

# Kabalan & Associates

مكتب المحامي نور الدين قبلان

## Lebanon Legal Update

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### The Reform of the Lebanese Code of Commerce

The long awaited reform of the Lebanese Code of Commerce have been finally issued and published in the Official Gazette on 1 April 2019 through Law Number 126/2019. It will be enforced 3 months after its publication.

This new law have introduced major amendments to the Lebanese Code of Commerce originally issued in 1942. Some of the amendments had already been implemented by the public authorities-through instructions- or by the courts -in the jurisprudence- and are now integrated within the Law and other amendments have introduced recent changes to the Code of Commerce.

With regard to **Companies in General**, the reform included interalia the changes as follows:

- The option to use digital accounting records which specifications shall match specific standards determined by Decree.
- The documents to be submitted to the commercial registry for company registration shall further include the identity of the ultimate beneficial owners.
- If the number of partners or shareholders in a company becomes less than the legal required number, the company shall be declared dissolved by the rest of the partners/shareholders within 3 months, unless such matter is rectified -whilst reserving third party rights.
- The companies incorporated in Lebanon are considered of Lebanese nationality notwithstanding anything to the contrary.
- The amendment of the company's legal form does not result in creating a new legal personality; the same legal personality shall remain and continue.
- The alleviation of publication requirements by the companies whilst providing legal implications for breaching such requirements.

With regard to **Joint-Stock companies**, the reform included interalia the changes as follows:

- The documents to be submitted yearly to the Commercial Registry by the Board of Directors have increased to include interalia the board of directors' report with specific required information and the general assembly approving the financial year. The registration of such documents at the commercial registry will not require a NSSF quitus.
- The auditor responsibility with regard to distributing dividends in an unlawful manner was accentuated to have a presumption of the auditor's responsibility unless the auditor proves that he did not commit any fault in the audit.
- The stipulations applicable to holders of usufruct rights in shares and bare-ownership rights in shares have been clearly defined. For example, the usufruct right holder shall attend ordinary general assemblies and the bare-ownership right holder shall attend extraordinary assembly of shareholders.

This note is not comprehensive. Further advice should be taken before relying on the contents of this note.

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Kabalan & Associates is a law firm registered as Etude Maitre Noureddine Kabalan with the Beirut Bar Association.

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- The stipulations applicable to preferential shares have been defined in details through introducing 12 items to the law (such shares have been already used in the banking sector in Lebanon since 2001 for funding reasons).
- Third of the board of directors shall be formed of Lebanese nationals (instead of the majority of the board of directors).
- The resigning member of the board of directors may directly submit to the commercial registry the notification of his resignation by the company.
- The chairman of the board of directors does not require a working permit if he is non Lebanese and non-residing in Lebanon.
- The general assembly may elect members of the board of directors from the shareholders or other than the shareholders. Accordingly, the qualifying shares of the members of the board of directors are no longer required.
- It is possible to separate between the Chairman of the Board of Directors and the General Manager. (Previously, the Chairman of the Board of Directors was de facto also a General Manager).
- The General Manager is appointed by the Board of Directors and may be from the shareholders or other than the shareholders (and it is not the Chairman of the Board of Directors who shall suggest its appointment).
- A person may be appointed Chairman of the Board of Directors in up to 6 companies, General Manager in up to 3 companies, and a physical person member of the board of directors in up to 8 companies. Any interested party may seek annulment of the board of directors' decisions taken in breach of such requirement.
- The meetings of the board of directors and the general assemblies may be done through audiovisual communication subject to specific stipulations in that regard.
- The article 158 have been amended to have related approvals issued at the board of directors level (instead of the general assembly) and extended not only to board of directors members, but also to the general manager, the assistant general manager and the shareholders owning ultimately more than 5% of the company 's capital. Specific procedures have been introduced for such approvals.
- The shareholders may be represented in the general assemblies by other than shareholders.

With regard **to Limited Liability companies**, the reform included interalia the changes as follows:

- The limited liability company may be formed by one or more partners, and up to 20 partners.
- The bankruptcy of the one partner (or one of the several partners) does not result in the dissolution of the company.
- The one partner cannot delegate his powers as a partner to a third party.

With regard to **mergers and splitting** of companies, the reform included a new chapter regulating such transactions including interlia an exemption from related stamp duties and other related duties.

The reform included a new chapter regulating the **Global Depository Receipts** and an amendment to **the rights of the spouse of the bankrupt** ensuring equality between men and women.

The above does not include all the introduced changes and is meant to shed light on some major amendments to the Law.

Please contact us should you have any queries in relation to this update.

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