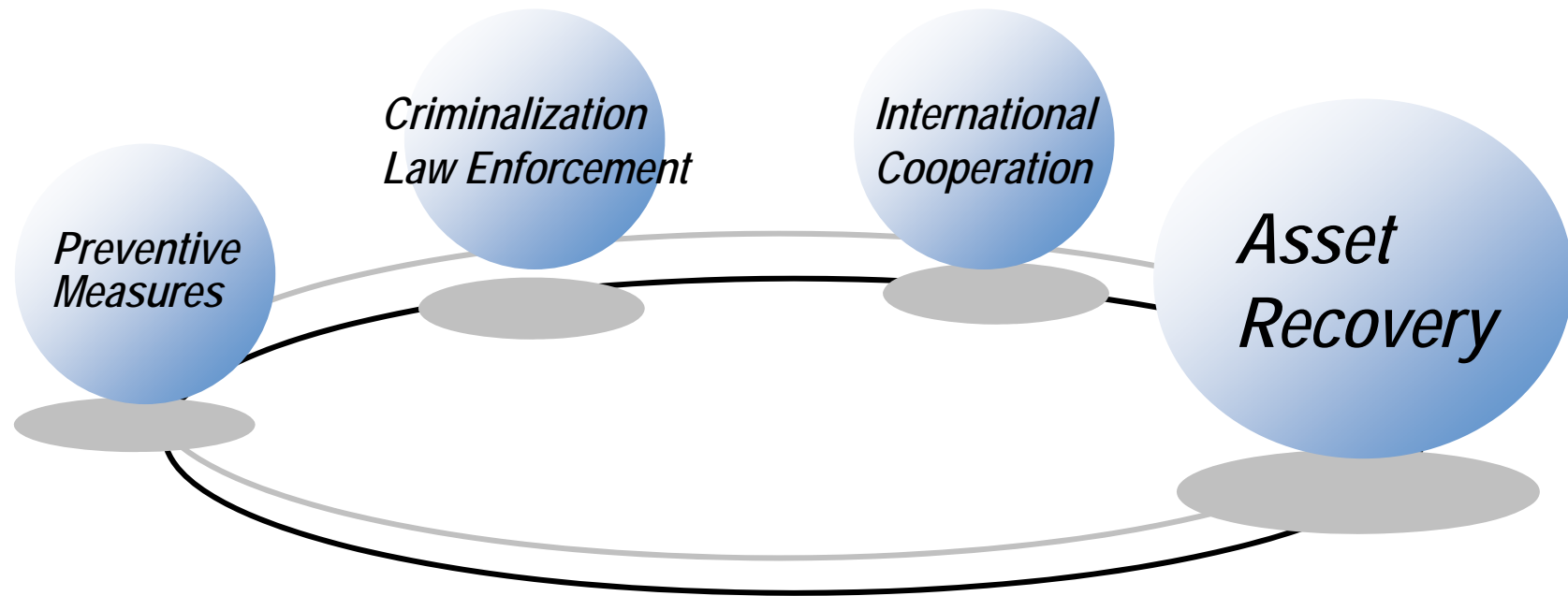




Special Investigation Commission
Lebanon's Financial Intelligence Unit

UNCAC art.52

Abdul Hafiz Mansour
Secretary
SIC



Purpose: Integrity, Accountability and the Proper Management of Public Affairs and Property

Prevention

- Law enforcement begins with prevention
- Prevention is:



- AS it is known , when people are aware that controls exist , about 50% of the intended results are achieved.

Art.52

- Requires State parties to institute a comprehensive Regulatory & Supervisory Regime to address among others:
 - Identity of Customers
 - Beneficial Owners
 - Record Keeping
 - Reporting of Suspicious Transactions
 - International cooperation
 - Banning Shell Banks
- Make best use of AML regime in place in the financial sector to support Asset Recovery efforts and using Risk Based approach

Lebanese Regulations

Risk Based Approach

- Banks must adopt a RBA to classify customers & operations into risk levels: low risks, medium risks, high risks
- Not all aspects of a FI business have the same level of risk, major Risk classifications:
 - Customer /Individual Risks
 - Country /Geographical Risks
 - Service /Product Risks
- The SIC is the AML Regulator with Supervisory responsibility (On site-Off Site)

Lebanese Regulations

Verification of Customer & Beneficial owner ID

Institutions subjected to the provisions of the Banking Secrecy Law must:

Verify the true identity clients

Determine identity of the economic right owner when operations are carried out through proxies

Adopt clear procedures for opening new accounts

Apply due diligence measures, identifying the economic right owner & the source of funds

When due diligence towards customers & beneficiaries cannot be applied in a satisfactory way,

NO account must be opened or relation started or operation performed.

Lebanese Regulations

Public Officials/PEPs

- Business relationships with PEPs & their families/associates are classified of high risk
- Implement Enhanced CDD requirements in cases of Higher Risks
- Not all PEPs are corrupt!
- UNCAC doesn't differentiate between national /foreign PEPs

Lebanese Regulations

Enhanced Due Diligence

- Obtaining additional information on the customer
- Obtaining additional information on the intended nature of the business relationship.
- Obtaining information on the source of funds or source of wealth of the customer.
- Obtaining information on the reasons for intended or performed transactions.
- Obtaining the approval of senior management to commence or continue the business relationship.
- Conducting enhanced monitoring of the business relationship
- Requiring the first payment to be carried out through an account in the customer's name with a bank subject to similar CDD standards.

- ID verifications measures to apply at all ends at:
 - Origination of transactions
 - Destination of transactions

several parties are required to process illicit proceeds.

IT TAKES TWO TO TANGO

Lebanese Regulations

Record Keeping

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

Lebanese Regulations

Reporting Obligation

- Reporting entities have the obligation to report to FIU details of the operations they suspect to be concealing ML
- Banks must establish a computerized central archive for collected information about ML & notify the FIU of any account opened subsequently by any of these persons: directly, indirectly, or by proxy
- PEPs must declare financial position to their respective heads

Lebanese Regulations

Shell Banks

When establishing a relation with a foreign correspondent bank, the bank must ascertain that:

- The correspondent bank is not a shell bank,
- It doesn't deal with shell banks(direct/Indirect: Nesting)
- Subject to a good control & implements sufficient and effective AML procedures
- It has a good reputation

Asset recovery: Major constraints

Lack of Political will

Inadequate legal
framework

Difficulties
in Tracing

Weak AML
Regime

Opaque Financial
Systems