



SPECIAL
INVESTIGATION
COMMISSION
Fighting Money Laundering

SEVENTH ANNUAL REPORT • 2007

| | |
|--|----|
| The Chairman's letter | 5 |
| The Secretary's letter | 7 |
| Introduction | 9 |
| Chapter One AML/CFT Regulation | |
| 1 Law 318 | 13 |
| 2 Regulations on the control of Financial and Banking Operations for Fighting Money Laundering | 17 |
| 3 Cash Transfers through the Hawala System | 24 |
| 4 The National Committee for Coordinating AML Policies | 25 |
| 5 The National Committee on Suppressing Terrorism Financing | 26 |
| Chapter Two Structure and Functions of the SIC | |
| 1 Organization Chart | 29 |
| 2 Commission Members | 30 |
| 3 Secretariat Functions | 31 |
| Chapter Three Activities | |
| 1 SIC Units | 37 |
| 2 Staff Training | 41 |
| 3 Raising Awareness | 42 |
| 4 International Cooperation | 43 |
| 5 Selection of Cases | 44 |
| Chapter Four MENAFATF | 49 |
| Chapter Five US-MENA Private Sector Dialogue | 53 |
| Chapter Six Statistical Data | |
| 1 Cases Received | 57 |
| 2 Banking Secrecy Lifted Cases | 58 |
| 3 Sources of cases | 59 |
| 4 Nature of Cases | 60 |
| 5 Terrorism Cases | 61 |
| 6 Request of Assistance (ROA) by Countries | 62 |
| 7 Geographical Distribution of Local Cases | 63 |
| 8 STRs received monthly | 64 |
| 9 Indicators | 65 |
| 10 AML Compliance Examination Coverage | 70 |
| Annexes Training and Seminars | |
| 1 Local | 74 |
| 2 International | 75 |
| 3 Secretary's Presentations | 76 |
| 4 Staff's Presentations | 78 |
| 5 Technical Assistance | 80 |



Banque du Liban
Special Investigation Commission
(Fighting Money Laundering)



Dear SIC Members, Secretary and Staff

Though the situation in Lebanon has been precarious throughout the year, with a political impasse about the election of a new president of the Republic, the SIC was able to operate and discharge its duties under Law 318, in spite of the difficult political environment. In fact, it pursued its pro-active stance on the domestic, regional and international levels, with a progressive involvement in the activities of the MENAFATF and the US-MENA Private Sector Dialogue.

The year 2007 witnessed a critical step in the fight against money laundering and terrorism financing, as Lebanon started to prepare for the upcoming mutual evaluation by MENAFATF, initially scheduled for January 2008, but delayed until July 2008 at the request of the SIC, with a hope that, in the meantime, the political deadlock would be resolved. In preparing for the first round of mutual evaluation process, the SIC set in motion a strategy that entrusts an ad-hoc Committee, composed of three experts from the Financial Investigation Administrative Unit (FIAU), with the task of gathering information for internal, self-assessment purposes. In applying the FATF mutual evaluation process, the MENAFATF transmitted the Mutual Evaluation Questionnaire (MEQ) to the SIC for assessing the implementation of the FATF standard benchmarks, identifying weaknesses and loopholes through on-site visits to the various Lebanese authorities, and making appropriate recommendations for improving Lebanon's AML/CFT laws and regulations and their implementation. After receiving the MEQ sent by MENAFATF, the Committee transmitted the questionnaire to the National Committee for Coordinating AML policies and to the other concerned authorities. The information collected from the various authorities allowed the SIC to conduct an in-depth analysis of existing laws and regulations and to propose new regulations, in line with the criteria set out in the FATF/IMF/World Bank 2004 AML/CFT Assessment Methodology.

In its ongoing fight against money laundering and terrorism financing, the SIC has pursued its vital and active role on the domestic and regional levels. For instance, it has resumed its AML/CFT awareness campaigns, by conducting, in coordination with the Association of Banks in Lebanon, a large number of training sessions and workshops, aiming at further enhancement of the expertise and capabilities of those who work in the financial sector. Besides, being a pioneer in the MENA region, the SIC has successfully co-sponsored another MENAFATF member country to join the Egmont Group of FIUs, thus bringing the total number of Arab FIUs to six.

Of particular importance, in 2007, is the participation of the SIC and many other Lebanese competent authorities in the United Nations Office on Drugs and Crime (UNODC) workshop, which introduced participants to the universal legal framework regarding the fight against money laundering and terrorism financing. Run by UNODC experts, the workshop dealt with topics of particular

importance concerning the investigative techniques of AML/CFT law enforcement, the role of FIUs, and the experience of Lebanese authorities in countering terrorism and its financing.

The year 2007 witnessed also the expansion of the National Committee, to include representatives from the Ministry of Justice, the Ministry of Finance, the Ministry of Interior and Municipalities, the Ministry of Foreign Affairs, the Ministry of Economy and Trade, and the Beirut Stock Exchange. In parallel, a new National Committee whose mandate is to suppress terrorism financing was formed, during the year, by decision of the Council of Ministers. On the other hand, the Banque du Liban has issued a new circular defining the "Hawala" transaction, requiring that exchange houses observe a set of rules in carrying out such transactions.

Finally, I commend your commitment to maintaining outstanding professional standards in performing your tasks under the Law and carrying out your duties under the most distressful conditions, hoping that Lebanon will have a better and more stable future.

Wishing you all the best,



Riad Toufic Salamé

Governor of Banque du Liban

Chairman of the SIC



Special Investigation Commission
(Fighting Money Laundering)



Dear Staff,

I am most appreciative of your relentless efforts and commitment to operate under a strenuous environment of political uncertainty and unsettling conditions. Your active participation in regional functions and technical assistance missions to some MENA countries is a confirmation of your commitment toward excellence. Another milestone in your continuous efforts is your hard work in preparing for the mutual evaluation that will be carried out by MENAFATF sometime in 2008.

As you know, the SIC dedication to a robust AML/CFT regime has prompted the Council of Ministers to take two major decisions that will allow increased cooperation and coordination among the various components of the Lebanese AML/CFT regime. The purpose of the first decision is to expand the base of the National Committee, to include several competent Authorities, namely the Ministry of Justice, the Ministry of Finance, the Ministry of Interior and Municipalities, the Ministry of Foreign Affairs, the Ministry of Economy and Trade and The Beirut Stock Exchange. The second decision is about the establishment of a new National Committee for Suppressing Terrorism Financing . This new National Committee comprises many of the national authorities that make up the National Committee for coordinating AML policies.

On a separate level, the SIC submitted to the Banque du Liban a draft Circular concerning "Hawala" transactions, in accordance with FATF SR VI. Issued by the Central Bank, this Circular requires from exchange houses to take a set of measures when executing "Hawala" payments. In this context, a framework was designed, describing the procedures to be followed in "Hawala" transactions; the Circular prescribes record keeping rules, and imposes penalties on institutions that fail to observe the prescribed rules and procedures.

In another field, the SIC remains keen on organizing AML/CFT training sessions for representatives of national authorities, with a special focus on sanitized case studies. It continues to lead the way in the Lebanese AML/CFT system, by periodically conducting seminars and training sessions for the banking sector officers on current AML/CFT issues and investigative techniques. On the other hand, the SIC has proposed to the MENAFATF the formation of two committees, one on Politically Exposed Persons (PEPs), and the other on Designated Non-Financial Businesses and Professions (DNFBPs). Both committees are expected to finalize their work sometime next year.

As I look forward to a prosperous Lebanon, I would like to reiterate my highest admiration and esteem for your unusual ability to produce state-of-the-art work in a very challenging political environment, and for your commitment in maintaining professional relationships with counterparts and international institutions.

With my affection and esteem,

A handwritten signature in blue ink that reads "Muhammad Baasiri". The signature is written in a cursive style with a large initial 'M' and a distinct flourish at the end.

Muhammad Baasiri

SIC Secretary

Introduction

Combating money laundering and terrorist financing needs analyzing and interpreting information & transactions. The launderers and terrorists are on the look out for more creative, adaptive & deceptive methods to conceal their illegal profit, and penetrate the vibrant sectors of the economy.

The international community has come together to create the Financial Action Task Force (FATF) whose main mission is to establish standards and promote national and international policies for AML/CFT. FATF has gained extensive experience and strong knowledge base by studying the methods, techniques and trends (i.e. typologies) to combat ML/TF. In particular, FATF-Styled Regional Bodies (FSRBs) have organized jointly with the FATF several typologies exercises to name a few “Financing of Terrorism”, “Use of Real Estate Sector to Launder Proceeds” and “Misuse of Corporate Vehicles including trusts and company service providers”. Their aim was geared towards increasing the possibility of detecting unlawful activity once conducted.

On the other hand, countries of the Middle East and North Africa joined efforts to establish the MENAFATF whose members agreed toward achieving the implementation of FATF recommendations, UN treaties and conventions particularly those dealing with countering ML/TF. FATF continues to establish affiliation with existing FSRBs. This was manifested through the “Associate Member” status granted by the FATF to the MENAFATF entitling the latter to a more active role in the works and events undertaken by the FATF.

On its part, the SIC, the center piece of the Lebanese AML/CFT regime, still a leading initiator in the region, is committed to existing international standards and best practices. The challenges that face the SIC, as well as all FIUs, is keeping up with the complex and evolving nature of the ML/TF crimes and predicting the criminals next move. The SIC is determined to fighting M/L by promoting awareness campaigns, and AML/CFT training courses.

On a macro level the SIC role in the fight against the ML/FT crime lies in its (1) local cooperative efforts with law enforcement authorities through the two National Committees on combating money laundering and suppressing the financing of terrorism, (2) regional technical assistance to neighboring countries, (3) as well as its international collaboration with the International Monetary Fund (IMF) & the Egmont Group, the latter being a platform that provides a forum for all FIUs to improve support to national AML programs.

Such a collaborative role allows the SIC to sustain a mutually beneficial relationship with all law enforcements authorities in the country in an effort to deter any criminal infiltration. This mutual cooperation and exchange of intelligence will further strengthen the fight against ML/TF.

As a frontrunner in the MENA region, the SIC has conducted an onsite operational assessment of a MENAFATF member. Subsequently this MENAFATF member qualified for the Egmont group membership through its satisfactory legal framework, and operational status. Continuing its leading role in the MENA region, the SIC has initiated and participated in two committees recently formed to issue best practice papers on the Politically Exposed

Persons (PEPs) and Designated Non-Financial Businesses and Professions (DNFBPs). In more details, the two committees are in the process of analyzing and studying the FATF 2004 Methodology relating to PEPs & DNFBPs.

Underscoring its renowned status in the region, the SIC staff was chosen to participate in the technical assistance and mutual evaluation programs under the leadership of the International Monetary Fund (IMF). These programs aim at lending expertise and insight in addition to assessing the AML/CFT regime of a number of MENAFATF member countries.

As a member of the Egmont Group, the SIC has been active in the functions of two working groups: the Outreach Working Group (OWG) and the IT Working Group (ITWG). In the former, the SIC partners with other FIUs in providing necessary support & technical assistance and acts as a sponsor FIU for the Egmont Group membership. In the latter, the SIC tackles critical issues to the AML/CFT communication system such as data security, data standardization and business continuity planning.

In line with its challenging role, the SIC Secretary continues to serve in his second year as Chairman of the US-MENA Private Sector Dialogue (PSD) which is a US-MENA financial private sector outreach initiative geared to unite public and private sectors from both regions in strengthening defenses against criminal activities. The US-MENA PSD focuses on fostering private sector information exchange, bridging cultural differences between the regions, building a core understanding and developing expertise in the financial sector.

The SIC Secretary met with members of the US-MENA PSD Steering committee in Washington to discuss this year action plan in its attempt to foster cross border information sharing. He headed the Lebanese delegation to the MENAFATF fifth and sixth plenary that took place in Jordan and Damascus respectively and participated as a guest speaker at the 4th International "Hawala" Conference in Abu-Dhabi and at the regional conference on Leadership and Corporate Governance in Doha.

Concluding, the present state of the ML/TF crimes has heightened the importance of national and international collaboration and cooperation. Currently each country is governed by a unique set of AML/CFT laws and regulations that take into consideration international standards such as the FATF 40 Recommendations and the Nine Special Recommendations, and the Egmont Principles which encourage the information exchange between Financial Intelligence Units. Such information may lead to criminals' arrest and confiscation of illicit gains, seizure & repatriation of funds to rightful owners.

1. Law 318

The Parliament has adopted and The President of the Republic is promulgating the text of the following Law:

(as amended by Law 547 dated 20/10/2003)

● Article 1

Under the provisions of this Law, illicit funds are to be understood as any asset resulting from the commission of any of the following offences:

- 1 The growing, manufacturing, or trading of narcotic drugs.
- 2 Acts committed by associations of wrongdoers, that are specified by Articles 335 and 336 of the Penal Code, and internationally identified as organized crimes.
- 3 Terrorist acts, as specified in Articles 314, 315 and 316 of the Penal Code.
- 4 The financing or contribution to the financing of terrorism, terrorist acts, or terrorist organizations, in accordance with the concept of terrorism as specified by the Lebanese Penal Code.
- 5 Illegal arm trade.
- 6 The offences of theft or embezzlement of public or private funds or their appropriation by fraudulent means, counterfeiting, or breach of trust, affecting banks, financial institutions, and institutions listed in Article (4) of this Law, or occurring within the scope of their activities.
- 7 The counterfeiting of money, credit cards, debit cards or charge cards, or any official document or commercial paper, including checks.

● Article 2

Money laundering is any act committed with the purpose of:

- 1 Concealing the real source of illicit funds, or giving, by any means, a false justification about the said source.
- 2 Transferring or substituting funds known to be illegal for the purpose of concealing or disguising their source, or helping a person involved in the offence to dodge responsibility.
- 3 Acquiring or holding illicit funds, using or investing such funds in purchasing movable or

immovable assets, or in carrying out financial operations, while being aware of the illicit nature of these funds.

● Article 3

Any person who undertakes money laundering operations, or intervenes or participates in such operations, shall be punishable by imprisonment for a period of three to seven years, and by a fine of no less than twenty million Lebanese pounds.

● Article 4

Institutions not subjected to the provisions of the Banking Secrecy Law of September 3, 1956, including individual institutions, notably exchange institutions, financial intermediation institutions, leasing companies, collective investment schemes¹, insurance companies, companies promoting, building and selling real estate, and merchants of valuables² (jewelry, precious stones, gold, works of art, antiques) must keep special records for operations that exceed the amount determined by the Banque du Liban in the regulations to be set out under Article (5) of this Law.

They must also ascertain, through official documents, the identity and address of each client, and must keep, for a period of no less than five years, photocopies of these documents, as well as photocopies of the operation-related documents.

● Article 5

Institutions subjected to the provisions of the Banking Secrecy Law of September 3, 1956 must control their operations with clients, in order to avoid being involved in operations that might conceal the laundering of funds resulting from any of the offences specified by this Law.

Within one month from the enforcement of this Law, the Banque du Liban shall establish and publish regulations setting out the rules of such control and including, as a minimum, the following obligations:

- a To ascertain the true identity of banks and financial institutions' permanent clients and to determine that of the economic right owner³ when operations are carried out

¹ Includes mutual funds.

² High value commodities.

³ Beneficial owner.

through proxies, through figureheads acting for individuals, institutions or companies, or through numbered accounts.

- b To apply the same identity verification process to transient clients, when the value of the requested operation or series of operations exceeds a specified amount.
- c To keep, at least for a five-year period after completing the operations or closing the accounts, photocopies of all operation-related documents, as well as photocopies of official documents relating to the identity of all parties concerned with such operations.
- d To set up indicators revealing the existence of money-laundering operations, as well as the principles of due diligence, in order to detect suspicious operations.
- e The commitment of banks and financial institutions to refrain from delivering incorrect statements that aim at misleading administrative or judicial authorities.
- f The verification by banks and financial institutions' auditors of the compliance of these institutions with the regulations to be set out under this Article, and the reporting of any violation to the Governor of the Banque du Liban.

● Article 6

- 1 An independent, legal entity with judicial status shall be established at the Banque du Liban, and shall discharge its duties without being under the authority of the Banque du Liban. Its mandate is to investigate money laundering operations, and to monitor compliance with the rules and procedures stipulated by this Law. It will be named "**the Special Investigation Commission**", hereafter "**the Commission**".
- 2 The Special Investigation Commission shall consist of:
 - The Governor of the Banque du Liban or, in case of impediment, one of the Vice-Governors designated by him. *Chairman*
 - The President of the Banking Control Commission or, in case of impediment, a member of this Commission designated by him. *Member*
 - The judge appointed to the Higher Banking Commission or, in case of impediment, the

alternate judge appointed by the Higher Judicial Council for a period equal to the term of the initially appointed judge. *Member*

- A member and his/her alternate appointed by the Council of Ministers upon proposal of the Governor of the Banque du Liban. *Member*
- 3 **The Special Investigation Commission** shall appoint a full-time Secretary, who shall be responsible for the tasks assigned to him by **the Commission**, for implementing its decisions and for directly supervising a special body of auditors designated by **the Commission** for the purpose of controlling and verifying on a continuous basis the implementation of the obligations mentioned in this Law. And the provisions of the Banking Secrecy Law of September 3, 1956 shall be opposed to none of them.
 - 4 The mission of **the Special Investigation Commission** is to investigate operations that are suspected to be money laundering offences, and to decide on the seriousness of evidence and circumstantial evidence related to any such offence or offences.

It is the exclusive right of **the Commission** to decide the lifting of the banking secrecy in favor of the competent judicial authorities and the Higher Banking Commission represented by its Chairman, on accounts opened with banks or financial institutions and suspected to have been used for money laundering purposes.

- 5 **The Commission** meets, upon its Chairman's convening, at least twice a month and when needed. The legal quorum requires the presence of three members at least.
- 6 **The Commission** shall take its decisions at a majority of the attending members. In case of a tie, the Chairman shall have a deciding vote.
- 7 **The Commission** shall establish, within one month from the issuance of this Law, its own functioning rules and the regulations governing its regular and contractual staff who are subjected to private law, notably the obligation of confidentiality.

The expenses of **the Commission** and of its ancillary bodies shall be borne by the Banque du Liban within the budget prepared by **the Commission**, provided it is approved by the Central Council of the Banque du Liban.

● Article 7

- 1 The concerned parties referred to in Articles 4 and 5 of this Law must immediately report to **the Commission** the details of operations they suspect to be concealing money laundering.
- 2 The controllers of the Banking Control Commission must, through their Chairman, report to **the Commission** any operations they suspect to be concealing money laundering and which they are aware of while discharging their duties.

● Article 8

- 1 Upon receiving information from the concerned parties mentioned in Article (7), or from official Lebanese or foreign authorities, **the Commission** shall convene immediately.
- 2 After perusing the received information, **the Commission** shall, within a period of three working days, take a temporary decision to freeze the suspected account(s) for a one-time renewable period of five days, when the source of funds remains unknown or is suspected to proceed from a money-laundering offence. During the said period, **the Commission** shall investigate the suspected account(s) either directly or through a delegated person chosen amongst its members or its concerned officers, or through its Secretary or an appointed auditor. All designated persons shall discharge their duties under the obligation of confidentiality, and the provisions of the Banking Secrecy Law of September 3, 1956 shall be opposed to none of them.
- 3 After completing its investigations and during the temporary freezing period of the suspected account(s), **the Commission** shall take a final decision on whether to free the said account(s) if the source of funds is not found to be illicit, or to lift the banking secrecy regarding the suspected account(s) and maintain the freezing. If, at the end of the period stipulated in Paragraph 2 above, the Commission does not render any decision, the said account(s) shall be automatically deemed free. **The Commission's decisions** are not subject to any ordinary or extraordinary form of administrative or judicial review, including review in case of abuse of power.

- 4 In case of a decision on lifting the banking secrecy, the Commission shall send a duplicate of its justified final decision to the State Prosecutor of the Supreme Court, the Higher Banking Commission through its Chairman, the concerned party, the concerned bank, and the concerned foreign authority, either directly or through the official party through which the information was provided.

● Article 9

The Chairman of **the Commission** or any of the members delegated by the Chairman may directly communicate with any Lebanese or foreign authority (judicial administrative, financial, or security authority) in order to request information or know the details of previous investigations that are linked or related to ongoing investigations by **the Commission**. And the concerned Lebanese authorities must immediately respond to such an information request.

● Article 10

The Commission shall establish a central body named **the Financial Investigation Administrative Unit**, which will function as the competent authority and the official center for monitoring, collecting and archiving information on money-laundering offences, and for exchanging information with foreign counterparts.

The Financial Investigation Administrative Unit shall periodically provide **the Commission** with all available information on money laundering offences.

The Commission shall determine the number of the members of this Unit, their functions and their compensation. It shall take against them disciplinary measures and terminate their employment in case of breach of duty, without precluding the possibility of civil or criminal prosecution.

All these persons shall be submitted to the same obligations as the members of **the Commission**, especially the obligation of confidentiality.

● Article 11

Except for **the Commission's** decision to lift banking secrecy, the reporting obligation stipulated by this Law and incumbent upon any natural person or legal entity is absolutely confidential. This absolute confidentiality shall also apply to

the documents submitted for reporting, and to the documents related to each stage of the investigation and its procedures.

● **Article 12**

Within the scope of their work under the provisions of this Law, the Chairman and members of **the Commission**, and **the Commission's** staff and delegates, shall enjoy immunity. In consequence, they may not be prosecuted or sued, neither collectively nor individually, for any civil or criminal liability related to the discharging of their duties, including offences specified by the Banking Secrecy Law of September 3, 1956, except in case this secrecy is disclosed.

In discharging their duties under the provisions of this Law, or according to the decisions of **the Commission**, the Bank and its staff shall enjoy the same immunity.

● **Article 13**

Any person who violates the provisions of Articles 4, 5, 7 and 11 of this Law shall be punishable by imprisonment for a period of two months to one year and by a fine not exceeding ten million Lebanese pounds, or by either penalty.

● **Article 14**

The movable or immovable assets that are proved, by a final court ruling, to be related to, or proceeding from, offences listed in Article (1) of this Law, shall be confiscated and forfeited to the State, unless the owners of the said assets prove in court their legal rights thereupon.

● **Article 15**

The reservations specified in Paragraphs (2), (3) and (4) of Article (1) of Law No. 426 of May (15), 1995, on authorizing the ratification of the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, are repealed, as well as the provisions of Article 132 of Law No. 673 of March 16, 1998, on Narcotic Drugs and Psychotropic Substances.

● **Article 16**

Upon entry into force of this Law, any provision that is contrary to, or at variance with the provisions of this Law, especially those specified in the Banking Secrecy Law of September 3, 1956, and those of Law No. 673 of March 16, 1998, on Narcotic Drugs and Psychotropic Substances, shall cease to be operative.

● **Article 17**

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

2. Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering

These regulations were amended on May 31, 2002, September 17, 2003 and January 1st 2006.

● Article 1

These regulations are set under the provisions of Article 5 of Law No. 318 of April 20, 2001, on Fighting Money Laundering.

Section I Control on financial operations for fighting money laundering

● Article 2

Banks and financial institutions operating in Lebanon must:

- 1 Ascertain the identity and activities of their correspondents and make sure, when dealing with them for the first time, that they really exist, based on submitted documentary evidence. In particular, they must make sure that the foreign bank with which they deal is not a shell bank.
- 2 Exercise control on their operations with clients to avoid involvement in money laundering operations resulting from any of the offenses specified in Law No. 318 of April 20, 2001 by following, for indicative purposes but not restrictively, the mandatory rules set out in these Regulations.

Section II Checking the client's identity, determining the economic right owner¹ (the actual beneficiary) of the intended operation

● Article 3

Checking the client's identity:

- 1 Banks and financial institutions must, as far as each is concerned, adopt clear procedures for opening new accounts, in particular for determining the economic right owner¹. They must also check the identity of all their permanent

and transient clients, whether resident or non-resident, notably in the following instances:

- The opening of all kinds of accounts, including fiduciary accounts, numbered accounts, and accounts held by persons who might be the object of suspicion.
- Lending operations.
- The conclusion of contracts for leasing bank safes.
- Cashier's operations when the amount exceeds USD 10,000 or the equivalent in any other currency. Cashier's operations include cash payments made by the client at the bank's counters (deposit of funds, exchange of currencies, purchase of precious metals, purchase of financial instruments in cash, cash subscription to vouchers at the counter, purchase of traveler's checks in cash, transfer orders paid in cash, etc.).

- 2 Regardless of the operation's value, the officer in charge of the operation must also check the client's identity when noticing that, on the same account or on multiple accounts of the same person, several operations are being carried out for amounts that are separately less than the minimum specified in Paragraph 1 of this Article but totaling more than USD 10,000 or the equivalent. The same identity checking should take place if the client is suspected of trying to make a money laundering operation.
- 3 In order to check the client's identity, the officer in charge of the operation must:

1. Request the following documents from the client:

- a In case the client is a natural person: a passport, an identity card, an individual civil registration, or a residence permit.
- b In case the client is a legal entity: duly registered documents regarding its bylaws, its registration certificate, the identity of the person empowered to sign on its behalf, and the identity of its legal representative.
- c In case the operation is effected through an authorized representative (proxy): the original power of attorney or a certified copy thereof, in addition to documents regarding the identity of both the client and the authorized representative.

¹ Beneficial owner.

- d In case the operation is effected by correspondence: an authentication of the client's signature on the same document or separately. The signature's authentication or the verification of the non-resident client's identity may be obtained from a correspondent or affiliated bank, or from a branch or a representative office of the concerned bank, or from another bank whose authorized signatures can be verified.

II. *Keep, at least for five years after implementing the operation or closing the account, the full name and residential address of the client, with information about the professional and financial status of the said client, together with copies of all documents used in the checking process.*

- 4 A client is meant to be any natural person or legal entity, whether a company or an institution of any kind, or a non-profit organization or association (mutual funds, cooperatives, welfare centers, charitable associations, clubs, etc.).

● Article 4

The bank/financial institution must request from each client a written statement about the identity of the economic right owner (the actual beneficiary)¹ of the intended operation, notably his full name and residential address (the name of the institution, its head office and home country, in case the owner¹ is a legal entity or a company), in addition to information about his professional and financial status. The bank/financial institution must keep a copy of this statement if it has doubts that the client is not the economic right owner, or in case the client states that the said owner is a third party, especially when operations are carried out as mentioned in Article 3, Par. 1 and 2, of these Regulations.

● Article 5

Doubts about the identity of the economic right owner¹ would arise in the following instances, which are mentioned for indicative purposes but not restrictively:

- a When a power of attorney is given to a non-professional person (who, for instance, is not a lawyer, a fully authorized representative, or a financial intermediate) and when it appears that the relationship to the client does not justify the proxy operation; or when the business relationship is conducted through false names or numbered accounts, or through umbrella institutions or companies².
- b When the financial status of the client intending to make the operation is known to the officer in charge and the operation's value is disproportionate to the financial status of the said client.
- c When, through the conduct of business with the client, any other indicator draws the attention of the bank/financial institution.

● Article 6

The bank/financial institution must immediately inform the Governor of the Banque du Liban in his capacity as Chairman of the Special Investigation Commission, established by virtue of Article 6 of Law No. 318 of April 20, 2001, when it holds evidence or has doubts that an operation involves money laundering, especially:

- When it has persistent doubts about the credibility of the written statement submitted by the client regarding the identity of the economic right owner, or when it discovers that false information has been given on the identity of the said owner.
- When it realizes that it was misled in the course of checking the client's or the economic right owner's¹ identity, while having persistent, serious and precise doubts about the information provided by the client.
- When transferred amounts or checks are returned, whether directly or upon the request of concerned parties, particularly correspondent banks, either because of forgery or because of doubts that they involve suspicious operations.

² Front institutions or companies.

● Article 7

The bank/financial institution shall periodically check again the identity of the client or re-determine the economic right owner¹, including the owners of accounts opened before the publication of Law No. 318 on fighting money laundering, in order to modify or add, on the adopted KYC (know your customer) Form, any new information resulting from any changes in the client's status, especially in case of doubts about the veracity of previously provided information, or when changes have subsequently occurred in the client's or the economic right owner's¹ identity.

Therefore, the bank/financial institution must set up working plans with precise dates, in order to fulfill these obligations.

Section III The obligation to control certain operations

● Article 8

- 1 The bank/financial institution must enquire from the client about the source and destination of funds, the object of the operation, and the identities of both the beneficiary and the economic right owner¹, when it finds that the intended operation is:
 - a An operation with the specifications mentioned in Article 3, Par. 1 and 2 of these Regulations.
 - b An operation carried out in exceptionally complicated circumstances. In this respect, the bank/financial institution must assess the said circumstances not only in relation to the nature and type of the operation, but also in relation to its apparent goal.
 - c An operation that seems to have no economic rationale or legitimate objective, especially when there is a discrepancy between the operation and the client's professional activity, or even between the operation and the client's habits and personality.
- 2 When a check for an amount exceeding USD 10,000, or its equivalent, is drawn on the bank by an exchange institution, and accepted by the said bank, the latter must:
 - a Verify that it has received the notification, stipulated in Article 9 of the Regulations implementing the Law on Regulating Money Changer Profession attached to

Basic Decision No. 7933 of September 27, 2001 which relates to the information requested about the check-related transaction, the source and destination of funds, and the identity of both the beneficiary and economic right owner¹.

- b Keep this notification for a five-year period.
 - c Seek to obtain the above-mentioned notification directly from the concerned exchange institution, in case the check is submitted to the bank before the notification reception.
- 3 In case an exchange institution fails to send the notification specified in paragraph (2), the concerned bank must promptly inform the Banque du Liban.
 - 4 The bank/financial institution must immediately inform the Governor of the Banque du Liban in his capacity as chairman of the Special Investigation Commission when, in light of the answers received, it has serious doubts that the operation is an attempt to launder funds resulting from any of the offenses specified by law.

● Article 9

Banks/financial institutions must, as far as each is concerned:

- a Give special attention, for indicative purposes but not restrictively, to the following indicators on money laundering:
 - 1 The exchange of big amounts of small-denomination bills for large denomination bills of the same currency or of any other currency.
 - 2 The undertaking of large or recurrent foreign exchange operations (cambio), by using cash funds.
 - 3 Certain movements in the client's account, such as making large or recurrent deposits reaching a determined ceiling or a huge volume, unjustified by the client's apparent activities.
 - 4 The operation of an account for the main purpose of transferring abroad, or receiving from abroad, sizeable amounts of money, while it appears to the officer in charge of such operations that they are not justified by the client's activities.

- 5 The undertaking of large or recurrent operations related to the client's off-shore activities considered by the officer in charge of such operations as disproportionate to the volume of the client's activities.
 - 6 The replacement of large cash funds by electronic transfer requests or by bank checks.
 - 7 A change in the pattern of deposit operations made by a client exempted from filling the cash transaction slip (C.T.S.)
 - 8 The undertaking by a client of large cash operations in the form of deposits and withdrawals, with insufficient personal identification.
 - 9 The fact of receiving or cashing checks issued abroad to the bearer, or to the order of a person but previously endorsed by persons other than the depositor; or the fact of receiving or cashing checks of different amounts that may be unrelated to commercial transactions or alleged to be gambling gains.
 - 10 The occurrence of cash deposits and/or bank transfers followed by direct and numerous withdrawals.
 - 11 The holding by the client of numerous accounts unjustified by the nature of his activities, or the undertaking of numerous cash transfers between and through these accounts.
 - 12 The occurrence of cash deposits and/or bank transfers, while the client's activities do not generate such a volume of funds.
 - 13 The fact of depositing bank/traveler's checks in the account of a company/institution whose activities do not justify such deposits.
 - 14 The occurrence of cash operations and/or bank transfers that appear unusual, considering the location of the branch.
 - 15 The undertaking of e-banking operations that appear unusual.
- b Monitor the accounts opened and operations carried out by clients, through the units and divisions mentioned in Article 11 of these Regulations, by using specialized software programs for retrieving (daily, weekly, monthly, annual) reports on the accounts and operations to which the above-mentioned indicators apply.

Section IV Committees and administrative units in charge of the control of operations for fighting money laundering, and their tasks

● Article 10

All banks and financial institutions operating in Lebanon must:

- 1 Establish a special committee consisting of the Director General, the Risk Director, the Operations Director, the Treasury Director, the Branches Director, and the person in charge of the Unit mentioned in Paragraph 2 below.
- 2 Establish a unit to ascertain compliance with the laws, regulations and procedures in force, hereafter named "the Compliance Unit".
- 3 Appoint in each branch of the bank/financial institution an officer responsible for the control of operations.

● Article 11

As far as each is concerned, the committees and administrative units established at the banks and financial institutions, as well as other concerned officials at the bank/financial institution, must comply with the procedures aiming at controlling, fighting and preventing money laundering operations. These procedures are, for indicative purposes but not restrictively, defined as follows:

- 1 Regarding the Special Committee mentioned in Paragraph 1 of Article 10:
 - a To prepare a procedure guide for implementing the provisions of the Law on Fighting Money Laundering and the provisions of these Regulations.
 - b To prepare a form for client recognition (KYC: Know Your Customer) and for controlling financial and banking operations to avoid involvement in money laundering operations. This form should include basic information about clients, in particular those specified in Article 3 of these Regulations, for indicative purposes but not restrictively.
 - c To ascertain the proper implementation and effectiveness of the procedures and regulations on fighting money laundering operations.
 - d To review periodically the above-mentioned procedures and regulations, and to develop them in line with up-to-date methods of fighting money laundering.

- e To prepare a staff training program on the methods of controlling financial and banking operations, in accordance with the control procedure guide, and with other legal and regulatory texts in force.
 - f To review the reports submitted by the "Compliance Unit" and the "Internal Audit Unit" on suspicious operations and high-risk accounts, regarding cash deposit and withdrawal operations, transfer operations, and the link between these operations and economic activities.
 - g To comment on the reports mentioned in paragraph (f) above, and to submit comments to the Board of Directors.
 - h To monitor, when the operation exceeds ten thousand US dollars or its equivalent, the adequacy of exemption procedures whereby some well-known clients are exempted from filling the cash transaction slip, and also to determine the exemption ceiling and to modify it according to developments in the client's economic situation.
- 2 Regarding the Compliance Unit:
- a To ascertain that concerned officers are complying with the procedure guide on the implementation of legal and regulatory texts for fighting money laundering, and that the KYC forms are properly filled.
 - b To review periodically the effectiveness of the procedures and regulations on fighting money laundering, and to propose amendments to the special committee mentioned in Paragraph (1) of Article (10), for taking appropriate decisions with the approval of Management.
 - c To review the daily/weekly reports received from the concerned departments and branches about cash operations and fund transfers.
 - d To monitor, on a consolidated basis, the client's accounts and operations (in and off balance sheet) at the Head Office and at all branches in Lebanon and abroad.
 - e To investigate suspicious operations, and to prepare periodical (at least, monthly) reports on operations that appear to be involving suspicious operations risks and submit them to the "special committee".
- 3 Regarding Internal Audit:
- a To audit cash operations, transfers, and account movements.
 - b To ascertain that specialized branches and sections are complying with the procedure guide on the implementation of legal and regulatory texts for fighting money laundering, and that the KYC forms are properly filled.
 - c To report discrepancies to the appointed auditor, through periodical reports.
 - d To inform the "Compliance Unit" through reports about the internal audit procedures mentioned in paragraphs (a), (b) and (c) above, and about any operation that implies suspicious operation risks.
- 4 Regarding the Officer responsible for operations control at the branch, either the director of the branch or its operations manager:
- a To ascertain that the branch's employees are complying with the procedure guide on the implementation of legal and regulatory texts for fighting money laundering, and that the KYC forms are properly filled.
 - b To control cash operations, transfers, and any other account-related operations, in particular those carried out through ATMs, and all other operations carried out electronically (non face-to-face banking).
 - c To inform the Compliance Unit about any suspicious operations, and about the extent of compliance by the branch with the required procedures.
- 5 Regarding the Transfers Section Chief:
- a To verify transfers credited to clients' accounts, particularly electronic transfers that do not include the name of the ordering customer, that exceed a specified amount, and do not follow a usual pattern, in view of the nature and size of the client's activities. Also, to verify the accounts from which recurrent or unusual transfers are made, and to ascertain the integrity of these transfers in relation to the veracity of their sources.
 - b To report to the Compliance Unit, through the officer responsible for operations control at the branch, any doubtful transfer that may involve suspicious money laundering operations.
- 6 Regarding the Cashier:
- a To require from clients, except from those exempted, to fill and sign a cash transaction slip (CTS), which must include the amount

involved, the source and destination of funds, when making a cash deposit exceeding ten thousand US dollars or the equivalent, or when carrying out multiple operations involving lower amounts but totaling more than USD 10,000 or the equivalent.

- b To prepare special tables for operations that exceed the ceiling specified for clients exempted from filling the cash transaction slip, and to take the necessary technical measures to safeguard these tables, in order to make them available, on request, to internal audit officers or bank auditors, or to the Special Investigation Commission.
 - c To report to the Compliance Unit, through the officer responsible for operations control at the branch, any doubtful cash deposit that may involve money laundering operations.
- 7 Regarding the Check Section Chief:
- a To give caution and attention to checks endorsed to a third party and to bank checks that are not deposited by the first beneficiary, as well as to traveler's checks and checks issued by institutions in foreign countries, in addition to those in which the identity of the account holder is not specified.
 - b To report to the Compliance Unit, through the officer responsible for operations control at the branch, any check deemed suspicious.
 - c To make sure that checks are not credited to clients' accounts before being effectively collected from the issuing banks.
- 8 Regarding the Branch Director:
- a To perform, when necessary, the functions of the officer responsible for operations control at the branch.
 - b To review account opening operations, to approve the exemption of certain clients from filling cash transaction slips, and to determine the ceilings of exemption, based on relevant criteria. The branch manager must also submit the names of exempted clients and the ceilings of exemption to the "special committee" for consideration.
 - c To coordinate with the Credit Manager concerning debit accounts, and with the Branches Manager concerning credit accounts.

- d To make personally or to entrust the Branch Accounts Officer with making periodical visits to debtor clients to take cognizance of their business and to prepare reports about creditor and debtor clients when having doubts that movements in their accounts may conceal suspicious money laundering operations, and to submit copies of these reports to the Compliance Unit.

Section V Final Provisions

Article 12

Each bank/financial institution must:

- 1 Establish, on money laundering operations, a computerized central archive of collected information that would include, for indicative purposes but not restrictively, the names circulated by the Special Investigation Commission, and those of holders of doubtful accounts reported by the bank/financial institution itself. The latter must also notify the SIC about any account opened subsequently by any of these persons, whether directly, indirectly, or by proxy.
- 2 Ensure an ongoing training of their staff and the participation of the concerned officers and those responsible for training in relevant seminars, workshops and lectures, so that they may keep abreast of money laundering-fighting methods.
- 3 Not close any suspicious account before consulting with the SIC.
- 4 Keep a special record of persons who open or activate accounts by proxy.
- 5 Require, for recruitment, the highest standards of honesty and integrity.
- 6 Instruct their staff that, subject to liability, they must refrain from notifying clients when the SIC proceeds to investigate or audit their accounts, until the SIC makes a decision on lifting banking secrecy on the said accounts and notifying the concerned clients.
- 7 Inform their branches operating abroad that they must, as a minimum, apply the procedures mentioned in these Regulations, provided they are not incompatible with the laws and rules of the host country.

- 8 When enlisting the help of intermediaries such as brokers and introducers, to deal only with those who meet the criteria adopted by banks and financial institutions in dealing with their clients.

- **Article 13**

The Auditor of the bank/financial institution must:

- 1 Review the internal audit procedures for ascertaining compliance by the bank/financial institution with the provisions of the Law and of these Regulations. In this respect, the Auditor shall prepare an annual report to be submitted to the Board of directors of the bank/financial institution, to the Governor of the Banque du Liban, and to the Banking Control Commission. In addition to the audit results and to the auditor's propositions to enhance operation control, the said report must include detailed information about the verification of compliance by the bank/financial institution, as far as each is concerned and as a minimum, with the obligations hereafter mentioned for indicative purposes but not restrictively:
 - a To comply with the provisions of Articles 3, 4, 6, 7, 10, 11, and 12 of these Regulations.
 - b To fill the KYC forms.
 - c To adopt a policy and written procedures concerning the acceptance and opening of new clients' accounts.
 - d To enquire about the source of received funds and their final destination, and about the reasons of cash operations, as specified in the Law on fighting money laundering and in these Regulations; to set ceilings for cash deposits and withdrawals, and for transfers from abroad that must be given due diligence; and to adopt deposit forms that show the source of deposited funds when a deposit or the total of several deposits exceed the specified ceiling.
 - e To prepare periodical reports (every quarter, at least) on the movement of cash deposit and withdrawal operations, and on transfers to clients' 13 accounts. These reports should be reviewed by management officers and by the internal audit unit.
 - f To include, in the adopted internal audit procedures, specific measures for reviewing compliance with the said procedures.

- 2 To report immediately to the Governor of Banque du Liban, in his capacity as chairman of the above-mentioned Special Investigation Commission, any violation of the provisions of these Regulations.

3. Cash Transfers through the "Hawala" System

On September 24, 2007 Banque du Liban issued Basic Circular 111 to which it attached Basic Decision 9708 that relates to cash transfers in accordance with the Hawala System.

● Article 1

For the purpose of implementing the provisions of this Decision, the term "Hawala" shall mean the informal systems through which fund transfers take place outside the conventional financial sector, as carried out by institutions and individuals, including Hawala intermediaries and brokers (Hawala Dar).

● Article 2

The right to undertake cash transfers through the Hawala System is restricted to exchange institutions from Category A, whether on their own or on behalf of a third party.

● Article 3

Exchange institutions from Category A that wish to carry out a transfer through the "Hawala" System are required to:

- 1 Notify in advance and in writing the Banque du Liban about the transfer.
- 2 Keep, for a period of no less than five years, special records of their "Hawala" transactions, including, at least, the information indicated in the Form attached to this Decision, in addition to photocopies of the official documents pertaining to the concerned clients.

● Article 4

Institutions non-compliant with this Decision must, within a six-month time limit, regularize their status accordingly and comply with its provisions, particularly those of Article (3), Paragraph a.

● Article 5

This Decision shall be effective upon its issuance.

● Article 6

This Decision shall be published in the Official Gazette.



Dr. Marwan Nsouli
Vice Governor

4. The National Committee for Coordinating AML Policies

Established by a Ministerial Decree in October 2002, the National Committee plays a vital role in the Lebanese AML regime. Responsible for coordinating AML policies between national authorities, involved in the fight against money laundering in accordance with the international standards set out in FATF recommendation 31, the National Committee continues to function as a forum where the representatives of these authorities meet regularly to share their expertise and exchange their views.

The year 2007 was characterized by an expansion of the National Committee by a decision taken, in September, by the Council of Ministers. Chaired by BDL third Vice-Governor, Dr. Marwan Nsouli, as delegate of the Governor, the Committee is presently formed by: (1) the Special Investigation Commission, the General Prosecutor, the Banking Control Commission, the Customs Administration and the Lebanese Internal Security Forces, as founding members; (2), the Ministry of Justice, the Ministry of Finance, the Ministry of Interior and Municipalities, the Ministry of Foreign Affairs, the Ministry of Economy and Trade, and the Beirut Stock Exchange, as new members. The current structure of the Committee is expected to further improve cooperation and coordination among the various competent authorities, each of them having a unique expertise in the fight against crime.

In the twelve passing months, periodic meetings and discussions were held by the existing members of the National Committee, in order to explore new ideas and possible venues that would improve procedures and strengthen controls among the various entities, which form the Lebanese AML regime.

As a result of the commendable efforts of the National Committee during the past five years, the Council of Ministers decided to establish a new National Committee whose mandate is to suppress terrorism financing. This decision comes at the heels of numerous terrorist acts that have plagued Lebanon since 2005.

As expected, the new National Committee will exhibit the same professionalism, efficiency and responsibility that have characterized the National Committee for Coordinating AML policies.



General Ashraf Rifi
Director General of
the Lebanese Internal
Security Forces

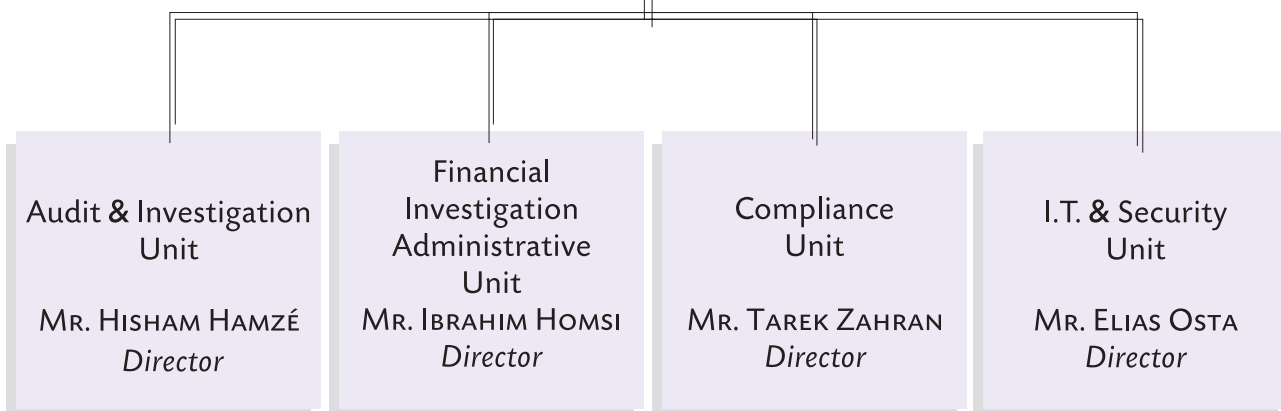
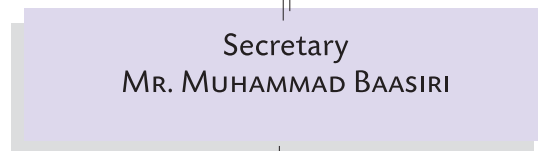
5. The National Committee on Suppressing Terrorism Financing

On September 12, 2007, the Lebanese Council of Ministers decided to establish a National Committee for suppressing terrorism financing, chaired by the representative of the Ministry of Interior and Municipalities, and comprising, as members, representatives from:

- The Ministry of Justice
- The Ministry of Foreign Affairs and Emigrants
- The Ministry of Finance
- The General Prosecutor's Office
- The Special Investigation Commission
- The Banque du Liban

The Ministry of Interior and Municipalities has appointed General Ashraf Rifi, Director General of the Lebanese Internal Security Forces, as its representative.

1. Organization Chart



2. Commission Members

1 The Special Investigation Commission is composed of:

The Governor of Banque du Liban,
Mr. Riad Salamé, or the Vice-Governor
designated by him.

Chairman

The President of the Banking Control Commission,
Mr. Walid Alameddine, or the member of the
Commission designated by him.

Member

The judge appointed to the Higher Banking
Commission, **Mr. Shebib Mokalled**, or his
alternate judge **Mr. Ahmad Al-Moallem**.

Member

A Professional appointed by the Council of
Ministers, **Mr. Joseph Antakli**, or his alternate
Mr. Boutros (Pierre) Kanaan*.

Member

2 Article 6 of Law 318 of April 20, 2001 specifies the mission and tasks of the Commission as follows:

- To investigate operations that are suspected to be money laundering offenses, and to decide on the seriousness of evidence and circumstantial evidence related to any such offense or offenses.
- When accounts opened at banks or financial institutions are suspected to have been used for money laundering purposes, the lifting of banking secrecy to the benefit of the competent judicial authorities and the Higher Banking Commission, represented by its Chairman, shall be the exclusive right of the Commission.
- The Commission is convened by the Chairman and meets, at least, twice a month and as needed. The legal quorum requires the presence of three members at least.
- The Commission shall take its decisions at a majority of the attending members. In case of a tie, the Chairman shall have a deciding vote.

* Since November 16, 2007, after the passing away of the late alternate Mr. Jean Moubarak

3. Secretariat Functions

In reference to Law 318 of April 20, 2001 and SIC Decision of July 4, 2001, amended by SIC Decision of September 4, 2003 , the Secretariat is organized as follows:

Secretary

The Secretary is entrusted with tasks that include:

- Supervising directly:
 - The Audit & Investigation Unit
 - The Financial Investigation Administrative Unit
 - The Compliance Unit
 - The Information Technology & Security Unit.
- Receiving directly or through the Chairman of the Commission all money laundering related suspicious transactions reports.
- Notifying concerned parties of the Commission's decisions.
- Implementing through concerned Units decisions made by the Commission.
- Submitting to the Commission reports on missions finalized by concerned Units and providing an analytical opinion on those reports.
- Monitoring domestic and foreign laws and regulations and recommending to the Commission amendments to be made to those enforced in Lebanon to enhance fighting money laundering.
- Submitting to the Commission recommendations concerning:
 - Amending the regulations on the Control of Financial and Banking Operations for Fighting Money Laundering.
 - Introducing internal auditing procedures to all sectors, namely in agriculture, industry, trade and services, in order to prevent money laundering practices in these sectors.
- Overseeing both staff related administrative matters as well as budget and expenditure concerns.
- Implementing the Commission's decisions that aim at fostering cooperation with foreign counterparts.

1 Audit and Investigation Unit

This Unit is entrusted with the following tasks:

- Auditing as per Commission mandate accounts subject suspicious transactions reports and in other accounts suspected to conceal money laundering operations.
- Gathering evidence on operations that may constitute money laundering offenses.
- Submitting to the Commission, through the Secretary, reports on both audited accounts and investigations that relate to operations suspected to constitute money laundering.
- Informing the “Financial Investigation Administrative Unit” of their reports on suspicious accounts and operations, to be entered on their databank.
- Informing the “Compliance Unit” of their reports on suspicious accounts and operations, to be taken into consideration when carrying out assignments at concerned banks and financial institutions.

2 Financial Investigation Administrative Unit

This Unit is entrusted with the following tasks:

- Gathering information from various sources concerning suspicious transactions related to money laundering, especially those under investigation and forwarding them to concerned parties, through the Secretary, after gaining approval from the Commission.
- Establishing a databank that contains information on investigations related to suspicious transactions, names of persons involved or possibly involved in money laundering operations and rulings on individuals that committed such crimes to be organized by sector and by geographic distribution.

Information on money laundering operations shall be classified by source:

- a Information received from institutions covered by the Banking Secrecy Law of September 3, 1956 (banks, financial institutions), may be provided to judicial authorities or foreign competent authorities only by a decision of the Commission.
- b Information received from institutions not covered by the Banking Secrecy Law of September 3, 1956 (money dealers, brokerage firms...) may be provided to requesting authorities in accordance with procedures decided by the Commission.

- Monitoring domestic and foreign laws and regulations and recommending to the Commission, through the Secretary, amendments to be made to those enforced in Lebanon to enhance fighting money laundering.
- Coordinating with the “Information Technology & Security Unit” on building and updating the Commission's website.
- Carrying out requested studies.
- Submitting to the Commission, through the Secretary, recommendations on ways to introduce internal auditing procedures to all sectors, namely in agriculture, industry, trade and services, in order to prevent the introduction of money laundering practices to these sectors.

3 Compliance Unit

This Unit is entrusted with the following tasks:

- Auditing and examining banks, finance companies and other reporting entities, as per Commission mandate, to ensure compliance with:
 - 1 Law No. 318 dated 20/4/2001 on Fighting Money Laundering.
 - 2 The Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering (Banque du Liban Circular 83 and its amendments).
 - 3 Special Investigation Commission Circulars.
 - 4 Banque du Liban prospective Circulars on Fighting Money Laundering.
- Preparing reports and periodic statistical data that reflect compliance of banks, finance companies and other reporting entities with the anti-money laundering regulations and informing the Commission through the Secretary of its findings.
- Requesting through the Secretary, as per Commission mandate, that banks, finance companies and other reporting entities take corrective measures when instances of non-compliance or partial compliance are noted and follow up on the implementation of the required corrective measures.
- Providing the “Financial Investigation Administrative Unit” with summaries of compliance reports, to be entered on their databank.
- Advising the “Audit & Investigation Unit” of the compliance status of banks, finance companies and other reporting entities when investigations in operations that might conceal money laundering are initiated at those entities.

- Suggesting procedural measures to the Secretary aimed at enhancing supervision for Fighting Money Laundering.
- Submitting to the Commission, through the Secretary, suggestions to amend the Regulations on the Control of Financial and Banking Operations For Fighting Money Laundering.
- Verifying that external auditors forward the reports subject paragraph (1) of article (13) of the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering to the Governor of the Central Bank within the specified period and ensure, through the Secretary, that banks and financial institutions implement the required corrective measures mentioned in those reports.
- Contacting external auditors, through the Secretary, to ensure that they are implementing the requirements stipulated in basic Decision 7818 dated 18/5/2001. This shall be done after comparing Compliance Unit reports with those of external auditors.

4 Information Technology and Security Unit

This Unit is entrusted with the following tasks:

- Installing and maintaining servers, computers, and all technical equipment.
- Developing, updating and maintaining required IT programs in-line with the work needs of the various Units and also those relating to the databank, security and monitoring equipment.
- Setting up security procedures for data and programs, and ensuring their efficiency.
- Building a website for the purpose of highlighting Lebanon's AML policies and providing technical assistance for periodic updates.
- Analyzing and implementing IT programs for the purpose of exchanging information with local and foreign authorities concerned with Fighting Money Laundering.
- Controlling access to the SIC Secretariat offices.
- Operating and managing the monitoring system.

1. SIC Units

a Audit & Investigation Unit

Besides ensuring compliance of reporting entities with national requirements and exchanging information with foreign counterparts, the mission of the SIC is also to investigate transactions suspected of concealing money laundering operations and to decide on the seriousness of evidence and circumstantial evidence related to offences falling under the framework of law 318 on Fighting Money Laundering. Like recent years, the SIC continues to discharge its investigative function through the Audit and Investigation Unit, under the continuous supervision of the SIC Secretary.

Upon its receipt of foreign requests of assistance and suspicious transaction reports filed by local reporting entities, the SIC seeks to establish the source of funds and the identity of the ultimate beneficiaries; joining these two elements together constitutes the essence of a successful financial investigation. In the course of carrying out its audit function, the SIC uses certain statutory powers pursuant to authority vested in it by law 318, which is the core of Lebanon's AML regime. Such powers allow the Chairman of the SIC to communicate with any Lebanese or foreign authority in order to gather additional information and evidence needed to establish wrongdoings and the level of conviction that needs to be present to warrant lifting banking secrecy and transmitting the file to the General Prosecutor. Once the file is disseminated by the SIC, the Prosecutor may decide to order further investigations, if necessary, and, if the evidence is sufficient, will initiate the prosecution.

Throughout the year 2007, the AIU has investigated 191 cases suspected of involving allegations concerning suspected money laundering and or terrorist financing operations. Out of these cases, 54 were passed on to the prosecuting authorities and foreign counterparts.

Still, the SIC continues to investigate potential accounts of individuals suspected of being involved in terrorism pursuant to the United Nations Security Council Resolution 1267. In this context, the SIC has also investigated, bank accounts held by members of a group suspected of terrorism by the Lebanese enforcement authorities.

b Financial Investigation Administrative Unit

FIAU Case Review (STRs Analysis) – Recognizing the importance of STRs in supporting investigators in developing patterns of suspicious financial transactions and in identifying links and connections among individuals, entities and accounts that may otherwise not have been known; the FIAU conducted an annual review of STRs filed by the financial sector that appeared in case investigations. Following the methodology of last year, the FIAU extracted a list of examples indicative of money laundering operations, many of which are internationally recognized money laundering indicators and retrieved useful statistics of existing/emerging ML/TF trends by feeding the selected indicators into a tailor made application system.

Continuous Professional Education (CPE)/Training – As part of the CPE Program, several in-house training seminars and presentations were provided by SIC Legal Experts and Research Analysts discussing the diverse facets of the "Mutual Evaluation Program" undertaken by the FATF, FSRBs, IMF and WB. The SIC staff was also exposed to different ML techniques and presentations of FATF papers such as "The Risk-Based Approach to AML/CFT"; as well as briefings by SIC experts in MENAFATF ad-hoc committees in charge of issuing best practices papers on Designated Non-Financial Businesses and Professions (DNFBPs) and Politically Exposed Persons (PEPs). Other forms of staff training involved staff participation in several regional typologies workshops and advanced AML seminars held in several Arab States. One SIC staff member taking part in the "On-the-job Training in AML Targeted Bank Examination" organized by the OCC (the US Office of the Comptroller of the Currency) and sponsored by the MENA Financial Regulators Training Initiative, while another staff member was assigned to a sub-committee of MENAFATF to prepare a paper on DNFBPs, constitute another form of staff education.

Awareness Raising – Realizing the importance of raising public awareness in the fight against money laundering and the financing of terrorism, the SIC Head of FIAU conducted this year a series of presentations to a number of university students participating as interns at the Banque du Liban.

Exchanging Information with Counterparts – Supporting the exchange of financial intelligence and responding to Requests of Assistance (ROA) and questionnaires received from foreign counterparts through the Egmont Secure Website (ESW), constitute one of the essential functions of the SIC. This function is currently performed by the Database Division in collaboration with the Audit & Investigation Unit. The SIC devoted and continued contribution to international cooperation and information exchange can be witnessed through the SIC monthly web site publication and transmission of a sanitized case to the Egmont Group of FIUs. To further widen the platform intended for international

cooperation, the SIC has recently signed Memoranda of Understanding (MOU) with Paraguay and South Korea at their request.

Lebanon's Mutual Evaluation – The Secretary assigned a task force of FIAU assessors to draft a self-assessment report of the Lebanese AML/CFT regime based on the FATF AML/CFT methodology of March 2004. As a result of their review of Lebanon's AML/CFT laws and regulations, the FIAU assessors drafted a detailed "Action Plan" which entails all the steps to be taken and the main issues to be handled in preparation for the Mutual Evaluation set to be undertaken by MENAFATF in 2008.

c Compliance Unit

In early 2007, the Compliance Unit drawing on its knowledge of AML/CFT international standards and expertise in on-site compliance examinations set out to conduct a thorough review of AML/CFT regulations.

Under this context, amendments to the AML/CFT Law were proposed to the Secretary and later forwarded to the Commission for consideration. In addition, the Lebanese money dealers sector had its share of regulation development. In this regard, the Unit suggested amending the requirement that stipulates that money dealers when issuing to their clients any check exceeding USD 10,000 or its equivalent should forward to the drawee bank a special form that includes information on the transactions. The SIC approved and Banque du Liban issued Intermediate Circular 136 dated 27/4/2007 extending the above mentioned requirement to any banking transaction exceeding USD 10,000 or its equivalent. On a different matter, the Unit also suggested regulating Hawala activities and forwarded through the Secretary to the Commission certain regulations to be adopted. The Commission approved them and Banque du Liban consequently issued Circular 111 dated 24/9/2007.

On-site compliance examinations carried out to ensure that banks and other reporting entities comply with prevailing AML/CFT regulations also took place during the year. In this regard, 20 banks, 15 financial institutions, 53 money dealers and 8 money remitters in addition to 3 leasing companies, 2 brokerage firms and Casino du Liban were covered. Corrective measures were required from some, including the need to file suspicious transaction reports and the Commission after reviewing related reports issued reprimand letters to some. A comprehensive study on the compliance level of the insurance sector was also finalized and forwarded to the Commission. The Commission decided to reprimand some insurance companies and advised the Ministry of the Economy the regulatory authority. A training seminar that aims to create the necessary awareness was jointly organised with the Insurance

Syndicate (ACAL) and throughout the year AML/CFT compliance examinations covered 21 insurance companies.

Evaluating external auditors annual reports on AML/CFT regulations at banks and financial institutions is an essential function of the Unit's off-site work. In this respect, reports pertaining to 61 banks and 38 financial institutions were assessed and compared with the Unit's own compliance reports. Deficiencies and points of concerns were highlighted and addressed accordingly.

On a different issue, the Compliance Unit Director attended the Egmont Outreach Working Group meetings in Bermuda. In the said meetings, scheduling countries for future on-site visits took place and revising assessment reports that eventually lead to welcoming aboard new members were approved. The Unit's Director and three SIC staff visited Qatar to attend the assessors training workshop organised by the IMF, World Bank, MENAFATF and Qatar FIU. Two other colleagues from the Unit participated in other functions, one was assigned to the sub-committee created by MENAFATF to prepare a paper on PEPs and the other participated alongside a team of OCC examiners in an on-site mission at a U.S bank.

d Information Technology & Security Unit

Year 2007 witnessed more automation of the SIC activities besides the routine operations of software and hardware upgrade and maintenance, notwithstanding staff training on the new features and possibilities. The continuous emergence of threats on the web resulted in enhanced security on the SIC Internet server. New software layers as well as hardware updates aiming on email and web filtering based on content, source and destination, were introduced.

The SEEDS project (SIC Electronic Elements Distribution System) has been deployed to banks and financial institutions. The testing results were successful and the system is functional since January 1st, 2007. However, in order to improve the quality and scope of services, a study for an enhanced system to replace the existing one is already under way. Regarding the image archive of the SIC correspondence, the indexing of the scanned is in its final stages for the period of 2001 - 2006. This index will provide better and easier search capabilities. The project is subject to final development and control, launching expected by early 2008. A new project dedicated for the activities of the Compliance Unit is in process. It will serve as a module of the final integrated software system currently under study & development to replace the existing one. Its implementation will allow the compliance unit to manage in a faster and more efficient way the collected data regarding the compliance status and progress made by reporting entities. It will also automate the production of statistics and mission-related documents. The project will be finalized by mid 2008.

The “Disaster Recovery Plan” (DRP) strategy established previously is active and periodically tested. Hardware upgrades to the DRP equipment are being made in order to improve its suitability to the task and proper operation.

On the international level, the IT unit followed the SIC policy of enhancing experience and information. To this effect, the unit has been an active participant in the Egmont IT working group meetings and projects. Moreover, the unit has participated in the periodical workshops held jointly by the IMF and the Egmont group for the Central European FIUs and has shared parts of its experience during these meetings. A similar initiative is being prepared for the FIUs of the MENA region to be held in the first half of 2008.

2. Staff training

Constituting around fifteen percent of the SIC staff payroll cost, staff training remains a top priority for the SIC. For the past 12 months, SIC staff has been attending both in-house and external training sessions geared to further improve their knowledge and expertise in the AML/CFT field.

Launched at the SIC premises in 2004, the Continuous Professional Education (CPE) program continues to offer extensive AML training courses designed to provide knowledge and training skills in building the analytical capacities of SIC staff members. Hosting experts from various domains constitutes another example of the in-house training initiatives undertaken by the SIC with a view to familiarizing staff members to areas of particular interest.

Recognizing that training is a key pillar of a robust AML/CFT regime, the SIC resumed the implementation of its on-going training program by exposing staff members to regional and international seminars and workshops. “Training the Assessors”, a regional seminar held in Qatar and organized by the Bank, the Fund, MENAFATF and the Qatar FIU, and attended by four SIC staff members, aims at equipping a wide array of participants from the MENA region with the necessary tools that enable them to embark and participate as experts in mutual evaluation missions led by the MENAFATF and other FATF Styled Regional Bodies. “Financial Crimes”, a seminar organized by the Federal Deposit Insurance Corporation (FDIC) and held in the US, represents another example of staff foreign training, not to mention some of the SIC staff participation in an on-site examination of a national bank in the USA.

As a result of the training sessions to which SIC staff has been exposed over the course of recent years, staff members demonstrated through

out 2007 competent investigative and technical skills and actively participated as consultants and experts in several technical assistance and mutual evaluation missions led by renowned organizations in the fields of AML/CFT.

3. Raising Awareness

Awareness raising constitutes one of the essential tools necessary to keep not only law enforcement authorities but also the financial sector abreast of the latest developments in the AML/CFT field. Awareness raising is a continuous process that involves being current and attentive of AML/CFT techniques which are unfortunately unlimited, to a certain degree, due to criminals' imagination and creativity. Awareness raising is achieved through focused training sessions that describe the techniques employed by criminals to launder dirty proceeds. We all know that techniques vary and develop even further in response to law enforcement countermeasures. Inevitably, techniques directly affect the path of the investigation pursued by investigating authorities; ultimately, the more complex they are, the longer it takes to charge suspects through a successful ML/TF prosecution.

Since inception, the Special Investigation Commission (SIC) foresaw the importance of awareness raising, which has been considered as a means toward a certain goal. The end goal would be to bring the financial sector detect suspicious operations in an attempt to avoid being used as a mechanism to fund terrorist groups or carry out part of the money laundering process.

Stemming from its desire to further raise awareness on the local level, the SIC embarked early this year on a special training program in coordination with the Association of Banks in Lebanon. The program, which consists of six sanitized case studies, covers a wide range of financial wrongdoings with a view to assist the financial sector meet its reporting obligation and ultimately avoid association of transactions involving funds derived from a criminal activity or intended to be used in a similar activity or activities.

The year 2007 also witnessed the presence of the SIC Secretary who participated as key note speaker alongside SIC staff experts, as speakers also, in several seminars and conferences locally, regionally and internationally, as part of the SIC awareness raising campaign.

4. International Cooperation

Since funds move rapidly in and out of financial centers and across national borders in the second stage of money laundering (layering) and of terrorist financing (transmission), law enforcement authorities must be capable of providing reliable information to assist foreign financial crime investigations and prosecutions. The ability of authorities to exchange information affects not only the efficiency of the country's AML/CFT regime but also information sharing with foreign counterparts. Cooperation is therefore one of the primary keys to the success in the fight against all serious offences, including financial crimes. It is also one of the essential themes addressed by the Financial Action Task force (FATF) on money laundering and terrorist financing.

The Egmont Group, on its part, provides a framework for cooperation among Financial Intelligence Units (FIUs). In 1996, the Group set Best Practices for information exchange between FIUs for money laundering cases. The Best Practices stress that a requested FIU must be able to reply to a request of assistance within one week from receipt of the request if it can provide a negative/positive answer regarding information it has direct access to. However, in case of a non-direct access, the time frame to provide information is extended to one month during which the requested FIU may consider contacting the requesting FIU to state that it is seeking outside sources to respond to the request.

Aware of the importance of effective cooperation as a means to trace dirty proceeds, the SIC provides information to foreign counterparts taking into account the Best Practices for information exchange set out by the Egmont Group. In this context, the SIC has been providing information responsive to requests received from foreign authorities and counterparts. Specifically, the year 2007 witnessed an increase of information sharing with foreign counterparts, due to Requests Of Assistance (ROA) volume and swift requests handling.

Concluding, given the transnational characteristics of serious crimes, international cooperation is therefore one of the essential tools necessary to keep track of transactions derived or suspected of being derived from illicit gains or intended to be used in the commission of a terrorist act or acts. International cooperation should therefore be significantly strengthened at all administrative, law enforcement, and judicial levels.

5. Selection of Cases

Suspicious Real Estate Transaction

The SIC received a request of assistance by a foreign counterpart seeking its assistance on an ongoing investigation concerning a Lebanese citizen and a business entity located in the requesting FIU's country.

Foreign investigation revealed that a transfer of EUR 79,925 was wired from the suspect bank account in Lebanon to the bank account of the concerned foreign entity which later on transferred the amount to purchase a residential property in the name of the suspect in a third country. This transaction was considered suspicious by the requesting FIU since it did not match the said entity's profile.

The SIC investigation revealed the existence of a joint bank account in the name of the suspect and his wife that was mainly credited by cash deposits and several wire transfers.

Subsequently, the information was passed on to the counterpart FIU.

Financing of terrorism

The SIC received a request of assistance from a foreign FIU concerning a car dealer suspected of being a member of a known international ethnic organization and being investigated for providing material support to a terrorist group.

The foreign criminal investigation revealed that several wire transfers have been made from the suspect's foreign Bank A account to a local bank account in Lebanon held by his brother – profession unidentified – who is also suspected of being a member in the organization, and who made several wire transfers from his foreign Bank B account to his local bank account.

On its part, the SIC investigation at the concerned local bank revealed the existence of a bank account, held in the name of the suspect's brother, credited mainly by cash deposits and international wire transfers from the requestor FIU foreign country, and followed by several cash withdrawals and checks issued to the order of a third brother – a pharmacist – who deposited the funds in his personal account at the same local bank.

The SIC investigation did not reveal any suspicion or support of terrorist financing to any terrorist organization and its findings were released to the requesting FIU.

Fraud Scheme

The SIC received a request of assistance from a foreign counterpart, seeking information on a suspect involved in a fraud scheme.

The requestor revealed that the suspect had fraudulently appropriated private funds by selling counterfeit 'gold coins' and transferring the funds to Lebanon where he allegedly used them to buy cars and gamble.

Responding to the request, the SIC conducted a financial investigation through the banking sector and found no related information.

On the other hand, interagency cooperation with the Office of Combating Financial Crimes and Money Laundering established within the Lebanese Internal Security Forces revealed:

- The existence of a complaint against the suspect and others related to embezzlement and use of false identities.
- The indictment of the suspect on charges related to transgressing.

Consequently, the SIC provided this information to its foreign counterpart.

Suspicious Banking Operations

The SIC received a request of assistance through the Internal Security Forces – Judicial Police Unit on behalf of a law enforcement authority in a foreign country. Ongoing foreign investigations revealed that a bank, registered in that foreign country, is suspected of illegal activities related to money laundering operations as it was confirmed by the foreign country's central bank.

Further information also indicated the presence of several individuals and entities involved in that investigation.

The SIC conducted an investigation through the Financial Sector to assist the foreign authority identify potential related suspect names. As the financial investigation revealed the nonexistence of any information, the requestor was informed of the matter.

Embezzlement of Private Funds and Forgery

The SIC received a request of assistance from a foreign FIU concerning a foreign bank's fraud scheme involving the transfer of funds to Lebanon.

The foreign investigation revealed the implication of three foreign nationals, of whom two suspects exploited the use of forged import-invoices to be collected by the local branch of the foreign victim bank with the assistance of a third accomplice (an employee of the bank)

who provided the necessary forged bank documents for the transfer of funds totaling USD 1.3 Million to the branch in Lebanon.

On its part, the SIC's investigation revealed the existence of a bank account held in the name of one of the suspects opened at the local branch. Accounts scrutiny showed the presence of the related incoming transfers to the said branch followed by several outgoing transfers and cash withdrawals to a number of beneficiaries, among whom a suspect in the requesting FIU's country.

Subsequently, the SIC decided to lift banking secrecy and freeze the related bank accounts and pass on the findings to the General Prosecutor and to the foreign FIU.

MENAFATF

MENAFATF has embarked on the Mutual Evaluation process early 2006. Since then, three MENAFATF member countries have been assessed through on-site peer-group examination visits to elicit objective indicators of whether the FATF recommendations (40 + 9) have been implemented and how they have been implemented. In preparation for the assessment, MENAFATF requires the evaluated country to complete and send the Mutual Evaluation Questionnaire (MEQ) at least two months prior to the on-site visit by the evaluation team. The MEQ is a standard questionnaire based on the internationally agreed AML/CFT Assessment Methodology. The two-week on-site visit, which involves a series of face-to-face meetings with competent authorities and representatives from the financial sector, allows the evaluation team to assess the degree of implementation of the FATF standards by the concerned country.

Following the on-site visit, the evaluation team drafts the mutual evaluation report that in turn is transmitted by the MENAFATF Secretariat to the evaluated country for its written comments and response. The report may be amended in light of comments received from the evaluated country, once approved by the evaluation team. The MENAFATF Secretariat then sends an updated version of the Mutual Evaluation report to the evaluated country and circulates copies of the report to MENAFATF member countries prior to the next Plenary Meeting; the final report that gives a confidential assessment of how well the member country is adhering to the recommendations is considered by the MENAFATF plenary following a discussion between the evaluation team and representatives from the concerned country. Once adopted by the MENAFATF Plenary, the report is published on the MENAFATF website following the consent of the evaluated country.

Year 2007 witnessed the discussion of two mutual evaluation reports at the 5th and 6th MENAFATF Plenary meetings. The first report, prepared by the World Bank with the participation of the MENAFATF Secretariat as an observer, was discussed at the 5th MENAFATF Plenary Meeting that was held in the Hashemite Kingdom of Jordan during the period falling between April 2 and 3, 2007. Besides the adoption of the Mutual Evaluation report, the MENAFATF Plenary meeting adopted the SIC suggested typologies project on ML/TF Trends and Indicators; the meeting also approved the adoption of the typologies report on Existing/Emerging Cross Border Payment Methods and their vulnerabilities to ML/TF. The said report was prepared jointly between the MENAFATF Secretariat and the SIC project leaders. The creation of two Ad-hoc committees on DNFBPs and PEPs, the 2006 annual report, and countries' most recent developments related to their AML/CFT systems, constitute other topics that were discussed at the said Plenary, besides approving the Syrian Arab Republic request to host the 6th MENAFATF Plenary meeting.

The 6th MENAFATF plenary meeting was held in the Syrian Arab Republic early November, 2007. Besides the adoption of the second Mutual Evaluation report, the plenary meeting discussed a number of key issues related to AML/CFT and the outcomes of working groups meetings, in addition to other key issues related to MENAFATF work. Acceptance of the Asia Pacific Group (APG) to join MENAFATF as an observer member was also discussed and approved at the said plenary.

Last but not least, 2007 marked a decision taken by the FATF to extend the status of associate member to MENAFATF. This decision crowns a series of tremendous efforts exerted by MENAFATF since its official launch in November 2004. It also marks the FATF recognition of the seriousness of the measures undertaken by MENAFATF in light of the mutual evaluation reports and the best practice papers it has issued and the typologies projects it has organized over the last couple of years. The approval of the MENAFATF associate member application by the FATF qualifies the MENAFATF to have more active participation in the FATF work and events.

US-MENA PSD

Launched in March 2006, the US-MENA Private Sector Dialogue continues to serve as an ideal platform allowing US and MENA banks to exchange views and dialogue about effective AML/CFT implementation. As part of its overarching objective, the US-MENA PSD seeks to promote awareness and implementation of core AML/CFT standards across the US and MENA region in an attempt to safeguard the financial system against terrorist groups, money launderers, and other international security threats. The most important role of this initiative is not only to engage the US and MENA banking sectors in the global efforts against money laundering and terrorist financing, but also to encourage them to continue to improve their respective systems by focusing on the progress made and on the challenges that lie ahead.

Dedicated to develop controls to disrupt money laundering and terrorist financing and to foster private sector dialogue, the US-MENA PSD comprises, as founding members, MENAFATF, Union of Arab Banks, American Bankers Association, Bankers Association for Trade and Finance, and some private banks, and as supporting members, the US Treasury Department and the Federal Reserve Bank of New York.

Bearing in mind that on-going dialogue bolsters defenses against the dual threats of terrorist financing and money laundering, and at the same time fosters greater understanding of respective AML/CFT issues, the US-MENA PSD has organized this year in Dubai the third US MENA PSD conference on Effective Implementation of Anti Money Laundering/Counter-Terrorist Financing (AML/CFT) Controls. The conference presented a special opportunity for US-MENA financial sectors to expand the discussion of the issues of concern discussed at the second US-MENA PSD conference that was held last year in the City of New York. Experienced high level speakers from US and MENA Bankers and Financial Regulatory Officials, Executives, Decision and Policy Makers, and compliance officers gathered at the conference to discuss topics that revolved around "Trade Finance and Trade Based money Laundering", "AML/CFT Controls Regarding Correspondent Banking", "Private Banking" and "Politically Exposed Persons", and "Bank Information Sharing Restrictions and Capabilities".

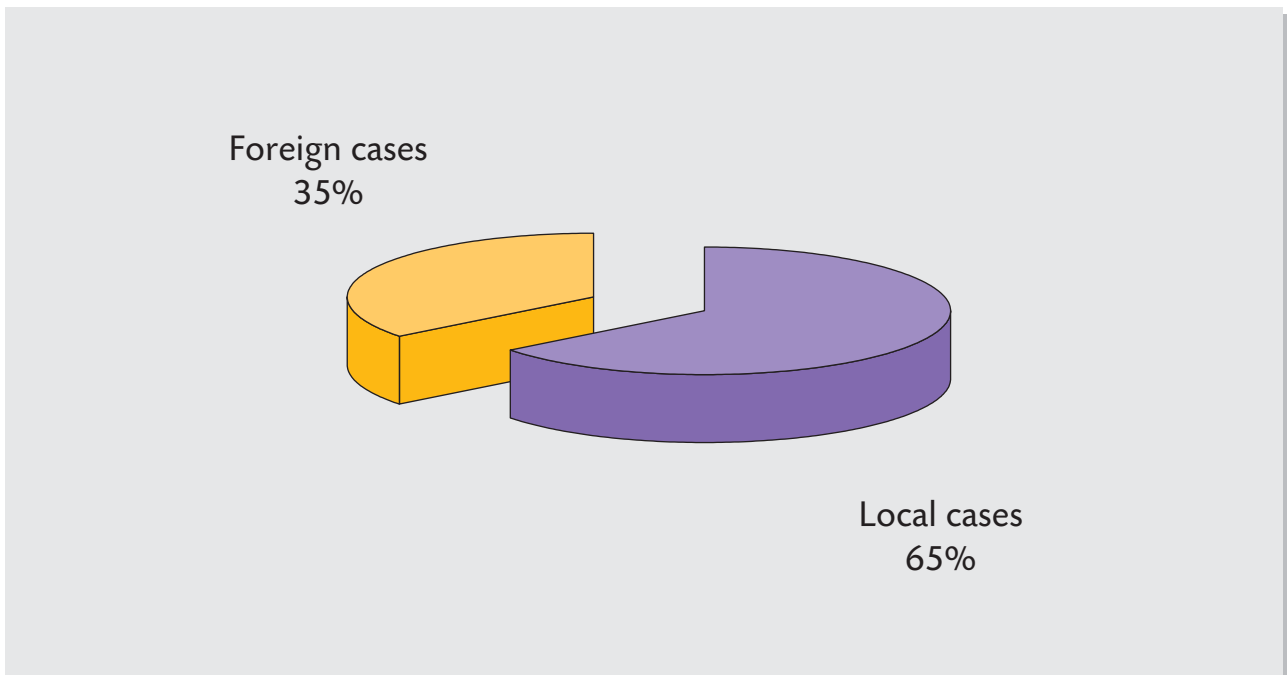
Concluding, sharing experience, fostering information exchange, bridging cultural differences and awareness raising remain the essential objectives of the US-MENA PSD which has been able to discharge its duties because of members' commitment and determination.

1 - Cases Received

| | Total | % of Total | No of cases passed on * | % of Total | No. of cases not passed on ** | % of Total | No. of cases Pending | % of Total |
|---------------|------------|------------|-------------------------|------------|-------------------------------|------------|----------------------|------------|
| Local cases | 152 | 64.96 | 7 | 12.96 | 129 | 94.16 | 16 | 37.21 |
| Foreign cases | 82 | 35.04 | 47 | 87.04 | 8 | 5.84 | 27 | 62.79 |
| Total | 234 | 100 | 54 | 100 | 137 | 100 | 43 | 100 |

* Cases forwarded to the General Prosecutor or to Authorities requesting assistance.

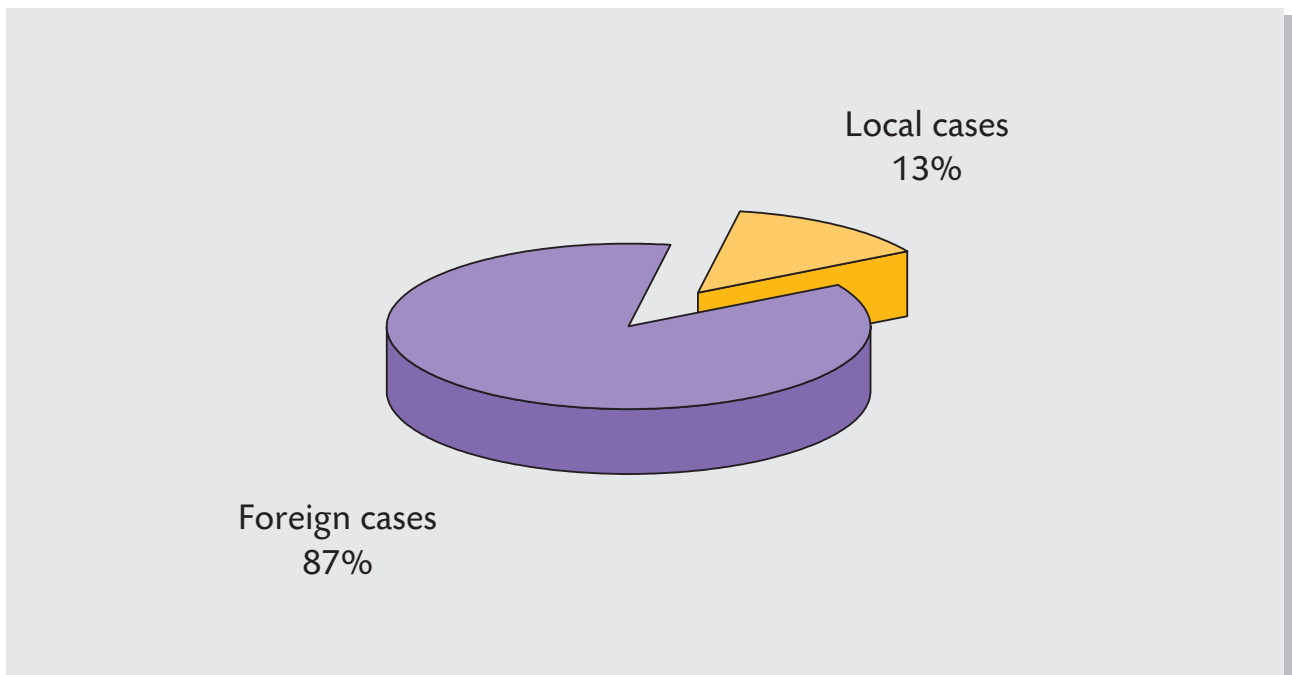
** Cases not subject to law 318 provisions.



2 - Banking Secrecy Lifted Cases

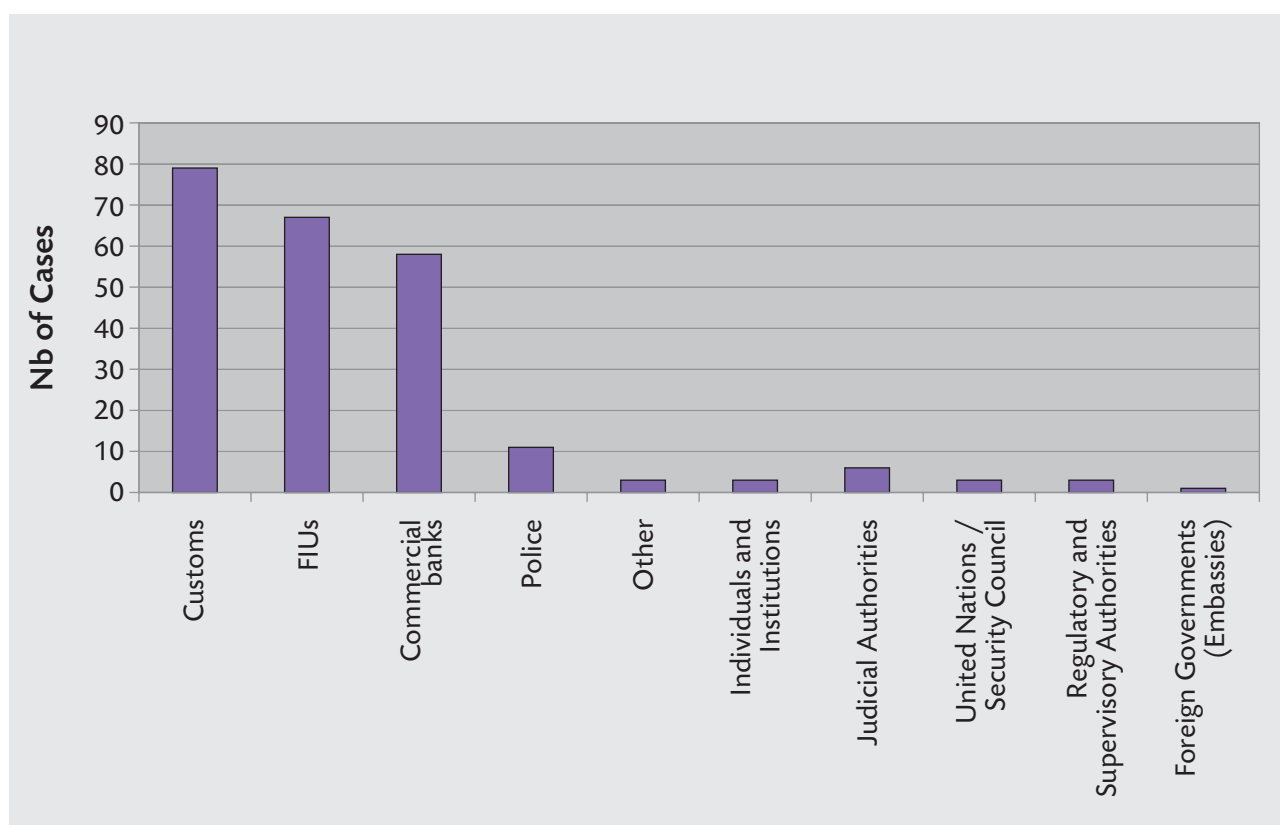
| Source | Cases investigated* | | Cases where banking secrecy was lifted | | |
|---------------|---------------------|------------|--|------------|-------------|
| | Number | % of total | Number | % of total | % by source |
| Local cases | 136 | 71.20 | 7 | 12.96 | 5.15 |
| Foreign cases | 55 | 28.80 | 47 | 87.04 | 85.45 |
| Total | 191 | 100 | 54 | 100 | 28.27 |

* Exclude 43 pending cases.



3 - Sources of cases

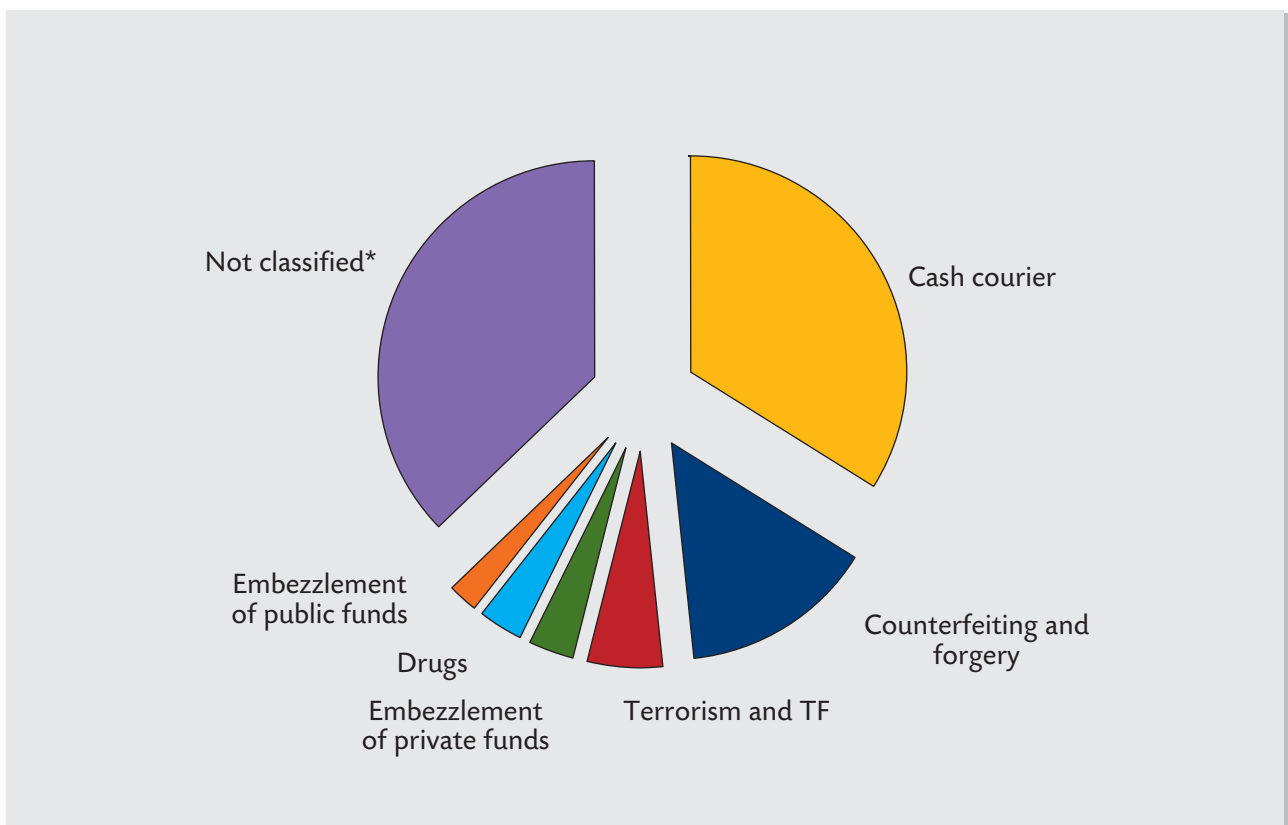
| Source | Cases received | | STRs received | |
|--|----------------|------------|---------------|------------|
| | Number | % of total | Number | % of total |
| Customs | 79 | 33.76 | 85 | 33.20 |
| FIUs | 67 | 28.63 | 73 | 28.52 |
| Commercial banks | 58 | 24.79 | 64 | 25.00 |
| Police | 11 | 4.70 | 11 | 4.30 |
| Other | 3 | 1.28 | 3 | 1.17 |
| Individuals and Institutions | 3 | 1.28 | 3 | 1.17 |
| Judicial Authorities | 6 | 2.56 | 6 | 2.34 |
| United Nations / Security Council | 3 | 1.28 | 5 | 1.95 |
| Regulatory and Supervisory Authorities | 3 | 1.28 | 5 | 1.95 |
| Foreign Governments (Embassies) | 1 | 0.43 | 1 | 0.39 |
| Total | 234 | 100 | 256 | 100 |



4 - Nature of Cases

| Nature | Cases | |
|-------------------------------|------------|------------|
| | Number | % of total |
| Cash courier | 79 | 33.76 |
| Counterfeiting and forgery | 34 | 14.53 |
| Terrorism and TF | 13 | 5.56 |
| Embezzlement of private funds | 8 | 3.42 |
| Drugs | 8 | 3.42 |
| Embezzlement of public funds | 5 | 2.14 |
| Not classified* | 87 | 37.18 |
| Total | 234 | 100 |

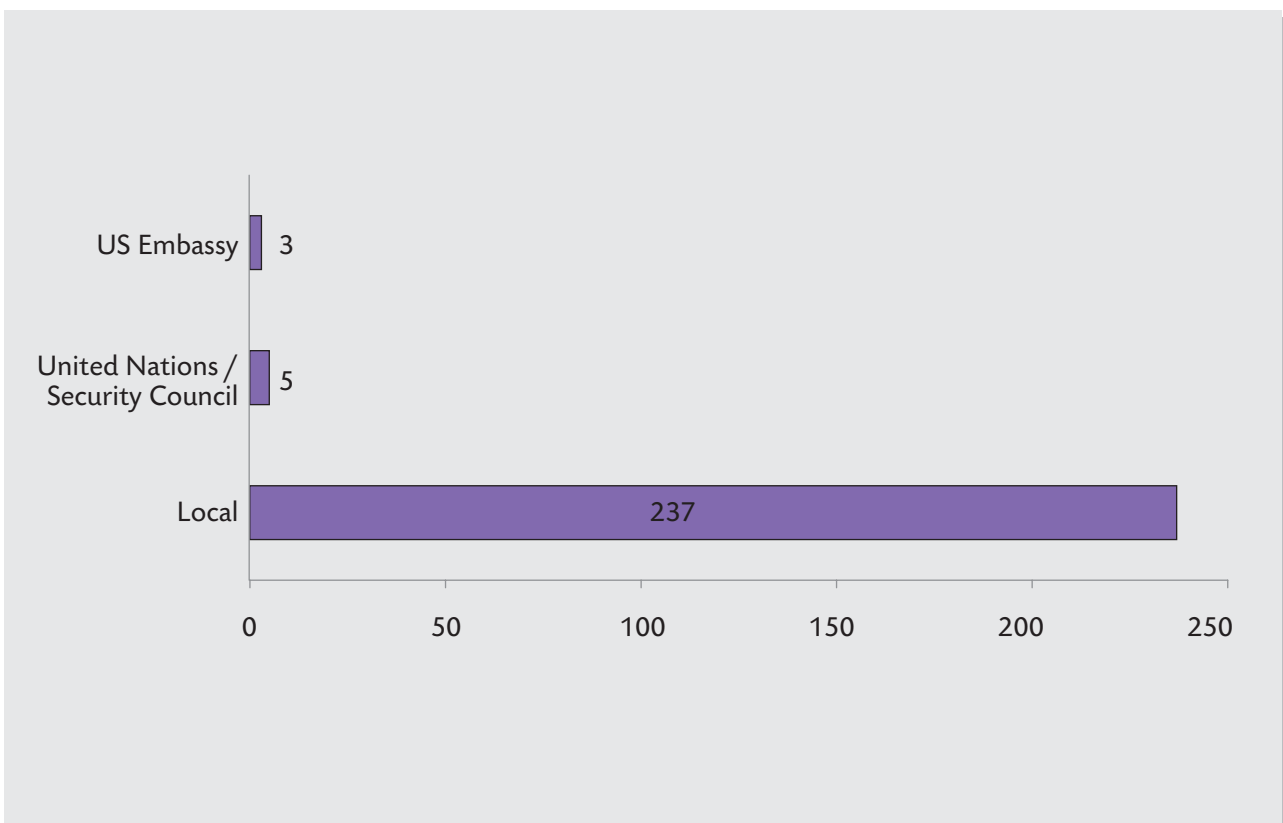
* No. specific crime detected.



5 - Terrorism Cases

| Source | Total No. of received | | No. of passed On | | No. of pending | |
|-----------------------------------|-----------------------|------------|------------------|------------|----------------|----------|
| | Cases | Names* | Cases | Names | Cases | Names |
| Local | 6 | 237 | 5 | 236 | 1 | 1 |
| United Nations / Security Council | 3 | 5 | 1 | 3 | 2 | 2 |
| US Embassy | 1 | 3 | 0 | 0 | 1 | 3 |
| Total | 10 | 245 | 6 | 239 | 4 | 6 |

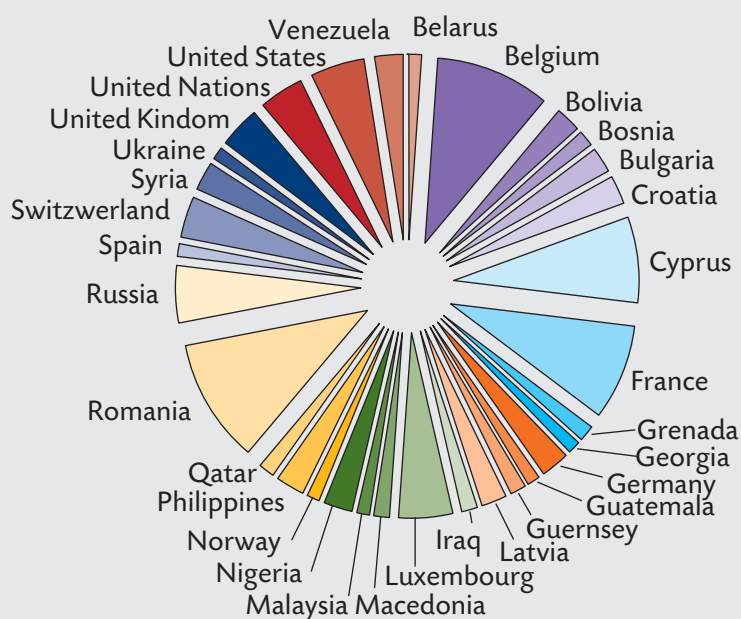
* Some names are repeated in more than one case.



6 - ROA by Countries

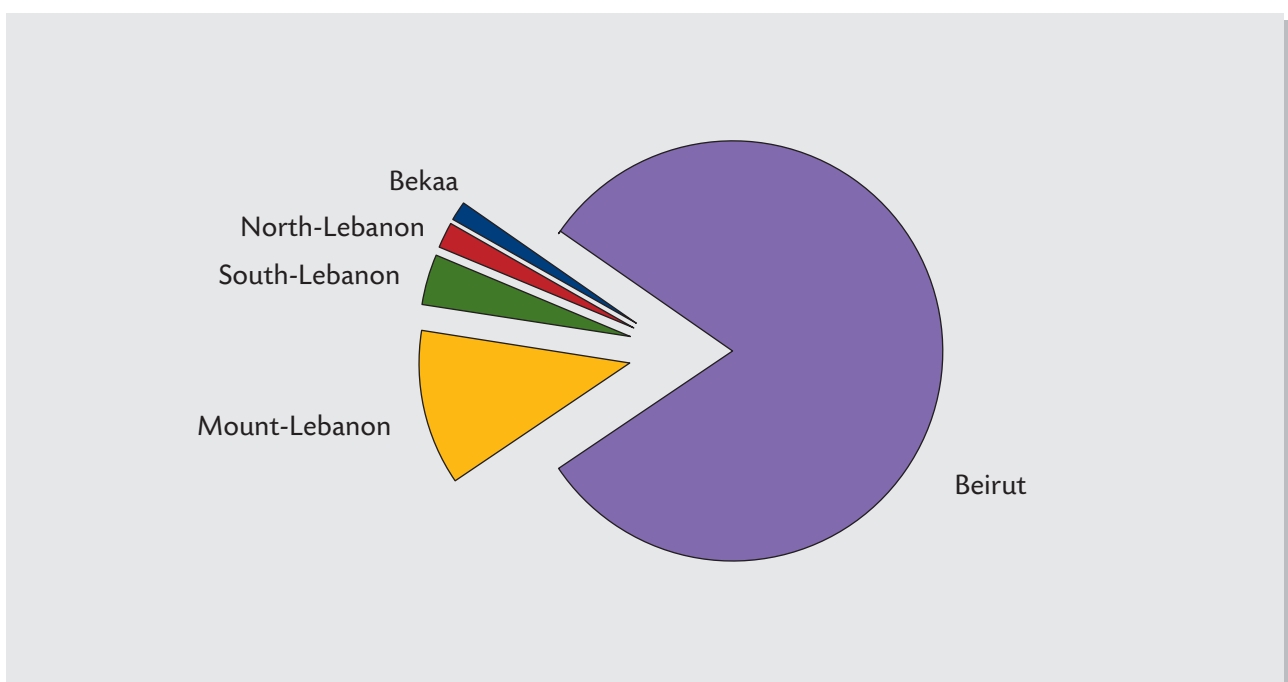
| Country | Cases received | |
|------------|----------------|------------|
| | Number | % of total |
| Belarus | 1 | 1.22 |
| Belgium | 8 | 9.76 |
| Bolivia | 2 | 2.44 |
| Bosnia | 1 | 1.22 |
| Bulgaria | 2 | 2.44 |
| Croatia | 2 | 2.44 |
| Cyprus | 6 | 7.32 |
| France | 7 | 8.54 |
| Georgia | 1 | 1.22 |
| Germany | 1 | 1.22 |
| Grenada | 2 | 2.44 |
| Guatemala | 1 | 1.22 |
| Guernsey | 1 | 1.22 |
| Iraq | 2 | 2.44 |
| Latvia | 1 | 1.22 |
| Luxembourg | 4 | 4.88 |
| Macedonia | 1 | 1.22 |

| Country | Cases received | |
|----------------|----------------|------------|
| | Number | % of total |
| Malaysia | 1 | 1.22 |
| Nigeria | 2 | 2.44 |
| Norway | 1 | 1.22 |
| Philippines | 2 | 2.44 |
| Qatar | 1 | 1.22 |
| Romania | 9 | 10.98 |
| Russia | 4 | 4.88 |
| Spain | 1 | 1.22 |
| Switzerland | 3 | 3.66 |
| Syria | 2 | 2.44 |
| Ukraine | 1 | 1.22 |
| United Kingdom | 3 | 3.66 |
| United Nations | 3 | 3.66 |
| United States | 4 | 4.88 |
| Venezuela | 2 | 2.44 |
| Total | 82 | 100 |

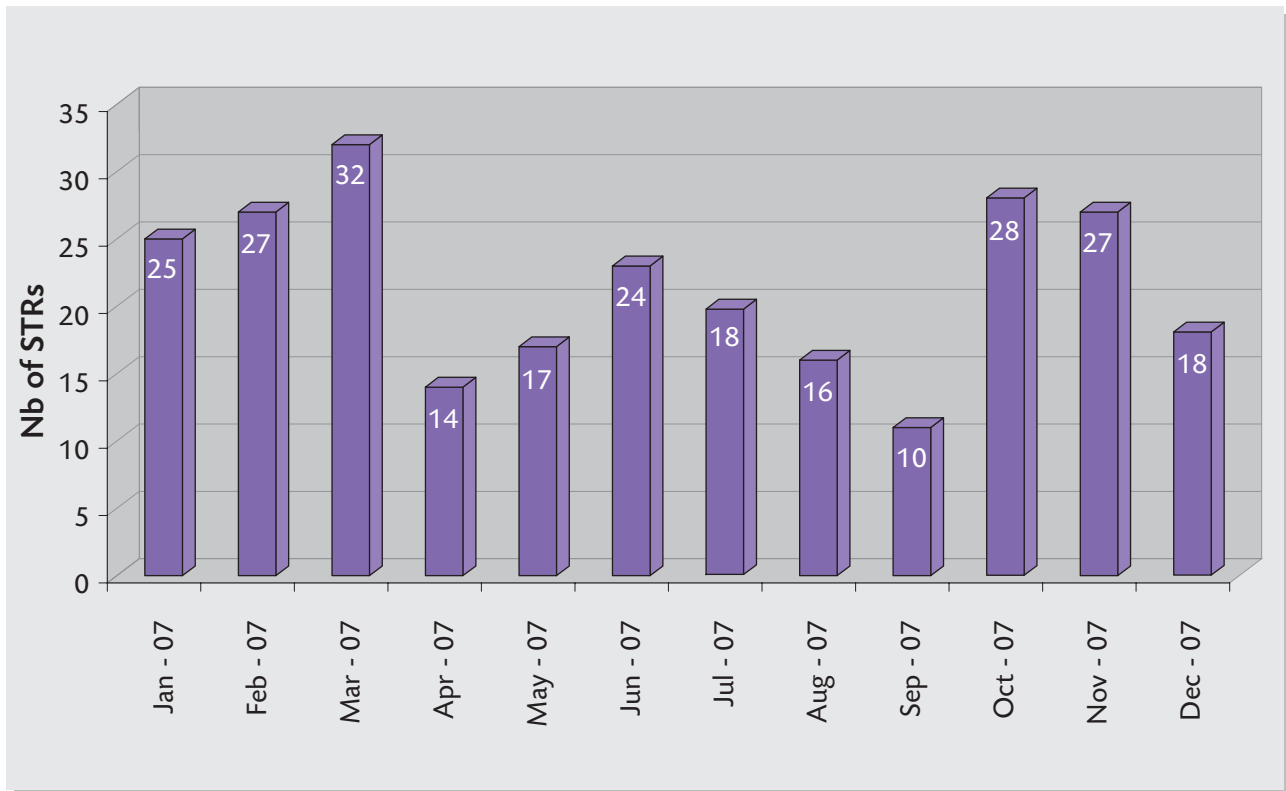


7 - Geographical Distribution of Local Cases

| District | Cases | |
|---------------|------------|------------|
| | Number | % of total |
| Beirut | 123 | 80.92 |
| Mount-Lebanon | 18 | 11.84 |
| South-Lebanon | 6 | 3.95 |
| North-Lebanon | 3 | 1.97 |
| Bekaa | 2 | 1.32 |
| Total | 152 | 100 |

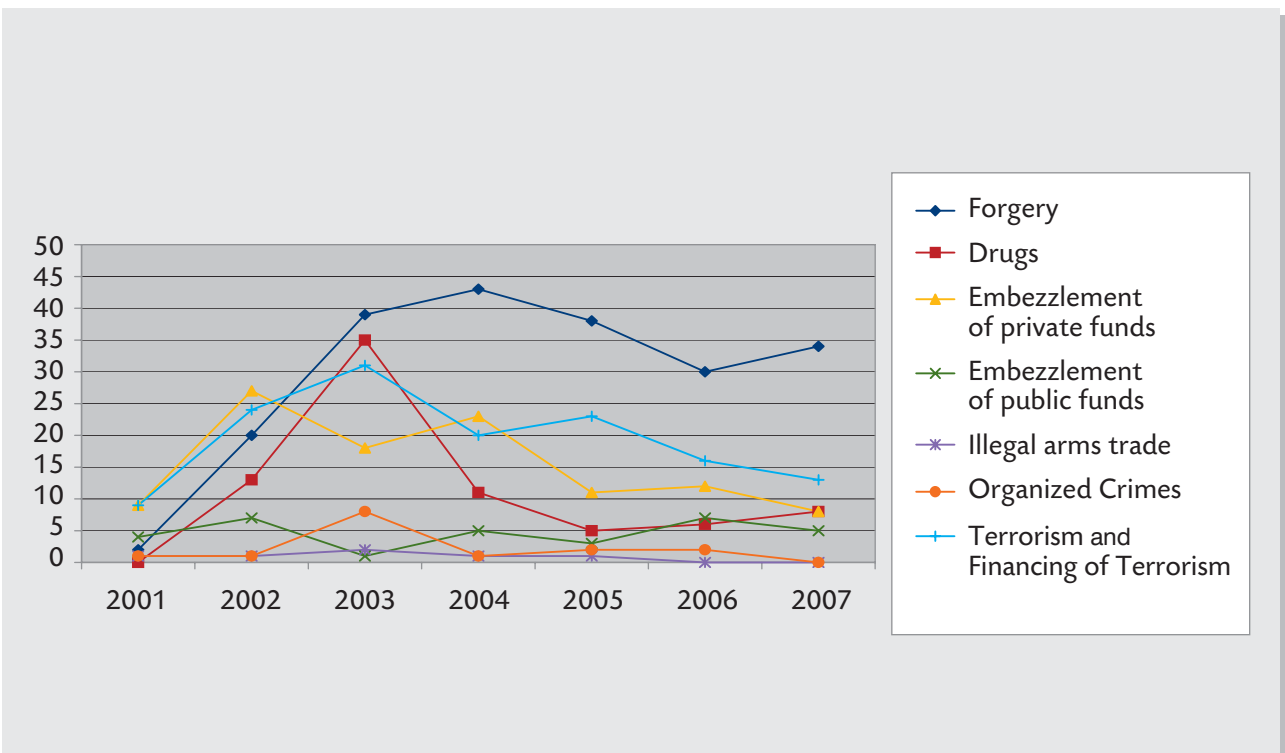
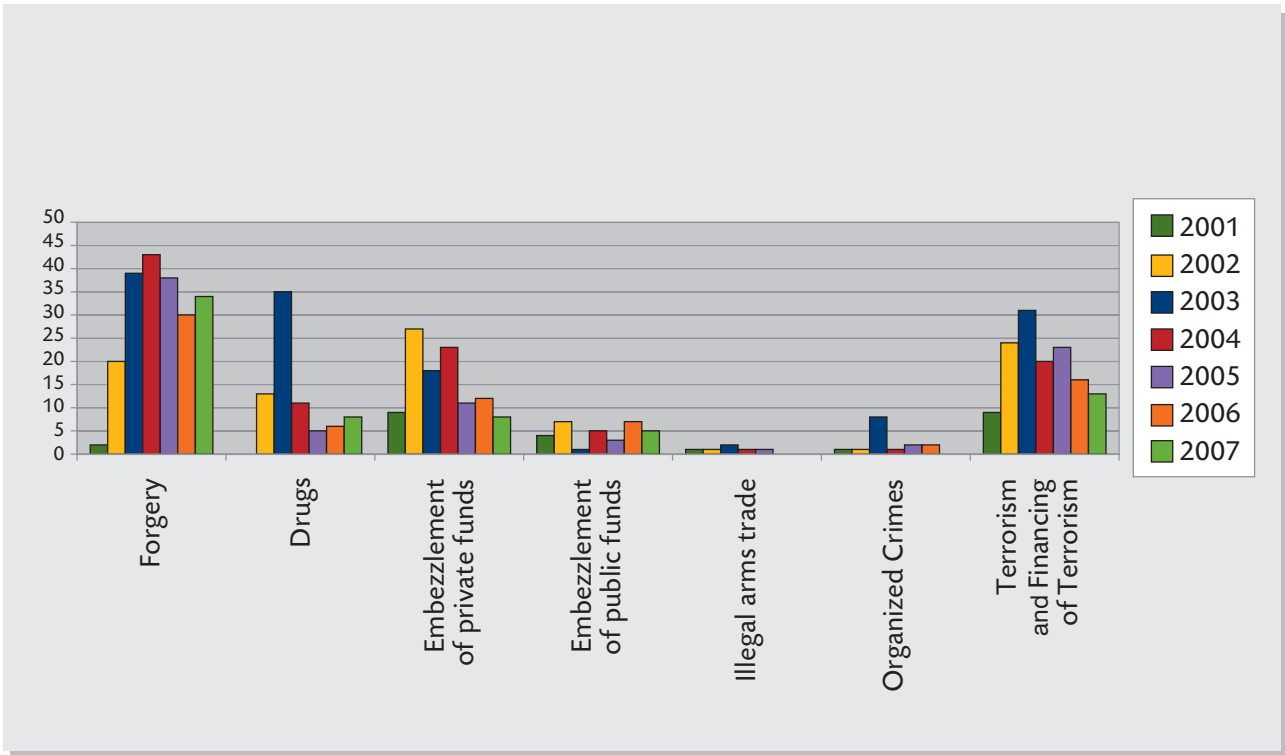


8 - STRs received monthly

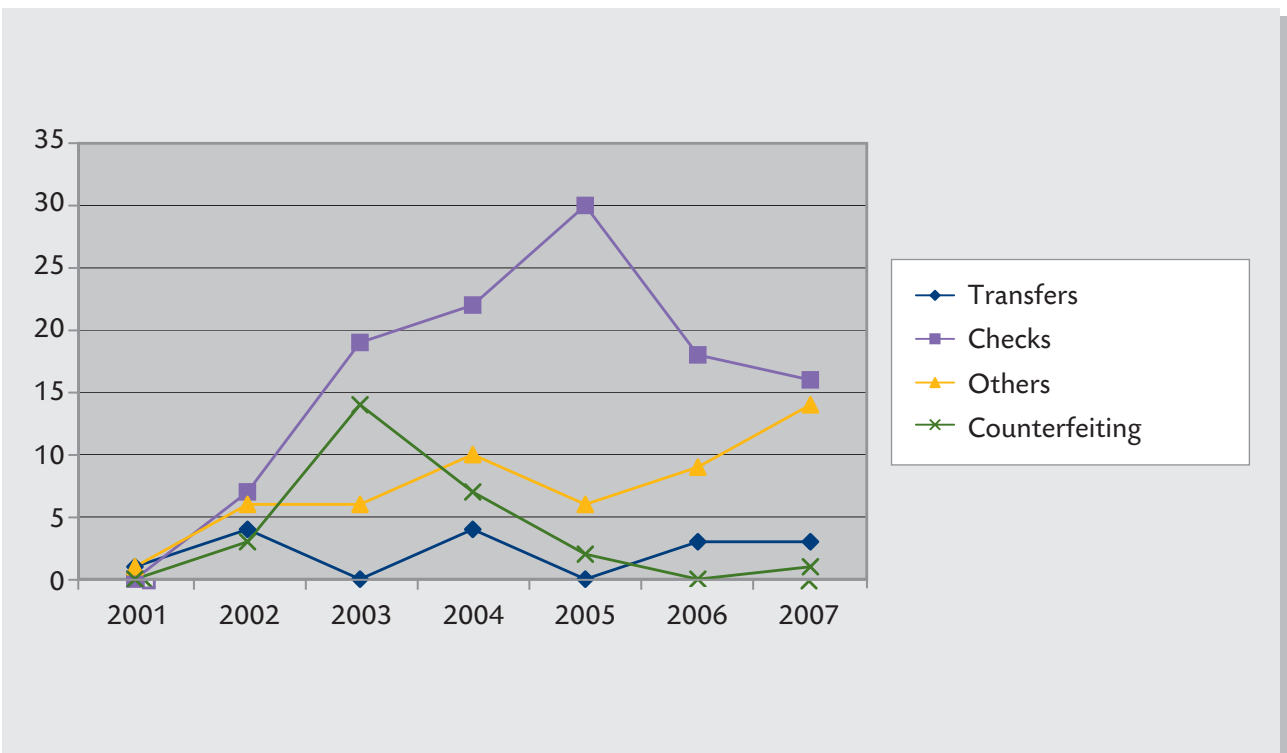
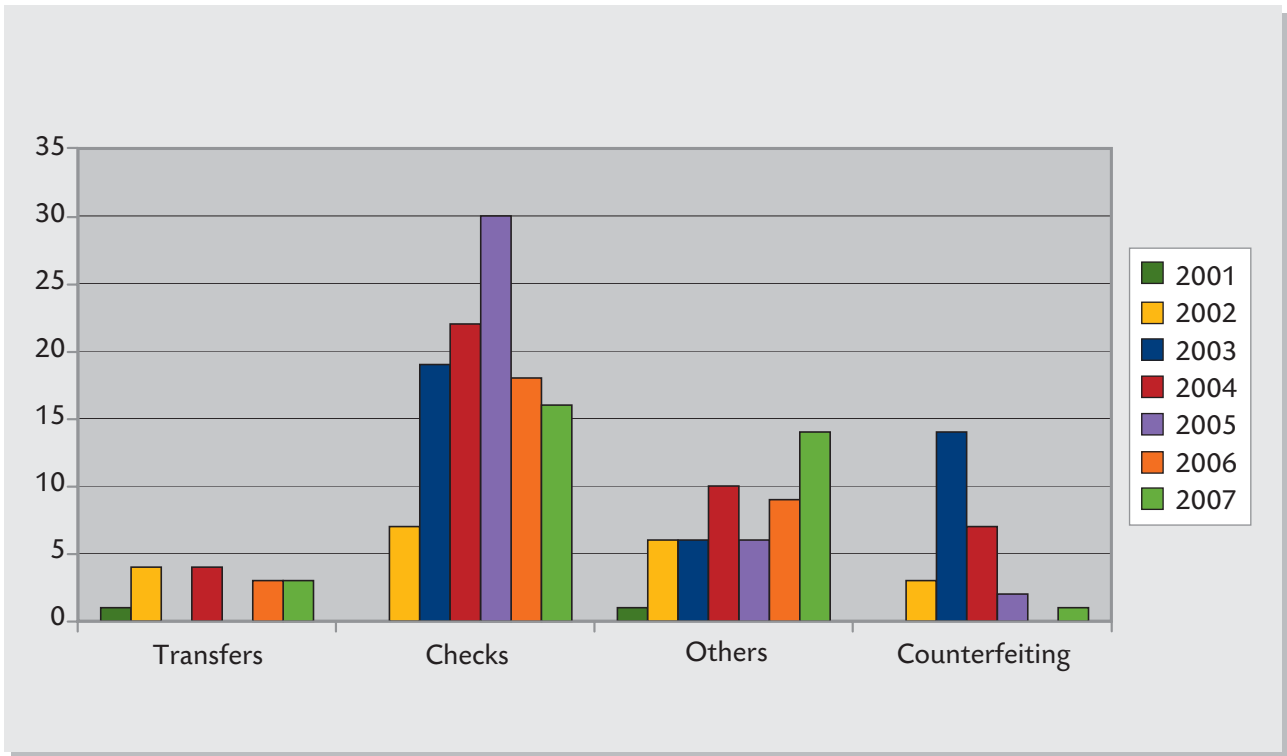


9 - Indicators

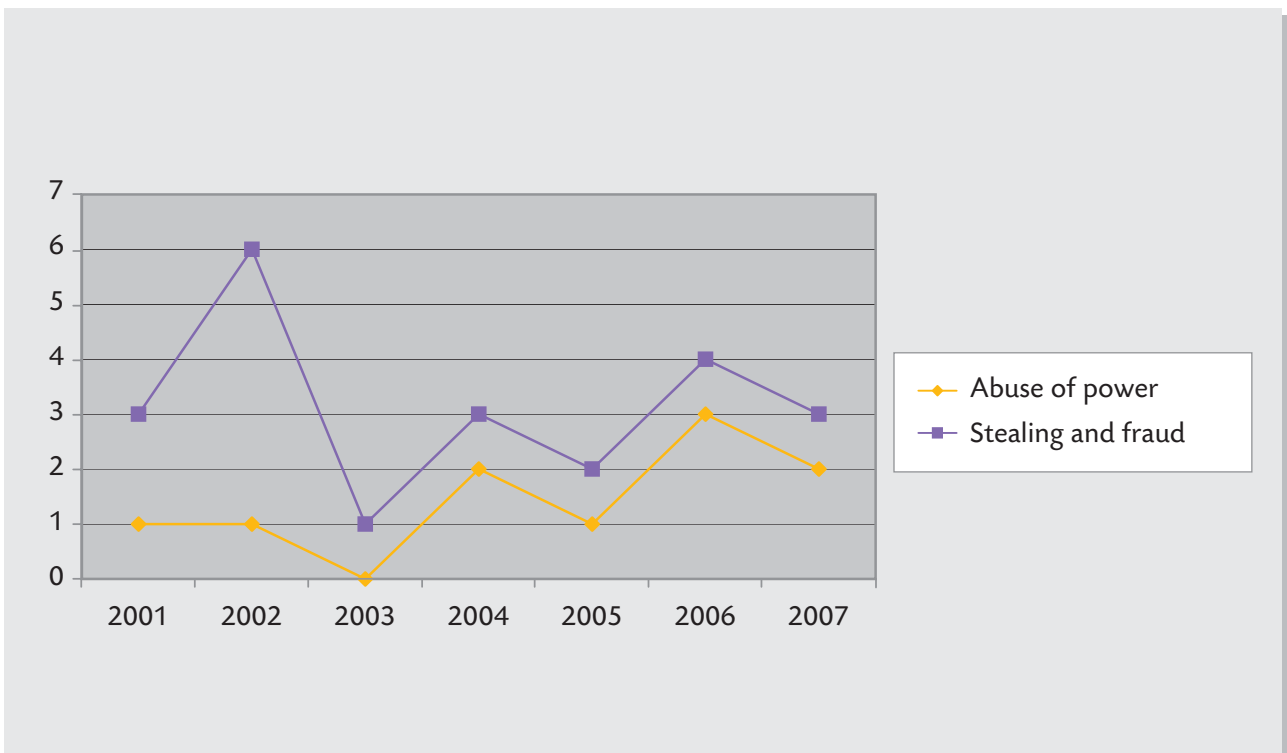
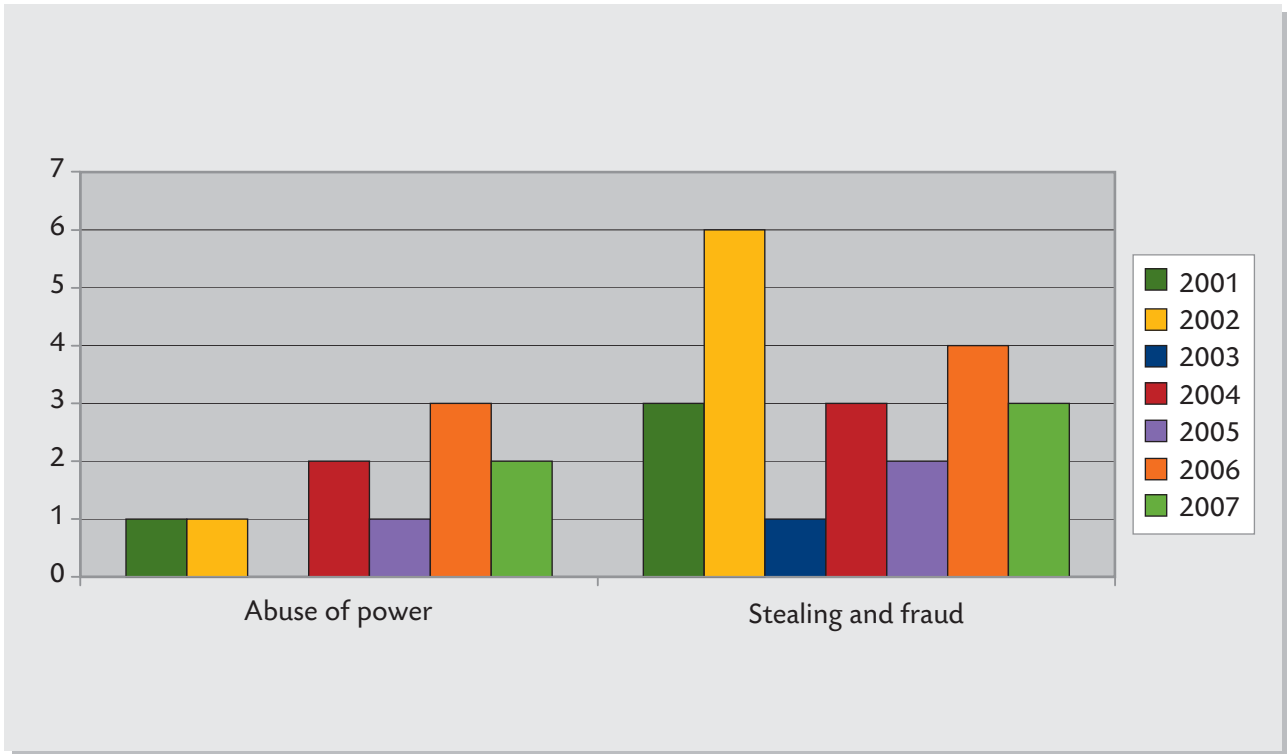
A - Nature of Crime



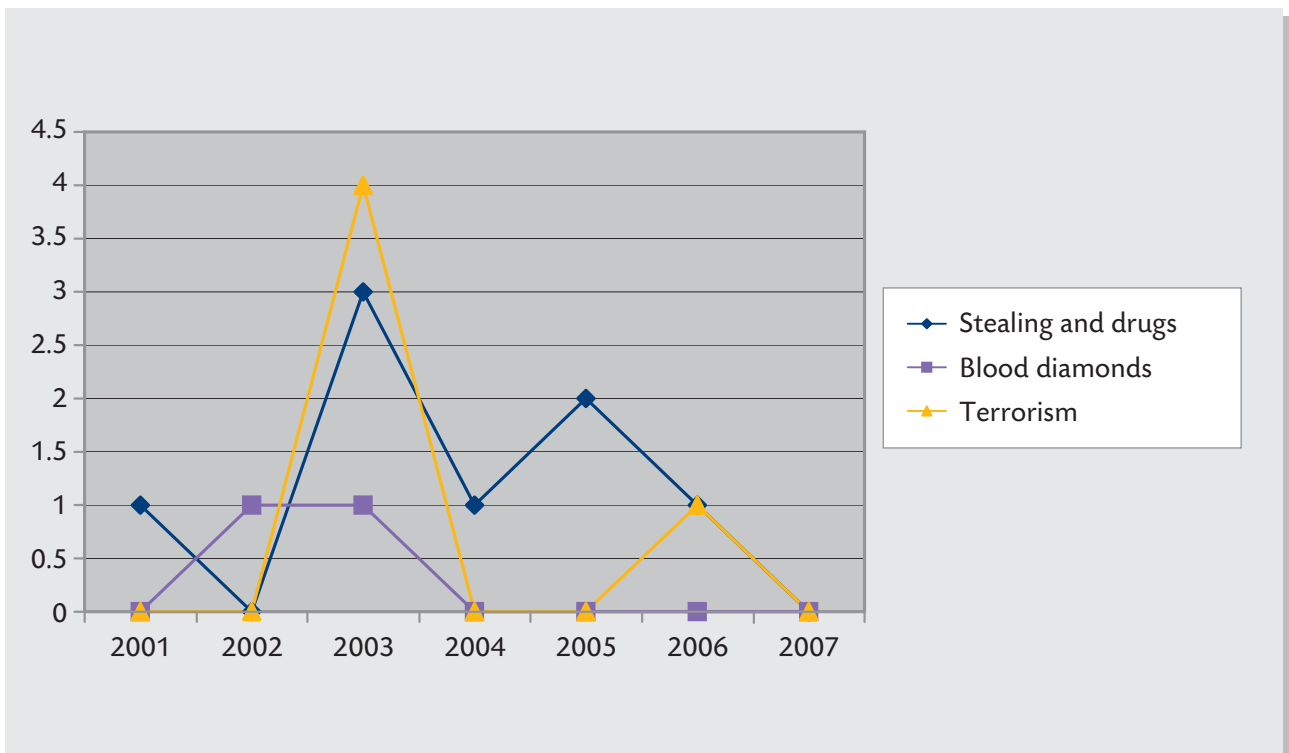
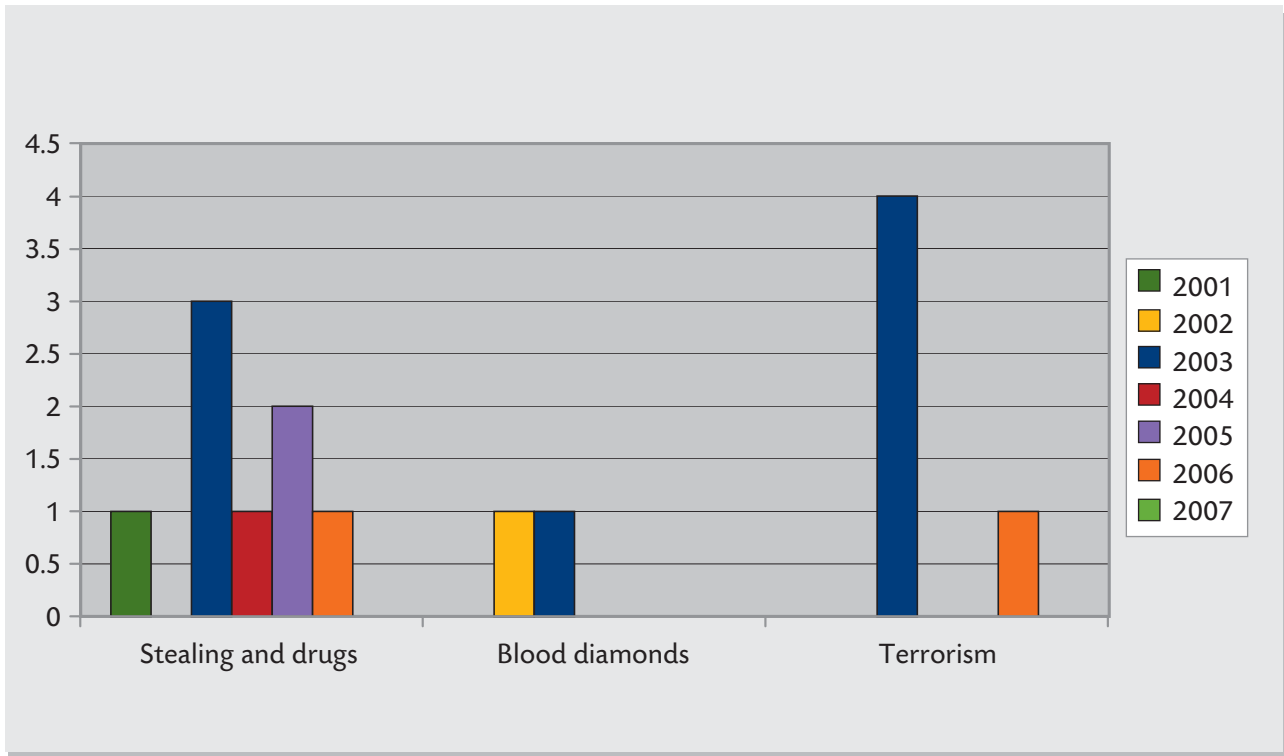
B - Forgery



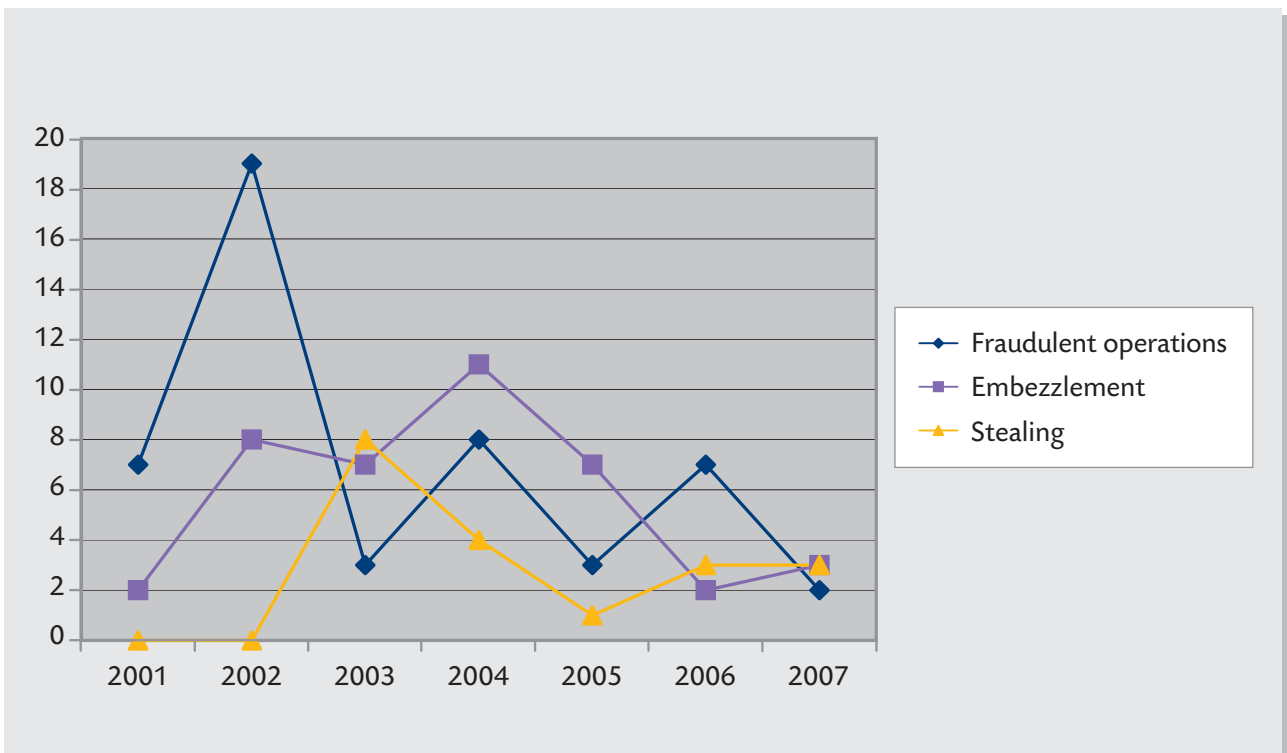
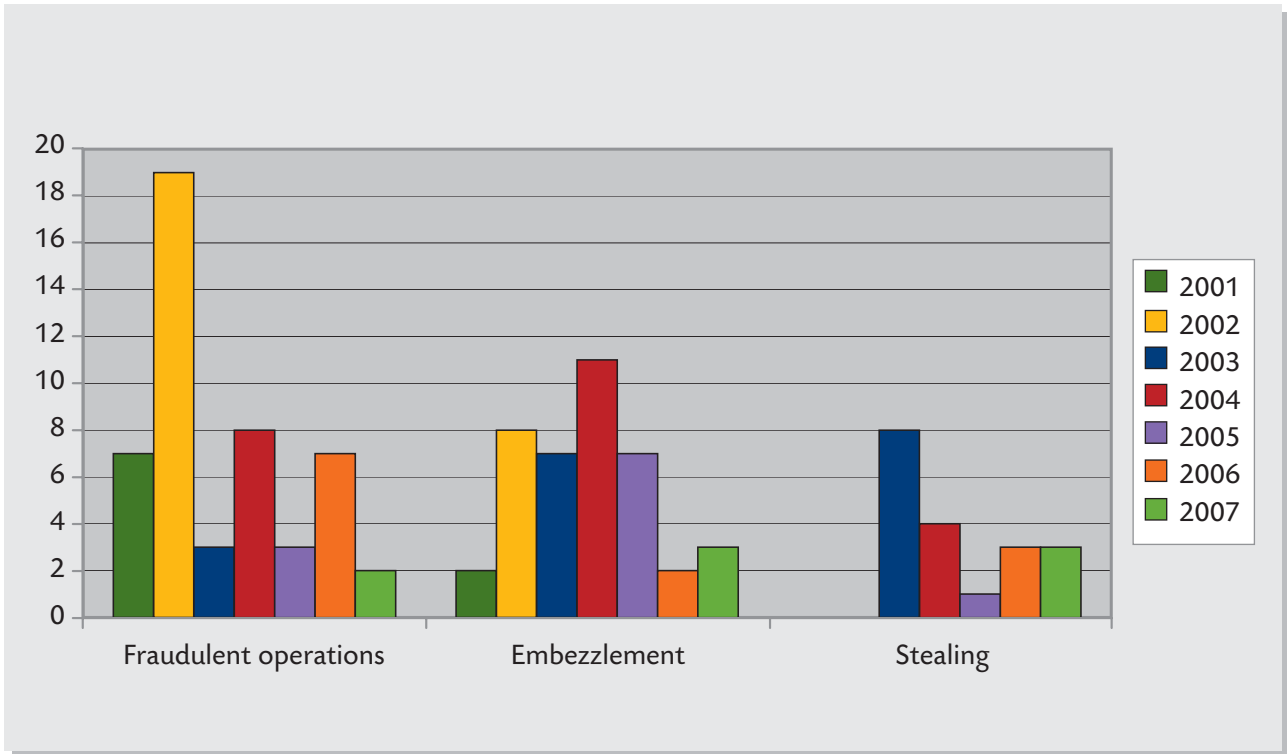
C - Embezzlement of Public Funds



D - Organized Crime

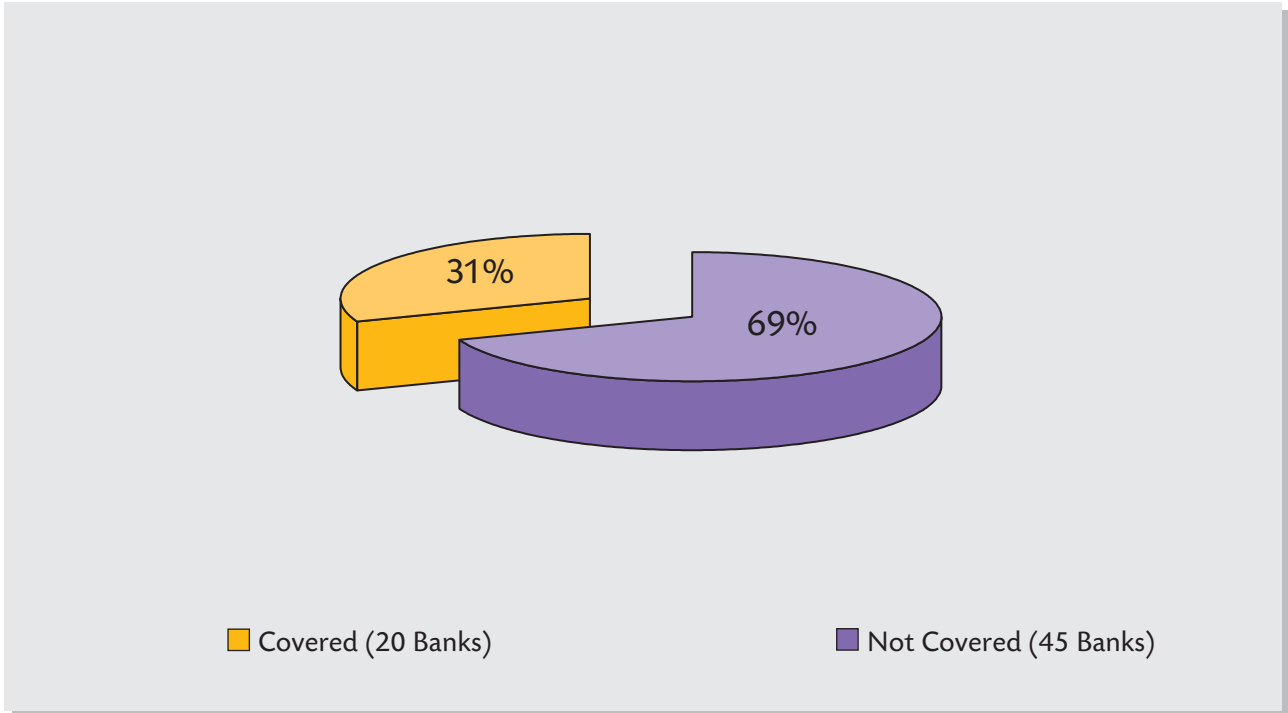


E - Embezzlement of Private Funds

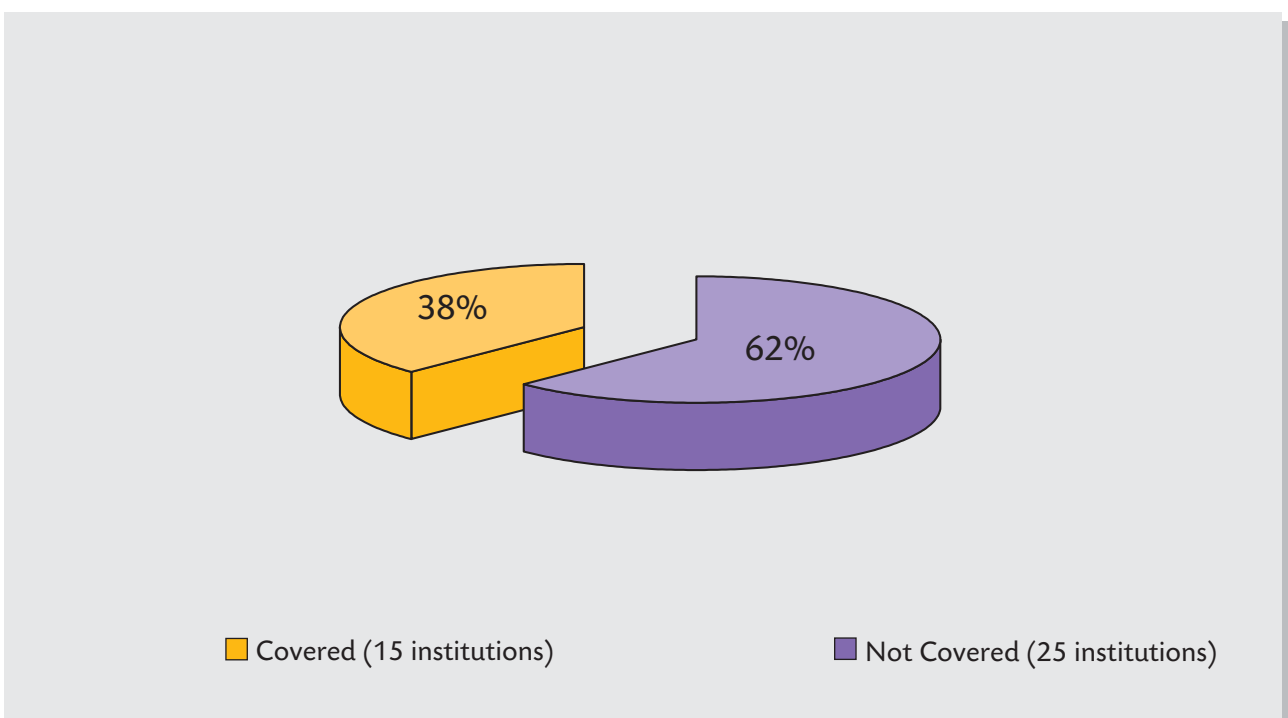


10. AML Compliance Examination Coverage

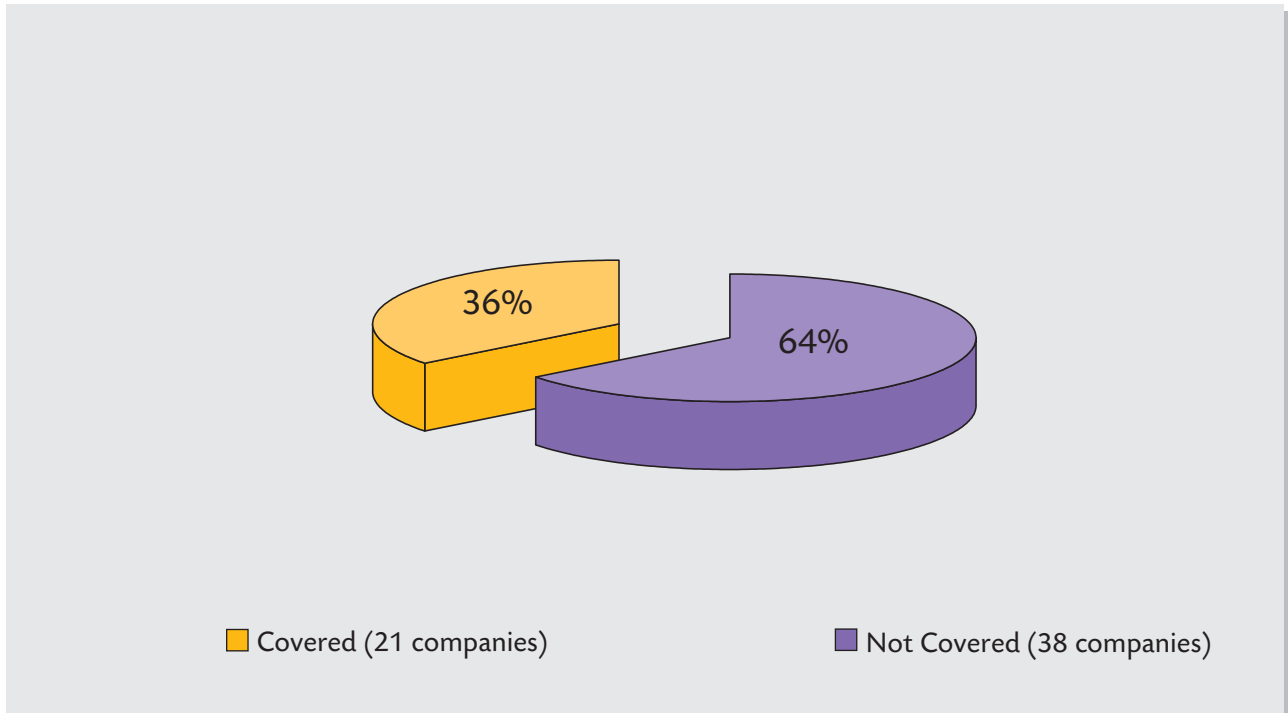
Banks



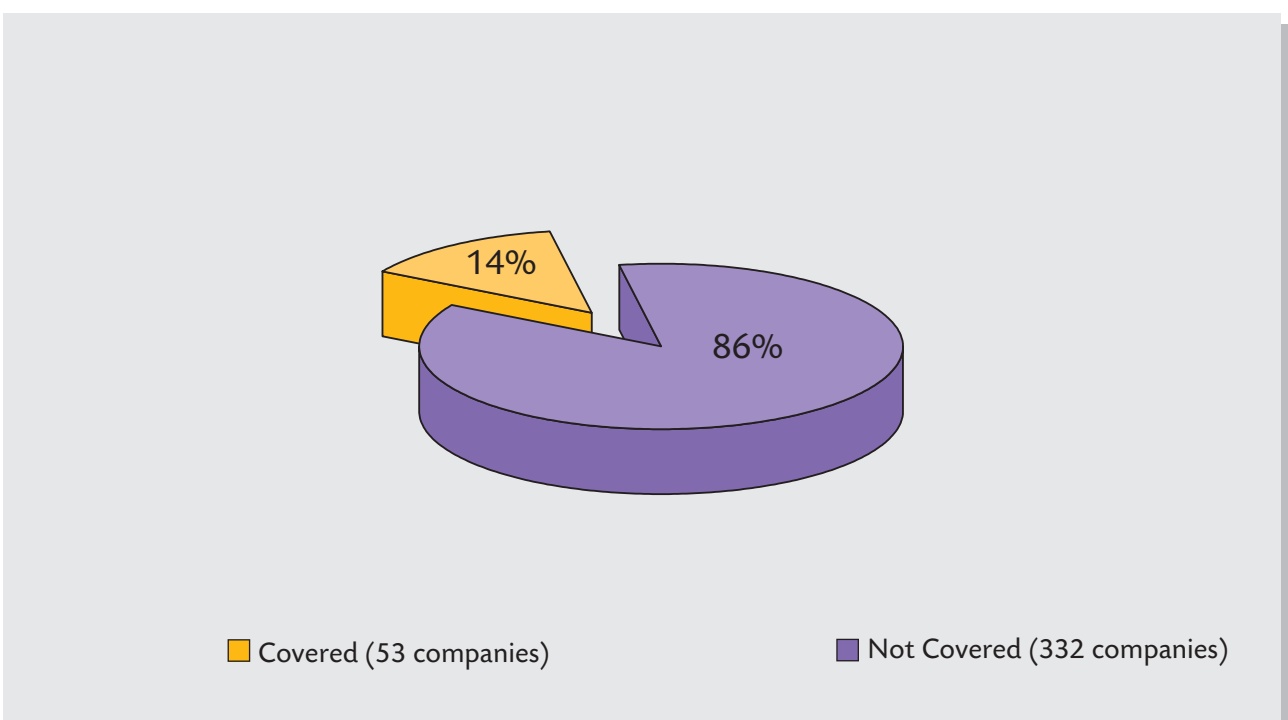
Financial Institutions



Insurance Companies



Money Dealers



ANNEX 1

Training & Seminars

LOCAL

| Date | Organizers | Topic | Participants |
|-----------------|--|---|--|
| January, 2007 | SIC | The Canadian FIU (FINTRAC) approach in the fight against money laundering | SIC Staff |
| March, 2007 | SIC | The Mutual Evaluation Program by the FATF, FSRBs, IMF and WB | SIC Staff |
| April, 2007 | SIC | The BSA examination procedures undertaken by the OCC | SIC Staff |
| June, 2007 | SIC | ML concerns in the US & Canada vis-à-vis the Real-Estate Industry | SIC Staff |
| | SIC | A briefing of the UNODC and the Central Bank of Egypt workshop | SIC Staff |
| | SIC | The AML/CFT measures applied to the Financial sector /Abu-Dhabi workshop | SIC Staff |
| September, 2007 | The United Nations Office on Drugs and Crime | The Universal Framework against Terrorism and Money Laundering and The Financing of Terrorism | - SIC staff - Representatives from Banque du Liban, the Banking Control Commission, the Ministry of Interior, the General Prosecutor office, the Internal Security Forces, the Customs and the General Security Directorate |
| November, 2007 | SIC | The Terrorist Financing Report prepared by the FATF's Working Group on Typologies | SIC Staff |

ANNEX 2

Training & Seminars

INTERNATIONAL

| Date | Organizers | Topic | Participants |
|----------------|--|--|---|
| March, 2007 | AMF and IMF Abu-Dhabi-UAE | Combating of Money Laundering and the Financing of Terrorism | <ul style="list-style-type: none"> - Two SIC staff members - International and regional financial experts |
| May, 2007 | The Federal Financial Institutions Examination Council Arlington Virginia-USA | Financial Crimes Seminar | <ul style="list-style-type: none"> - Two SIC staff members - US regulators |
| June, 2007 | Office of the Comptroller of the Currency (OCC) Washington, DC-USA | On-site examination of a national bank in the US | <ul style="list-style-type: none"> - Two SIC staff members - OCC examination team |
| November, 2007 | The MENAFATF, FIU of Qatar, IMF and The World Bank, Doha - Qatar | Training the Assessors | <ul style="list-style-type: none"> - SIC Head of The Compliance Unit - Three SIC senior staff members - Representatives from law enforcement agencies and financial and legal experts from the MENA region |

ANNEX 3

Secretary's Presentations

| Date | Organizers | Topic | Participants |
|-----------------|--|---|--|
| March, 2007 | The Central Bank of UAE Abu Dhabi-UAE | "The US-MENA Private Sector Dialogue (PSD)" (Presentation given at the 4 th International "Hawala" Conference) | Local, regional and international representatives from the private and public sectors |
| May, 2007 | Central Bank of Qatar Doha-Qatar | "The Regional Initiatives" (Presentation given at a conference on "Leadership and Corporate Governance") | International and regional senior banking officials |
| June, 2007 | World Bank and the Central Bank of Syria Damascus-Syria | "The AML/CFT global partners" (Presentation given at "The World Bank Workshop on AML/CFT Banking Supervision") | - One SIC senior staff member - Officials and international experts from across the financial sector |
| | The Union of Arab Banks, the World Union of Arab Bankers (WUAB), the European Banking Federation (EBF) and the International Bankers Forum (IBF) Brussels-Belgium | "The AML/CFT Regional Experience" (Presentation given at The Annual International Arab Banking Summit "Euro-Arab Banking Dialogue") | - Leaders from the Arab and International financial sector |
| July, 2007 | SIC and the Banking Control Commission Beirut-Lebanon | Opening speech at a seminar titled "Overview of Anti-Money Laundering and Combating The Financing of Terrorism Standards" | The Banking Control Commission; chairman, members, and staff |
| August, 2007 | The Union of Arab Banks (UAB) and the Central Bank of Syria Damascus-Syria | Opening speech at a seminar titled The "AML/CFT International Standards" | A number of regional and international experts from across the financial sector |
| September, 2007 | The United Nations Office on Drugs and Crime Beirut-Lebanon | "The Essential Elements of a Robust AML/CFT Regime" (Presentation given at a national workshop titled "The Universal Framework against Terrorism and Money Laundering and The Financing of Terrorism") | - SIC staff - Representatives from Banque du Liban, the Banking Control Commission, the Ministry of The Interior, the General Prosecutor Office, the Internal Security Forces, the Customs and the General Security Directorate |

| Date | Organizers | Topic | Participants |
|----------------|--|--|--|
| October, 2007 | The Federal Reserve System, the Association of Supervisors of Banks of the Americas (ASBA) and the Central Bank of Brazil Rio de Janeiro-Brazil | "The Risk Based Approach to Combat ML/TF" (Presentation given at a regional seminar) | Senior central bank officials |
| November, 2007 | The SIC and The Beirut Bar Association Beirut-Lebanon | "The Lawyer's Role in the Fight Against ML/TF" (Presentation given at a seminar) | Lebanese lawyers |
| December, 2007 | The Union of Arab Banks and ACAMS Dubai-UAE | "Lessons learned in Identifying and Blocking Terrorist Financing" (Presentation given at "The Middle East-North Africa International Money Laundering/terrorist financing Conference & Exhibition") | International and regional experts |
| | The Union of Arab Banks, MENAFATF, The Federal Reserve Bank of New York, ABA and ABANA Dubai-UAE | Keynote speech at the opening ceremony of "The 3 rd US-MENA PSD Conference") | International and regional officials coming from the financial private and public sectors. |

ANNEX 4

Staff's Presentations

| Date | Organizers | Topic | Participants |
|----------------|--|--|--|
| February, 2007 | The Central Bank of Lebanon | The functions of the SIC units, the Lebanese law and regulations regarding AML/CFT and related international standards, supervision procedures, and, examination techniques. (Presentations given at a seminar titled "Combating Money Laundering") | Local financial experts from the private and public sectors |
| April, 2007 | SIC and The Association of Banks in Lebanon (ABL) | - "The Lebanese experience in the fight against money laundering and terrorist financing" - "AML/CFT Issues and Techniques" | Representatives from the banking sector |
| | SIC and the Lebanese Customs | "The International, regional and local AML/CFT standards" | Customs' staff members |
| May, 2007 | SIC and The Association of Insurance Companies in Lebanon (ACAL) | The international, regional and local AML/CFT standards | Representatives from the banking sector |
| | SIC and The Association of Banks in Lebanon (ABL) | Sanitized case studies | Compliance officers and internal audit personnel of local banks |
| June, 2007 | SIC and The Association of Banks in Lebanon (ABL) | Sanitized case studies | Compliance officers and internal audit personnel of local banks |
| | World Bank and the Central Bank of Syria Damascus-Syria | "Compliance Approach", "Risk Analysis", "Lebanon's Experience" and a Case example (Presentations given at "The World Bank Workshop on AML/CFT Banking Supervision") | Officials and international experts from across the financial sector |
| July, 2007 | SIC and the Banking Control Commission Beirut-Lebanon | Compliance examinations, the AML/CFT international standards, the different functions of a FIU, the assessment framework of the Lebanese system against the international standards, and sanitized case studies involving a number of ML/FT techniques (Presentations given at a seminar titled "Overview of Anti-Money Laundering and Combating the Financing of Terrorism Standards") | The Banking Control Commission; chairman, members, and staff. |

| Date | Organizers | Topic | Participants |
|-----------------|---|---|--|
| | The Union of Arab Banks (UAB), the MENAFATF, the International Union of Arab Bankers (IUAB) and The Federation of Egyptian Banks (FEB) Sharim El-Sheikh-Egypt | "The relationship between banks' compliance officers and the FIU" (Presentation given at "The MENA Compliance Officers Forum") | Officials and international experts from across the financial sector |
| | Banque du Liban/The Training Department Beirut-Lebanon | "Lebanon's Experience Facing ML/TF Issues & Techniques" (Presentation given as part of the internship program at Banque du Liban) | A number of university students as interns |
| August, 2007 | Banque du Liban/The Training Department Beirut-Lebanon | "Lebanon's Experience Facing ML/TF Issues & Techniques" (Presentation given as part of the internship program at Banque du Liban) | A number of university students as interns |
| | The Legal Department of the IMF and the Egmont Group Vienna-Austria | "Data Standards & Data Quality: quality as result of the process of standardization" (Presentation given at "The IMF AML/CFT Workshop on Information Technology for Financial Intelligence Units") | IT and Analysts from eastern European FIUs |
| September, 2007 | Banque du Liban/The Training Department Beirut-Lebanon | "Lebanon's Experience Facing ML/TF Issues & Techniques" (Presentation given as part of the internship program at Banque du Liban) | A number of university students as interns |
| November, 2007 | The Central Bank of Syria and "Al Bank Wal Mustathmer" magazine Damascus-Syria | "The Implementation of AML/CFT Requirements through Basel II" (Presentation given at a seminar titled: "The Corporate Governance in the Banking Sector-Transition from Basel I to Basel II") | Senior banking officials |
| December, 2007 | The Union of Arab Banks, MENAFATF, The Federal Reserve Bank of New York, ABA and ABANA Dubai-UAE | "The Lebanese Experience in Trade-Based Money Laundering" (Presentation given at "The 3 rd US-MENA PSD Conference") | International and regional officials coming from the financial private and public sectors. |
| | The French Embassy in Lebanon and the ESA University Beirut-Lebanon | "The SIC and International Cooperation" (Presentation given at a local seminar titled: "The Financial Crimes & Money Laundering") | Law enforcement officers and legal experts |

ANNEX 5

Technical Assistance

| Date | Organizers | Topic | Participants |
|---------------|--------------|--|---|
| February 2007 | MENA country | IMF assessment of the AML/CFT regime of the MENA country | One SIC legal analyst as an assessor |
| March, 2007 | MENA country | IMF assessment of the AML/CFT regime of the MENA country | One SIC financial analyst as an assessor |
| October, 2007 | MENA country | Technical assistance to the MENA country's financial sector under the "IMF Technical Assistance Program" | One SIC expert as an AML/CFT technical assistance advisor |

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