

## Protocol of Cooperation between Association of Banks in Lebanon & Banks Association of Turkey



*In the frame of strengthening the Lebanese Turkish relations, and following the official journey to Lebanon of PM of Turkey, Mr. Rajab Tayyeb Erdogan, a higher Turkish banking delegation chaired by the President of The Banks Association of Turkey, Mr. Recin Oznis, visited the President of the Association of Banks in Lebanon, Dr. Joseph Torbey and signed a protocol of cooperation between both Associations at ABL premises.*

A lunch organized by the Association in honor of the Turkish delegation was held at the Bristol.

**PRESIDENT OF THE BANKS  
ASSOCIATION OF TURKEY,  
MR. RECIN OZNIS**

said in his speech regarding the performance of Turkey during the global

crisis: "Both the Turkish and Lebanese economies and their banking sectors had a successful performance during the global crisis. Although the global recovery still remains fragile, Turkish economy has recovered from the global crisis in a short time. We have a robust recovery in domestic demand. Also, the banking sector has made a substan-

tial contribution to the real economic growth rate which is expected to be more than 7 percent in 2010. During the crisis, the sector has continued to fund real sector. Thanks to its sound balance sheet structure, balanced distribution of risks, strong shareholders' equity and successful risk management, the effects of global crisis on the Turkish banking system





remained limited and especially financial structure of the banking sector experienced no significant deterioration. Among OECD countries, only in Turkey, the government did not transfer any public funds into the banking system under the global financial crisis. In Turkey, the banking sector offers its services with highest international standards and capabilities via its experienced management staff, robust shareholders' equity and high technology based investments".

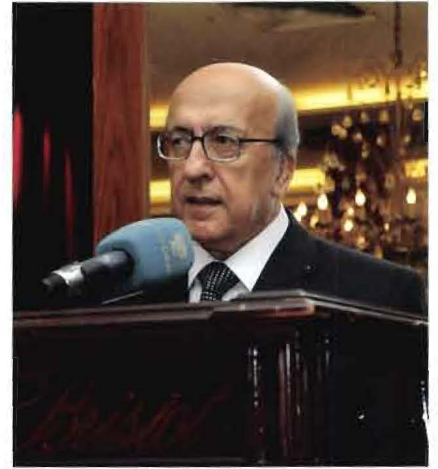
He added regarding Regional developments: "Recent experiences revealed the importance of multilateral relations as well as regional, bilateral, and cross-border operations for international economic relations. We have witnessed the rise of G-20 countries in the post-crisis period. It is realized that the emerging market economies are key for sustaining the global economic recovery and for achieving a more balanced global economy. In this new economic environment, it is evident that the East Mediterranean Region has a high economic potential with a total population of around 200 million and GDP reaching to 1.7 trillion Dollars. On the other hand, it is also undeniable that substantial investments and resources are needed for achieving regional economic growth and boosting welfare by realizing this potential. There are crucial roles that our financial institutions should play in this process".

He further discussed the areas of cooperation:

- a- More efforts should be made to increase bilateral and multilateral trade in goods and services between all countries in the region.
- b- Formation of a joint investment bank should be considered with a view to providing funds to support regional development and to carry out projects.
- c- There should be more cooperation between financial markets and institutions aiming at developing and consolidating financial markets.
- d- There should be cooperation for making joint attempts in our dealings with international organizations and to ensure competitiveness.
- e- More cooperation is also needed in improving the quality of labor force, environmental standards, and other social areas.

**“Approaches taken and policies pursued by governments certainly constitute a crucial factor for cooperation. Intergovernmental negotiations should be supported for this purpose. There are responsibilities and missions that should be undertaken also by individuals and corporations in the private sector.”**

Mr. Oznis concluded explaining Turkey's position in the region: "Turkey is a reliable and strong partner in international economic cooperation both in regional and global sense. A ranking of the emerging markets would show that Turkey has very positive characteristics including its sustainable and stable economic policy, dynamic markets and population, production capabilities, scalable production units, technological investments, approach to global standards, infrastructure, rules about socioeconomic life, and institutions".



**DR. JOSEPH TORBEY**

said after welcoming the participants that: "Renowned for a long tradition of openness, and located on the cross-road of civilizations, Lebanon has built bridges of cooperation with the world since the ancient times and is today strengthening the ties of cooperation with Turkey. We welcomed in Lebanon the Turkish Prime Minister Mr. Rajab Tayeb Ardoghan during the Annual Arab Banking Conference organized in Beirut. The strong Lebanese-Turkish cooperation also translates in the multiple visits of our Prime Minister, Mr. Saad el Hariri presiding distinguished Lebanese economic delegations to Turkey, in view of further strengthening the Turkish-Lebanese relations".

He further added that: "Lebanon is geographically a small country, which banking dimensions outreach by far its narrow territory and the scarcity of its natural resources. Yet Lebanon's most fundamental resource, most important power, remains its human capital. Well educated, entrepreneurial, vibrant with a sharp sense of business, the Lebanese themselves constitute the most valuable asset of the country and its economy. Another strong pillar of Lebanon is the economic system and structure's stability since the fifties, despite the political turmoil the country endured over the years. In difficult times, the Lebanese economy continued to function without any system change, and remained a





liberal economy dominated by services. Moreover, the government's policy of minimum intervention in economic matters, paved the way for the private initiative to fully develop and explore its dynamism in a market economy of free movement of people, goods and capital; total freedom of foreign exchanges and transfers; lack of barriers on foreign investments, in addition to a moderate tax system, where the highest income tax bracket rate is 20%, while corporate income tax is set at 15%. One can add to these, a series of exemptions and indirect methods of taxation that is attractive to investors".

He further added that: "For investors, only profits realized in Lebanon are taxable, regardless of whether the taxpayer is a resident of Lebanon, or not. The principle of "territoriality" exonerates tax payers from paying taxes on revenues realized abroad. The particularity of the Lebanese fiscal system is that it does not stipulate a general income tax on the total earnings of an individual.

All these economic, legal and fiscal attributes, reinforced by a long tradition of openness and a unique bank-

ing secrecy law, have created a favorable and attractive climate for investors. In normal times and in crisis periods, the markets were rewarding us. Since 2007 till end of September 2010, owing to the regained regional and international confidence in the country, and based on the IMF article IV country reports, the current transfers to Lebanon exceeded on a net basis \$13.3 bn; the net capital and financial flows have reached more than \$28.4 bn allowing our country to finance its large current account deficit of \$12bn for the same period and showing a balance of payments substantial surplus of \$16 bn, increasing by the same amount our net foreign assets. Lebanon international reserves of the central bank and the banks, all together, are largely adequate. They cover 43% of the country's Broad Money, 70% of its total foreign currency deposits and, finally more than 86% of Lebanon short term external debt. Our banks play a determining role in making all these flows processed swiftly, timely, and at low cost, through our efficient branches network outside and inside Lebanon, and through our modern and secured payment systems.

Dr. Torbey further discussed that: "It

is widely known that the Lebanese financial sector is bank-centric, compared to the stock and Bond markets. Considered as the backbone of the economy, the banking sector's consolidated balance sheet, including the investment banks, reached \$133 bn as at the end of September 2010, nearing 3.4 times the GDP estimated at \$39bn by the IMF. Moreover, Lebanese banks are directly present in the major cities of the world, namely in 31 Arab and international countries, and deal with a network of correspondents banks throughout 111 cities across the globe. The banking industry has recently witnessed a consolidation and a diversification of shareholders' structure, which attracted large international and Arab investors.

During the last international financial crisis years, and opposite to worldwide trends and indicators, the banking sector in Lebanon, performed particularly well and has shown an impressive resilience to the financial turmoil. Today, while the world is still surfing on the complex and interconnected crisis consequences and implications, the Lebanese banking sector continues its positive growth path with appropriate liquidity ratios



and adequate capital funds base. It reveals the system's ability and flexibility to deal with, and manage repetitive internal and external adverse events.

Such resilience is due also to the sound, solid and efficient regulatory framework put in place by the Central Bank of Lebanon and its supervisory arm, the Banking Control Commission, added to an open dialogue and steady coordination with the Association of Banks in Lebanon founded in 1959, the oldest in the region. This continuous dialogue and consultation between the authorities and the industry helped create a strong and stable banking sector in Lebanon: a balanced Assets/Liabilities structure, a solid and diversified deposit base and qualified human resources.

Moreover, the decision of the authorities for an early implementation of the Basel I and II regulatory framework has been decisive and wise steps toward modernizing and strengthening our banking sector. Basel II implementation was for us a good learning process in risk management and in internal capital allocation. We will as banking industry fairly and gradually implement the recently issued recommendations of Basel III in close coordination with our regulatory and supervisory authorities. We have always in Lebanon adopted and complied with best international norms and standards. We are a small economy widely opened to international markets, and are committed to international rules. This was, and still is, a constant vision.

He concluded that: "Despite the political and sometimes complex problems Lebanon is still facing, the economic and legal system are fairly working and fully respected. The economic performance of the country remains very positive on the whole. The commitment to private enterprise and general economic freedom, supported by an ambitious



and dynamic business class and a sound, solid and regionally expanding banking industry, are, all, contributing to economic prosperity of a country of 4 million population and

without any substantial natural resources currently exploited".