

The Association of Global Custodians - Questionnaire - Database

Lebanon- Custodian and Clearing Centre of Financial Instruments for Lebanon and the Middle East - View Record

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Welcome to the Depository-Information Gathering Project. Before beginning, we suggest that you: print the entire document for review on paper; review the Glossary of Terms. Each will assist you with answering the questions. For help, contact: Robin D. Truesdale, Baker & McKenzie LLP (202) 835-1664; e-mail: Robin.Truesdale@bakermckenzie.com.

Note

- * When reviewing/updating your prior year's responses in the questionnaire, please ensure that the sub-questions are reviewed/updated as well.
- * Please deselect/uncheck any responses in the sub-questions where those responses are no longer applicable.
- * Please note: Any text in the "other" and/or "please explain/describe" questions should be deleted before deselecting the response. In this regard, note that deselecting a response with written text does not delete the information, it only hides the information from view.
- * Any responses that appear in open text boxes should be deleted if the information is no longer applicable.

SCOPE, STRUCTURE, OWNERSHIP, CAPITAL, REGULATION AND AUDIT

The purpose of this section is to understand the ownership structure and financial strength of your institution, as well as the level of regulatory and operational supervision to which it is subject.

Response Necessary/Eligibility Question

1. Rule 17f-7, by reference to Rule 17f-4, requires that, for a depository to be eligible to hold securities of U.S. registered investment companies (such depositories hereinafter referred to as "Eligible Securities Depositories"), the depository must be a "system for the central handling of securities where all securities of any particular class or series of any issuer deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery of the securities."

Are all securities of a particular class or series of any issuer that are deposited in your institution treated as fungible, and can they be transferred or pledged by bookkeeping entry without physical delivery of the securities?

Yes

Response Necessary/Eligibility Question

2. Rule 17f-7 also requires that an Eligible Securities Depository "acts as or operates a system for the central handling of securities or equivalent book-entries in the country where it is incorporated," or "acts as or operates a transnational system for the central handling of securities or equivalent book-entries."

Does your institution: (Choose all that apply.)

Act as or operate a system for the central handling of securities or equivalent book-entries in the country where it is incorporated? (please answer 2b), Act in another capacity with respect to the handling of securities or equivalent book-entries? (please answer 2a), Other (please answer 2a)

2a. Please explain:

1)Act as the central shareholder registrar for all Lebanese registered banks, 2)Act as a registrar for most listed securities, 3)Act as the administrative agent of most mutual Funds issued in Lebanon, 4)Act as a sub-custodian for foreign custodians/banks, 5)Act as the National Numbering Agency for all securities in Lebanon.

2b. Please specify the types of securities for which you act as or operate a system for the central handling of securities or equivalent book-entries:

All Listed securities on the Beirut Stock Exchange. Most bookentry-based non-listed securities excluding government debt.

3. What type of legal entity is the institution? (Choose all that apply.)

Other (please answer 3a)

3a. Please explain:

Midclear is a private company owned by the Central Bank of Lebanon.

4. Is the institution operated as a "for profit" or a "not for profit" organization?

For profit

5. Please provide the names of the owners and their ownership interest percentages.

1)Central Bank of Lebanon = 99.79% 2)Arab Finance Corporation = 0.13% 3)Mr. Fouad El-Khoury = 0.04% 4)Mr. Touma Arida = 0.04%

6. Please answer the following:

6a. What is the date of establishment of the depository?

24/Jun/1994

6b. What is the date that the depository's operations began?

01/Jan/1996

7. Under what regulation or statute is the depository established and governed?

The depository was established under Law 139, dated 26 October 1999.

7a. Is the regulation or statute electronically available?

Yes (please answer 7b)

7b. If regulation or statute is electronically available, please supply web address(es) here or upload document(s) in question 7c.

<http://www.midclear.com.lb/news/Law%20139.en.pdf>

Law 139.en.pdf.MIDCLEAR-Desktop-Law 139.en.pdf

7c. Please supply document(s) here:

7d. Please provide details of the structure and composition of your Board together with their industry experience and responsibilities in governing the depository.

What are the qualifications to become a board member?

Board members are directors of the Central Bank of Lebanon and appointed by the Central Bank of Lebanon. Current board members: Directors of legal dept., current operations dept., IT dept., fixed and financial assets

dept. In addition, Midclear's chairman and lawyer are members of the board.

7e. What are the election procedures?

Members are appointed by the Governor of the Central Bank of Lebanon.

7f. What is the maximum length of time a board member can serve?

The mandate of board members is three years which is renewable.

7g. How are the voting powers distributed amongst the board members (i.e. does each board member have one vote or do certain members have additional voting power)?

Major decisions are discussed by the board and followed by the approval of the governor of the Central Bank of Lebanon.

7h. Who is responsible for regulating the board members?

A Central Bank committee headed by The Governor of the Central Bank of Lebanon.

Response Necessary/Eligibility Question

8. Rule 17f-7 requires that an Eligible Securities Depository "is regulated by a foreign financial regulatory authority as defined under section 2(a)(50) of the Act", with section 2(a)(50) establishing that "'foreign financial regulatory authority' means any (A) foreign securities authority, (B) other governmental body or foreign equivalent of a self-regulatory organization empowered by a foreign government to administer or enforce its laws relating to the regulation of fiduciaries, trusts, commercial lending, insurance, trading in contracts of sale of a commodity for future delivery, or other instruments traded on or subject to the rules of a contract market, board of trade or foreign equivalent, or other financial activities, or (C) membership organization a function of which is to regulate the participation of its members in activities listed above."

Who regulates the activities of the depository? (Choose all that apply.)

Other (please answer 8a)

8a. Please explain:

The Central Bank of Lebanon.

9. Please provide the name of regulatory authority(ies) identified in question 8:

Banque du Liban.

Response Necessary/Eligibility Question

10. Rule 17f-7 requires that an Eligible Securities Depository "is subject to periodic examination by regulatory authorities or independent accountants."

Is the depository subject to periodic examination by: (Choose all that apply.)

Regulatory authorities?, Independent accountants?

11. What enforcement actions are available to the regulatory authority(ies) for breach of applicable statute or regulatory requirements? (Choose all that apply.)

Name of Authority #1 (please answer 11a):

Banque du Liban.

11a.

Other (please answer 11b)

11b. Please explain:

The regulatory authority owns the depository. The Central Bank of Lebanon is a major shareholder and has five members on the board of directors.

Name of Authority #2 (please answer 11c):

11c.

12. Has there been any use of such enforcement actions in the last three years?

No

Capital

13. Are annual financial statements publicly disclosed?

Yes (please answer 13a)

13a. If yes, the AGC requests a copy of the institution's annual report. Is the annual report available electronically?

Yes (please answer 13b)

13b. If yes, please upload the document(s) here or insert web link(s) in question 13d:

13c. If more than one document for 13b, please upload the additional document here:

13d. Please insert web link(s) for 13b here:

<http://www.midclear.com.lb/about/Dec2012.en.pdf>

Internal Audit

14. Is an internal audit undertaken in your depository?

No (please proceed to 15)

15. Is a financial audit performed by an Audit Firm, Regulatory Authority, or other external party?

Yes (please answer 15a)

15a. If yes, please state the name(s) of the entity(ies) who perform the financial audit.

Ernst and Young.

15b. Please list the date of your last financial audit performed by an Audit Firm, Regulatory Authority, or other external party:

31/Dec/2012

15c. Please list the period that the audit covered:

01/Jan/2012

to

31/Dec/2012

15d. How frequently does the financial audit occur? (Choose one.)

Annually (please answer 15f)

15f. Are the results of the financial audit publicly available?

No

15g. Please select the statement that most accurately characterizes the results of the last financial audit: (Choose one.)

No material exceptions found.

16. Is an operational audit performed by an Audit Firm, Regulatory Authority, or other external

party?

No (please proceed to 17)

PARTICIPANTS AND PARTICIPATION

The purpose of this section is to understand issues relating to participation in the depository, including eligibility requirements, conditions of participation, and supervision of participants.

17. What types of entities are eligible to become participants and how many of each type are there currently? (Choose all that apply.)

Banks (please answer 17a), Brokers (please answer 17e), Foreign Institutions (please answer 17m), Other entities (please answer 17q)

17a. How many Bank participants are there currently? (then please answer 17b)

47

17b. Please select the features included in the eligibility requirements for Banks. (Choose all that apply.)

Regulatory Oversight (please answer 17c), Market Experience (please answer 17c), Other (please answer 17d)

17c. Where can a description of the specific eligibility requirements for Bank participants be found?

The Board of directors will decide. Banks are regulated by the Central Bank of Lebanon.

17d. Please explain:

All Lebanese banks and financial institutions licensed by the Central Bank are automatically eligible to become participants.

17e. How many Broker participants are there currently? (then please answer 17f)

16

17f. Please select the features included in the eligibility requirements for Brokers. (Choose all that apply.)

Regulatory Oversight (please answer 17g), Market Experience (please answer 17g), Other (please answer 17h)

17g. Where can a description of the specific eligibility requirements for Broker participants be found?

The Board of directors will decide. Brokers are regulated by the Central Bank of Lebanon.

17h. If other, please explain:

All Lebanese brokers licensed by the Central Bank are automatically eligible to become participants.

17m. How many Foreign Institution participants are there currently?

6

17n. Please select the features included in the eligibility requirements for Foreign Institution participants. (Choose all that apply.)

Market Experience (please answer 17o), Other (please answer 17p)

17o. Where can a description of the specific eligibility requirements for Foreign Institution participants be found?

The Board of directors will decide.

17p. If other, please explain:

To be able to become a participant, reputable foreign financial institutions must be regulated by an official foreign authority and must open a cash clearing account at a local bank who in turn must have an RTGS account at the central bank.

account at the central bank.

17q. If you have selected "Other entities" above, please explain:

1)The Central Bank of Lebanon, 2)The Ministry of Finance 3)Two foreign depositories, 4)Twenty two Financial Institutions 5)Seventeen Mutual Funds 6)Four Issuers 7)Four Investment Banks and 8) Four Brokerage firms.

17r. Indicate how many "Other entities" are currently participants?

55

17s. Please select the features included in the eligibility requirements for the participants referred to above as "Other entities". (Choose all that apply.)

Market Experience (please answer 17t)

17t. Where can a description of the specific eligibility requirements for participants described above as "Other entities" be found?

The Board of directors will decide.

18. Are participants required to contribute capital to the depository that would result in ownership of the depository?

No

19. Are prospective participants subject to an initial review and approval process regarding compliance with eligibility requirements?

Yes

Conditions of Participation

20. What governs the relationship between the depository and the participants? (Choose all that apply.)

Relevant law and regulation, Established terms and conditions of participation, By-laws of the depository, Rules of the depository, Other (please answer 20a)

20a. Please explain:

A participation contract is required for foreign Institutions.

Response Necessary/Eligibility Question

21. Rule 17f-7 requires that an Eligible Securities Depository "holds assets for the custodian that participates in the system on behalf of the Fund under safekeeping conditions no less favorable than the conditions that apply to other participants."

Please confirm that assets of foreign investors held by custodians as participants in the depository are held under safekeeping conditions no less favorable than the conditions that apply to other participants.

Yes (please answer 21b)

21b. Please confirm the basis for the arrangements in place to ensure that the assets you hold for custodians receive the same level of safekeeping protection as the assets held for other categories of participants. (Choose all that apply.)

Rules of the depository (please answer 21d)

Question 21d is new to the questionnaire this year.

21d. For each item in Question 21b that you checked, please briefly supply references or citations to the law(s), regulation(s), or depository rule(s), participation condition(s), or participant contract provision(s), as applicable.

Although it is not explicitly mentioned in the rules of the depository, our settlement systems do not treat trades by foreign participants in a manner less favorable than trades by local participants. To the contrary, when the participant is foreign in a buy transaction it takes more effort and attention from us in order to make

when the participant is foreign in a buy transaction, it takes more effort and attention from us in order to make sure that the cash arrives on time for the trade to settle when it is due in order to avoid failures. Furthermore, the custody and safekeeping of assets is conducted in our systems and in our procedures without regard to whether the participant is foreign or local.

22. How does the depository notify participants of material changes to the conditions of participation? (Choose all that apply.)

By e-mail, Other (please answer 22a)

22a. Please explain:

Special written circulars.

Governance of Participants

23. Who enforces compliance with the depository's conditions of participation? (Choose all that apply.)

The depository

24. What enforcement actions are available to the enforcement authority? (Choose all that apply.)

Restrictions on participation, Suspension of participation, Termination of participation

25. Has there been any such enforcement actions in the last three years?

No

DEPOSITORY FUNCTIONALITY AND SERVICES; USE OF AGENTS

Certain functionalities and services reduce risk to an investor if provided in an efficient manner. The purpose of this section is to identify those functionalities that may potentially be offered by depositories and clearing systems around the world, and ascertain whether they are offered by your institution.

26. For which of the following security types do you serve as a depository or clearing system? (Choose all that apply.)

Equities, Corporate bonds, Corporate money market instruments, Others (please answer 26a)

26a. Please name the other security types:

Mutual Funds.

27. Is the use of the depository in your market compulsory by law or compulsory by market practice for the settlement or safekeeping of all instrument types in your market (e.g. equities, government securities, corporate bonds, money market instruments, warrants, derivatives etc). (Choose all that apply.)

Yes by law for settlement, but not for all instrument types (please answer 27a), Yes by law for safekeeping, but not for all instrument types (please answer 27b)

27a. Please list the instrument types for which it is not compulsory by law to:

(i) settle in your depository

All securities NOT listed on the Beirut Stock Exchange and NOT admitted in the Depository.

(ii) safekeep in your depository:

All securities NOT listed on the Beirut Stock Exchange.

27b. Please list the instrument types for which it is not compulsory by market practice to:

(i) settle in your depository

All government securities.

(ii) safekeep in your depository:

All government securities

All government securities.

28. Settlement and Safekeeping Percentages

28a. Please list by instrument type the percentage of the total market in your jurisdiction (either volume or value) settled within your institution, exclusive of your links with third parties.

By Volume: Equity 95.87% Debt 3.57% Stock Options 0.02% Mutual Funds 0.54% Warrants & Rights 0%

28b. Please list by instrument type the percentage of the total market in your jurisdiction (either volume or value) held in safekeeping within your institution.

By Volume: Equity 72.26% Debt 25.48% Stock Options 0% Mutual Funds 1.94 % Rights and Warrants 0.32%

29. Are there any activities performed by a third party on behalf of the depository for the depository participants (e.g., vaulting of physical securities, registration, entitlement processing, etc.)?

No

30. Has any participant suffered any losses in the past three years due to the depository's performance?

No

Other Services

31. Who accepts cash deposits (or makes payment credit accommodations) for depository transactions? (Choose all that apply.)

Central Bank

32. Who processes cash clearing (or draws on credit lines, if applicable) for depository transactions? (Choose all that apply.)

Depository

33. Who controls the movement of cash for cash deposits (or draws on credit lines, if applicable)? (Choose all that apply.)

Depository, Central Bank

34. Who controls the movement of cash for cash clearing (or for draws on credit lines, if applicable)? (Choose all that apply.)

Depository, Central Bank

35. Please indicate services you provide. (Choose all that apply.)

Information in advance on corporate (annual or special) meetings in order that owners can vote., Tax assistance where foreign holders may be entitled to tax relief at source or through a claim., Same day turnaround settlements., Information on distribution of new issues (IPO, Privatization),. Other (please answer 35d)

35d. If other services, please explain:

1)Act as the Central Registrar for Lebanese registered banks and for most listed securities, 2)Act as custodian and administrative agent of mutual funds, 3) Act as custodian for participants who want to make deliveries and receipts with the two ICSDs 4)National Numbering Agency for all securities.

36. What procedures are in place for the processing of corporate action entitlements? (Choose all that apply.)

Credited to the securities account upon actual receipt by the depository.

37. What procedures are in place for the processing of interest and dividends?(Choose all that apply.)

Credited to the cash account upon actual receipt by the depository.

Linkages With Other Central Securities Depositories (CSD) or International Central Securities Depositories (ICSD)

DEPOSITORIES (COB)

38. Please list all depositories or settlement systems to which you have an electronic link.

Clearstream and Euroclear; MCDR the CSD of Egypt; Indirect link with SDC the CSD of Jordan.

39. Are procedures and controls (firewalls) in place to avoid systemic collapse or contamination if one of the linked entities should experience business interruptions for whatever reason?

Yes (please answer 39a)

39a. Please explain:

Our links with Clearstream and Euroclear utilize the SWIFT network and the internet. The internet link is adequately protected.

40. Has a business interruption recovery plan been developed in the event the linkages should become inoperable for any reason?

Yes

ACCOUNT STRUCTURES AND RECORDKEEPING

The purpose of this section is to identify the nature of accounts; the naming convention is employed, the level of segregation achieved, accessibility in the event of bankruptcy and the frequency of reporting generated from them.

41. Are participants permitted to maintain more than one account at the depository?

Yes (please answer 41a)

41a. If yes, please indicate number: (Choose one.)

More than one account (please answer 41b and indicate how many)

41b. If more than one account what is the maximum?

99

42. Are participants required/permitted to segregate assets held for their own benefit from those they hold for their clients?

Yes (please answer 42a)

42a. If yes, is segregation required or simply permitted?

Required (please answer 42b)

42b. How does segregation occur? (Choose all that apply.)

By sub-accounts within a single participant account., By separately designated beneficial owner accounts.

43. Does the depository permit its participants to open accounts in the participant's own nominee name(s)?

Other (please answer 43b)

43b. If other, please explain:

The concept of nominee name does not exist in Lebanon. However, there is a law concerning fiduciary contracts between participants and their clients. In this case, securities are registered in participants fiduciary accounts and the 'fiduciary contracts' law acknowledges the rights of beneficial owners.

44. In the event a participant's single or main account is blocked for any reason (e.g., insolvency, penalties, violations, liens), would securities held in any account or accounts on behalf of the participant's clients be accessible:

44a. By the participant's clients?

Yes (please answer 44b)

YES (please answer 44b)

44b. If yes, please describe briefly how clients of participants would access their securities and whether there would be any delay in their ability to do so:

Clients of participants would access their holdings by: 1) Obtaining a court order. 2) Transferring their holdings to another participant.

44d. By the intervening authorities controlling insolvency or other proceedings?

Yes (please answer 44e)

44e. If yes, please describe briefly under what conditions access would be granted to the intervening authorities:

Obtaining a court order.

44g. By the participant's creditors?

No

44j. By the depository's creditors?

No

45. In what form does the depository maintain records identifying the assets of each participant? (Choose all that apply. Please refer to "Help" for clarification.)

Computer file (please answer 45b), Hard copy (please answer 45b), Computer tape (please answer 45b)

45b. In which format is the source data maintained?

Participant assets are stored in our SQL database and backed up daily.

Response Necessary/Eligibility Question

46. Rule 17f-7 requires that an Eligible Securities Depository "provides periodic reports to its participants with respect to its safekeeping of assets, including notices of transfers to or from any participant's account."

Does the depository make available periodic safekeeping reports to participants, including notices of transfers to or from the participant's account?

Yes (please answer 46b)

46b. If yes, please indicate the scheduled frequency: (Choose one.)

Other (please answer 46c)

46c. If other, please explain:

Whenever there are any transactions in a given day, statement of accounts are produced intra-day and at the end of that day and sent to the concerned participant. Monthly/yearly statements are also sent.

47. What is your document and record retention policy for documents and records described above in this section? (Choose one.)

Other (please answer 47a)

47a. If other, please explain:

10 years.

SETTLEMENTS

The purpose of this section is to identify the model of settlement employed, the relationship between cash and securities, and the basis on which participants meet their obligations.

48. The Committee on Payment and Settlement Systems of the Bank for International Settlements (BIS) has identified three common structural approaches or models for linking delivery and payment in a securities settlement system. Please indicate which model your procedures most closely

resemble (Please refer to details on the models within the "Help" section located below this question): (Choose all that apply.)

Model 3 - Simultaneous Net Settlement of Securities and Funds Transfers. (please answer 48a)

48a. Please briefly describe your settlement process, including how your settlement procedures may vary from the model chosen above (and as described below in the Help section)?

No variation.

Question 48 Help:

Model 1 - Gross, Simultaneous Settlements of Securities and Funds Transfers. These systems settle transfer instructions for both securities and funds simultaneously on a trade-by-trade (gross) basis, with final (irrevocable and unconditional) transfer of securities from the seller to the buyer (delivery) occurring at the same time as final transfer of funds from the buyer to the seller (payment). The securities settlement system maintains securities accounts and funds accounts for participants. Transfer of securities and cash are made by book-entry.

Model 2 - Gross Settlements of Securities Transfers Followed by Net Settlement of Funds Transfers. These systems settle securities transfer instructions on a trade-for-trade (gross) basis, with final transfer of securities from the seller to the buyer (delivery) occurring throughout the processing cycle, but settle funds transfer instruction on a net basis, with final transfer of funds from the buyer to the seller (payment) occurring at the end of the processing cycle.

The securities settlement system maintains securities accounts for participants, but funds accounts are usually held by another entity (often a commercial bank or the central bank). Securities are transferred by book-entry, such transfer being final at the instant the entries are made on the securities settlement system's books. The corresponding funds transfers are irrevocable, but not final. During the processing cycle, the system calculates running balances of funds debits and credits, the balance being settled at the end of the processing cycle when the net debit and net credit positions are posted on the books of the commercial bank or central bank that maintains the funds accounts. Settlement of funds accounts may occur once a day or several times a day.

Model 3 - Simultaneous Net Settlement of Securities and Funds Transfers. These systems settle transfer instructions for both securities and funds on a net basis, with final transfer of both occurring at the end of the processing cycle. Settlement may occur once a day or several times a day. The securities settlement system maintains securities accounts for participants. Funds accounts may be maintained by another entity, either a commercial bank or the central bank.

During a processing cycle, running balances of debits and credits to funds and securities accounts are calculated. All funds and securities transfers are provisional until the end of the processing cycle, at which time book-entry transfer of securities take place. If and only if all participants have sufficient balances of funds and securities, final transfers of the net securities balances and net funds balances are executed.

49. Are the cash and security movements simultaneous?

No (please answer 49a)

49a. If cash and security movements are not simultaneous, please indicate the duration of the timing gap. (Choose one.)

Other (please answer 49b)

49b. If other, please explain:

Within 7 minutes

OWNERSHIP OF SECURITIES

The purpose of this section is to determine how ownership of securities is represented, the ways the depository maintains ownership or control of securities held in the depository, and the extent to which ownership of assets held by the depository is separated from the proprietary assets of the depository.

This section also considers the process by which the ownership of securities is transferred in the depository and the existence of any liens or claims on the depository securities (such as a clearing lien) that would affect the ownership of depository securities.

50. How are depository eligible securities held by the depository?

Securities in the depository are held in dematerialized form., Securities in the depository are held in certificated form.

51. If depository eligible securities are certificated, can depository eligible securities be held outside of the depository?

Securities may move freely into and out of the depository. (please answer 51h)

51h. If depository eligible securities may be held either in or out of the depository, are these certificates:

Bearer (please answer 51i), Registered (please answer 51i)

51i. What are the control features for receipt of certificates to the depository (e.g., authentication procedures, re-registration)? Please describe:

1) Authenticate the deposit or withdrawal request. 2) Bearer: Check (in/out) number of certificates, quantity, and last coupon number. 3) Registered: Check (in/out) shareholder and certificate numbers and quantity.

52. If securities are dematerialized:

May dematerialized security positions be re-certificated and held outside the depository?

No (please answer 52a), Other (please answer 52j)

52a. Are the securities held: (Choose all that apply.)

Through book-entry at the depository, Through book-entry at a registrar or issuer (please answer 52b)

52b. Please identify which types of entities may act as registrars: (Choose all that apply.)

Issuers, Depository

52d. If the securities held by the depository are recorded by book entry at the registrar, are the securities registered only to the depository, with the depository providing the function of recording ownership on a centralized basis for the market? (Choose all that apply.)

No (please answer 52g)

52g. If the securities held with the depository are recorded by book-entry at the registrar but are not registered exclusively to the depository, may they be registered to:

The beneficial owner, Other (please answer 52h)

52h. Please describe:

Fiduciary Accounts.

52i. If the securities held with the depository are recorded by book-entry at the registrar, what are the control features at the registrar for transfer of registrar positions to and from the depository (e.g., authentication procedures, reconciliation, confirmation of position at registrar)? Please describe:

1)The registrar receives an electronic file from the CSD containing transactions originating at the CSD. 2)The registrar sends an electronic file to the CSD containing transactions originating at the registrar. Balances are reconciled daily and differences, if any, are immediately resolved.

52j. If other, please explain:

Two securities of one issuer (SOLIDERE) can be re-materialized and held in or out of the Depository.

Response Necessary/Eligibility Question

53. Rule 17f-7 requires that an Eligible Securities Depository “maintains records that identify the assets of each participant and segregate the system’s own assets from the assets of participants.”

Does the depository maintain records that identify the assets of each participant and segregate the system’s own assets from the assets of participants?

Yes

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54. Does the law protect participant assets from claims and liabilities of the depository?

Yes

55. Can the depository assess a lien on participant accounts? (A lien would entitle the depository to take and hold or sell the securities of the participant in payment of a debt.)

No

55c. Please indicate the limits of this lien as indicated below: (Choose one.)

55e. If a lien is placed on a participant's account which has been designated for its clients, will the depository select certain securities to be subject to the lien?

55j. For accounts designated as client accounts, do procedures exist to restrict the placement of liens only to obligations arising from safe custody and administration of those accounts?

Yes (please answer 55k)

55k. If yes, are the restrictions accomplished by:

Contract between the depository and the participant

56. Transfer of Legal Ownership

Does the depository have legal authority to transfer title to securities?

Yes (please answer 56a)

56a. When does title or entitlement to depository securities pass between participants? (Choose one.)

At the end of the business day on which the transfer occurs. (please answer 56c), When corresponding money or other consideration is transferred. (please answer 56c)

56c. Where does title or entitlement to depository securities pass between participants? (Choose one.)

Other (please answer 56d)

56d. Please describe:

1) Both (Depository and Registrar), for securities in which we act as the Registrar, 2) Otherwise, registrar books

Datasheet Progress

Part 1 Completed

The Association of Global Custodians - Questionnaire - Database

Lebanon- Custodian and Clearing Centre of Financial Instruments for Lebanon and the Middle East - View Record

Name

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HANDLING OF SECURITIES OUTSIDE THE DEPOSITORY ENVIRONMENT

The purpose of this section is to consider the process (and any risk inherent within such a process) that involves the safekeeping of client assets while they are being removed from a depository and being lodged into a depository.

57. How are eligible securities lodged (that is, placed) in the depository system? (Choose all that apply.)

A participant delivers the security with a valid transfer deed or stock power or other transfer document to the depository which then effects registration., Other (please answer 57a)

57a. Please describe:

1) Registered certificates in the name of the shareholder are delivered to the depository. 2) Bearer certificates are delivered to the depository. 3) The Issuer delivers its shareholder register for lodging in the depository.

58. When are securities lodged into the depository reflected in a participant's depository account? (Choose all that apply.)

Other (please answer 58a)

58a. Please explain:

1) Securities lodged into the depository are reflected in a participant's account at the end of day.
2) Dematerialization requests are reflected in a participant's account the next business day.

59. How long does it usually take to lodge securities with the depository? (Choose one.)

1 to 2 days

60. During the process of lodging securities into the depository, can the securities:

Be traded?

Yes

60a. During the process of lodging securities into the depository, can the securities:

Be settled?

No (please answer 60d)

60b. During the process of lodging securities into the depository, can the securities:

Have ownership transferred?

No (please answer 60e)

60d. If they cannot be settled, or if you answered other, please explain:

If at the time of settlement the lodging process has not been completed, the shares will not be credited to the participant account and the trade will fail.

60e. If ownership cannot be transferred, or if you answered other, please explain:

If at the time of settlement the lodging process has not been completed, the shares will not be credited to the participant account and ownership cannot be transferred.

61. Are securities immediately available for delivery upon transfer to the depository?

No (please answer 61a)

61a. If no: Securities are unavailable for:

1 to 2 days

62. Please describe briefly the arrangements/procedures/facilities you maintain to ensure that eligible securities held at the depository are handled at least as efficiently as compared to securities held outside the depository, particularly in relation to income, corporate actions and proxy services.

For listed securities, the depository maintains links with corresponding issuers. The depository is informed by issuers of events happening on their securities. The depository notifies its members holding balances in such securities of events instigated by issuers. Allocation of income and dividend is done on a pro rata basis and processed accordingly.

63. What transfer process steps are involved when eligible securities are withdrawn from the depository for safekeeping? (Choose one.)

Other (please answer 63a)

63a. Please specify:

1) Securities are re-certificated into the name of the beneficial owner and a physical certificate is issued after the rematerialization request has been approved by the registrar/issuer. 2) For issues that exist in dematerialized form only, it is impossible to remove them from the depository.

64. How long does it usually take to remove securities from the depository? (Choose one.)

1 to 2 days

65. While the securities are being removed from the depository, can they:

65a. Be traded? (Choose one)

Yes

65c. Be settled?

No (please answer 65d)

65d. Please explain:

The securities can be settled but they must be in the account and in book-entry form at the time of settlement.

65e. Have ownership transferred?

No (please answer 65f)

65f. Please explain:

The securities cannot have ownership transferred unless either they are rematerialized or exist in dematerialized form at the time of ownership transfer.

STANDARD OF CARE

The purpose of this section is to understand the responsibility and liability that the depository has in providing services to its participants/members in the settlement and clearing of securities and/or cash, and to understand what type of protections exist for participants in the event of a participant failure/default.

Depository Liability

66. Does the depository accept liability (independent of any insurance coverage) for the following:

66a. Reconciliation errors with the registrar and/or the issuer that result in direct damages or losses to participants?

Not applicable

66e. Theft of securities (either physical certificate or electronically from accounts at the depository) from the depository that result in direct damages or losses to participants?

Yes (please answer 66f)

66f. If yes, please check all of the following that apply:

The depository assumes liability for direct losses

66i. Failure of the depository's systems that result in direct damages or losses to participants because they cannot use either securities or funds?

No

66m. Any direct damages or losses to participants caused by the depository due to its errors, omissions or fraud?

Yes (please answer 66n)

66n. If yes, please check all of the following that apply:

The depository assumes liability for direct losses

66q. Any direct damages or losses to participants caused by the depository in its capacity as a central counterparty?

Not applicable

66u. Does the depository guaranty settlement?

No

66x. Any direct damages or losses to participants caused by the depository as a result of force majeure events, acts of God, or political events, etc.?

No

66+. In all cases where the depository assumes responsibility for direct or indirect or consequential losses, is the depository's liability limited by a standard of care determination?

Yes (please answer 66*)

66*. Please define the standard of care applied:

No liability to the Participants for any action taken or omitted by the CSD in good faith and without negligence, wilful default, fraud or manifest error.

67. Do the depository's written contracts, rules, or established practices and procedures provide protection against risk of loss of participant assets by the depository in the form of?

67a. Indemnification

Yes (please answer 67b)

67b. Please explain (then please answer 67c):

The established practice is to indemnify the participants for such losses by the proceeds of insurance coverage or additionally by the CSD/Central Bank.

67c. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.

This is not mentioned anywhere, but it is the established practice.

67d. Insurance

Yes (please answer 67e)

67e. Please explain (then please answer 67f):

The CSD has adequate insurance coverage.

67f. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.

This is not mentioned anywhere, but it is the established practice.

67g. Acknowledgement of liability for losses caused by depository's own actions.

Yes (please answer 67h)

67h. Please explain (then please answer 67i):

The CSD acknowledges all liability for losses caused by its own actions.

67i. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.

This is not mentioned anywhere, but it is the established practice.

67j. Other

No

68. Is the depository immune from legal action in its own jurisdiction?

Yes

Security Control

69. How do participants receive information (view actual settlement of trades, movement of securities on their accounts, etc.) and see the status of their accounts? (Choose all that apply.)

By direct electronic link, By receipt of physical account holding statements, Other (please answer 69a)

69a. Please explain:

Various S.W.I.F.T. messages

70. Do participants have access to affect their holdings, including confirming and affirming trades, movement of securities on their accounts, etc.?

Yes (please answer 70a)

70a. How is access given to participants? (Choose all that apply.)

By direct electronic link (please answer 70b), Other (please answer 70c)

70b. Please select type of electronic link:

Internet, Fax

70c. Please explain:

Faxes must be followed up by duly signed documents

71. Regarding data security:

71a. Are passwords used by participants to access their accounts?

Yes

71c. Does each user have a unique user ID?

Yes

71e. Are passwords regularly changed?

No

71h. Is there a user lock-out after a pre-set number of unsuccessful User ID attempts?

Yes (please answer 71i)

71i. How many?

three attempts

72. Does the depository communicate with other market entities such as stock exchanges, payment systems, clearing houses, etc., by secured linkages?

Yes (please answer 72a)

72a. Please explain:

There are secure linkages with the Central Bank's RTGS and the Stock Exchange.

73. How does the depository communicate with other market entities?

73a. Stock Exchanges (Choose all that apply.)

Internet, Fax, Paper/other

73b. Payment Systems (Choose all that apply.)

Secured, leased, dedicated telephone line, Internet, Paper/other

73c. Clearing Houses (Choose all that apply.)

Secured, leased, dedicated telephone line, Fax, Paper/other

73d. Registrars (Choose all that apply.)

Secured, leased, dedicated telephone line, Fax, Paper/other

74. How is access to the physical building controlled? (Choose all that apply.)

By guards, By electronic keys/personal ID card, By alarm system

75. What are the vault security procedures for the safekeeping of physical paper? (Choose all that apply.)

Electronic keys/combinations, Dual access control, Visitor logs, Vault counts (please answer 75a), Intrusion alarms, Fire alarms, Guards

75a. Please indicate frequency of vault counts:

Once/Twice per year

Participant Default Protections Resulting from a Participant Failure

76. If a participant defaults, how is the loss covered? (Choose all that apply?)

Other (please answer 76d)

76d. Please explain:

When a participant defaults, the Beirut Stock Exchange is informed of the failed trades and the failures are retried for a period specified by the stock exchange (9 days for security default and one day for cash default). The stock exchange requires that a Buy-in or Sell-out be executed if the securities or cash cannot be provided, respectively. If by the end of the retry period the participant remains in default, then the stock exchange has a number of measures it can take, one of them being the use of the bank guaranty of the defaulting participant.

77. During the past three years, has there been a situation where a participant defaulted which resulted in a significant loss?

No

78. Does the depository have a guaranty fund independent of stock exchange or other market guarantees?

No (please proceed to 79)

78d. How is the fund financed? (Choose one.)

78h. Who is covered by the fund? (Choose all that apply.)

78j. When is the guaranty fund used? (Choose all that apply.)

79. Does the depository have forms of oversight management for assessing and monitoring of the following? (Choose all that apply.)

Participant volumes, Settlement controls that minimize or eliminate the risk of default by a participant (please answer 79d), Blocking of securities movement before receipt of payment, Blocking payment until securities are moved

79d. What type or types of settlement controls (Choose all that apply.)

Simultaneous DVP (please answer 79g)

79g. Please explain:

The accounting entry is made if and only if the deliverer is not deficient in securities and the receiver is not deficient in funds.

80. Does the stock exchange have default protections that extend to the depository, such as the following? (Choose all that apply.)

Guaranty fund for stock exchange members, Financial requirements for stock exchange membership

BUSINESS RECOVERY PLAN

This section is intended to identify key aspects of the depository's Business Recovery Plan (BRP), including testing requirements and past results, expected recovery time periods, and the independent review and validation (if any) of the BRP.

81. Do you have a formal business recovery plan?

Yes (please answer 81a)

81a. Does your Business Recovery Plan include: (Choose all that apply.)

Back-up of all computer files, Off-site data storage, Back-up files stored and locked, Off-site operations facility

81b. Please identify both the frequency and the last date of testing for the following third party:

Depository participants/members

None and Not Applicable.

81c. Please identify both the frequency and the last date of testing for the following third party:

Stock exchange

None and Not Applicable.

81d. Please identify both the frequency and the last date of testing for the following third party:

Central bank

None and Not Applicable.

81e. Please identify both the frequency and the last date of testing for the following third party:

Local brokers

None and Not Applicable.

81f. Please identify both the frequency and the last date of testing for the following third party:

Any other third party

None and Not Applicable.

82. How quickly can the main system be reactivated in the event of an outage? (Choose one.)

1 - 4 hours

83. If a back-up system exists, how quickly can the back-up system be activated in the event of the main system failing? (Choose one.)

1 - 4 hours

84. Will the depository publicly announce any system interruption?

Yes (please answer 84a)

84a. To whom will the depository disclose any system interruptions? (Choose all that apply.)

To the depository regulators, To all direct participants, To direct and indirect participants

84b. If so, please list webpage address:

84e. How will the depository disclose any system interruptions? (Choose all that apply.)

By e-mail, By telephone

85. In the past three years, has it been necessary to activate the recovery plan in a live situation?

No

PERFORMANCE, INSURANCE, AND LOSS

This section is intended to identify the level of insurance maintained by the depository, and the extent to which coverage would extend to financial loss incurred by participants and their clients, including but not limited to losses resulting from operating performance, security breaches, and employee negligence or misconduct.

86. Has there been any material loss by the depository during the past three years?

No

87. Has the depository been subject to any litigation involving a participant during the past three years?

No

88. Has the depository realized revenues sufficient to cover expenses during the past three years? (Choose one.)

Yes for all three years

89. Does the depository maintain a reserve for operating losses?

Yes (please answer 89a)

89a. Please describe and indicate reserve amount:

Cash with banks, US\$ 11,800,000

90. Has the regulatory body with oversight responsibility for the depository issued public notice that the depository is not in current compliance with any capital, solvency, insurance or similar financial strength requirements imposed by such regulatory body?

No

90b. In the case of such a notice having been issued, has such notice been withdrawn, or, has the remedy of such noncompliance been publicly announced by the depository?

91. Does the depository have insurance to cover losses in the event of Default on settlement commitments by the depository or a participant?

No

92. Does the depository have Fidelity insurance (that is, insurance to cover loss of securities or money resulting, for example, from acts such as forgery, theft, fraud and/or employee dishonesty)?

Yes (please answer 92a)

92a. What is the amount of the coverage?

US\$ 5,000,000

92b. What is the amount of the deductible?

US\$ 35,000

93. Does the depository have insurance for Operational Errors?

Yes (please answer 93a)

93a. What is the amount of the coverage?

US\$ 5,000,000

93b. What is the amount of the deductible?

US\$ 35,000

94. Does the depository have Errors and Omissions insurance?

Yes (please answer 94a)

94a. What is the amount of the coverage?

US\$ 5,000,000

94b. What is the amount of the deductible?

US\$ 35,000

95. Does the depository have insurance for the Premises?

Yes (please answer 95a)

95a. What is the amount of the coverage?

US\$ 2,330,000

95b. What is the amount of the deductible?

0

96. Does the depository have any other insurance?

Yes (please answer 96a)

96a. If so, what is it for?

Burglary

96b. What is the amount of the coverage?

US\$ 500,000

US\$ 500,000

96c. What is the amount of the deductible?

0

97. Who is the insurance carrier? If more than one insurance carrier, please list each carrier here and provide your responses to questions 97a and 97b in corresponding order.

Agence Saradar d'Assurances S.A.L. and LIA Insurance S.A.L.

97a. Who is the insurance carrier's parent company, if applicable? (If inapplicable, simply type n/a.)

Banque Audi - Audi Saradar Group, N/A

97b. What is the term of the policy?

1- Comprehensive crime, 2- Electronic and computer crime, 3-Professional Indemnity 4- Fire and Burglary

97c. Who does the insurance cover? (Choose all that apply.)

Depository

98. If you feel that you would like to provide additional details on any of the given answers, feel free to provide any additional comments here (maximum of 5,000 characters) or prepare an additional document identifying the question(s) you are commenting on and upload the document under 98a:

No additional details.

98a. Upload document here:

PUBLIC AVAILABILITY

99. The AGC encourages respondents/depositories to make their answers to this questionnaire publicly available. Will you be making your response publicly available? (For additional guidance, please review the help feature to this question.)

No

99b. Please provide web site address of publicly available questionnaire:

Question 100 is new to the questionnaire this year.

100. Association members from time to time receive requests from their direct investor-clients for an informational copy of a depository's completed questionnaire. Such requests typically lead to interactions between personnel at the depository in question and member personnel or client personnel, or both. Those interactions take time and impose costs on both members and depositories.

Do you approve of Association members delivering a copy of your completed questionnaire to the member's direct client in response to the client's request?

Yes

You have reached the end of the questionnaire. Please be sure your contact details are updated. Your contact information is located in the first section of Part One within this questionnaire.

Please also be sure to print your responses and review them prior to changing Datasheet Progress to "Completed" under Part Two. (To print, select the printer friendly link at the top of the questionnaire.) When you are prepared to submit your answers, please return to Part One and Part Two of the questionnaire and change Datasheet Progress to "Completed". The members of The Association of Global Custodians thank you for your time and for your helpful response.

Please provide any comments you have regarding the questionnaire.

Datasheet Progress

Datasheet Progress

Completed