

[From the Official Gazette –Number 51- October 28, 1999]

LAW No 139

Establishment of a Central Depository

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

Article 1: The Custodian and Clearing Center for Financial Instruments in Lebanon and the Middle East (MIDCLEAR) S.A.L., a Lebanese joint-stock company with the Banque du Liban as shareholder, shall be the exclusive central depository of financial instruments and movable assets accepted by it or traded on organized financial markets in Lebanon.

Article 2: The Central Depository (hereinafter Midclear) shall primarily undertake, on behalf of its participants, the following operations:

- Safekeeping all financial instruments and movable assets accepted by Midclear or traded on organized financial markets in Lebanon.
- Opening accounts for financial instruments issued to bearers.
- Clearing and settlement between traded financial instruments and movable assets.
- Facilitating financial instruments and movable assets trading, through book entry transfers from a financial instrument's account to another.
- Managing, with explicit authorization, the Shareholders' Register of a joint-stock company, in addition to transferring the ownership of the shares and other financial instruments and movable assets issued by the company, and distributing returns, cash and stock dividends.
- Lending, on behalf of their holders and with their explicit written authorization, the financial instruments and movable assets deposited with Midclear and listed on foreign financial markets.
- In general, any operation that aims to achieve the objectives stipulated by this Law and improve the means used for this purpose.

Article 3: All financial instruments and movable assets listed on organized financial markets in Lebanon must be safeguarded, cleared and settled by Midclear.

Article 4: With the approval of the Banque du Liban, Midclear shall set regulations and issue circulars on implementing the provisions of this Law.

In these regulations and circulars, Midclear shall determine its working procedures, its participants' obligations, and the accounting rules to be followed.

Article 5: As issuers of financial instruments and movable assets, financial intermediation institutions and legal persons may join Midclear, in order to carry out the operations stipulated by this Law, particularly for facilitating financial instrument and movable asset trading through book entry transfers from a financial instrument's account to another, provided these accounts meet the required conditions.

Midclear shall open accounts in the names of its participants, and shall record in these accounts the received financial instruments and movable assets.

When a participant acts as a custodial agent or a mortgage creditor, financial instruments and movable assets may be deposited with Midclear, with no need for approval by the depositor or the mortgagor.

Article 6: Midclear participants are prohibited from depositing in their accounts bearer-denominated financial instruments and movable assets other than those whose holders have accepted to recover under different certificate numbers, in accordance with Article 9 of this Law.

Article 7: Financial instruments and movable assets accounts opened at Midclear may not be sequestrated.

Article 8: In case a Midclear participant is declared bankrupt, the holders of financial instruments and movable assets deposited with the bankrupt participant are entitled, in accordance with the provisions of the Code of Commerce and particularly with Article 608, to exercise their recovery right on all financial instruments and movable assets of the same kind, held by this participant or deposited in the participant's account at Midclear. In case the afore-mentioned financial instruments and movable assets are not sufficient to cover the claimed rights, they shall be distributed among the entitled persons on a pro rata basis.

Article 9: Midclear participants that have deposited free or pledged financial instruments and movable assets in their accounts at Midclear may deliver back similar values under different certificate numbers, unless depositors and debtors have requested

to recover them under the same numbers. Such a request must be indicated in the deposit receipt.

Midclear participants and any natural or legal person receiving in deposit, as a matter of professional activity, any financial instrument or movable asset must specify, in the documents of delivery acknowledgment, that depositors will recover their financial instruments and movable assets under the same certificate numbers, provided they express their wish in writing.

Article 10: Unless it has committed a mistake, Midclear shall not be liable for deposited financial instruments and movable assets that are the subject of litigation.

Midclear shall comply with the obligations of professional confidentiality.

Article 11: The detailed implementation of this Law shall be determined by decrees adopted by the Council of Ministers, upon proposal by the Banque du Liban.

Article 12: All texts inconsistent with the provisions of this Law or at variance with its content shall be repealed.

Article 13: This Law shall be effective upon its publication date in the Official Gazette.

Baabda, October 26, 1999.

Signed: Emile Lahoud

Promulgated by the President of the Republic

The President of the Council of Ministers

Signed: Salim El-Hoss