

SUMMARY OF CHANGES TO THE **LEBANESE CODE OF COMMERCE**

JOINT-STOCK
COMPANIES (SALs)



CHOOSE

SUMMARY OF CHANGES TO THE LEBANESE CODE OF COMMERCE TARGETING JOINT-STOCK COMPANIES (SALs)

The Lebanese Parliament has recently approved a series of changes to the Code of Commerce in relation to joint-stock companies (SALs). The recent amendments (No. 126/2019) will take effect on July 1st, 2019, and target several areas including the management of the joint-stock company, appointment of auditors, and approval of accounts.

• I. Management of a Joint-Stock Company (SAL)

1. Separation of the roles of Chairman and General Manager.
2. Any natural person (shareholder or non-shareholder) can be appointed as General Manager.
3. The General Manager carries out his/her functions for the account and under the responsibility of the Board of Directors.
4. The General Manager represents the Company towards third parties, implements the Board's decisions and conducts the day-to-day business of the Company.
5. The General Manager may not assume the management of more than (3) three Lebanese companies.
6. The Chairman of the Board of Directors may not assume the chairmanship of more than (6) six Lebanese joint-stock companies.
7. A natural person may not be a member of more than (8) eight boards of directors of companies based in Lebanon.
8. The Chairman is not required to obtain a work permit in case he/she is a non-Lebanese residing outside Lebanon.
9. Board members are not required to be shareholders anymore.
10. One-third of the Board of Director members (instead of the majority) should be of Lebanese nationality.
11. General Assembly meetings may be summoned/notified through digital correspondence.

• II. Appointment of Auditors

The appointment of only one (1) principal auditor for a period of one (1) year only, subject to renewal for a maximum period of (5) five years, is now permitted. The appointment of an additional auditor (external auditor) is no longer required. However, a shareholder or a group of shareholders representing at least (10%) of the Company's capital may request the appointment an additional auditor from the president of the Chamber of Commerce.

• III. Approval of Accounts/Penalties/Exemptions

A. The members of the Board of Directors shall prepare the Balance Sheet report of the closed financial year and submit it to the shareholders (15) fifteen days prior to the date of the General Assembly's meeting to approve the accounts of that year.

The report of the Board of Directors must accurately include the following:

1. Statutes of the Company and its activities during the year
2. Results of such activities
3. Progress made, and challenges encountered
4. Expected progress of the Company
5. Expected risks
6. Significant transactions that occurred between the end date of the year and the date of the General Assembly's meeting



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B. The members of the Board of Directors shall submit **before the Commercial Register**, within **two months** from the approval date of the financial statements by the General Assembly and without exceeding the 31st of December of the current year, the following documents:

1. Auditors report to which the individual financial statements of the previous year are attached, in accordance with the applicable accounting standards, specifically the balance sheet, statement of results, statement of changes in equity and disclosures on the financial statements
2. Auditors report to which the financial statements of the previous year are attached, in accordance with the applicable accounting standards
3. Special supervisory commissioner's report, in accordance with the provisions of Article 158 of this Law
4. Board of Directors report on the Company's activities throughout the previous year
5. Board of Directors report on the transactions concluded between the Company and members of the Board of Directors, in accordance with the provisions of Article 158 of this Law
6. The attendance sheet and the minutes of the General Assembly's meeting approving the financial statements of the previous year, the report of the Board of Directors for the previous year and the special reports related to operations, subject to the provisions of Article 158 of this Law where necessary

- The report of the Board of Directors shall include the following information:
 - Accumulated results, in particular, any measure required according to Article 216 of this Law
 - The names of the members of the Board of Directors, elected and re-elected, and any amendment thereto
 - Appointment of the auditors whenever the appointment is due

Note: Companies will be able to submit their financial statements electronically through the Commercial Register's website two years following the entry of this Law into effect

- **Penalties**
Each of the above-mentioned documents shall be subject to a fine of **LBP /100,000/** if not duly submitted.
- **Exemptions**
In order for a company to submit and register the above-mentioned documents within the stipulated deadlines, it shall be exempted from the National Social Security Fund (NSSF) discharge letter.
Contact us if you would like to receive a draft copy of the Articles of Association (AOA) which includes the above-mentioned amendments.

CONTACT US

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CONTACT US



THROUGH
OUR **BSU**
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