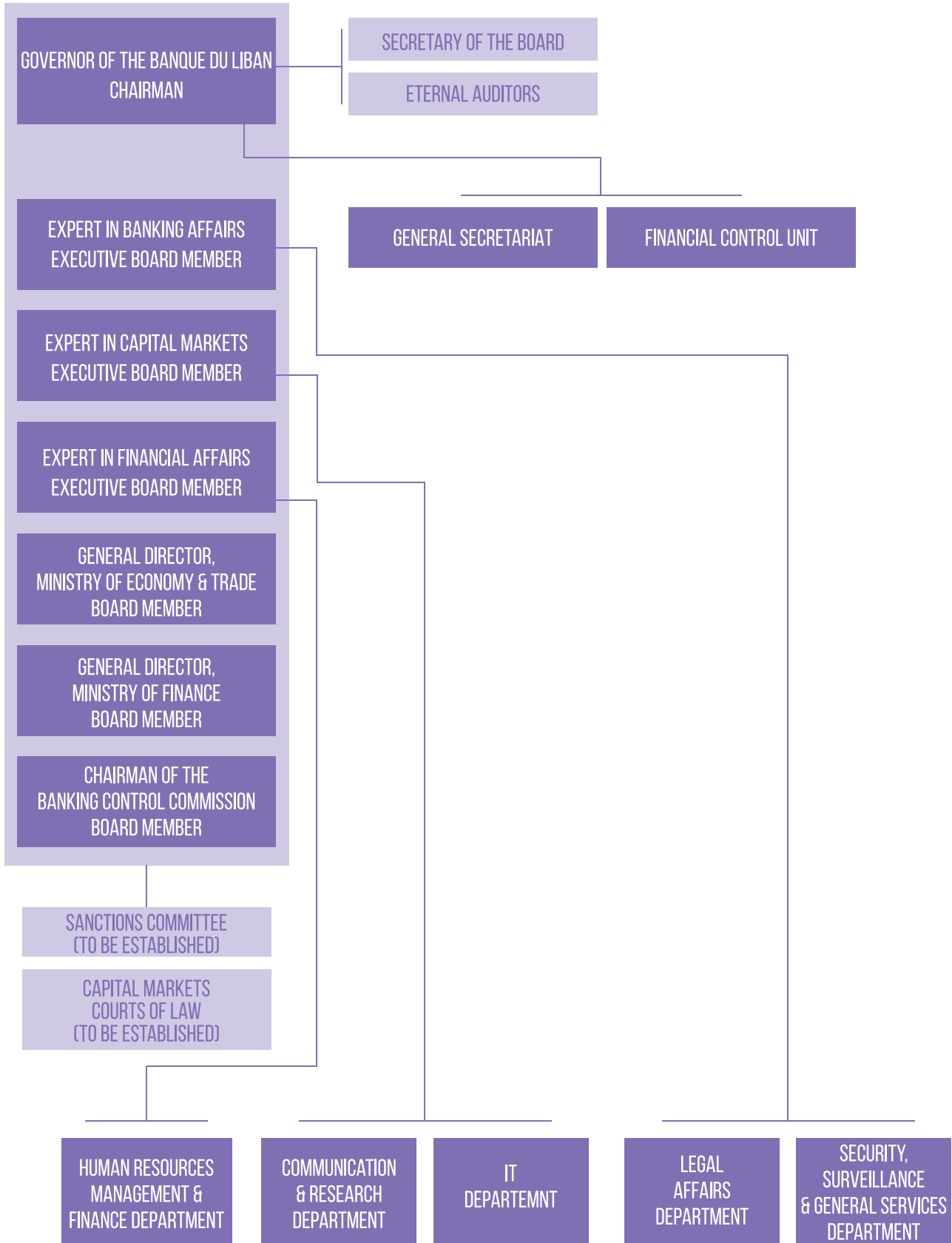
CHAPTER 5

**THE CAPITAL MARKETS  
AUTHORITY, WHO WE ARE**

# ORGANIZATIONAL STRUCTURE IN YEAR 2019

The Capital Markets Authority organization comprises three units: the Financial Control Unit, the General Secretariat, and the Sanctions Committee; in addition to the Departments of Legal Affairs, Human

Resources and Administration, the IT Department, the Communications and Research Department, and the Security and Services Department.



# 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 intermediation 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 establish regulations related to transparency and governance, and that encompass, but are not limited to, the obligations to publish and disclose to the public all information that could affect, either directly or indirectly, the prices of financial instruments.

In the same context, the Board has the power to license the establishment and functioning of financial intermediation 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. At the advising level, the Board of Directors gives its opinion in the draft laws and decrees related to the work and development of the capital markets, as per Law No 161.

## GENERAL SECRETARIAT

The role of the General Secretariat is to facilitate communication and work between the CMA's units and departments, and to follow up on the implementation of the decisions taken by the Board. It can also suggest to the Board reasons to initiate investigations and conduct surveys regarding violations of the provisions of Law No. 161 or the provisions contained in the general regulations, or instructions issued by the Board, by virtue of the said law.

The General Secretariat shall also transmit all complaints to the Board, while communicating to the Board the decisions taken by the Sanction Committee, and notify these decisions to the concerned parties. It shall submit all the reports issued by the Authority to the Board and ensure that its 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.

## FINANCIAL CONTROL UNIT

The Financial Control Unit (FCU) monitors that the approved institutions are abiding by the set regulations, decisions and instructions, and that the trading conditions provided for by 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 approved institutions, and to perform compliance investigations and collect evidence for detecting violations detrimental to the functions of a sound capital market.

The FCU ensures that the companies and institutions whose securities and financial instruments are traded on stock exchanges follow the procedures stipulated in applicable laws and regulations. It also verifies the accuracy and validity of disclosed information by approved institutions and listed companies. The Financial control unit may require that companies provide additional information, and make amendments deemed necessary to the information published, if it finds that the information published is incomplete or inaccurate.

# THE SANCTIONS COMMITTEE (NOT ESTABLISHED YET)

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.

# CAPITAL MARKETS COURT OF LAW (NOT ESTABLISHED YET)

The Capital Markets Court shall examine the conflicts between natural persons arising from operations on Financial Instruments, the objection to the individual decisions taken by the CMA Board and the requests for recusal or removal of the Chairman or members of the Board of the CMA or of the Chairman or members of the Sanctions Committee.

The Capital Markets Court acts as Court of Appeal, examining all the decisions taken by the Sanctions Committee as well as a court of first instance regarding all offences related to insider trading or the disclosure of false or misleading information about securities or Financial Instruments or their issuers.

# INSTITUTIONS AND PRIVATE BUSINESSES SUBJECT TO THE SUPERVISION AND CONTROL OF THE CAPITAL MARKETS AUTHORITY

Law No. 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

- Registered Persons
- 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 Bookkeeping
  - Securities Custody
  - Underwriter
  - Underwriting process



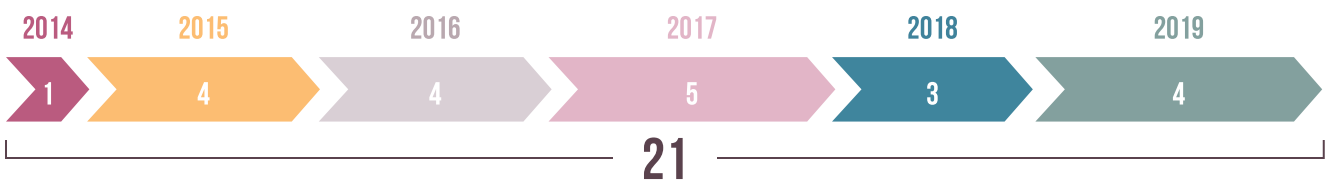
INFOGRAPHICS:  
**AN OVERVIEW ON CMA  
ACTIVITIES**



# CAPITAL MARKETS AUTHORITY

## AN OVERVIEW

### CONFERENCES AND EVENTS

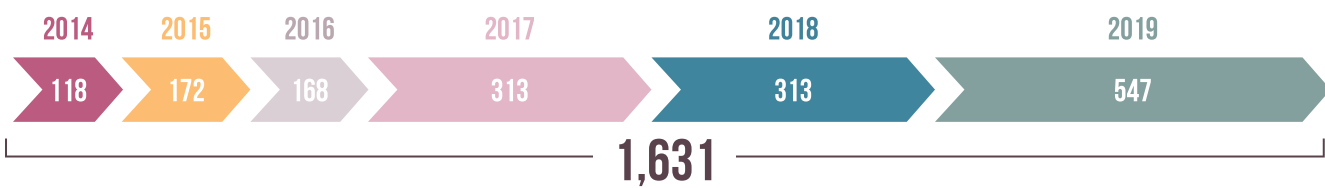


- **2019** CMA hosts the 14th Annual “World Exchange Congress” attended by global capital market professionals. CMA and ETP winning consortium hosts an open discussion on “Capital Financing in Lebanon” in the presence of Lebanese Economic & Business Associations, leading private sector executives and family business owners.
- **2018** CMA hosts the first “World Investor Week” in Lebanon as part of the global initiative to promote Investor Education and Protection.
- **2017** CMA hosts the 12th Annual Union of Arab Securities Authorities (UASA) meeting in Beirut.
- **2016** CMA hosts the 15th Annual Institut Francophone de la Régulation Financière (IFREFI) meeting in Beirut.

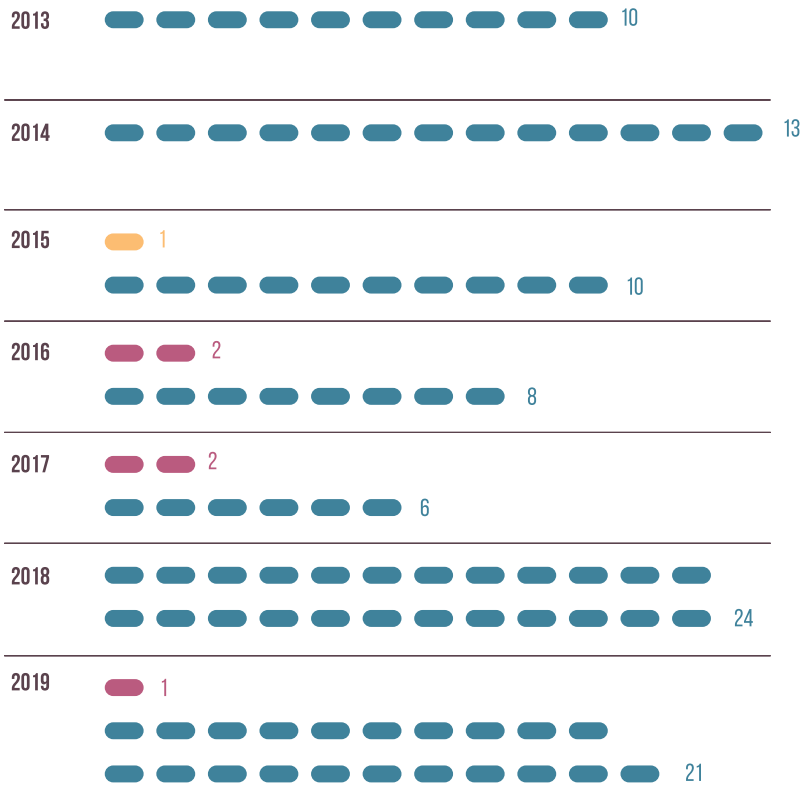
### COMMUNICATION AND OUTREACH



### BOARD DECISIONS



## REGULATORY



### 5 ISSUED IMPLEMENTING REGULATIONS

Implementing Regulations issued by the CMA are series 2000, 3000, 4000, 6000 & 8000 on Licensing and Registration, Business Conduct, Market Conduct, Offers of Securities and Collective Investment Schemes respectively.

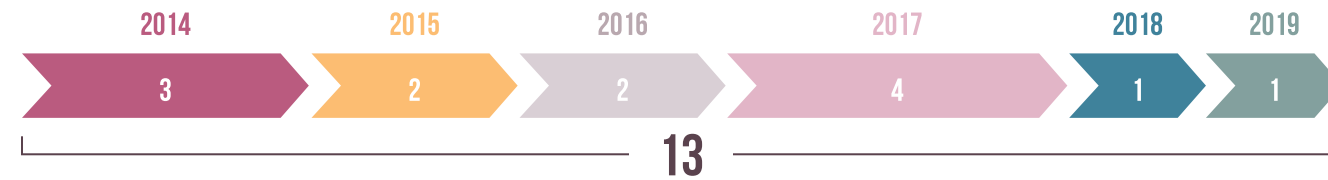
### 1 DRAFT IMPLEMENTING REGULATIONS

### 94 DECISIONS & ANNOUNCEMENTS

Official Board Decisions or Announcements issued by the CMA.

# CAPITAL MARKETS AUTHORITY AN OVERVIEW

## MEMORENDUM OF UNDERSTANDING (MoUs)



Number of Bilateral MoUs signed by the CMA

The MoUs aim to enhance information sharing and technical assistance with regional and international authorities.

The first MoU signed was with the French Autorité de Marchés Financiers - AMF on May 2014. Moreover, in

September 2019, the CMA signed an MoU with the Financial Services Commission (FSC) of Mauritius.

### CMA aims to sign MMoU with IOSCO

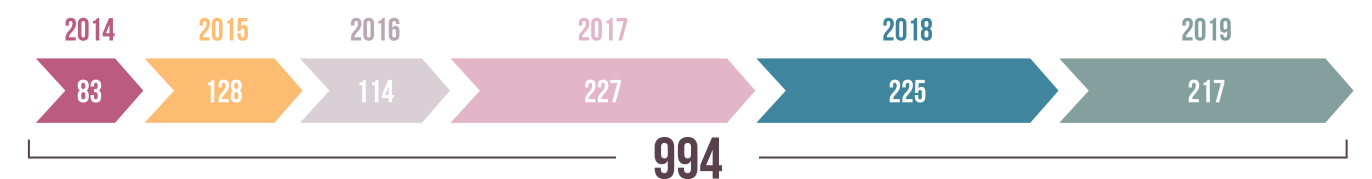
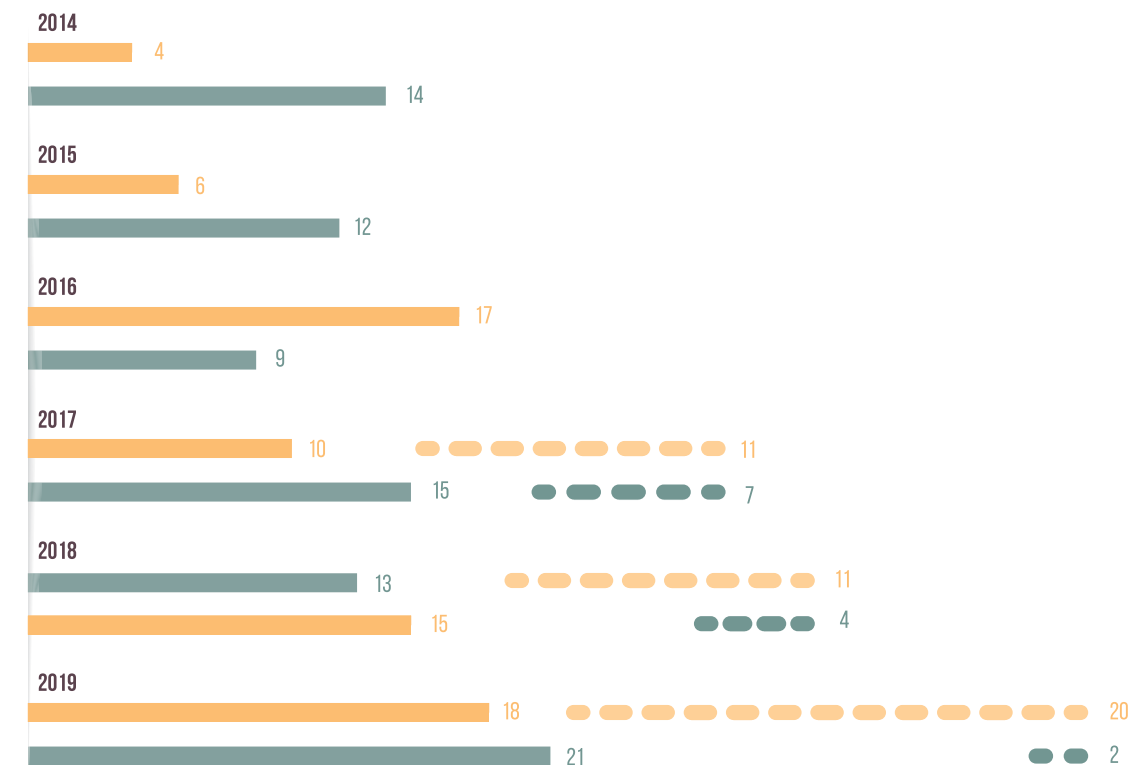
Signature would facilitate cooperation with all 127 IOSCO members globally.

## INTERNATIONAL AFFILIATIONS

MEMBER OF 3 INTERNATIONAL ORGANIZATIONS



# FINANCIAL CONTROL UNIT



Number of applications received and reviewed by the Financial Control Unit at the CMA including reports, audits and investigations conducted.



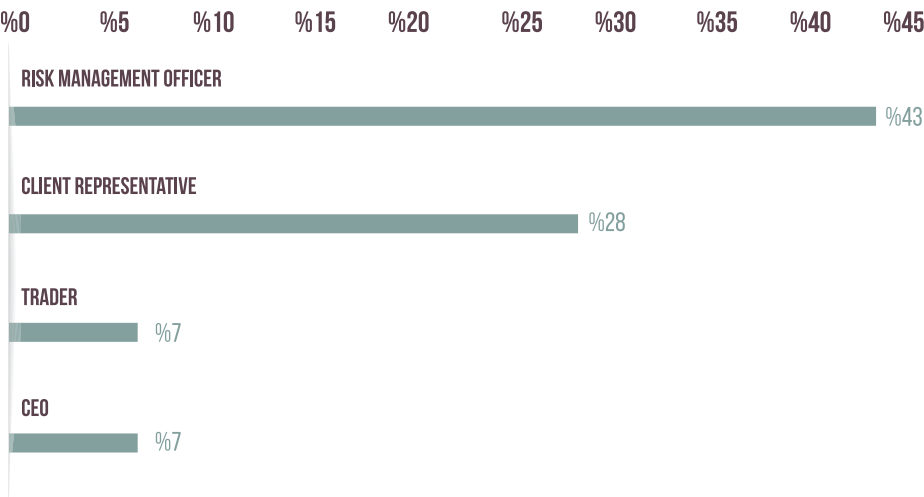
# REGISTERED PERSONS AT THE CMA

**454** TOTAL NUMBER OF REGISTERED PERSONS IN 2019

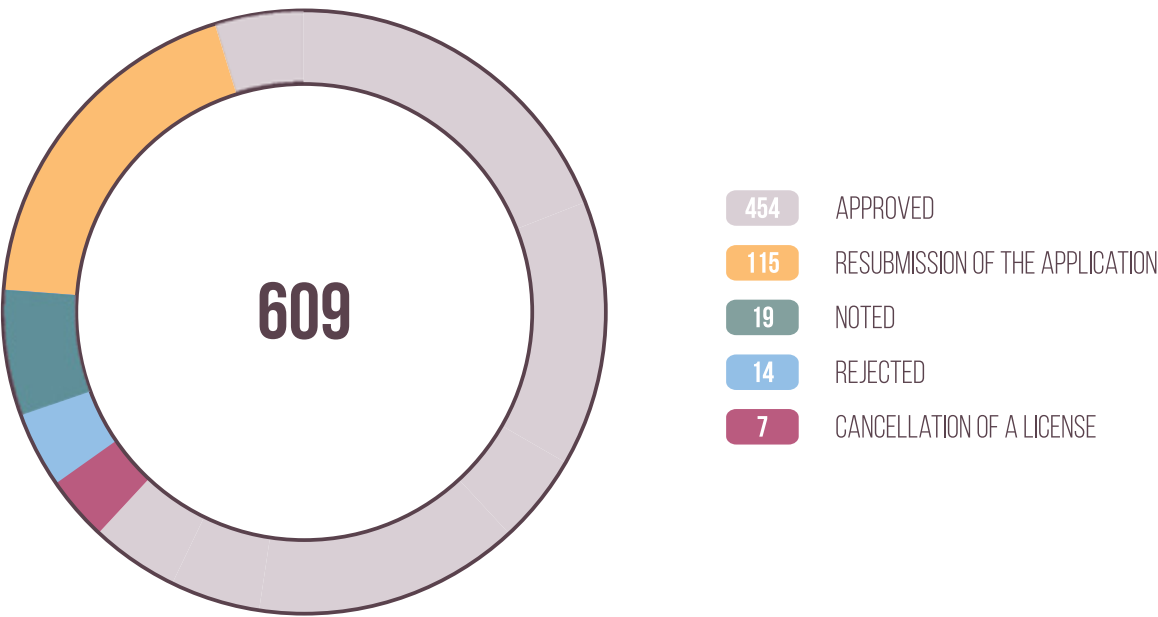
**66** TOTAL NUMBER OF REGISTERED PERSONS IN 2018

**520** TOTAL NUMBER OF REGISTERED PERSONS BY THE CMA TILL END OF 2019

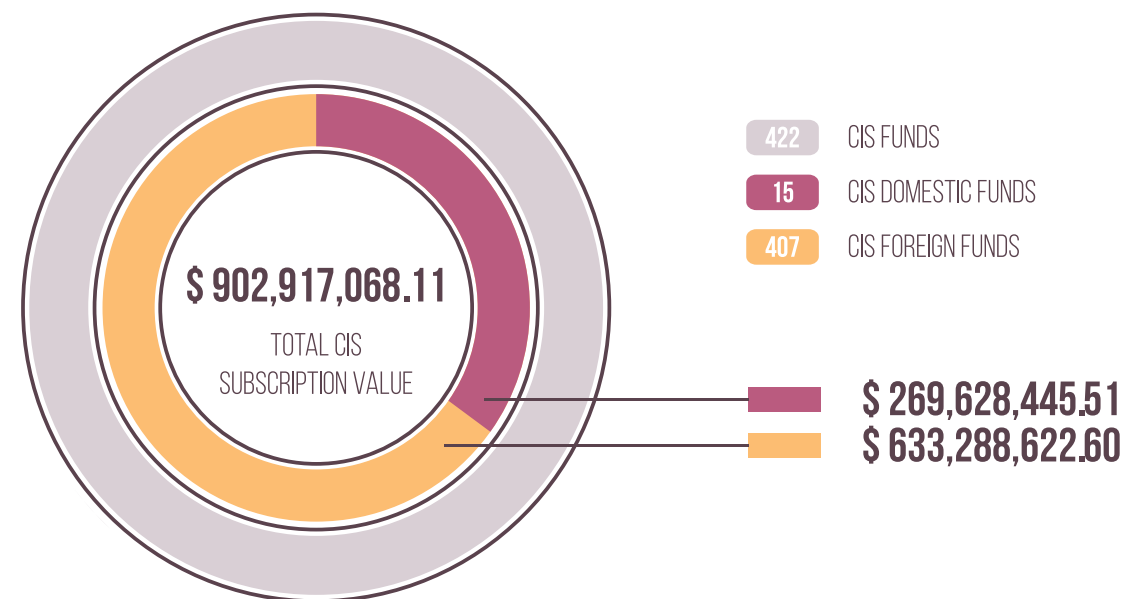
## TOP 4 REGISTERED FUNCTIONS BY THE CMA TILL END OF 2019



# CMA BOARD DECISIONS ON REGISTERED PERSONS IN 2019

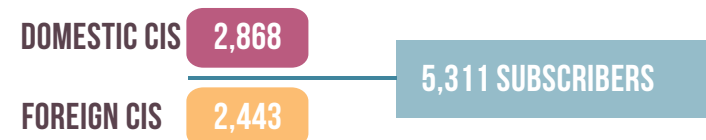


## COLLECTIVE INVESTMENT SCHEMES (CIS)

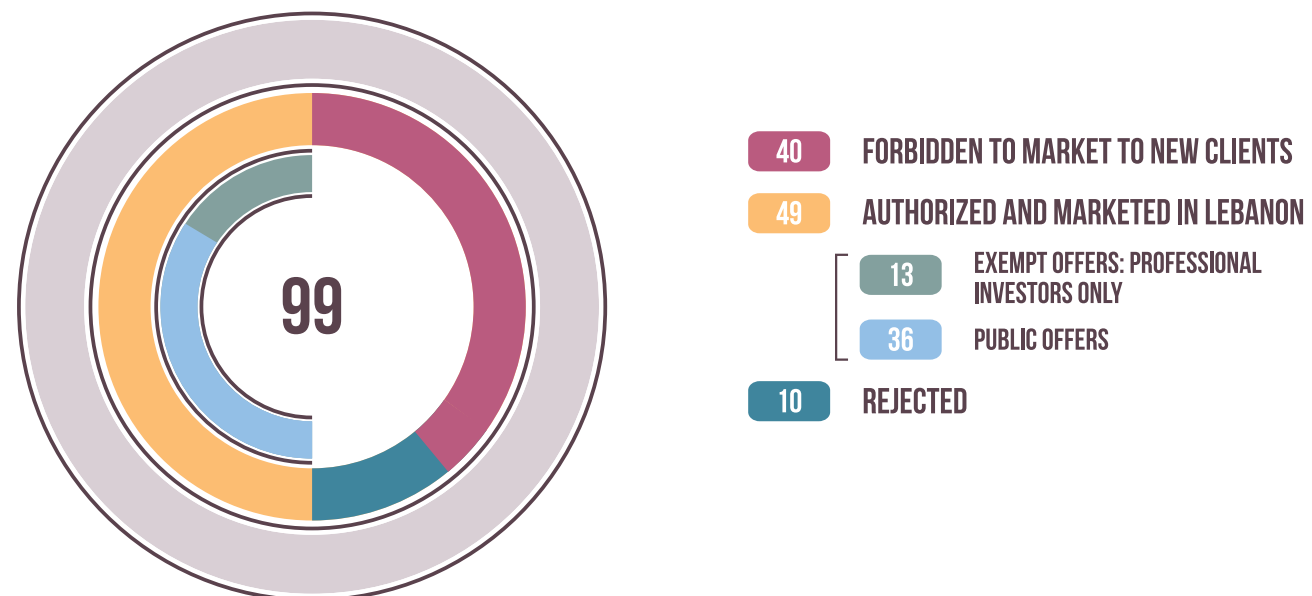


**422** Total Number of Authorized CIS marketed in Lebanon, including Funds approved by BDL prior to establishment of CMA

### NUMBER OF SUBSCRIBERS IN FUNDS



### TOTAL NUMBER OF REVIEWED CIS FUNDS BY THE CMA SINCE ITS ESTABLISHMENT



## STRUCTURED PRODUCTS

### 45 STRUCTURED PRODUCTS

Approved by the CMA since its establishment

**5,156**

NUMBER OF SUBSCRIBERS IN STRUCTURED PRODUCTS

**\$ 881,225,000**

TOTAL SUBSCRIPTION VALUE IN STRUCTURED PRODUCTS

## OTHER FINANCIAL INSTRUMENTS (OFI)

**7,519**

TOTAL NUMBER OF SUBSCRIBERS IN OFI

**\$ 2,933,059,342**

TOTAL SUBSCRIPTION VALUE



