

**THESIS EXECUTIVE DOCTORATE IN BUSINESS ADMINISTRATION  
FROM UNIVERSITÉ PARIS-DAUPHINE  
AND FROM UNIVERSITÉ SAINT-JOSEPH DE BEYROUTH**

**DANY NASSAR**

**EVOLUTION OF THE LEBANESE BANKING SECTOR LEGITIMACY:  
STRATEGIC RESPONSES TO PRESSURES OF US REGULATIONS**



**JURY**

Directeur de thèse EDDBA

**Lionel Garreau, Maitre de Conférences HDR**  
Université Paris Dauphine - PSL

Rapporteur

**Hélène Delacour, Professeur des Universités**  
Université de Lorraine

Suffragants

**Thibault Daudigeos, Professeur**  
Grenoble Ecole de Management

**HE Adballah Farhat, Professeur**  
Université Saint-Joseph de Beyrouth

**Charbel Chedrawi, Associate Professor**  
Université Saint-Joseph de Beyrouth

**Elias Alouf, General Manager**  
BSL Bank SAL

**Defended on March 10, 2020**

## **Acknowledgments**

Firstly, it gives me great pleasure in acknowledging the support and help of Professor Lionel Garreau. His guidance throughout this research helped me to achieve a better work, thanks to his patience, motivation, and valuable comments. This thesis would not have been possible without his precious support. He is a great mentor and I owe him my deepest gratitude.

Beside my advisor, my sincere thanks also go to the committee members for their valuable feedback and insightful comments. These have motivated me to continuously enhance my work and come up with better results.

Also, I would like to extend my sincere gratitude to the bankers and the regulatory authorities' members who participated in this research through interviews and shared their opinion and their lived experience. This has added value and insights to the study.

Lastly, I would like to thank my lovely wife and daughters who have always stood by me during this work. They never complained about my absence from many family occasions. I'm very grateful for their continuous support and encouragement.

## **Abstract**

In the recent years, many international banks have been fined because of violations of the United States (US) regulations. Also, their legitimacy was challenged, and questions were raised about the strategic responses adopted by these banks to restore their legitimacy. In Lebanon, the banking sector had its share with the collapse of the Lebanese Canadian Bank (LCB) due to non-compliance with US regulations. The stigmatized legitimacy of the LCB has shaken the whole Lebanese banking industry whose legitimacy has been affected as well and raised concerns about the compliance measures taken by this sector in face of the mounting pressure of the US.

Legitimacy is crucial for the survival of organizations and has consequences on their social and economic exchange. Most stakeholders only engage with legitimate organizations, and therefore, legitimacy affects market access (Deephouse et al., 2017) and organizational viability independent of any performance or other attributes (Scott, 2014). In order to maintain their legitimacy, organizations in general seek endorsement from various constituents because organizations are highly differentiated, loosely coupled systems, and related to many different environments (Scott, 2014). However, legitimacy does not have to be necessarily conferred by all constituents. Certain sources may have a larger impact than others (Deephouse & Suchman, 2008). Various studies revealed legitimacy sources as those conferred by the state, the regulator, the professions, public opinion, and the media (Bitektine & Haack, 2015; Deephouse, 1996; Meyer & Scott, 1983; Ruef & Scott, 1998).

In the Lebanese context, it is the legitimacy of the US regulator that matters for various reasons: the country's highly dollarized economy, the need to maintain correspondent banking relationships with US banks in order to transact on the international level, and because of the exorbitant privilege of the US to enforce its regulations beyond its borders. These reasons make compliance with the US regulations mandatory in the Lebanese banking sector and crucial for its survival and viability. Thus, this research postulates that the Lebanese banking sector is on continuous quest for the legitimacy of the US regulator on which it is dependent to survive. The aim of this study is to explore how the Lebanese banking sector's legitimacy has evolved over time in view of the pressure of the US regulations, and to examine how these regulations have influenced the compliance functions of banks in addition to the strategic responses adopted by the sector to maintain its legitimacy.

Towards achieving this objective, I've mobilized two core concepts of the neo institutional theory: legitimacy and isomorphism. I've first mobilized "legitimacy" in order to explore how the US regulations have affected the perception of the Lebanese banking sector's legitimacy. Second, I've examined the US regulations in the sociological view of institutional isomorphic change, seeking to understand how these regulations have influenced the compliance functions of banks. Finally, I've drawn on Oliver's (1991) conceptual framework of strategic responses for the purpose of exploring how the Lebanese banking sector reacted to the institutional pressure of the US in order to maintain its legitimacy.

To do so, I followed a qualitative approach, retrospective longitudinal design and I've undertaken a qualitative content analysis of archival data from 1997 to 2018, in addition to 28 interviews with participants from the Lebanese banking industry. Both archival data and transcribed interviews have been coded using NVivo. The approach adopted in the analysis of data is a mixture of interpretive and reflexive reading (Mason, 2017).

Results revealed that legitimacy is not static. Rather, it is dynamic, and its dimensions could vary following a cliff in its perception due to legitimacy stigmatization of one organization which affects the legitimacy perception of a whole organizational field. In order to defend its legitimacy, the organizational field adopted a legitimacy-seeking behavior through its compliance functions which diffused and became institutionalized in the Lebanese banking sector because of the isomorphic coercive pressure of a foreign regulator, not a domestic one. Also, findings have shown the salience of new strategic responses adopted by the Lebanese banking sector in order to maintain its legitimacy in the face of the heightened pressure of the US regulations.

The results extracted out of this study bring new insights at the level of the literature, theory, and practice. This research contributes then to the literature related to legitimacy in the banking industry, compliance, strategic responses to institutional pressure, and motivations for compliance, by filling-in some gaps in the literature which appeared to be very scarce in banking. Also, this study has contributions for the mobilized theoretical framework, in particular for two core concepts of the neo institutional theory, legitimacy and isomorphism, as well as to Oliver's (1991) conceptual framework of strategic responses.

Finally, this study shares in managerial contributions especially for those working or interested in the banking industry, more specifically with topics related to legitimacy of banks, compliance with regulations, and pressure of the US regulations. However, the findings of this study have to be seen in light of some limitations. There may be some possible limitations related to the methodology, bias in the interviewees' perception, and generalization of its results. Although these limitations open the door for future researches which could address them, I believe that they do not affect my research findings which remain reliable and valid.

**Keyword:** Banking, Legitimacy, Isomorphism, Strategic Responses, Compliance, Regulations, Institutional Pressure, Neo Institutional Theory

*Acknowledgements*

*Abstract*

*Contents*

*Abbreviations*

## Contents

<b>1. Chapter One: General Introduction.....</b>	<b>9</b>
1.1. Banking Regulations .....	12
1.2. Extraterritoriality of US Regulations .....	18
1.3. Compliance with Regulations .....	21
1.4. The Risk of De-Risking.....	25
1.5. Lebanese Context .....	28
1.6. Research Problem.....	35
1.7. Research Project Outline .....	41
<b>2. Chapter Two: Literature Review &amp; Theoretical Framework.....</b>	<b>42</b>
2.1. Neo Institutional Perspective.....	43
2.2. Isomorphism.....	54
2.3. Conceptual Bases of Legitimacy.....	58
2.4. Perspectives on Legitimacy.....	72
2.5. Legitimacy Following Crises .....	77
2.6. Legitimacy of Banks in General.....	78
2.7. Empirical Researches on Legitimacy of Banks.....	82
2.8. Strategic Responses to Institutional Pressures .....	87
2.9. “Compliance” and Institutional Complexity .....	97
2.10. Motivations for Compliance.....	101
2.11. Summary of the Literature Review .....	105
<b>3. Chapter Three: Methodology.....</b>	<b>106</b>
3.1. Processual/Retrospective Longitudinal Analysis .....	106

3.2.	Research Design .....	108
3.3.	Data Collection.....	115
3.4.	Data Analysis .....	140
<b>4.</b>	<b>Chapter Four: Research Results.....</b>	<b>158</b>
4.1.	Introduction .....	158
4.2.	First Order Findings .....	159
4.3.	Second Order Findings.....	187
4.4.	Results Summary.....	289
<b>5.</b>	<b>Chapter Five: Discussion .....</b>	<b>292</b>
5.1.	Reiteration of the Research Problem, Methodology, and Findings .....	293
5.2.	Contributions.....	296
5.3.	Limitations and Opportunities for Future Researches.....	305
5.4.	Conclusion.....	308
	<b>List of Illustrations .....</b>	<b>310</b>
	<b>Bibliography .....</b>	<b>312</b>
	<b>Appendices .....</b>	<b>328</b>

## **Abbreviations**

ABL	Association of Banks in Lebanon
AML	Anti-Money Laundering
BCBS	Basel Committee on Banking Supervision
BCC	Banking Control Commission
BDL	Banque du Liban
BOD	Board of Director
CEO	Chief Executive Officer
CFT	Counter Financing Terrorism
CRS	Common Reporting Standard
EDBA	Executive Doctorates in Business Administration
EU	European Union
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FCA	Financial Conduct Authority
FIU	Financial Intelligence Unit
GDP	Gross Domestic Product
HIFPA	Hezbollah International Financing Prevention Act
HIRE	Hiring Incentives to Restore Employment Act
IEEPA	International Emergency Economic Powers Act
IMF	International Monetary Fund
IRS	Internal Revenue Service
ISIL	Islamic State of Iraq and the Levant
LCB	Lebanese Canadian Bank
NCCT	Non-Cooperative Countries and Territories
OECD	Organization for Economic Co-operation and Development
SIC	Special Investigation Committee
TWEA	Trading with the Enemy Act
UK	United Kingdom
UN	United Nations
UNODC	United Nations Office on Drugs and Crime
USA	United States of America

## 1. CHAPTER ONE: GENERAL INTRODUCTION

At the time of writing the first pages of my research [May 20, 2017], the Lebanese banking industry was worried about the potential outcome of the 2<sup>nd</sup> wave of the financial sanctions that is going to be imposed by the United States on Hezbollah (a Lebanese party classified by the United States as a terrorist organization), as part of the US Hezbollah International Financing Prevention Act (HIFPA). Panic has grown in the country due to fear of a new round of US sanctions which might affect Lebanon's economy in general and its banking sector in particular (The Daily Star, May 2017)<sup>[1]</sup>.

Bad memories surfaced again; the forced closure of the Lebanese Canadian Bank (LCB) which was accused in 2011 as a bank of "primary money laundering concern", due to violation of the USA Patriot Act<sup>[2]</sup>. The latter is a US law, not a Lebanese one, and LCB is a Lebanese bank established on the Lebanese territory, not in the United States. Yet, due to the extraterritorial reach of the US law beyond the United States, the result of this designation was severe because of US nexus. Cutting off access to the US financial system simply led to shutting down the LCB. This scandal has shaken the whole Lebanese banking sector and was like a wakeup call to all Lebanese banks which felt the severe consequences of being in violation of international regulations. Also, in addition to the stigmatization of the LCB legitimacy, the whole banking sector's legitimacy has been challenged.

In the recent years, many international banks as well have been fined because of violations of US regulations. Also, their legitimacy was challenged, and questions were raised about the strategic responses adopted by these banks to restore their legitimacy. Just to name few, BNP Paribas paid \$8.9 billion in 2014, HSBC made a settlement for \$1.9 billion in 2012, and Credit Agricole has been penalized for \$787 million in 2015. Hence, financial crimes regulations and sanctions programs are currently of international concern and probably one of the hottest topics today in the Lebanese banking sector. Penalties for violations can be huge in terms of financial fines, loss of business, and reputational damage. Also, of utmost importance is the impact of these regulations on the Lebanese banks, and on the compliance measures these banks are adopting to safeguard their international banking relationships from being "de-risked" from the international financial system.

---

<sup>[1]</sup> Lebanon's Banking Sector: A Partner in Compliance. *The Daily Star* (May 9, 2017).

<sup>[2]</sup> Federal Register / Vol. 76, No. 33 / Thursday, February 17, 2011 / Notices

Lebanon is part of the international financial system, and it has a long track record of allowing free flows of goods and capital across its borders. This liberal stance forms a key part of its economic strategy to be a trading hub for services and financial flows and is highly unlikely to change. Events of recent years and the increased degree of international and cross border regulations have increased the focus on preventing financial crime and disrupting terrorism financing through economic and trade sanctions. On the other hand, the Lebanese banking sector is one of the major pillars of the Lebanese economy. According to the Association of Banks in Lebanon, the sector is sound and stable, and plays a major role in the Lebanese economy where banks continue to be the main providers of credit to individuals and businesses <sup>[3]</sup>. To remain part of the international financial system, and a pillar of the nation's economy, not in isolation, Lebanese banks compliance with international laws and regulations is no more a choice. In addition, Lebanese banks maintain correspondent banking relationships with international banks in order to transact internationally, mainly with US and EU banks since the US dollar and the EURO are predominant currencies in the financial world. Thus, Lebanese banks have to comply with the provisions of US and EU regulations that have extraterritorial reach in order to stay part of the international financial community. For this critical reason, the Lebanese government and the Central Bank of Lebanon have passed legislations and regulations designed to prevent financial sanctions in accordance with international standards setters which impose severe requirements on financial institutions.

In view of the mounting pressures of international regulations and the threat of de-risking, banks have to react at multiple levels including strengthening their compliance measures. At one point in time, compliance functions in banks were viewed as an annoying hindrance to business development. In recent years, there has been an increase in the importance of compliance functions around the world, including the Lebanese banking sector whose "compliance" jumped to the front seats and started to enjoy significant upgrade in position, prestige, power, and remuneration. These functions have also experienced significant evolution as to their role in the management of compliance risk in these banks. In fact, the role of compliance functions with respect to anti-money laundering, counter-financing of terrorism, sanctions programs, and tax evasion started to gain momentum after September 11 attacks on the United States. These events opened the eyes of the world on financial crimes, and terrorism financing in particular, and subsequently on the need to strengthen international regulations and cooperation.

---

<sup>[3]</sup> Association of Banks in Lebanon; <http://www.abl.org.lb/subPage.aspx?pageid=360>

Lebanese banks felt the seriousness of these regulations, especially after the LCB case, and had to immediately react. They knew that cutting off Lebanon from the US financial system is like a death sentence for the Lebanese banking sector that is highly dollarized, and due to its local currency being pegged to the US dollar. Turning to an alternative financial system, such as the European one, would not help because European banks are also under pressure to comply with US regulations, and therefore any sanctions by the US on Lebanon will definitely affect the strategies of the European banks. The latter would distance themselves from sanctioned financial institutions due to fear of jeopardizing their banking relationships with the US. Hence, the matter of compliance is a question of survival for the Lebanese banks because the negative consequences of non-adherence to international regulations outweigh any presumed gains from non-compliance. Therefore, maintaining an effective compliance function to mitigate sanctions risks and their impact is crucial for any bank.

In summary, financial crimes regulations have impacted banks internationally. Lebanese banks find themselves stuck between “comply or die”, and realized that the cost of compliance is high, but also the cost of non-compliance is much higher. So far, the Lebanese banking sector has proven resilient to domestic shocks and regional turmoil and succeeded to maintain financial stability despite repeated shocks and challenges. However, the sector is still facing a mounting level of regulatory requirements especially by the US which increased the challenges on the Lebanese banks that face uncertainty due to complex and sometimes conflicting demands by a foreign regulator. This put them in a struggling situation whereby they have to respond to a powerful social actor in order to maintain their legitimacy vis-à-vis an external stakeholder on which they are dependent to survive.

Legitimacy is then crucial for the survival of organizations because stakeholders only engage with legitimate ones (Deephouse et al., 2017). Many studies examined the importance of organizational legitimacy, being a core concept of the neo institutional theory, and the consequences it has on social and economic exchange. Also, various studies revealed legitimacy sources as those conferred by the state, the regulator, the professions, public opinion, and the media (Bitektine & Haack, 2015; Deephouse, 1996; Meyer & Scott, 1983; Ruef & Scott, 1998). In addition, many researches addressed the challenges to legitimacy, in particular how to gain legitimacy (Ashforth & Gibbs, 1990; Dowling & Pfeffer, 1975), how to maintain it (Ashforth & Gibbs, 1990; Bitektine, 2011), and how to restore it (Suchman, 1995; Jonsson et al., 2009).

Moreover, legitimacy has been studied in various sectors, including banking. However, these studies are very scarce in the literature where most of the empirical studies addressing the legitimacy of banks have been concentrated on corporate social responsibility and its role in the legitimation process (Bartlett, 2005; Branco & Rodrigues, 2006; Nilsen, 2010; Shen, Wu, Chen, & Fang, 2016). Also, researches on legitimacy did not examine how a foreign regulator could influence the perception of legitimacy in the banking sector of a different country and how it impacts its compliance activities and strategic responses. No previous studies revealed how a banking sector seeks to maintain its legitimacy vis-à-vis a foreign and powerful institutional constituent on which it is dependent to survive and continue business.

Given today's heightened level of regulatory uncertainty and the increased challenges facing Lebanese banks, the latter are struggling to maintain their legitimacy vis-à-vis external stakeholders who evaluate organizations, and on which they are dependent to survive. It is therefore important to explore how these banks are reacting in order to adapt to external pressures imposed by their regulatory environment, and what are their adopted compliance strategies in face of the regulations with which they are compelled to comply?

### **1.1. BANKING REGULATIONS**

Since banks are subject to various regulations, it is important to define those that are of interest for the purpose of this study. As detailed in the following paragraphs, I'm specifically interested in those related to (1) anti-money laundering (AML), (2) counter-financing of terrorism (CFT), (3) sanctions programs, and (4) tax evasion due to their today's criticality and impact on domestic and international banking industry. I collectively labelled them as "regulations".

Many banks have been fined by predominant financial powers in the world such as the United States and the European Union for violating the relevant regulations of these countries. Violations could have severe consequences on non-compliant banks and may result in financial penalties, reputational damage, de-risking or cutting off from the international financial community, as well as shutting down non-conforming banks. I first contextualize the regulatory landscape and define the "regulations" having impact on banks in general. It is important to highlight that some regulations are legally binding and include those issued by competent authorities through domestic legislative acts and national regulations. There are also international regulations that have impact on other countries due to their extraterritorial reach such as some of the ones issued by the United States.

In addition, there are some rules or standards called “soft laws” which are not legally binding, however they acquired the force of international regulations and became internationally accepted, such as for instance the recommendations issued by the Financial Action Task Force (FATF). Thus, in the following paragraphs, I provide an overview of these regulations in which I’m interested during this study, with particular focus on the US ones.

### **Anti-Money Laundering Regulations**

Money laundering is a crime which has severe consequences on the global economy and significant negative impact on the development of a country (Bartlett & Ballantine, 2002), in addition to affecting public confidence and legitimacy of the financial system (Helleiner, 1999). It is the process by which large amount of illicit funds generated from drug trafficking and other serious crimes is given the appearance of having originated from legitimate source (Kumar, 2012). In other terms, money laundering is the process of making dirty money that is derived from criminal activities appear as legal and clean. This process generally involves three stages: placement, layering and integration. Placement occurs at the time of entering illegitimate money into the financial system. Layering involves undertaking complex activities between several accounts at financial institutions to create confusion and make it difficult to detect illegal activity. Integration is the process of moving laundered funds into the economy, so they appear as being derived from lawful business activity. Buying a property, real estate, or luxury assets are examples of the latter. While the United Nations Office on Drugs and Crime (UNODC) estimated the funds being laundered every year to amount for 2% to 5% of the global Gross Domestic Product (GDP), or \$800 billion to \$2 trillion <sup>[4]</sup>, the FATF did not publish any figures due to difficulty in providing accurate estimation.

Academics as well have been unable to come up with reliable figures about money laundering (Reuter, 2005). However, regardless of any figures and whatever is the real value of illicit funds, there is no doubt that money laundering compromises the integrity of the global financial system and poses significant concerns for governments around the world and for financial institutions in particular. Consequently, governments and international bodies have joined efforts to fight money laundering. This has resulted in the promulgation of laws, regulations and guidelines at both national and international level with objective to detect and prevent money laundering activities.

---

<sup>[4]</sup> Money Laundering and Globalization; <https://www.unodc.org/unodc/en/money-laundering/globalization.html>; visited on March 29, 2018

States then committed themselves to putting in place a series of measures which include the creation of domestic criminal offences as part of their legislations in addition to adopting a comprehensive domestic regulatory and supervisory regime for banks. Hence, governments started to amend their domestic laws and regulations to criminalize money laundering. Anti-money laundering regulations came into prominence as a result of the creation in 1989 of an intergovernmental body called FATF which set an international framework for combating money laundering. Although the FATF issued recommendations which are not legally binding, its standards started to have relevance in 2000 and 2001 due to adoption of “name and shame” process which consists of publicly identifying countries having deficiencies in their AML laws and regulations, by issuing a list called “Non-Cooperative Countries and Territories” (NCCT) that is made public to raise a red flag against countries considered as non-cooperative in the fight against money laundering. The FATF reviewed 47 countries in 2000 and 2001, which resulted in identifying 23 countries as non-cooperative (Lebanon among them) <sup>[5]</sup>. Public naming and shaming are an effective tool which forces countries to cooperate and comply with the global fight against money laundering (Sharman, 2004). Also, the United States has played and continue to play a major role in combatting money laundering. It remains the place where most AML initiatives originate (Tsingou, 2005). Money laundering constitutes a serious problem to the US because it is estimated that half of the laundered money is processed through the US financial system (Mitchell, 2004). The main and the first major legislative AML framework in the US is the Banking Secrecy Act of 1970, which was amended in response to the September 11, 2001 attacks by the issuance of the USA Patriot Act in October 2001. This act has taken advanced and strict measures for fighting money laundering and combatting terrorism financing and required all financial institutions to establish AML programs.

In sum, money laundering and anti-money laundering have impacts on countries and financial institutions around the world. As a response to this threat, governments and financial market actors have been at the forefront of mitigating this risk by the promulgation of necessary AML laws and regulations to detect and prevent money laundering. Banks as well have been significantly affected as a result of the sheer number of regulations. Their strategic responses to this pressure have to cope with the exogenous demands and expectations of major constituents. Otherwise, their legitimacy is questioned.

---

<sup>[5]</sup> FATF Non-Cooperative Countries and Territories; [http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/more/aboutthenon-cooperativecountriesandterritoriesnccctinitiative.html?hf=10&b=0&s=desc\(fatf\\_releasedate\)](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/more/aboutthenon-cooperativecountriesandterritoriesnccctinitiative.html?hf=10&b=0&s=desc(fatf_releasedate))

## **Counter-Financing of Terrorism Regulations**

Terrorism financing is a global phenomenon that threatens nations' security and undermines economic development and financial market stability. It is often referred to as reverse money laundering because the origin of the funds used to carry out a terrorist act could be from a legitimate source, in contrast to the source of money laundering which is always illegal or "dirty". The United Nations Security Council, in its effort to maintain international peace and security, has passed since 1940 a number of resolutions which are binding to all states' members. So, fighting terrorism financing has always been there, however, it was until the terrorist attacks of September 2001 on the United States that regulations to counter the financing of terrorism became more prominent. Following 9/11 attacks, a new climate has been created. Building on the UN International Convention for the Suppression of the Financing of Terrorism of 1999, the UN issued Security Council resolution 1373 in 2001 calling on governments to prevent and suppress the financing of terrorism by criminalizing terrorism financing, adopting effective mechanisms to freeze the funds of persons associated with terrorism, and preventing those funds from being made available to terrorists <sup>[6]</sup>.

The US war against terrorism attained its peak after September 11 attacks. On October 2001, the US Congress passed the Uniting and Strengthening America by Providing Tools Required to Intercept and Obstruct Terrorism Act of 2001 (known as PATRIOT Act) whereby the US strengthened its anti-money laundering and counter financing of terrorism rules, improved the existing US Banking Secrecy Act, vested in the US Treasury broad new powers to examine financial institutions, granted federal officials greater authority, and expanded the resources and tools available to various US government agencies in pursuing those suspected of money laundering and terrorism financing.

Also, counter-financing of terrorism has been a top priority for the FATF after 9/11, so it extended its mandate from fighting money laundering to include combatting terrorism financing as well and issued nine special recommendations in this respect. Moreover, in view of the heightened threat of terrorism which emerged with the Islamic State of Iraq and the Levant (ISIL), the FATF highlighted in 2015 the urgent need to strengthen the counter-financing of terrorism measures and to protect the financial and economic system <sup>[7]</sup>.

---

<sup>[6]</sup> UN Security Council – Terrorism Financing; <https://www.un.org/sc/ctc/focus-areas/financing-of-terrorism/>; visited on March 30, 2018

<sup>[7]</sup> FATF – Terrorist Financing; [www.fatf-gafi.org/publications/fatfgeneral/documents/terroristfinancing.html](http://www.fatf-gafi.org/publications/fatfgeneral/documents/terroristfinancing.html); visited on March 30, 2018

In brief, 9/11 has had severe repercussions worldwide, more than any other terrorist attack on the US or elsewhere and has changed the rule of the game. This incident has attracted a plethora of analysis by policy makers, general public, scholars and others. It illustrated the increasingly transnational nature of international terrorism (Pillar, 2004). More importantly for the purpose of this research, the USA Patriot Act had impacted financial institutions which maintain correspondent relationships with US banks. Foreign banks have then to fully comply with the provisions of this Act should they decide to remain part of the international financial community and safeguard their legitimacy vis-à-vis the US regulator.

### **Sanctions Programs**

Sanctions are measures of diplomatic and/or economic punishment imposed by national governments such as the United States, and by international bodies like the United Nations and European Union, on certain countries, entities, and individuals. By doing so, these superpowers or international regulators that are responsible for developing and implementing foreign policy-related sanctions adopted to counter threats to national security posed by some countries, seek to oblige those countries to change their behavior, activities or policies with respect to severe violations of international law or human rights or war crimes and/or policies that do not respect the rule of international law or democratic principles.

In general, there are two main types of sanctions: (1) trade sanctions; and (2) financial sanctions. These sanctions are sometimes used alone but more often in combination. Through trade sanctions, countries or international bodies imposing sanctions (called senders) seek to limit their exports to and/or their imports from the sanctioned countries (called targets). Also, trade and financial sanctions are used to combat terrorism and discourage regimes or individuals from acting in ways condemned by the international community or individual nations. Although a range of sanctions continue to be used, financial sanctions have grown in importance. This stems in part from the increase in international financial transactions. Financial sanctions focus on the flow of funds and other forms of value to and from a target country, corporation, individual, or other entity.

These sanctions can have wide impact because they do not only freeze financial assets and prohibit or limit financial transactions, but they also impede trade by making it difficult to pay for the export or import of goods and services. Financial sanctions are often used in tandem with trade and other sanctions to maximize their impact.

Financial sanctions are relatively easier to enforce than trade sanctions because governments and international financial institutions are important providers or guarantors of financial flows, especially with respect to poorer developing countries, and because private financial markets tend to be relatively more regulated than goods markets. Also, a smaller number of larger players are likely to be involved in international finance than in international trade, which means financial activities are more easily monitored and penalties for violations of government policy more readily levied.

The effectiveness of sanctions and their costs to the target and sender is debatable in the literature (Hufbauer, Schott & Elliot, 1990; Farmer, 2000). While some researchers considered that sanctions have not resulted in changing the behavior of targets (Clawson, 1998), some other researchers found out that sanctions are an effective tool for senders to produce the anticipated results (Cortright & Lopez, 2002; Han, 2016). Intended in principle as an alternative to wars and military intervention, sanctions lead to worsening the humanitarian conditions of the target country and its civilian population in addition to increasing the level of repression (Wood, 2008). Also, in their study of the impact of economic sanctions on targeted countries, Peksen and Drury (2009) argued that economic coercion curtails political freedoms and increases the incentive of politicians to repression in the sanctioned country. Garfield & Santana (1997) studied the impact of the US embargo on Cuba and its effect on health and health care. Their results revealed that US sanctions contributed to declining nutritional levels, deterioration in public health, and violent death. Irrespective of this debate, it is evident that sanctions programs imposed by the United Nations, the United States, the European Union, and others, have impact on financial institutions worldwide and on their strategies to respond to sanctions challenges. Any violation to any sanction program could have severe negative consequences on the non-compliant financial institutions. However, of particular interest for the purpose of this research is the sanction program imposed by the US for the reasons elaborated later in this study.

### **Tax Evasion Regulations**

Tax evasion is a predicate offence according to the laws and regulations of almost all countries. The estimation of tax evasion is very high and amounts for instance to \$450 billion in 2006 in the US according to the Internal Revenue Service (IRS) <sup>[8]</sup>. For many years countries around the world have been engaging in serious efforts to tackle tax evasion.

---

<sup>[8]</sup> Internal Revenue Service (IRS); <https://www.irs.gov/pub/irs-soi/06rastg12overvw.pdf>; visited on March 31, 2018

Today, in view of the seriousness of this matter, the world is witnessing a high-level commitment to address this gap. The most notable ones started with the promulgation of the US law - Foreign Account Tax Compliance Act (FATCA) which was enacted in 2010 as part of the Hiring Incentives to Restore Employment (HIRE) Act. This law is designed to combat tax evasion committed by US taxpayers through offshore accounts held at foreign financial institutions. The latter are required to comply with the provisions of this act by reporting accounts of US persons held at their end to the IRS. Failure to comply with FATCA may have repercussions on non-compliant foreign financial institutions. Similarly, building on FATCA, the OECD developed the Common Reporting Standard (CRS) whose purpose also is to combat tax evasion. CRS was approved by the OECD Council on July 15, 2014 and requires jurisdictions to collect information about account holders of financial institutions and exchange that information with the competent authorities of other jurisdictions on yearly basis <sup>[9]</sup>. By adopting a common approach to automatically exchange information about accountholders between countries, tax evasion may be addressed in a more effective manner.

Tax evasions regulations in general, and both FATCA and the CRS had implications on countries, their domestic laws and regulations, and on financial institutions around the world. The latter had to cope with the provisions of these laws and standards and to amend their policies, procedures and systems accordingly. As for other US regulations mentioned above and which are of interest for this study, I'm also interested in the US law for combatting tax evasion.

## **1.2. EXTRATERRITORIALITY OF US REGULATIONS**

Having exposed in the above paragraphs the banking regulations that are of interest in this study, I will narrow down further to take into consideration the US regulations with respect to anti-money laundering, counter-financing of terrorism, sanctions programs, and tax evasions regulations, for the reasons elaborated below and later on during the research. In fact, the US regulations have long-arm jurisdiction over foreign financial institutions, which make these institutions vulnerable to the extraterritorial reach of the United States. This institutional pressure is of critical concern for the international banking community due to the severe consequences of being in violation of regulations imposed by a major institutional constituent.

---

<sup>[9]</sup> OECD Common Reporting Standard; <http://www.oecd.org/tax/automatic-exchange/common-reporting-standard/>; visited on April 1, 2018

This primarily stems from the “exorbitant privilege” of the US to enforce conformity with its regulations beyond its borders. Also, because of the power that the US currency enjoys being a predominant currency for international trade and finance, where trillions of dollars in trade transactions around the world are undertaken in US dollars. It is therefore important to highlight the importance of the long-arm jurisdiction of the US regulations by shedding the light on some examples that occur on the international level where large and international non-US banks have been fined for violating US regulations. Also, enforcement actions against these banks provide insights about the challenges facing compliance functions around the world on how to deal with foreign laws and regulations, and subsequently about the necessity of serious commitment by foreign banks to comply with US sanctions programs. As posited by Lee (2014), these case studies of non-compliant banks provide lessons about the enforcement posture of the US authorities with respect to the extraterritorial application of the regime. Also, there are lessons to be extracted by business- people of these banks, compliance and legal personnel, when regulations among jurisdictions are not aligned, and where a foreign regime has exposed their institutions to significant financial penalties and reputational damage.

On December 2005, ABN AMRO Bank – Dutch bank giant – agreed to settle a penalty of USD 80 million to the US federal and state regulators, in addition to undertaking remedial action in its worldwide banking operations, due to violation of US sanctions programs and anti-money laundering regulations. Investigations have shown that the Chicago and New York branches of ABN AMRO carried out wire transfers and trade activity in violation of the US economic sanction programs on Libya and Iran <sup>[10]</sup>. As a response to the institutional pressure imposed by the US regulator, ABN AMRO bank took various measures to safeguard its legitimacy vis-à-vis the US by strengthening its compliance function, ensuring the independency of its Head of Compliance, setting up a new committee, increasing its compliance resources by creating new compliance jobs and made significant investments in automated compliance systems, and increasing awareness of its employees over compliance risks. Again, in 2010, ABN AMRO entered into a deferred prosecution agreement with the US Department of Justice. But this time the bill was higher and amounted to \$500 million in forfeitures that ABN agreed to pay under the deferred prosecution agreement, due to violations of U.S. sanctions laws, mainly in connection with financial transactions involving Iran, Libya, Sudan and Cuba.

---

<sup>[10]</sup> In the Matter of ABN AMRO Bank N. V, FRB Dkt. No. 05-035-CMP-FB, 8 (Dec. 19, 2005) (Order of Assessment of a Civil Money Penalty, Monetary Payment and Order to File Reports Issued Upon Consent); <https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Documents/amrocmp.pdf>

Lloyds TSB Bank plc, a large UK bank, was also the subject of the first criminal enforcement action against a foreign bank for conducting Iranian transactions. In December 2009, Lloyds entered into a settlement agreement with the US authorities and agreed to forfeit \$350 million <sup>[11]</sup>. In the same year, the US brought deferred prosecution actions against Credit Suisse AG after finding evidence that Lloyds, Credit Suisse and other banks had processed wire transfer payments from Bank Melli Iran – a bank sanctioned by the US – to two Iranian-government front companies operating in New York <sup>[12]</sup>. The list of violations is long. In August 2010, Barclays Bank PLC, a United Kingdom corporation headquartered in London, also entered into deferred prosecution agreements with the US authorities and agreed to forfeit \$298 million in connection with violations of the International Emergency Economic Powers Act (IEEPA) and the Trading with the Enemy Act (TWEA), both are US laws not UK ones.

I will not go into the details of each case due to their similarity in terms of violation of US regulations. Yet, it is important to go through the case of BNP Paribas because of the size of the penalty and because this was the first time a global bank has agreed to plead guilty to large-scale, systematic violations of US economic sanctions. On June 30, 2014, BNP Paribas, a global financial institution headquartered in Paris, pleaded guilty to conspiring to violate the US laws TWEA and IEEPA and to pay \$8.9736 billion in forfeitures and fines for processing billions of dollars of transactions through the U.S. financial system on behalf of Sudanese, Iranian, and Cuban entities subject to U.S. economic sanctions.

The case has attracted the press even prior to sanction announcement: Bloomberg, Reuters, The Wall Street Journal, and others. The latter considered the expected penalty as a sign of increasing pressure the government is putting on large financial firms it suspects of wrongdoing. Moreover, the case has shown conflicting legal opinions obtained by the bank from US legal firms, as to whether carrying out transactions related to sanctioned countries through the US financial system or through an affiliated US bank constitute a violation to US regulations or not. Also, there were conflicting opinions among BNP Paribas compliance and business-people themselves, and even between compliance functions within the same group. For example, BNPP Geneva and BNPP Paris were not always aligned even among themselves on sanctions matters. Some of the bank's employees considered that US sanctions do not apply to foreign banks especially when transactions are processed through an unaffiliated US bank.

---

<sup>[11]</sup> [https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Documents/lloyds\\_agreement.pdf](https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Documents/lloyds_agreement.pdf)

<sup>[12]</sup> <https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Documents/12162009.pdf>

In summary, the below table depicts the fines imposed on some foreign banks for engaging in practices that constitute violations to US regulations. Some of them has been addressed above.

**Table 1: Penalties on certain financial institutions for violation of US Sanctions Programs**

<b>Bank</b>	<b>Head Office</b>	<b>Year</b>	<b>Penalty</b>
BNP Paribas	France	2014	\$8.9 Billion
HSBC	UK	2012	\$1.9 Billion
Credit Agricole	France	2015	\$787 Million
Standard Chartered	UK	2012	\$667 Million
ING Bank	Netherlands	2012	\$619 Million
Credit Suisse	Switzerland	2009	\$536 Million
ABN Amro	Netherlands	2010	\$500 Million
Commerzbank	Germany	2015	\$342 Million
Deutsche Bank	Germany	2015	\$258 Million
Bank of Tokyo	Japan	2013	\$250 Million

The above-mentioned cases have something in common. They are all foreign banks, non-US, that have engaged in certain conduct prohibited by the US laws and regulations. Obviously, “manipulation” has been adopted by these banks as a response to institutional pressure (Oliver, 1991). These malpractices which constitute violation to US regulations led to sanctions of these banks by the US various authorities. By depicting a non-exhaustive list of cases, I wanted to highlight the extraterritorial reach of the US regulations which have long-arm jurisdiction over foreign financial institutions where there is a US nexus, and to shed the light on the risks of being in violation of rules imposed by a major institutional actor – the US regulator. Also, unfavorable perception by the United States about a foreign bank may be correlated with perception of illegitimacy of this bank by other social actors.

### **1.3. COMPLIANCE WITH REGULATIONS**

The term “compliance” has been extensively used by academics and practitioners in the last decades, in a variety of fields such as health, environmental, insurance industry (Edwards & Wolfe, 2004), and the banking sector.

Compliance received the most attention from both business ethics scholars and practicing managers (Weaver & Treviño, 1999). It is defined as “conforming to a rule, such as a policy framework, standard or law” (Prorokowski & Prorokowski, 2014: 65). The scope of compliance is very wide and touches on almost everything a bank does, including compliance with regulatory requirements, soft laws, standards, code of conduct, ethics programs (Weaver & Treviño, 1999; Weaver, Treviño, & Cochran, 1999; Wood, 2002), legal compliance programs, and others. In their paper “Compliance and the Compliance Function in Banks” of 2005, the Basel Committee on Banking Supervision (BCBS) stated that “compliance laws, rules and standards generally cover matters such as observing proper standards of market conduct, managing conflicts of interest, treating customers fairly, and ensuring the suitability of customer advice. They typically include specific areas such as the prevention of money laundering and terrorist financing and may extend to tax laws that are relevant to the structuring of banking products or customer advice” [13].

In this study, “compliance” is referred to banks conforming to laws and regulations related to anti-money laundering, counter-financing of terrorism, sanctions programs, and tax evasion as detailed in the above paragraphs. Academically, Parson (1963) talked about “inducement and persuasion” and “deterrence” as ways of drawing out desired responses and argued that compliance leads to situational advantage whereas non-compliance leads to situational disadvantage. Inducement is an attempt by those imposing the rules to get a decision in their favor e.g. compliance. Deterrence is also an attempt to get compliance where non-conformity would expose the violator to financial penalties for instance.

We have seen many examples of banks around the globe being penalized for violation of regulations. At the end, what imposer of rules and regulations wants “*is precisely compliance, the performance of obligation. He imposes sanctions only if forced to*” (Parson, 1963: 44). Etzioni (1975) identified coercion which relies on punishment as a tool to achieve behavioral compliance. At her end, Oliver (1991) talked about acquiescence as a strategic response to institutional pressure; acquiescence is the blind adherence by an organization to taken-for-granted rules, values and norms within the institutional environment. Whereas Pfeffer & Salancik (1978: 94) considered that “*compliance is a loss of discretion, a constraint, and an admission of limited autonomy*”.

---

[13] Basel Committee on Banking Supervision: Compliance and the Compliance Function in Banks; <https://www.bis.org/publ/bcbs113.pdf>

Why do organizations opt for compliance while others choose non-compliance? Possible reasons for non-compliance are related to impact on the organization's performance because compliance could have negative effect on short term performance and business development. Thus, commitment to ethical compliance program "*can easily be lost in an environment in which managers are expected to deliver increasing return to shareholders and stay ahead of the competition*" (Weaver, Treviño, & Cochran, 1999: 44).

Whereas compliance does not have an immediate effect; rather, it could have long term non-tangible benefits. For instance, pressure by an organization on one another to adopt some compliance measures could affect the latter performance on the short run; however, it could have positive outcome on the long term such as maintaining its legitimacy vis-à-vis the organization on which it is dependent to survive and continue business.

However, organizations may choose to comply with certain regulations if all organizations in the field adopt the same approach so there will be no competitive advantage for one organization over another. For example, if the regulation stipulates compliance with anti-money laundering rules, the objective of the regulation is achieved if all banks comply with this regulation so there is no privilege or benefit for non-compliance. Weaver, Treviño, & Cochran (1999) highlighted for instance how the sentencing guidelines of the United States Sentencing Commission have not influenced all companies equally due to lack of familiarity among some of these companies. What makes one organization adopt a stringent compliance program than another is not a function of the organization's size; rather, it has to do with "*leadership, reward strategies and a learning culture*" (Jackman, 2001: 214).

Of particular importance to the Lebanese banking community is the compliance with the United States laws and regulations for the reasons explained above. The number of laws and regulations with which banks are compelled to comply are continually increasing, so are the sanctions for non-compliance; in continuous growth too. It is clear that this trend is unlikely to shrink in the near future. Thus, banks are struggling with the expectations, requirements and demands of the heightened regulations and their underlying pressures. This has led to parallel increase of compliance costs for banks which have to invest in human resources, technology, policies and procedures, and systems to mitigate any compliance risk.

At one point in time, compliance functions in banks were viewed as an annoying hindrance to business development. They were not conceived as one of the major departments that add value to the organization. Their duties were seen as a mere “tick-box” exercise, making sure forms are properly filled-in, and procedures are followed, without any regard to the potential risks involved. In recent years, in view of the overwhelming set of international and domestic compliance requirements and regulations, there has been an increase in the importance of compliance functions around the world. These functions have also experienced dramatic evolution as to their role in the management of compliance risk in these banks.

Lebanese banks became aware of the seriousness of the US regulations after the LCB crisis and had to take the necessary measures since they realized that cutting off Lebanon from the US financial system has disastrous consequences on a sector that is highly dollarized. *“The matter of LCB had an important impact on the banking sector in Lebanon, and how banks have upgraded their compliance standards”*, said a General Manager and Group Head of Legal and Compliance of one of the leading banks in Lebanon. He continued by stating that *“we very much rely on our relationship with correspondent banks, as Lebanon has a dollarized economy and is part of the international payment system. Preserving correspondent banking is vital [...] to the continuity of banks.”* (The Daily Star, 2013) <sup>[14]</sup>. Turning to an alternative financial system, such as the European one, would not help because any sanctions by the US on Lebanon will definitely affect the strategies of the European banks. In a recent example, the French state-owned bank – Banque Publique d’Investissement (Bpifrance) – decided in September 2018 to finance French companies willing to export goods to Iran. Because of US sanctions re-imposed on Iran after withdrawing from the nuclear deal of 2015, the French bank has abandoned its plan to finance French companies due to fear of US sanctions.

Losiewicz-Dniestrzanska (2015) highlighted the growing role of compliance functions and compliance risk management. The latter, if not properly managed, could result in regulatory sanctions, financial loss, or reputational damage. On the other hand, it is no longer socially acceptable for banks to be seen as knowingly and intentionally involved in money laundering or terrorist financing activities (Edwards & Wolfe, 2004), or in violation of any sanction program imposed by key institutional actors such as the United States.

---

<sup>[14]</sup> The Daily Star (2013): “Lebanon striving to adhere to U.S. regulations”; <http://www.dailystar.com.lb/Business/Lebanon/2013/Dec-02/239552-lebanon-striving-to-adhere-to-us-regulations.ashx>

Hence, the matter of compliance is a question of survival for the Lebanese banks because the negative consequences of not complying with US regulations outweigh any presumed gains from non-compliance. However, the sheer number of international regulations, accompanied by those of the Lebanese regulator, led to increased cost of compliance where compliance functions in the Lebanese banks have dramatically grown in size, personnel, and systems. They stepped up their budgets, control measures, human resources, and automated solutions in order to mitigate any compliance risk. Moreover, clashes between business-people and compliance arose; the former want to satisfy business needs and meet their targets, whereas the latter are seen as an obstacle to their performance. Carving a window into rigid regulations and finding a middle ground between conforming to laws and meeting clients' needs, is not an easy and straightforward task. It necessitates full conversance with relevant laws and regulations, increasing awareness of concerned people, and tone on the top to enforce compliance.

The Lebanese authorities recognized the criticality of the Compliance function and its evolution over time in view of the heightened pressure of international regulations. Thus, the Central Bank of Lebanon obliged banks on January 2013 to establish a Compliance Department whose duty is to deal both with AML/CFT matters and regulatory matters as well. Regulation highlighted the role of the compliance function, its independency, authority, seniority, along with the qualifications of the compliance personnel. Also, the regulation addressed the role of senior management with regard to compliance.

The cost of compliance has significantly increased and constituted a barrier to business development and therefore to shareholders' returns. Banks became then stuck between weighing the increased cost of compliance which is necessary to safeguard their reputation and legitimacy, and profit generation and maximization. Compliance functions at the end are not moneymakers, however, they are money savers especially when you think of the penalties imposed on non-compliant banks.

#### **1.4. THE RISK OF DE-RISKING**

Given the mounting pressure of international regulations, banks are exposed to various risks. The major threat today facing the banking community is "de-risking". De-risking refers to international banks, mainly US and EU ones, exiting relationships with other banks and also banks at their end closing relationships with some type of clients perceived as high risk.

International banks are scared of the financial penalties that may be imposed on them by their regulatory bodies due to dealing with high risk correspondent banks or banks located in high risk jurisdictions, so they close these relationships. Also, at their ends, banks fear the closure of their accounts by their international correspondent banks, so they exit relationship with high risk customers and therefore they minimize their own risk exposure rather than managing those risks. This process has been attributed to the increasing cost of compliance with regulatory requirements, and the threat of enforcement action for failing to meet such obligations, particularly in relation to AML/CFT requirements. This contradicts with international guidelines issued for instance by the FATF, which call for adoption of a risk-based approach to deal with “de-risking” rather than opting for accounts’ closure. The World Bank also called for coordinated efforts by the public and private sectors to mitigate the risk of financial exclusion and the potential negative impact on financial stability <sup>[15]</sup>. The main factors driving de-risking by international financial institutions could be due to perceived high-risk clients, low profitability, high compliance cost versus low business reward, risk of being exposed to financial penalties, and fear of reputational damage. According to the World Bank, the drivers of the decline in foreign correspondent banking relationships could be either due to purely economic decision, or due to compliance risks such as those related to AML/CFT, sanctions, or other legislation or regulations.

Changes in the regulatory and enforcement landscape, economic and trade sanctions, and tax transparency could also be reasons for de-risking. The FATF considered that the drivers of de-risking are complex and include “regulatory burdens related to the implementation of anti-money laundering and counter-terrorist financing (AML/CFT) requirements, the increasing number of sanctions regimes, and regulatory requirements in financial sector”. The International Monetary Fund (IMF) considered that de-risking may arise when regulatory expectations are ambiguous, and risks cannot be mitigated. The Financial Conduct Authority (FCA) – the financial regulatory body in the United Kingdom, commissioned in 2016 John Howell & Co. Ltd. to undertake a study about de-risking in order to understand the reasons underpinning this phenomenon, its nature, scale and impact, and the extent to which AML/CFT considerations are part of these reasons. Their study has shown that interviewed banks wanted to lower their overall risk profile and pay more attention to compliance matters.

---

<sup>[15]</sup> The World Bank (2016): The Withdrawal of Correspondent Banking Relationships: A Case for Policy Action; <https://www.imf.org/external/pubs/ft/sdn/2016/sdn1606.pdf>; visited on March 18, 2018

Also, they found out that de-risking is a result of the high cost of compliance as well as a response to criminal, civil and regulatory actions. Accordingly, banks might deal or not with any type of clients at their own discretion. Hence, “*achieving the perception of legitimacy and fairness of the regulatory system requires consistency and transparency when dealing with each type of customer*” (Artingstall, Dove, Howell, & Levi, 2016).

Little empirical data is available about the extent and nature of accounts being de-risked and how financial institutions take the decision of discontinuing relationships. However, de-risking has negative consequences at multiple levels. This phenomenon leads to driving customers to the “underground” banking where money laundering and terrorism financing go undetected, where no rules for AML and CFT exist, rather than adopting a financial inclusion approach e.g. driving customers into the formal financial system where stringent AML/CFT controls are in place. High-risk customers then move their funds to smaller banks that may not have the sophisticated compliance systems needed to provide deep levels of oversight. Also, de-risking has humanitarian, economic, political and social implications (Durner & Shetret, 2015); social implications because it isolates certain communities from the global financial system and leaves a certain population unbanked.

In the context of banking de-risking e.g. international banks discontinuing relationships with smaller banks, financial institutions in developing countries and emerging markets rely primarily on their international correspondent banks to access the international financial system and carry out transactions. Correspondent banking is essential for customer payments, especially cross border payments, and for the access of banks themselves to foreign financial systems. The ability to make and receive international payments via correspondent banking is vital for businesses and individuals.

Hence, banks have to comply with the expectations and demands of their correspondent banks on which they depend to survive should they decide to avoid being de-risked. The figures of banks being de-risked are alarming and reached a critical level in some countries. According to the World Bank, almost half the banking authorities surveyed in 2015 experienced a decline in correspondent banking relationships. De-risking reached 75 percent in some countries according to the World Bank <sup>[16]</sup>.

---

<sup>[16]</sup> The World Bank (2015). Withdrawal from Correspondent Banking: Where, Why and What to Do about It.

In brief, international and large banks, mainly US ones, have opted for large-scale de-risking of their correspondent banking relationships around the globe to minimize the risk of being exposed to fines and penalties by their regulators and enforcement agencies. The drivers behind this decision are various and include stringent regulatory requirements, cost/benefit criteria, economic and trade sanctions, AML/CFT risks, and tax transparency. Banks around the globe, including Lebanese ones are facing many challenges to safeguard their relationships with their US counterparts. In order to avoid de-risking, these banks have to comply with the requirements of their counterparts by enhancing their compliance measures, assessing their AML/CFT risks, adopting stringent policies and procedures, and allocating the adequate resources to mitigate these risks. Although this approach might allow for flexibility and risk avoidance, it also introduces uncertainty, ambiguity, and subjectivity around the actions that have to be taken by banks to meet international requirements.

### **1.5. LEBANESE CONTEXT**

Lebanon is neither isolated nor immune from the risks and the extraterritorial reach of the US regulations highlighted above. Lebanon is part of the international financial community and its banking sector maintains relationships with the US through correspondent banking accounts held by Lebanese banks with their US counterparts. Without these relationships, Lebanese banks cannot undertake US transactions and therefore any violation to US regulations could have disastrous consequences on the violating bank and could simply lead to the same risks of penalties and/or de-risking.

As the research problem evoked later on postulates that the Lebanese banking sector is in continuous quest for the legitimacy of the US regulator in order to survive, it would therefore be helpful to shed the light next on the Lebanese banking sector and its importance for the Lebanese economy, to highlight the main US regulations to which the Lebanese banks are exposed and why they are of particular importance to comply with, instances where these regulations have been violated and the consequences of these violations, and how the sector has accompanied the heightened risks of the US regulations. This would set the scene for the reader to understand the research problem.

### 1.5.1. Overview of the Lebanese Banking Sector

According to the Association of Banks in Lebanon, the number of banks operating in Lebanon at the end of 2016 reached 67 banks (50 commercial banks and 17 investment banks). Commercial banks are constituted of 32 Lebanese banks with Lebanese control, 7 banks with Arab control, 7 branches for Arab commercial banks and 4 branches for foreign commercial banks. Also, the Lebanese banks expanded their presence overseas where 18 banks have established branches, subsidiaries, or representative offices in 32 countries. In addition, according to the ABL Annual Report of 2016, Lebanese banks maintain correspondent relationships with 183 banks in 82 cities around the world allowing them to carry out international financial transactions. Their deposits with foreign correspondent banks stand to almost USD 5 billion at the end of 2016 <sup>[17]</sup>. Hence, the expansion of the Lebanese banks overseas along with maintaining correspondent relationships on the international level, make them exposed to international laws and regulations with which they have to conform should they decide to remain part of the international financial community.

The Lebanese banking sector has proven to be resilient over the years despite all challenges which has faced and continue to face as of today. These challenges are both political and economic and are mainly due to unpredictable politics in the country. On the economic and financial side, we can cite the imbalance in the public finances, the high level of gross public debts that reached \$79.52 billion by the end of 2017 according to the Ministry of Finance and the Association of Banks in Lebanon, the lack of lending opportunities in the private sector, in addition to mounting compliance requirements. Despite these challenges, the Lebanese banking sector maintained its profitability, liquidity and ability to meet the financing needs of the private and public sectors. Banks continue to attract deposits irrespective of all surrounding risks, so deposits from the private sector grew by almost \$50 billion between 2011 and 2016 (a period of high political instability and regional turbulence due to the Syrian war, terrorist groups on the Lebanese borders, and other factors) to reach \$169 billion at the end of September 2017, more than three times the country's GDP. Also, the conservative approach adopted by the Lebanese banking sector and the wise policy of the Central Bank of Lebanon, protected the sector from the international financial crisis of 2008 so it remained attractive to capital inflows as evidenced by the continuous growth of deposits during and after the crisis.

---

<sup>[17]</sup> ABL Annual Report (2016); <http://www.abl.org.lb/Library/Files/Files/Ann%20rep%202016%20En%204.pdf>; visited on June 6, 2018

According to “IMF Survey: Resilient Lebanon Defies Odds in Face of Global Crisis” in 2009, it was noted the remarkable resilience of Lebanon and the Lebanese banking sector after the financial crisis of 2008, and how Lebanon has defied the odds in face of the global financial crisis. The report added that Lebanese banks succeeded to maintain steady deposits inflows that are mainly derived from the large Lebanese diaspora <sup>[18]</sup>.

More recently, in 2015, Chris Wright – writer about banking and finance in Asia, the Middle East and Africa – asked in *Euromoney* how a country that is unable to elect a president (of the Lebanese Republic), that absorbed more than 1 million Syrian refugees, and which has a terrorist group (ISIS) on its border, was able to issue its biggest-ever bond that was oversubscribed under these circumstances. The writer concluded that the country could manage these tricks because of its solid and strong banking sector and loyal Lebanese diaspora <sup>[19]</sup>.

One of the fundamental pillars of the Lebanese banking sector and the economy as a whole is the inflow of funds from Lebanese expatriates working abroad and transferring money to Lebanon for saving purpose, investments, or social financial support. Lebanese banks have been consistently attracting deposits from abroad. These inflows have been persistent over time and have witnessed a strong acceleration during the period 2007-2010 because of oil prices accompanied by confidence of investors in the Lebanese banking sector after the 2008 financial crisis. Thus, deposits increased by USD 30 billion between 2008 and 2010, constituting therefore to 86% of 2009 GDP. Overall, inflows contributed to shaping the structure of the Lebanese economy and economic policies (World Bank, 2012). In a more recent report of the World Bank (April 2018), remittances by emigrants are important in times of crisis as they constitute a source of foreign exchange. For Lebanon, they constitute about 15% of the country’s GDP. Below is their evolution over the years.

---

<sup>[18]</sup> Harald Finger and Carlo Sdravovich (2009); “IMF Survey: Resilient Lebanon Defies Odds in Face of Global Crisis”; <https://www.imf.org/en/News/Articles/2015/09/28/04/53/socar081109a>; visited on June 5<sup>th</sup>, 2018

<sup>[19]</sup> Chris Wright (2015); *Euromoney*: “Lebanon sells \$2.2 billion of bond”; <https://www.euromoney.com/article/b12klgsb2g0ryx/lebanon-sells-22-billion-of-bonds>; visited on June 5<sup>th</sup>, 2018

**Table 2: Migrant Remittance Inflows**

Year	\$ Million						
2002	2,544	2006	5,202	2010	6,914	2014	7,191
2003	4,743	2007	5,769	2011	6,878	2015	7,481
2004	5,591	2008	7,181	2012	6,671	2016	7,606
2005	4,924	2009	7,558	2013	7,567	2017	7,955

*Source:* World Bank staff calculation based on data from IMF Balance of Payments Statistics database and data releases from central banks, national statistical agencies, and World Bank country desks (April 2018).

In sum, the remittances of the Lebanese diaspora are the main pillar of resilience which make the Lebanese banking sector succeeding to maintain its immunity over the years despite all political turbulences and regional instability. This immunity has been shown in various financial indicators and as reported by international bodies such as the World Bank and the International Monetary Fund (IMF). The key success primarily stems from the trust and confidence of stakeholders in the Lebanese banking industry which put it in a comfortable and solid position to satisfy customers’ needs, remain liquid and profitable, and respond to the international financial community requirements. However, the above-mentioned positive figures emanating from a robust banking sector and solid diaspora remittances do not make Lebanon immune from any criticism or scrutiny especially from the United States, which make the Lebanese financial system vulnerable. With cross borders remittances comes risks of money laundering, terrorism financing, violation of sanctions programs, and tax evasion.

According to the US Department of State - International Narcotics Control Strategy Report (2015), Lebanon enjoys substantial inflows of remittances from expatriate workers and family members, however, the US pointed to some reports by the media which highlighted the involvement of a number of Lebanese expatriates in underground finance and trade-based money laundering activities. This makes Lebanon vulnerable to money laundering and terrorism financing risks. Also, at one point in time, Lebanon has been criticized by the US for lacking adequate anti-money laundering and counter-financing of terrorism laws and regulations. For instance, as per the US Department of Treasury (2013), Lebanon did not put in place a law to tackle cross-border currency declaration to hinder cash-smuggling at Lebanese points of entry. Also, in the context of counter-financing of terrorism, the Treasury highlighted that Lebanon did not ratify the United Nation’s Convention for the Suppression of the Financing of Terrorism.

### 1.5.2. Why Are US Regulations Important for Lebanon?

There is no question that the US regulations have impact on the Lebanese banking sector, the latter being part of the international financial community and dealing heavily in US currency. This power of the US regulations stems from the importance of the US currency as a predominant worldwide currency and the power of the US to enforce its regulations beyond its borders. As posited by Eichengreen (2011), the dollar is by far the most important currency for international transactions settlement even when trade transactions such as imports and exports do not touch the US territory. He stated for instance that more than 80% of the trading activity of South Korea and Thailand is in US dollars despite the fact that only 20% of their exports go to US buyers. Moreover, the principal commodity exchanges such as oil are priced in dollar which is also used in 85% of foreign exchange transactions worldwide.

This reliance on the US currency is also true for Lebanon where the dollar is a predominant currency. In fact, the Lebanese economy is highly dollarized in the sense that the dollar serves as the main currency of transactions and payments, and as a monetary standard for other currencies. Payments for business transactions are often made in U.S. dollars, and nearly all Lebanese banks have US correspondent banking relationships that facilitate financial transactions in the USD currency. Eventually, US dollar transactions around the world have to go through the US financial system via US correspondent banks. Also, according to the Association of Banks in Lebanon, the dollarization rate of cleared checks account for almost 70% of total cleared checks, and for 100% of foreign currency checks, reflecting the importance of the US dollar in economic and financial transactions in Lebanon.

Political and economic uncertainty surrounding the new salary scale in Lebanon, tax measures, and US sanctions on Hezbollah have been adding to demand for the US dollar in recent months. This might explain why the dollarization rate of private sector deposits reached an eight-year high of 66.9% at the end of August 2017. Hence, Lebanese banks “*seek permanently to strengthen relationships with correspondent banks, particularly the US ones, for the reason that most of the Lebanese banking sector transactions with abroad and the financing of Lebanon's foreign trade and remittances of the Lebanese are in US dollars and through correspondent accounts with banks in New York*” (ABL Annual Report, 2016) <sup>[20]</sup>.

---

<sup>[20]</sup> ABL Annual Report (2016); The Lebanese Banking Sector in 2016

On the other hand, there is always the question as to whose assessments count in conferring legitimacy (Scott, 2014). In the case of the Lebanese banks, is it the legitimacy of the US regulator that counts, the most powerful actor? Or the legitimacy of the Lebanese regulator, the less powerful constituent in this case. To highlight this point, I refer to an interview performed by Julia Tierney (2017) during her study over the resilience of the Lebanese economy and the banking sector, which I found very comprehensive and summarizes the legitimacy challenge facing the Lebanese banks today.

Tierney (2017) asked during one of her interviews with a Lebanese economist at an international financial institution about what could cause inflow of deposits into the Lebanese banks to cease? The interviewee pointed to her tape recorder, signaled with his hand that he wanted it turned off, and answered her question as follows:

“It was not simply a collapse of the state or a return of civil war in Lebanon, but a politically targeted move by the United States Treasury against another large Lebanese bank that could heavily compromise the confidence of depositors in the financial system.”

The interviewee was referring to the Lebanese Canadian Bank, one of the largest Lebanese banks which collapsed overnight due to violation of US sanctions and its subsequent designation on February 2011 by the US Department of Treasury as a bank of “primary money laundering concern”. The interviewee’s above statement explains the fear of the Lebanese bankers when they talk about US sanctions on one hand, and on the other hand it pinpoints the power of the US in imposing sanctions extraterritorially, which could affect the legitimacy of the Lebanese banks.

Whether the drivers behind imposing sanctions on LCB are political or not, is something beyond the scope of this research. Yet, what is evident is that the power of the US regulator stems primarily from the US dollar, the world’s dominant currency. This “exorbitant privilege” of the US stipulates who has the right to access the US financial system and who is banned or excluded from the US financial community. Moreover, not only the financial institution that is sanctioned by the US is obstructed, but also other financial institutions having relationship with sanctioned entities could be prohibited from dealing with US banks should they decide to continue dealing with designated banks.

Sometimes, the US nexus does not only apply in case where illegitimate transactions are processed through the US financial system, but also where the US currency is used outside the US. At the end, the dollar is a US product where the US government has solely sovereign power over it. Moreover, the US regulations are much more far-reaching to encompass non-US currency dealings such as for example in the case of the US Act - Hizballah International Financing Prevention Act (HIFPA) where dealing in any currency is prohibited. HIFPA stipulates that, upon a determination by the Secretary of the Treasury that a foreign financial institution knowingly engages in an activity with Hizballah, in any location or “currency”, the Secretary of the Treasury may, impose one or more strict conditions on the opening or maintaining of a correspondent account in the United States for that foreign financial institution, or prohibit a U.S. financial institution from opening or maintaining a correspondent account or a payable-through account in the United States for that foreign financial institution <sup>[21]</sup>.

### **1.5.3. Impact on Lebanese Laws & Regulations**

In light of the above pressures and challenges imposed by international regulations, especially US ones, Lebanon and the Lebanese banking sector had to align their relevant laws and regulations with the requirements of the international financial community. In recent years, the Lebanese banking system has been criticized for alleged weaknesses in its regulatory framework, especially those related to anti-money laundering and anti-terrorism financing and has been subject to heightened scrutiny by the international financial community. The ABL rejected these accusations and considered that the Lebanese competent authorities have responded to the demands of the international community by improving its legal regime, enacting new laws, establishing new institutions, developing new regulations, and implementing higher standards of industry practice.

However, given the heightened level of regulatory uncertainty and the increased challenges facing Lebanese banks, the latter are struggling to maintain their legitimacy vis-à-vis external stakeholders who evaluate organizations, and on which they are dependent to survive. It is therefore important to explore how the sector’s legitimacy is affected in view of the external pressures imposed by the US regulations, how compliance functions of banks have influenced, and what are the strategic responses adopted by the sector to maintain its legitimacy? This problematic is discussed in further details below along with the raised research questions.

---

<sup>[21]</sup> Federal Register /Vol. 81, No. 73/Friday, April 15, 2016

## **1.6. RESEARCH PROBLEM**

The Lebanese banking sector has shown considerable growth, expansion, and resilience over the years. Despite global turmoil and financial crisis in the international banking sector, the Lebanese banking system demonstrated its ability to serve as a model of stability and resistance to political and economic challenges as it endeavors to keep up with evolving international standards. The sector continues to attract deposits through transnational financial inflows despite political instability and regional turbulence. However, Lebanese banks are facing increased institutional pressure because of international regulations, which have to do with anti-money laundering, counter financing of terrorism, sanctions programs, and tax evasion. Obviously, pressures imposed by international laws and regulations have various impacts on banks worldwide and on the Lebanese banks as well. The consequences of non-compliance could be significant and may expose these banks to reputational risk, financial penalties, “de-risking”, cutting off from the international financial system, in addition to impacting their compliance strategies and organizational structures.

For a country like Lebanon where the banking sector is the major pillar of the economy, compliance with banking laws and regulations is not an option. Any violation could be disastrous to the country and may lead to cutting-off Lebanon and the Lebanese banks from the financial world; something that Lebanon cannot afford. Therefore, safeguarding the soundness and stability of the banking sector in Lebanon is of utmost importance not only for the Lebanese banks individually, but also for the Lebanese economy in general. This cannot be achieved without strict compliance with international laws and regulations imposed by international regulators. The most critical exogenous forces are those exercised by key institutional actors, mainly the United States, the European Union, and the United Nations. However, among these regulations, US ones are of particular importance for Lebanon for various reasons. First, the Lebanese economy is highly dollarized. The dollar serves as the main currency of transactions and payments, and as a monetary standard for other currencies. Second, payments for business transactions are often made in US dollars, and every US dollar transaction around the world has to go through the US financial system via US correspondent banks. This reliance on the US currency is also true for Lebanon where the dollar is a predominant currency, and nearly all Lebanese banks have American correspondent banking relationships that facilitate financial transactions in the USD currency. Third, the US has an “exorbitant privilege” to enforce compliance with its regulations extraterritorially, and to stipulate who has the right to access the US financial system and who is banned or excluded from the US financial community.

In this research, I take into consideration the US regulations due to their criticality and their extraterritorial reach, and because Lebanon is a “dollarized” market where Lebanese banks are in need for US correspondent banks to carry out international USD transactions. Given the increased challenges of US regulations, Lebanese banks are in continuous quest for legitimacy that is conferred by the US, especially after the Lebanese Canadian Bank which was shut down overnight due to violation of US regulations. Lebanese banks, being part of the international financial community, are struggling to maintain their legitimacy vis-à-vis the US regulator, and therefore avoid being de-risked by their US correspondent banks.

On the other hand, pressure exercised by US regulations imposes a certain “isomorphism” on Lebanese banks which are dependent on their foreign counterparts to carry out international financial transactions, because “*the greater the dependence of an organization on another organization, the more similar it will become to that organization in structure, climate, and behavioral focus*” (DiMaggio & Powell, 1983:154). This has led to changes in the Lebanese banks compliance strategies which have evolved over time to cope with the requirements of US regulations. However, conforming to a sheer number of regulations is not always an easy and straightforward task for banks, especially where laws and regulations provisions differ from one country to another, not to mention conflicting requirements in some instances. Compliance with a web of laws that have evolved over the years and continue to grow and proliferate with greater complexity, is a mounting challenge facing transnational businesses around the world (Rathbone, 2013).

Compliance is not always straightforward in the presence of conflicting laws and contradicting requirements with which organizations are compelled to conform (Burrell, 2012), or where conflicting institutional demands make compliance unachievable (Oliver, 1991). Rathbone (2013) in his turn posited that US economic sanctions can be “nuanced and opaque”, and therefore US and non-US entities should be mindful of the long-arm jurisdiction of US regulations which consist of complex web of laws and rules. The champions of conformity in banks are the Compliance functions. These functions have evolved during the last decade; however, they continue to face critical challenges. On one hand, they are facing legitimacy challenges inside their banks. On the other hand, they are the major player in helping banks maintaining their external legitimacy as they were initially created to respond, among other things, to external legitimacy challenges.

Their role has always been a challenging responsibility, but with the increased uncertainty of today's global political order and its potential impact on the regulatory environment, it has never been so demanding, especially that banks can do little to influence the external environment.

In general, organizations adopt various strategies to maintain their legitimacy. Strategic responses to institutional pressure vary from passive conformity to proactive manipulation (Oliver, 1991). Organizations could passively conform to isomorphic pressures arising from external institutions (DiMaggio & Powell, 1983). By conforming to the three external institutional pressures (coercive, normative, and mimetic) identified by DiMaggio & Powell (1983), organizations can build support and gain legitimacy for their activities in specific institutional environments. "Coercive isomorphism" suggests that organizations are subject to the force of the law, rules and regulations to which they tend to conform in order to maintain their legitimacy. It stems from formal and informal pressures exerted on organizations, including government authority and other more powerful organizations on which they are dependent to survive. "Normative isomorphism" is associated with professionalization and results from the desire to conform to the standards and rules of a profession promoted by professional groups with which organizations need to comply. Finally, "Mimetic isomorphism" takes place where organizations respond to uncertainty in their environment by imitating the practices adopted by other successful organizations.

Alternatively, organizations could proactively engage in managing these institutional pressures by adopting certain legitimacy-seeking strategies (Oliver, 1991; Ashforth & Gibbs, 1990; Suchman, 1995). Here, I draw on the five possible strategic responses identified by Oliver (1991). Her typology offers valuable insights on the way organizations react to institutional processes. These five types of strategic responses vary in active agency by the organization from passivity to increasing active resistance, and include acquiescence, compromise, avoidance, defiance, and manipulation. "Acquiescence" refers to blind adherence by the organization to taken-for-granted rules, values and norms within the institutional environment. "Compromise" strategy is adopted when organizations are confronted with conflicting institutional demands, and therefore they attempt to balance, pacify, or bargain with external constituents especially when there are inconsistencies between institutional expectations and organizational objectives. "Avoidance" is defined by Oliver (1991:154) as "*the organizational attempt to preclude the necessity of conformity*".

“Defiance” is a more active form of resistance to institutional processes and includes ignoring institutional rules especially when the potential for enforcement of these rules is low, challenging institutional rules, or attacking them when the organization believes that its rights, privileges, or autonomy are in serious jeopardy. Finally, “Manipulation” is the most active response to institutional pressure. Organizations seek to actively change or exert power over institutional demands. This strategy involves an opportunistic attempt to co-opt, influence, or control institutional constituents in order to achieve legitimization.

**This research postulates that the Lebanese banking sector is on continuous quest for the legitimacy of the US regulator on which it is dependent to survive and might encounter problems along the way to maintain it. Thus, the aim of my research is to explore how the US regulations affect the perception of the Lebanese banking sector legitimacy and how legitimacy has evolved over time in the Lebanese context. Also, I investigate how the compliance functions of banks have been influenced by the US regulations and the ways in which Lebanese banks use their compliance activities to engage in legitimacy-seeking behavior, along with the strategic responses adopted by the Lebanese banking sector to respond to the challenges of its legitimacy. This problematic takes into consideration a cliff in the sector’s legitimacy following the LCB crisis which was a turning point. Thus, the periods pre-LCB and post-LCB are pivotal during this study in order to answer the research questions.**

Although there was a growing body of research on legitimacy of organizations in various fields due to calls for more empirical attention on this central concept of the neo institutional theory (Galaskiewicz, 1985; Suchman, 1995), researches on the legitimacy of banks remain very scarce in the literature. This lack of attention is disappointing because legitimacy is an “*anchor-point of a vastly expanded theoretical apparatus*” (Suchman, 1995:571). This is also true in the Lebanese context. I did not come across any study that examines the legitimacy of the Lebanese banking sector and its evolution over time and how a foreign regulator affects the perception of legitimacy. It is this gap that I will try to address in my research especially that the banking industry in general is worth being studied because banks are more visible than other sectors due to their financial intermediation role, so they have to maintain public trust, and because they face strong institutional pressure from various institutional constituents, in addition to the importance of the Lebanese banking sector being a major pillar of the country’ economy.

Also, banks in general remain under-researched (Van der Stede, 2011), so is the case in the Lebanese context. This is probably due to the sensitive nature of their activities, the confidential information they hold about their customers, and their entrustment with people's money, which makes access to them more difficult. Questions such as 'How', 'Why' and 'To Which Extent' Lebanese banks maintain legitimacy via their compliance measures remain very poorly addressed, even non-existent.

Hence, it is important to explore how the Lebanese banking sector strategically manage their compliance functions to respond to challenges of its legitimacy. Based on my preliminary research, and despite an increased interest in compliance-related matters, it is surprising that I did not come across any empirical research on the topic which I believe it is worth being fairly and sufficiently addressed in Lebanon. To do so, I examine US regulations in the sociological view of three mechanisms of institutional isomorphic change: normative isomorphism, mimetic isomorphism, and coercive isomorphism, and seek to understand the relation between these regulations and changes in institutions within the context of these three mechanisms.

These three types of isomorphism can collectively provide three related but distinct bases for legitimacy which institutional actors could confer upon the organizations. Legitimacy can be achieved by conforming to the law of the land (through coercive isomorphism), via moral compliance (through normative isomorphism) and/or through adopting a common frame of reference or definition of the situation (through mimetic isomorphism) (DiMaggio & Powell, 1991).

Also, I argue that Oliver's typology, with its framework for evaluating legitimacy-seeking behavior, provides a powerful analytical tool with which to research how Lebanese banks use compliance activities to seek legitimacy from the US regulator. Thus, I examine whether banks utilize the strategies proposed by Oliver (1991) as a reaction to the coercive, normative or mimetic pressures, and what pathways to compliance they adopt under stringent institutional demands and conditions of institutional complexity.

As shown in the next part, the literature about legitimacy, isomorphism, and strategic responses is not without some gaps. While the neo institutional theory contributes to our understanding of the behavior of organizations when they are influenced by social forces, it does not inform us how organizations engage in various strategies to respond to institutional pressures for the purpose of maintaining their legitimacy; something that is worth being studied in the Lebanese context through an institutional lens in order to provide an answer on how the Lebanese banks continue to survive and maintain their legitimacy in view of the heightened pressures. Also, the literature related to legitimacy does not examine how a foreign regulator could influence over time the perception of legitimacy in the banking sector of a different country, and therefore does not reveal whether legitimacy is static or dynamic and whether its dimensions could vary over time. In addition, the literature on the strategic responses of organizations, in particular Oliver's (1991) conceptual framework, does not tell us how banks respond to the mounting pressures of various and conflicting regulations and raises a question about the extent to which Lebanese banks are in a position to influence the institutional environment in which they are situated, and whether they have any room for maneuver when it comes to responding to the US pressure.

In view of the above, I provide an answer to a central research question and two other questions which constitute an integral part of this study that deserve to be investigated in order to better understand the problem and its resolution (Van de Ven, 2007). Beside answering the below research questions, I expect to contribute to the concepts of legitimacy and isomorphism by exploring whether the legitimacy dimensions vary in the Lebanese context, whether there was isomorphic change in the compliance functions in banks, and finally whether the strategic responses adopted by the sector are specific in the Lebanese banking sector.

- **How the US regulations affect the perception of the Lebanese banking sector legitimacy?**
  
- How the Compliance functions of Lebanese banks have been influenced by the pressures of US regulations?
  
- What are the strategic responses adopted by the Lebanese banking sector to maintain its legitimacy in view of the pressures of the US regulations?

## 1.7. RESEARCH PROJECT OUTLINE

Having exposed in Chapter One a general introduction which provides an overview about the research in hand, its relevance and significance, and the general problematic questions that will be addressed during this study, I opt here below to orient the reader to the remainder of the project by setting the research project outline and its sequence. Chapter Two highlights the extensive literature review about the topic in hand and the theoretical framework, in particular the neo institutional theory and two of its core concepts, Legitimacy and Isomorphism, in addition to Oliver’s (1991) conceptual framework of strategic responses to institutional processes.

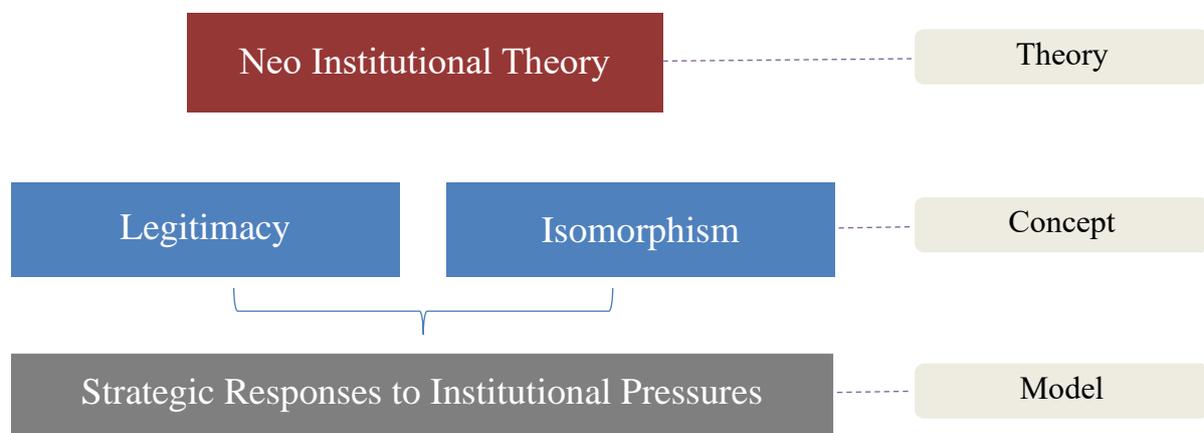
Chapter Three details the methodology adopted to answer the research questions and includes justifications as to the adopted approach and the research design. Chapter Four reveals the results which are detailed as “First Order Findings” and “Second Order Findings”. Finally, Chapter Five ends the research project with discussions of the findings, contributions to the theory, literature and practice, as well as the limitations of this study and opportunities for future researches.

**Figure 1:** Research Project Outline



## 2. CHAPTER TWO: LITERATURE REVIEW & THEORETICAL FRAMEWORK

This study is guided by the neo institutional theory in general, and by two concepts derived from this theory, in particular: (1) the concept of legitimacy whose purpose in this research is to explore the perception of legitimacy and its evolution in the Lebanese banking sector in view of the pressures of US regulations, and (2) the concept of isomorphism that is be mobilized in order to explore the isomorphic behavior of the Lebanese banks facing similar exogenous institutional pressure. Also, I draw on Oliver (1991) model of strategic responses to institutional pressures for the purpose of understanding the strategic responses adopted by the Lebanese banking sector to respond to the challenges of its legitimacy.



**Figure 2: Theoretical Framework**

Hence, I examined all available literature about the topic in hand to get myself acquainted with the selected problem and reviewed two types of literature: the conceptual literature related to the theory and concepts adopted for this study, and the empirical literature consisting of previous studies carried out on the topic by various researchers and which are identical to the one proposed here. In this part, I aim to describe first the theoretical foundation in advance of the empirical work. The theoretical framework includes a comprehensive literature review about the neo institutional theory and its relevance to understanding legitimacy. Next, I address the legitimacy concept, being the core concept that is mobilized for the purpose of this study. Also, a chunk of the literature review has been dedicated to the strategic responses of organizations to institutional pressures in view of institutional complexity and motivations for compliance.

## 2.1. NEO INSTITUTIONALIST PERSPECTIVE

In this chapter, it is important to highlight why the neo institutional theory is relevant to understanding organizational legitimacy. In particular, what does the institutional perspective tell us about the legitimacy of organizations? To start with, legitimacy is a fundamental concept of organizational institutionalism (Deephouse et al. 2017) and it has been a central focal point for institutional researchers since its inception (Lounsbury & Zhao, 2013). Organizations conform to institutional pressures not for efficiency and technical purposes, but to gain and maintain their legitimacy that is conferred by major institutional actors (Meyer & Rowan, 1977). Also, institutional theory suggests that organizational change is the result of social pressure for conformity to norms of legitimacy that defy economic explanations (Suddaby, 2013; Suddaby et al. 2016).

As argued by Scott et al. (2000: 237), “*Organizations require more than material resources and technical information if they are to survive and thrive in their social environments. They also need social acceptability and credibility*” (Scott, Ruef, Mendel, & Caronna 2000: 237). In brief, they need legitimacy. An empirical study in the context of banking has been undertaken by Deephouse (1996) who revealed that conditions under which technical efficiency versus conformity to institutional requirements provide key sources of legitimacy.

In addition, while early articulations of the neo-institutional invocations of legitimacy gave more attention on why organizations were so similar (DiMaggio & Powell, 1983), and why organizations are pressured to adopt changes that produce similarity, a growing body of empirical studies revealed that organizations adopt similar practices to gain legitimacy, sometimes at the expense of their efficiency (DiMaggio & Powell, 1983; Tolbert & Zucker, 1983). However, later research focus had begun to turn toward examining how organizations are engaged in resistance to isomorphic pressures by adopting proactive strategic responses to these institutional pressures (Oliver, 1991) and toward exploring how organizations gain, maintain, and manage their legitimacy (Greenwood et al. 2008).

Although the neo institutional theory has been criticized by various theorists for the reasons detailed below, it has shown resilience over time and continues to be adopted by social scientists interested in understanding why and how organizations attend to the institutional environments.

My intention here is not to provide a comprehensive and thorough overview of the supporters and opponents of the neo institutional theory, but rather to justify why this theory is the most convenient for this study. Aiming to explore the organizational behavior of the Lebanese banking industry that is facing institutional pressure of the US regulator, I found out that the neo institutional theory is the most relevant theoretical perspective for this study, because one of the key tenets of this theory is to understand organizational behavior as dependent on social pressures for conformity and legitimacy rather than on economic pressures for improving efficiency. Lebanese banks are facing heightened institutional pressure of international laws and regulations, and therefore they have to respond to the expectations and demands for conformity at the expense of efficiency and performance.

Also, I mobilize two main concepts of this theory: legitimacy and isomorphism, with the aim of examining US regulations in the sociological view of three mechanisms of institutional isomorphic change, and to explore the perception of Lebanese banking sector legitimacy in light of the exogenous pressure of US regulations along with the strategic responses adopted by the Lebanese banking sector to maintain its legitimacy vis-à-vis a major institutional constituent – the US regulator. How banks respond to challenges of their legitimacy when confronted with pressures of a foreign regulator has not been studied. This is a gap in the literature that is worth being studied in the Lebanese context through an institutional lens because it can provide an answer on how these banks continue to survive and maintain their legitimacy in view of the heightened pressures.

Having explained the relevance of the neo institutional theory for this study, it is important in the following paragraphs to go through its key tenets and the core ingredients of institutions along with the key concepts of this theory and their link to legitimacy of organizations.

### **2.1.1. Neo Institutional Key Tenets**

The “neo institutionalism” was demarcated by the seminal work of Meyer and Rowan in 1977, Zucker in 1977 too, and DiMaggio and Powell in 1983, through their respective articles “Institutionalized Organizations: Formal Structure as Myths and Ceremony”, “The Role of Institutionalization in Cultural Persistence”, and “The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields.”

Compared to the “old institutionalism”, the neo institutional theory constituted a shift toward viewing institutions as collective cognitions and processes that occur across “organizational fields”, rather than attention on processes that occur inside individual organizations. The old model considered institutionalism as a process occurring within the organization, and had to do with conflicts of interest, power processes, informal structure, values, norms, and social commitments, whereas the new institutionalism viewed institutionalism as a process occurring in the organizational environment (at the field level), and focused on cultural and constitutive processes, routines and schemas, legitimacy processes, and formal structure (DiMaggio & Powell, 1991).

Neo-institutional theory is one of the main theoretical perspectives adopted to understanding the behavior of organizations when they are influenced by other organizations and by social forces (Lounsbury & Zhao, 2013). One of its key tenets also is to understand organizational behavior as dependent on social pressures for conformity and legitimacy rather than on economic pressures for improving efficiency.

It provides “*a rich, complex view of organizations*” (Zucker, 1987:443), and suggests that formal organizational structures are shaped by institutional forces and rational myths rather than technical needs and resources dependency (Powell, 2007). Richard Scott in his 4<sup>th</sup> edition book of 2014 “*Institutions and Organizations: Ideas, Interests, and Identities*” considered institutional theory as the most promising lens for viewing organizations in modern society and asked a series of questions about the rationale behind individuals and organizations conforming to institutions, the rewards they get as a result of conformity, and whether they are morally obligated to obey, or because they have no other choice but to comply (Scott, 2014). In this context, D’Andrade (1984) observed that institutions seem to be “overdetermined” because social sanctions and institutional pressure for conformity, in addition to intrinsic direct reward “act together to give a particular meaning system its directive force.”

So, the neo institutional theory succeeded in developing its ability to explain organizational behaviors that challenges economic rationality and has been adopted to explain for example why some processes diffuse across organizations despite their incapacity to improve efficiency.

On the other hand, this theory explained the diffusion of certain practices across organizations, along with the effects of the environment and external stakeholders on organizational decision making. An important component of institutional change is the way in which environmental forces shape internal organizational power processes, as new types of actors are added, or as current actors are undercut or empowered by changing circumstances (Greenwood & Hinings, 1996).

In sum, the neo institutional theory is characterized by three main tenets. The first is *institutionalization* of structures, which means that policies, processes, or positions that constitute the main components of a formal organizational structure, became accepted as right and proper. In other terms, institutionalization is the process of transmission by actors of what is socially real and taken-for-granted. (Zucker, 1977).

For Meyer & Rowan (1977), institutionalization involves social processes taking on a “rule-like status.” As for the sources of institutionalization processes, they include (1) states and powerful organizations that have the power to exercise pressure on other organizations to adopt certain structures through coercion, (2) professional associations that can promote certain structures (normative), and (3) other organizations which adopted successful structures (mimetic) (DiMaggio & Powell, 1983).

The second tenet is when organizations’ decision makers, whatever the source of institutionalization described above is, adopt a certain process that is applied by other organizations, and are convinced of its use irrespective of whether it is beneficial for them or not. This is to avoid being viewed negatively by other organizations that have adopted a certain structure and appear to be successful. Such similarity in structures among organizational fields as a response to external pressure leads to *structural isomorphism* (DiMaggio & Powell, 1983).

The third tenet of the neo institutional theory is *decoupling*, which means separating formal structure from actual organizational practice (Meyer & Rowan, 1977). Organizations, adopting a formal structure because of external pressure, often separate and buffer their technical activities from functions adopted as a result of this institutional pressure. So, they create an illusion of their activities (formal structure) but actually perform different activities (organizational practice).

The neo institutional has been extensively criticized, for largely ignoring “power” and the need to account for powerful actors (Perrow, 1986), for denying managers’ agency and focus away from managerial practices (Donaldson, 1995), and for focusing on mimetic isomorphism at the expense of coercive and normative pressures (Mizruchi & Fein, 1999). Even DiMaggio (1988) criticized neo-institutionalism when he observed that it lacked an understanding of agency. As argued by Suddaby (2010), DiMaggio corrected the misinterpretation that organizations are prisoners of their institutional environment. Also, Kraatz & Zajac (1996) challenged core concepts of the neo institutional theory, legitimacy and isomorphism, by documenting how schools which are subject to high institutional pressures become heterogeneous over time and were successful in changing and adapting.

However, despite all criticisms, the neo institutional theory has shown resilience over time and continues to be adopted by social scientists interested in understanding why and how organizations attend to the institutional environments in which they are embedded. It has become a dominant perspective in macro organization theory (Greenwood, Oliver, Sahlin, & Suddaby, 2008), and has “*the best chance of accomplishing the aspiration for organization theory*” (Davis & Marquis, 2005: 337).

### **2.1.2. Vital Ingredients of Institutions**

Scott (2001) developed three pillars of the institutional order: regulative, normative, and cognitive, and defined institutions as comprising these three elements which provide stability and meaning to social life. Then, Scott (2014) refined cognitive legitimacy to become cultural-cognitive legitimacy, reflecting both taken-for-grantedness and shared understandings. I’m interested in these “vital ingredients of institutions” (in the words of Scott), because each of Scott’s pillar offers a different rationale for legitimacy.

The literature studying the consequences of isomorphic mechanisms in organizations that are under pressure to conform (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Suchman, 1995) pointed out that the latter gain and maintain regulative, normative, and cognitive/cultural legitimacy by conforming to isomorphic strategies. In fact, Scott has drawn on the work of DiMaggio & Powell (1983) who introduced three isomorphic mechanisms. These mechanisms appear in the three pillars of Scott (2001, 2014) as shown in the below table.

The three pillars gave new insights and have been extensively used in various researches, including banking. For example, using a theoretical lens based on the three pillars of institutions, Crawford & Williams (2010) investigated how countries pressure organizations for greater reporting activity and explored the impact of these pressures on disclosure quality.

Drawing on evidence from the banking sector in France and the United States, results have shown that countries having higher regulative pressures exhibit higher quality disclosure than more liberal markets such as the United States. Deephouse & Carter (2005) studied the legitimacy and reputation in a population of US commercial banks and viewed legitimacy as the social acceptance of organizations resulting from adherence to regulative, normative, or cognitive norms. Each of the three pillars is discussed in more details in the following paragraphs.

#### **2.1.2.1. Regulative Pillar**

The regulative pillar accentuates the role played by laws, rules, regulations, and sanctions as major institutional forces. It involves establishing rules, monitoring compliance with these rules, and imposing sanctions such as rewards or punishment in an attempt to influence organizational behavior (Scott, 2001).

Thus, it is associated with giving prominence to explicit regulatory processes. The regulative pillar then emphasizes the role played by rules and sanctions as major institutional forces and refers to a logic of instrumentality which is related with expedience (Scott, 2014). Sanctioning processes may operate through diffuse, informal mechanisms, involving folkways such as shaming or shunning activities, or they may be highly formalized and assigned to specialized actors such as the police and courts.

The formalization of the rule system involves three dimensions: the “obligation” of actors to adhere to rules since their behavior is being scrutinized by external parties; the “precision” and unambiguity of the rules to which the actors must adhere; and the “delegation” of authority granted to third parties to enforce the rules (Scott, 2014). Regulative legitimacy is then conferred by institutional actors who have the authority and sovereignty over organizations on the basis of compliance with rules, laws and regulations. Hence, this pillar adopts coercion as its primary mechanism, and obeying the rules to seek legitimacy (Suchman, 1995).

#### **2.1.2.2. Normative Pillar**

According to Scott (2014), normative systems include both values and norms. While “norms” specify how things should be done, and guide organizations on how to conduct operations and define legitimate resources to pursue what is conceived, “values” constitute the conceptions of what is preferred or desirable in the behavior of organizations (Scott, 2001). The normative pillar then defines goals or objectives of the organization such as making profit, or winning the game, and at the same time outlining appropriate ways to achieve these goals or objectives such as specifying rules about how the game should be played.

Normative systems confer rights, responsibilities, privileges, duties, licenses as well as mandates. Compliance with normative institutions and pressures is enforced through strong feelings of conformity or by violation of norms. Social obligation plays an important role in that feelings associated with violating the rules include a sense of shame or disgrace, and feelings of respect and honor by those who conform to the norms (Scott, 2001).

#### **2.1.2.3. Cultural/Cognitive Pillar**

Scott (2014) refined cognitive legitimacy to become cultural-cognitive legitimacy, reflecting both taken-for-grantedness and shared understandings. The cognitive pillar focuses on the ways through which meaning systems are constructed in social action. The prevailing logic employed to justify conformity is that of orthodoxy that is related to taken-for-granted behavior.

For cultural-cognitive theorists, as argued by Scott (2014), routines are adhered to because they are taken-for-granted and therefore compliance is adopted because other types of behavior are inconceivable. Accordingly, individuals or organizations who align themselves with prevailing cultural-cognitive institutions feel competent and connected, while those who challenge these institutions are regarded as “clueless” or “crazy” (Scott, 2001).

This pillar stands for a formation of shared conceptions in society which jointly create the nature of social reality and the framework through which meaning is created and organizations are understood. Cognitive legitimacy then reflects the extent to which the activities of an organization are culturally supported and taken for granted (Scott, 2001).

In sum, each of Scott’s elements is important, and all of them may work in combination and can be in play at any one time, but they operate through distinctive mechanisms and processes. One element might be dominant over another, but since they are interrelated, one can influence on the rationale of the other two. Scott (2001) claimed that each of the regulatory, normative and cognitive pillars of institutions provide a basis for legitimacy through compliance with rules and laws, normative support, or alignment with cultural-cognitive frameworks.

The rationale for claiming legitimacy through each of these pillars varies and depends on whether it is legally sanctioned, morally authorized or culturally supported. The below table summarizes the three pillars of the institutional order, identified as making up and supporting institutions. It also defines the main dimensions along which arguments arise among theorists emphasizing one or another element (Scott, 2014).

**Table 3: The Three Pillars of Institutions**

	<i>Regulative</i>	<i>Normative</i>	<i>Cultural-Cognitive</i>
<i>Basis of Compliance</i>	Expedience	Social Obligation	Taken-for-Grantedness Shared Understanding
<i>Basis of Order</i>	Regulative Rules	Binding Expectations	Constitutive Schema
<i>Mechanisms</i>	Coercive	Normative	Mimetic
<i>Logic</i>	Instrumentality	Appropriateness	Orthodoxy
<i>Indicators</i>	Rules Laws Sanctions	Certification Accreditation	Common Beliefs Shared Logics of Action Isomorphism
<i>Affect</i>	Fear Guilt/Innocence	Shame/Honor	Certainty/Confusion
<i>Basis of Legitimacy</i>	Legally Sanctioned	Morally Governed	Comprehensible Recognizable Culturally Supported

Source: *Institutions and Organizations, Ideas, Interests, and Identities* (Scott, 2014)

### **2.1.3. Neo Institutional Key Concepts**

Although I mobilize legitimacy and isomorphism, being core concepts of the neo institutional theory, I opt in the following paragraphs to define each of the key concepts of this theory. This will provide the reader insights about these concepts: the “infusion” of value within organizations, the “diffusion” of practices within organizations, the “rational myths” to enhance legitimacy of organizations, the “decoupling” occurring within organizations, the “isomorphism” mechanisms, and “legitimacy”.

#### **Infusion of Value**

Infusion with value occurs within an organization when a practice reaches a taken-for-granted status. The more a particular practice is adopted by an organization, the more likely it is taken for granted by employees, and the more they attach a symbolic meaning and value to it. Selznick (1949) was the first one to articulate that institutionalization is the process by which organizational structures acquire meaning and value beyond their intended function.

He highlighted the process of cooptation as powerful actors were able to divert the Tennessee Valley Authority (TVA) – a large federal governmental organization – away from its initial mission and concluded that the organization’s survival was attained at the expense of its original purpose. Thus, Selznick separated organizational activity into technical and rational field versus symbolic and institutional domain of meaning and value. As posited by Scott (1987), Selznick’s primary emphasis was on institutionalization as a means of instilling value. By instilling value, institutionalization promotes stability and persistence of the structure over time.

So, organizations engage in structured patterns which attach meaning to events and the infusion of value into organizations’ processes. However, although a process is implemented, and rules complied with in an organization, it is sometimes possible that employees do not infuse a process with value or take it for granted; they might develop a negative attitude toward it and disagree with it (Kostova, 1999).

## **Diffusion**

Diffusion is simply defined as the spread of new practices in organizations, and which are adopted because of their social values, not because of their technical outcome. Simply put, a community may refuse to adopt a new technology practice for example if the reasons for adoption are not consistent with the beliefs and values of that community. In their study of “The Diffusion of Civil Service Reform”, Tolbert & Zucker (1983) investigated the diffusion and institutionalization of change in formal organization structure, using data on the adoption of civil service reform by cities. They established a model of mimetic adoption where some organizations initially adopted a practice for technical reason because it improved the organization’s performance.

However, late adopters made it because it conferred legitimacy although it did not improve their performance. Their findings provide strong support for the argument that the adoption of a process by an organization is determined based on its social value and the extent to which it is institutionalized, rather than its characteristics or efficiency.

In sum, institutionalized practices diffuse across organizational fields which become similar to each other. The adoption of practices depends less on the objective and technical attributes, and more on the subjective perceptions of conformity to shared values in the institutional environment within which adopters exist.

## **Rational Myths**

“Rational Myths” are institutionalized products, services, techniques, policies, and processes adopted by organizations to enhance their legitimacy, irrespective of the economic outcome. Meyer & Rowan (1977) offered an explanation about organizational activity and its independence of economic productivity. They argued that organizations exist in social contexts in which the rules of proper behavior are defined by prevailing myths about what constitutes economic rationality and considered that organizations that succeed in becoming isomorphic with the institutional environment in which they are embedded, gain the legitimacy and resources they need to survive.

Thus, organizations which incorporate institutionalized myths are more legitimate, successful, and likely to survive. For instance, the presence of formal personnel function or research and development units predicts success for organizations in environments in which they are widely institutionalized, irrespective of their economic rationality. Also, banks engaging in corporate social responsibility is not connected with efficiency or performance, but because it is a rationalized myth that became institutionalized and which societal actors perceive as legitimate.

### **Loose Coupling**

Organizations often separate and buffer their technical activities from functions adopted as a result of institutional pressure. That is “decoupling” or “loose coupling”. Meyer & Rowan (1977) define organizational decoupling as separating formal structure from actual organizational practice, meaning that organizations create an illusion of their activities through formal structure but in fact perform different activities through their organizational practices. According to Boxenbaum & Jonsson (2008), decoupling means organizations adopting a new structure without necessarily implementing its related practice, so they conform only superficially to the institutional pressure.

As to why decoupling is adopted by organizations, Scott (2014) considered that organizations are more likely to practice decoupling when confronted with external regulatory requirements, also when there are high symbolic gains from adoption, but equally high costs associated with implementation. For Meyer & Rowan (1977), there are benefits in adopting decoupling because they argued that it enables organizations to maintain legitimacy while their activities vary in response to practical considerations. In contrast, however, MacLean & Behnam (2010) considered that decoupling is dangerous for an organization and can lead to organizational misconduct and challenges from stakeholders.

Oliver (1991) provided a summary of the strategic responses adopted by organizations as a response to pressures toward conformity with institutional environment: acquiescence, compromise, avoidance, defiance, and manipulation. Compromising is some sort of decoupling, and this is where organizations may attempt to balance, pacify, or bargain with external constituents when they are confronted with conflicting institutional demands or with inconsistencies between institutional expectations and internal organizational objectives related to efficiency or autonomy.

At their end, Fiss & Zajac (2006: 1187) found out that “*decoupling is not simply a binary choice (i.e., say vs. do)*”, but may involve multiple ways of presenting and justifying organizational actions. Their results over German corporations suggested that some firms may use an acquiescence framing to substitute symbolic compliance for structural implementation, and other firms may use a balancing framing when implementing major structural changes.

## **2.2. ISOMORPHISM**

One of the key concepts of the neo institutional theory that will be mobilized in this research is “Isomorphism”. It is the adoption of structures, practices, and behaviors by organizations similarly to other leading organizations that share a common social field and that are subject to similar institutional pressures. The concept of institutional isomorphism was initially developed by Paul DiMaggio and Walter Powell in 1983, through their famous seminal article “*The iron cage revisited: institutional isomorphism and collective rationality in organizational fields.*”

DiMaggio & Powell (1983) elaborated the proposition of Meyer & Rowan (1977) which considered that widespread social understandings, or rationalized myths, provide prescriptions of appropriate conduct that cause organizations to become isomorphic with their institutional environment, and therefore they will be viewed as legitimate to the extent that they conform to such prescriptions.

Elaborating on this idea, DiMaggio & Powell (1983) theorized different ways in which broader institutional pressures lead organizations to look similar by adopting common structures, forms, and practices. They considered that organizations are increasingly similar as they try to change and identified three mechanisms through which institutional isomorphic change occurs: coercive, mimetic, and normative, leading to this outcome.

Also, organizations adapt to the requirements of their environment through isomorphism mechanisms to gain and maintain legitimacy and enhance their chances of survival regardless of efficiency concerns (Kondra & Hinnings, 1998).

### **2.2.1. Coercive Isomorphism**

Coercive isomorphism results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent to survive, and it is therefore driven by two forces: (1) pressure from other organizations on which a focal organization is dependent; to note that the greater the dependence of an organization on another organization, the more similar it will become to that organization in structure, climate, and behavioral focus, and (2) pressure to conform to the cultural expectations of the larger society (DiMaggio & Powell, 1983).

Dependence of one organization on another is somehow similar to what Pfeffer & Salancik (1978) concluded in their formulation of the resource dependence theory in which organizations are viewed as constrained by those on whom they depend for resources. Coercive factors also involve political pressures and the force of the state, providing regulatory oversight and control. However, to be effective, the use of coercion requires relatively clear demands, effective surveillance, and significant sanctions (Scott, 1987: cited in Scott, 2014). The primary mechanism of control then is that of coercion (DiMaggio & Powell, 1983; Scott, 2014).

As a result of coercive isomorphism, organizations are increasingly homogeneous, organized around rituals of conformity to wider institutions (DiMaggio & Powell, 1983), and aligned because they are obliged to do so, either by governments, by society, by customers, or by other organizations on which they are dependent to survive. As claimed by Scott (2014), the use of force is justified by the existence of rules and considered that the force and sanctions constitute the central element of the regulative pillar; it also matters whether the agent imposing coercion is viewed as a legitimate agent of control. At the end, “*force is the deterrent sanction par excellence*” (Parson, 1963: 47).

### **2.2.2. Mimetic Isomorphism**

On the other hand, as argued by DiMaggio & Powell (1983), not all institutional isomorphisms are the results of coercion, but also uncertainty leads to imitation by organizations which model themselves after similar organizations in their field and which they perceive to be more legitimate or successful.

According to Mizruchi & Fein (1999), mimesis has received the most attention in literature among other isomorphic pressures and considered that it occurs in situations where a clear course of action is unconceivable, so organizations try to mimic a peer organization that they perceive to be successful.

Empirical researches indicate that imitation of successful institutions can actually lead to success for the imitator. For instance, Brouthers, O'Donnell, & Hadjimarcou (2005: cited in Nichols, 2008), found in their study of business organizations in emerging economies that firms having relationships with companies in Europe, Japan and the United States and which imitated strategies of those companies performed better than companies within their countries that did not imitate those strategies.

### **2.2.3. Normative Isomorphism**

As for the normative pressure, it is “*a source of isomorphic organizational change which stems primarily from professionalization*” (DiMaggio & Powell, 1983: 152). So, it is often associated with professions because the similar education and training inspire similar professionals of what is appropriate, widely considered a proper course of action, or even a moral duty (Suchman, 1995). Similarly, Mizruchi & Fein (1999) described normative isomorphism as a result of professionalization and which involves two processes. They considered that members of a profession receive similar training which socializes them into similar worldviews, and that diffusion of ideas occur among members of a profession due to their interaction through professional and trade associations.

The pressure imposed by the institutional environment on organizations induce the latter to imitate their peers, imposing a specific task to be performed along with the relevant profession (DiMaggio & Powell, 1983). On the other hand, organizations are apt to capitulate to normative pressures arising from their institutional environment, such as banks complying with specific regulatory ratios or standards for fighting money laundering, as these are likely to confer legitimacy from their stakeholders and social constituents. As argued by Scott (2014), a normative conception stresses a deeper, moral base for assessing legitimacy, and normative controls are mostly internalized than are regulative controls.

The neo institutional theory constituted a shift toward viewing institutions as collective cognitions and processes that occur across “organizational fields” rather than individual organizations. It contributes to the understanding of the behavior of organizations when they are influenced by other organizations and by social forces. One of its key tenets is thus to understand organizational behavior as dependent on social pressures for conformity and legitimacy rather than on economic pressures for improving efficiency. Although it is based on key concepts such as infusion, diffusion, rational myths, decoupling, and isomorphism, no concept however is more central to the neo institutional theory than legitimacy. However, the theory still lacks an understanding of “agency” and the purposive role of actors in explaining how legitimacy is socially constructed and does not tell us how organizations engage in various proactive strategies to respond to institutional pressures in order to maintain their legitimacy. Aiming to examine the US regulations in the sociological view of three mechanisms of institutional isomorphic change, and to explore the perception of Lebanese banking sector legitimacy in light of the exogenous pressure of US regulations along with the strategic responses adopted by these banks to maintain their legitimacy vis-à-vis a major institutional constituent – the US regulator, the literature and the theory do not address how banks respond to challenges of their legitimacy when confronted with pressures of a foreign regulator. This is a gap in the literature that is worth being studied in the Lebanese context through an institutional lens because it can provide an answer on how these banks continue to survive and maintain their legitimacy in view of the heightened pressures.

## 2.3. CONCEPTUAL BASES OF LEGITIMACY

Legitimacy is a central concept of the neo institutional theory. Researchers have for decades called for more empirical attention to legitimacy (Galaskiewicz, 1985; Suchman, 1995), so empirical researches have shown considerable spread across the social sciences in the last decade. Although there was a growing body of research on legitimacy of organizations in various fields, however, empirical attention to the legitimacy of banks is very scarce in the literature. This lack of attention is disappointing because legitimacy is an “*anchor-point of a vastly expanded theoretical apparatus addressing the normative and cognitive forces that constrain, construct, and empower organizational actors*” (Suchman, 1995: 571), and it is worth being studied in the banking industry because banks are more visible than other sectors due to their financial intermediation role, because they are entrusted with people’s money, so they have to maintain public trust, and because they face strong institutional pressure from various institutional constituents (regulators, media, public, and others).

Since I’m interested in the legitimacy of a specific organizational field which is the banking sector, so I address in the following paragraphs the theoretical underpinnings and developments of the legitimacy concept, in particular what is legitimacy, how it is defined by various scholars, why is it important for an organization and for its survival, who are the main actors and constituents to confer legitimacy for an organization, how is it gained, maintained and repaired, and finally what are the different dimensions of organizational legitimacy. This will allow the reader to get first acquainted with the concept of legitimacy and to understand its relevance for this study.

### 2.3.1. What is Legitimacy?

Many researchers employ the term legitimacy, but few define it, as correctly pointed out by Suchman (1995) who considered that legitimacy has become an “*anchor-point of a vastly expanded theoretical apparatus*” (Suchman, 1995: 571). Thus, it is important that I go here through the main definitions of legitimacy offered by social scientists over time in order for the reader to get acquainted with this important concept, and then to come up with my own understanding and definition that is relevant to the study in hand.

In fact, the concept of legitimacy has been initially addressed by Max Weber who was among the first social theorists to shed the light on the importance of legitimacy in social life (Scott, 2014), and has been highly credited for introducing legitimacy into sociological theory and organization studies (Deephouse & Suchman, 2008). Weber discussed the importance of social practice being oriented to “maxims” or rules and suggested that legitimacy can result from conformity with both general social norms and formal laws (Weber, 1978). Parsons (1960) viewed legitimacy as congruence of an organization with social laws, norms and values, whereas Maurer (1971:361) considered that legitimation is the process of proving to various actors an organization “right to exist”.

In their seminal work, Meyer & Rowan (1977) argued that organizational conformity with rational myths leads to legitimacy and access to resources. They posited that organizations whose structures become isomorphic with the myths of the institutional environment, as opposed to technical production, maintain legitimacy. In an early formulation, Meyer and Scott suggested in 1983 that “*organizational legitimacy refers to the degree of cultural support for an organization*” (Meyer & Scott 1983a: 201).

Suchman (1995) offered an inclusive broad-based definition of legitimacy which has been widely adopted in the extant literature. It incorporates both the evaluative and the cognitive dimensions of legitimacy, and it is a generalized perception rather than event-specific. He defined legitimacy as “*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*” (Suchman, 1995: 574). Also, Deephouse et al. (2017: 33) offered a concise definition and considered legitimacy as “*the perceived appropriateness of an organization to a social system in terms of rules, values, norms, and definitions.*”

Organizations need legitimacy in order to survive, so they require social acceptability and credibility rather than material resources and technical information (Scott, Ruef, Mendel, & Caronna, 2000). Since organizational survival is enhanced by legitimacy, Dowling & Pfeffer (1975) viewed legitimacy as a resource which organizations try to acquire while other organizations attempt to deny. In his turn, Scott (1995: 45) provided a meaningful description of legitimacy when he argued that “*legitimacy is not a commodity to be possessed or exchanged*” but rather adherence to rules and laws, or alignment with cultural-cognitive frameworks.

He then considered legitimacy as oxygen in the sense that it becomes apparent only if lost, so it is not a specific resource but a fundamental condition of social existence. In sum, an organization is considered as completely legitimate when no question could be raised about it; “*perfect legitimation is perfect theory*” (Meyer & Scott 1983a: 201).

In the same context, Pfeffer & Salancik (1978) asserted that legitimacy is more known when it is absent than when it is present; when organizations are seen by the social actors as illegitimate, they become more exposed to comments and attacks. Three years earlier, Dowling & Pfeffer (1975) argued that legitimacy is not defined solely by what is legal or illegal, and considered that there is less correlation between legality and legitimacy. As argued by Webb et al. (2009), there is a gap between what some social actors see as legal – that is derived from laws and regulations, and legitimate that is derived from social norms, values, and beliefs.

My understanding of these arguments is that an organization could be legal but not legitimate such as for instance a bank having a proper legal license to operate, however, it is not accepted by social actors due to being involved in unlawful activity or being subject to sanctions and therefore, it is treated as illegitimate. For Dowling & Pfeffer (1975: 122), legitimacy means congruence with the cultural environment, and “*the norms of acceptable behavior in the larger social system*”.

On the other hand, legitimacy has been examined at the individual level of analysis (Zucker, 1977), which means individuals assessing legitimacy, and thereafter at the collective level (Tost, 2011; Bitektine & Haack, 2015). Tost (2011) differentiated between the individual-level judgments of legitimacy, meaning an individual’s own judgment, and the collective-level validity of an organization. She used the word “appropriate” that is adopted in the definition of Suchman (1995) to show clarity and specificity.

In brief, an organization is legitimate if it is perceived as proper and desirable (Suchman, 1995), endorsed by social actors (Deephouse, 1996), compliant with the norms of acceptable behavior (Dowling & Pfeffer, 1975), socially fit (Oliver, 1991), and its practices are in line with industry norms and broader societal expectations (Rindova, Pollock, & Hayward, 2006).

Although Deephouse & Suchman (2008) identified various “subjects of legitimation” whose legitimacy is being assessed, such as social entities, structures, actions, and ideas; however, during this study, I’m concerned with the organizational legitimacy, and in particular with the legitimacy of an organizational field – the Lebanese banking sector. DiMaggio & Powell (1983) and Meyer & Scott (1983a) elaborated the environmental perspective of the institutional theory, and they both stressed on the organizational field as a new level of analysis to study institutional processes.

During this study, I offer a concise definition of legitimacy that I inspired from various definitions in the literature, that has evolved during the course of the literature review, that is relevant to the study, and that will be adopted during the course of this research:

*Legitimacy is the acceptance of an organization by major social actors who observe organizations and make legitimacy evaluations, whose opinion matters, and on which the organization is dependent to survive.*

I defined the word “*acceptance*” as the confidence in, faith in, or approbation of an organization in the environment in which it operates; “*major social actors*” as the main institutional actors, and not any actor, who assess organizations and have the right, privilege, and power to do so; “*whose opinion matters*” as those having the weight to influence and affect the organization’s legitimacy, and not any opinion by less powerful or weak actors; and “*dependent to survive*” as the oxygen needed to breath, without which the organization cannot continue to operate.

### **2.3.2. Why is Legitimacy Important for an Organization?**

Legitimacy is crucial for the survival of an organization and has consequences on its social and economic exchange. Most stakeholders only engage with legitimate organizations, and therefore, it affects market access (Deephouse et al., 2017). In other words, stakeholders do not transact with organizations that are viewed as illegitimate irrespective of the incentives that these organizations might offer. Also, organizations lacking cultural support, approved activities, and normative authorities’ endorsement, are less likely to survive than organizations having these evaluations. Legitimacy is then crucial for organizational viability independent of its performance or other attributes (Scott, 2014).

Many case studies examine the importance of legitimacy for organizations, so it would be more explicit to shed the light on some examples. For instance, Deephouse & Suchman (2008) highlighted the legitimacy challenges faced by Exxon, when Exxon Valdez, an oil tanker owned by Exxon Shipping Company, spilled crude oil in the US waters. Concerned about environmental issues, certain stakeholders refused to patronize Exxon due to this incident, which affected the company's legitimacy. Also, studies have shown that investors react immediately to the release of new information about a firm's environmental performance. For example, Hamilton (1995) investigated the pollution data released by the U.S. Environmental Protection Agency's (EPA's) Toxics Release Inventory (TRI) and found out that the higher pollution figures were in a firm's TRI reports, the more likely print journalists were to write about the firm's toxic release, and that companies with significant toxic releases experienced an average loss of \$4.1 million in equity. Another example also by Deephouse & Suchman (2008) comes from the British Columbia forestry industry, where the province decided to grant timber access only to contractors and their sub-contractors who have acceptable operations safety standards. The Provincial Forests Minister stressed on the importance of legitimacy for market access when announcing the policy about safety and meeting the standards. Also, legitimacy matters because it enhances strategic choice. This was highlighted by Deephouse (1996) in the context of banks when he argued that regulatory sanctions restricted the ability of banks to make certain types of loans.

The results of Ruef & Scott (1998) over a study of 143 hospitals show that managerial and technical forms provide notable improvements in organizational survival chances and reduce exit rates for US hospitals. During their study about ingenuity from a four-year case study of the embryonic Ontario solar industry, Walker, Schlosser, and Deephouse (2014) found that extending legitimacy to an ingenuity strategy is necessary for its success. At their end, Cohen & Dean (2005) developed and tested hypotheses about how the condition of information asymmetry between current owners and potential IPO investors creates a context wherein the legitimacy of the top management team (TMT) may serve as a valid signal of value to potential investors. Also, in their article "Wall Street vs. Main Street", Lamin & Zaheer (2012) examined the interrelationship between firm legitimacy and stock market reaction, specifically looking at whether stock market reaction and legitimacy are simultaneously determined and found out independence between legitimacy and immediate financial performance.

Bansal & Clelland (2004) analyzed media reports and stock prices of 100 firms over a five-year period and argued that environmentally legitimate firms incur less unsystematic stock market risk than illegitimate firms, and that organizations acquire environmental legitimacy when their performance with respect to the natural environment conforms to stakeholders' expectations. Choi & Shepherd (2005) examined how stakeholders assess an organization in deciding whether to provide their support to it and concluded that organizations that are old, legitimate, congruent, reliable, accountable, and strategically flexible are more likely to obtain stakeholder support.

In their study of the vulnerability of new organizations to the liability of newness, Aldrich & Fiol (1994) found out that innovating entrepreneurs face problems due to lack of legitimacy as both entrepreneurs and stakeholders may not fully understand the nature of the new ventures, and their consonance to institutional rules may still be in question. Brown (1998) offered through his research an interpretation of an information technology (IT) implementation through an analysis of group narratives. He argued that individuals and groups within organizations require legitimacy in order to reinforce privileged power relations and maintain credibility. He concluded that groups must convince others of their legitimacy in order to preserve and advance their interests.

In sum, legitimacy matters. It has consequences on organizations, and it captures an important element of an organization's access to resources and survival in an institutional environment. It is also a key concern for organizations, because legitimate status is a "*sine qua non for easy access to resources, unrestricted access to markets, and long-term survival*" (Brown, 1998:38). According to Hirsch & Andrews (1984), an organization is legitimate because it has demonstrated its appropriateness and goes unchallenged regarding societal rules, norms, values, or meaning systems. Also, early institutionalists proposed that a central benefit of legitimacy was avoiding questions or challenges from society (Hirsch & Andrews, 1984; Meyer & Rowan, 1977). However, some organizations may gain more than others as an industry's legitimacy is strengthened (Aldrich & Fiol, 1994), as Rao (1993, cited in Aldrich & Fiol, 1994) found in his study of the early years of the American automobile industry, which was struggling for acceptance, that firms demonstrating reliability and speed competitions were more likely to survive than those that did not win.

In the context of this study, legitimacy is crucial for the survival of banks which have to prove congruence with their societal environment, especially with the demands and expectations of those social actors on which they are dependent to survive. In the Lebanese context, the banking industry is highly dependent on its US counterparts – the US Regulator and US correspondent banks – with whom they maintain relationships in order to carry out international financial transactions. Unfavorable perception by the United States about a Lebanese bank may be correlated with perception of illegitimacy of this bank and may also affect the perception of other social actors.

### **2.3.3. Sources of Legitimacy**

Literature review on legitimacy suggests that legitimacy may be conferred by various constituents. The sources of legitimation are many and diverse because organizations are highly differentiated, loosely coupled systems, and related to many different environments (Scott, 2014). Yet, legitimacy does not have to be necessarily conferred by all constituents. Rather, it is important to be conferred by those crucial for the survival of an organization, on which the latter depends for access to resources. However, it may not be simple to answer the question of who has the right to confer legitimacy on organizations as situated in complex and conflicting environment, and whose assessments count in determining legitimacy. While many structures diffuse because they are viewed as legitimate, their legitimacy is sometimes challenged by other less powerful social actors (Scott, 2014). Organizations then seek endorsement from various constituents, but certain sources may have a larger impact than others (Deephouse & Suchman, 2008). In this respect, Meyer & Scott (1983) considered that the opinion of people who have the capacity to mobilize and confront the organization that matters.

Various studies revealed legitimacy sources as those conferred by the state, the regulator, the professions, public opinion; and the media (Bitektine & Haack, 2015; Deephouse, 1996; Meyer & Scott, 1983; Ruef & Scott, 1998). Legitimacy is also conferred by internal and external sources such as stakeholders who observe organizations and make legitimacy evaluations, by comparing organizations to particular criteria or standards (Ruef & Scott, 1998: 880), whereas Pfeffer & Salancik (1978) considered legitimacy as a conferred status that is always controlled by those external to the organization.

Meyer and Scott (1983: 201–2 cited in Deephouse & Suchman, 2008) classified the sources of legitimacy into two basic groups: (1) those who “have standing and license”, most commonly the State, and (2) those who “have collective authority over what is acceptable theory (e.g., lawyers, accountants, intellectuals).” Yet, Deephouse & Suchman (2008) added that these obviously may not be the only relevant sources. To be considered a source of legitimacy, the stakeholder must not only assess the legitimacy of an organization, but that assessment must encompass the overall appropriateness of the organization in its social system (Deephouse et al., 2017). Bitektine & Haack (2015) talked about legitimacy evaluators who can be individual or collective actors, namely, groups, organizations, or field-level actors, such as the media or regulators and that evaluators make judgments about an organization through their actions.

Dowling & Pfeffer (1975) focused on the importance of the state as a source of legitimacy and described how the American Institute for Foreign Studies engaged in a wide range of activities to seek legitimacy such as being involved in the co-optation of major political leaders. In contrast, Reimann, Ehrigott, Kaufmann, & Carter (2012) found out that local governments do not have influence on multinational enterprises social strategies, rather they increasingly support the organization as a result of the firm's active development of the local community.

An important finding by Deephouse (1996) is that sources of legitimacy may differ by type of audience, when he demonstrated in his study that organizational legitimacy is defined using regulators and the media as sources and recognized that organizations are evaluated by agencies of state, for example, banks evaluated by regulators. Public opinion is another source of organizations' legitimacy due to its reflection of social values. In his study “TVA and the Grass Roots”, Selznick (1966) demonstrated that the Tennessee Valley Authority changed its objectives and methods to conform to public opinion. Rao (1994) carried out an empirical study on certification contests in the early automobile industry which depicted reputation as an outcome of legitimation. It shows that victories in automobile contests enhance life chances of auto manufacturers and enable firms to acquire a reputation for competence.

On the other hand, an organization within the same organizational field can be viewed as a source of legitimacy because organizations enhance their legitimacy by aligning themselves with the more influential and prestigious organizations in the field (Galaskiewicz, 1985).

Also, endorsement of an organization by political figures enhance its legitimacy (Pfeffer & Salancik, 1978) as the case with the American Institute for Foreign Study which acquired its legitimacy by obtaining endorsements from prominent political figures. In addition, the composition of a firm's top management strengthens legitimacy which in turn affects investors' decision (Higgins & Gulati, 2006).

The media have also become a source of legitimacy because of the link between media reports and public opinion, and since the media is a major indicator of society-at-large legitimacy. Organizations have come under increasing media scrutiny in recent years (Lamin & Zaheer, 2012). When an organization engages in suspicious, unethical or unpopular activities, its legitimacy is challenged by the media. For instance, the excessive bonuses paid by large banks that have been bailed out by governments after the financial crisis of 2008, have been extensively criticized in the media. Digital technologies and social media are being adopted by organizations and individuals to provide information and convince others of the activities of organizations and their legitimacy (Deephouse et al., 2017:37), who considered that “*one Facebook post or one tweet on Twitter can lead to a legitimacy challenge for even the most well-established organization*”. Also, Hybels (1995: cited in Lamertz & Baum, 1998) suggested that the media play a critical role in the legitimation of business.

Many empirical researchers highlighted the importance of media and its role in the legitimation of organizations due to their broad reach and influence on audience (e.g. Bansal & Clelland, 2004; Deephouse, 1996; Deephouse & Carter, 2005), whether through printed media, radios, or televisions. Baum & Powell (1995) argued that the number of journals' articles about an organization is an indication of the institutional recognition of that organization. Lamertz & Baum (1998) carried out a longitudinal investigation of media accounts of downsizing by Canadian companies and tracked the cognitive legitimation of organizational downsizing over time through an evolution of explanatory accounts in newspaper reports of middle-management layoffs. Also, Pollock & Rindova (2003) findings provide important evidence how media provided information affects IPO market outcomes, and that publicly available information not only reflects IPOs' legitimacy, but also adds to their legitimacy and influences investor behavior. More recent researches have added to the above list of legitimacy sources, which now includes individuals, investors, social movements, and other stakeholders (Schneiberg & Lounsbury, chapter 11; Tost, 2011: cited in Deephouse et al, 2017).

### 2.3.4. Types of Legitimacy

Suchman (1995) identified three different dimensions of organizational legitimacy: *pragmatic*, based on audience self-interest; *moral*, based on normative approval; and *cognitive*, based on comprehensibility and taken-for-grantedness. Pragmatic legitimacy rests on the self-interest of key stakeholders of an organization or the public, being the most immediate audiences (Suchman, 1995). This means that the organization has the support of its constituents as long as it provides valuable and favorable exchanges to these constituents and receives something in return. For instance, stakeholders' support of a firm's policy is based on that policy's expected value and whether it satisfies stakeholders' needs and interests, absence of which might risk the firm's legitimacy. Suchman (1995) addressed a related, but slightly more socially constructed type of pragmatic legitimacy which he called influence legitimacy. The latter suggests that social actors support an organization because they view it in line with their largest interests, and not necessarily because of providing favorable exchanges. A third variant of the pragmatic legitimacy noted by Suchman, is dispositional legitimacy. In this case, legitimacy is conferred because of the shared value of organizations, their honesty and trustworthiness, as if organizations were individuals.

As for moral legitimacy, unlike pragmatic legitimacy, constituents confer legitimacy because of their perception of the organization as promoting societal welfare such as corporate social responsibility for instance. So moral legitimacy is awarded through conformity of an organization to what society perceives as right or wrong. Hence, judgments of constituents are based on whether the organizational activity is the "right thing to do" rather than on judgments about whether a given activity benefits the evaluator (Suchman, 1995). Four forms of moral legitimacy are then identified: consequential, procedural, structural, and personal (Suchman, 1995).

*Consequential legitimacy* is when organizations are judged by what they achieve. Yet, when talking about consequential legitimacy, as argued by Meyer & Rowan (1977), one must bear in mind that the technical properties are socially defined and not empirically discovered. Organizations can also garner moral legitimacy by adopting socially accepted techniques and procedures (e.g., Scott, 1977: cited in Suchman, 1995). This is *procedural legitimacy*.

If for example a bank is acting in good faith, it is unlikely to lose its legitimacy just because a customer loses money in a specific product; however, it is quite likely to lose legitimacy if it offers products not commensurate with the customers' profile.

In the case of *structural legitimacy*, the third type of moral legitimacy, it stems from adherence to organizational structures that are socially accepted, and which audiences perceive as valuable and worthy of support irrespective whether outputs of these structures have any value for society. For example, a bank having in place a good corporate governance structure that is socially accepted does not necessarily mean that it is being run efficiently and effectively. Also, banks that implemented proper policies, procedures, and structures to comply with US sanctions regulations did not preclude them from engaging in practices that constitute violations to these sanctions programs.

As Suchman (1995) put it, a structurally legitimate organization obtain public confidence because it is “the right organization for the job”. The fourth type of moral legitimacy is *personal legitimacy* which “rests on the charisma of individual organizational leaders” (Suchman, 1995:581), where “charismatic leaders can generate radical social changes” (Fiol, Harris, & House, 1999:449). Based on their study results, they found out that charismatic leaders employ a set of consistent communication strategies for effecting social change. However, personal legitimacy is the least stable among other types of moral legitimacy, and loss of personal legitimacy is very common in many organizational fields.

The third form of legitimacy is *cognitive legitimacy* which corresponds to “taken-for-granted” organizational form that is conceived as legitimate in nature and has the support and acceptance of audiences who view it as necessary or inevitable (Suchman, 1995). Cognitive legitimacy does not involve evaluation, unlike pragmatic and moral legitimacies (Reast et al, 2012). Banks for example gain their cognitive legitimacy due to their important role in the economy of a country and the intermediation financial role they play so they are seen as inevitable by the society.

### 2.3.5. Legitimacy Challenges

Early theorists of the institutional theory considered that one of the major benefits of legitimacy was centralized about avoiding questions or challenges from society (Hirsch & Andrews, 1984; Meyer & Rowan, 1977). However, organizations cannot completely satisfy all audiences (Suchman, 1995). Not all audiences are equally important (Bitektine, 2011). Yet, legitimacy is a resource that can be managed (Dowling & Pfeffer, 1975), negotiated (Ashforth & Gibbs, 1990), and its dynamics allow organizations, to a certain extent, to manipulate within their environment (Oliver, 1991). While Ashforth & Gibbs (1990) offered three “purposes of legitimation”: extending, maintaining, and defending legitimacy, Suchman (1995) identified three challenges and relevant strategies for gaining, maintaining, and repairing legitimacy.

Rather than purposes or challenges, Deephouse et al. (2017) proposed the use of the term *Scenarios* because legitimacy is not a static perspective, rather it is a “continually unfolding process” which reflects evolving situations and different scenarios at different points of time. They therefore refined the categorizations of Ashforth and Gibbs (1990) and Suchman (1995) by adding two additional dimensions that recognize major developments in recent research: *Challenged by* and *Institutionally Innovating*. Earlier, Hirsch & Andrews (1984) addressed two types of legitimacy challenges: *Performance challenges* and *Value challenges*. Legitimacy is challenged when social actors perceive organizations as failing to execute the purpose for which they were initially created, and therefore to meet the objectives of their mission, whereas value challenges put an organization’s legitimacy for existence at issue.

#### **Gaining Legitimacy**

An organization gains legitimacy when its actions is congruent with societal needs and expectations (Ashforth & Gibbs, 1990; Dowling & Pfeffer, 1975). New organizational field and new entrants to existing fields face the challenge of gaining legitimacy because they have to get the support of the concerned constituents and gain legitimacy in the first place. As put by Ashforth & Gibbs (1990), this is the “liability of newness”. When an organization moves into a new area, it will face the task of gaining legitimacy (O’Donovan, 2002). Extending legitimacy occur when the organization became established or when entering a new field or type of activity. Hence, even existing organizations have to gain legitimacy for new activities they want to perform.

Deephouse et al. (2017) preferred “gaining” legitimacy rather than “extending” legitimacy since new organizations have to gain it in the first place before extending it. Organizations, new ventures, can take proactive steps to acquire legitimacy (Zimmerman & Zeitz, 2002): either by creating a new structure, managerial team, and business model, or by changing the environment in which they are embedded and other organizations operating within their environment. Also, Starr & MacMillan (1990) examined the role of social contracting strategies by independent and corporate entrepreneurs in acquiring resources for new ventures and discussed the reasons why some corporate entrepreneurs may have difficulty in starting new ventures.

Gaining legitimacy occurs in a stable institutional environment (Deephouse et al., 2017). Thus, organizations must show propriety and fit within regulatory and pragmatic standards, moral values, and cultural-cognitive meaning systems. Going back to Suchman (1995) classification of legitimacy, an organization gains pragmatic legitimacy through favorable exchange, by being responsive to the interests of stakeholders, and by displaying symbolic legitimacy that makes the organization appear as responsible and trustworthy. Also, organizations gain moral legitimacy through substantive performance of their goals, and cognitive legitimacy through established structures that are conceived as legitimate by societal actors. In sum, building legitimacy is not something that occurs overnight. Rather, it is accumulated over time by building trust, credibility and reputation, and “*stockpiling will and support*” (Suchman, 1995: 596).

### **Maintaining Legitimacy**

Maintaining legitimacy is much easier than gaining or repairing it, because “*once conferred, legitimacy tends to be taken largely for granted*” (Ashforth & Gibbs, 1990:183). An organization is generally perceived as legitimate and is not subject to sanctions by the regulator as long as the latter has no evidence that the organization is not compliant with relevant laws and regulations (Bitektine, 2011), such as for instance when the regulator has no proof that a bank is involved in money laundering or terrorism financing.

When an organization attains a certain endorsement required to reinforce stakeholders’ perception that the organization continues to satisfy standards of appropriateness sufficient for ongoing activity, it increases its chances of maintaining legitimacy.

Certain types of organizations, such as banks, requires a compulsory license to operate. The fact that they have a regulatory license from the competent authorities makes them perceived as legitimate by customers who do not then question their legitimacy because they assume that if they exist, so they are legitimate as long as they are not captured in a scandal that precludes them from maintaining this legitimacy (Bitektine, 2011).

However, even the most stable organizations cannot guarantee ongoing legitimacy for life, due to uncertainty in the environment in which they operate, or in case threats to legitimacy are not immediately addressed. As argued by Suchman (1995), some factors such as the heterogeneity of audiences, who may question legitimacy on multiple grounds, make the maintenance of legitimacy problematic. On the other hand, Suchman (1995) identified two main strategies for maintaining legitimacy: (1) perceiving future changes and (2) protecting past accomplishments. The first one consists on recognition by the organization of the audience reactions, in addition to managers not losing sight of external developments which might jeopardize the organization's legitimacy. The second strategy is to foster and protect the legitimacy that the organizations have already acquired.

### **Repairing Legitimacy**

Repairing legitimacy resembles gaining legitimacy; however, legitimacy repair generally represents a reactive response to an unforeseen crisis of meaning (Suchman, 1995). This usually happens when managers do not pay attention to a decline in cultural support for an organization until a bad incident happens and legitimacy discredited. Following a crisis, an organization can still reestablish its impaired legitimacy by addressing the immediate damage, provided that the organization continues to enjoy some credibility in the eyes of its constituencies. On the other hand, Jonsson et al. (2009) argued, when studying scandals involving a Swedish insurance firm and its subsidiary, that deviance by one organization could damage the legitimacy of the deviant organization as well as other non-culpable organizations that are similar.

While Suchman (1995) addressed three actions usually taken after a crisis: "(a) offer; normalizing accounts, (b) restructure, and (c) don't panic", Marcus & Goodman (1991) highlighted the tendency for an organization to deny responsibility for an incident and take a defensive position by denying that a problem exists, rather than accommodative one for accepting responsibility.

## 2.4. PERSPECTIVES ON LEGITIMACY

The following paragraphs address the different perspectives on legitimacy. Some authors treated legitimacy as a resource that is acquired and could be lost, while others considered legitimacy as a process that is socially constructed and not as a static property. Also, legitimacy has been seen as a perception of an organization by various social actors and as a judgment with respect to the organization. These different perspectives are detailed below, in addition to addressing at the end how legitimacy of an organization is affected following a scandal or a crisis and how it is seen by social actors.

### 2.4.1. Legitimacy-as-Property

Legitimacy is a property, an asset or a resource, a thing that is possessed, gained, and lost (Suddaby et al., 2017). The authors considered that this was the dominant view of legitimacy by most of the researchers. As argued by Tyler (2006: 376), “*legitimacy is a property that, when it is possessed, leads people to defer voluntarily to decisions, rules, and social arrangements*”. In the strategic camp of organizational legitimacy, the latter is considered as an operational resource that organizations possess from their environments, whereas it is not treated as an operational resource by institutional researchers; rather it is depicted as a set of constitutive beliefs (Suchman, 1995). Also, as posited by Scott (1995), legitimacy is not a specific resource but a fundamental condition of social existence, and it is not appropriate to view legitimacy as a property or resource (Hybels, 1995).

In contrast to this view, researchers who adopted the view of legitimacy-as-property have delineated its properties, categories, and typologies, or have operationalized it using ordinal or continuous measures. For instance, Deephouse et al. (2017: 33) viewed legitimacy as having four basic states: *accepted* reflecting taken-for-grantedness, *proper* meaning that the organization has been subject to assessment by another influential constituents; however not passively accepted, *debated* is when the activities of an organization are questioned by key stakeholders, and *illegitimate* reflecting the inappropriateness of an organization. Also, as we have seen above, Suchman (1995) offered three different dimensions of organizational legitimacy: *pragmatic*, based on audience self-interest; *moral*, based on normative approval; and *cognitive*, based on taken-for-grantedness and inevitable acceptance of an organization.

Deephouse & Suchman (2008: 62) considered that legitimacy is “*fundamentally dichotomous*” which means that organizations either possess it or not, or it can be continuous or at least ordinal where organizations are viewed as more legitimate (Deephouse & Suchman, 2008; Tost, 2011).

In their study of the UK Financial Service sector, Burdon & Sorour (2018) considered the various notions of legitimacy and how the “evolutionary compliance” culture resulting from the pressure and nature of regulations has led to the pursuit of legitimacy from a property to legitimacy-as-process in the UK banking industry.

In sum, this stream of research conceptualizes legitimacy as a property that is acquired by an organization, or as a commodity that is possessed or exchanged between organizations and other legitimacy objects (Kostova & Zaheer, 1999), in contrast to other stream of research which considers that “*legitimacy is not a commodity to be possessed or exchanged*” (Scott, 1995: 45) but rather as adherence to rules and laws, or alignment with cultural-cognitive frameworks.

Having painted a general picture of legitimacy-as-property, I next turn to legitimacy-as-process and how it changes over time along with the legitimation process adopted by organizations to maintain their legitimacy.

#### **2.4.2. Legitimacy-as-Process**

An alternative view to the above stream of research argues that legitimacy is socially constructed rather than a “thing” composed of properties, as it is the outcome of an ongoing process of social interaction among various social actors and a set of different processes adopted by organizations to maintain it. Researchers within this stream omit the focus on legitimacy as a static property and highlight the process through which legitimation occurs. When we talk about legitimacy-as-process, we mean “legitimation” which is “*the process whereby an organization justifies to a peer or superordinate system its right to exist, that is to continue to import, transform, and export energy, material, or information*” (Maurer, 1971: 361). For Dowling & Pfeffer (1975), legitimation means a change in the organization's mission, the adaptation to the constraints dedicated by legitimacy, and the association of the organization with legitimate social institutions or practices.

More recently, Deephouse et al. (2017: 29) considered that “*it is important when studying legitimacy to reject a static perspective and recognize that legitimacy is a continually unfolding process in which different scenarios can be identified at different points in time*”. Also, as argued by Suddaby et al. (2017), legitimacy is an ongoing process and a series of interactions between multiple participants, rather than a result of institutional pressures such as isomorphism. Thus, it is actively negotiated under this notion rather than assumed as a stable condition.

Dowling & Pfeffer (1975: 127) identified, as part of the legitimation process, three things that organizations adopt to become legitimate: (1) the adaptation of the organization’s output, goals, and methods of operation, (2) the attempt to alter the definition of social legitimacy so that it conforms to the organization's present practices, output, and values, and (3) the attempt to become identified with symbols, values, or institutions which have a strong base of social legitimacy. Also, Suddaby et al. (2017) revealed three processes by which legitimation occur: (1) persuasion/translation/narration, that is the process that occurs through language, communication, and translation, (2) theorization, which refers to the process by which existing norms and practices are abstracted into generalized specifications or categories and the dissemination of practices which become over time taken-for-granted, and (3) identification/categorization, that is the paradox of organizations to be isomorphic and therefore maintain legitimacy at the expense of being competitive or be different and therefore competitive at the expense of losing legitimacy.

To summarize this notion of legitimacy-as-process, legitimacy is socially constructed, and it is the outcome of an ongoing process of social interaction, in contrast to the legitimacy-as-property notion where legitimacy is static. Legitimation is the process by which a wide range of activities may be adopted by organizations to maintain their legitimacy and could impact the way “*how the organization is built, how it is run, and simultaneously, how it is understood and evaluated*” (Suchman, 1995: 576).

### 2.4.3. Legitimacy-as-Perception

Since the research question in this study is about exploring how the US regulations affect the perception of the Lebanese banking sector legitimacy, it is important for the reader to understand what organizational perception is, and how it is managed for the purpose of protecting the organization's image, identity and reputation. At the end, legitimacy is a perception; maintaining it is about managing it (Elsbach, 2003). It is a generalized perception rather than an event-specific and is "*possessed objectively, yet created subjectively*" (Suchman, 1995: 574). One of the most common organizational images is organizational legitimacy (Elsbach, 2003). Legitimate organizations, as the institutional theory suggests, are perceived as more trustworthy than illegitimate ones (Suchman, 1995) and therefore, they are more likely to receive the required support and resources from institutional actors on which they are dependent to survive (Ashforth & Gibbs, 1990).

In addition, and always consistent with the concept of legitimacy as perception, Bitektine (2011: 152) argued that "*legitimacy can be understood as actors' perceptions of the organization, as a judgment with respect to the organization, or as the behavioral consequences of perception and judgment*". Tost (2011) also distinguished between legitimacy at the individual-level and legitimacy at the collective level. She constructed a model of how legitimacy perception changes over time from one that is legitimate to another one that is illegitimate or vice versa.

The importance of legitimacy is mostly valued at the time of crisis when the legitimacy of an organization is questioned by its key constituents due to involvement in suspicious activity (Elsbach & Sutton, 1992). For example, Wells Fargo bank scandal in 2016 was shocking and the bank's legitimacy challenged when the bank opened over 1.5 million unauthorized accounts and customers have been charged for unlawful fees. The bank has been fined for \$185 million in a case that attracted the attention of media and public. Hence, non-compliance is perceived as illegitimate and the adoption of window dressing practices could challenge an organization's legitimacy.

Organizational legitimacy is different than organizational reputation (Elsbach, 2003). Also, Deephouse & Carter (2005) considered that, although organizational legitimacy and organizational reputation have similar social construction, the former emphasizes the social acceptance whereas the latter emphasizes comparisons among organizations.

Moreover, they found out that “*higher financial performance increases reputation but does not increase the legitimacy of high performing banks*” (Deephouse & Carter, 2005:329). Maclean & Behnam (2010) distinguished between external organization-level legitimacy perceptions and internal program-level legitimacy perceptions and demonstrated that the adoption of decoupling to enhance the former has negatively affected the latter, which led to loss of external legitimacy. Also, Suddaby et al. (2017) distinguished between three types of legitimacy, depending on the epistemological and ontological position. They argued that researchers have defined legitimacy in different ways: (1) *legitimacy-as-property*, (2) *legitimacy-as-process*, and (3) *legitimacy-as-perception*.

Legitimacy-as-property is a product of the organization and its external environment, legitimacy-as-process is the product of interaction between organizations in the same field, and legitimacy-as-perception occurs “*between traditional levels of analysis as a cross-level process of perceptions, judgments of appropriateness and actions that occur in interactions between the collective and the individual*” (Suddaby et al, 2017: 451).

They argued that the legitimacy-as-perception retains the notion of legitimacy-as-property and legitimacy-as-process, however the former stresses on the role of individuals at the micro level and their judgments about the legitimacy. It is individuals at the end, and their cognitions and beliefs, who judge organizations about their legitimacy, although Suddaby et al. (2017) confessed that legitimacy evaluation is not only happening at the individual level; however, they agreed with Bitektine & Haack (2015) that legitimacy judgment includes also sensemaking of collective actors.

It is important to note, however, that the perception of legitimacy of an organization and its social acceptance does not necessitate agreement among all evaluators. Rather, a “concurrency” among evaluators is sufficient to reflect their shared perceptions over an organization (Bundy & Pfarrer, 2015). Thus, legitimacy is often seen as a collective rather than individual perception (Deephouse & Suchman, 2008).

## 2.5. LEGITIMACY FOLLOWING CRISES

When scandals or crises hit an organization, the latter is seen by the social actors as illegitimate and become more exposed to comments and attacks (Pfeffer & Salancik, 1978). Also, accidents, crises, or scandals do not only impair the legitimacy of organizations that have been involved in the disruption or that are subject to the scandal, but also affect the legitimacy of other organizations in the same organizational field (Desai, 2011). The author tested this hypothesis in the U.S. railroad industry and concluded that organizations seek to influence their overall organizational fields which are subject to greater scrutiny following a crisis that is externally induced.

Also, organizations have incentives to safeguard the legitimacy of their organizational field when it is threatened in order to maintain stability and access to resources (Jonsson et al., 2009). Deviance has impact on the affected organization and may lead to loss of legitimacy (Elsbach & Sutton, 1992). However, scandals may also expand beyond the focal organization to become a social problem (Jonsson et al., 2009). The author revealed that scandals involving a Swedish insurance company affected the deviant organization as well as other non-culpable organizations that have similar characteristics and led investors to withdraw from transactions with similar organizations.

Also, by way of example, Jensen (2006) used the collapse of the audit firm Arthur Andersen in 2002 due to audit failure at Enron whose scandal tainted the reputation of the firm and led clients to withdraw their businesses, in addition to raising a big question about auditing firms in general and their activities. Also, Paruchuri & Misangyi (2015) suggested that when an organization reveals financial misconduct, others in the industry suffer lower valuations and market investors discount bystander organizations operating in the same industry during the days following the event. Negative impacts following a crisis may also affect other organizations even in the absence of direct relationship between the stricken organization and other non-stricken ones (Yu et al., 2008). The authors called this phenomenon as “the spillover of negative impacts” that affects the legitimacy of those non-stricken organizations.

In a more recent study, Piazza & Jourdan (2018) found out that scandals lead to competitive advantage for certain organizations over others operating within the same field. Then, scandals affect the “taken-for granted” status of an organization along with the criteria adopted for evaluation of organizations within the field. Back to Enron scandals, Arthur Andersen legitimacy has been affected but the legitimacy of the whole auditing service was not fully undermined, so other auditing firms attracted Arthur Andersen clients due to limited available alternative (Piazza & Jourdan, 2018).

In the context of banking, Brown (2005) analyzed the account of the collapse of Barings Bank and how this incident affected the legitimacy of Bank of England which acted to repair its legitimacy in times of crisis. Another study by Arnold & Sikka (2001) about the collapse of the Bank of Credit and Commerce International (BCCI) highlighted the importance of legitimacy for the UK banking system and how the UK allowed BCCI to continue to trade in order to encourage foreign investment despite the bank’s involvement in money laundering activities. However, when BCCI wrongdoings negatively affected the legitimacy of the UK banking industry and the reputation of the City of London, the UK shut down the bank.

In sum, legitimacy spillover is influenced by the level of organizations’ similarity within an organizational field (Desai, 2011; Yu et al., 2008). A stricken organization following a scandal is individually affected and may expose other similar organizations in the same field whose legitimacy could be also questioned. The rationale behind social actors’ perceptions in these cases is their cognition that organizations in the same field have similar features and behave in the same manner (Bitektine, 2011; Meyer and Rowan, 1977).

## **2.6. LEGITIMACY OF BANKS IN GENERAL**

Banks are crucial for both the economy and the society. The wide range of activities they undertake and the many different delivery channels they offer to the public make banks indispensable in people’s life. In the absence of adequate substitute that can provide the same services and has the same level of trust, banks are seen as inevitable by the society in view of the central role they play in the economy of a country and due to their intermediation role between depositors and borrowers.

The World Bank (2018) highlighted the potential benefits of financial inclusion – that is getting people into the formal financial system to open an account – and has made it a key priority to encourage financial inclusion since financial services can help drive development, reduce poverty, and improve people’s income-earning.

In general, banks are legitimate organizations by virtue of the regulatory licenses granted to them by the state and allowing them to operate and provide services to individuals and legal entities. Regulatory endorsement, being the acceptance of banks by the regulatory bodies that regulate them (Deephouse, 1996), is one of the main facets of legitimacy in addition to other social actors who confer legitimacy such as the public and the media.

Having a proper license to operate, banks play an intermediary role by receiving deposits from the general public and granting loans to consumers, playing therefore a major role in funding business borrowers, in addition to other services such as advisory role (investment and financial instruments), payments, trade finance, foreign exchange, and others.

Banks therefore contribute to the economic development of the country and to the society in which they are situated, change the aspects of modern societies, and raise income levels and standards of living of citizens. The economic development in any country depends mainly on the development of their financial sectors which are considered as the central drivers of economic growth. Thus, *“banks are essential for any modern economy, not only because of their turnovers but also because they provide a number of important functions for the national economy, being the main financier”* (Drigă, 2006: 55).

In their societal role, banks around the globe are increasingly engaged in corporate social responsibility (CSR) activities to enhance their legitimacy and strengthen their reputation especially after being hit by a crisis or further to a scandal. Scandals could overnight destroy the legitimacy and reputation of a bank. Being socially responsible impose more than “business-as-usual” on banks which have to go beyond just compliance with laws and regulations and force them to behave more responsibly.

At the same time, banks are rational investors operating in a risky and uncertain environment (Klein, 1971) and they are therefore exposed to multiple risks. They face “credit risk” which is the risk of default of a borrower to settle his or her dues, “liquidity risk” that is the bank’s inability to meet the needs of depositors and borrowers due to shortage in cash or inability to convert its assets into cash, “market risk” that is the risk of losses arising from the decrease in the value of an investment due to changes in market factors, and “operational risk” that is defined by the Basel Committee on Banking Supervision (2011) as “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”. This is just to name few of the risks to which banks are exposed.

However, there are two major risks that are of critical importance for banks and which are worth mentioning here due to their relevance to this study: “reputation risk” and “compliance risk”. The former is the risk of loss resulting from damages to the bank’s image as a result of a scandal or adverse media which could be perceived by stakeholders as inappropriate or inconsistent with their values and beliefs. A question arises here about the interrelation between the reputation of an organization and its legitimacy. Elsbach (2003) argued that organizational legitimacy is different than organizational reputation, and Deephouse & Carter (2005) examined this link in a population of commercial banks in the US and concluded that organizational legitimacy and organizational reputation have similar social construction; however, legitimacy emphasizes the social acceptance whereas reputation emphasizes comparisons among organizations.

Another major risk has emerged in the banking industry, that is the “compliance risk”. Compliance risk is defined by the Basel Committee on Banking Supervision (2005) as “the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities”. As we have seen above, many banks around the world have been penalized and have suffered financial fines and loss to their reputation because they have violated laws and regulations for which they were supposed to comply. Non-conformity to laws and regulations could jeopardize the image of violating banks and might call into question their legitimacy because when a scandal hits an organization, it is seen by the social actors as illegitimate and become subject to comments and attacks (Pfeffer & Salancik, 1978).

On the other hand, the financial industry had witnessed various crisis over the years which have affected its image and reputation. The most recent and devastating one is the financial crisis of 2007-2008 which had its roots in the United States due to falling prices of US housing that in turn led to increasing default rates among less creditworthy borrowers followed by the meltdown of sub-prime mortgages and securitized products. As a result, a number of financial institutions collapsed or were subject to governments' bailout. The origins and causes of the crisis have been of significant interest for practitioners and scholars and have been largely studied in the aftermath of the crisis. The OECD (2013) claimed that the causes are complex and have to do mainly with the proliferation of subprime loans sanctioned to low-income households with high risk of default.

Also, the crisis seriously called into question the financial globalization where governments had to react to prevent a global systemic risk by demonstrating a political will and international cooperation. According to the OECD (2013), the economic crisis has prompted an immediate action by governments to prevent the collapse of the banking system where some measures have been taken by countries such as the United States, the European Union and Japan to introduce some reforms, including but not limited to bonus limits, accounting rules enhancement, and derivatives transactions controls. In brief, the global economic crisis has introduced uncertainty into the output-oriented legitimation (Jones, 2009), has led to legitimacy crisis of the international financial order (Stuenkel, 2013) and has undermined trust in the banking system and its overall stability (Roth, 2009).

Lebanon is part of the international financial system. It maintains a solid banking sector which offers a wide range of financial services to the public. Lebanese banks are licensed by the Central Bank of Lebanon which is the competent authority that confers legitimacy to banks in order to operate. The health of the Lebanese economy depends largely on the health of the Lebanese banking sector where banks play a fundamental role in supporting economic development and society at large.

This sector has proven to be resilient despite all challenges. While several large banks around the world have experienced financial problems during the 2007-2008 financial crisis, the Lebanese banking system has proven to be immune against the turmoil and has defied the odds in face of the global financial crisis due to its conservative policy.

As a result of this crisis, the confidence and trust in the international banking system have been affected and questions have arisen regarding the current socio-economic system as a whole. This has also led to questioning the legitimacy of financial institutions and their acceptance by the society; something that Lebanon succeeded to overcome and therefore to safeguard its financial stability.

In spite of global and regional instability, Lebanese banks remain profitable due to the confidence in the Lebanese banking system which continues to attract transnational financial inflows. The sector is highly liquid with overall confidence and trust from both investors and depositors, and plays a vital role in employment creation, economic growth and development (El-Chaarani, 2014).

In part, the strength of the Lebanese banking sector is largely attributable to the trust and loyalty of the Lebanese diaspora which had and continue to pump the sector with deposits which constitute the main source of funding to support the needs of both the private and public sectors. On the other hand, the Lebanese banking system is characterized by stringent regulatory framework and its activities are subject to close scrutiny by the competent regulatory authorities which, through rigorous rules and regulations, have shielded the sector from major risks and have been able to absorb the shocks that might negatively affect it.

In sum, the legitimacy of the international banking industry including the Lebanese banking sector is to a certain extent taken-for-granted because it is hard to conceive a society without a banking system. However, it is not to be assumed that this legitimacy could never be lost or questioned although it might seem to be quite unshakable at certain points in time. All of a sudden, further to a scandal, an organization could reach some kind of a “cliff” in its legitimacy and become illegitimate (Boulding, 1969).

## **2.7. EMPIRICAL RESEARCHES ON LEGITIMACY OF BANKS**

This part has been focused on the empirical studies addressing the legitimacy of banks, being the sector of interest in this research, along with the empirical researches on the legitimacy of organizations in general, in addition to the link isomorphism-legitimacy studies.

Legitimacy has been studied in various sectors, including banking. However, I noticed that most of the empirical studies addressing the legitimacy of banks have been concentrated on corporate social responsibility and its role in the legitimation process. This is probably due to the fact that some organizations, such as banks, are more socially visible than other organizational sectors, in addition to being exposed to public scrutiny. Hence, banks engage in social activities, such as corporate social responsibility, which are congruent with social values in order to enhance their corporate image. For instance, in their study of Portuguese banks, Branco & Rodrigues (2006) examined the disclosure of social responsibility information by these banks, and their results suggested that better-known banks have more reason to justify their existence to society by using social responsibility disclosure, and therefore to maintain legitimacy.

Also, Nilsen (2010) examined how the banking sector, mainly a Norwegian bank and a Danish bank, use corporate social responsibility to repair legitimacy and reputation. His findings indicated that banks are under pressure that necessitates an adequate response to repair legitimacy in view of the increased expectations with respect to corporate social responsibility by public opinion. Another study by Bartlett (2005) investigated how four Australian banks responded to legitimacy concerns through social responsibility reporting. Results show that banks have responded to legitimacy challenges in differing ways in contrary to theoretical claims which revealed that organizations within similar fields respond in similar ways to legitimacy concerns. Shen, Wu, Chen, & Fang (2016) examined whether banks that engage in corporate social responsibility increase their profits and decrease their non-performing loans, and therefore, outperform non- corporate social responsibility banks in terms of return on assets and return on equity. They argued that banks that engage in corporate social responsibility activities improve their financial performance, whereas Margolis, Elfenbein & Walsh (2007) found out that 27% of corporate social responsibility activities have a positive effect on performance of organizations, 2% has a negative effect, and 58% has a non-significant effect.

Also, in the context of banking, Atakan-Duman & Ozdora-Aksak (2014) investigated the role of CSR in building banks' identities in the Turkish banking sector and found out that banks are involved in non-economic social activities such as CRS to gain and maintain legitimacy, irrespective of the banks' core economic functions and regardless of their efficiency. Thus, banks strive to maintain their legitimacy through involvement in social activities, so they are perceived as beneficial for the society rather than being viewed by society as profit-generation organizations only.

Ochieng & Kwasira (2017) assessed the strategic responses to institutional pressures on the performance of commercial banks in Kenya. They concluded that corporate social responsibility is increasingly being considered as a source of competitive advantage for banks which support charities and other social corporate activities to gain market share. Also, Fashola (2014) inserted “customer” in the legitimacy pyramid for the banking industry and considered that the basis for the existence of both the regulator and the banks is boosted by a need for the institution to function for the customer. He considered that banks seeking legitimacy and social acceptance should position the customer “as a legitimizing agent”. In Lebanon, Chedrawi & Osta (2017) studied corporate social responsibility in the Lebanese banking sector and how banking strategy could respond to the process of legitimacy within the debate: “creating value for stakeholders creates value for shareholders”. Their study revealed insight on the importance of corporate social responsibility and its role in conferring higher shareholder wealth through legitimacy.

On the other hand, but still in the context of banks, Deephouse (1996) tested a central proposition of institutional theory, isomorphism-legitimacy link, in the entire population of commercial banks in the Minneapolis-Saint Paul metropolitan area from 1985 through 1992. He found out that the sources of legitimacy may differ by type of audience and demonstrated how legitimacy is operationally defined using regulators and the media as sources. He then recognized that organizations are evaluated by agencies of state, for example, banks evaluated by regulators.

Also, Deephouse (1996) highlighted that legitimacy matters because it enhances strategic choice in the context of banks when he argued that regulatory sanctions restricted the ability of banks to make certain types of loans. He finally found a positive correlation between strategic isomorphism and legitimacy and concluded that organizational isomorphism increases organizational legitimacy.

Almost 6 years later, Deephouse & Carter (2005) empirically examined the financial, regulatory, and public dimensions of legitimacy and reputation in a population of US commercial banks. They again demonstrated that isomorphism improves legitimacy, but its effects on reputation depend on the bank’s reputation, and that higher financial performance increases reputation, however, it does not increase the legitimacy of high performing banks.

Whereas in their study of the tension between the pressure to conform and the pressure to perform in the Portuguese banking sector, Barreto and Baden-Fuller (2006) noted that banks which imitate their reference group and engage in legitimacy-driven mimetic actions have negative contribution on the banks' profitability.

Drawing on the institutional theory and the resource-based view, Singh Deol (2009) studied the development and use of intellectual capital of the Indian banking industry, and how different banks responded to deregulation and industry reforms in terms of developing and exploiting their intellectual capital. Findings of this research suggested that government, private and foreign banks used and developed structural, human and relational capital in response to the change in their strategic environment due to the reforms. This study's findings provide support for a theoretical foundation which suggests that institution-level changes lead to uncertainty which may produce mimetic expansion of business scope.

Also, relying on neo-institutional literature, Venard & Hanafi (2008) studied the link between corruption and organizational isomorphism in financial institutions in emerging countries, along with the reasons for corruption in these financial institutions. They tested various hypotheses of the influence of organizational isomorphism on corruption in financial institutions and found out that the quality of financial markets, as well as laws and their enforcement have a negative influence on the level of corruption.

Munir & Baird (2016) examined, through the lens of institutional theory and based on the isomorphism concept, the influence of institutional pressures on the performance measurement system within banks and financial institutions in Australia. Their results have shown that multi-dimensional performance measures are associated with coercive and normative pressures, mainly "economic and financial legislation", "socio-economic political pressures" and "banking regulations", and "corporate change" respectively.

In the same context, using institutional framework, Elliot (2016) studied how top managers interpret change in the macro-political and economic environment and integrate it into their performance management systems in the big four Swedish banks. The study shows little evidence to confirm that regulation as a major cause of change in banks, played a significant role in influencing the performance management systems of the large Swedish banks.

Drawing on the isomorphism concept and the liability of foreignness (Zaheer, 1995), Salomon & Wu (2012) suggested that experience moderates the impact of distance on local isomorphism, and tested this hypothesis using a sample of 89 foreign-bank subsidiaries operating in the US. Their results have shown that the greater the cultural, regulatory, and economic distances between the home country and the United States, the more likely are foreign-bank subsidiaries to imitate the practices of local US banks.

Then, Wu & Salomon (2016) used a dataset of 80 foreign banks from 25 countries operating in the United States to study whether imitation of local banks by multinational companies has an impact on performance of the latter. Results have shown that adopting imitation and isomorphism strategy by multinational firms improve their performance, however, performance decreases with experience.

Legitimacy has also been studied in the energy sector (Holland & Alakavuklar, 2017) where organizations in the New Zealand energy sector were found to respond to challenges of their legitimacy through the use of CSR communication.

In a political context, LaFree & Morris (2012) examined in three Muslim countries the perception about the US government legitimacy and its relation to support of transnational terrorist attacks against the United States. Their findings revealed that individuals who have more favorable attitudes toward US citizens and culture are less likely to support attacks against Americans by Muslim-based groups. Their results also have shown distinction between views of the US government and views of the American people and culture.

The literature review on legitimacy had demonstrated its importance for the survival of organizations and how the latter require social acceptability and credibility rather than material resources and technical information in order to maintain their legitimacy and continue to survive. It has consequences on organizations, and it captures an important element of an organization's access to resources and survival in an institutional environment. Also, the literature has shown that organizations seek endorsement and legitimacy from various constituents, but certain sources may have a larger impact than others. However, legitimacy in the banking industry is very scarce in the literature where most of the researches are concentrated on how banks engage in corporate social responsibility activities to maintain their legitimacy. Also, researches on legitimacy did not examine how a foreign regulator could influence the perception of legitimacy in the banking sector of a different country and how it impacts its compliance strategies. No previous studies revealed how a banking sector seeks to maintain its legitimacy vis-à-vis a foreign and powerful institutional constituent on which it is dependent to survive and continue business. It is this gap in the literature that I will try to fill.

## **2.8. STRATEGIC RESPONSES TO INSTITUTIONAL PRESSURES**

As we have seen above, the neo institutional has been criticized by a number of theorists for largely ignoring “power” and for denying managers’ agency, while it broadly emphasized on organizational conformity to institutional processes at the expense of the role of agency in organizational adaptation to institutional environment (Powell & DiMaggio, 1991; Oliver, 1991). Oliver (1991) highlighted these critics by arguing that institutional theorists overlook the role of active agency and resistance in the relation between organizations and their environment. Powell & DiMaggio (1991) accounted for the possibility that some actors called “institutional entrepreneurs” may resist the influence of the environment and social beliefs.

In a related argument, the “institutional work” has been introduced later on and elaborated by Lawrence, Suddaby and Leca (2011) and whose core idea is that certain actors in an organizational field are not prisoners of their institutional environment.

Rather, they acquire a cognitive awareness of their institutional environment which allow them to manage or manipulate that environment. Hence, there was since more emphasis on the role of agency where organizations are no more seen as cultural dopes. Instead, organizations are considered as actively engaged in influencing the institutional environment in which they are situated, and they do not only adapt to the environmental requirements, but they are also active in creating and defining institutional demands (Scheid-Cook, 1992).

### **2.8.1. Strategic Responses to Maintain Legitimacy**

Organizations now opt for various strategies to respond to institutional pressures in order to maintain their legitimacy. They could passively conform to isomorphic pressures arising from external institutions (DiMaggio & Powell, 1983), so they conform to the coercive, normative, and mimetic mechanisms derived from external institutional pressures and therefore gain legitimacy for their activities in specific institutional environments. However, this does not mean that organizations which conform to isomorphic change become all identical to each other and become passive recipients of institutional pressures and prisoners of their institutional environments (Suddaby, 2010). Organizations may also engage in managing these institutional pressures by adopting certain legitimacy-seeking strategies (Oliver, 1991; Ashforth & Gibbs, 1990; Suchman, 1995).

In this respect, Oliver (1991) proposed valuable insights on the way organizations react to institutional processes and offered strategic responses to institutional pressure varying from passive conformity to proactive manipulation. She suggested five types of strategic responses which vary from passivity to increasing active resistance and labelled them acquiescence, compromise, avoidance, defiance, and manipulation. The below table summarizes those responses. In addition to the five strategies, Oliver (1991) identified tactics within each of the strategic responses.

The first strategic response is “acquiescence” which refers to the blind adherence by an organization to taken-for-granted rules, values and norms within the institutional environment. This means that, for the purpose of enhancing its legitimacy and strengthening its stability, an organization agrees to institutional pressures and adopts a passive strategy which includes unconscious imitation of successful organizations, as well as conscious compliance with institutional pressures.

When confronted with conflicting institutional expectations, organizations adopt a “compromise” strategy (Oliver, 1991), and therefore they attempt to balance, pacify, or bargain with external constituents especially when there are inconsistencies between institutional expectations and organizational objectives. As for the “avoidance” strategy, it is adopted when an organization attempts to hinder the need for compliance by concealing their non-conformity, buffering themselves from institutional pressures, or escaping from institutional rules.

“Defiance” is a more aggressive strategy than “compromise” and “avoidance” and includes ignoring institutional rules especially when the potential for enforcement of these rules is low and challenging them or attacking them when the organization believes that its privileges are threatened.

Yet, the most active response remains with “manipulation”. This is where organizations seek to actively change or exert power over institutional demands and involves an opportunistic attempt to co-opt, influence, or control institutional constituents in order to achieve legitimization. Dowling & Pfeffer (1975) described how the American Institute for Foreign Studies engaged in a wide range of activities to seek legitimacy such as being involved in the co-optation of major political leaders.

Bitektine & Haack (2015) talked about highly influential actors such as regulators and legislators whose “validity” has a strong effect on actors’ perception and judgment. However, such “validity staging” is subject to strategic responses adopted to manipulate a regulator’s perception on a specific issue. For instance, lobbying with a regulator by multiple lobbyists is identified as a mean to influence regulators’ judgments (Bonardi & Keim, 2005).

Also, Etzioni (2009) talked about “switching or manipulating” regulators and gave an example of how a giant US bank that was under pressure by the federal agencies that supervise it, led executives of this bank to switch from one regulator (Office of the Comptroller of the Currency) to another one (the Office of Thrift Supervision) that is more flexible.

The below table summarizes the strategic responses to institutional processes, adopted by organizations (Oliver, 1991).

**Table 4: Strategic Responses to Institutional Pressures**

Strategies	Tactics	Examples
Acquiescence	Habit Imitate Comply	Following invisible, taken-for-granted norms Mimicking institutional models Obeying rules and accepting norms
Compromise	Balance Pacify Bargain	Balancing the expectations of multiple constituents Placating and accommodating institutional elements Negotiating with institutional stakeholders
Avoidance	Conceal Buffer Escape	Disguising nonconformity Loosening institutional attachments Changing goals, activities, or domains
Defiance	Dismiss Challenge Attack	Ignoring explicit norms and values Contesting rules and requirements Assaulting the sources of institutional pressures
Manipulation	Co-opt Influence Control	Importing influential constituents Shaping values and criteria Dominating institutional constituents and processes

*Source: Strategic Responses to Institutional Processes (Oliver, 1991)*

### 2.8.2. Strategic Responses in the Banking Context

Many researchers have tested Oliver's typology in various fields. For instance, Clemens & Douglas (2005) evaluated Oliver's framework in the steel industry and found out that organizations that cooperated with each other in this field were less inclined to engage in resistance strategies. In the hospital industry, Heese, Krishnan, & Moers (2016) argued that decoupling occurs within regulatory agencies which face pressures to decouple from the policies they set for enforcement and that organizations respond to institutional pressures by decoupling policies from actual practice.

Also, in the non-banking field, Wijethilake, Munir, & Appuhami (2017) examined the role of management control systems in strategically responding to institutional pressures for sustainability in a multinational manufacturing organization. Their findings showed that organizations actively respond to these institutional pressures by adopting the five strategies of Oliver (1991).

However, while strategic responses to institutional pressures have gained attention in the literature, they remain scarce in the banking industry and little is known about how banks respond to the mounting pressures of various and conflicting regulations. In the context of banking, drawing on the institutional theory and Oliver's framework, Munir, Perera, & Baird (2011) examined the factors leading banks to change their performance measurement systems, and found out that banks respond through active resistance to the environmental factors which affect their functioning, rather than passively conform to these pressures.

As an example of the manipulation strategy – co-optation tactic in the banking context, the British bank HSBC appointed on December 2012 Robert W. Werner, a former United States Treasury official, as Head of Financial Crime Compliance to direct the bank's financial crime compliance. HSBC took this action due to United States authorities investigating the bank for possible money laundering schemes and for dealing with clients potentially linked to terrorism. This has led to the bank's legitimacy being questioned by a key institutional actor, the US authority. Hence, HSBC mitigated part of the risk and attempt to neutralize the institutional pressure exercised by the US by hiring a former head of OFAC – a department of the US Treasury, and Financial Crimes Enforcement Network (FinCEN).

Another example in the Lebanese context, in a press release dated September 5<sup>th</sup>, 2017, the Lebanese bank SGBL announced the appointment of Daniel Glaser, former U.S. Department of the Treasury Assistant Secretary for Terrorism Finance and former Head of the U.S. Delegation to the Financial Action Task Force (FATF), as a senior advisor to SGBL chairman. Glaser had over than 20 years of experience with the US Treasury, where he formulated and coordinated anti-money laundering and counter-terrorist financing (AML/CFT) policies and strategies. In its announcement, SGBL stated that the bank is keen on applying strict AML/CFT procedures and proud to leverage Glaser's expertise for its international development.

This action by SGBL came at the time where Lebanon and the Lebanese banking industry were being threatened by a new wave of US sanctions, mainly the Hezbollah International Financing Prevention Act of 2017. Hence, the employment of a prominent US figure as a senior advisor for a Lebanese bank is considered as “co-optation” of US pressure source, and subsequently to enhance the legitimacy of the bank.

In order to better illustrate Oliver’s typology in the banking industry and make it easier for the reader to understand how this may apply for the banking industry, I’ve come up with the below table and provided examples about each strategic response in the banking context.

**Table 5: Examples of Strategic Responses to Institutional Pressures in the Banking Context**

Strategies	Tactics	Researcher’s Examples
Acquiescence	Habit Imitate Comply	Banks adhere to conventional norms, laws and regulations Banks imitate the behavior of their successful peers Banks consciously comply with norms, laws and regulations
Compromise	Balance Pacify Bargain	Banks accommodate to multiple constituents demands Banks conform to the minimum standards of constituents Banks obtain concessions from their exogenous constituents
Avoidance	Conceal Buffer Escape	Banks disguise their non-conformity with a façade of compliance Banks decouple their activities from external assessment Banks de-risk some kind of risky businesses
Defiance	Dismiss Challenge Attack	Banks ignore rules due to low possibility of enforcement by regulators Banks challenge laws and regulations by considering them irrational Banks attack external demands when their privileges are in jeopardy
Manipulation	Co-opt Influence Control	Banks co-opt the source of external pressures by neutralizing opposition Banks lobby governmental regulators for changing institutional rules Banks exercise power over external constituents who impose pressures

*Source: Researcher*

### 2.8.3. Factors Affecting Strategic Responses

In addition to the above strategies and tactics, an organization's strategic responses to institutional pressures are also affected by some institutional factors identified by Oliver (1991) as follows: *cause, constituents, content, control, and context*. These factors were considered by many researchers (e.g. Goodstein, 1994; Clemens & Douglas, 2005) as forces that motivate strategic responsiveness to institutional pressures. Because of these institutional factors, organizations may adopt more than one strategy and tactics to respond to institutional pressure.

For instance, a bank could elect to unconsciously comply with relevant regulations because non-conformity could have negative repercussions on the bank, or the same bank could dismiss these regulations by ignoring them due to low possibility of enforcement by the regulator. Hence, the likelihood of conformity versus the likelihood of resistance to institutional pressure are determined by "*why these pressures are being exerted, who is exerting them, what these pressures are, how or by what means they are exerted, and where they occur*" (Oliver, 1991: 159). I below discuss those institutional factors.

"*Cause*" refers to the motives behind exerting pressures by an institutional actor on an organization to comply. Oliver (1991) argued that organizations that are under high pressure to conform to social or economic norms will be more probable to acquiesce especially when compliance enhances their social and economic fitness.

When expectations or demands of the institutional environment enhance the legitimacy of an organization, the latter will opt for conformity with these demands and will be less inclined to resist them (Dowling & Pfeffer, 1975; Meyer & Rowan, 1977). Also, strategic responses are affected by the characteristics of the institutional actors who are exercising pressure on the organization (Goodstein, 1994).

"*Constituents*" refers to who is exerting institutional pressures on the organization (Oliver, 1991). They include for instance the state which imposes laws and regulations on organizations that could be sometimes conflicting with laws and regulations imposed by other institutional actors (e.g. laws and regulations issued by domestic regulator that are conflicting with those imposed by foreign regulator). These conflicting expectations make compliance difficult because satisfying all constituents is almost impossible (Pfeffer & Salancik, 1978).

In their study over 100 childcare and their responses to institutional complexity, Raaijmakers et al. (2015) analyzed institutional demands from a powerful constituent which conflict with other constituents' expectations who perceive the demands as illegitimate. They found out that decision makers, faced with institutional complexity, attempt to neutralize conflicting demands by delaying compliance.

However, organizations need legitimacy if they are to acquire constituents' support and resources (Ashforth & Gibbs, 1990) because legitimacy at the end is conferred to the organizations by their constituents on which they are dependent to survive. As legitimacy is conferred by various constituents, the sources of legitimation are diverse because organizations are highly differentiated, loosely coupled systems, and related to many different environments (Scott, 2014). Yet, legitimacy does not have to be necessarily conferred by all constituents but by those crucial for the survival of an organization. Thus, organizations seek endorsement from various constituents, but certain constituents may have a larger impact than others (Deepphouse & Suchman, 2008).

As for "*content*", the third institutional factor that affects strategic responses of organizations, it refers to the expectations, demands, norms, rules, laws and regulations to which the organization is compelled to comply. It represents the extent to which the institutional pressures are consistent with the organizational goals (Oliver, 1991).

Organizations' strategic responses to institutional pressures then depends on the level of consistency between pressures and the goals of the organizations; if consistency is high, acquiescence is the most probable strategy; if consistency is moderate, compromise and avoidance strategies are adopted; and when consistency is low, defiance and manipulation strategies are the most predictable to occur (Oliver, 1991). For instance, a US bank maintaining an account for a Lebanese bank that is dependent on this relationship to carry out transactions in USD and through the US financial system, may impose certain requirements on the Lebanese bank which will be less likely to resist these demands.

As to how institutional pressures are being imposed on organizations is referred to by Oliver (1991) as "*control*". Oliver distinguished between two processes through which pressures are imposed: legal coercion and voluntary diffusion.

Legal coercion is identical to the “coercive isomorphism” (DiMaggio & Powell, 1983) which suggests that organizations are subject to the force of the law, rules and regulations to which they tend to conform in order to maintain their legitimacy, and stems from formal and informal pressures exerted on organizations, including government authority. Also, legal coercion resembles to the regulative pillar (Scott, 2014) which accentuates the role played by laws, rules, regulations, and sanctions as major institutional forces. It involves establishing rules, monitoring compliance with these rules, and imposing sanctions such as rewards or punishment in an attempt to influence organizational behavior (Scott, 2001). This pillar adopts coercion as its primary mechanism, and obeying the rules to seek legitimacy (Suchman, 1995). Thus, when legal coercion is high, and non-compliance may lead to severe sanctions, organizations are more likely to conform. When enforcement of laws and regulations are moderate, organizations may opt for a “compromise” strategy (Oliver, 1991). As for voluntary diffusion, it suggests that when a practice is well diffuse among an organizational field, conformity to institutional pressures becomes more obvious.

As suggested by institutionalists, diffusion spreads across organizations because of their social values rather than their technical outcome. Tolbert & Zucker (1983) investigated the diffusion and institutionalization of change in formal organization structure and concluded that the adoption of civil service reform by late adopter cities was because of the widespread diffusion of these reforms and based on their social values rather than their characteristics.

Voluntary diffusion is consistent with mimetic isomorphism which suggests that not all institutional isomorphisms are the results of coercion. When the rules, norms and practices that have proven to be successful are spread across an organizational field and become taken-for-granted, organizations imitate each other to avoid uncertainty and subsequently they are reluctant to resist them.

Finally, “*context*” is the environment within which organizations are embedded and within which pressures are being exerted on them. According to Oliver (1991), environmental uncertainty and interconnectedness are determinants of organizational strategic responses to institutional pressures. When organizations are faced with uncertainty, they tend to mimic their peer successful organizations (DiMaggio & Powell, 1983).

Interconnectedness means the degree or density of connection or relation among organizations in the same field. The lower the degree of interconnectedness, the greater the likelihood of active strategies (Oliver, 1991). As hypothesized by DiMaggio & Powell (1983), the higher the degree of interconnectedness in an institutional environment, the higher the tendency for isomorphism and conformity. On the other hand, as posited by Galaskiewicz (1985), one interorganizational strategy to enhance legitimacy is to hire prestigious people on the organization's board of directors or to obtain endorsement by political figures (Pfeffer & Salancik, 1978).

In sum, I draw on Oliver's theoretical framework to specifically explore the Lebanese banking sector's responsiveness to institutional pressures exerted by a major institutional actor, along with the strategies and tactics adopted for this purpose. Since the likelihood of conformity or resistance to institutional pressure are determined by the questions raised by Oliver (1991): why these pressures are being exerted, who is exerting them, what these pressures are, how or by what means they are exerted, I'm specifically interested in understanding how the Lebanese banking sector is responding to the pressures of US regulations.

The literature on the strategic responses of organizations to the institutional pressures imposed on them teaches us that organizations are no more seen as cultural dopes; rather, they are considered as actively engaged in influencing the institutional environment in which they are situated. Thus, they do not only adapt to the environmental requirements, but they are also active in creating and defining institutional demands. However, although strategic responses to institutional pressures have gained attention in the literature, they remain scarce with respect to the banking industry and little is known about how banks respond to the mounting pressures of various and conflicting regulations. Also, an important question arises about the extent to which Lebanese banks are in a position to influence the institutional environment and subsequently the US regulations that are subject to, and whether they have any room for maneuver; something to be explored during this study.

## 2.9. “COMPLIANCE” AND INSTITUTIONAL COMPLEXITY

Organizational practice is defined as “*an organization's routine use of knowledge for conducting a particular function that has evolved over time under the influence of the organization's history, people, interests, and actions*” (Kostova & Roth, 2002:216). As suggested by the neo-institutional theory, diffusion is the spread of new practices in organizations. These practices are adopted because of their social values, not because of their technical outcome. Various findings provide strong support for the argument that the adoption of a process by an organization is determined based on its social value and the extent to which it is institutionalized, rather than its characteristics or efficiency (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Tolbert & Zucker, 1983).

A central tenet of this perspective is that organizations which are in the same organizational field and which are subject to institutional pressure by the same environment adopt similar institutionalized practices. Thus, they become isomorphic with each other (DiMaggio & Powell, 1983). The adoption of practices depends less on the objective and technical attributes, and more on the subjective perceptions of conformity to shared values and to institutional pressures driven by legitimacy motives.

However, given the ambiguous and conflicting requirements of the institutional environment within which an organization is situated, organizational practices vary across countries which lead to “*institutional duality*” (Kostova & Roth, 2002). Institutional duality, as explained by Kostova & Roth (2002) in their study about the adoption of an organizational practice by subsidiaries of a multinational company, is when organizations are confronted with two different sets of isomorphic pressures (the environment of the multinational company and the environment of its foreign subsidiaries) and have to comply with requirements of various countries in which they are embedded in order to maintain their legitimacy.

Also, conflicting and ambiguous institutional demands lead to institutional complexity (Greenwood et al., 2011). When faced with institutional complexity, however, organizations tend for early compliance with coercive pressure to enhance their legitimacy; when institutional complexity increased, organizations delay their compliance (Raaijmakers et al., 2015).

This is also true in the context of the banking industry for instance where banks have to comply with a multitude of regulatory requirements imposed by their domestic regulators, as well as with those imposed by foreign regulators in different countries where they maintain correspondent banking relationships. When foreign demands and expectations are consistent with local requirements, there will be no problem. However, when the laws and regulations with which banks in different countries are compelled to comply are ambiguous, sometimes conflicting and subject to interpretation, and “nuanced and opaque” (Rathbone, 2013), then compliance would be problematic. Also, as argued by Scott (2014), laws are subject to interpretation, and are particularly ambiguous to the point where even organizational managers could not determine what it meant to be in compliance.

As we have seen above, BNP Paribas case has shown conflicting legal opinions obtained by the bank from US legal firms, as to whether carrying out transactions related to sanctioned countries through the US financial system or through an affiliated US bank constitute a violation to US regulations or not. Also, there were conflicting opinions among BNP Paribas compliance and business-people themselves, and even between compliance functions within the same group. BNPP Geneva and BNPP Paris were not always aligned even among themselves on sanctions matters. Some of the bank’s employees considered that US sanctions do not apply to foreign banks especially when transactions are processed through an unaffiliated US bank.

Given the increased pressures of US regulations, an organizational practice – Compliance – has emerged, evolved after September 11, and continue to evolve as of today as a second line of defense in the banking industry (the first line of defense being the control self-assessment at the level of business units, and the third line being the internal audit function). However, the adoption of an organizational practice is affected by “dependence” (Kostova & Roth, 2002). Dependence in this study is defined as the reliance of a Lebanese bank on its US correspondent bank to carry out international transactions and on which they are dependent to survive and continue business. Without access to resources of the foreign correspondent bank, the Lebanese bank cannot survive. The more an organization is dependent on a powerful legitimating actor, the more the tendency for compliance (Oliver, 1991; Zucker, 1987). As posited by Oliver (1991), the higher the dependence of an organization on another organization, the more it will adopt an “acquiescence” strategy in its response to institutional pressures.

Also, as argued by Scott (2014), the institutional environment in which organizations are embedded was viewed as imposing organizational practices with which organizations have to comply because these practices are either taken-for-granted or because they are legally required. Yet, later studies have stressed on the strategic responses to institutional demands where organizations either decouple their practices from their day-to-day operations, or defend and negotiate institutional demands (Scott, 2014).

In principle, banks put in place a compliance program in order to make sure they are compliant with the expectations of their environmental constituents such as the state, regulatory bodies, professional associations, and others. Thus, maintaining a proper compliance program would generally help banks to maintain their legitimacy vis-à-vis their external actors on which they are dependent for support and survival. However, while in general some organizations fully implement their compliance programs, others may opt for other strategies to respond to institutional pressures such as for instance decoupling their compliance programs from their day-to-day activities (Maclean & Behnam, 2010).

By doing this, banks create some kind of window dressing or legitimacy façade to give the impression toward external parties that they are compliant and legitimate where in fact they are not, or they are partially compliant. These symbolic gestures (Ashforth & Gibbs, 1990; Suchman, 1995; Fiss & Zajac, 2006) seem to confer legitimacy to an organization by its external constituents irrespective whether its compliance program is properly implemented or not. In fact, the compliance program of banks is influenced by the institutional environment in which these banks are situated. Banks are subject to the force of the law, rules and regulations to which they tend to conform in order to maintain their legitimacy (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Coercion stems from formal and informal pressures exerted on organizations, including government authority (Scott, 2014).

In addition to the governmental agencies as societal institutions pressuring banks to conform to social expectations, banks are also compelled to comply with professional bodies (DiMaggio & Powell, 1983) such as for instance the Financial Action Task Force (FATF) which is an intergovernmental body that set anti-money laundering and counter-financing of terrorism standards. Moreover, the media has also become a source of legitimacy because of the link between media reports and public opinion, and since the media is a major indicator of society-at-large legitimacy.

As argued by McCarthy & Dolfsma (2014: 42), the media influence the public's perception of risk and alters the public's perception of reality. When a bank engages in suspicious, unethical or unpopular activities, such as involvement in money laundering activity or violation of a sanction program, its legitimacy is challenged by the media, and therefore the bank is more likely to enhance its policies and procedures in an attempt to restore its lost legitimacy (Ashforth & Gibbs, 1990).

Compliance programs are considered as legitimating structures (Maclean & Behnam, 2010) in case they are aligned with the demands of the organizations' key institutional actors who confer legitimacy. For instance, a Lebanese bank which maintains a correspondent relationship with a foreign counterpart has to put in place a compliance program that is aligned with the normative expectations of the foreign correspondent bank. Failure to satisfy these expectations may lead to foreign bank questioning the legitimacy of the Lebanese bank, which could moreover lead to losing its relationship that is essential to continue business.

Regulations are sometimes nuanced, opaque, and complex. These conflicting and ambiguous institutional demands lead to institutional complexity which in turn affects compliance. In the banking context, banks are subject to various laws and regulations with which they are required to comply. Failure to do so, banks might be subjected to various risks such as financial or reputational loss and subsequently questioning their legitimacy. To mitigate these risks, banks could engage in a legitimation process by strengthening their compliance programs to maintain their legitimacy or could decouple their compliance activities by creating a legitimacy façade to give the impression that they are compliant and legitimate. Oliver (1991) repertoire of strategic responses to institutional processes has been focused on the willingness and ability of organizations to respond to external demands. Yet, prior researches, with few exceptions, did not address the internal mechanisms such as compliance programs adopted by organizations to respond to exogeneous requirements. This void in the literature is therefore important to be explored especially in the banking industry where compliance functions have emerged and evolved over time to accompany the heightened requirements of international laws and regulations, in particular US ones.

## 2.10. MOTIVATIONS FOR COMPLIANCE

Over the last decade, scandals within the financial industry (the global financial crisis of 2008, violations of sanctions programs by large banks, non-compliance with anti-money laundering and counter-financing of terrorism standards, and non-adherence to other laws and regulations) have impacted the legitimacy of the financial sector. Violating banks have suffered as a result heavy financial penalties and loss to reputation. This also led to raising multiple questions about the compliance functions of banks, their compliance culture and compliance strategies and whether adequate measures are in place to mitigate such risks. Yet, despite all efforts and pressures exercised on financial institutions by regulatory bodies, international bodies, international setters and policymakers, the financial world is still witnessing cases of violation. As a result of corporate scandals, I argue that both the regulatory environment and the compliance functions in banks have witnessed a number of changes.

In response to a dynamic and evolving financial sector landscape, regulations evolved and became fierce, although in a reactive manner to events and external influences rather than being proactive (Edwards & Wolfe, 2005). In parallel, a historical shift toward compliance functions and their independence within organizations has emerged and resulted in the development and the institutionalization of compliance as a core control function within organizations in their quest for legitimacy (Pérezts & Picard, 2015), especially in the banking industry where compliance has to keep pace with the continuously increasing regulatory changes.

Thus, compliance, defined by Oliver (1991: 152) as the “*conscious obedience to or incorporation of values norms or institutional requirements*”, has evolved over time “*to become fully integrated and key to the success and survival of the business*” (Edwards & Wolfe, 2005: 49). Also, as argued by Jackman (2015: 21), compliance is “*undergoing a revolution in underlying principles, practices, role, expectations, and value*”. This shift in the institutional environment and in the compliance functions of banks has also led to change in the “*notion of legitimation*” (Burdon & Sorour, 2018). The latter, drawing on Suddaby et al. (2017), argued that this change can be interpreted as a shift in the perception of legitimacy from “*legitimacy-as-property*” to “*legitimacy-as-process*”; the former being acquired by organizations through compliance with laws and regulations, whereas the latter perceives legitimacy as a process based on collaboration between the regulator and the firms rather than enforcement (Burdon & Sorour, 2018).

However, a fundamental question arises of why and how organizations comply with laws and regulations, what are their motivations, and when they opt for strategies of resistance. Jackman (2001: 211) asked “*why just comply?*” and argued that if compliance is just about “getting by” or just satisfying the regulator could make compliance a “fragile state”.

This issue is debatable among regulatory bodies and scholars of regulations and compliance where some believes that organizations comply with laws and regulations when they are threatened by severe sanctions, while some others consider that persuasion could better serve the objective of compliance (Ayers & Braithwaite, 1992). The extant literature also regarding compliance with regulations suggests that organizations comply either because they fear detection of non-compliance and subsequently punishment, or because they feel social pressure to do so (Winter & May, 2001).

In their theory of “responsive regulation”, Ayers & Braithwaite (1992) argued that organizations have multiple and different motivations for compliance and considered that “*some corporate actors will only comply with the law if it is economically rational for them to do so; most corporate actors will comply with the law most of the time simply because it is the law; all corporate actors are bundles of contradictory commitments to values about economic rationality, law abidingness, and business responsibility. Business executives have profit-maximizing selves and law-abiding selves*” (Ayers & Braithwaite, 1992: 19).

Also, Nielsen & Parker (2012) identified three different types of motivations to compliance: economic, social, and normative. Winter & May (2001) labelled them: calculated, social, and normative. Economic motivation that is based on the material aspect and selfishness where the organization’s main focus is on business expansion and profit maximization, and where the benefits of compliance exceed the cost of compliance (Winter & May, 2001).

Social motivation is driven by social acceptance of an organization by various stakeholders with whom it interacts. Under this perspective, compliance depends on the extent to which it maintains or improves positive views about the organization. As for the normative motivation, it occurs when organizations trust the law and the regulatory body and perceive them as legitimate, and when they have a sense of moral agreement or duty to comply with the law. Normative motivation is then based on the concept of legitimacy where organizations believe that the competent authorities and the laws and regulations are fair and legitimate (Tyler, 2006).

On the other hand, Weaver (2014) argued that the rates of compliance or non-compliance depend on “*the perceived consequences of noncompliance, the salience of the issue to the public, and whether the target group is perceived favorably or unfavorably*” (Weaver, 2014: 246). Some non-compliant behaviors may be acceptable in one sector, but unacceptable in others. For instance, non-compliant behaviors that are acceptable in some industries are unacceptable in the banking sector because the latter is highly visible by the society, the consequences of being captured in violation of sanctions programs are severe, and the salience of these violations is significant.

In fact, compliance revolves around ensuring organizations are in conformity with standards which are not isolated in existence, but they represent the expectations of the society in which organizations operate (Jackman, 2015). I argue that this is even applicable within the same sector. For instance, in the banking sector again, exceeding the legal lending limit stipulated by the regulations, although non-compliant, is somehow tolerable as compared to violation of anti-money laundering regulations.

Weaver (2014) also addressed certain barriers to compliance. These includes the perceived incentives to comply, the willingness to comply, and the capacity to comply. While motivation is essential for compliance, organizations willingness to comply is insufficient in case they do not have the ability to obey the law (Winter & May, 2001). Therefore, ability to comply is not possible without knowledge of laws and regulations, which is prerequisite to compliance. Those regulations may be sometimes vague and complex which hinder compliance by organizations.

Also, Winter & May (2001) argued that awareness of rules and willingness to comply are not enough in case organizations do not have the financial capacity for compliance. Some scholars (Scholz, 1984; Winter & May, 2001) distinguished between enforced and voluntary compliance. The former is explained by deterrence and sanctions, whereas the latter is explained by normative motivation for compliance. In a more recent study, Mendoza et al. (2016) addressed organizations’ compliance with complex regulations and found out that regulatory complexity is not unfair, and that compliance is not only based on cost-benefit criteria but also on the way organizations perceive the fairness of the law. Fairness perceptions, based on knowledge and understanding of laws and regulations, enhance normative motivation to comply (Tyler, 2006).

The organizations' motivations for compliance is an issue that is debatable among both regulatory bodies and scholars of regulations and compliance. Motivations could be because of the fear of sanctions, or because of the feeling of social pressure. Also, motivations for compliance could be based on economic reasons, cost/benefit criteria, materiality, selfishness, business expansion, or profit maximization. These motivations, however, are not risk-free of certain barriers which could be related to the incentives, willingness, or ability to comply. Yet, what is not clear in the literature is how, in a dynamic and evolving financial sector landscape which continue to witness scandals due to violations of regulations, banks are motivated and what are the main drivers for compliance; something that is worth studying in the Lebanese banking sector.

## **2.11. SUMMARY OF THE LITERATURE REVIEW**

The above literature review provides insights about the mobilized conceptual frameworks, in particular with respect to legitimacy, isomorphism, and strategic responses along with their related empirical researches. However, the literature is not without some gaps, which I try to fill during this study in addition to contribution to the literature and theory. In brief, while the neo institutional theory contributes to our understanding of the behavior of organizations when they are influenced by other organizations and by social forces, it does not tell us how organizations engage in various proactive strategies to respond to institutional pressures in order to maintain their legitimacy, in particular when confronted with pressures of a foreign regulator. This is worth being studied in the Lebanese context through an institutional lens because it can provide an answer on how these banks continue to survive and maintain their legitimacy in view of the heightened pressures.

In addition, the literature review on legitimacy had demonstrated its importance for the survival of organizations and how the latter require social acceptability and credibility in order to survive. However, legitimacy in the banking industry is still very scarce in the literature and does not examine how a foreign regulator could influence the perception of legitimacy in the banking sector of a different country, and does not reveal how a banking sector seeks to maintain its legitimacy vis-à-vis a foreign and powerful institutional constituent on which it is dependent to survive and continue business.

Finally, the literature on the strategic responses of organizations remains very scarce in the banking industry, and little is known about how banks respond to the mounting pressures of various and conflicting regulations. In the Lebanese context, a question arises about the extent to which Lebanese banks are in a position to influence the institutional environment in which they are situated, and whether they have any room for maneuver when it comes to responding to the US pressure; something to be explored during this study.

In sum, this study attempts to fill some of the gaps in the literature when answering the research questions and to come up with new insights about legitimacy, isomorphism and strategic responses in the banking industry using the below methodology.

### **3. CHAPTER THREE: METHODOLOGY**

In this chapter, I detail the methodology adopted during this study to answer the research questions. It includes a justification as to the adopted approach and the research design and explains that it is a longitudinal case study based on interviews with participants in addition to archival data collected from newspapers, magazines, and the annual reports of the Association of Banks in Lebanon and which are addressed via content analysis.

#### **3.1. PROCESSUAL/RETROSPECTIVE LONGITUDINAL ANALYSIS**

The research is a processual analysis, retrospective longitudinal study. It is processual because it addresses a “*sequence of events that describes how things change over time*” (Van de Ven, 1992: 169), and also because I believe that social reality is a dynamic process not a steady state (Pettigrew, 1997). In this study, process is defined as a sequence of events and activities which unfold over time. It is retrospective longitudinal where time is very important to take into consideration in a process research because time is the only thing we cannot escape (Gehman et al., 2017). Also, Langley et al. (2013) highlighted the centrality of time in process studies whose focus is on evolving phenomena and on how and why things emerge and develop over time. For practitioners of longitudinal research, as argued by Pettigrew (1990), time is critical and pervasive. It influences the perspective of the researcher, and it is important to highlight when does the process begin and end.

At their end, Vandangeon-Derumez & Garreau in Thiétart et al. (2014) considered that time and longitudinal research are inseparable. They argued that the evolvement of a phenomenon can be tackled in two different ways: the first consists on studying the variance of the phenomena between two or more periods of time, whereas the second addresses the sequence of events that describes how a phenomenon evolves and changes over time. It is the second approach that I seek in this research.

Event is defined in this study as a change or a transition from one state to another, which takes place at a specific point in time and could constitute a radical departure from a previous state that an organization or a group of organizations had before the change occurs (Langley, 2013; Pettigrew, 1997; Van de Ven, 1992). A limitation to retrospective studies in general and to this research as well could be the difficulty of respondents to remember past events when reconstructing their experiences.

However, retrospective longitudinal data has the advantage of making the connections between events and transitions that are widely spaced in time and which took place in very different periods (Ruspini, 2003). Research which is carried out over a long period of time may reveal findings that are richer than those conducted over a short period.

In sum, “*time and history are at the center of any process analysis*” (Pettigrew, 1997: 339), although the aim is not to produce a case history but a case study with analytical objectives where the researcher stands back and look at the cumulative impact of change over time rather than focusing only on one change.

Translating the above into the current research, and since the aim of this study is to explore the perception of legitimacy and its evolution over time, Suddaby et al. (2017) talked about the emergence of three configurations of legitimacy as we have seen in the literature part: legitimacy-as-property, legitimacy-as-process, and legitimacy-as-perception. In this study, I argue that legitimacy is not only a property or a resource that is acquired by organizations from their major constituents and their institutional environment, but also as a process that evolves over time rather than a static state.

Thus, legitimacy is the result of an ongoing process which involves multiple participants, rather than an outcome of institutional pressures such as isomorphism (Suddaby et al., 2017). While studying legitimacy-as-property tend to address steady elements of legitimacy using variance methods, exploring it from a process perspective makes me focus on the dynamics of change where legitimacy is analyzed in terms of movement, activity, events, and temporal evolution. Seen as a process, I believe there is no single best way of gaining and maintaining legitimacy, but a range of processes and events that describe how an organization acquires affiliation with a social order through which legitimacy is created and demonstrate how organizations, organizational practices and organizational outcomes move from one state to another (Suddaby et al., 2017).

While most of the empirical researches have focused on the cognitive legitimacy and the attribute of taken-for-grantedness at the expense of other attributes such as pragmatic legitimacy, I focus on the legitimacy-as-process stream and the social construction of legitimacy as a process that occurs at organizational field level – the Lebanese banking sector.

Hence, this study covers the temporal bracket 1997-2018, with major events in-between. I chose 1997 as the starting year because regulations related to anti-money laundering and counter-financing of terrorism and their impact on the banking industry started to emerge in this year. Then, the year 2001 was critical for the whole banking industry after the attacks of September 11 and the heightened pressures of US regulations on banks worldwide. US regulations have since evolved and many banks around the world have been fined for violations of these regulations. In Lebanon, it is the year 2011 that has shaken the Lebanese banking industry due to the collapse of the LCB.

It is therefore important to explore how Lebanese banks reacted to the heightened pressures before the collapse of the LCB, and then after the LCB, and how their perceptions of legitimacy have been affected. Thus, I analyze legitimacy, seen from today, by looking back at its evolution over time focusing on the “before and after” the LCB case.

In sum, I have opted for a process retrospective longitudinal case study method because it best suits the research topic I’m pursuing, and I believe it is convenient, for the reasons depicted above, for the exploration of the phenomena under study over time; that is the perception of legitimacy in the Lebanese banking sector and its evolvement over time in view of the mounting pressures of the US regulations. Also, the research examines the strategic responses of the Lebanese banks to the pressures of the US and the evolvement over time of the compliance function as an organizational practice which emerged over the years under study to become a legitimizing factor.

### **3.2. RESEARCH DESIGN**

Having formulated the research problem and went through the conceptual and empirical literature concerning subject, I aim in this part of the study to describe the research design appropriate for this particular research problem and research question and to detail the means of obtaining the adequate information, in addition to explaining the way in which selected means of obtaining information are organized along with the reasoning behind adopting this research design.

### **3.2.1. The Use of an Interpretive Epistemology**

As per Van de Ven (2007), research is a philosophy of science that informs us of the nature of the phenomenon examined (ontology) and methods for understanding it (epistemology). Since my intention during this study is to understand participants' perspective in the context of their lives and interpret their perceptions, so I will opt for interpretivism. Interpretive research assumes that our knowledge of reality is gained only through social constructions, and that data is produced as part of the social interaction between the researcher and the participants. Hence, a social researcher has to explore and understand the social world through interaction with the participants whose own perceptions are interpreted.

In social constructivism, often described as interpretivism, individuals seek to understand the world in which they live and work (Creswell, 2013). Also, as posited by Blaikie (2009: 98), “*social reality is socially constructed by the groups of people who inhabit it; it is their reality, not reality as conceived by the researchers*”. While positivists are concerned with understanding relationships in social life, interpretivists argue that statistical correlations are not enough on their own and therefore it is important to understand what meanings people give to the actions that result in such relationships; the meanings in peoples' everyday lives.

That's why my objective is to rely as much as possible on the participants' view of the phenomenon being studied and to discover their construction of social reality as known to them. In this philosophy, observation by one participant may not be interpreted in the same way by other participants. Hence, the key approach is to examine various nuances among participants. I assume that there is no one social reality; rather, there may be multiple and dynamic social realities that the researcher, by entering into the everyday social world, understands those socially constructed meanings and interpretation (Blaikie, 2009).

### **3.2.2. Organizational Field: the Lebanese Banking Sector**

Scott (1995: 6) defined a field as follows: “*The notion of field connotes the existence of a community of organizations that partakes of a common meaning system and whose participants interact more frequently and fatefully with one another than with actors outside of the field.*”

As mentioned earlier in this paper, this study addresses the Lebanese banking sector. However, why I have chosen a single organizational field rather than multiple fields? And why the banking sector rather than other industries? This will be justified in the following paragraphs. In fact, the choice of the banking sector as the single organizational field is because this industry is a highly regulated one and closely supervised by regulatory agencies, and therefore face similar institutional pressures, differently than other industries. This makes the validity of the results more meaningful than studies crossing multiple industries (Rowley & Berman, 2000).

For instance, studying the legitimacy concept in the banking sector is not the same and does not lead to the same results when studying it in a different industry. Also, banks are not subject to the same risks as other industries. For example, banks might face a liquidity problem if, following a crisis, customers rush to withdraw their funds, and subsequently a run on a single bank can lead to systemic risk and become an industrywide problem (Jackson et al., 2006). Other industries are obviously not subject to this risk.

On the other hand, another motive for choosing the banking industry for my research, in addition to being a banker for more than 18 years so far, is the importance of this sector being a major pillar of the Lebanese economy and its role in the Lebanese society that is worth being studied. However, Lebanese banks, similarly to other banks, are entrusted with people's money, hold sensitive and confidential information about their customers, and undertake critical nature of activities. This makes the research more challenging due to the sensitivity of information as well as the access to it. However, I believe I have the ability to overcome this obstacle in view of the trustworthy relationships I maintain with Lebanese bankers over the years, which makes access to information easier while at the same time protecting the confidentiality of the obtained information and respecting the ethics of the research.

### **3.2.3. Qualitative Research**

*“Whereas quantitative researchers typically look at a handful of “trees” and try to draw the implications for the forest, in qualitative research, we are trying to see the forest through the trees”* (Bansal & Corley, 2012: 511).

I opt for a qualitative research which allows me to collect and analyze non-numerical data, in addition to understanding and interpreting these data throughout the study of the targeted population; the Lebanese banking sector in this case. I seek to explore the phenomenon chosen for the study; the legitimacy of the Lebanese banking sector and will engage in systematic inquiries to bring about a better understanding of the phenomenon. As put by Creswell (2013), a qualitative research is adopted when a problem or issue needs to be explored.

Although I did come across scarce studies about legitimacy in the banking industry versus other sectors and that deeper knowledge is then sought, this is not however the only reason why I have adopted a qualitative approach. I agree with Graebner et al. (2012) who considered that many researchers wrongly justify their adoption of qualitative researches due to lack of prior theory or research on a specific topic.

A qualitative research is more plausible for my study than a quantitative one because qualitative data have advantageous characteristics over quantitative data in that they are open-ended, which means that researchers do not collect qualitative data with predetermined constructs; they are concrete and vivid which means that they enhance the development of ideas; and they are rich, so they capture details which may be skipped in quantitative researches (Graebner et al., 2012). Another rationale for choosing qualitative research is that because I aim to capture the participants' lived experience and their interpretation of the phenomena under study, so they can express themselves freely and openly, something that cannot be achieved through a quantitative research.

In this respect, although qualitative research requires access to participants for interviews, which is not required in a quantitative research or minimum involvement is required, I believe I can access the adequate people for interview – Lebanese bankers and regulators – with whom I maintain positive relationship and I'm able to spend the necessary amount of time to collect data, in view of my long experience in the banking sector and particularly in the compliance field.

Moreover, since this study is retrospective longitudinal and is about understanding a process and its evolution over time, a qualitative research is the most appropriate in this case to understand complex process issues because “*the fundamental advantage of qualitative data for investigating process phenomena is its richness, which enables researchers to unpack multifaceted, temporally unfolding situations and causal mechanisms in a detailed and sophisticated manner*” (Graebner et al., 2012: 279). In addition to the above, adopting a qualitative research goes hand in hand with my abductive approach, detailed in the following part, where I opt for a blend of inductive and deductive approaches. At the beginning of the research, I do not know where I will land in contrary to a quantitative research where a detailed plan is followed by developing hypotheses that are then tested and data collection is geared toward testing a priori theorizing (Bansal & Corley, 2012).

Also, case study methodology increases the validity and generalizability of the findings emerging from diverse empirical evidence and allows the exploration and understanding of complex issues when in-depth investigation is required. Case study research involves the study of a case within a real-life, contemporary context or setting (Yin, 2009). One important reason for adopting case study as a research method is the researcher’s concern about the limitations of quantitative methods in providing in-depth explanations of the problem in question, beyond quantitative statistics. Also, according to Yin (2003), a case study design should be adopted when the focus of the research is to answer “how” and “why” questions.

#### **3.2.4. Abductive/Exploratory Approach**

I opt for an abductive approach in this study. Abduction is about going back and forth between empirical observations and theory and investigating the relationship between “everyday language and concepts”. An abductive approach then helps me to explore a new insight about an existing phenomenon by examining it from a new perspective and in different context.

In this study, it is about exploring the perception of legitimacy by examining it from a new perspective in the Lebanese context. By going back and forth between empirical observations and theory, I expand my understanding of both theory and empirical observations. Hence, the approach is neither a purely bottom-up one nor handed down entirely from a theory.

Why I have in this study opted for abduction rather than inductive or deductive approach? We all somehow agree that the main objective of any research is to confront theory with the empirical world (Dubois & Gadde, 2002). In deductive reasoning, researchers start with a theory and make predictions of its consequences; they go from the general (the theory) to the specific (the observations). In inductive reasoning, it is the other way around: researchers go from the specific to the general. That is, they make observations and then infer a theory. So, the approach here is not about a theory-building from case study which relies on inductive grounded theory (Eisenhardt & Graebner, 2007), nor a purely deductive approach which stems from using data to test a theory.

As posited by Timmermans & Tavory (2012), abduction has a different logic than deduction and induction: the former begins with certain rule and proceeds through a case to arrive at an observed result, whereas the latter starts with a collection of given cases and proceeds by examining their implied results to develop an inference. Yet, advances in science were neither based on purely deductive approach nor on purely inductive approach (Taylor et al., 2002). This also stems from the fact that theory cannot be understood without empirical observations which lead to identification of unexpected or unanticipated discoveries through interviews, review of documents and observations, and the empirical world as well cannot be explained without theory which might be redirected toward development of new concepts, or expansion of an existing theoretical framework. This is what Dubois & Gadde (2002) called “systematic combining”.

Thus, this study relies on abduction as a form of analytical reasoning because it allows me to move from the empirical dimensions of analysis to the theoretical one and back, that is from exploring the participants’ perceptions of legitimacy to the theoretical concept of legitimacy and vice versa. This will allow me to link empirical observations more effectively to the theoretical framework and therefore to increase the meaningfulness of the case study research and its credibility as an appropriate research design. The below part highlighted in grey summarizes the abductive approach of my research strategy.

On the other hand, I encountered scarce empirical study on the topic, therefore, an exploratory approach will be adopted because, in order to explore situations in which the intervention being evaluated has no clear, single set of outcomes, an exploratory research is the most suitable (Yin, 2003). I will then go to the field in an open mind without having full pre-assumptions of what I'm going to see, yet, I have a guess about the theory and the concepts I'm going to elaborate.

**Table 6: My Research Strategy**

	<b>Abductive</b>	<b>My Research Strategy</b>
<b>Aim</b>	<ul style="list-style-type: none"> <li>To describe and understand social life in terms of social actors' motives and accounts</li> </ul>	<ul style="list-style-type: none"> <li>To understand participants' perspective in the context of their lives and interpret their perception of the Lebanese banking sector legitimacy, the influence of US regulations on compliance functions, and the strategic responses adopted by the Lebanese banking sector to maintain its legitimacy</li> </ul>
<b>From</b>	<ul style="list-style-type: none"> <li>Discover everyday lay concepts, meanings and motives</li> <li>Produce a technical account from lay accounts</li> </ul>	<ul style="list-style-type: none"> <li>Move from the empirical dimensions of analysis to the theoretical one and back e.g. from exploring the participants' perceptions of legitimacy to the theoretical concept of legitimacy and vice versa, from examining the compliance activities to the concept of isomorphism, and from understanding the strategic responses to the conceptual framework of Oliver (1991)</li> </ul>
<b>To</b>	<ul style="list-style-type: none"> <li>Develop a theory and test it iteratively</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to the theoretical concept of legitimacy, isomorphism, and strategic responses</li> </ul>

Source: Blaikie, N. (2009). *Designing social research*. Polity.

### **3.3. DATA COLLECTION**

In longitudinal researches, data is collected either in real time or *a posteriori*. Collecting data in real time necessitates that the researcher be physically present on the ground to continuously observe a phenomenon and its evolution over a certain period of time. Collecting data *a posteriori* means that the researcher collects data once the phenomenon under study has already evolved (Vandangeon-Derumez & Garreau in Thiétart et al., 2014). It is the latter method that I opt for in this study because data is collected retrospectively over the phenomenon under study and encompasses going back in time over a long period of time; something that is not possible nor practical to be undertaken in real time. To do so, I collect data through interviews with relevant participants, and archival data collected from newspapers, magazines, and the annual reports of the Association of Banks in Lebanon, as detailed below.

#### **3.3.1. Archival Data Collection**

This study relies on collecting data through the review of local newspapers and magazines that address banking matters for the period under study, in addition to the annual reports published by the Association of Banks in Lebanon. It was important for me to start with archival data collection prior to going to the field for interviews because archives were helpful in designing subsequent data collection through interviews and because archival data provided a baseline with which I confronted my participants, in addition to exploring key research areas which were investigated in depth at a later stage during data collection via interviews. Thus, this data constituted a valuable source of information for gaining insight about the phenomenon under study.

Reviewing and analyzing the content of newspapers remain one of the most common methods used to operationalize and measure legitimacy (Deephouse, 1996; Deephouse & Carter, 2005; Ruef & Scott, 1998). Also, many researchers analyzed the content of media while studying legitimacy (e.g. Bansal & Clelland, 2004; Deephouse, 1996; Deephouse & Carter, 2005; Baum & Powell, 1995; Lamertz & Baum, 1998; Lamin & Zaheer, 2012). During this study, the review of the content of media accounts served the purpose of exploring the perception of the Lebanese banking sector legitimacy and its evolution over time from the point of view of various stakeholders and whether it was affected by the pressures of the US regulations, by looking at the institutional environment in which the Lebanese banks were situated.

However, as highlighted by Vandangeon-Derumez & Garreau in Thiétart et al. (2014), secondary data collected *a posteriori* raises two problems: accessibility and validity. The problem of accessibility arises when data cannot be obtained due to its unavailability, non-existence, or not making it accessible to the researcher. The other challenge is due to the validity of the secondary data which could be biased or the context in which it was produced has changed over time.

In sum, newspapers and magazines constituted a key data source for my research objective because they allowed me to collect and analyze what have been written in the print media about the Lebanese banking sector during the period under study (1997 – 2018), how various stakeholders perceived the legitimacy of this sector, and how they portrayed the strategic responses to the pressures of the US and the compliance strategies adopted by the Lebanese banks to maintain their legitimacy.

### **The Choice of Magazines & Newspapers**

Since this research is retrospective where time is important, it was therefore essential to select articles from newspapers and magazines published during the period under study. Thus, I opted for collection of newspapers and magazines, not purely specialized in banking because they do not exist in the Lebanese market. I selected those newspapers and magazines that are well-known, reliable and widespread, highly circulated, existed during the period under study, and where articles about the Lebanese banking sector can be found.

In sum, I was able to identify four different Lebanese magazines and newspapers that address banking topics in Lebanon, and which collectively cover the Lebanese banking sector landscape. These are summarized in the below table.

Name	About
The Daily Star	Founded in 1952, the Daily Star is a leading English newspaper that is circulated in Lebanon and in most of the Arab world. It is also a leading source of Middle East news on the internet through its website <a href="http://www.dailystar.com.lb">www.dailystar.com.lb</a> . Its online edition is the web's source of Lebanese and regional banking news, in addition to politics, business, and others.
Executive Magazine	Executive is a monthly business magazine that offers readers in-depth analyses on the Lebanese world of commerce, covering all the major sectors: banking, finance, insurance, technology, tourism, hospitality, media, and retail. Over the years, Executive has proven to be one of the premier sources of local business, providing insight into all relevant issues in the country including banking. Its articles are accessible through its website <a href="http://www.executive-magazine.com">www.executive-magazine.com</a> since 2004. Previous issues are available in paper copies.
Lebanon Opportunities	Established in 1997, Lebanon Opportunities is published on monthly basis by InfoPro. It became one of the leading business magazines and is engaged in the publishing of market and business research, event management, financial consulting, and banking.
Le Commerce du Levant	Published since 1929, Le Commerce du Levant is issued in French language on monthly basis in Lebanon and the Middle East. It addresses economic and financial news, banking, analysis, guides, opinions, useful information about management for professionals and beginners, in addition to regional economic news.

### Search Method

The approach adopted for corpus building is a top-down one, starting from the “universe of possible texts” and narrowing down to a topic-oriented corpus. This allowed me to stay focused and spared me from becoming overwhelmed with large amount of unnecessary data. I opted for soft copies of articles which are an exact replica of the original paper copy, where they are available in this form, and for paper copies when soft copies are not there. For instance, the articles of “The Daily Star” and “Executive Magazine” were accessed and extracted in soft format through their websites. For the “Le Commerce du Levant”, I had to subscribe to their online archive in order to extract soft copies of articles. As for “Lebanon Opportunities”, I have identified the required articles through their website. However, since they are not accessible, I obtained them from the library of Universite Saint Joseph where they are available in paper format, then photocopied them, and scanned them.

The search encompassed the period under study (1997 – 2018). As there are three English written magazines and one French, I used in the first place the keywords: “bank” and “banking” when searching in English ones and “banque” and “bancaire” in the French one. The initial search based on this criterion has yielded a total number of articles as detailed in the below table:

**Table 6: Total Number of Articles Based on Keywords**

Magazine	Number of Articles
The Daily Star	969
Executive Magazine	325
Lebanon Opportunities	1,050
Le Commerce du Levant	652
<b>Total</b>	<b>2,996</b>

However, not all articles addressing “banks”, “banking”, “banque” and “bancaire” are relevant to my research. Relevant articles mean those related to “regulations” as defined earlier in this study and which include anti-money laundering, counter financing of terrorism, sanctions, and tax evasion regulations. So, these were used as a criterion for the selection of relevant articles in addition to other keywords: US regulations, Règlements, Compliance, Conformité, Sanctions, and Lebanese Canadian Bank.

The remaining articles which do not satisfy these criteria have been excluded. For instance, articles talking about opening a branch of a bank, robbery of a bank, performance of a bank, election of a CEO of a bank, etc. are excluded since they do not serve the purpose of the study.

In this way, I have sorted all important articles which are eligible for detailed coding and analysis, and which provide a sufficient basis for analyzing the perception of legitimacy and its evolution during this period, in addition to answering other research questions. After discarding non-relevant ones, those not predominantly focusing on the topic under study, the number of articles has been narrowed down to 435 relevant articles as shown in the below table.

**Table 7: Number of Relevant Articles Selected per Magazines/Newspapers per Year**

<b>Magazine</b>	The Daily Star	Executive Magazine	Lebanon Opportunities	Le Commerce du Levant
<b>Year</b>				
1997	1	-	-	-
1998	5	-	-	-
1999	6	-	3	-
2000	2	-	6	1
2001	18	3	9	6
2002	3	2	4	3
2003	7	4	2	5
2004	3	8	5	1
2005	1	4	3	1
2006	1	7	1	1
2007	3	4	1	3
2008	1	4	-	3
2009	0	3	2	5
2010	2	4	1	5
2011	11	9	1	26
2012	4	12	-	6
2013	4	3	-	4
2014	6	8	-	10
2015	4	8	2	10
2016	19	21	6	34
2017	19	6	-	14
2018	13	5	-	3
<b>Total</b>	<b>133</b>	<b>115</b>	<b>46</b>	<b>141</b>

Detailed list of the above relevant articles along with their titles, authors, and weblink is inserted at the end of this research as Appendix 1, 2, 3, and 4.

### **The Choice of Annual Reports**

In addition to the above-mentioned secondary data collected from magazines and newspapers, I opted for collection of all annual reports issued by the Association of Bank in Lebanon (ABL) from 1997 until 2018. These were obtained in soft copies from the library of the ABL. Established in 1959, ABL is a professional industry association having Lebanese banks as active members and whose role is to promote the Lebanese banking sector, its interests, and its public image. One of its main roles is to develop and promulgate regulations pertaining to the financial and banking industry in coordination with the competent authorities.

ABL publishes an annual report on the Lebanese economy and the Lebanese banking sector, in addition to the activities of the Association. The importance of the annual reports for the purpose of this study is their inclusion of the evolvement over time of banking laws and regulations related to anti-money laundering, counter financing of terrorism, sanctions and tax evasion, in light of the pressures imposed by the US, along with the activities of the ABL to accompany and cope with these pressures. This will allow me in parallel to explore how the perception of the Lebanese banking sector legitimacy has been affected, and how the compliance functions in banks have evolved as well to respond to the challenges of banks' legitimacy.

### **3.3.2. Data Collection Through Interviews**

This process includes collecting information through semi-structured interviews. It also includes a process for recording and transcribing collected information for further analysis where audiotape-recording or note taking is adopted for recording interviews, for documentation, and for later analysis. The selected country for this research is Lebanon, and the organizational field is the Lebanese banking sector. The primary source of information is obtained through semi-structured interviews with principal actors (as detailed below in the Research Participants paragraph).

The interviews allow the participants to freely provide their views and to express their experiences and thoughts. They are conducted in-depth in a one-on-one setting, face-to-face, and audiotaped after obtaining the consent of the interviewees, or else notes are taken manually. To note that the direct observation of participants is not possible in this research due to the criticality of the topic, and the difficulty of accessing other banks premises due to confidentiality and banking secrecy.

Hence, I adopted an interview-based technique to conduct semi-structured interviews, which seek to foster learning about bankers and regulators experiences and perspectives on the research topic. Semi-structured interviews remain the most widely adopted for qualitative research whether with individuals or with focus groups (Edwards & Holland, 2013). I opted for semi-structured interviews which are organized around a set of predetermined themes.

I was ready to marginally depart from the interview guide should I find that productive and useful information are generated by the participants, with other themes and sub-themes emerging during the interview between the researcher and the participants. Also, I encouraged participants to share rich descriptions of phenomenon under study while leaving the interpretation and analysis to the researcher (Warren & Karner, 2005).

Two main limitations arise out of collecting data through retrospective interviews. The first one is the difficulty of the interviewee to recall past events, either intentionally because he or she doesn't want to remember them, or unintentionally because the event was not so important for him or her to remember. The second one is rationalization which means for instance that the interviewee might present certain facts intentionally or unintentionally as positive (Vandangeon-Derumez & Garreau in Thiétart et al., 2014). These authors suggested a series of measures that a researcher can adopt to overcome these limitations, and which I will take into consideration.

I adopted tactics which consist of focusing during interviews on events or phenomenon that were important in the life and experience of the interviewees, selecting the people who were involved in the phenomenon under study, adopting semi-directive interviews so to avoid pushing the interviewee to respond in case he or she doesn't recall the event, and asking the interviewee to tell a story prior to establishing the link between events.

#### **3.3.2.1. Research Participants**

I obtain during this study the different perspectives and thoughts of key stakeholders because, as adequately posited by Van de Ven (2007), knowledge is produced by involving others in the research and extracting their insights rather than working alone on the problem. However, as argued by Van de Ven (2007), choosing whom to interview and which participants best serve the research and contribute to describing reality remains a key challenge in situating a problem. As the world we deal with is socially constructed, it is important to capture the organizational experience of the people who lived that experience.

### **3.3.2.2. The Choice of Participants**

As mentioned earlier, the selection of participants is primarily based on those who have lived the period “before” and “after” the LCB and who are capable of providing meaningful insights about the phenomenon being studied. Interviews are then be conducted with Head of Compliance of Lebanese banks, CEOs/General Managers, Board of Directors members, and regulators, in addition to people from the Association of Banks in Lebanon. These participants are in a position to express their views on the topic, to explore their perception of legitimacy in the Lebanese context, and obtain their views of ways in which Lebanese banks use their compliance activities to engage in legitimacy-seeking behavior, along with the compliance strategies adopted by these banks to respond to challenges of their legitimacy.

The choice of Head of Compliance as informants is justified by the fact that those people are engaged in managing and overseeing the compliance functions at their banks. Their mission includes providing a reasonable assurance that the bank is compliant with various laws and regulations. This typically include those related to anti-money laundering, counter-financing of terrorism, sanctions programs, and tax evasion. Over the years, more specifically during the period under study, there has been a significant importance of their role in view of the overwhelming domestic and international compliance requirements. Therefore, it is important to explore how the pressures of US regulations have affected their perception of legitimacy and how they responded to these pressures by engaging in legitimacy-seeking behavior through their compliance activities.

In addition to interviewing compliance heads, CEOs and General Managers of banks are of primary target for interviews too because they are responsible for the strategic decisions of banks and for the strategic responses to institutional pressures. Compliance with laws and regulations especially US ones became a major concern for them due to their severe impacts on their strategic choice. They found themselves stuck between their achievements of their business targets and profit maximization and the avoidance of being captured in violation of laws and regulations. On one hand, they have to remain efficient and on the other hand, they have to maintain the legitimacy of their banks. The pressures imposed by the US regulations affect their business decisions by obliging them to discontinue businesses with sanctioned countries and exiting relationships with high risk customers.

Also, these pressures impacted their compliance strategies and induced them to invest in compliance personnel, systems, policies and procedures, which raised the cost of compliance. Therefore, their perception of legitimacy has probably changed as well, and it is no more seen as taken-for-granted.

Also, interviewing members of the board of directors is essential in this study. I will select non-executive independent members who are not involved in the executive and operational decisions of the bank. Those are present on the board compliance committees of Lebanese banks and whose role became prominent in light of the heightened pressures of international laws and regulations. Their mission is stipulated in BDL Basic Circular 83 and consists on supporting the Board of Directors in its functions and supervisory role with respect to fighting money laundering and counter-financing of terrorism in addition to understanding the related risks by reviewing the reports submitted by the Compliance function, and to assist the board with making the appropriate decisions in this regard. The chairman of the Compliance Committee should be independent and having the adequate expertise and should not serve as a member of any other committee in the bank. I therefore believe that the information obtained from these members is a major source for this research.

Other participants include people from the Lebanese regulatory body, mainly Senior Managers from the Central Bank of Lebanon, the Special Investigation Commission, and the Banking Control Commission. The Central Bank of Lebanon or Banque du Liban (BDL) is responsible for maintaining the monetary stability in the country and the soundness of the banking sector. It is managed by the Governor and four vice-governors. BDL had and continue to have an important role in issuing the necessary regulations with respect to anti-money laundering, counter-financing of terrorism, sanctions and tax evasion. The mounting pressures exercised by the international financial community, mainly the US, were accompanied by regulations issued by BDL which had to swiftly act in order to shield the Lebanese financial system. These regulations put in place the practical implementation of the laws by financial institutions and have evolved over time in parallel with the heightened threats. Lebanon was in serious trouble of being excluded from the international financial system prior to the promulgation of the relevant BDL regulations.

Therefore, it is important to explore the experience of people from BDL, being the main competent authority to confer legitimacy to the Lebanese banking sector, and to interpret their perception of the legitimacy of this sector in view of the US pressure. In addition, it is important to check how they accompanied the US pressure by issuing adequate regulations that respond to the external demands and how in parallel they view the compliance measures adopted by the Lebanese banks in this respect.

Another essential regulatory body is the Special Investigation Commission (SIC). The SIC is Lebanon's Financial Intelligence Unit with judicial status. It is entrusted with the country's anti-money laundering and counter-financing of terrorism regime and constitutes a platform for international cooperation and exchange of information with its counterparts to protect the Lebanese banking sector from being a vehicle for illicit funds. The SIC has issued since its inception in 2001 a number of circulars which are in line with international AML/CFT requirements. Also, among the tasks of the SIC is to supervise Lebanese banks via onsite examinations and make sure they are compliant with prevailing regulations. Therefore, interviewing people from the SIC is at the center of this research due to their central role in the promulgation of regulations that are relevant to this study and which are defined at the beginning of this paper. Also, it is of utmost importance to explore their perceptions of the Lebanese banking sector compliance with international regulations including US ones and how Lebanese banks respond to these challenges by adopting a legitimacy-seeking behavior.

The last regulatory authority I seek interviews from is the Banking Control Commission (BCC). The BCC main function is to supervise banks and other financial institutions through periodic onsite and offsite examinations. Among its functions also is to ensure that banks are compliant with various regulations including those related to AML and CFT and their governance. Compliance governance at banks is part of their examinations and therefore it is important to understand how BCC people perceive the compliance functions of the Lebanese banks and their evolution over time in light of the increasingly heightened regulations.

Finally, I target senior people from the Association of Banks in Lebanon (ABL). The ABL has been established in 1959 as a professional banking association and whose mission is to safeguard the interests of the Lebanese banking sector and promote its public image.

Its mission has evolved over the years to include representation in public policy forums, dissemination of information to private and public sector entities, research and statistics, and training and increasing awareness in the banking sector. The ABL has played and continue to play a major role in promoting compliance culture in the Lebanese banking sector by assisting and providing valuable insights on the regulations issued in this regard by the competent regulatory authorities and by increasing awareness of the banking industry people about the importance of being compliant with international banking laws and regulations. The ABL thus defended the legitimacy of the Lebanese banking industry against the pressures imposed on this sector. Exploring its senior managers experience and perception of the legitimacy of the Lebanese banking sector is my aim during this study.

### 3.3.2.3. The Choice of Banks

Lebanese Banks are segmented as follows. According to Bankdata Financial Services (issued for the first 9 months of 2017):

Category	Number	Deposits
Alpha	14	Exceed USD 2 billion
Beta	12	Between USD 500 million and USD 2 billion

According to the Association of Banks in Lebanon (Last updated on December 7<sup>th</sup>, 2017):

Commercial Banks	Number
Lebanese Banks SAL	32
Lebanese Banks SAL with Arab Control	7
Arab Banks (in Lebanon)	7
Foreign Banks (in Lebanon)	3
Investment Banks	
Investment Banks	16

In light of the above segmentation, I have adopted several criteria for the selection of banks whose Head of Compliance, CEOs/General Managers, and Board of Directors members are to be interviewed. These criteria are detailed below:

### **Banks' Attributes: Age and Size**

The age and size of organizations are potential determinants of legitimacy. As argued by Hannan & Freeman (1984: 158), “*nothing legitimates both individual organizations and forms more than longevity*”. Aged organizations are more likely to develop “dense web of exchanges” and relationships than new organizations. Also, they are able to connect themselves with powerful social actors and get their endorsement. This is also true in the context of the Lebanese banking sector where older banks succeed over the years to build strong relationships with their foreign correspondent banks, including US ones, in order to transact internationally. Thus, my sample takes into consideration the age of the Lebanese banks whose participants will be interviewed. However, this is not the only reason for selecting older banks. Another criterion for selection includes those banks that existed before and after LCB collapse so for me to understand how these banks have responded to challenges of their legitimacy after LCB, and what influence US regulations had on their compliance functions. I obtained the founding year of the selected banks from their websites.

Also, I take into consideration the size of banks since legitimacy may also be affected by an organization's size (Deephouse, 1996). Organizations that are larger than others have more social ties to their external environments and therefore they are more likely to be endorsed by social actors (Pfeffer & Salancik, 1978; Singh et al., 1986). I take the size of banks according to their total assets as shown in the above segmentation as Alpha or Beta.

### **Sanctioned Banks**

In addition to the above, there are two banks which are sanctioned by the United States. So, I will try to reach out to senior people from these banks to collect their opinion on the subject especially that legitimacy is essential for survival of banks, and therefore it is important to know how these banks are still surviving despite being sanctioned, what are their adopted compliance strategies, and whether their perception of legitimacy has been affected by the US regulations.

### **Commercial Banks**

The large number of banks in Lebanon are commercial ones and are 49 banks. They are mainly engaged in deposit taking, lending, retail, and trade finance activities. To do so, they maintain correspondent relationships with foreign banks especially US ones since the large number of transactions are carried out in USD currency.

In order to continue business and avoid being de-risked by their US counterparts, they have to respond to the demands and requirements of the US regulations. Failure to conform to these regulations may affect their legitimacy vis-à-vis their US correspondent banks on which they are dependent to survive.

Therefore, interviewing commercial banking people is important in this study in order to explore how they respond to legitimacy challenges especially when there are conflicting demands, and how do they streamline their compliance strategies with those of their foreign counterparts. On the other hand, investment banks are omitted from this study due to their limited activity to investment and due to absence of external relationships with foreign counterparts, which makes lower the challenges of their legitimacy.

### **Foreign Banks in Lebanon and Lebanese Banks with Overseas Affiliates**

I select people from foreign banks established in Lebanon for interviews. This is important for this study because foreign banks in general have stringent compliance policies in place since they adopt their parent ones in addition to compliance with local requirements. Their compliance strategies might be different than those of local banks and their perception of legitimacy could be different as well. As argued by Kostova & Roth (2002), organizational practices vary across countries when organizations are confronted with conflicting requirements which lead to “institutional duality” and “institutional complexity”, or when they are required to conform to two different sets of isomorphic pressures with which they have to comply in order to maintain their legitimacy.

Also, Lebanese banks having international presence through either overseas branches or affiliates are subject to institutional duality and sometimes ambiguous and conflicting regulatory requirements between the host country and their headquarters. These banks have more concerns about their legitimacy since any incident of violation of laws and regulations in the foreign country could affect the group’s legitimacy.

#### **3.3.2.4. Sample Size**

Having identified the research participants, the following paragraph justifies the sample size. As argued by Van de Ven (2007: 211), “*there is no one best sampling scheme for process research*”. Determination of the sample in qualitative researches is not an easy task.

Yet, selecting the adequate sample size is directly related to the concept of saturation although “*there are no published guidelines or tests of adequacy for estimating the sample size required to reach saturation*” (Morse, 1995: 147). As this research adopts semi-structured interviews, the sample size in general should be justified by interviewing participants until saturation is attained.

There are no perfect computations of the number of interviews that should be determined a priori in a qualitative research. Rather, the main criterion is to collect enough data from participants in order to answer the research question. The issue is judgmental which means that the sample should be neither too large because its analysis is time consuming, however large enough to ensure that most of the important perceptions are obtained, nor too small for the intended objective of the research. Thus, the concept of saturation should be adopted as a guiding principle so whenever the collection of additional data does not generate new themes and does not add any value to the research, the process of data collection should stop there.

In addition to saturation as the main determinant of the sample, there are other factors that influence the sample size such as the aim of the study (Charmaz, 2006), the heterogeneity of the population (Ritchie et al., 2003), and the scope of the study and the nature of the topic (Morse, 2000). On the other hand, the sample size is not only a matter of judgment but also a matter of experience (Sandelowski, 1995), and expertise in the selected topic can reduce the number of participants needed in a research (Jette et al., 2003).

In light of the above, we can conclude that the sample size and its determination is debatable among researchers. Some researchers suggested some sort of guidelines for deciding on the sample size. For instance, Charmaz (2006) considered that a sample of 25 participants is appropriate for a project of small size, Ritchie et al. (2003) suggested a sample of under 50, and Green & Thorogood (2009 [2004]) argued that little that is “new” emerges after interviewing 20 or so people.

My sample size is somehow in line with the above-mentioned guidelines. I opt for conducting 28 interviews as detailed in the below table:

**Table 8: Sample Size**

<b>Category</b>	<b>Total Number</b>	<b>Number of Banks to be Interviewed</b>	<b>Participants</b>	<b>Total Number of Interviews</b>
Alpha Banks	14	4	- Head of Compliance - CEO/GM - Board Member	10
Beta Banks	12	2	- Head of Compliance - CEO/GM - Board Member	6
Foreign Banks	3	2	- Head of Compliance	2
Sanctioned Banks	2	2	- GM or - Head of Compliance	2
Central Bank of Lebanon	1	–	- Senior Manager	2
Special Investigation Commission	1	–	- Senior Manager	2
Banking Control Commission	1	–	- Senior Manager	2
Association of Banks	1		- Senior Manager	2
<b>Total Number of Interviews</b>				<b>28</b>

### 3.3.2.5. Interview Guide

Given the nature and the subject of the research, the adoption of semi-structured interviews seems to be the most appropriate for this study which is exploratory – aiming to explore the perception of legitimacy in the Lebanese banking sector.

As I opted for an interview-based technique to collect information from participants through semi-structured interviews, I hereby describe the interview guide whose aim is to ensure that interviews are aligned with the research questions and the purpose of this study. In general, interviews allow the researcher to elicit rich and meaningful qualitative data for understanding the experience of participants, how they live this experience, and the meaning they make out of this experience (Rubin & Rubin, 2012). As posited by Seidman (2013: 9), “*at the root of in-depth interviewing is an interest in understanding the lived experiences of other people and the meaning they make of that experience*”. Nevertheless, researchers may increase the quality of data collected from participants through interviews by enhancing the reliability of interview protocols (Castillo-Montoya, 2016).

My interview guide was designed in relation to retrospective events and the process involved the selection of participants who have lived the period “before” and “after” the LCB and who are capable of providing meaningful insights about the phenomenon being studied. This allowed me to explore participants’ perception of the legitimacy of the Lebanese banks before and after this scandal, and how this incident which was due to violation of US regulations has affected their perception of legitimacy. One danger in this approach is that participants may not fully memorize the historical events during this period.

### **Opening Question**

Generally, an interview starts with an opening question. However, prior to proceeding with the interview questions, it is important for the researcher to introduce the interviewee to the purpose of the research since interviewees might be interested and curious about the motivations of the researcher. Thus, I started my interviews by appreciating the time devoted by the interviewee and a clarification about my personal endeavor to undertake an academic study about the Lebanese banking sector.

Then, I put the participants at ease by promising them that all collected information will remain confidential and that neither their names nor the banks’/regulators’ names would be revealed, and therefore respecting the ethical issues that govern interviews by protecting participants’ confidentiality and the information they share. As an appreciation for their participation in this exercise, I suggested the communication of the outcome of this study to the participants who are interested in the results. Obviously, I asked for permission to record the interviews using a recorder. In the absence of such permission, note-taking is the best alternative.

Once all those points are covered, the interview started with the opening question. It is important to start the interview with a simple question that the participant could easily understand, that is not threatening nor offensive, and that sets the tone for the rest of the interview. Romelaer (2005) highlighted some challenges with respect to the opening questions. He recommended the avoidance of questions about sensitive topics at the beginning of the interview and which might put the interviewee in a defensive position. This could damage the quality of the interview. Also, the language and the terminology used by the researcher should be simple and understandable by the interviewee, and therefore not subject to misinterpretation by the latter.

Taking the above into consideration, a general opening question has been phrased: “how long have you been in the banking sector? And in which positions have you been prior to your current one?”. The purpose of selecting such question is first to put the interviewee at ease, and then to know the period he or she lived in the banking industry and his/her ability to answer questions going back in time. Also, the functions that the interviewee has undertaken prior to reaching the current position is important to understand the experience he or she passed through and therefore to explore his or her perception of legitimacy during the entire period under study.

### **Interventions and Probes**

In general, an interviewer needs more information than he or she gets when asking a question during an interview. So, he or she opts for “probing” that is about asking for additional, more specific, in-depth information when he or she does not fully get what he or she wants, or when answers are ambiguous. However, this cannot be easily planned ahead of the interview starting because the interviewer cannot precisely predict what will emerge during the interview and what the interviewee might raise, although the interviewer knows by heart his interview guide.

Having said so and recognizing the importance of probing during my interviews in order to get more precise and complete answers, especially when the interviewee replies with vague or unclear language, I opt for probing questions using “what” and “how” more than “why”, “do you” or “are you” which could be problematic. This includes asking for clarifications such as “what exactly did you mean by...? Could you please tell me more about this? That’s interesting, how this happened and how do you perceive it? What were you thinking about when you said...?”

Interventions by the interviewer at some points during the interview are important in order to preserve the relevance of answers to the topic under study. When the interviewee seems to go off-topic, it is proper to get him or her again to the subject or to check whether what he or she is saying is relevant and important to the interview topic. A clarification such as “Is that relevant to my research question?” might be asked. Where answers are intentionally or unintentionally incomplete or inaccurate, I probe for more details by asking “Is there anything you want to add here?”, “Have you missed out anything or is that all?”, “What is the relation with what you said before?”.

It is however essential, while probing or intervening during the interview, to avoid the risk of bias and the risk of variation (Romelaer, 2005). The former is about avoiding the risk that interventions might lead the participant to divulge information that is not accurate or that is not what he or she knows, an experience that is not what he or she lived, or what he or she thinks of. The latter risk is about avoiding having different interviews whose answers cannot be comparable at the end. Interviews therefore should be the same during the interview process because answers stemming from the participants should be comparable in order to get accurate analysis and results.

### **Concepts and Sub-Concepts**

Prior to presenting the interview guide which includes the reformulations and probes, I aim first to present a table that was the basis for building my interview guide. It shows the main concepts and sub-concepts that are derived from the literature review, the professional words of the participants in the banking industry, and the last column aiming to describe what I seek to obtain from the participants e.g. their analysis and/or their perception about the phenomenon under study.

**Table 9: Concepts and Sub-Concepts**

Concept	Sub-Concept	Words Associated in the Banking World (Practitioners)	Participants' Analysis & Perception
<p><i>Legitimacy</i></p>	<p>Cognitive legitimacy Pragmatic legitimacy Moral legitimacy</p>	<p>Taken-for-granted Pillar of the economy Crucial for the society</p>	<p>Perception of the Lebanese Banking Sector and its importance to the Lebanese economy and society. To explore how participants in general perceive the Lebanese banking sector and whether it is important for the economy and the society, and therefore, whether its legitimacy is taken-for-granted.</p>
	<p>Legitimacy challenges</p>	<p>Economic challenge Political challenge Efficiency challenge Compliance challenge Pressures/Risks Force of the law Regulations Power of the US Mounting pressure Impact</p>	<p>The major challenges that this sector has faced and continue to face as of today, and their evolution over time: to explore the various challenges that the Lebanese banking sector is facing and whether these challenges have changed over time.</p> <p>Evolution of international regulations, in particular US ones, and their impact on the Lebanese banking sector: to understand how the mounting pressures of US regulations has affected the Lebanese banking sector and whether they had impact on the business strategies, compliance strategies, etc. of banks.</p>
	<p>Legitimacy following a crisis</p>	<p>Crisis/Incident/Scandal Risks Pressure of US Regulations</p>	<p>Scandal that has the most affected the Lebanese Banking Sector because of US regulations: to explore whether the perception of legitimacy has been affected over time and whether it has changed from one type to another (from cognitive to pragmatic or moral legitimacy) due to pressures of US regulations. If yes, was it related to any specific event or scandal?</p>



<b>Concept</b>	<b>Sub-Concept</b>	<b>Words Associated in the Banking World (Practitioners)</b>	<b>Participants' Analysis &amp; Perception</b>
	Compromise	Balance Accommodation	To explore how Lebanese banks dealt with conflicting demands, laws, and regulations between US expectations and local requirements. Did they try to bargain with US regulator when there are conflicting demands?
	Avoidance	Concealment De-Risking	To explore whether the Lebanese banks have adopted a strategy of concealing their non-conformity and buffering themselves from the pressure of the US.
	Defiance	Ignore Challenge	To explore whether Lebanese banks have adopted a more aggressive strategy in their response to the pressures of the US by ignoring the requirements of the US regulations and not implementing them.
	Manipulation	Attack Influence Lobbying	To explore whether banks co-opt the source of external pressures by lobbying US governmental regulators for changing institutional rules and influencing the US regulators who impose pressures.

Having presented above the main concepts and sub-concepts, I aim to present below the table which shows the reformulations and probes adopted during the interviews along with the related concepts and sub-concepts, and which are linked to the relevant research questions. There were no specific questions to be asked. Rather, I started with my overall research questions as a basis for the interviews along with the themes and sub-themes that emerged out of the literature review and which are of interest for my study, along with those based on my personal experience in the banking field.

**Table 10: Interview Guide**

Reformulations/ Probes	Concept/ Sub-Concept	Research Question
<p><b>General:</b> How do you perceive in general the Lebanese banking sector and do you think it is indispensable to the Lebanese economy and to the society?</p> <p><b>Probes:</b></p> <ul style="list-style-type: none"> <li>○ The major challenges that this sector has faced over time and continue to face as of today, and whether they have changed over the years.</li> <li>○ Evolvement of international regulations, in particular US ones, and their impact on the Lebanese banking sector.</li> <li>○ Impact of the mounting pressures of US regulations on the business strategies and compliance strategies of banks.</li> <li>○ Scandal that has the most affected the Lebanese Banking Sector because of US regulations, and whether it has affected the perception of this sector.</li> </ul>	<p><b>Legitimacy</b></p> <ul style="list-style-type: none"> <li>○ Cognitive legitimacy</li> <li>○ Pragmatic legitimacy</li> <li>○ Moral legitimacy</li> <li>○ Legitimacy challenges</li> <li>○ Legitimacy following a crisis</li> </ul>	<p>How the US regulations affect the perception of the Lebanese banking sector legitimacy?</p>
<p><b>Probes:</b></p> <ul style="list-style-type: none"> <li>○ The compliance measures adopted by the Lebanese banks to conform to the demands of the US regulator, and whether those measures have been strengthened in view of the heightened pressure of the US regulations.</li> <li>○ The changes in the compliance strategies of banks were the result of the power of the US to enforce its regulations beyond its borders and due to the extraterritorial reach of the US regulations?</li> </ul>	<p><b>Isomorphism</b></p> <ul style="list-style-type: none"> <li>Coercive</li> <li>Mimetic</li> <li>Normative</li> </ul>	<p>How the Compliance functions of Lebanese banks have been influenced by the pressures of US regulations?</p>

Reformulations/ Probes	Concept/ Sub-Concept	Research Question
<ul style="list-style-type: none"> <li>○ Lebanese banks have adopted similar compliance policies and procedures when responding to the pressure of the US regulations, and to which extent are they homogeneous.</li> <li>○ Change was the result of adherence to international bodies norms and standards such as the Financial Action Task Force, Basel Committee, and others.</li> </ul>		
<p><b>General:</b> The strategic responses adopted by the Lebanese banks as a result of the US pressures and how the latter have influenced the compliance strategies of these banks.</p> <p><b>Probes:</b></p> <ul style="list-style-type: none"> <li>○ Lebanese banks have blindly or consciously complied with US regulations as a response to the pressures imposed on them?</li> <li>○ How banks dealt with conflicting demands, laws, and regulations between US expectations and local requirements, and did they try to bargain with US regulator when there are conflicting demands?</li> <li>○ Lebanese banks have adopted a strategy of concealing their non-conformity and buffering themselves from the pressure of the US?</li> <li>○ Lebanese banks have adopted a more aggressive strategy in their response to the pressures of the US by ignoring the requirements of the US regulations and not implementing them?</li> <li>○ Lebanese banks co-opt the source of external pressures by lobbying US governmental regulators for changing institutional rules and influencing the decision of the US regulator?</li> </ul>	<p><b>Strategic Responses to Institutional Pressures</b></p> <p>Acquiescence Compromise Avoidance Defiance Manipulation</p>	<p>What are the strategic responses adopted by the Lebanese banking sector to maintain its legitimacy in view of the pressures of the US regulations?</p>

### 3.3.2.6. Summary: Data Sources and Use in the Analysis

Having explained in the above paragraphs data collection through interviews and from archives of newspapers, magazines, and ABL Annual Reports, the below table summarizes the data source, data type, and how it was used in the analysis.

**Table 11: Data Sources and Use in the Analysis**

Data Source	Type of Data	Use in the Analysis
Interviews	<p><i>Preliminary Interviews:</i></p> <ul style="list-style-type: none"> <li>- Semi-structured interviews with 3 Head of Compliance of Banks.</li> </ul> <p><i>In-depth Interviews:</i></p> <ul style="list-style-type: none"> <li>- Semi-structured in-depth interviews with Head of Compliance of Banks, CEOs/General Managers, Regulators, and Senior Managers at the Association of Banks.</li> </ul>	<ul style="list-style-type: none"> <li>- Familiarize with the context and feel the ground.</li> <li>- Explore the perception of the Lebanese Banking Sector legitimacy over the period under study, and how the US regulations have affected this perception.</li> <li>- Explore the influence of US regulations on the Compliance strategies of the Lebanese banks and understand whether these banks have used their compliance activities to engage in legitimacy-seeking behavior.</li> <li>- Explore whether the US regulations have imposed a certain isomorphic change on compliance functions, and whether it was through coercive, mimetic, or normative isomorphism.</li> <li>- Explore the strategic responses adopted by the Lebanese Banking Sector to respond to challenges of their legitimacy.</li> </ul>
Archive	<ul style="list-style-type: none"> <li>- Local newspapers and magazines.</li> <li>- Annual Reports of the Association of Banks in Lebanon (ABL).</li> </ul>	<ul style="list-style-type: none"> <li>- The review of the content of media accounts serves the purpose of exploring the perception of the Lebanese banking sector legitimacy and its evolution over time from the point of view of various stakeholders and whether it was affected by the pressures of the US regulations, by looking at the institutional environment in which the Lebanese banks were situated. Also, the annual reports of the ABL shed the light on the activities of banks, their strategic responses to international laws and regulations, and their compliance functions.</li> </ul>

### 3.3.2.7. Preliminary Interviews

Three preliminary interviews were carried out with three Head of Compliance from three Alpha banks. One interview was conducted in December 2018 and two in January 2019, each lasted for 1h 01m 27s, 52m 43s, and 49 m 22s respectively, as detailed in the below table.

Interview Date	Interviewee	Bank	Position	Duration
December 19, 2018	JS	Alpha Bank	Head of Compliance	1h 01m 27s
January 3, 2019	KS	Alpha Bank	Head of Compliance	52m 43s
January 10, 2019	EF	Alpha Bank	Head of Compliance	49m 22s

Interviews took place at the interviewees' offices, and they went smoothly because of the rapport I maintain with interviewees, being my counterparts at other banks and with whom I maintain a friendly and professional relationship at the same time.

Prior to going ahead with interviews, I introduced the participants to the purpose of the research. The interviewees have shown interest and curiosity about the motivations for conducting such research and about my personal endeavor to undertake an academic study about the legitimacy of the Lebanese banking sector. Then, I put the participants at ease by confirming that all collected information will remain confidential and that neither their names nor the names of their banks would be revealed. I therefore respected the ethical aspects that govern interviews by protecting participants' confidentiality and the information they share.

By doing so, participants had no objection to record the interviews after I asked for their permission. So, interviews were recorded using a digital recording machine, which were later on transcribed into text and coded. At the end of the interviews, I appreciated the time devoted by the interviewee and promised to communicate the results of this study to those who are interested.

These pilot interviews were very helpful for me to refine my interview guide in addition to getting a general feeling about how subsequent interviews will go. Also, they allowed me to test the appropriateness of the probes and reformulations I have developed in my interview guide. Hence, some improvements have been introduced afterwards to the interview guide.

### 3.4. DATA ANALYSIS

Data analysis is the process of examining qualitative data, and therefore to come up with an explanation of the phenomenon under study. As explained earlier, data is captured through interviews and through review of local newspapers/magazines in addition to the annual reports of the Association of Banks in Lebanon. Yet, data analysis is a complex and challenging task especially when you are dealing with large amount of data. As described by Creswell (2013), the process of analysis involves “*organizing the data, conducting a preliminary read-through of the database, coding and organizing themes, representing the data, and forming an interpretation of them*”.

As mentioned earlier, this research relies on an abductive approach as a form of analytical reasoning. Thus, my analytical framework consists of some preconceptions by going back and forth between empirical observations and the theory. This allowed me to move from the empirical dimensions of analysis to the theoretical one and back, that is from exploring the participants’ perceptions of legitimacy to the theoretical concept of legitimacy and vice versa. My research design, being exploratory and abductive, leaves a space for surprises and unexpected results that may emerge from the field, something that stimulates the abductive reasoning. Abduction, at the end, is an “*inferential creative process of producing new hypotheses and theories based on surprising research evidence*” (Timmermans & Tavory, 2012: 167).

Once deciding on the main approach to be adopted for data analysis, I went to the next steps which consist of transcribing data, organizing it, coding it, and ensuring its validity. The first step consists of transcribing data, preparing and organizing the data for analysis before squeezing it into themes through coding, and finally the process of representing the data in tables.

Then, the process continues with sorting and arranging data into several types depending on the source of information, reading all data to get a general sense of the information and the general ideas the participants are trying to say, coding the data by organizing it into brackets or segments using NVivo software, and finally interpreting the findings and comparing with information from the literature review or theories.

## **Content Analysis of Archival Data**

Having presented above the data sources and their collection, I elaborate here the method of analysis of newspapers, magazines, and the annual reports of the Association of Banks in Lebanon. As mentioned earlier, archival data collection preceded data collection through interviews, so is the analysis, because archival data provided a baseline with which I confronted my participants during interviews. It is worth mentioning that content analysis of archival data, although burdensome and time-consuming, remains a powerful approach to dealing with large volumes of data, and to squeezing data into fewer content categories based on explicit rules of coding, while having advantages of being systematic and replicable (Stemler, 2001).

I went through 435 number of relevant articles of the newspapers and magazines collected for the purpose of this study. The total number of analyzed pages from these archival data amounted to 1,623 pages. Also, I reviewed 20 annual reports of the ABL from 1997 until 2018. I analyzed their content using NVivo. The analysis of these documents allowed me to identify the critical events which occurred over time from 1997 until 2018, which is important in longitudinal studies, results of which are detailed in the “First Order Findings” part below.

Also, the content analysis of archival data allowed me to infer insights which were corroborated with data collected through interviews. It provided me with an empirical basis for exploring the shift in the perception of the Lebanese banking sector legitimacy from 1997 until 2018 and how it was influenced by the mounting pressure of the US regulations, in addition to exploring the shift in the compliance strategies of banks over the years, and finally to understand the strategic responses adopted by the Lebanese banking sector to maintain and defend its legitimacy. Therefore, data collected from archival data for the period under study have been objectively compared with data collected from participants at some point in order to determine whether the findings are also manifested in participants’ lives and experiences.

The approach adopted in the analysis of archival data is a mixture of interpretive and reflexive reading (Mason, 2017). Interpretive means drawing inferences and meanings from the content of newspapers and magazines, rather than word counting, because “*content analysis extends far beyond simple word counts*” (Stemler, 2001: 138). As argued by Stemler (2001), word-frequency count could be convenient in some cases, there are however several counterpoints to take into consideration when adopting this approach to make inferences about matters of interest and avoid underestimating the importance of a concept.

As for reflexivity, it is about exploring and dealing with the relationship between the researcher and the object of the research (Brannick & Coghlan, 2006). As observed by Creswell (2013), researchers' experiences and background shape their interpretation of the findings they collect from participants. Being expert in the Compliance field for almost 18 years, with extensive banking background, I seek to explore and understand the perception of legitimacy in the Lebanese banking sector by interacting with experts who describe their experiences, in addition to analyzing archival data.

This means that a reflexive approach includes the experience of the researcher in the analysis of data and incorporates the consciousness about how interpretations of our participants came out, rather than simply reporting facts. I agree with Dupuis (1999: 59) who stated that:

“I no longer believe that ourselves and our emotions and personal experiences can be removed from the research process, nor do I believe that the self, emotions, and more collaborative research styles are necessarily problematic. On the contrary, I now believe that these aspects are central to strong, rigorous qualitative research and good science. Accepting this, I suggest that qualitative leisure researchers deliberately employ both the researcher and the human self and her or his emotions and experiences in the research process by embracing a reflexive research methodology”.

### **3.4.1. Transcription of Data**

Transcription of data obtained through interviews is the first step after data is collected from the field. It is the process of converting data, that is unstructured at this stage and does not make sense, into textual form that is meaningful. It is an important step because inadequate data transcripts could negatively affect the analysis process (MacQueen & Milstein, 1999). I followed some of the principles developed by Mergenthaler & Stinson (1992: 129–30) for data transcription, and which consist of preserving the word forms of participants' speech to the closest possible, maintaining the exact reproduction of the transcript, adopting transcription rules which are complete and independent, and which might be applicable by other researchers.

I transcribed into text 23 hours of recorded interviews, which constituted 376 pages of transcriptions. Transcription was undertaken concurrently with data collection and analysis, which means that I did not wait until I finish all interviews then I transcribed and analyzed them.

By going back and forth between existing data and generating new ones from the very start, I minimized the risk of missing some gaps that could emerge during analysis.

### **3.4.2. Coding Data**

According to Miles & Huberman (1994: 10), coding refers to “*selecting, focusing, simplifying, abstracting and transforming the data that appear in written-up field notes or transcriptions*”. Coding is the process of organizing data into chunks that share properties meaningful for the analysis and helps the researcher to give meaning to the data collected from participants. It consists of compressing large amount of data into understandable concepts. Codes could be derived from the data collected through interviews and from the literature review and theories as well. Also, codes are derived from the archival data which consist of reviewing the content of newspapers, magazines and the annual reports of the ABL as described in the data collection part above. Therefore, a set of codes and themes were derived from the relevant literature related to legitimacy, isomorphism, and institutional pressures, in addition to other codes which emerged during the interviews.

Also, Miles, Huberman, and Saldaña (2014: 71) defined codes as “*labels that assign symbolic meaning to the descriptive or inferential information compiled during a study. Codes usually are attached to data “chunks” of varying size and can take the form of a straightforward, descriptive label or a more evocative and complex one*”. The authors outlined three fundamental approaches to coding: (1) Descriptive, (2) In Vivo, and (3) Process Coding (p. 74).

Descriptive coding is about assigning labels to data and summarize the basic topic in a word or sentence, therefore providing a list of topics for categorization. However, this type of coding is especially helpful for ethnographies researches (Miles, Huberman, & Saldaña, 2014). In Vivo coding adopts as codes the words or short phrases collected from participants. It is one of the most coding approaches that appreciate participant’s voice. Codes are directly extracted from what the participant himself or herself says. Process coding takes into consideration the importance of time, and how a certain phenomenon evolves and change over time. The In Vivo coding was adopted in this research because I valued participants’ lives and experiences to explore the phenomenon under study.

In general, data is collected through interviews, observations, journals, documents, artifacts, videos, literature, and others. In this study, data to be coded is the one collected from articles of newspapers and magazines, and the annual reports of the ABL, for the whole period under study, in addition to data collected through interviews with participants, which are recorded and transcribed into text. I opted for coding of both sources of data. Thus, data that is collected through interviews and from archive is narrowed down to reach the meaning of the data collected, and then grouped according to their homogeneity and similarity, thus constituting themes out of data coding prior to shifting to the interpretation stage of the coded data and finally reaching the results and conclusions.

Also, Miles & Huberman (1994) highlighted two methods for coding. The first one is adopted by an inductive researcher through a grounded approach where codes are developed from data, not from preconceived hypotheses and consists of not pre-coding until data is collected. Some codes may emerge progressively during data collection. The second one is a deductive coding which consists of creating a provisional list of codes that is derived from the theoretical framework, research questions, and research problem, prior to fieldwork.

As this study relies on abduction, and since I opted for interpretative analysis which attempts to explore the lived experiences of people and aim to develop analysis from the point of view of participants and to capture their words, thoughts, feelings and actions (Charmaz & Belgrave, 2007), a mixture of both coding methods is adopted, and I remain open to what the field has to say.

Also, Stemler (2001: 138) addressed two approaches to data coding: a priori coding and emergent coding. In the a priori coding, categories are created based on the mobilized theory and concepts, literature review, and documents, prior to data analysis. In emergent coding, *“categories are established following some preliminary examination of the data”*, in addition to those created *au fur et à mesure*. Both approaches are adopted during this study.

Based on the above, I have developed my coding grid (below) which includes the main themes, the codes and their description, and the sub-codes. These codes and sub-codes were inserted into NVivo as nodes and sub-nodes respectively. Then, a subsequent table “Illustrative Codes” were established and includes quotes from participants and from archival data, and which correspond to the respective codes and sub-codes.

**Table 12: Coding Grid**

Theme	Code	Description	Sub-Code
<b>Legitimacy</b>	<b>1. Perception of Legitimacy</b>	Perception of the Lebanese banking sector	a. <b>Taken-for-granted</b> b. <b>Pillar of the economy</b> c. <b>Crucial for the society</b> d. <b>Pragmatic</b> e. <b>Moral</b>
	<b>2. Impact of US Regulations</b>	Impact of the US regulations on the Lebanese banking sector	a. <b>On Business</b> b. <b>On Compliance</b> c. <b>On Lebanese regulations</b> d. <b>No Impact</b>
	<b>3. Major Challenges</b>	Major challenges facing the Lebanese banking sector	a. <b>US regulations</b> b. <b>International regulations</b> c. <b>Technological</b> d. <b>Political</b>
	<b>4. Factors Affecting Legitimacy</b>	Major factors affecting the Lebanese banking sector legitimacy	a. <b>Specific scandal</b> b. <b>Pressure of US regulations</b> c. <b>Evolvement of regulations</b> d. <b>Business development</b>
<b>Isomorphism</b>	<b>1. Evolvement of Compliance Function</b>	Reasons for the evolution of the Compliance Functions in Lebanese banks	a. <b>Because of US regulations</b> b. <b>Because of other regulations</b> c. <b>Due to business expansion</b>
	<b>2. Compliance with US Regulations</b>	Interpretation of the importance of conforming to US requirements	a. <b>Mandatory</b> b. <b>Optional</b> c. <b>Consequences of Non-Compliance</b>
	<b>3. Isomorphic Change in Compliance</b>	Isomorphic change and reasons behind adherence to US regulations	a. <b>Coercive Pressure</b> b. <b>Mimetic Pressure</b> c. <b>Normative Pressure</b> d. <b>No pressure to comply</b>
	<b>4. Motivations for Compliance</b>	Interpretation of the factors affecting compliance with US regulations	a. <b>Dollarized economy</b> b. <b>Fear of de-risking</b> c. <b>Fear of sanctions</b> d. <b>Business continuity</b>
	<b>5. Challenges to Compliance</b>	Challenges facing compliance functions when conforming to US regulations	a. <b>Compliance Cost</b> b. <b>Ambiguous Regulations</b> c. <b>Conflicting Demands</b> d. <b>Business Challenges</b>

Theme	Code	Description	Sub-Code
<b>Strategic Responses to Institutional Pressures</b>	<b>1. Acquiescence</b>	Following invisible, taken-for-granted US regulations	<ul style="list-style-type: none"> <li>a. <b>Blind Adherence</b></li> <li>b. <b>Imitation of other banks</b></li> <li>c. <b>Conscious Compliance</b></li> </ul>
	<b>2. Compromise</b>	Balance, pacify, or bargain with the US regulator especially when there are inconsistencies between US expectations and the sector's objectives	<ul style="list-style-type: none"> <li>a. <b>Balancing</b></li> <li>b. <b>Pacifying</b></li> <li>c. <b>Bargaining</b></li> </ul>
	<b>3. Avoidance</b>	Attempts to hinder the need for compliance by concealing non-conformity, buffering from US pressures, or escaping from US rules	<ul style="list-style-type: none"> <li>a. <b>Disguising Nonconformity</b></li> <li>b. <b>Decoupling</b></li> <li>c. <b>De-risking</b></li> </ul>
	<b>4. Defiance</b>	Ignoring US rules especially when the potential for enforcement of these rules is low and challenging them or attacking them when the sector believes that its privileges are threatened	<ul style="list-style-type: none"> <li>a. <b>Ignoring US Regulations</b></li> <li>b. <b>Contesting US Regulations</b></li> <li>c. <b>Attacking US Regulator</b></li> </ul>
	<b>5. Manipulation</b>	Seek to actively change or exert power over US demands and involves an opportunistic attempt to co-opt, influence, or control the US regulator	<ul style="list-style-type: none"> <li>a. <b>Co-opt the US Pressure</b></li> <li>b. <b>Lobbying</b></li> <li>c. <b>Exercise Power</b></li> </ul>

**Table 13: Illustrative Codes**

<b>Code</b>	<b>Sub-Code</b>	<b>Illustrative Codes</b>
<b>1. Perception of Legitimacy</b>	<b>a. Taken-for-granted</b>	“when other economic sectors [...] were struggling, the banking sector maintained its growth”
	<b>b. Pillar of the economy</b>	“The Lebanese banking sector is one of the pillars of the Lebanese economy”
	<b>c. Crucial for the society</b>	“The Lebanese banking sector has maintained the power of purchase which allowed us to preserve the livelihood of the citizens”
<b>2. Impact of US Regulations</b>	<b>a. On Business</b>	“This has affected the flow of foreign funds to Lebanon”
	<b>b. On Compliance</b>	“we are obliged to comply with every US regulation”
	<b>c. On Lebanese regulations</b>	“BDL has issued a circular in 2012 which obliged banks to comply with all foreign laws”
	<b>d. No Impact</b>	–
<b>3. Major Challenges</b>	<b>a. US regulations</b>	“[...] put pressure on the Lebanese banks which have been subjected to close scrutiny by the US authorities”
	<b>b. International regulations</b>	“they have to comply with international laws, in particular laws related to fighting financial crimes, and sanctions”
	<b>c. Technological</b>	“the technological development was not advanced [...] and this was due to lack of legislation”
	<b>d. Political</b>	“The problem is that we are in Lebanon, in a sensitive area, and the eyes of Americans are on us”
<b>4. Factors Affecting Legitimacy</b>	<b>a. Specific scandal</b>	“[...] after the collapse of LCB, the internal perception was to create a more serious atmosphere to deal with this matter”  “after the LCB there was a change in the climate inside the banks”
	<b>b. Pressure of US regulations</b>	“Priorities have changed today. Banks, prior to entering into any investment, in any country or any sector, in Lebanon or abroad, they have to make sure there is no violation to US sanctions”

	<b>c. Evolvement of regulations</b>	“As the economic migration takes place, Lebanon is finding itself under increasing international pressure to abide by Western sanctions”
	<b>d. Business development</b>	“The objective of banks before were to do business then to see if there is something and how to deal with it. Today no. It [compliance] becomes a priority. There should be no violation before entering into any investment in any region, any country, or with any persons. So today the issue of compliance became advanced in banks [...]. Thus, the perception has changed.
<b>1. Evolvement of Compliance Function</b>	<b>a. Because of US regulations</b>	“Obviously, the US pressure played the major role because as a country having dealing and openness with the external world [...], therefore it is obvious that priority should be to the external and mainly to the US one”
	<b>b. Because of other regulations</b>	“non-compliance with US laws and US authorities and the Europeans as well who are sometimes stricter because they are also subject to US regulations and they are opened to the external world”
	<b>c. Due to business expansion</b>	
<b>2. Compliance with US Regulations</b>	<b>a. Mandatory</b>	“Compliance is no more a choice but a must”  “Not to comply means you cannot maintain an account in the US. It is not a choice for you. If you want to have an account in the US, you have to comply”
	<b>b. Optional</b>	
	<b>c. Consequences of Non-Compliance</b>	“Non-compliance, as we said, will lead to a catastrophe and no one can afford it”  “LCB stood out for 1 night when they closed its accounts”
<b>3. Isomorphic Change in Compliance</b>	<b>a. Coercive Pressure</b>	“we were obliged to follow this US legislation despite its high cost for us at the level of human resources, technology, [...].  “The US has the power to sanction a bank anytime and put anyone away. We’re helpless here and need to be very careful to protect the banking sector”

	<b>b. Mimetic Pressure</b>	“Probably banks differ just in small details however in general they are similar because they have no other choice but to comply”
	<b>c. Normative Pressure</b>	“this does not mean ignoring FATF standards, which is an essential body to issue AML regulations”
	<b>d. No pressure to comply</b>	
<b>4. Motivations for Compliance</b>	<b>a. Dollarized economy</b>	“US regulations are obviously important because dollarization is almost 70% and this is a weak point for Lebanon especially that Lebanon is an importing country, not exporting, and most of external dealings are in USD”
	<b>b. Fear of de-risking</b>	“This has constituted a burden on US banks and which in turn has been reflected on Lebanon because US banks adopted what is called de-risking”
	<b>c. Fear of sanctions</b>	“Standards and the fear and the feeling of fear and risks. Risks became threats, real and serious threats which could lead to inexistence of a bank or its reconstitution”
	<b>d. Business continuity</b>	
<b>5. Challenges to Compliance</b>	<b>a. Compliance Cost</b>	“there was a huge investment by the supervisory authorities, by compliance functions in banks, in terms of technology or human resources”  “This is an ongoing investment and ascending”
	<b>b. Ambiguous Regulations</b>	“Asked whether banks dealing with Hezbollah Cabinet ministers or legislators who get paid from the state will be affected, Salameh said that the law covers "significant transactions" and does not mention salaries”
	<b>c. Conflicting Demands</b>	Asked if the Central Bank will treat Hezbollah as a terrorist organization, as it is viewed by the U.S. administration, Salameh emphasized that Hezbollah is a Lebanese party and “we have to follow the Lebanese law in this regard.”

	<b>d. Business Challenges</b>	“Compliance inquiries and due diligence are standard precautions adopted by financial institutions prior to granting access to banking services, but NGOs operating in Lebanon say increasing restrictions due to security and terrorism concerns are jeopardizing their ability to deliver aid”
<b>1. Acquiescence</b>	<b>a. Blind Adherence</b>	“we have to comply without any reluctance because non-compliance will lead to a big damage. We have no other choice”
	<b>b. Imitation of other banks</b>	“Probably banks differ just in small details however in general they are similar because they have no other choice but to comply”
	<b>c. Conscious Compliance</b>	
<b>2. Compromise</b>	<b>a. Balancing</b>	“Lebanon’s government, the Central Bank and private banks have lobbied U.S. politicians and banks hard this year – and continue to do so – to persuade Washington to balance its tough anti-Hezbollah stance with the need to preserve stability”
	<b>b. Pacifying</b>	“The [implementation] of the bill will be harsh on Lebanon,” he said, adding that Beirut would work with Washington to “change [the bill].”
	<b>c. Bargaining</b>	<p>“Lebanon is capable of working with U.S. authorities to minimize the impact of new sanctions targeting Hezbollah and its affiliates”</p> <p>“A high-ranking Lebanese political and banking delegation is set to travel to Washington in May in a bid to dissuade U.S. authorities from expanding the list of American sanctions against individuals and groups suspected of links with Hezbollah”</p>
<b>3. Avoidance</b>	<b>a. Disguising Nonconformity</b>	“I think after LCB, this matter [concealing non-compliance] is not possible anymore because they have seen and felt what happened and therefore there was no way to compromise or conceal anything”

	<b>b. Decoupling</b>	“they [LCB] had policies and procedures, but they were not implementing them. If you see their policies and procedures, they were perfect. Their tools as well were up to the standard, but they were not implementing them”
	<b>c. De-risking</b>	“All banks adopted de-risking. Probably they are not considered as high-risk customer and that we can do controls over these customers, but because in our opinion these sectors or clients from the point of view of the US are vehicles for money laundering, so we de-risked all these sectors”
<b>4. Defiance</b>	<b>a. Ignoring US Regulations</b>	“If you ignore today the US regulations, they should have known”
	<b>b. Contesting US Regulations</b>	“Central Bank Gov. Riad Salameh refused an American request to close the Syrian Lebanese Commercial Bank, saying it did not violate any Lebanese laws”
	<b>c. Attacking US Regulator</b>	
<b>5. Manipulation</b>	<b>a. Co-opt the US Pressure</b>	“BDL and ABL and even some chairmen of the board of directors are in contact through periodic visits to Washington and meeting with a number of officials at all levels and the US Treasury Department in order to see their directives, opinions, and views regarding Lebanese banks compliance with US sanctions programs and relevant US regulations”
	<b>b. Lobbying</b>	“We have seen some kind of lobbying and some kind of attempt especially by the ABL which is playing a role in coordination with BDL government in order to amend or to ease the severity of these decisions especially those directly related to Lebanon”
	<b>c. Exercise Power</b>	

### **3.4.3. Choice of NVivo Software for Data Analysis**

Since this study relies on a large volume of data, in particular archival one, hence manual analysis of data is neither efficient nor effective. It would be a very time consuming to manually analyze a sheer amount of data collected throughout the study. As argued by Côté et al. (1993: 132), “*manually handling many pages of unstructured data is laborious and time-consuming*”. Therefore, I used NVivo which has added value to assist in the data analysis. NVivo is a qualitative data analysis system designed for qualitative researches which involve a large volume of data. It is intended to assist researchers analyzing non-numerical data in a qualitative research. The software has many advantages such as classification, sorting and arranging data, in addition to examining relationships among collected information. Nevertheless, the software will not in any case replace the judgment of the researcher. For me, it was just a helpful tool to assist in the analysis of data, while I remain the one in charge of interpretations.

#### **Getting Familiar with NVivo**

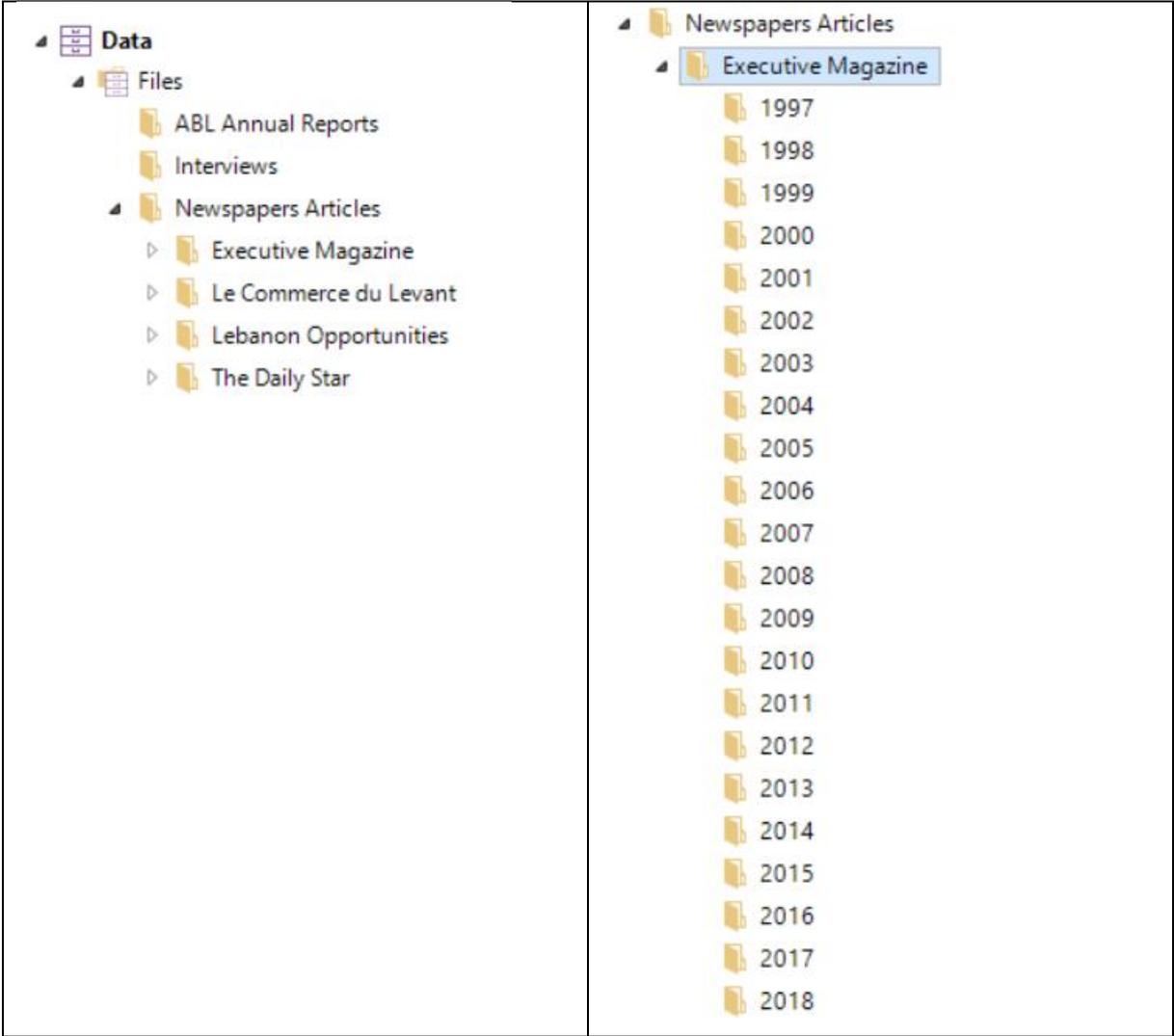
So, the first step was to get acquainted with the software features. In this respect, I first downloaded NVivo on my laptop and attended a training session at Université Saint Joseph to get familiar with the various options available in the system. Then, after getting a free license from Université Paris Dauphine to access NVivo 12, I had to go through the video tutorials of this version in order to master the tools offered by the software. Also, there was a need to start with a sample project to learn more about how to load files, create nodes and sub-nodes, formulate a query, and run results. Prior to initiating the real use of NVivo, I started with a pilot project where import of data and preliminary coding has been tested in order to identify any shortcomings in the import or coding from the beginning. To gain more confidence, I asked for assistance where needed from some colleagues knowledgeable with the system.

#### **Import of Data into NVivo**

After getting acquainted with NVivo, the next step was to load into the system a total number of 435 articles of newspapers and magazines (totaling 1,623 pages), in addition to 20 annual reports of the ABL and 28 interviews. Archival data was already prepared and saved in Word format or in PDF, and interviews as well were transcribed and saved in Word format, and ready to be imported into NVivo for further coding and analysis. Prior to importing data, I created in the system under “Data – Files” three main folders in which I classified both archival data and interviews as shown in the below screen capture from NVivo.

Also, for each of the archival data related to newspapers and magazines, I created folders per year for the whole period under study (1997 – 2018) where articles have been imported and classified in their respective folders. The below screen capture shows a sample of one magazine where articles have been imported and sorted by year according to their issuance date.

**Screen Capture 1: Data Files**

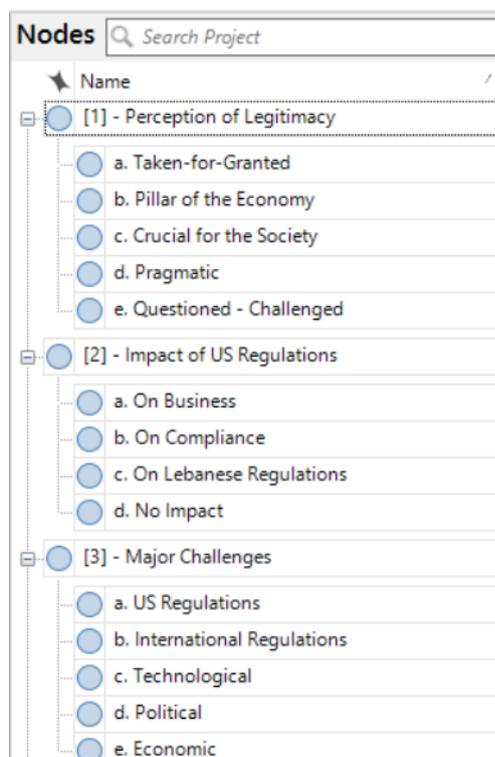


## Creation of Nodes and Coding

Once data files have been imported into NVivo, I moved to the creation of nodes. As mentioned earlier, this study relies on abduction. Thus, a mixture of both inductive and deductive coding has been adopted. Nodes have been created out of the codes developed from data which have emerged during data collection, while others have been derived from the theoretical framework and the literature review. These nodes have been structured according to the main themes, being the parent nodes, and each node has multiple child nodes as shown in the below screen capture.

After creating the parent and child nodes, I opted for the coding process which consisted of going through both archival data and interviews and assigning segments of text to their respective nodes. A chunk of text could be assigned to more than one theme or sub-theme. To note that the quotes from archival data documents have been simultaneously assigned to their corresponding nodes and to the year of article issuance, whereas the verbatims of participants have been dragged to their respective nodes and to the three temporal brackets: Period I [1997 – 2001] and Period II [2002 – 2010] as they refer to the period pre-LCB, and Period III [2011 – 2018] as the one addressing LCB and post-LCB. This was done in this way since it was difficult to extract the exact year the interviewees were talking about (rather they were addressing “before” and “after” LCB period).

### Screen Capture 2: Creation of Parent and Child Nodes



## Nodes Matrix

Next, after finalizing the above exercise, NVivo was very helpful in creating a matrix where I have inserted the main themes and sub-themes in the matrix row and the time (in years) from 1997 to 2018 in column. Then, I run the query in order to obtain the results in such a way to see for instance how many articles addressed the perception of legitimacy and in which years, and how many interviewees talked about it and in which period.

Below is an excerpt of the nodes matrix which shows the parent and child nodes in rows and the years from 1997 to 2018, being the period under study.

### Screen Capture 3: Nodes Matrix

The screenshot displays the NVivo Nodes Matrix interface. At the top, there is a search bar and a 'Matrix Criteria' section with buttons for 'Run Query', 'Save Results...', and 'Add to'. Below this, the 'Rows' and 'Columns' sections are visible. The 'Rows' section lists the following nodes:

- [1] - Perception of Legitimacy
  - a. Taken-for-Granted
  - b. Pillar of the Economy
- [2] - Impact of US Regulations
  - a. On Business
  - b. On Compliance
  - c. On Lebanese Regulations
  - d. No Impact
- [3] - Major Challenges
  - a. US Regulations
  - b. International Regulations
  - c. Technological
  - d. Political
  - e. Economic

The 'Columns' section shows the years 1997 and 1998. Below the search bar, there is a grid with columns labeled A: 1997, B: 1998, C: 1999, and D: 2000. The grid cells are currently empty, indicating that no data has been displayed for these years.

#### 3.4.4. Reliability, Validity and Triangulation

Reliability and validity are traditionally common in quantitative research. However, they are increasingly being seen as essential for qualitative research as well because they both ensure objectivity and credibility of the research if it is carried out properly. They also reduce bias and provide credible and rigorous results. Reliability is about the reproducibility of the research findings, whereas validity refers to the extent to which these findings are an accurate representation of the phenomenon under study. Validity could be internal or external. In terms of internal validity, Miles, Huberman, and Saldaña (2014: 312) addressed the “*truth value*” and asked: “*do the findings of the study makes sense? Are they credible to the people we study and to our readers? Do we have an authentic portrait of what we were looking at?*”. As for external validity, they asked whether the conclusions of a study are transferable to other contexts and how far can they be generalized?

Concerning the reliability of the research, Drucker-Godard, Ehlinger & Grenier in Thiétart et al. (2014) considered that a research is reliable when it can produce the same results by different researchers and/or at different times. As this research was conducted in a specific organizational field – banking industry – and in a specific country – Lebanon, there is a high probability that results would be the same if it is carried out by another researcher in the same sector and country. However, there is no guarantee that its results can be replicated for other sectors (other than the banking industry) and in other countries (other than Lebanon), or for the same sector but in other countries. So, the results were specific to the environment in which this research was carried out. For instance, the perception of legitimacy could vary from one country to another, as well as the compliance measures and the strategic responses to maintain legitimacy could not be the same as well.

Regarding the validity concept, Drucker-Godard, Ehlinger & Grenier in Thiétart et al. (2014) also addressed both internal and external validity. The former is about making sure that the results of the research are pertinent and coherent, whereas the latter is about the generalization of the results. One of the methods to increase the internal validity of a research findings is to multiply the data sources because neither primary nor secondary data are sufficient each on its own. This has been achieved during this study by triangulation.

In this study, I adopted triangulation among complementary data sources – archival data and interviews – to produce convergent findings. In fact, this study relies on extensive archival data collected from newspapers, magazines, and the annual reports of ABL from 1997 until 2018. This data constituted a valuable source of information for gaining insight about the phenomenon under study, and the analysis of its content provided a baseline with which I confronted my participants during interviews. So, the findings extracted from archival data have been corroborated with findings revealed through interviews, leading therefore to convergent results. Thus, the validity of my research has been substantiated by triangulation among two types of data sources.

As for the external validity, two preoccupations have to be taken into consideration: generalization and transferability (Drucker-Godard, Ehlinger & Grenier in Thiétart et al., 2014). Generalization has been reinforced in this study by the sampling method. In fact, the population of banks selected during this research constitute more than 90% of the size of the Lebanese banking sector in terms of total assets. Therefore, the sample is representative of the total population of banks so are the results which can be generalized over the whole sector.

Also, the choice of participants to interviews corroborated the generalization of results since interviewees are knowledgeable about the phenomenon under study. As for the transferability of results, and as mentioned earlier, this study was conducted in the Lebanese context. While results can be extended in the same organizational field and in the same territory context, transferability to other sectors and other contexts is not obvious.

In addition, and in order to increase rigor of this study, I solicited the assistance of a recently graduated EDDBA researcher in double-coding. This process was somehow smooth since the researcher is a Lebanese banker who is familiar with the banking industry and knowledgeable about the topic under study. Double coding consisted of asking the researcher to review the created parent and child nodes and to assign segments of text from both archival data and interviews to their respective nodes. There was consistency to a great extent in the coding process between both of us. Some remarks have been taken into consideration in order to enhance the reliability of the research.

## 4. CHAPTER FOUR: RESEARCH RESULTS

### 4.1. INTRODUCTION

Results are presented below as “first order findings” and “second order findings”. The rationale behind presenting results in this way has to do with the methodological approach I adopted and the research questions in hand. In fact, as explained in the methodology part above, this research is processual, retrospective, and longitudinal. It is processual because it is about addressing questions on how things emerge and develop over time, rather than dealing with covariation among dependent and independent variables (Langley et al., 2013). In this research, the process study addresses the questions about how the perception of legitimacy, the compliance functions, and the strategic responses of the Lebanese banking sector have been affected by the US regulations over time. Thus, the aim is to empirically explore an evolving phenomenon which “*incorporates temporal progressions of activities as elements of explanation and understanding*” (Langley et al., 2013).

In addition, this study relies on longitudinal data collected through a mixed method combining archival data and interviews, which are important to examine how processes unfold over time. Thus, I found out that archival data constitutes a valuable source and the starting point with the presentation of my “first order findings” because it is particularly suitable for tracing event chronologies over long or very long periods of time in order to explore contemporary processes in depth (Langley et al., 2013), and provides a baseline with which I confront my participants during interviews and finally come up with my “second order findings”.

Therefore, in the first order findings, I construct the chronology of critical events which unfold during the period under study (1997 – 2018) based on analysis of archival data, and which are crucial for answering my research questions. These events were not arbitrarily selected as explained below. Rather, they were based on their criticality and on how they affect the themes and sub-themes being studied during this research. In the second order findings, a more in-depth analysis of archival data and analysis of participants’ interviews have yielded results which are presented according to three main themes respectively: (1) Perception of Legitimacy, (2) Compliance, and (3) Strategic Responses, over the three temporal brackets: Period I [1997 – 2001], Period II [2002 – 2010], and Period III [2011 – 2018].

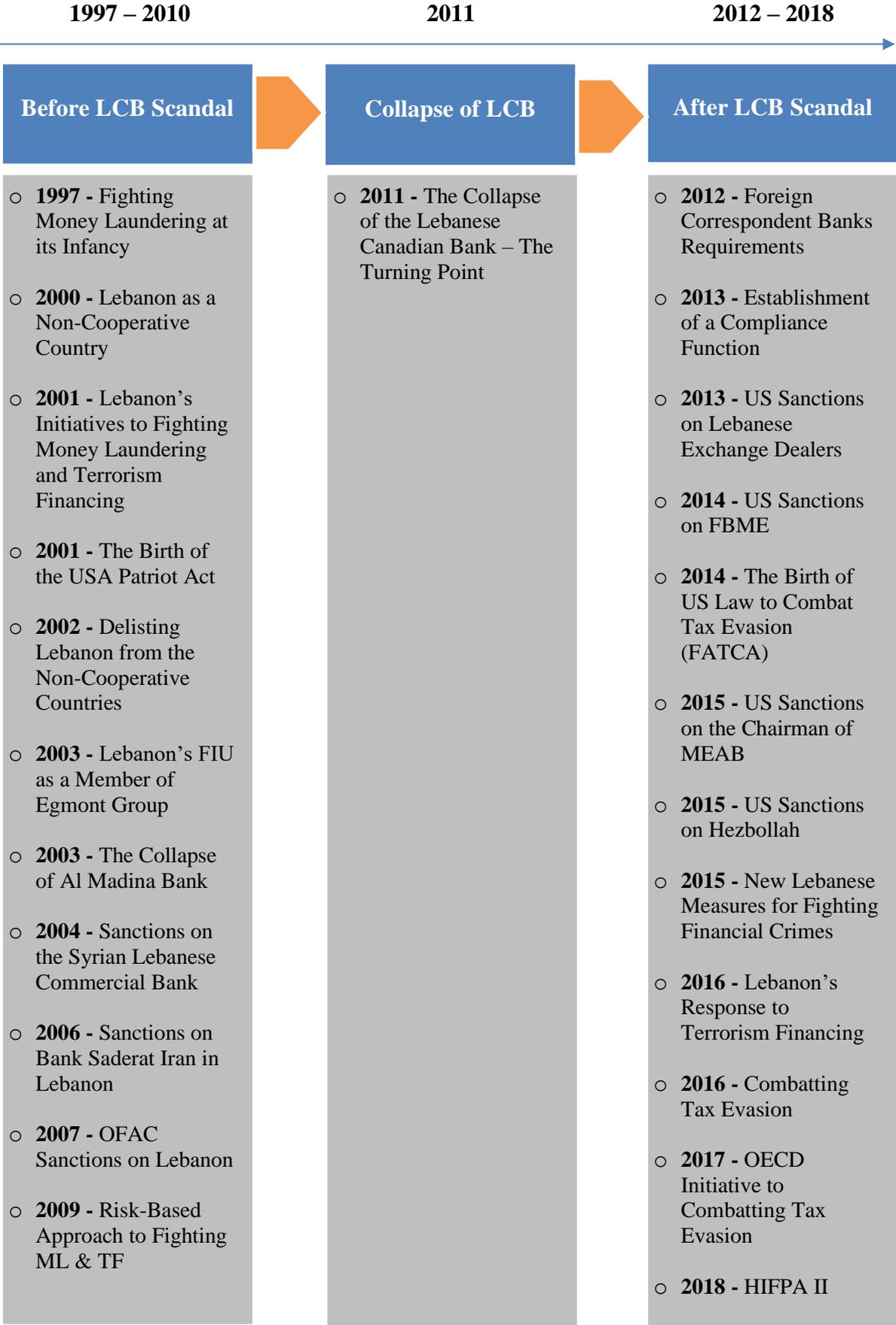
## **4.2. FIRST ORDER FINDINGS**

This section shows my first order findings as part of archival data analysis. Results of this analysis revealed the sequence of events which unfold over the period under study (1997 – 2018). However, some events have been more critical than others and therefore they revealed that they had impact on the themes being studied: legitimacy, compliance, and strategic responses. Thus, the three temporal brackets; Period I [1997 – 2001], Period II [2002 – 2010], and Period III [2011 – 2018], were built based on critical events as explained below.

In fact, analysis of archival data has shown that Lebanese banking sector initiative for fighting money laundering was at its infancy in 1997 with basic convention between the Association of Banks in Lebanon and the Lebanese banks. In the subsequent years, mainly in 2000 and 2001, data revealed the heightened pressure of international regulations on the Lebanese banking sector with the listing of Lebanon in 2000 by the Financial Action Task Force (FATF) among the Non-Cooperative Countries and Territories (NCCT), and the mounting pressure of the US with birth of the USA Patriot Act. The US pressure continues after 2001 with sanctions imposed on individuals, entities and banks. In parallel, my findings reveal how Lebanon and the Lebanese banking sector have accompanied these pressures by promulgating relevant laws and regulations and how the compliance strategies of banks started to gain slight momentum in order to respond to the US challenges. Yet, the most devastating event which has mostly affected the Lebanese banking sector because of the US regulations was the collapse of the Lebanese Canadian Bank (LCB) in 2011. This event was like a wake-up call to the entire Lebanese banking industry and was a turning point in the perception of legitimacy, compliance, and strategic responses.

Following LCB crisis, in particular during the period 2012-2018, the US pressure continues to evolve with additional sanctions on banks and new US laws and regulations which had impact on the Lebanese banking sector. Hence, the aim of the following part is to construct a chronology of these events, describe them, and place them on a timeline starting on the year 1997 and ending in 2018 (as shown in Figure 3 below). As to how the legitimacy of the Lebanese banking sector has been affected and what are the strategic measures adopted by the Lebanese banks to respond to the challenges of their legitimacy is something to be explored through in depth analysis of archival data and interviews with various participants identified in the above sections.

**Figure 3: Chronology of Critical Events from 1997 until 2018**



#### **4.2.1. Period (1997 – 2010): Before the Lebanese Canadian Bank Scandal**

##### **Year 1997 – Fighting Money Laundering at its Infancy**

Lebanon started to emphasize on fighting money laundering in 1997 and has been leader in the MENA region in this respect, in light of the concerns over cash inflows into the country. A Due Diligence Convention on the Commitment by Banks to Combat the Laundering of Illegal Drug-Trade Funds has been achieved between Lebanese banks and the Association of Banks in Lebanon (ABL Annual Report, 1997).

Lebanese banks committed to the ABL to carry out the provisions of this convention which consisted of safeguarding the domestic and external reputation of the Lebanese banking system and combating the laundering of illegal drug-trade funds, while strictly abiding by the Banking Secrecy Law. The provisions of this convention include verifying the identity of the contracting party and determining the beneficial owner as soon as a business relationship is established between the client and the bank, monitoring customers' activities and identifying suspicious transactions, terminating relationship with the client in case of repeated suspicious operations, and establishing an awareness and training program for banks' staff. This undertaking became the cornerstone for the subsequent AML policies and procedures developed by banks.

##### **Year 2000 – Lebanon as a Non-Cooperative Country**

As the pressure on Lebanon increased, the convention between ABL and the Lebanese banks was not considered by the international financial community as sufficient to fighting money laundering and terrorism financing, mainly due to lack of legislation that addresses these offences, in addition to strict banking secrecy regime. Hence, Lebanon has been listed in June 2000 on the Financial Action Task Force (FATF) list of Non-Cooperative Countries and Territories (ABL Annual Report, 2000). A total of 47 countries or territories were examined by FATF in 2000 and 2001, out of which 23 were listed as NCCTs, including Lebanon. Moreover, subsequent to listing Lebanon as a NCCT, the FinCEN of the US Department of Treasury issued on July 2000, just one month after FATF listing, an advisory calling on US banks to exercise enhanced due diligence over financial transactions originating in or routed to or through Lebanon, as well as over transactions related to entities established in Lebanon or persons maintaining accounts in Lebanon.

FinCEN pointed out to the strict Lebanese banking secrecy and considered that, despite the efforts taken by Lebanon to prevent the influx of illicit funds into the Lebanese financial system, such measures are obstructed by the banking secrecy which prohibits bank managers and employees from disclosing clients' information and assets to any individual or public administrative, law enforcement, judicial authority, or foreign authorities that may be necessary for criminal investigations. FinCEN also stressed on the failure of Lebanese legislator to criminalize money laundering offences that are derived from illicit activities other than narcotics trafficking and public corruption, in addition to failure in requiring banks to report suspicious activities to Lebanese competent authorities.

Also, the US Department of State "International Narcotics Control Strategy Report" (INCSR)" annual report for 2000 on illicit drug-control and money laundering activities considered that the current Lebanese regulatory system creates significant opportunities for money laundering.

#### **Year 2001 – Lebanon's Initiatives to Fighting ML and TF**

In view of the heightened pressure, additional initiatives were required, so Lebanon, immediately after the FATF designation and the FinCEN advisory, adopted aggressive measures to meet the international financial community standards and US requirements by enhancing its financial regulatory regime through new legislation. Thus, the new law 318 – Fighting Money Laundering – was born when the Lebanese Parliament promulgated its provisions on April 2001 (The Daily Star, 2001). It was the product of vigorous efforts undertaken by the Lebanese authorities, the Central Bank and the Association of Banks in Lebanon. Law No. 318 criminalizes money laundering and terrorism financing and promotes the efficient combating of such activities, in addition to facilitating cooperation with the international community (ABL Annual Report, 2001).

Under the provisions of this Law, illicit funds are to be understood as any asset resulting from the growing, manufacturing, or trading of narcotic drugs, organized crimes, the financing or contribution to the financing of terrorism, terrorist acts, or terrorist organizations, illegal arms trading, theft or embezzlement of public or private funds, the counterfeiting of money, credit cards, debit cards or charge cards, or any official document or commercial paper, including checks.

After passing the law 318 in April 2001, the Central Bank of Lebanon issued on May 2001 Basic Circular 83 – “Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering” – addressed to banks and financial institutions. The title of these Regulations was modified on December 2010 to read “Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing (AML/CFT)”. The circular contains 13 main articles whose provisions can be summarized as follows:

- Relationships with foreign correspondent banks and the importance of ensuring that the correspondent bank is not a shell bank, has good reputation, and adopts proper AML/CFT policy and procedures. Also, the Lebanese bank should obtain senior management approval prior to entering into relationship with a foreign respondent bank.
- Relationships with customers and the obligation of banks to undertake proper due diligence for account opening, by checking permanent and transient customers’ identity, whether resident or non-resident, determining the purpose and the nature of the relation, and identifying the beneficial right owner of the account and the source of funds. The bank must retain for at least 5 years, after closing the account, all information on the customers and their transactions.
- Reporting of suspicious cases to the Special Investigation Commission when the bank has doubts that the transactions carried out by the customer involve money laundering or terrorism financing.
- Adoption of a risk-based approach to classify customers in terms of their money laundering and terrorism financing risks. The main criteria to be taken into consideration include customer risk, country risk, and product or service risk. Also, banks must apply enhanced due diligence (EDD) over customers classified as high risk. EDD includes increased awareness, increased Know Your Customer information, higher frequency of review, peer-to-peer comparison, and obtaining higher management approval.

- Establishment of AML/CFT Board Committee composed of at least 3 board members, and AML/CFT Compliance Unit whose head should have adequate experience and qualifications, and the Unit must have proper resources enabling it to carry out its duties. The regulations then addressed the role of AML/CFT Board Committee, the AML/CFT Compliance Unit, the Internal Audit, the AML/CFT Branch Officer, and the role of other functions within the bank.
- Other provisions of these regulations include establishing computerized archive for information, training of employees regularly, not closing any account in case of suspicion prior to consulting the SIC, retaining special records for proxy holders, maintaining absolute confidentiality, and refraining from informing the clients that their activities are under investigation.

### **Year 2001 – The Birth of the USA Patriot Act**

The US war against terrorism attained its ever-powerful heights after 9/11 terrorist attacks. On October 2001, in its efforts to dry up the sources of terrorist financing, the US Congress promulgated the Uniting and Strengthening America by Providing Tools Required to Intercept and Obstruct Terrorism Act of 2001, known as USA Patriot Act (ABL Annual Report, 2001).

Through its extensive provisions, the Patriot Act strengthened anti-money laundering and counter financing of terrorism rules, improved the existing US Banking Secrecy Act, vested in the US Treasury broad new powers to examine financial institutions, granted federal officials greater authority, and expanded the resources and tools available to various US government agencies in pursuing those suspected of money laundering and terrorism financing. Section 311 of Title III of the USA Patriot vested in the Secretary of the US Treasury multiple options that can be adopted for targeting specific money laundering and terrorist financing risks and for protecting the US financial system from possible threats.

This Section grants the US Treasury the authority to classify a foreign jurisdiction, financial institution, class of transaction, or type of account under “primary money laundering concern.” When finding a foreign jurisdiction, financial institution or individual bank account of “primary money laundering concern,” Section 311 authorizes the Treasury to impose “special measures” to restrict their access to correspondent accounts based in the United States.

These “special measures” include five actions which can be imposed, either individually, jointly, or in combination: (1) Recordkeeping and Reporting of Certain Financial Transactions, (2) Information Relating to Beneficial Ownership, (3) Information Relating to Certain Payable Through Accounts, (4) Information Relating to Certain Correspondent Accounts, (5) Prohibitions or Conditions on Opening or Maintaining Certain Correspondent or Payable Through Accounts.

The fifth measure is the strongest one since it imposes a prohibition on a US bank from establishing, maintaining, administering, or managing in the United States a “correspondent account” for any financial institution from a specific foreign jurisdiction. Also, it requires US banks to "apply special due diligence to correspondent accounts," including notifying non-US correspondent account holders that they must not provide designated financial institutions with access neither directly nor indirectly, to their US correspondent account. As defined in the USA Patriot Act, the term ‘correspondent account’ means “an account established to receive deposits from, make payments on behalf of a foreign financial institution, or handle other financial transactions related to such institution.”

### **Year 2002 – Delisting Lebanon from the Non-Cooperative Countries**

Two years after its listing on the NCCT, and almost one year after the enactment of Law 318, Lebanon has been removed by the FATF from the NCCT list after being assessed as meeting the anti-money laundering requirements (ABL Annual Report, 2002). The FATF considered that the Lebanese Law 318 addressed the major deficiencies identified during the assessment of 2000, and alleviated concerns with regard to banking secrecy after the creation of the SIC which is empowered to lift bank secrecy and investigate suspicious transactions. Additionally, the FATF appreciated the issuance by the Central Bank of Decision No. 7818, the Regulation on the Control of Financial and Banking Operations for Fighting Money Laundering, which addressed the verification of customers’ identities and the obligation to report suspicious transactions.

In parallel, recognizing Lebanon’s extensive efforts, FinCEN notified U.S. financial institutions on July 2002 that Lebanon has enacted significant reforms to its anti-money laundering system and has addressed the deficiencies noted in the previous advisory.

Therefore, enhanced scrutiny by US financial institutions with respect to transactions involving Lebanon could be relaxed. FinCEN noted that the enactment of new laws and the beginning of effective implementation, led to meeting international standards and therefore to remove Lebanon from the FATF list of countries that are non-cooperative in the fight against money laundering.

### **Year 2003 – Lebanon’s FIU as Member of Egmont Group**

The Lebanese Law 318 established the Special Investigation Commission (SIC) – an independent, legal entity with judicial status – as the Lebanese Financial Intelligence Unit (FIU). In 2003, the SIC became a member of Egmont Group which is a united body of 155 FIUs around the world that provides a platform for the secure exchange of expertise and financial intelligence to combat money laundering and terrorist financing. It exchanges information with its foreign counterpart members of the Egmont Group as part of cross-border cooperation and information exchange.

Later on, a ministerial meeting was held in the Kingdom of Bahrain where it was decided to establish a regional financial task force for the Middle East and North Africa similar to the FATF for combating money laundering and the financing of terrorism under the name of Middle East and North Africa Financial Action Task Force (MENAFATF), which consisted of 14 founding member countries. At this meeting held, the members elected the Secretary of the Special Investigation Commission for the position of MENAFATF President.

The SIC discharges its duties without being under the authority of the Central Bank of Lebanon. Its mandate is to investigate money-laundering operations, and to monitor compliance of banks and financial institutions with the rules and procedures stipulated by this Law. The law granted the SIC the exclusive right to lift the banking secrecy in favor of the competent judicial authorities and the Higher Banking Commission of the Central Bank on accounts suspected to be used for money laundering purpose.

### **Year 2003 – The Collapse of Al Madina Bank**

The year 2003 has witnessed the collapse of Al Madina Bank. The bank’s scandal was related to fraud, embezzlement, and money laundering, and represented a notorious case of disingenuous corruption in the Lebanese banking sector (Le Commerce du Levant, 2003).

According to public information and prosecutors' allegations, the bank facilitated money laundering on behalf of the sanctioned regime of Saddam Hussein, embezzlement of funds for the benefit of senior political and military Syrian officials, Russian mafia, and arms trading for a terrorist organization. The bank has been looted of about USD 1.65 billion, although most depositors recovered their money, leaving the owners of the bank with estimated loss of USD 1.5 billion. The Central Bank of Lebanon liquidated the properties of the bank to cover part of the losses.

Lebanese officials, including the President and the Governor of the Central Bank, reacted swiftly in order to shield the Lebanese banking sector from any shortcoming, and affirmed that the stability and growth of the Lebanese banking system were the result of the international community confidence in it, especially that this scandal took place after one year of removing Lebanon from the list of non-cooperative countries by the FATF. However, the banking sector did not suffer because of this scandal (Executive Magazine, 2004).

Nevertheless, this incident which is still dragging as of today, has shaken the integrity and the reputation of the Lebanese banking sector. Around 437 names of people who benefited from the embezzled funds have been submitted by the general prosecutor to the Special Investigation Commission for investigation.

#### **Year 2004 – Sanctions on the Syrian Lebanese Commercial Bank**

Since the inception of Section 311 of the USA Patriot Act, “special measures” have been taken against five foreign jurisdictions and twenty foreign financial institutions around the world. Lebanon had its share through one of the most devastating “special measures” imposed on the Lebanese Canadian Bank (LCB) (which will be addressed in more details below), in addition to other Lebanese financial institutions.

In May 2004, the US Treasury Secretary, through the Director of FinCEN, has determined that the Syrian Lebanese Commercial Bank (SLCB), a subsidiary of the Commercial Bank of Syria (CBS), is a financial institution of primary money laundering concern, and imposed the fifth special measure on the Lebanese bank (as well as on the Syrian one which owns the majority of SLCB shares).

According to the notice of proposed rulemaking, FinCEN had reason to believe that CBS, and its Lebanese subsidiary have been used by terrorists and/or persons associated with terrorist organizations and have as well been used as a conduit for the laundering of proceeds generated from the illicit sale of Iraqi oil. Further to this designation, the Lebanese bank has been denied access to the US financial system by cutting off its correspondent relationships with US banks.

#### **Year 2006 – Sanctions on Bank Saderat Iran in Lebanon**

Also, Bank Saderat, Iran’s largest bank, has five branches in Lebanon. The bank has been in turn subject to the provisions of the USA Patriot Act and was banned from access to the US financial system in September 2006, due to its involvement as argued by FinCEN in significant facilitation of “Hizballah’s financial activities and has served as a conduit between the Government of Iran and Hizballah, Hamas, the Popular Front for the Liberation of Palestine General Command, and Palestinian Islamic Jihad.”

#### **Year 2007 – OFAC Sanctions on Lebanon**

The Office of Foreign Assets Control (OFAC) imposed a sanction program on Lebanon since August 1, 2007, when the US President issued Executive Order 13441, “Blocking Property of Persons Undermining the Sovereignty of Lebanon or Its Democratic Processes and Institutions.”

In August 2007, the US President determined that the actions of certain persons undermine Lebanon’s legitimate and democratically elected government or democratic institutions, to contribute to the deliberate breakdown in the rule of law in Lebanon, including through politically motivated violence and intimidation, to reassert Syrian control or contribute to Syrian interference in Lebanon, or to infringe upon or undermine Lebanese sovereignty contribute to political and economic instability in that country and the region and constitute an unusual and extraordinary threat to U.S. national security and foreign policy.

Thus, the US President issued Executive Order, “Blocking Property of Persons Undermining the Sovereignty of Lebanon or Its Democratic Processes and Institutions.” In November 2007, OFAC added four names (two Lebanese and two Syrians) to its SDN list, whose assets are to be blocked.

### **Year 2009 – Risk-Based Approach to Fighting ML and TF**

In May 9, 2009, the Central Bank of Lebanon issued Intermediary Circular 190 that is addressed to banks and financial institutions (ABL Annual Report, 2009). This regulation stipulates that banks should adopt a risk-based approach to classify their customers, from AML/CFT perspective, as High, Medium, or Low, in accordance with international best practices. This classification must take into consideration the customer risk, especially those cash generating businesses such as exchange dealers, jewelers, precious metals, restaurants and night clubs, real estate agents, and car dealers.

Also, special attention should be given to politically exposed persons, offshore companies, companies established in tax haven jurisdictions, non-face-to-face customers, fiduciaries and trusts, and companies with bearer shares. As for the country risk, banks should assess the effectiveness of the AML/CFT laws and regulations of countries, and their enforcement by the competent authorities of these countries, in addition to the level of banking secrecy, corruption, and organized crimes. The service risk or the product that the customer is using in the bank should also be accounted for.

Moreover, once banks classify their customers based on their risk, they should put in place adequate controls to mitigate high risk customers. Enhanced Due Diligence must be adopted and include increasing the awareness of staff about the necessity of close monitoring of high-risk accounts, obtaining increased level of KYC information, seeking higher management approval to deal with those customers, conducting periodic review of the relationship, and carrying out peer comparison. Other factors that might affect the customer's risk score include the length of the relationship with the client.

#### **4.2.2. Period (2011): The Collapse of the LCB – The Turning Point**

We have seen above the evolvement of the international regulations and the US ones in particular after 9/11 attacks in 2001, along with their impact on some Lebanese financial institutions on one hand, and their impact on the Lebanese laws and regulations on the other hand. The latter have also evolved in view of the heightened pressure on Lebanon by the international financial community especially the US pressure.

However, as unanimously revealed by the participants I've interviewed and the data from the media (The Daily Star, 2011; Executive Magazine, 2011; The Daily Star, 2011; Le Commerce du Levant, 2011), the most devastating case which has mostly affected the Lebanese banking sector because of US regulations was the Lebanese Canadian Bank (LCB) case which occurred in 2011. This event was like a wake-up call to the entire Lebanese banking industry and was a turning point in the Lebanese banks strategic responses to institutional pressure. The case is detailed below, and I believe it is important for the reader to have a clear picture about it, what happened, and how the legitimacy of LCB was stigmatized, since this scandal was an anchor point in affecting the perception of the Lebanese banking sector legitimacy.

LCB was initially established in 1960 as Banque des Activités Economiques SAL and was operating as a subsidiary of the Royal Bank of Canada Middle East until 1988 when it took over the Lebanese franchise of Royal Bank of Canada. LCB rise over the years has been quite impressive as it moved, since its inception in 1988, from the 21<sup>st</sup> place in terms of assets and deposits to the alpha group of Lebanese banks – top ten banks (having more than \$2 billion in deposits) by 2006. In view of this expansion, and due to the rapid growth in terms of assets and deposits, LCB issued in 2002 and 2003 preferred shares amounting to \$15 million each to strengthen its capital base, becoming therefore one of the first Lebanese banks to issue preferred shares. This aggressive expansion was also accompanied by the enlargement of the bank's branch network and the hiring of experienced personnel. In the months preceding to its designation, LCB declared net profits of \$43.3 million in the first 9 months of 2010, which constitutes an increase of 99.4% as compared to the same period of 2009. Also, the bank's assets increased by 12% from the same period to reach \$5.8 billion at the end of September 2010. As for the deposits and loans, they reached \$5.1 billion and \$1.7 billion by the end of September 2010, constituting respectively an increase of 15.3% and 36% from end of 2009.

At the time of its designation, LCB maintained a network of 35 branches in Lebanon in addition to a representative office in Canada and had controlling financial interest in a number of subsidiaries inside and outside Lebanon. Also, the bank was in the eight's place among its peers in the sector in terms of total assets which reached over \$5 billion in 2009. It employed more than 600 employees, and used to offer corporate banking, retail, and investment products, in addition to maintaining correspondent relationships with a number of banks around the world, including several U.S. financial institutions.

In brief, LCB was doing very well in terms of efficiency, expansion, profitability, financials, branch network, customer base, products and services, qualified personnel, and other performance criteria, similarly to other large Lebanese banks that proved to be efficient in terms of technical efficiency and scale efficiency (Zreika & Elkanj, 2011). The bank strengthened its position in the market and succeeded to position itself among the top ten banks in Lebanon. All went well until February 10<sup>th</sup>, 2011 when the bank, the Lebanese banking sector, and the Lebanese people were shocked by the devastating news of LCB designation by the US Treasury as a bank of “primary money laundering concern”. FinCEN announced on this date the identification of LCB, under Section 311 of the USA Patriot Act, as a financial institution of primary money laundering concern.

LCB designation took place two weeks after OFAC’s designation of the Colombian/Lebanese national Ayman Saied Joumaa, his organization, nine other individuals, and nineteen entities as specially designated narcotics traffickers, and was mainly due to Joumaa’s network moving illegal drugs from South America to Europe and the Middle East via West Africa and laundering hundreds of millions of dollars monthly through accounts held at LCB. FinCEN had reasons to believe that LCB has been engaged in money laundering activities and that the bank has been used as a vehicle for drug traffickers and money launderers operating in various countries. In addition, FinCEN believed that Hizballah derived financial support from these criminal activities with knowledge and complicity of the bank’s managers.

Also, the US Treasury believed LCB had poor anti-money laundering controls in place. The bank’s involvement in money laundering is attributable to failure to adequately control transactions that are highly vulnerable to criminal exploitation, including cash deposits and cross border wire transfers, inadequate due diligence on high-risk customers like exchange houses, and, in some cases, complicity in the laundering activity by LCB managers.

LCB case had the most devastating repercussions on this bank in particular, and on the Lebanese banking sector in general. The “special measures” imposed by FinCEN prohibit US correspondent banks from engaging in business with LCB, as well as banned foreign banks from allowing LCB to directly or indirectly access the US financial system through their accounts with US banks.

The Central Bank of Lebanon – Banque du Liban (BDL) contained the damage that could affect the Lebanese banking industry by first revoking the banking license of LCB within days of the designation, and then by arranging for the fate of LCB through BDL governor who flew to the US and discussed with Treasury people the takeover of LCB by Société Générale de Banque au Liban (SGBL); a deal that was approved by the US Treasury. BDL Governor said “we had assurance from the French who own a share in SGBL to support the merger of both banks. This reflects the big confidence in the Lebanese banking sector.”

In August 2012, Treasury moved to seize \$150 million in LCB assets left over from the merger between LCB and SGBL. In June 2013, federal prosecutors agreed to a \$102 million settlement with LCB as part of the investigation and legal action against it by various US governmental competent authorities including the Drug Enforcement Administration and US Treasury. Until year 2015, Treasury’s proposed implementation of the fifth special measure against LCB remained open for review. In October 2015, FinCEN withdrawn its proposed rulemaking which resulted from the fact that LCB no longer exists as a foreign financial institution due to the decision by its former shareholders to liquidate the bank and the revocation of its banking license.

As a first reaction to this designation, LCB denied knowledge of any wrongdoing, saying in a statement that it would “fully cooperate and coordinate with the relevant regulatory authorities in an effort to demonstrate the integrity and transparency of its operations.” Also, in light of US Treasury designation of the LCB, the governor of the Central Bank of Lebanon announced that the bank is in compliance with local and international AML regulations and that the Central Bank is confident of the bank’s management and fully supports the bank.

These reactions are in line with what Marcus & Goodman (1991) highlighted when they talked about the tendency for an organization to deny responsibility for an incident and take a defensive position by denying that a problem exists, rather than accommodative one for accepting responsibility.

A number of lessons can be extracted from the LCB case. First, this incident raises a big question about the extent to which the bank was compliant with US regulations related to anti-money laundering and counter-financing of terrorism. Second, this case also raises an inquiry about the bank's "decoupling" of its formal compliance program from its business activity and avoiding the integration of its compliance program into the day-to-day processes of the bank, therefore creating a legitimacy façade (MacLean & Behnam, 2010) which in turn created an illusion that the bank is compliant whereas in fact it was performing different activities through its organizational practices (Meyer & Rowan, 1977). Although there are sometimes benefits in adopting decoupling since it enables an organization to maintain its legitimacy (Meyer & Rowan, 1977), however, decoupling could be dangerous for an organization and may lead to organizational misconduct and challenges from stakeholders (MacLean & Behnam, 2010). Third, LCB lost its legitimacy overnight and ceased to exist, which confirms that legitimacy is crucial for the survival of organizations (Meyer & Rowan, 1977; Brown, 1998; Scott, Ruef, Mendel, & Caronna, 2000; Scott, 2014).

Also, LCB lost its correspondent banking relationships on which it is dependent to survive (Pfeffer & Salancik, 1978), which means that legitimacy affects market access where stakeholders only engage with legitimate organizations (Deephouse et al., 2017). Fourth, LCB was an efficient bank and well placed among the top ten banks in Lebanon; however, efficiency alone is not enough since legitimacy is more crucial for organizational viability independent of the organization's performance or other attributes (Scott, 2014). Fifth, LCB was licensed by the Lebanese regulator, so it was legal. Yet, legitimacy is not defined solely by what is legal or illegal, and there is less correlation between legality and legitimacy (Dowling & Pfeffer, 1975).

There is no doubt that LCB case had impact on the whole Lebanese banking sector which continues to witness from 2011 until today a heightened institutional pressure imposed by international regulations, mainly US ones. Strategic responses by the Lebanese banks to these pressures have been affected along with their compliance strategies: something I intend to explore from the perspective of participants in addition to exploring how their perception of legitimacy has been affected before and after the LCB case.

### **4.2.3. Period (2012 – 2018): After the Collapse of the LCB**

#### **Year 2012 – Foreign Correspondent Banks Requirements**

Keen to abide by international sanctions regulations, mainly those imposed by the US on countries, entities, or individuals, the Central Bank of Lebanon issued on April 2012 Basic Circular 126 which requires Lebanese banks to comply with the provisions of the laws and regulations governing their foreign correspondent banks (ABL Annual Report, 2012).

At their end, Lebanese banks are also keen to comply with the provisions of this circular in order to maintain a healthy relationship with their correspondent banks because any violation to any sanction program imposed on any sanctioned country, entity, or individual could jeopardize the relationship with these correspondent banks and may lead to termination of relationship. The provisions encompass not only Lebanese banks operating in Lebanon, but also their overseas branches and subsidiaries.

According to the Association of Banks in Lebanon, Lebanese banks are duty-bound to accommodate US correspondent banks by only executing transactions authorized by the US Treasury or US Department of Commerce, by refraining from opening or maintaining any correspondent relationship for an Iranian-linked financial institution including cancellation of the related Swift Relationship Management Application, and by ensuring that the checks drawn on the only Iranian linked financial institution located in Lebanon are not collected and cleared through the Central Bank of Lebanon clearing system (ABL Annual Report, 2012).

#### **Year 2013 – Establishment of a Compliance Function**

Recognizing the importance of the Compliance function, and its evolvement over time in light of the mounting challenges, the Central Bank issued on January 2013 Basic Circular 128 asking banks and financial institutions to establish a Compliance Department composed of two main units: (1) a Legal Compliance Unit whose main duty is to identify and prevent legal risks, and take the required measures to mitigate these risks, and (2) an AML/CFT Compliance Unit which should be in charge of ensuring compliance with AML/CFT laws and regulations (ABL Annual Report, 2013).

The circular stressed on the independency of the compliance function whose staff cannot carry out any executive or operational duty. It must be staffed with qualified, experienced, and sufficient number of employees in accordance with the size and activity of the bank. Compliance should have sufficient power to perform its duties in addition to unrestricted access to the bank's personnel, documents and information. The seniority of its Head must allow him or her to access senior management and the board of directors, as well as access to external competent authorities and regulatory bodies.

Then the circular specified the qualifications of the Head of Compliance, the Head of the Legal Compliance, and the Head of the AML/CFT Compliance, who must have the adequate competence, honesty, expertise, knowledge, and academic qualifications to carry out their duties. These duties consist of identifying and assessing non-compliance risks, performing adequate tests to check compliance with prevailing laws and regulations, preparing a training program for the bank's employees, and keeping abreast of the latest development of laws and regulations in order to notify senior management accordingly. Also, Compliance should periodically report to the senior management about the assessment missions, the violation of laws and regulations in force, and the corrective measures taken.

Since "tone is on the top", senior management of the bank has a major role to play with respect to Compliance. The regulation stipulates that senior management must set a written policy for non-compliance risk management, communicate the Code of Conduct and Business Ethics and promote a compliance culture, identify and assess in cooperation with the Head of the Compliance Department, the main non-compliance risks, verify that the required corrective procedures are applied upon the detection of any violation, review the periodic reports submitted by the Compliance Department, communicate to the Board of Directors the main activity results and reports of the Compliance Department, in addition to the main changes in the laws and regulations in force, notify the Board of Directors immediately of any important compliance deficiency, and notify the Board of Directors of the appointment, resignation or dismissal of the Head of the Compliance Department.

### **Year 2013 – US Sanctions on Lebanese Exchange Dealers**

FinCEN pressures continue with designation, in April 2013, of two Lebanese exchange houses, Halawi Exchange and Rmeiti Exchange, as financial institutions of primary money laundering concern. Both exchange houses were accused of facilitating transactions connected with a large-scale trade-based money laundering involving the purchase of used cars in the United States for export to West Africa, in addition to providing money laundering services for international narcotics trafficking and money laundering network linked to Hezbollah (The Daily Star, 2013). This was the first use of Section 311 against a nonbank financial institution.

LCB designation as an institution of primary money laundering concern in February 2011 was preceded by the Office of Foreign Assets Control's (OFAC) designation of Lebanese Ayman Joumaa as a Specially Designated Narcotics Trafficker, as well as of three Lebanon-based money exchange businesses used by Ayman Joumaa and his organization to launder illicit proceeds, Elissa Exchange Company, Hassan Ayash Exchange, and New Line Exchange Trust Co., under the Foreign Narcotics Kingpin Act Designation in January 2011.

Pursuant to designation of Halawi Exchange and Rmeiti Exchange, BDL re-evaluated its AML/CFT regulations regarding money exchange businesses and amended its AML/CFT regulations regarding exchange houses as non-bank financial institutions and required licensed money exchangers to maintain accounts at a formal financial institution such as banks which are subject to BDL supervision (Executive Magazine, 2013).

### **Year 2014 – US Sanctions on FBME**

Section 311 had also its impact on FBME bank – a Lebanese-owned subsidiary of the Federal Bank of Lebanon based in Cyprus (Le Commerce du Levant, 2014; The Daily Star, 2014). It was designated by FinCEN in July 2014, which imposed special measures on this bank under Section 311 of the USA Patriot Act, considering it as a financial institution of primary money laundering concern. FinCEN highlighted FBME's facilitation of money laundering, terrorist financing, transnational organized crime, fraud schemes, sanctions evasion, weapons proliferation, corruption by politically-exposed persons, and other financial crime by its customers. The notice also focused on FBME's weak anti-money laundering (AML) controls, which made the bank in particular attractive to high-risk shell companies. FinCEN also revealed that FBME performed a substantial volume of transactions that had little or no transparency and often no apparent legitimate business purpose.

According to FinCEN, FBME also held an account for an alleged Hezbollah-linked customer. By imposing the “fifth special measure”, FinCEN prohibited US banks from establishing, maintaining, administering or managing correspondent accounts in the United States for or on behalf of FBME. The final rule also requires “special due diligence” be applied to foreign correspondent accounts that is reasonably designed to guard against their direct and indirect use to process transactions involving FBME Group.

### **Year 2014 – The Birth of US Law to Combat Tax Evasion (FATCA)**

Another US regulation which has impact on the Lebanese banking industry is FATCA. It was enacted in 2010 as part of the Hiring Incentives to Restore Employment (HIRE) Act for the purpose of combatting tax evasion and became effective in Lebanon on July 2014. Unlike other nations, it has an extraterritorial application and enforcement and is considered an important development in the efforts of tackling tax evasion by US persons maintaining offshore accounts at foreign financial institutions.

Under FATCA, certain U.S. taxpayers holding financial assets outside the United States must report those assets to the IRS. In addition, FATCA require foreign financial institutions to report directly to the IRS certain information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a substantial ownership interest”. According to Price Water House (PwC), FATCA requires financial institutions to use enhanced due diligence procedures to identify US persons who have invested in either non-US financial accounts or non-US entities. The intent behind FATCA is to keep US persons from hiding income and assets overseas. A foreign financial institution (FFI) could face significant consequences if it fails to enter into an agreement with the Internal Revenue Service (IRS), which is merely the first step; the ability to align all the key stakeholders, including operations, technology, risk, legal, and tax, will be paramount to successfully comply with FATCA.

As of today, a large majority of FFIs around the world, including the Middle East region are compliant with FATCA requirements, either by entering into a FATCA agreement directly with the IRS or through an Intergovernmental Agreement (IGA) signed between the US and the concerned country. In the absence of IGA between the US and Lebanon, the Lebanese banks entered into agreements directly with the IRS to comply with FATCA provisions (ABL Annual Report 2014, Executive Magazine, 2014, Le Commerce du Levant, 2014; The Daily Star, 2014).

Although it is a US law, FATCA has impact on the Lebanese banks and has affected their policies, systems, procedures, and resources; it obligated banks to invest into technology, to increase their compliance resources, to change the way they onboard new clients, the way they remediate pre-exiting clients, in addition to reporting of US clients to the IRS. In brief, compliance with FATCA provisions is not an option. Banks having correspondent relationships with US banks have to comply; otherwise, they will be considered as “non-participating FFIs” and therefore, may face severe consequences.

Lebanon’s failure to reach an IGA with the US, and in the absence of any Lebanese law ratified by the government for this purpose, the Central Bank of Lebanon, recognizing the importance of safeguarding the soundness and the reputation of the Lebanese banking sector, issued an announcement on November 2013 asking Lebanese banks to take the necessary measures to comply with FATCA provisions. The Central Bank highlighted the risks of non-adherence to the US law, which involve jeopardizing the relationships between Lebanese banks and their US correspondents.

It is important here to highlight the importance of being compliant with FATCA which constitutes a new challenge for banks. Although it is a US law, FATCA has extraterritorial reach because of the US power to enforce it worldwide. Banks having correspondent relationships with US banks have to comply; otherwise, they will be considered as “non-participating FFIs” and may be subject to withholding tax, and might lose their correspondent relationships with US banks, as well as with other non-US banks which are reluctant to deal with non-compliant financial institutions. This is applicable to the Lebanese banks as well and had affected their compliance policies, systems, procedures, and resources. FATCA obliged banks to invest into technology, to increase their compliance resources, to change the way they onboard new clients, the way they remediate pre-exiting clients, in addition to reporting of US clients to the IRS. The Lebanese banking sector is keen to abide by FATCA in view of the mounting pressure of the US. In his speech of October 21, 2013, the Governor of the Central Bank of Lebanon stated that “banks around the world should assist the US Treasury in applying FATCA” and highlighted the importance and influential role of the banks’ compliance department which has also become part of the bank’s business and profitability. Also, the Secretary General of the ABL confirmed to the Executive Magazine in June 3, 2014 the readiness of the Lebanese banks to meet FATCA requirements and that Lebanon is the most prepared in the MENA region due to early adoption and intensive training.

### **Year 2015 – US Sanctions on the Chairman of MEAB**

In June 2015, the US Treasury designated the Chairman of Middle East and Africa Bank (MEAB) – Kassem Hejeij – as a Specially Designated National (SDN), which means that his assets under US possession are to be blocked. The Treasury considered that Hejeij, a Lebanese businessman, maintained connection with Hizballah, opened accounts for Hizballah in Lebanon, provided credit to Hizballah procurement companies and invested in infrastructure that Hizballah uses in both Lebanon and Iraq (Executive Magazine, 2015).

This action did not harm the bank because Hejeij was sanctioned as an individual, but the bank was not designated. Executive Magazine reported that “MEAB and other companies under Hejeij family ownership were excluded from American action and thus it was prudent to protect the economic assets from being sanctioned by association. Advised by legal experts and central bankers, Kassem Hejeij immediately decided to step down and fully divest his shares in the bank he had founded in the early 1990s.”

Although MEAB was not designated by the Treasury as a Specially Designated National, but the bank had trouble in carrying out dollar activity. A leading banker told The Daily Star that many banks have decided to stop dealing with MEAB in U.S. dollars: “we can’t take any chances these days. I think the U.S. correspondent banks will also stop dealing with the bank.”

### **Year 2015 – US Sanctions on Hezbollah**

The most recent and influential US regulation having impact on the Lebanese banks is the one introduced in 2014 by the United States House of Representatives against Hezbollah, a militant group and political party based in Lebanon. On December 18, 2015, the US President signed the Hezbollah International Financing Prevention Act of 2015. As summarized by the US Congressional Research Service, HIFPA states that *“it shall be U.S. policy to: (1) prevent Hezbollah's global logistics and financial network from operating in order to curtail funding of its domestic and international activities; and (2) utilize diplomatic, legislative, and executive avenues to combat Hezbollah's criminal activities in order to block that organization's ability to fund its global terrorist activities.”*

This Act includes two main titles:

*Title I: Prevention of Access by Hezbollah to International Financial and Other Institutions*, directs the Secretary of the US Treasury to prohibit or impose strict conditions on the opening or maintaining in the United States of a correspondent account or a payable-through account by a foreign financial institution that knowingly: (1) facilitates a transaction or transactions for Hezbollah, or for a person acting on behalf of, or owned or controlled by Hezbollah; (2) engages in money laundering to carry out such an activity; (3) facilitates a significant transaction or provides significant financial services to carry out such an activity; or (4) facilitates any of these activities, conspires to facilitate or participate in such an activity, or is owned or controlled by a foreign financial institution that knowingly engages in such an activity.

As for *Title II: Reports on Designation of Hezbollah as a Significant Foreign Narcotics Trafficker and a Significant Transnational Criminal Organization*, it mainly expresses the sense of Congress that: (1) Hezbollah meets the criteria for designation as a significant foreign narcotics trafficker under the Foreign Narcotics Kingpin Designation Act, and (2) the President should designate Hezbollah as a significant foreign narcotics trafficker.

In furtherance of HIFPA's requirements, the US Department of Treasury - Office of Foreign Assets Control (OFAC) promulgated Hezbollah Financial Sanctions Regulations. These regulations imposed prohibitions or strict conditions with respect to correspondent or payable through accounts of certain foreign financial institutions identified by the Secretary of the Treasury to be knowingly engaged in facilitating significant transactions for Hezbollah or for a person identified on the OFAC's Specially Designated Nationals and Blocked Persons List (SDN List), the property and interests in property of which are blocked pursuant to the International Emergency Economic Powers Act.

HIFPA has changed the rule of sanctions regulations game. Usually there should be a US nexus in order to determine whether a foreign financial institution has violated a US law or regulation. With HIFPA, upon a determination by the Secretary of the Treasury that a foreign financial institution knowingly engages in one or more of the activities described in the above paragraph, in any location or any currency, the Secretary of the Treasury may impose strict measures.

So irrespective whether you are using the US financial system or not, and irrespective whether you are processing the transaction in USD or any other currency, foreign financial institutions are subject to the provisions of HIFPA and its related OFAC regulations. This explains the extraterritoriality reach of the US regulations.

### **Year 2015 – New Lebanese Measures for Fighting Financial Crimes**

On November 2015, the Lebanese legislator endorsed laws intended to strengthen Lebanon's AML/CFT regime by first promulgating Law 44 - Fighting Money Laundering and Terrorist Financing, which amended Law 318 of April 2001, on Fighting Money Laundering. Law 44 further widen categories of reporting entities to include public notaries, attorneys, and accountants, and expands the predicate offences that were included in Law 318 to twenty-one sources of illicit funds (ABL Annual Report, 2015).

The law also broadened the definition of money laundering to include any act committed with the purpose of “concealing the real source of illicit funds, transferring or transporting funds, or substituting or investing the latter in purchasing movable or immovable assets or in carrying out financial transactions for the purpose of concealing or disguising the source of illicit funds.”

The new Law considered money laundering as a separate offence that does not necessitate the offender to be charged with the underlying predicate offence. Any person who undertakes money laundering offence shall be punishable, according to the law, by imprisonment for a period of three to seven years, and by a fine not exceeding twice the amount laundered. Legislation now allows confiscation of assets and sharing of confiscated assets with concerned countries.

In brief, Law 44 was promulgated as a response to the pressure of the international financial community which stressed on the obligation of Lebanon to comply with international anti-money laundering and counter-financing of terrorism standards. The Daily Star mentioned in November 11, 2015, just before the issuance of the law, that “leading bankers warned that the flow of deposits to Lebanon will be gravely affected if the parliament fails to pass crucial bills on anti-money laundering and terrorism financing by the end of this year.”

Hence, institutions that are subject to the provisions of the Law must have in place adequate controls to mitigate any risk of money laundering or terrorism financing. Such controls include due diligence measures to identify permanent and transient clients, as well as the beneficial right owners of accounts, based on reliable documents and information.

Another law was ratified by the Lebanese Parliament on November 2015 – Law 42/215 – “Declaring the Cross-Border Transportation of Money”. Enactment of this law was a response to FATF recommendations which stipulate that every government should take appropriate measures to track cross-border cash transfers. Law 42 imposes requirements to declare both inbound and outbound cash transportation of amounts exceeding USD 15,000 or its equivalent in any other currency, whether transported physically on persons, in their accompanying luggage, by containerized cargo, through the post, or any other mean. Also, the definition of money has been broadened to include not only cash, but also other means of transactional payment such as commercial debentures and financial paper. As required by the law, all persons transporting cash must submit a written declaration to the Lebanese Customs authorities, and the SIC is empowered to directly access these declarations.

### **Year 2016 – Lebanon’s Response to Terrorism Financing**

In the context of fighting terrorism financing, the Central Bank issued on December 2015 Basic Circular 136 which required banks and financial institutions to periodically review the sanctioned names released by the United Nations pursuant to its various resolutions, and to immediately freeze the funds, accounts, and transactions as soon as any name is listed. Also, the regulation stipulates informing the SIC of the actions taken by banks by providing it with any relevant information (ABL Annual Report, 2016).

On May 2016, few months after the issuance of HIFPA by the United States, the Central Bank addressed to the Lebanese banks and other institutions that it regulates the provisions on how to deal with the US Act of December 2015. The Central Bank stressed on compliance with the provisions of HIFPA and its implementing regulations. However, it required banks to notify the SIC of the procedures and measures taken in compliance with the above-mentioned US Act and its implementing regulations, especially in the following cases: when freezing or closing any account held by any client because of HIFPA provisions, or when refusing to open any account to any such client, as well as justifying the reasons behind any such measures.

In parallel, Lebanon further broadened on October 2016, through Law 77, the scope of its regulatory efforts to fighting terrorism financing, by amending article 316 of its penal code and thereby defining terrorism financing offence and criminalizing terrorist financing. It stipulates that any person who voluntarily finances or contributes to terrorist organizations or acts may face a punishment of imprisonment with hard labor for three to seven years and a fine.

Lebanon's initiatives against terrorism financing have been recognized by the US Department of State in its Country Reports on Terrorism 2016. The report considered that Lebanon took the necessary measures to strengthen its overall efforts to disrupt money laundering and terrorist financing activities, including those of Hizballah. Also, the report highlighted that the Central Bank issued a circular that directed Lebanese financial institutions to comply with the HIFPA, in addition to issuance by the SIC of additional HIFPA-related circulars and AML/CFT controls for this purpose.

#### **Year 2016 – Combating Tax Evasion**

As mentioned above, Lebanon failed to reach an IGA with the US regarding FATCA. Also, there was no law issued by the Lebanese government for this purpose. However, the Central Bank of Lebanon took the initiative with objective to safeguard the reputation of the Lebanese banking sector and asked on November 2013 the Lebanese banks to take the necessary measures to comply with FATCA provisions. The Central Bank highlighted that non-adherence to the US law will jeopardize the relationships between Lebanese banks and their US correspondents.

As for compliance with CRS provisions, the Central Bank accompanied laws 43 and 55 on the exchange of information for tax purposes with issuance on August 2016 of Basic Circular No. 138 addressed to Lebanese Banks and Financial Institutions covered by Banking Secrecy, asking them to take the necessary measures to provide the Special Investigation Commission (SIC) with the information related to non-resident customers that the concerned foreign authorities request from the Lebanese Ministry of Finance. Also, the circular stipulated that the request for information should be in compliance with the tax information exchange framework, and according to the regulatory mechanism to be set for that purpose by the SIC in coordination with Banque du Liban (ABL Annual Report, 2016)..

Then, Law No. 60 came into force on October 2016, and stipulated that every person, with some exceptions, must cooperate with tax authorities and grant any requested information in order to carry out its duties. No person shall have the right to invoke banking or professional secrecy that prevents the Ministry of Finance to go through records, and accounting documents for the purpose of ensuring the extent of commitment of taxpayers with their tax obligations, or that allows them to respond to requests of information of tax administration.

On the other hand, and in the context of fighting tax evasion and money laundering, Lebanon promulgated Law 75 dated October 2016, which prohibited companies with bearer shares and shares to the order, in view of their risk in tax evasion and money laundering. Pursuant to this law, companies are prohibited from issuing bearer shares and promissory notes. Companies whose shares are bearer ones are obliged to convert them into nominal shares by amending their bylaws according to the provisions of the law. Therefore, those who bear shares in companies and fails to exchange them into nominal shares within one year of the issuance of law, are prohibited from exercising all their rights related to these shares and cannot be appointed as members of the Board of these companies, until these shares are converted into nominal shares. Also, the Central Bank of Lebanon prohibited through its Intermediary Circular 411, banks and financial institutions from performing any kind of banking or non-banking with legal entities whose shares are totally or partially issued in bearer form.

### **Year 2017 – OECD Initiative to Combating Tax Evasion**

Also, in the context of combating tax evasion, the Organization for Economic Co-operation and Development (OECD) has formed an initiative for global tax transparency known as the Common Reporting Standard (CRS). Similar to FATCA, the CRS requires all financial institutions resident in a participating jurisdiction to identify and report any reportable accounts (typically persons tax resident in a CRS participating jurisdiction). As of January 2017, over 100 jurisdictions have signed or committed to sign the CRS. The CRS, developed in response to the G20 request and approved by the OECD Council on 15 July 2014, calls on jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis.

In May 2016, the OECD and the Global Forum on Transparency and Exchange of Information for Tax Purposes announced that Lebanon has committed to share financial account information automatically with other countries. In May 2017, Lebanon has signed CRS Multilateral Competent Authority Agreement (CRS MCAA), re-confirming its commitment to implementing the automatic exchange of financial account information pursuant to the OECD/G20 Common Reporting Standard (CRS) in time to commence exchanges in 2018.

In response to the OECD CRS requirements, Lebanon ratified in November 2015 Law 43 – Exchange of Tax Information. This law authorized the Minister of Finance to conclude bilateral or multilateral agreements to exchange information on tax evasion or tax fraud in the context of international cooperation. Also, in October 2016, Law 55 has been issued to address the exchange of information for tax purposes. This law provides for the implementation of the provisions of any ratified convention relating to the exchange of information for tax purposes, as well as for the commitment to exchange the requested information (ABL Annual Report, 2017).

### **Year 2018 – The 2nd Wave of US Sanctions on Hezbollah**

With the objective of further tightening the source of funding of Hezbollah and curbing its financial network, the US levied the highest hard-hitting sanctions ever imposed on an organization that is considered “terrorist” by the United States. The US promulgated a new bill which amended the Hezbollah International Financing Prevention Act of 2015. The new bill, known as HIFPA II, is much harsher than the one of 2015 and aims to impose sanctions on foreign persons, agencies of foreign governments, and financial institutions, that provide assistance, support, or fund raising to Hezbollah. Moreover, the new bill requires the President of the United States to submit reports to the Congress about the transnational activities of Hezbollah related to money laundering and terrorism financing (Executive Magazine, 2018).

Throughout 2018, the US Treasury imposed sanctions on 40 individuals and entities linked to Hezbollah, and the US Department of Justice classified Hezbollah as a transnational organized crime that constitutes a threat to the US and formed a narcoterrorism team to track the networks which provide assistance to Hezbollah. This has created uncertainty about how strictly and how widely the US will pursue Hezbollah and what will be the impact on Lebanon and its banking sector.

There is no doubt that the pressure will likely intensify based on the previous experience with the US sanctions and its enforcement actions that were materialized by the forced closure of the LCB in 2011. For Lebanon and its banking sector, this means increased pressure to be added to the already existing challenges deriving from other US regulations. Although the banking sector has committed to compliance with US regulations, however, fearing the negative impact on Lebanon, its fragile economy, and its banking sector, Lebanese lawmakers, officials, and bankers flew out to the US with the objective of lobbying against the new bill. A delegation of the ABL participated in the meetings held in the US with key members of the House of Representative and Senate involved in the drafting of the new bill, in addition to people from the US Treasury. The aim of these meetings was to shield the Lebanese economy and the banking sector from negative repercussions of HIFPA II. The ABL delegation reiterated the commitment of the Lebanese banking sector to compliance with US regulations and negated the need for promulgating additional local laws and regulations which are considered sufficient to adhere to the new US requirements. Also, the Governor of the Central Bank stated that the Lebanese banking sector had measures already in place, which seem to be sufficient and satisfactory to the US Treasury to deal with the new sanctions.

#### **4.2.4. Summary**

As mentioned earlier, this research is a processual one and therefore the sequence of events which unfold over time is crucial for understanding how critical events, the mounting pressures of US regulations which are the most important to comply with due to their direct impact on the Lebanese banking sector, the evolution of the Lebanese laws and regulations as a response to the US pressures, and the collapse of the LCB, have affected the perception of legitimacy in the Lebanese banking sector, its compliance measures, and its strategic responses. Hence, the aim of the above part was to construct a chronology of these events and place them on a timeline starting on the year 1997 and ending in 2018.

In addition, archival data constituted a valuable source of information for gaining insight about the phenomenon under study, and the analysis of its content whose results have been depicted in the “first order findings” provided a baseline with which I confront my participants during interviews as shown in the “second order findings”. So, the results extracted from archival data in the “first order findings” have been corroborated with findings revealed through interviews, leading therefore to convergent results as detailed in the “second order findings” below.

### 4.3. SECOND ORDER FINDINGS

A more in-depth analysis of archival data and analysis of participants' interviews during the period under study have yielded the results shown in the below paragraphs, and answered the following research questions:

1. How the US regulations affect the perception of the Lebanese banking sector legitimacy?
2. How the Compliance functions of Lebanese banks have been influenced by the pressures of US regulations?
3. What are the strategic responses adopted by the Lebanese banking sector to maintain its legitimacy in view of the pressures of the US regulations?

Results are presented according to the three main themes respectively: (1) Perception of Legitimacy, (2) Compliance, and (3) Strategic Responses, over three main periods: Period I [1997 – 2001], Period II [2002 – 2010], and Period III [2011 – 2018]. As previously mentioned, the sequence of events over time is important in this study, and the temporal brackets have not been arbitrary selected. Rather, they were built based on the “first order findings” detailed above, and which I summarize as follows: Period I [1997-2001] starts with the emergence of the first “convention” in the Lebanese banking sector for fighting money laundering, and ends in 2001 which witnessed harsh US regulations for fighting terrorism financing after the attacks of September 11 on the United States, and their impact on the global banking industry including Lebanon. The Period II [2002 – 2010] is the period which preceded the collapse of the LCB due to violation of US regulations, and which was characterized by the evolvement of US regulations and the heightened US pressures on the Lebanese banking sector. Finally, Period III [2011 – 2018] starts with the year 2011 which was a turning point in the Lebanese banking industry due to the fallout of LCB, and which changed the rule of the game, and continued post-LCB until 2018 with harsher and ascending US requirements.

Thus, the “second order findings” address in the first place the perception of legitimacy in the Lebanese banking sector and how it evolved during the period under study. Then, they tackle the influence of US regulations on the compliance functions of Lebanese banks and their evolvement during the same period. Finally, I expose the results related to the strategic responses adopted by the Lebanese banking sector to respond to the challenges of US regulations.

### 4.3.1. Perception of the Sector's Legitimacy

**Table 14:** Archival Data Coding – Legitimacy

<b>Perception of Legitimacy</b>	<b>*Period I [1997 - 2001]</b>	<b>*Period II [2002 - 2010]</b>	<b>*Period III [2011 - 2018]</b>	<b>**References</b>
Taken-for-Granted	0	33	29	62
Pillar of the Economy	2	61	38	101
Crucial for the Society	7	14	12	33
Questioned/Challenged	3	3	63	69
Pragmatic	0	3	47	50
<b>Major Challenges</b>	<b>*Period I [1997 - 2001]</b>	<b>*Period II [2002 - 2010]</b>	<b>*Period III [2011 - 2018]</b>	<b>**References</b>
US Regulations	38	37	443	518
International Regulations	23	49	49	121
Economic	1	18	21	40
Political	2	26	30	58
Technological	0	0	4	4
<b>Factors Affecting Legitimacy</b>	<b>*Period I [1997 - 2001]</b>	<b>*Period II [2002 - 2010]</b>	<b>*Period III [2011 - 2018]</b>	<b>**References</b>
Specific Scandal	0	2	38	40
Pressure of US Regulations	14	11	203	228
Evolution of Regulations	3	11	3	17
Business Development	0	0	0	0

**Archival Data Coding**

\*Number of Quotes corresponding to each Period (*could be more than one from the same file*)

\*\*Total Number of Quotes

**Table 15:** Interviews Coding – Legitimacy

<b>Perception of Legitimacy</b>	<b>*Period I &amp; Period II [1997 – 2010]</b>	<b>*Period III [2011 - 2018]</b>
Taken-for-Granted	33	34
Pillar of the Economy	23	23
Crucial for the Society	14	16
Questioned/Challenged	0	53
Pragmatic	0	68

<b>Major Challenges</b>	<b>*Period I &amp; Period II [1997 – 2010]</b>	<b>*Period III [2011 - 2018]</b>
US Regulations	10	223
International Regulations	13	14
Economic	9	5
Political	6	5
Technological	2	1
<b>Factors Affecting Legitimacy</b>	<b>*Period I &amp; Period II [1997 – 2010]</b>	<b>*Period III [2011 - 2018]</b>
Specific Scandal	1	63
Pressure of US Regulations	1	74
Evolution of Regulations	2	3
Business Development	0	0

**Interviews Coding**

\*Number of Quotes corresponding to each Period (*could be more than one from the same interview*)

**4.3.1.1. Introduction**

This part reveals the results about the first theme - Perception of Legitimacy - during the three temporal brackets explained above and how this perception has evolved over time, based on the analysis of archival data and participants’ interviews. I show how legitimacy, over the period under study, acquired a “cognitive” status, how it was challenged following a crisis, and how it was affected because of the pressure of US regulations to become “pragmatic”. Also, I address in this part the sub-themes derived from each main theme such as the perception of the sector as a “pillar of the economy”, “crucial for the society”, and “taken-for-granted”, and then I tackle the major challenges that the sector has faced because of “US regulations”, “international regulations”, in addition to “economic” and “political” challenges. Minor challenges such as “technological” one has been ignored due to its non-relevance in the analysis. Finally, I reveal how the legitimacy perception has been challenged because of a “specific scandal” – the collapse of LCB in 2011 – and because of the mounting pressure of “US regulations” in the subsequent years, to reach a different status.

Table 1 above shows the number of quotes, which could be more than one from the same document, extracted from archival data and corresponding to each sub-theme over the three temporal brackets, in addition to the total number of references.

As for Table 2, and since it was difficult to extract the exact year the interviewees were talking about (rather they were addressing “before” and “after” LCB period), I aimed to merge Period I and II as they refer to the period pre-LCB, and Period III remained the one addressing LCB and post-LCB. Also, the number of quotes could be more than one from the same interview, and one quote may fit into more than one Period. For instance, if the interviewee says that the Lebanese banking sector has been the country’s main pillar of economy for the last 20 years, this means that this verbatim is coded into Period I, II, and III. As for the quotes shown in the below part, I inserted the relevant quotes from both archival data and interviews. However, due to the extensive volume of quotes from archival data and the difficulty of adding them all below, I created comprehensive tables corresponding to each sub-theme, and which includes all these quotes, and added it to the bottom of the research.

Analysis of data has shown that the perception of the Lebanese banking sector has been invariant during Period I, II, and III with respect to the sub-themes “pillar of the economy” and “crucial for the society”. Also, the challenges that the sector has faced over the years remained constant with respect to “economic” and “political” sub-themes. However, data from both archive and interviews revealed that the challenges stemming from the US regulations started to be salient during Period III after the collapse of the LCB and in the subsequent years of Period III, which in turn have affected the perception of the sector’s legitimacy. Thus, the invariant sub-themes during the three temporal brackets will be first treated in the below paragraphs, followed by the variants ones which have impacted the legitimacy and led to changes in its perception.

#### **4.3.1.2. Pillar of the Lebanese Economy**

According to archival data retrieved during the three periods (Appendix 5 includes a complete table of quotes regarding this sub-theme), the Lebanese banking sector has always been the cornerstone of financial, economic, and social stability of the country despite major challenges it has faced over the years. It has proven to be resilient to economic crisis, political instability, as well as to domestic, regional, and international turmoil. The sector was perceived as “*the best sector in Lebanon*”, “*the most successful*” (Executive Magazine, 2002), and “*has been a positive story for Lebanon*” (Executive Magazine, 2005). It is perceived as the major pillar of the country’s economy.

According to the Association of Banks in Lebanon (ABL), “*the banking system contributes to 4.5% of GDP, employing around 1.2% of the country's labor force*” (Executive Magazine, 2003). In simple terms, “*the banking sector has outgrown the Lebanese economy and domestic economic growth. It grew eight to 10 times in the last 10 years – while the Lebanese economy did not grow as fast*” (Executive Magazine, 2004). As stated by the Governor of the Central Bank, “*our banking sector is one of the most credible and viable banking sectors in the world, [...] adding that total bank assets are three times the size of Lebanon's GDP. The banking sector continues to grow despite the political and security disturbances in the country*” (The Daily Star, 2007).

Also, according to interviews with participants, a Head of Compliance (HoC) considered that “*starting 2000, when other economic sectors such as agriculture, industry, and others were struggling, the banking sector maintained its growth*” (Interview, HoC, December 19, 2018). Another Head of Compliance claimed that “*this sector is very vital for the Lebanese economy, and its role is to keep interacting with the economy*” (Interview, HoC, February 21, 2019). As stated by one interviewee, “*the Lebanese banking sector is one of the most important pillars of the Lebanese economy, and this has been proven through the incidents that happened in Lebanon. It was the only pillar which did not collapse, and which fortified the Lebanese economy*” (Interview, HoC, February 23, 2019).

From a regulator point of view, the sector “*is essential to the Lebanese economy and for financing of the private sector and more the public sector. Subsequently, all the Lebanese savings are consolidated in this sector, and all the hopes rely on this sector to finance the needs whether local or not*” (Interview, Regulator, March 4, 2019). Another regulator reminded that “*the size of the banking sector is three times and a half the size of the economy, which is rare to find in other countries*” (Interview, Regulator, April 12, 2019). In addition, the perception of the sector by interviewed General Managers of some banks confirmed the economic importance of the sector, where one GM considered it as “*the nerve of the economy and the core of any growth*” (Interview, GM, March 25, 2019), while another GM claimed that “*historically the banking sector in Lebanon had a volume which exceeded the volume of the local economy*” (Interview, GM, April 2, 2019), and a third one argued that “*the whole Lebanese economy relies on banks*” (Interview, GM, February 15, 2019).

The sector is sound, and it has progressed over the years in a healthy manner in terms of growth, profitability, deposits, capitalization, liquidity, and local, regional and international expansion. This has conveyed confidence for resident and non-resident customers and has attracted deposits which continue to grow. *“We were surprised by the extent of the commercial banks’ balance sheet growth, mainly in the deposit base growth. This is reflected by the growth of the monetary aggregate [...], which increased by 14% from September 2002 to September 2003”* (Executive Magazine, 2004). As claimed by a GM of a large bank, *“if we look at the size of the banking sector, we are talking almost about 200 billion dollars, we are talking about banking groups that reaches 26 groups, we are talking about more than 18,000 employees, we are talking about a sector that is spread outside Lebanon with an regional and international coverage”* (Interview, GM, March 25, 2019). In terms of expansion, one Head of Compliance stated that *“If we take the period from 2001 till 2005/2006 it was regional expansion, if we look most banks start expanding overseas to export the Lebanese know-how in banking into expanding to the regions and mainly to get also more-closer to the Lebanese diaspora”* (Interview, HoC, March 28, 2019).

Being perceived as trustful with remarkable resilience, the banking sector attracted consistent increase of funds inflow from Lebanese expatriates living and working abroad, as well as from non-resident. These inflows have been persistent over the years and increased banks’ deposits by USD 30 billion between 2008 and 2010, which constituted 86% of 2009 GDP. Thus, *“an important factor accounting for the banking sector’s relatively healthy growth levels are remittances, of which Lebanon receives some \$6 billion every year”* (Executive Magazine, 2008). It is also estimated that about 50% of the banks’ deposit growth to be stemming from the Lebanese diaspora living overseas, and that *“the economy largely functions on these inward remittances and on the banking sector”* (Executive Magazine, 2008). As viewed by one interviewee, the sector *“is playing the main role for the Lebanese diaspora in order to send their money to Lebanon for the family and to invest in the Lebanese market for interest payment, for real estate, and especially for their direct families”* (Interview, HoC, January 22, 2019). In the same context, another interviewee argued that *“the ones who are keeping up the situation are the Lebanese diaspora, performing transfers on a yearly basis in X billions”* (Interview, HoC, April 11, 2019).

Also, the Lebanese banking sector was able to overcome local and international financial crisis, playing therefore “*a pivotal role in shaping Lebanon’s economy*” (Executive Magazine, 2008). During the financial crisis of 2007-2008, while many big banks around the world have suffered because of this crisis, and as a result, a number of financial institutions collapsed or were subject to governments’ bailout, the Lebanese banking sector succeeded to defy the global financial crisis, and “*against all odds Lebanese banks have been weathering the current economic and political crisis*” (Executive Magazine, 2008) due to its conservative policy where “*no Lebanese bank was exposed to subprime mortgages in the United States*” (Le Commerce du Levant, 2008). A participant in the interviews considered that “*maybe the Lebanese Banking Sector is the only sector that still standing in Lebanon despite everything happening in all countries, the economic crisis, social crisis, [...]*” (Interview, HoC, March 25, 2019). Another interviewee admitted that “*it’s a very strong sector, it’s highly regulated, to the point that in the financial crisis in 2008 we were one of the only seven countries that was not affected by the crisis due to the stringent regulations and policies of the Central Bank*” (Interview, Regulator, April 13, 2019). International and local markets concluded that the Lebanese model is sustainable and that “*Lebanon has been the most resilient in the Middle East and North Africa region facing the international financial crisis*”. The performance of the Lebanese economy and the banking sector have been saluted have been saluted by the large international institutions for “*being isolated from the repercussions of the international financial crisis, whether at the real economic level or at banking sector level*” (Le Commerce du Levant, 2010).

As a summary of this sub-theme, the Lebanese banking sector has been perceived as a major pillar of the country’s economy during the three periods under study. This perception has been constant over the years, as revealed by the number of articles and references from archival data which address this perception, in addition to the number of codes extracted from interviews which are almost homogenous over the Period I and II versus Period III.

#### **4.3.1.3. Crucial for the Society**

This section addresses how the Lebanese banking sector was perceived with respect to its role in the Lebanese society, by analyzing newspapers/magazines articles that talk about this sub-theme and by analyzing interviews with participants. According to data, this sub-theme was constant throughout the Period I, II, and III.

By “*employing around 1.2% of the country's labor force*” (Executive Magazine, 2003), the banking sector plays a major societal role, where employment in this sector is the weightiest one among other sectors in the country, constituting therefore an important structural pillar of national employee incomes and of the labor market. As stated by a Board Member, “*the Lebanese banking sector has been very useful because it has created lot of employment*” (Interview, Board Member, March 12, 2019). It is the sector that “*is employing most of the new talents, most banks were hiring continuously, they were giving all types of loan, they expanded drastically from credit card to personal loans to housing loans to supporting SMEs*” (Interview, HoC, March 28, 2019). Also, one interviewee stated that “*I believe in the past 2 years banks and financial institutions are amongst the rare entities still hiring the youth at the moment knowing that unemployment is really very high in Lebanon*” (Interview, HoC, April 13, 2019). This owes to the sector’s eagerness to provide continuous financial support to the society, and “*its proven ability to create job opportunities both domestically and regionally as banks expand abroad, [...] and that add to its thrust to provide continuous financing to the various economic sectors upon which economic growth depends*” (Executive Magazine, 2008).

Banks had an extraordinary societal contribution, “*having funded the country’s post-war reconstruction through loans to the government and ridden out every kind of systematic risk imaginable*” (Executive Magazine, 2010). Beside the banking sector’s contribution to the national economy through the financing of public debts and private sector needs, its societal role was salient at different fronts. These facets varied from contribution to finance the return of the displaced after the Lebanese civil war where “*the government have begun negotiations aimed at encouraging private banks to contribute, [...] calling for the use of private bank deposits with the central bank to finance the return*” (The Daily Star, 1998), to educational donations where the “*British Bank has donated LL16,054,600 to the American University of Beirut’s scholarship programme as part of an agreement between the two institutions to promote the education of Lebanese graduate students*” (The Daily Star, 1998), to donations related to rebuilding during the war where “*Byblos Bank donated \$1 million to help the government rebuild the damages caused by the Israeli air strikes against Lebanon*” (The Daily Star, 1999), and “*the Islamic Development Bank is offering a \$28 million interest-free loan to finance the building of two wastewater treatment plants in the Western Bekaa*” (The Daily Star, 2001).

Also, the Association of Banks in Lebanon contributed to the fund for reconstruction, which was set up after the Israeli bomb attacks, through a check for \$4 million, which “*brings the total donated by banks to \$7.3 million, representing 50 percent of the total in the fund*” (The Daily Star, 1999).

There are additional facets to the Lebanese banking sector and its societal functions. Banks contributed to the enhancement of consumer lifestyles, raised income levels and standards of living of citizens, granting housing loans and personal loans to consumers, greasing the economic wheels through financing of small and medium-sized enterprises (SME) and lower income customers where politicians “*underlined the importance of giving loans to small and medium-size operations considered vital to activating the economy*” (The Daily Star, 2001), and sanctioning loans in conjunction with the Central Bank to particular economic sectors such as agriculture, information technology, and tourism. A Board Member argued that “*if you look at the evolution of loans and the way this has contributed to so many people to get their own houses and to consume more and so on, which is key to a successful economy, the multiply effect you know, so that’s the engine to create a multiply of money turnover and I think it has been a key to the economic evolution of the society*” (Interview, Board Member, April 12, 2019).

Also, according to one interviewee, he claimed that “*for the society, it is the only sector where you can save your deposits, the only place where you can borrow money, the only place where you can save money for your kid’s education, the only place where the government can borrow, and the only place where you can feel safe about the peg of LBP-USD*” (Interview, HoC, February 21, 2019). One General Manager added that “*a huge number of people could not buy a house in Lebanon but thanks to the subsidized loans offered by the central bank and the work of the banks that lend money. Banks have a very economic and social role in helping the social classes that do not have the ability to pay cash, to be able to lend for a long time and buy a house, a car, furniture, etc. So, banks have a major social role*” (Interview, GM, February 15, 2019).

The sector’s societal role included also, in addition to its core business activity, sponsorship of events such as Beirut Marathon, cultural events, charitable contributions, and sponsorship of Lebanese art and movies. By doing this, banks have been largely engaged in Corporate Social Responsibility as part of their role in the society.

A Head of Compliance viewed that *“all banks nowadays in Lebanon have corporate social responsibility. Each bank has its own policies (green projects, projects for poor people...). So, the Lebanese banking sector contributes well and effectively in the Lebanese society. All banks are contributing a lot in serving the society and not only to make profit”* (HoC, February 6, 2019).

In brief, the results pertaining to the above sub-theme, according to both archival data and interviews with participants, revealed homogenous and unambiguous perception with respect to the importance of the Lebanese banking sector to the country’s society. This perception has not changed all over the three temporal brackets as shown in the above Tables 1 and 2. A comprehensive table of quotes extracted from archival data and related to this sub-theme is inserted as Appendix 6.

#### **4.3.1.4. Challenges of the Sector**

Despite this positive perception of the sector and its constructive role in the economy and the society as shown in the above part, the Lebanese banking sector has faced many challenges over the years: political, economic, technological, in addition to challenges of international regulations, in particular US ones, which have to do with anti-money laundering, counter-financing of terrorism, sanctions programs, and tax evasion (“regulations”). However, some challenges have more influence than others on the perception of the sector and have more impact on its legitimacy, whereas challenges such as the technological one has been ignored for instance because it was insignificant during the whole period under study, as revealed out of archival data and interviews as well. As mentioned earlier, the political and economic challenges remained invariant during Period I, II, and III, whereas the challenges related to the US regulations started to be imminent at the beginning of Period III.

#### **Political Challenges**

On the political side, the Lebanese banking sector has suffered at different fronts because of political instability in the country. The governor of the Central Bank has best illustrated the political uncertainty by stating that *“If you want to go back the last 15 years, I have seen Israel invade Lebanon three times. I have seen crisis in the emerging markets — first in Asian markets, then in Eastern European markets, then in Latin American markets. We have lived through very hard political times — the country was always split in two. We have seen the assassination of*

*Prime Minister Hariri and the assassination of many other prominent personalities. Blockades on Lebanon and the war in 2006. International crisis in 2008. A local political crisis with no institution functioning in 2007*” (Executive Magazine, 2009).

It is known that “*political stability would generate domestic and foreign investments, which could inject fresh capital into the economy*” (Executive Magazine, 2005). Obviously, political turbulence has negatively affected the banking sector as argued by one interviewee who said that “*the political challenges had direct impact on the banking sector*” (Interview, Regulator, March 4, 2019). As a Chairman of a large Lebanese bank put it, “*the biggest threat to the banking sector is any disruption in the country’s political stability [...] there is no financial soundness in the presence of political shakiness*” (Executive Magazine, 2009). Another Chairman argued that “*there is always a problem of uncertainty, so for people wanting to make major investments in Lebanon, they won’t want to do so before the period of uncertainty passes*” (Executive Magazine, 2009). Also, according to the Economist Intelligence Unit, the factors affecting the country’s growth are mainly political uncertainty “*which could have a negative impact on the flow of foreign remittances*” (Executive Magazine, 2009).

As put by a Board Member while illustrating the political challenges on the sector, “*there was war threats, Israeli threats on the country threatening us of bombing because of arms. Also, the war in Syria had impact, in addition to being threatened of adding us on the sanctions list based on the laws and regulations that we don’t adopt. So, we passed through several wars during the last 20 years. We passed through several revolutions and political turmoil which were a very scary thing*” (Interview, Board Member, March 12, 2019). A Head of Compliance claimed that “*the sector went through pitfalls, we have the wars with Israel, the assassination of the prime minister Rafic Hairi, the war of 2006 (war of July), all of these were challenges on the rigidity of the Banking Sector, especially the fear was the flow of capital outside Lebanon*” (Interview, HoC, March 25, 2019). Another Head of Compliance argues that “*the rating of Lebanon was a challenge since the rating of the banking sector in Lebanon is affected by the political situation in the country, which is not very stable in Lebanon, so it also has impact*” (Interview, HoC, February 2, 2019). In a more recent political challenge, one General Manager said that “*we faced this in 2017 when the Prime Minister Hariri was in Saudi Arabia and he faced problems there as well as in November 2018. This actually directly affected banks profitability. Banks had to borrow in LBP overnight at high rates*” (Interview, GM, February 15, 2019).

The political challenges were not only stemming from domestic and regional unrest, but also from international pressure, in particular from the United States when the latter war against terrorism attained its ever-powerful heights after 9/11 terrorist attacks in 2001. September 11 attacks had severe repercussions worldwide, had changed the rule of the game, and had impacted financial institutions which maintain correspondent relationships with US banks, including Lebanese ones. *“The terrorist attack on the US has wreaked havoc on the global economy [...], and when the dust settles, we may find that much more than the World Trade Center has been destroyed. This could mark as important a turning point in modern history as did Pearl Harbor, Hiroshima or the crumbling of the Berlin Wall”* (Executive Magazine, 2001). According to Allen Sens, a political science professor at the University of British Columbia, *“it’s inevitable that US efforts will expand to Lebanon”* (Executive Magazine, 2001). Another analyst considered that *“there is a very real possibility that some kind of economic penalties could eventually be imposed and that could affect Lebanon’s ability to get IMF and World Bank support for new borrowing”* (Executive Magazine, 2001). On the other hand, while Hezbollah was already classified as a terrorist organization before 9/11, however, *“under the September rules the United States can exclude from the US market and block the assets of foreign banks which do not comply with its requests”* (The Daily Star, 2001).

In sum, the sector has always been subject to political challenges during the period under study as shown in the data analysis. However, despite political unrest in the country, the Lebanese banking sector maintained its immunity because *“Lebanese confidence both inside and outside Lebanon has not waned”* (Executive Magazine, 2009), and *“the banking sector has a kind of immunity which keeps the industry aside from the political tensions”* (Executive Magazine, 2010).

### **Economic Challenges**

Political and economic challenges are very interrelated. As we have seen above, political turbulence, whether domestic, regional, or international had repercussions on the Lebanese banking sector. Domestically, the major lender of the Lebanese government is the banking sector.

The latter is frustrated “*by the fact that they are not seeing reforms being implemented*” (Executive Magazine, 2009). The markets are desperate to see decreased deficit, being the major threat of the Lebanese system. This deficit is increasing on yearly basis and adding on to the stock of the Lebanese government, and there is therefore “*an obligation to the government to rationalize its expenditures*” (Executive Magazine, 2009). Thus, the major economic challenge which is dragging over the years is the organic relationship between banks and the Lebanese government which is economically struggling. One Head of Compliance asked “*how much, as a Lebanese bank, am I exposed to the Lebanese republic and the public debts? meaning, part of my deposits as a bank are in T-bills and Eurobonds in order to lend funds to BDL and the Lebanese Republic. So, part of my profit as a bank comes from the Lebanese republic which is financially suffering and has accumulated debts with no services*” (Interview, HoC, February 21, 2019).

So, organically banks are connected to the economy and to the Lebanese government, and this makes any attack on the Lebanese Republic affects the banking sector. Another Head of Compliance was more pessimistic about this challenge when he argued that the “*Lebanese state's finances have faltered, and its public budget is not balanced (i.e. Inflation and deficit increase, waste and imbalances of payments and others) which start to affect the Lebanese banking sector that is a private sector*” (Interview, HoC, February 11, 2019), and added that as a result, “*the banking sector becomes like a hostage due to unplanned public policies or not implemented and unable to be implemented by the Lebanese state. This constituted a challenge to the structural banking sector and banks become involved, as partners, with the Lebanese state in its losses (without having a true partnership) because the tumble/fall of the Lebanese state and its inability to settle its debt will definitely affect the Lebanese banks*” (Interview, HoC, February 11, 2019).

A more optimistic view came from a General Manager who admitted that “*this risk is related to the government since banks have big exposure on the state*”. However, he added that “*I am not afraid of this type of risk because the Lebanese state will always find an option to save the Lebanese economy. The government's main concern now is to save the economic condition in the country. Even if they could not make it, we will not face a rude crisis. We will have a soft lending only*” (Interview, GM, February 15, 2019).

Also, the World Bank was worried about the economic situation in Lebanon and considered that *“the political process has lost focus, and that there is little discussion on the economy”* (Executive Magazine, 2006). It expressed concerns about the absence of any sign of political consensus on the reform and warned that *“an over-politicization of the debate in Lebanon would deemphasize the need for economic revival”* (Executive Magazine, 2006). However, with every warning coming from the World Bank or the IMF, there was hopes that the international community will exert some sort of pressure and discipline on the economic front, absence of which could worsen the situation. Their message in this respect was clear: *“Lebanon must overcome its political divisions and implement economic reforms if it is to make the most of a surge in international support”* (Executive Magazine, 2006).

On the international level, the economic crisis of 2008 had little repercussions on the Lebanese economy and the banking sector which was not involved in toxic products due to its conservative policy and due to strict regulations. Yet, some considered that *“Lebanon may still be affected indirectly from the effects of the recession around the world. Despite our in-house economists’ conservative view, they still project a positive GDP growth for Lebanon, which is a testimony to the strength of Lebanon”* (Executive Magazine, 2009). Also, as a natural consequence from the global financial crisis, *“profitability among banks is expected to slow year-on-year, but still achieve positive results. Foreign remittances from Lebanese expatriates working abroad may also decline. It is important to note, however, that confidence in Lebanese banks remains high”* (Executive Magazine, 2009). Add to the above economic challenges the ones coming from the United States. *“Freezing the U.S. assets of high-ranking Lebanese officials could deal a blow to the already fragile Lebanese economy, especially at a time when a new minister is taking over the finance portfolio and faces the tough task of reducing the \$35 billion national debt”* (The Daily Star, 2004).

In sum, the sector is affected by the domestic and international economic pressures as perceived by interviewees and according to articles from newspapers and magazines during the period under study. However, despite economic challenges, and despite the rigidity of the public sector and political obstacles, the sector remained resilient and a principal agent of change. According to the World Bank, *“as the banks look to rebalance their risk profiles in line with Basel II, perhaps they can press the political players to engage in true economic dialogue”* (Executive Magazine, 2006).

Certain factors contributed to Lebanese banks' resilience to political and economic shocks. This resilience is *“due to the constant inflow of funds from the sizable and affluent Lebanese diaspora and the adoption of a regional expansion strategy that provides means of diversification, both in terms of income and risk”* (Executive Magazine, 2008).

A table of all quotes from articles related to this sub-theme can be found in Appendix 7.

### **Challenges of International and US Regulations**

This section exposes the challenges that the sector has faced from regulations perspective during the periods I, II, and III, and how those challenges, in particular US ones, have affected the perception of legitimacy. As revealed by the “first order findings”, the Period I started with some primitive measures taken by the Lebanese banking sector in the context of fighting money laundering, and ended with a heightened pressure derived from the birth of the USA Patriot Act as a result of September 11 terrorist attacks on the United States. Period II has witnessed ascending US regulations, yet without serious challenges to the sector until Period III which was characterized by a real threat to the legitimacy of the sector after the fallout of the LCB and in the subsequent years.

#### **Period I (1997 – 2001) & Period II (2002 – 2010)**

During the Period I, the Lebanese banking sector has been subject to pressure of international regulations stemming mainly from the FATF, and which have to do with anti-money laundering and counter-financing of terrorism. As described by a Head of Compliance, *“in 1997, some international laws started to emerge with respect to anti-money laundering and later on counter financing of terrorism in 2001, in addition to other laws related to tax evasion which limited banking secrecy. This was the first challenge to banking secrecy which became less important to attract foreign deposits”* (Interview, HoC, December 19, 2018). Also, a senior from ABL said during the interview that *“when we started to adopt GAFI, it was essential for us, our base and starting point was GAFI recommendations [...]. Then GAFI during the first period from 1997 till 2011 was to us more important than the US”* (Interview, ABL Senior Manager, February 28, 2019). The international financial community however considered that the measures adopted by the Lebanese banking sector in this respect were not sufficient to deter financial crimes. The lack of proper legislations and the strict banking secrecy regime were the main drivers behind this perception, whereas Lebanon held the issue of banking secrecy highly.

For instance, while approving an agreement to cooperate against terrorism in 1998, the Lebanese Interior Minister considered that *“we do not take this issue lightly and we will not agree to anything that may jeopardize secrecy because it is the basis of our banking sector”* (The Daily Star, 1998). Also, responding to the accusations of the FATF, the Head of Lebanese Parliament denied *“money-laundering charges leveled at the country’s banking secrecy system [...] and considered that “Lebanon has never acted as a premise for drug trafficking”* (The Daily Star, 2000). In addition, the United Nations Annual Report on drugs *“criticized Lebanon for its reluctance to impose certain limits on banking secrecy in order to prevent money laundering”* (Le Commerce du Levant, 2000), and the International Narcotics Control Board – an independent control organ for the implementation of the UN drug conventions – asked Lebanon *“to reform its laws in a way that the judicial authorities to suspend the banking secrecy when investigating criminal activities”* (Le Commerce du Levant, 2000).

The Due Diligence Convention on the Commitment by Banks to Combat the Laundering of Illegal Drug-Trade Funds which has been put in place in 1997 between the Lebanese banks and the Association of Banks in Lebanon was a primitive measure and did not fulfill the requirements of the international community. As a result, Lebanon has been placed in 2000 by the FATF on the list of Non-Cooperative Countries and Territories (NCCT), as shown in the *“first order findings”*, and subsequently, the US Department of Treasury alerted US banks to exercise enhanced due diligence over financial transactions with the Lebanese banking sector.

In view of the heightened pressure of the international financial community and the US as well, the Lebanese banking sector had to take immediate actions. Consequently, and due to extensive efforts of the Lebanese legislator, the ABL, and the Central Bank which felt the seriousness of the necessity to adopt measures to respond to the pressure of the international community, the Fighting Money Laundering Law 318 was born on April 2001, *“after many heated parliamentary debates on whether or not to pass an anti-money laundering law – not doing so would result in the cancellation of loans and grants and affect foreign aid and investment”* (Executive Magazine, 2001). According to the ABL, this law *“responds on one hand to the international community requirements since it includes 23 out of 24 criteria required from Lebanon [...] and maintains on the other hand the banking secrecy [...]”* (ABL Annual Report, 2000-2001).

The law has had positive impact on the image of Lebanon and on the perception of its banking sector, and it was appreciated by the FATF which concluded that the adoption of a law to fight money laundering and the establishment of a control commission are satisfactory. A senior country economist at the World Bank stated that *“the law will help the reputation of Lebanon as a financial center abiding by international regulations and will preserve its financial role regionally and internationally”* (Executive Magazine, 2001). Also, a Lebanese deputy added that *“passing the money laundering law is consistent with the latest trend Lebanon is following to improve its global image and fit within the overall framework of the global economy”* (Executive Magazine, 2001).

However, the end of Period I has shown increased pressure on the Lebanese banking sector due to the imminent war on terrorism by the United States after September 11 attacks, and the birth of the USA Patriot Act in 2001 where *“the events of one day have shifted US policy to security concerns and the fight against terrorism, on their own soil and around the world”* (Executive Magazine, 2001). As far as Lebanon is concerned, *“if the country is asked to help the US, by investigating a money trail [...], the authorities would fully cooperate”* (Executive Magazine, 2001). Thus, it was evident that the US measures will expand to Lebanon and its banking sector, so the Lebanese authorities *“have officially declared that they will fully cooperate in the global investigation tracking the finances of suspected networks linked to the September 11 attacks”* (Executive Magazine, 2001). This has affected at the first place the banking secrecy law which became almost inadmissible and somehow less secret because Lebanon cannot afford to be non-lenient about it. Hence, the perception of the Lebanese banking secrecy has changed, and the banking secrecy law has been considered by many *“to be an essential trait of the Lebanese banking system, but not one that is fundamental to its survival”* (Executive Magazine, 2002).

In view of these pressures, the Lebanese banking sector had to show its commitment to the US requirements. The Governor of the Central Bank *“vowed that Lebanon would freeze any bank accounts suspected of being linked to terrorism”* and stressed on the sector’s commitment to fighting money laundering and on *“not be lenient on the matter”* (The Daily Star, 2001). Also, the Head of Parliament confirmed that *“Lebanon has shown a great deal of cooperation with the US on many issues, including the pre-Sept.11 endorsement of US-recommended legislation to combat money-laundering”* (The Daily Star, 2001).

During this period, the banking sector has witnessed rare cases of defiance to the US requirements. For instance, Lebanon rejected the designation of Hezbollah as a terrorist organization and the Central Bank “*offered four “technical reasons” to refuse compliance with US demands to freeze the resistance group’s assets in local banks*” (The Daily Star, 2001). Non-compliance was justified by the fact that the request to freeze the assets of Hezbollah is coming from the US, not the United Nations. Also, the demand “*did not originate from the International Court of the Justice, whose requests are internationally legally binding [...] and it was not the result of an internal criminal investigation*” (The Daily Star, 2001), and finally, the absence of “*bilateral agreements between the US and Lebanon that prescribe the conditions for the freezing of bank accounts to be undertaken at the request of one of the two parties*” (The Daily Star, 2001). Consequently, the US warned that “*Lebanon would not succeed in its attempt to secure international financial assistance unless Beirut met Washington’s demands [...] and that Lebanon’s very survival depended on such compliance*” (The Daily Star, 2001).

In sum, Period I can be summarized with the emergence of international regulations and subsequently of US ones with no significant impact however on the perception of the sector’s legitimacy, since the latter took the necessary measures to contain the pressure and has shown signs of cooperation and compliance.

During Period II, the pressure of the US continued to escalate through the sanctions imposed on the Syrian Lebanese Commercial Bank in 2004, the sanctions on Bank Saderat Iran in Lebanon in 2006, and the OFAC sanctions on Lebanon in 2007. Yet, these sanctions have not dramatically affected the banking sector. It was until Period III, starting 2011, that the Lebanese banking sector started to experiment the seriousness of a foreign regulator impact on its legitimacy after the collapse of the LCB due to violation of US regulations, as revealed later in this research.

#### 4.3.1.5. “Taken-for-Granted” Status

##### Period I and II (1997 – 2010)

One of the forms of legitimacy identified by Suchman (1995) is *cognitive legitimacy* which corresponds to “taken-for-granted” organizational form that is conceived as legitimate in nature and has the support and acceptance of audiences who view it as necessary or inevitable (Suchman, 1995). Cognitive legitimacy does not involve evaluation, unlike pragmatic and moral legitimacies (Reast et al, 2012). Banks for example gain their cognitive legitimacy due to their important role in the economy of a country and the intermediation financial role they play so they are seen as inevitable by the society. Also, Deephouse et al. (2017: 33) viewed legitimacy as having one of four basic states which is “accepted”, reflecting taken-for-grantedness.

So far, the above results during the Period I and II extracted from archival data and corroborated by interviews with participants from the banking industry reflected a “taken-for granted” status of legitimacy, and revealed the concentration on the importance of the Lebanese banking sector for the country’s economy, the high performance of banks, their regional and international expansion, their immunity against financial crisis, and their important role in the society. The sector was perceived during this period as largely accepted and inevitable for the Lebanese economy and society. This perception was evidenced in the archival data (a complete list of quotes can be found in Appendix 8) through the usage of terminology such as “*key sector*”, “*the best sector in Lebanon*”, “*the most successful*” (Executive Magazine, 2002), “*the factors of stability, growth and progress characterizing the country’s banking system were a result of the current world confidence in it*” (The Daily Star, 2003), “*there was potential for Lebanon to regain its pre-war status due to the wealth of human resources and the experience of Lebanese banks*” (The Daily Star, 2004), “*the financial sector has been a positive story for Lebanon. It continues to be buoyant and able to attract deposits from outside the country*”, “*the country could only sustain because it’s banking sector is also of very large size*” (Executive Magazine, 2005), “*huge fortunes were kept in, or passed through, Lebanese banks, causing a boom in all sectors of the economy*” (Lebanon Opportunities, 2005), “*the current political crisis and economic malaise is no exception, with Lebanese banks reporting strong growth, launching new products, and diversifying through expanding into new markets*” (Executive Magazine, 2007), “*the most credible and viable*” (The Daily Star, 2007), “*since the country’s early inception in the 1920s banking has played a pivotal role in shaping Lebanon ’s economy.*”

*Today, it remains a resilient sector, especially when compared to other industry sectors, which have been plagued with low growth levels” (Executive Magazine, 2008), “backbone of the Lebanese economy” (Executive Magazine, 2008), “confidence in the banking sector in Lebanon and in the monetary in general, is very high” (Executive Magazine, 2009), “les marchés ont réalisé que le modèle libanais était soutenable. La confiance s’est renforcée” (Le Commerce du Levant, 2009), “banks and the bankers are Lebanon’s economic superstars”, “bankers and politicians alike delight in calling the banking sector immune — immune to the financial crisis, immune to political rumblings and knee jerks in public opinion (Executive Magazine, 2010), and “La performance de l’économie libanaise a été saluée par les grandes institutions mondiales, pour être restée à l’abri des répercussions de la crise financière internationale, tant au niveau de l’économie réelle qu’au niveau du secteur bancaire” (Le Commerce du Levant, 2010).*

Also, the analysis of interviews reinforced the above view. Below is a set of verbatims extracted from interviewees when asked about their perception of the Lebanese banking sector: *“the Lebanese banking sector is the backbone of the Lebanese society” (Interview, HoC, February 21, 2019), “the Lebanese banking sector is one of the most important pillars of the Lebanese economy, and this has been proven through the incidents that happened in Lebanon. It was the only pillar which did not collapse, and which fortified the Lebanese economy” (Interview, HoC, February 23, 2019), “the Lebanese banking sector importance with respect to its deposits, is reflected in the building of the trust of Lebanese depositors from Lebanon and outside Lebanon” (Interview, ABL Senior Manager, February 28, 2019), “the Lebanese banking sector is essential and trustworthy” (Interview, Regulator, March 4, 2019), “the Lebanese banking sector maintained its agility to operate this triangular business and has enormously contributed to the Lebanese economy” (Interview, Board Member, March 12, 2019), “have importance in three dimensions: (1) spreading and economic development, (2) Exceptional innovation in the region, and (3) Magnetic dimension of attracting deposits” (Interview, Board Member, March 14, 2019), “is the nerve of any economy, it is the core of any growth” (Interview, GM, March 25, 2019), “it’s the only sector that has been performing for the last years, and was able to maintain and support the economy” (Interview, HoC, March 28, 2019), “in the situation of Lebanon if the Banking Sector is down then there is no Lebanon” (Interview, HoC, April 11, 2019), “it’s the key sector. In my opinion, we cannot take any risks with this sector, because it has to survive at any cost, and it has to be” (Interview, Board Member, April 12, 2019),*

*“the banking sector is one of the main pillars if not the pillar that’s holding the economy”* (Interview, Regulator, April 13, 2019), *“without the banking sector there is no Lebanon”* (Interview, Regulator, May 17, 2019), and *“the banking sector helps the country to stand on its feet, and I believe it is the only solid sector in Lebanon”* (Interview, HoC, January 10, 2019).

On the other hand, the analysis of archival data during Period I and II revealed that the sector got unchallenging media attention with respect to pressures of international and US regulations, except slight challenges in 2001 after the terrorist attacks on the United States. This has been shown by the relatively low number of articles during this period which addressed AML/CFT, Tax Evasion, US regulations, Compliance, and others, which is an indication that the legitimacy of the sector was not heavily challenged or questioned because of this, and therefore, it was cognitive.

Thus, despite being slightly challenged by some international and US regulations, the Lebanese banking sector has been conceived as largely “accepted” and indispensable, having been deemed proper and appropriate, deemed as the most prosperous industry driving the economy, and a major contributor to the society. Thus, it has demonstrated its appropriateness and its right to exist, and therefore, it got a taken-for-granted status.

**Figure 4:** Perception of Legitimacy – Period I & II



*Legitimacy Status – Before LCB*

#### 4.3.1.6. “Cliff” in the Perception of Legitimacy

##### Period III (2011 – 2018)

The real challenge to the Lebanese banking sector’s legitimacy started in Period III, at the time of the collapse of the LCB and in the subsequent years because of the mounting pressures of the US regulations. As shown in the “first order findings”, the US Department of Treasury designation in 2011 of the LCB as a financial institution of primary money laundering concern “hit the bank like a missile strike. And, as so often is the case with American ‘operations’ in the region, the collateral damage was high” (Executive Magazine, 2011), and the banking sector “has been rocked by the accusation that the LCB has been laundering drug money as much as \$200 million per month” (Lebanon Opportunities, 2011). Although the management of LCB denied any wrongdoing, “the damage has already been done; to stave off a crippling run on the bank, LCB had to act fast. LCB’s shareholders decided to sell, as they couldn’t deal in US dollars, which killed the bank” (Executive Magazine, 2011).

When asked about the major scandal that affected the legitimacy of the Lebanese banking sector, interviewees unanimously considered that the LCB crisis constituted a “shock”, a “turning point”, a “threat”, a “major risk”, “alarm”, a “lesson”, etc. that had impact on the country’s banking industry. The below verbatims extracted from interviews corroborate this perception.

Interviewee	Interview Date	Quotes
HoC	December 19, 2018	<i>This has also caused a shock in the banking sector which learned that this issue is not a luxury. [...] Thus, in 2011, there was a complete quantum leap. The collapse of the LCB was the turning point. It was like a shock for the whole Lebanese banking sector and for the Lebanese government. There was no way anymore to deal with these matters softly. [...] Gradually, starting from LCB which was the “start” and the pivotal point that triggered the change of perception and the banking culture especially at the board of directors’ level. So today, priorities have changed.</i>
HoC	February 21, 2019	<i>In the last recent years and in light of the ascending scope in sanctions, we used to believe that the reach of the US sanctions is huge but we never felt it until we have seen what happened to the LCB, [...] whether true or false and whether we like it or not- this was a huge turning point. We had an idea about the danger, but we never knew before the LCB that the scope of US sanctions is so much large and can reach to this extent. As a result, banks realized that they cannot take US sanctions lightly. This led to a change in the banks’ policies.</i>

Interviewee	Interview Date	Quotes
GM	February 20, 2019	<p><i>I would say an event which is the Lebanese Canadian Bank. If we look at the case of LCB, it was about an administrative decision issued by one of the US Department of Treasury arms – FinCEN, and not a legal decision, and led to ceasing the existence of one of the major banks in Lebanon. One could question how the US legal system through one of the US arms of the US Treasury could lead to end the existence of a licensed Lebanese bank.</i></p>
HoC	February 23, 2019	<p><i>Obviously, without any doubt, the LCB case. It was the turning point...the policy of “before” and “after” LCB. Why? Because “before” we had the convention for due diligence, we had standards, and we had a law; however, the case that happened with LCB, and which does not necessarily applies on all Lebanese banks, because there was mismanagement or misconception or unconscious attitude by the LCB management when dealing with external pressures...there was negligence of the international laws and regulations which led to being sanctioned or at least incriminated. The LCB case was a wake-up call to the Lebanese banking sector, in particular to the extent of due diligence that should be undertaken by the Lebanese banks in their application of AML/CFT measures, and application of compliance in its international notion.</i></p>
ABL Senior Manager	February 28, 2019	<p><i>For Sure, the Lebanese Canadian bank was an alarm for us.</i></p>
Regulator	March 4, 2019	<p><i>Definitely, it has a big impact. First of all, the Lebanese Canadian Bank, according to the US, was one of the main indicators which increased their awareness on how effective sanctions could be. They designated a bank, and this bank was out of market in few weeks. It was too much visible because Lebanon is a regional financial sector that is very important for the country and it had a major impact.</i></p> <p><i>The LCB case was a wakeup call to all Lebanese banks and that there is something called “sanctions” and that there is something called “compliance”.</i></p> <p><i>Absolutely, the LCB case has changed the mindset of everybody: the banking sector, the regulator, and the public at large.</i></p>
Board Member	March 12, 2019	<p><i>It wakens up banks to be more prudent, but it scared them to be more active, internationally and domestically.</i></p>
Board Member	March 14, 2019	<p><i>The case that is most noticeable is the case of Lebanese Canadian bank.</i></p>
HoC	March 25, 2019	<p><i>Surely, because 9/11 was far from us but the Lebanese Canadian occurred internally, so as the Lebanese Banks realized its seriousness and considered that they should not play with such topics, as they considered that it could be the Lebanese Canadian now but later on it could be any other bank, so it was a shocking point for Banks, which called them to wake up and told them to be aware for Compliance topics and mostly the Sanctions Compliance.</i></p>

Interviewee	Interview Date	Quotes
GM	March 25, 2019	<i>Suddenly, we wake up on the case of the Lebanese Canadian Bank, which constituted the beginning of an era and the end of another one.</i>
HoC	March 28, 2019	<i>I think this was a wake-up call. This is something serious that we need to look at.</i>
HoC	January 3, 2019	<i>The LCB...LCB. Because it was not only about the collapse of a bank, but also it has impacted the whole banking sector. As a result of this scandal, all banks in Lebanon have changed their strategies, business strategies, and strengthened their compliance departments.</i>  <i>The LCB was a lesson.</i>
GM	April 2, 2019	<i>This was one of the major accidents which affected the Banking Sector.</i>
HoC	April 11, 2019	<i>Turning point for the life of the banking sector? Yes, it was a shock. Because, and I recall how it happened, and when it happened I was at the operations division at the bank, and in 3 hours the bank was eliminated [...], at the end it was clear that the Americans in one SWIFT they were able to eliminate the bank, [...].</i>
Board Member	April 12, 2019	<i>Oh certainly, I think we felt that a bank would be taken to bankruptcy in no time because of that, and could be taken to liquidation, so it was a shock to the system.</i>  <i>I think the Lebanese Canadian Bank was a big shock, such a big bank having to be shut down overnight.</i>
Regulator	April 13, 2019	<i>The shock. For me the effect of the Lebanese Canadian (on Lebanon) on the banking sector was similar to the effect of September 11th. I have to say that before no one expected that or took it seriously that a bank can be sanctioned or would be subject to the negative commutations from the US.</i>
ABL Senior Manager	April 18, 2019	<i>We had this case of the Lebanese Canadian Bank so obviously you need to revise the framework, what caused the collapse, what insight this bank to do this, what were the reasons behind this lack of full compliance and then you had to address any weaknesses you have in your system, so you have to reinforce rules, regulations, policies and all that.</i>
Regulator	May 17, 2019	<i>The stage of Lebanese Canadian we consider it locally as a shifting stage, it was like a specific alarm which we learned a lesson from it not just us but all of us had to learn, and we all had to coordinate together so that we don't face this scenario again.</i>
HoC	January 10, 2019	<i>The turning point was for sure the LCB [...], it was all about a statement issued by the Americans. They considered the bank as a bank of primary money laundering concern. No one bother to prove whether the statement is right or wrong.</i>

Interviewee	Interview Date	Quotes
HoC	January 22, 2019	<i>That was a very huge fine against the bank and it was one of the most devastating for the Lebanese banking sector.</i>
HoC	January 22, 2019	<i>The LCB case was the shock because when a bank is sanctioned by section 311 under FinCEN (the clause related to primary money laundering concern) automatically all US banks will stop dealing with this bank.</i>
HoC	February 2, 2019	<i>This was the shaky news since the banking system is like a domino system: when a bank got a hit, it becomes easy for other banks to get affected as well. For this reason, the listing of the LCB and the reaction of the correspondent banks and the reaction of the local authority was like a fuss in the country. In the near past, the LCB case is THE case that is shaky.</i>
HoC	February 6, 2019	<i>I think it was in 2011 the LCB case. This scandal deeply affected the Lebanese banking sector and it causes panic in the sector [...]. This fact negatively affected the Lebanese banking sector.</i>
HoC	February 11, 2019	<i>It is obvious that it was the LCB case [...]. The LCB scandal happened due to being listed by OFAC. You could realize the extent to which the importance, the effect and the impact of the US regulations on the Lebanese banking sector activities.</i>
GM	February 15, 2019	<i>Obviously, it is the LCB case. It was listed as an institution of primary money laundering concern. This issue is not frequent in the history of banking [...]. This was a big slap and it caused fear in banks.</i>  <i>They all woke up after the LCB case. There is no doubt that the perception of the Lebanese banking sector legitimacy has changed after the LCB.</i>

Thus, during the period under study, the fallout of LCB was the event which changed the perception of the sector's legitimacy because of US regulations, as shown by both archival data and interviews. This scandal has not only affected LCB, but the whole banking sector has been shaken by this designation; *“LCB is not the only financial institution to have been shaken by FinCEN's designation; all Lebanese banks and foreign exchange houses' relations with the US have been affected”* (Executive Magazine, 2011). Whether the accusations against LCB were legitimate or not, there was no doubt that they have impacted the banking sector at different fronts, mainly business with customers, compliance, laws and regulations, and more importantly the sector's image, reputation, and legitimacy.

From a business perspective, *“doing business in Lebanon is now fundamentally different than it was just months ago [...] and the surging growth in business and commerce — the economic hiatus from reality we proudly took for granted over the last several years while the rest of the world was thrashing in crisis — is over”* (Executive Magazine, 2011). As put by a Head of Compliance, *“obviously, business is important because we are talking about commercial banks. However, protection of banks became an obsession and a target. This criterion was inexistent”* (HoC, December 18, 2019). The US Treasury Department pointed out in its accusation to involvement of exchange houses and used cars dealings in the money laundering scheme. Hence, Lebanese banks responded by exiting relationships with these businesses which were perceived now as high-risk sectors, so *“sales also dropped due to restrictions imposed by the central bank and the US government on money transfers following the taking down of Lebanese Canadian Bank in February on accusations of money laundering, allegedly carried out in part via used car dealerships in the US”* (Executive Magazine, 2011).

In terms of regulations and compliance with regulations, the Governor of the Central Bank stated that *“the Central Bank intends to strengthen measures to improve supervision and ensure that all banks are complying with these directives [...], and will organize the cash which flows to the country and its banks and most notably the cash which is being carried and deposited by combos and exchange dealers”* (Executive Magazine, 2011). This *“has pushed banks, the Central Bank and the ABL to reconsider their dealings with these matters and give it the needed seriousness because the cost could be huge, because any case similar to the LCB could lead to the destruction of the banking sector and subsequently to the Lebanese economy”* (HoC, December 18, 2019).

Also, in its Annual Report of 2011, the ABL highlighted the importance of filling the existent gaps in the control of cash flow across borders due to the abuse of the system by money dealers and put an end to such practices. Thus, *“cooperation (through meetings and sessions) between the Banque Du Liban and the Association was intensified in order to fill the gaps in the regulations, laws and practices”* (ABL Annual Report, 2011), and to prevent the use of banks as a vehicle for illegal funds, exposing therefore the banking sector to reputational risk.

With respect to damage to legitimacy, the case created uncertainty in the sector. The latter felt the threat of being in violation of the US regulations; *“We do not know who pulled which strings in Washington to spur the US Treasury’s accusations, and we do not know their next move, but what is certain is a central pillar — that spared our country the economic collapses seen elsewhere in recent years — is now being threatened”* (Executive Magazine, 2011). Also, there were fear that this accusation could spread to other Lebanese banks; *“there is substance to the rumors that there is a list of banks yet to be targeted”*, and *“there are still widespread reports of investigations being carried out by the US treasury into a list of banks”* (Executive Magazine, 2011), despite Lebanese authorities refuting these rumors and despite several leading industry officials confirming that there would be no recurrence of similar incidents. For instance, the Governor of the Central Bank, during his visit to Washington to meet with officials from the US Treasury Department, stated that the *“accusations of money laundering by the US Treasury target certain activities of the Lebanese Canadian Bank but not the Lebanese banking sector in general”* (Le Commerce du Levant, 2011), and added that *“our banking sector is not being targeted and talk about a list of banks being subject to restrictions is not true”* (The Daily Star, 2011).

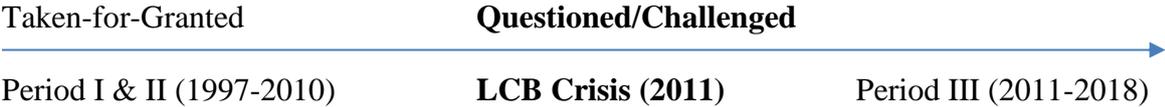
So, the LCB debacle was a lesson to the whole sector and created a new culture of awareness, accountability, and damage to the sector’s legitimacy. As put by a Chairman of a private bank, *“I think it was an individual case, and I think most banks have learnt a lesson”*, and a Chief Financial Officer of a large bank added that *“LCB is an event that triggered some kind of extra focus”* (Executive Magazine, 2011). While most of the bankers in the sector considered that the impact of the LCB case on the Lebanese banking industry has been contained, the concern remained ongoing in the subsequent years. The banking sector struggled to regain confidence and international reputation which was tainted because of this designation; *“after the LCB, it has become much more important for banks to have the backing of the international community. It has made all the Lebanese banks more concerned”* (Executive Magazine, 2012).

The LCB case is unprecedented in the Lebanese banking history; *“it is the first time in the modern history of the Lebanese banking sector that a Lebanese bank is subject to such accusations”* (Le Commerce du Levant, 2011). Over the years, many banks left the Lebanese market for various reasons such as a decision by the shareholders to exit the market, or due economic, security, or political reasons, without the sector’s image being impacted, but never because of breaching regulations.

In brief, the sudden death of the LCB, which is a Lebanese bank licensed by the local authorities in Lebanon and regulated by the Central Bank of Lebanon, due to accusations by the US Department of Treasury, a foreign “regulator” not a domestic one, was a turning point in the Lebanese banking history. It had major impact on the bank itself whose legitimacy has been stigmatized and led to a “cliff” in the legitimacy of the sector. The legitimacy of the sector, which was taken-for-granted and beyond any reproach before this crisis, has been questioned and challenged. Moreover, the sector remained paranoid in the subsequent years.

A complete list of quotes from archival data evidencing a specific scandal as a major factor affecting legitimacy is attached at the end of this research as Appendix 9.

**Figure 5:** Perception of Legitimacy – LCB Crisis



*Legitimacy Status – LCB Crisis*

**4.3.1.7. “Pragmatic” Legitimacy**

**Period III (2011 – 2018)**

The challenges to the sector’s legitimacy continued after the LCB crisis because of the mounting pressure of the US regulations. As shown in Table 1 and 2 above, the number of articles and references in newspapers and magazines that talk about the “US Regulations” as a major challenge to the Lebanese banking sector, and the “Pressure of US Regulations” as a major factor affecting its legitimacy, is significant in Period III, as compared to Period I and II, and compared to other international regulations (refer to Appendix 10 for a complete list of quotes). Also, findings from archival data were corroborated by data from interviews which revealed the same results. In fact, Period III has witnessed harsh US requirements which have affected the perception of the sector’s legitimacy, impacted the way banks comply with the coercive pressure of the US, and changed the strategic responses adopted by the banking industry to respond to the challenges of the sector’s legitimacy in face of the US pressure.

Just to remind the reader about the major US challenges which occurred during Period III and which were previously revealed in the “first order findings” above; after LCB crisis in 2011, the US sanctions targeted Lebanese exchange dealers in 2013 due to their role in facilitating transactions connected with money laundering schemes, then FBME Bank in 2014 – a Lebanese-owned subsidiary of the Federal Bank of Lebanon, considering it as a financial institution of primary money laundering concern. Then, in 2014 also, the US Law to combat tax evasion (FATCA) was born and has had impact on the Lebanese banking industry. The pressure continued in 2015 with sanctions imposed by the US Treasury on the Chairman of a Lebanese bank – MEAB – for being connected to Hezbollah (a Lebanese party classified by the US as a terrorist organization). In the same year, the US President signed the Hezbollah International Financing Prevention Act of 2015, known as HIFPA I, imposing therefore the most influential US regulation having impact on the Lebanese banks in recent years. In 2018, the US levied the highest hard-hitting sanctions ever imposed on Hezbollah through a new bill - known as HIPFA II - which amended the previous one of 2015 and has been considered as much harsher. In addition to the above, a large number of Lebanese individuals, entities, charities, and non-profit organizations have been sanctioned by the US during this period.

Thus, in view of the above US pressure in Period III, the banking industry realized that it cannot safeguard its interests unless it adheres to the US requirements. “Pragmatic” legitimacy at the end is equivalent to “interests”, which means that the Lebanese banking sector that is in continuous quest of the US regulator legitimacy, had to protect its interests and had at the same time to give something in return for exchange of legitimacy. As highlighted by Suchman (1995), pragmatic legitimacy rests on the self-interest of key stakeholders of an organization, being the most immediate audiences. This means that an organization has the support of its constituents as long as it provides valuable and favorable exchanges to these constituents and receives something in return. For instance, stakeholders’ support of a firm’s policy is based on that policy’s expected value and whether it satisfies stakeholders’ needs and interests, absence of which might risk the firm’s legitimacy.

In fact, what was “taken-for-granted” in Period I and II is no more sufficient to deal with the mounting pressures in Period III. As put by a Head of Compliance, “*before the LCB something and after the LCB is something else*” (Interview, HoC, December 18, 2019).

The sector had to be “pragmatic” at different fronts to deal with the US challenges, with the banks’ main objective remaining *“to protect their shareholders, depositors and clients from any exposure to risk and to keep a good clear relationship with correspondent banks. Therefore, banks in Lebanon and abroad, make sure not to risk their accomplishments for the sake of any endangering activity”* (ABL Annual Report, 2012).

Also, the wordings used by participants in the interviews support “pragmatism” in the way the banking community responded to the challenges of its legitimacy in Period III, such as *“there was more commitment”, “more serious atmosphere”, “priorities have changed”, “change of perception in the banking culture”, “we have shown compliance”* (Interview, HoC, December 18, 2019), *“we became more proactive”, “we learned that we should work in full transparency”, “we only care about being fully compliant”, “the tone at the top has changed”, “it is in the bank’s interest to be fully compliant”, “it is becoming ascending toward more compliance and more diligence”, “we should be precautionous and conservative”, “it is becoming more and more strict”* (Interview, HoC, February 21, 2019), *“we have no option but to remain a sophisticated and respected player to preserve our position within the global player”, “this made it more focused”, “there was awareness on the level of the highest authorities in Banks, because [...] you are talking about their money, you’re talking about their interest, you’re talking about their clients”, “we have complied for existential reasons more than legislative reasons”, “today in my opinion we are not in the same leniency”* (Interview, GM, February 20, 2019), *“the challenge is to maintain this relationship [with the US], and this cannot be done by words only”, “we have a subjective interest [...] because our economy is open to others and we are dollarized”, “we were clear that we will abide by the US laws”, “our principal view as the Association of Banks in Lebanon is to protect the depositors and therefore to protect the banks, this is our main concern”, “we took a decision as Banks and Association of Banks to protect our depositors and the integrity of our banks”* (Interview, ABL Senior Manager, February 28, 2019), *“we were obliged to take all necessary measures at all times to maintain the stability and the continuity of the sector, and its integration with the international financial community”, “our life light became “comply or die”, “we cannot isolate ourselves and it is not possible”* (Interview, Regulator, March 4, 2019), *“we have to abide to the international decisions whether we like it or not”* (Interview, GM, March 25, 2019), *“if we don’t act to give our best and really make sure we are in compliance we have a risk of losing the license and being out of the business”, “if you want be a universal bank and keep the regional presence you cannot ignore the importance of dollarization in our economy”*

(Interview, HoC, March 28, 2019), “for banks where shareholders maintain their funds and where they invest their money, they mind about not having the same fate as LCB”, “we went faster in order to enhance the legitimacy which became weak at the time of LCB” (Interview, HoC, January 3, 2019), “we built a circle of confidence and trust with the US Treasury”, “you don’t have any interest not to cooperate since you don’t want to deteriorate the country and the sector”, “we didn’t allow for anything to threaten the safety of the whole sector” (Interview, Regulator, April 12, 2019), and “we don’t have any interest to be isolated from the international community” (GM, February 15, 2019)

In view of the above, it was clear that the sector’s legitimacy is no more a cognitive one that is only based on comprehensibility and taken-for-grantedness as revealed above in Period I and II. Rather, the sector was seeking a “pragmatic” legitimacy that is based on “interests”. This was obviously due to the pressure of the US regulations which were material during Period III as revealed by archival data and interviews, and which had impact on the sector at different levels.

In fact, the impact of US regulations on “business”, “compliance”, and “Lebanese regulations” was significant during Period III, compared to Period I and II as shown in the below tables, and led to a pragmatism in the way banks deal with their clients and their US correspondent banks, on the compliance level and the measures taken by banks in this respect to respond to the challenges of US regulations, and on the regulatory level where the banking sector had to keep up with the evolvement of US regulations. Quotes from archival data which support “pragmatic” legitimacy sub-theme can be found in Appendix 11.

**Table 16:** Archival Data Coding – Impact of US Regulations

<b>Impact of US Regulations</b>	Period I [1997 - 2001]	Period II [2002 - 2010]	Period III [2011 - 2018]
On Business	0	8	77
On Compliance	3	16	175
On Lebanese Regulations	11	12	106
No Impact	0	0	0



However, this perception has been challenged at the start of Period III with the collapse of the LCB whose legitimacy has been stigmatized because of violation of US regulations. The sector then witnessed a “cliff” in its legitimacy which was taken-for-granted and beyond any reproach before this crisis. After LCB, the perception of legitimacy has passed to a “pragmatic” one. The sector had to react to the US pressures to safeguard its interests in exchange of legitimacy that is conferred by a foreign regulator.

#### 4.3.2. Influence of US Regulations on Compliance

**Table 18:** Archival Data Coding – Influence of US Regulations on Compliance

<b>Evolverment of Compliance</b>	Period I [1997 - 2001]	Period II [2002 - 2010]	Period III [2011 - 2018]	References
Because of US Regulations	0	8	109	117
Because of Other Regulations	0	5	5	10
Due to Business Expansion	0	0	0	0
<b>Compliance with US Regulations</b>	Period I [1997 - 2001]	Period II [2002 - 2010]	Period III [2011 - 2018]	References
Mandatory	0	2	75	77
Optional	0	0	0	0
Consequences of Non-Compliance	0	0	24	24
<b>Isomorphic Change in Compliance</b>	Period I [1997 - 2001]	Period II [2002 - 2010]	Period III [2011 - 2018]	References
Coercive Pressure	5	10	177	192
Mimetic Pressure	0	0	3	3
Normative Pressure	16	20	0	36
No Pressure to Comply	0	0	0	0
<b>Motivation for Compliance</b>	Period I [1997 - 2001]	Period II [2002 - 2010]	Period III [2011 - 2018]	References
Dollarized Economy	0	0	17	17
Fear of De-risking	1	1	53	55
Fear of Sanctions	1	0	48	49
Business Continuity	0	0	0	0
<b>Challenges to Compliance</b>	Period I [1997 - 2001]	Period II [2002 - 2010]	Period III [2011 - 2018]	References
Compliance Cost	0	1	39	40
Ambiguous Regulations	0	0	26	26
Conflicting Demands	2	0	9	11
Business Challenges	0	0	0	0

**Table 19: Interviews Coding – Influence of US Regulations on Compliance**

<b>Evolution of Compliance</b>	Period I & Period II [1997 – 2010]	Period III [2011 - 2018]
Because of US Regulations	2	147
Because of Other Regulations	1	5
Due to Business Expansion	0	0
<b>Compliance with US Regulations</b>	Period I & Period II [1997 – 2010]	Period III [2011 - 2018]
Mandatory	0	88
Optional	0	0
Consequences of Non-Compliance	0	26
<b>Isomorphic Change in Compliance</b>	Period I & Period II [1997 – 2010]	Period III [2011 - 2018]
Coercive Pressure	1	171
Mimetic Pressure	0	0
Normative Pressure	14	3
No Pressure to Comply	0	0
<b>Motivation for Compliance</b>	Period I & Period II [1997 – 2010]	Period III [2011 - 2018]
Dollarized Economy	1	40
Fear of De-risking	0	18
Fear of Sanctions	1	17
Business Continuity	0	0
<b>Challenges to Compliance</b>	Period I & Period II [1997 – 2010]	Period III [2011 - 2018]
Compliance Cost	0	31
Ambiguous Regulations	0	8
Conflicting Demands	0	10
Business Challenges	0	0

#### **4.3.2.1. Introduction**

This part answers the second research question: How the Compliance functions of Lebanese banks have been influenced by the pressures of US regulations? I referred to the institutional theory and examined the relevance of the institutional pressures imposed by a foreign regulator on the Lebanese banking sector in the development of the Compliance Function in banks. Also, the results in this part emphasized on the isomorphic behavior of banks where the coercive isomorphism seemed to be dominant in shaping the Compliance functions which have been influenced by the pressure of US regulations. Finally, this section analyzed the motivations of the Lebanese banks to comply with the laws and regulations of the US, along with the challenges they face when they tend to conform and maintain their legitimacy.

Thus, this section reveals the results about the Compliance theme during Period I, II, and III, and how this function has evolved in the Lebanese banks during these temporal brackets, based on the analysis of archival data and interviews. Coding has shown the emergence of four sub-theme related to Compliance: the evolvement of compliance function, the isomorphic change in compliance, the motivations for compliance, and the challenges facing compliance. I explain first how the isomorphic change in compliance activities was due to the coercive pressure and the force of the US laws which were dominant in Period III. Then, I reveal how the compliance function has been influenced by the coercive pressure of the US regulations and became mandatory and a core function in the banking industry, in particular following the LCB crisis which was a turning point in the compliance revolution. Finally, I address the main motivations for adherence to the US regulations, along with the major challenges facing compliance activities. Evidently, this was achieved by analyzing each sub-theme deriving from the main theme.

Similarly, as shown in the previous part, Table 1 above includes the number of archival data documents along with the relevant number of codes for each sub-theme over the three temporal brackets, in addition to the total number of references which could be more than one from each archival document. Also, Period I and II have been merged for the same reasons explained above, as they refer to the period pre-LCB, and Period III remained the one addressing LCB and post-LCB. In addition, tables including all quotes from archival data was added at the end of the research.

#### 4.3.2.2. Isomorphic Change in Compliance

DiMaggio & Powell (1983) theorized different ways in which broader institutional pressures lead organizations to look similar by adopting common structures, forms, and practices. They considered that organizations are increasingly similar as they try to change and identified three mechanisms through which institutional isomorphic change occurs: coercive, mimetic, and normative, leading to this outcome. Also, organizations adapt to the requirements of their environment through isomorphism mechanisms to gain and maintain legitimacy and enhance their chances of survival regardless of efficiency concerns (Kondra & Hinnings, 1998).

As shown in the theoretical part, coercive isomorphism results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent to survive, and it is therefore driven by two forces: (1) pressure from other organizations on which a focal organization is dependent; to note that the greater the dependence of an organization on another organization, the more similar it will become to that organization in structure, climate, and behavioral focus, and (2) pressure to conform to the cultural expectations of the larger society (DiMaggio & Powell, 1983). As a result of coercive isomorphism, organizations are increasingly homogeneous, organized around rituals of conformity to wider institutions (DiMaggio & Powell, 1983), and aligned because they are obliged to do so, either by governments, by society, by customers, or by other organizations on which they are dependent to survive. However, not all institutional isomorphisms are the results of coercion, but also uncertainty leads to imitation by organizations (mimesis) which model themselves after similar organizations in their field and which they perceive to be more legitimate or successful. As for the normative pressure, it is *“a source of isomorphic organizational change which stems primarily from professionalization”* (DiMaggio & Powell, 1983: 152).

We have seen in the previous part that the legitimacy of the Lebanese banking sector was no more “taken-for-granted” further to a cliff which was due to the fallout of LCB. Hence, Lebanese banks had to adapt to the requirements of their environment in order to maintain legitimacy and enhance their chances of survival. However, the previous part did not explore whether there was isomorphism in the banking compliance and whether this isomorphic change was the result of coercive, mimetic, or normative pressure. So, the aim of this section is to reveal whether the institutional pressure of the US has led to isomorphism, and if yes, what are the mechanisms through which institutional isomorphic change occurred.

In fact, the analysis of archival data revealed that the normative pressure derived from international setters of norms and standards was dominant during Period I and II, versus salient coercive ones in Period III. This has been clearly shown in Table 18 above where the number of quotes from archival data which address the “normative pressure” was 16 in Period I and 20 in Period II, versus the “coercive pressure” that is derived from the US regulations amounted to 177 articles in Period III, versus 5 and 10 in Period I and II respectively. Also, archival data did not show signs of “mimetic” in Period I, II and III, and I could not quote any indication of “no pressure to comply” during the whole period under study. This data has also been corroborated by data from interviews. So, the focus in the below paragraphs is first on the normative pressure in Period I and II, then on the coercive pressure of the US regulations during Period III.

## **Normative Pressure**

### **Period I and II (1997 – 2010)**

DiMaggio & Powell (1983) argued that normative pressure stems primarily from pressures of professionals. Professionals are the main agents of social change, as suggested by the neo institutional theory, and a source of isomorphic organizational change. In the banking context, this pressure could also be the one derived from international organizations and bodies which set rules and standards in the banking industry, and expect that banks conform to these standards in order to be accepted in their social environment. In the Lebanese context, the analysis of data during these two periods revealed that the Lebanese banking sector was subject to normative pressures rather mimetic or coercive ones. These normative pressures were mainly stemming from international regulations setters such as the Financial Action Task Force (FATF), which is an intergovernmental body that sets international norms for fighting money laundering and combatting terrorism financing, or from the United Nations resolutions related to financial crimes. As we’ve seen in the first order findings, Lebanon has been listed in June 2000 on the FATF list of Non-Cooperative Countries and Territories (NCCT) due to deficiencies in its laws and regulations. Although FATF norms are not legally binding and do not have the force of the law, its “soft laws” started to have relevance in Period I through its naming and shaming list. In view of this normative pressure, *“Lebanon got a strong dose of FATF experience when it was placed on the organization’s non-compliance list in 2001 and had to make legislative and institutional efforts to be removed in 2002”* (Executive Magazine, 2014).

During these two temporal brackets, the normative pressure was more salient compared to the coercive pressure of the US regulations, although in some instances the US exercised some pressure in parallel with the normative pressure such as for instance when the FinCEN of the US Department of Treasury issued on July 2000, just one month after FATF listing of Lebanon, an advisory calling on US banks to exercise enhanced due diligence over financial transactions originating in or routed to or through Lebanon, as well as over transactions related to entities established in Lebanon or persons maintaining accounts in Lebanon. This has been revealed in the number of articles from archival data during Period I and II which addressed the increasingly alignment of the banking industry to international requirements with the FATF norms “*being the crucial determinants for accelerating uniformity in global banking*” (Executive Magazine, 2014). Also, the normative pressure was derived from the Organization for Economic Cooperation and Development (OECD) with officials in Lebanon objecting to speculation that “*the OECD would name Lebanon as a tax haven for foreigners trying to evade their own national taxes or shelter hidden assets*” (The Daily Star, 2000), arguing that money laundering in Lebanon, if any, was “*minuscule and not the result of its banking secrecy laws*”.

In the face of these normative pressures, Lebanon faced heavy pressure to endorse the necessary legislations “*as the international financial community had threatened to stop dealing with Lebanon if the government failed to ratify the law*” (The Daily Star, 2001). So, Lebanon had to assure to the international community that “*it would not turn into a shelter for terrorists or a coffer for dirty money, walking a tightrope to balance its banking secrecy the cornerstone of the economy and pressures for greater transparency to eliminate money laundering*” (The Daily Star, 2001).

At their end, participants highlighted the normative pressures facing the Lebanese banking sector during Period I and II. This has been shown in the number of quotes related to this sub-theme, compared to the ones corresponding to “coercive” and “mimetic”. Although recognizing the coercion of the US regulations, they however admitted that “*this does not mean ignoring FATF standards, which is an essential body to issue AML regulations. Therefore, they go hand in hand. We have seen the latest circular with respect to identification of beneficial right owner is in line with international standards and not only US*” (Interview, HoC, December 19, 2018).

A General Manager argued that *“the main forces that have impact on Lebanon are, by order of priority, the US forces then the international organizations such as FATF”* (Interview, GM, February 20, 2019). Another Head of Compliance said that *“FATF recommendations talked about how compliance should be. The RBA also was derived from international standard and we took Basel into consideration in compliance”* and admitted that FATF and Basel don’t have the power of enforcement although *“these are recommendations because they are standardized and recognized worldwide”* (Interview, HoC, February 23, 2019).

A Senior Manager at the ABL considered that the FATF recommendations were *“our base and starting point”*. He added that *“the FATF during the period 1997 till 2011 was to us more important than the US, and this is the culture that we introduced from the application of FATF”* (ABL Senior Manager, February 28, 2019). Also, one regulator considered that *“it all started with AML and CFT compliance that is set by the FATF, this is the big umbrella”* and argued that *“the beginning of compliance regulations is derived from FATF, not sanctions”* (Regulator, March 4, 2019). Additional quotes from interviews which pointed out to the normative pressure imposed on the Lebanese banking sector during Period I and II are summarized in the below table.

<b>Interviewee</b>	<b>Interview Date</b>	<b>Quotes</b>
Regulator	March 4, 2019	<i>Lebanon is compliant with all MENAFATF requirements and this is the base of compliance, and therefore, when you see the compliance requirements stipulated by banking circulars from time to time, these are the requirements of the MENAFATF.</i>
HoC	March 25, 2019	<i>The FATF Recommendations we have to take it into consideration, and we cannot ignore it, its role is increasing. Before they used to classify countries on whether they have the proper regulations against the fight of money laundering, and they have also included those related to the fight against terrorism.</i>
ABL Senior Manager	April 18, 2019	<i>Banks and the Central Bank took a position from the early 90’s and 80’s to abide by all international rules, regulations and standards, to adhere to the international practices in banking, so any time you have new rules and regulations in the US or the EU, or by BASEL Committee, BIS, or the Financial Actions Task Force or by the OECD, then we have an interest to be in line with these standards.</i>

Interviewee	Interview Date	Quotes
Regulator	May 17, 2019	<i>We paced with the international development, Lebanon truly faced many challenges but also internationally things were different, take for example FATF which is the reference in the Fight against Money Laundering and the Financing of Terrorism, which is a subject that made a turn in the whole world and imposed sanctions on many countries.</i>
GM	June 13, 2019	<i>Before the Lebanese Canadian if you look at the evolution of this with FATF coming out and Lebanon becoming a non-compliant country. They were like non-cooperative country [...] this came out in 2000, then Law 318 came out in April 2001, exactly a year and a half later it was delisted so this was step number one.</i>
HoC	February 2, 2019	<i>FATF is the basics. When you start in compliance, you start by reading the 40 recommendations of FATF. However, US rules add on and this is the difference. It is like building a house: the basis is FATF and Basel rules of due diligence, which shall be reflected in your bank policy.</i>

In sum, analysis of data during these two temporal brackets has shown that the Lebanese banking sector was subject to normative pressure originating from the obligation to conform to the international financial community requirements. Normative pressure was dominant during this period versus coercive pressure because it was stemming from international bodies that set norms, however they do not have the power of enforcement that the US has. Although the Lebanese banking sector has been impacted by this normative pressure, with its listing in 2000 as a non-cooperative country in the fight against money laundering and terrorism financing, it had to respond to the challenges of the international community by strengthening its regulations which were then accepted by the environment. This had little impact on the compliance functions in banks. However, data revealed that this was not enough because of the coercive pressure of the US which started to emerge in Period III as shown in the next section.

## **Coercive Pressure**

### **Period III (2011 – 2018)**

In-depth analysis of archival data during this period has shown the major coercion of the US regulations and their influence on the compliance functions. This has in particular started with the LCB debacle at the beginning of Period III and continued in ascending manner throughout this period.

Coercion has been manifested in the use of wordings in archival data such as: “*deal with us or not. Period*”, “*this ought to have set off warning bells at LCB’s compliance department*”, “*The BDL has said that, in line with recent US requests*”, “*Rumors of further LCB-style designations have persisted, while additional pressure has been heaped on Lebanon following multiple rounds of US sanctions [...]*”, “*Lebanon is not required to abide by US sanctions [...], but it has pledged to cooperate*”, “*Beirut must respect US decisions whether it likes them or not*”, “*Beirut is in a form of “partnership” with Washington, and BDL is under pressure to deliver [...]. If another bank is in the firing line, the US may point its finger*”, “*Lebanese banks are right to be paranoid and to keep in line with US regulations in order to avoid the devastating blow to the sector’s credibility that an LCB redux would mean*” (Executive Magazine, 2011), “*A visit by US Treasury Assistant Secretary for Terrorism Financing [...] set off a renewed wave of fears in the banking sector*”, “*the fear that further action could be taken by the US over assistance to the Syrian regime is ever-present*”, “*Now we are afraid of another LCB issue, [...]. Since our banks have accounts with correspondent banks in the US, they should be afraid*”, “*Companies placed on this list, or those who have dealings with persons on them, are effectively banned from dealing in US dollars and any banks that carry out transactions for such a person could potentially be sanctioned themselves*”, “*Given the uncertainty, many banks are taking measures that go beyond the text of the law by refusing to bank with those on the OFAC list as well as their relatives, close friends, business associates and so on*”, “*The heat did not let up in 2012, with the banking sector continuing to deal with the aftershocks and new regulations*”, “*The US move was a harsh wake up call for the banks, with due diligence quickly becoming a top priority, while the Treasury pushed Banque du Liban (BDL), Lebanon’s central bank, to address AML and CTF shortcomings*”, “*This means that banks are not allowed to have any dealings with, for instance, Syrian individuals and entities sanctioned by the US*”, “*by default Lebanese banks are part of the US banking system. Therefore, our banks must comply with US regulations*”, “*Lebanon really has no choice in these matters, unless it wants to decouple from the greenback and de-dollarize the economy, something that is not impossible, but is certainly problematic*”, “*With international sanctions placed on Syria, US regulators have kept a close eye on Lebanese banks to ensure they don’t become a funnel for Syrian cash. [...] the Treasury’s undersecretary for terrorism and financial intelligence, warned banks back in May to be extra cautious when dealing with Syrian transactions*” (Executive Magazine, 2012), “*The sector is exceedingly wary of international regulators, specifically of falling foul of the US Treasury*”, “*Banks want to avoid the danger of having another [Lebanese Canadian Bank] right now, as it would affect the sector as a whole*”, “*When banks do not comply with*

*US sanctions, the punishment can be huge*” (Executive Magazine, 2014), *“the American crusade against the financing of terrorism will continue and implicated persons will have to struggle if they want to contest their pariah status”* (Executive Magazine, 2015), *“The compliance with the US law is a must”* (ABL Annual Report, 2016). A complete list of quotes which evidenced the coercive pressure of the US is added at the end of this research as Appendix 12.

Also, the below quotes from interviews with participants reinforced this perception about the force of the US regulations with which Lebanese banks are obliged to comply. Participants gave greater importance to compliance with US regulations versus other regulations. The below excerpts from interviews evidenced the obligation of adherence to the US requirements should Lebanese banks want to maintain their legitimacy. Wordings such as *“we are obliged to”*, *“we have no other choice but to comply”*, *“we have to respect”*, *“compliance is no more a choice”*, *“the US pressure”*, *“the US dictated compliance”*, *“the US forces”*, *“the enforcement is coming from OFAC”*, *“our life light became “comply or die”* have been used by interviewees, which indicated the coercion and the force of the US regulations.

<b>Interviewee</b>	<b>Interview Date</b>	<b>Quotes</b>
HoC	December 19, 2018	<i>Obviously, we are obliged to comply with every US regulation. [...] We have to comply without any reluctance because non-compliance will lead to a big damage. We have no other choice.</i>
HoC	February 21, 2019	<i>The main headache is coming from the US sanctions [...] we have a challenge to save our relations with US correspondent banks. Hence, to comply with these sanctions. [...] The US pressure and its regulatory directives led to compliance.</i>
GM	February 20, 2019	<i>The main forces that have impact on Lebanon are, by order of priority, the US forces then the international organizations such as FATF, and we have our relationship with our correspondent banks which is an articulated relationship and not optional one. It is the lung that connects us to the world.</i>
HoC	February 23, 2019	<i>Indeed, the US regulations have more impact. Why? There are pressures coming from the US that we cannot ignore because of its extraterritorial reach. It applies beyond the US borders.</i>
ABL Senior Manager	February 28, 2019	<i>There is no bank operating in Lebanon that allows itself not having the required compliance policies and procedures [...]. The Americans played the role of the accelerators in these subjects.</i>

<b>Interviewee</b>	<b>Interview Date</b>	<b>Quotes</b>
Regulator	March 4, 2019	<i>Our life light became “comply or die”. We can tell Americans that we do not want to comply, easy; they will tell us, ok, you can do whatever you want but stay alone.</i>
Board Member	March 12, 2019	<i>It is definitely US, but it is European as well. But the US regulations have more impact because we are a dollarized economy and because of the extraterritorial reach of the US.</i>
HoC	March 25, 2019	<i>Maybe without the US Sanctions and its extraterritorial jurisdiction we would not be interested, and maybe we as a small country compared to other countries able to face these sanctions, we are unable to face them.</i>
GM	March 25, 2019	<i>In my opinion, the major influencer is the US Pattern, basically speaking (the stick and the carrot). [...] what does this mean? (The stick and the carrot), the fear from the US system which has a greater ability to exercise pressure, a greater ability to monitor, and a greater impact because we are a dollarized economy. So, the fear has 2 aspects: An aspect related to the ability of the US System or the US Regulator since it is the most powerful, the greatest player, and it is the most concerned, and another aspect which is the auto-fear.</i>
HoC	March 28, 2019	<i>The impact of the US to be honest with you was mostly related to compliance issues. The issue between Terrorism, Funding Terrorism, OFAC, how to shield ourselves and protect our relationship with correspondent banks. So that’s was a game changing.</i>
HoC	January 3, 2019	<i>We are limiting the expansion of the bank in order to be compliant with US regulations, and even go beyond. [...] Not to comply means you cannot maintain an account in the US. It is not a choice for you. If you want to have an account in the US, you have to comply.</i>
GM	April 2, 2019	<i>I can tell you to some extent they all have the minimum requirement, because there are many rules and regulations that were issued by the Central Bank of Lebanon and which are being followed up strictly by the supervisor in Lebanon.</i>
HoC	April 11, 2019	<i>This has forced the Lebanese Banks to take the outmost measure to be compliant with the US regulations.</i>
Regulator	April 12, 2019	<i>I think all the banks have a compliance department [...], they all have but it only differs internally by its level.</i>
Board Member	April 12, 2019	<i>It dictates what will happen, because whether we want it or not, we are subjected to those international rules, we cannot do without, we will have to adapt and if you look at the US in relative to Europe they were able to impose their own decisions.</i>

Interviewee	Interview Date	Quotes
Regulator	April 13, 2019	<i>They all have, initially because due to that, the regulator had to issue legal regulation mandatory for banks to have this setup. So, all banks have this setup and as we said very detailed and people are qualified. As for the system, even the AML Circular that we issued which include a lot of provisions are as a reaction of the US policies and everything that they want us to apply also enforce the systems to be deployed and what should happen. Yes, I would say all of them have a similar or homogeneous structure, because the US tells you specifically that you should not basically deal with these people</i>
GM	February 15, 2019	<i>They had to revisit, to revise all the policies and procedures at banks to make sure there are no loopholes or gaps that could bring problems to the banks and to the banking sector. [...] No one can handle this burden, the burden of not complying with the US regulations.</i>
HoC	January 10, 2019	<i>We are dealing with international banks (US banks) were they have a main condition for dealing is to be compliant with their rules and regulations. [...] US pressure led to take the issue of compliance more seriously. We start to give it more weight because its impact is higher.</i>
HoC	January 22, 2019	<i>It has been enhanced, it is growing, it is more efficient, we have more systems, we have more awareness of employees at branches and head office level and I think most of the Lebanese banks have the same growing compliance structure and expansion.</i>
HoC	January 22, 2019	<i>We become much more connected, whether we agree or not, with the US regulations and we have to ensure that we are compliant with them especially US banks' policies. We tailored controls in Lebanon to apply the Lebanese laws and the US laws at the same time.</i>
HoC	February 2, 2019	<i>This similarity is due to the pressure of the US and to internal compliance committees in ABL to exchange views and issue direction after their meetings. It is not a matter of "want" or "do not want", it is a matter of being. When you talk about US regulations, you do not intend one bank, you consider the whole community. It has a snowball effect.</i>

As a summary of this section, the Lebanese banking sector was subject to normative pressure during Period I and II. This pressure stemmed from the obligation to conform to the international financial community requirements, and was more salient than the coercive pressure because it was derived from international bodies that set norms in the banking industry which do not have the power of enforcement or imposing sanctions similar to the ones imposed by the US. Thus, the normative pressure led to little impact on the compliance functions in banks which remained under-developed during this period as shown in the next section.

During Period III, data revealed that the Lebanese banking sector was under pressure of the US regulations after the LCB fallout at the beginning of this period. This pressure continued throughout this period as the US regulations evolved and became fierce, which led to isomorphic change in the compliance functions of the Lebanese banks. Keen to keep pace with the evolvement of the regulatory changes, a historical shift toward compliance functions and their independence within banks has emerged and resulted in the development and the institutionalization of compliance as a core control function within banks in their quest for legitimacy (Pérezts & Picard, 2015). These functions became homogenous, not because of mimetic mechanism where banks imitate the most successful ones, and not because of the normative one which were not salient during this period, but because of the coercion and the force of the US laws.

Thus, results have confirmed that Lebanese banks adapted to the requirements of their environment by adopting common compliance structures, forms, and practices (DiMaggio & Powell, 1983). Compliance functions became increasingly similar in the Lebanese banks, in their quest for the legitimacy of a major institutional actor on which they are dependent to continue their business and to enhance their chances of survival irrespective of other considerations such as efficiency and business expansion.

So, the coercion of the US regulations which resulted from both formal and informal pressure exerted on Lebanese banks was driven by the force of the US, rather than other regulations, which led to coercive isomorphism. Lebanese banks had then to align because they are obliged to do so. As for the motivations of banks for compliance with the US regulations, this is something to be explored in the next section.

**Figure 7:** Isomorphic Change in Compliance



### 4.3.2.3. Evolvement of Compliance

As suggested by the neo-institutional theory, diffusion is the spread of new practices in organizations, where these practices are adopted because of their social values, not because of their technical outcome. Thus, the adoption of a process by an organization is determined based on its social value and the extent to which it is institutionalized, rather than its characteristics or efficiency (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Tolbert & Zucker, 1983). Also, organizations including banks are subject to various laws and regulations with which they are required to comply. Failure to do so, banks might be subjected to various risks such as financial or reputational loss and subsequently their legitimacy might be questioned or even stigmatized. To mitigate these risks, banks could engage in a legitimation process by strengthening their compliance activities in order to maintain their legitimacy.

The aim of this section is to reveal how the compliance functions of banks have been influenced by the coercion of the US regulations and how compliance activities have evolved because of these regulations. Data was analyzed from this perspective over the Periods I, II, and III. Results have shown the emergence of a new process in banks – Compliance Function – which was inexistent in Period I, whose role was primitive in Period II, which gained real momentum following the LCB crisis, and which became “revolutionary” and institutionalized in Period III because of the pressure of the US regulations. Results are presented below according to the three temporal brackets.

To note that Compliance in general is defined as “*conforming to a rule, such as a policy framework, standard or law*” (Prorokowski & Prorokowski, 2014: 65). In the banking context, the scope of compliance is very wide and touches on almost everything a bank does, including compliance with regulatory requirements, soft laws, standards, code of conduct, ethics programs (Weaver & Treviño, 1999; Weaver, Treviño, & Cochran, 1999; Wood, 2002), legal compliance programs, and others. In this study however, as previously mentioned, “compliance” is referred to banks conforming to laws and regulations related to anti-money laundering, counter-financing of terrorism, sanctions programs, and tax evasion, which I collectively labelled them “regulations”.

## **Inexistent Compliance**

### **Period I (1997 – 2001)**

Analysis of data during Period I revealed that the compliance function was inexistent in banks, although this period started with a Due Diligence Convention on the Commitment by Banks to Combat the Laundering of Illegal Drug-Trade Funds between Lebanese banks and the Association of Banks in Lebanon (ABL Annual Report, 1997). Despite Lebanese banks commitment to comply with the provisions of this convention, this was undertaken without formal compliance function in place. Yet, this undertaking became the cornerstone for the subsequent AML policies and procedures developed by banks. It “*constituted the start for the later issuance of legislations [...] and was the first organized effort in Lebanon to introduce the fight against money laundering to the Banking Sector in a formal manner*” (Interview, ABL Senior Manager, February 28, 2019). He added that “*we had the convention on the fight of money laundering in 1997, we had the first integral Law in 2001 and all related procedures and circulars were issued by the banking control commission and the Central Bank of Lebanon and we started building the required units inside our banks and have them in place*”.

A Head of Compliance considered that “*at one time compliance back in 2001 when the law was issued, was considered as a requirement from the Central Bank of Lebanon, so we just comply with the requirement, we create a small unit or entity and link it to a department or a division and we call it compliance, and its tasks were very primitive and was not considered as of particular importance as an activity or responsibility*” (Interview, HoC, March 25, 2019). A Board Member added that “*if I look 20 years ago there was nothing called compliance*” (Interview, Board Member, April 12, 2019).

According to data extracted during this period, a greater importance was given at that time to international regulations such as the FATF, rather than the US ones. As confirmed by a Senior ABL Manager, “*the FATF 40 + 7 (or +8) recommendations formed the essential manual that we worked on before going-through the lobbying issue in the US and the US pressure*” (Interview, ABL Senior Manager, February 28, 2019). Also, as argued by an interviewee, “*what we did also in order to improve ourselves is the coordination that used to occur between Lebanon and FATF, and if you remember very well we were the leaders in establishing the MENA-FATF which was headed by Lebanon for a period of 2 years*” (Interview, Regulator, April 12, 2019).

The end of Period I has shown slight evolvement of compliance after the promulgation of the Lebanese Law 318 and in particular after the 9/11 attacks on the US and the birth of the USA Patriot Act. As claimed by a General Manager, *“obviously, compliance has evolved over time. In addition to the classical evolvement, there was September 11, which is US focused and which has reinforced the economic sanctions more than anti-money laundering”* (Interview, GM, February 20, 2019).

## **Primitive Compliance**

### **Period II (2002 – 2010)**

In Period II, due to the ascending number of regulations, the compliance function started to acquire slight momentum where *“compliance requirements became huge, and the challenge is to undertake full compliance with rules and regulations”* (Interview, HoC, February 21, 2019). During this period, the Central Bank of Lebanon issued regulations whereby it upgraded the duties to be undertaken by Compliance and called banks *“to set up monitoring measures and procedures based on risks and resorting to specialized IT programs to perform necessary controls according to the adopted classification”* (ABL Annual Report, 2009). Although this period has shown some critical events as shown in the “first order findings” such as for instance the collapse of Bank Al Madina, the sanctions on the Syrian Lebanese Commercial Bank and Bank Saderat Iran in Lebanon, and targeted OFAC sanctions on Lebanon, the compliance functions in banks remained under-developed, with banks insisting *“on the introduction of “best practices” in this field and called for the appointment of a qualified and experimented person to undertake the task of the “Compliance Officer””* (ABL Annual Report, 2010).

As put by a General Manager, *“before the Lebanese Canadian the compliance at banks used to work based on the management temper, and used to collect few information on compliance from here and there, from its sources and the existing expertise, and used to put them in internal procedures without any explicit regulations or explicit rules”* (Interview, GM, March 25, 2019). A Head of Compliance claimed that *“if we take the era of 2002/2003, even if compliance had concerns no one was listening, fine ok it’s good to know but business first”* (Interview, HoC, March 28, 2019). So, *“before the Lebanese Canadian Bank there was nothing, the definition of the true compliance, compliance expertise and the setup wasn’t really existent or up to the standards”* (Interview, Regulator, April 13, 2019).

Thus, results revealed then the existence of the Compliance functions in the Lebanese banks prior to the LCB crisis. However, the scope of compliance remained somehow primitive compared to its major role after the LCB and was limited to tasks mainly related to anti-money laundering and counter-financing of terrorism. This primitive role has been shown in the low number of articles from archival data which address the compliance activities during Period I and II, compared to Period III where the number increased significantly as depicted in the above table in parallel with the evolvement of US regulations after LCB.

At a certain point in time before LCB, compliance functions were not conceived among the major and important functions in banks. Rather, they were viewed as an annoying hindrance to business development, and their duties were seen as a mere “tick-box” exercise, with no added-value. As claimed by a Head of Compliance, “*it was at its minimum*” (Interview, HoC, December 18, 2018). Another Head of Compliance argued that “*definitely, all compliance functions in banks have changed in terms of structure and scope. Initially, it was only limited to AML unit whose role is to fill-in KYC with limited resources. Today, we ended up with huge resources in big banks*” (Interview, HoC, February 21, 2019).

## **Revolutionary Compliance**

### **Period III (2011 – 2018)**

Yet, it was until the LCB scandal at the beginning of Period III that this function started to be seriously recognized as a core and critical one inside banks; “*due diligence has suddenly taken on special importance, compliance officers’ voices are better heard in the board rooms and those in need of screening software to detect suspicious transactions have quickly placed orders*” (Executive Magazine, 2011). As argued by a General Manager of a leading bank in Lebanon, “*the matter of LCB had an important impact on the banking sector in Lebanon, and how banks have upgraded their compliance standards*” (The Daily Star, 2013).

Keen to shield the banking sector from any negative repercussions which might affect its legitimacy, after realizing the seriousness of being in violation of US regulations, and consequently the threat of being cut off from the US financial system, Lebanese banks had to immediately react by strengthening their compliance measures.

A General Manager considered that *“surely, the role of compliance function in the banking sector increased dramatically after the Lebanese Canadian Bank, because it was revealed to the Lebanese Banks that based on a decision and in one minute the bank can be shutdown, even without someone asking to close it, it will close by itself”* (Interview, GM, April 2, 2019). As a result of this scandal, *“all banks in Lebanon have changed their strategies, business strategies, and strengthened their compliance departments, and those that do have a compliance department they established one”* (Interview, HoC, January 3, 2019).

The compliance lessons learned from the LCB case became key considerations in assessing the compliance programs of Lebanese banks. Following LCB crisis, Lebanese banks have given less importance to their performance and business development and special attention to their compliance activities. As claimed by a Head of Compliance, *“At the beginning, business prevails and afterwards come the issue of suspicion about activities. This matter was then subject to reconsideration and it comes second. Priorities have changed today”* (Interview, HoC, December 18, 2018).

This has also been shown in the number of articles and interviews which address the evolvement of compliance because of business expansion and which amount to NIL. These results confirmed that the spread of a new process in banks was adopted and institutionalized because of its social value, with no consideration to efficiency, performance, or business development (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Tolbert & Zucker, 1983).

So, banks had *“a new fundamental preoccupation: avoid reissuing the experience of the Lebanese Canadian Bank [...]; it became absolutely necessary for each bank to establish a culture of compliance”* (Le Commerce du Levant, 2015). According to the ABL, *“banks have made an intensive and expanded training workshop to raise their employees’ awareness regarding suspected transactions and their risks, in order to avoid being at reputation risks, following the problem one Lebanese bank suffered from in February 2011 due to its designation by the U.S. Department of the Treasury as a suspected cover for money laundering transactions”* (ABL Annual Report, 2011). Also, the LCB scandal has had a major impact on compliance resources. As claimed by an interviewee, *“in order to see the extent to which the LCB case was a turning point, you have to see how the staffing of compliance officers was in small and big banks and compare it to today’s staffing. Huge difference”* (Interview, Regulator, March 4, 2019).

A Board Member asked whether there was compliance before LCB: “*was there compliance function before? Actually, it was not available. This event has created the compliance function after it was only considered elementary*” (Interview, Board Member, March 14, 2019). Also, in the opinion of a Head of Compliance, “*there was no compliance and AML before the Lebanese Canadian Bank, it was just on papers, because no one was aware of its danger, but when the issue of the Lebanese Canadian bank was raised, banks deserved it, because they witnessed how a bank within 24 hours was eliminated*” (Interview, HoC, April 11, 2019).

In sum, the LCB debacle has nurtured a new compliance culture which continued to evolve in the subsequent years, where compliance functions suddenly jumped to the front seats of the managerial positions in banks and started to gain real momentum, in addition to upgrade in power and responsibilities.

So, the significant revolution in Compliance started with LCB and continued in Period III in an ascending manner, as evidenced by the analysis of archival data and interviews. This has been shown at the level of the Lebanese regulator, banks, and the ABL. Also, the results revealed that the evolvement of Compliance during this period was due to the pressure of US and the sheer number of US regulations issued during Period III, rather than because of other international regulations. First, the archival data confirmed this view. Then, this was corroborated by data from interviewees.

In fact, the archival data related to Period III, and which address Compliance and US regulations, revealed that “*monetary and supervisory authorities continued [...] to monitor closely the serious and real involvement of banks in fighting money laundering, especially after the crisis of the Lebanese Canadian Bank*” (ABL Annual Report, 2012). On the regulatory level, recognizing the importance of the Compliance function, the Central Bank of Lebanon accompanied the evolvement of this function in light of the mounting US challenges by issuing regulations during this period obliging banks and financial institutions to establish a Compliance Department composed of two main units: Legal Compliance and AML/CFT Compliance; “*together, these units constitute a Department of Compliance with large authority and totally independent from other bank departments and units* (ABL Annual Report, 2013). This regulatory initiative has been followed by additional actions during this period with objective of further strengthening the compliance function. On the banks level, archival data emphasized on the role of US regulations in the evolvement of compliance in Lebanese banks.

Also, the ABL highlighted the importance of compliance and its evolvement during this period to respond to the challenges of US regulations. A complete list of quotes from archival data which reinforce this point is added as Appendix 13 at the end of the research.

As for the analysis of data from interviews, the below key quotes from participants corroborated the view that the US regulations are of particular importance to comply with and which have subsequently contributed significantly to the evolvement of compliance functions in the Lebanese banks in Period III.

<b>Interviewee</b>	<b>Interview Date</b>	<b>Quotes</b>
HoC	February 21, 2019	<i>Compliance scope has increased and has been strengthened by the drive of the US power. [...] The US pressure and its regulatory directives led to compliance.</i>
GM	February 20, 2019	<i>When you talk about the challenges in the area of compliance, the first thing that comes to your mind is the US.</i>
HoC	December 18, 2018	<i>Those working in the compliance field they owe the Americans in their regulations and the impact of these regulations on the banking sector.</i>
HoC	February 23, 2019	<i>There are pressures coming from the US that we cannot ignore because of its extraterritorial reach. It applies beyond the US borders and it encompasses everything from tax evasion, to sanctions, to USA Patriot Act, OFAC and its designations.</i>
ABL Senior Manager	February 28, 2019	<i>The US pressure assisted in the acceleration of things, as well as to go deeper and to promote the compliance structure in our banks.</i>
Board Member	March 12, 2019	<i>It is definitely US, but it is European as well. But the US regulations have more impact because we are a dollarized economy and because of the extraterritorial reach of the US.</i>
HoC	March 25, 2019	<i>Maybe without the US Sanctions and its extraterritorial jurisdiction we would not be interested.</i>
HoC	March 28, 2019	<i>Actually, the stick that the US is imposing on us, they are imposing that stick on their correspondent bank not on us, and this is making a hell of game changing, [...], so it's indirect obligation for us to comply if we want to access the international business.</i>
HoC	January 3, 2019	<i>We have interest to be compliant not only with US regulations. We have to be compliant with all regulations. But because of the dollarization, and because historically it is the US regulations that are hitting banks, I mean mainly the US is hitting banks.</i>

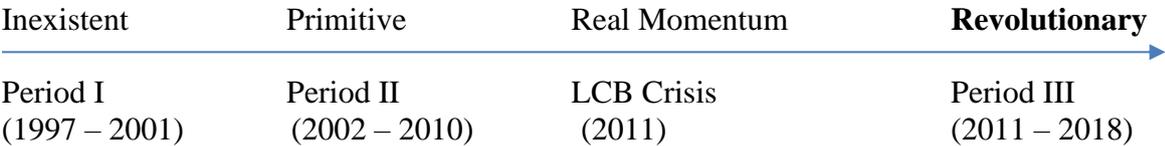
Interviewee	Interview Date	Quotes
GM	April 2, 2019	<i>Surely, the role of compliance function in the Banking Sector increased dramatically after the Lebanese Canadian Bank, because it was revealed to the Lebanese Banks that based on a decision and in one minute the Bank can be shutdown.</i>
Regulator	April 13, 2019	<i>We are 75% dollarized, we need correspondent banks in the US, so we cannot, we have to make sure we comply, and this is why we issued the circular stating to comply with everything related to foreign correspondent, this was specifically issued (it was not stated for US specifically) but the underlying thought was for the US.</i>
HoC	January 10, 2019	<i>US pressure led to take the issue of compliance more seriously. We start to give it more weight because its impact is higher.</i>
HoC	January 22, 2019	<i>After LCB, we started to hear more questions about the legitimacy of the Lebanese banking sector because at the end we become much more connected, whether we agree or not, with the US regulations and we have to ensure that we are compliant with them especially US banks' policies.</i>
HoC	February 2, 2019	<i>It is not a choice whether to comply or not: we have to comply with the US regulations since fines, being financial or reputational, will severely affect us. Basically, at the national level, they issue regulations to conform and each bank is doing the necessary to be in line with the US regulations.</i>
HoC	February 6, 2019	<i>Maybe if USA was not involved, we could have a different point of view. We are dealing with US and most of our transactions and dealings are in US dollars.</i>
GM	February 15, 2019	<i>Yes indeed, 90% of the strengthening of the compliance functions is due to the US regulations. So, compliance was a natural evolution of systems and controls and procedures in banking. The pressure of the US added on this and open your eyes on new controls that you did not realize before.</i>
HoC	February 6, 2019	<i>I can say that controls will never be practically activated without the requirements of US. This has been materialized through the establishment of compliance departments in banks [...]. Although these issues are related to international requirements, but they would never be applied to this extent in Lebanon without the fear of US hits, the fear of being listed under US sanctions.</i>

In sum, the compliance function was inexistent in the Lebanese banks during Period I, and whose role was primitive during Period II. Then, it gained real momentum after the debacle of LCB at the beginning of Period III where “*Lebanon first fell into the crosshairs of the United States Department of the Treasury’s Office of Foreign Assets Control (OFAC) in 2011. Pressure from OFAC - effectively the world’s anti-money laundering (AML) and*

counterterrorist financing (CTF) enforcer — saw one Lebanese bank go under for money laundering charges in the first quarter of 2011, and by the second quarter, Lebanese banks were having to deal with US-imposed sanctions on Syria. The heat did not let up in 2012, with the banking sector continuing to deal with the aftershocks and new regulations” (Executive Magazine, 2012). During Period III, data revealed a “revolutionary” compliance in the banking industry due to the pressure of US regulations, where a new culture of compliance has been introduced, in addition to Compliance enjoying a significant upgrade in power and responsibilities.

Thus, compliance has emerged and became institutionalized in banks which now seek legitimacy through this function that became a vital mean for defending and maintaining legitimacy. This emergence was due to the pressure of a major institutional actor – the US – rather than other international bodies or other regulators, or due to business expansion where the goal of bank’s actors is not only performance as they ultimately seek social acceptance and legitimacy.

**Figure 8:** Evolvement of Compliance



**Figure 9:** Compliance Attributes

Compliance	Period	Attributes
Inexistent	Period I (1997 – 2001)	Function inexistent during this period because the pressure of the US regulations was low.
Primitive	Period II (2002 – 2010)	Pressure of US regulations became higher, and function started to acquire slight momentum but remained under-developed.
Revolutionary	Period III (2011 – 2018)	US regulations became fierce, so the function has emerged and became institutionalized in banks because of the coercive pressure of the US.

#### 4.3.2.4. Motivation for Compliance

The above results revealed that the coercive pressure of the US regulations has led to isomorphic change in the compliance functions which became institutionalized in banks after the collapse of the LCB, after being inexistent and primitive during Period I and II. Although the coercion of the US played a major role in the diffusion of compliance, there were however other interrelated factors behind the motivations for compliance. These motivations will be explored in this section, based on the theoretical underpinnings which address the main drivers for organizations' compliance with laws and regulations.

As we have seen in the theoretical part, a fundamental question arises of why organizations comply with laws and regulations, what are their motivations, and “*why just comply?*” (Jackman, 2001: 211). Some believes that organizations comply with laws and regulations when they are threatened by severe sanctions, while some others consider that persuasion could better serve the objective of compliance (Ayers & Braithwaite, 1992). Also, some organizations comply either because they fear detection of non-compliance and subsequently punishment, or because they feel social pressure to do so (Winter & May, 2001).

In addition, Winter & May (2001) talked about calculated, social, and normative motivations where economic motivation is based on the material aspect and selfishness of the organization to expand its business and to maximize its profits, social motivation is driven by social acceptance of an organization by various stakeholders with whom it interacts, and normative motivation occurs when organizations trust the law and the regulatory body and perceive them as legitimate. The latter is then based on the concept of legitimacy where organizations believe that the competent authorities and the laws and regulations are fair and legitimate (Tyler, 2006).

So, the aim of this section is to explore the results of the Lebanese banking sector motivations for compliance with US regulations. Table 18 and 19 above have shown the coding of the “motivation for compliance” theme from both archival data and interviews, which will be interpreted below. In fact, four sub-themes emerged out of the “motivations for compliance”: dollarized economy, fear of de-risking, fear of sanctions, and business continuity.

### **Period I and II (1997 – 2010)**

Analysis of data during the three temporal brackets revealed that the Lebanese economy has always been relying on the USD currency where the Lebanese banking sector is highly dollarized, and its local currency is pegged to the US currency. There is no question about the “dollarization” of the Lebanese economy and the banking sector which was constant during the whole period under study. As argued by a General Manager and Group Head of Legal and Compliance of one of the leading banks in Lebanon, “*we very much rely on our relationship with correspondent banks, as Lebanon has a dollarized economy and is part of the international payment system. Preserving correspondent banking is vital [...] to the continuity of banks*” (The Daily Star, 2013).

However, as shown in archival data and interviews, I could not quote “dollarization” as the main driver for compliance motivation during Period I and II. This is probably due to the fact that compliance with US regulations started to emerge in Period III and consequently the motivations for compliance with these regulations, where media and participants started to focus on this issue as revealed in Period III below. Also, the “fear of de-risking” and “fear of sanctions” were not salient during Period I and II.

This is interpreted by the fact that compliance was inexistent during Period I and primitive during Period II because the US pressure has not been fierce during these two periods as explained in the first section. Subsequently, the motivations for compliance because of these two sub-themes were almost absent. As for the “business continuity” and expansion, archival data and participants gave no consideration to this sub-theme as a driver for compliance motivation during the three periods.

### **Period III (2011 – 2018)**

According to archival data, this period has witnessed salience in “dollarization”, ‘fear of de-risking’, and “fear of sanctions” as major motivations of Lebanese banks for compliance with the US regulations, where articles from newspapers and magazines in addition to the ABL annual reports started to tackle this issue. This analysis has also been reinforced by data from participants who addressed these motivations, in particular after the LCB crisis and throughout the period post-LCB.

In addition, analysis of data revealed that these motivations were the result of the coercive pressure of US regulations explored in the previous section. This has been shown in the number of quotes from both archival data and interviews as depicted in Table 18 and 19 above. A selection of these quotes from archival data are inserted at the bottom of the research as evidence of the three salient nodes (Appendix 14, 15, 16). Also, I have extracted a set of verbatims from interviews with participants who have addressed the Lebanese banking sector motivations for compliance with the US requirements, as shown below. These quotes confirmed the results obtained from archival data and corroborated “dollarization”, “fear of de-risking”, and “fear of sanctions” as the major motivations for compliance.

### **Dollarized Economy**

The Lebanese economy and the banking sector have always been dependent on the US currency where more than two third of the Lebanese banks’ deposits are in American dollars, around 80% of the transactions are carried out in USD, and “*the lira pegged to the greenback, Lebanon, as the BDL source put it, is effectively part of the US financial system — Beirut must respect US decisions whether it likes them or not*” (Executive Magazine, 2011). So, the answer to the question of why the Lebanese banking sector should be paranoid is straightforward and stems from the close financial tie to the US.

According to a BDL source, “*by default Lebanese banks are part of the US banking system. Therefore, our banks must comply with US regulations*” (Executive Magazine, 2012). Compliance with the US regulations is then a must and cannot be ignored in view of the need of the US currency; “*we are forced to. We live in a world where the US is the dominant force and the dollar is the global currency, we can’t just ignore that*” (Executive Magazine, 2012). On the other hand, Lebanese banks maintain correspondent relationships with their US counterparts in order to transact in US currency through the US financial system. Any violation to the US regulations could jeopardize these relationships and the US law “*has become applicable to local banks because all of them deal with correspondent banks in the US. Not complying with the ruling, or even if suspected of non-compliance, could see banks lose this relationship, along with all their business dealings*” (Lebanon Opportunities, 2016).

Due to the highly dollarized economy where the bulk of the Lebanese banks' transactions are cleared through the US financial system, this makes the banking sector subject to the US laws; *“this is the reality because the dollar is a key currency and because transactions in the world are in US dollars and they touch US correspondent banks. So, because we are keen to maintain a position as a sophisticated and fair player in the global financial market, we respect the applicable laws”* (Executive Magazine, 2016). According to the ABL, *“this is a principle matter, as any banking sector fails from surviving whether in Lebanon or the world, if it is not committed to the transparent dealings or in contact with the international correspondent banks. This subject is also of utmost importance to Lebanon as the dollarization rate in it is high”* (ABL Annual Report, 2017).

This view of the need for the US currency has also been corroborated by interviewees and constituted a major motivation for strict adherence to the US requirements. Participants highlighted the importance of the US currency as a crucial resource for the Lebanese banks in order to transact on the international level and stressed on the importance of safeguarding the relationships between local banks and their foreign counterparts. This cannot be achieved without strict compliance with the latter demands. Below is an excerpt of verbatims from participants evidencing this view.

Interviewee	Interview Date	Quotes
HoC	December 19, 2018	<i>US regulations are obviously important because dollarization is almost 70% and [...] we as banks or as Lebanese economy that is highly dollarized, obviously we are obliged to comply with every US regulation.</i>
HoC	February 21, 2019	<i>We should play the game especially that 70% of Lebanese banks' deposits are in USD. Hence, it is logical for a central bank to watch out its connection in USD and therefore we should comply and follow the instructions of my relations with the US.</i>
GM	February 20, 2019	<i>We are a dollarized economy. Even if I do a pure local transaction between you and me, there will be a process through the US correspondent bank that is mandatory and obvious. We all know the fact that all US transactions have to go through the US correspondent banks. This fact is similar to the “traveler”; when it crosses the borders and connects with a foreign country which is the United States in this case, I would say almost two third or 75% of the cases, they touch US person i.e. US banks, and becomes as a matter of pure basic legal rule subject to the US law.</i>

<b>Interviewee</b>	<b>Interview Date</b>	<b>Quotes</b>
HoC	February 23, 2019	<i>Today, every transaction that goes outside Lebanon, has to be processed through the US, and not just within the regional or local arena. Therefore, it has to take into consideration the international pressure, in particular the US pressure in order to be processed. [...] We all know that the US laws are characterized by their extraterritorial reach. They extend beyond the US borders to reach us, and they are imposed on us, in addition to regional and local laws and regulations.</i>
ABL Senior Manager	February 28, 2019	<i>The main challenge for the Lebanese banking sector was to maintain its relationships with the correspondent banks in the world especially with the correspondents in New York (we are a dollarized economy of 70%) and as I explained we maintain a huge volume with the outside (incoming and outgoing) compared to the economy of the country as we are a small economy opened to the world.</i>
Board Member	March 12, 2019	<i>The US regulations have more impact because we are a dollarized economy and because of the extraterritorial reach of the US.</i>
Regulator	March 4, 2019	<i>The LCB case was a wakeup call to all Lebanese banks and that there is something called "sanctions" and that there is something called "compliance" and that the Lebanese economy is two third dollarized and therefore, whether we like it or not, we are subject to the US regulations because the US has the right to issue regulations that protect their currency and their banks.</i>
HoC	April 11, 2019	<i>We are a dollarized economy, and since we are a dollarized economy means that the smallest bank has 5 or 6 US correspondents, and the US correspondent today for me has a stronger effect.</i>
HoC	March 28, 2019	<i>Reality is completely different, we need to balance our balance sheets, we need to have lots of investment outside Lebanon, we have to risk manage all our local/foreign investment, whether to our financial investment, to our presence in different jurisdictions, European, Arab and everything. So, it's a combination of factors that if you want to be a universal bank and keep the regional presence you cannot ignore the importance of dollarization in our economy.</i>
HoC	January 3, 2019	<i>Because today, as we all know, we are a dollarized economy and almost 80% of our transactions are in USD currency. [...] USD means that I'm going through the US financial system, means that I should have an account in the US, which also means I have to comply with US regulations.</i>
Regulator	April 12, 2019	<i>Lebanon is a dollarized economy, the reserves of the Central Bank are 95% in US dollars, the US Dollars is not your currency, the decision that you should take is whether you will comply with the International decisions or not.</i>

<b>Interviewee</b>	<b>Interview Date</b>	<b>Quotes</b>
GM	April 2, 2019	<i>We are not only a dollarized economy; we are one of the only economies in the world which has a clearing in the US Dollar. We have a clearing outside the US, and this is something unfavorable by any country [...], and therefore this is one of the reasons of pressure, that we have a clearing in the US Dollar.</i>
Regulator	April 13, 2019	<i>We are 75% dollarized, we need correspondent banks in the US, so we cannot, we have to make sure we comply, and this is why we issued the circular stating to comply with everything related to foreign correspondent, this was specifically issued (it was not stated for US Specifically) but the underlying thought was for the US.</i>
GM	February 15, 2019	<i>They are [US Regulations] of particular importance for Lebanon because we are heavily dollarized, and we need the US financial system to clear all our operations in the US dollars, check or transfers or whatever, so the US Market is of particular importance to the Lebanese Banking Sector.</i>
Regulator	May 17, 2019	<i>When we talk about international we mean the US because we are a dollarized country and essentially all of our trading is mainly in US, the US at the end constitute the vast majority of our international relationship, also the EU will follow the US at the end, so for us the US is the main risk constantly.</i>
HoC	January 10, 2019	<i>As a bank, you need to deal in US currency whose owner is the USA, and they have the right to put conditions on how to deal with their currency. If you don't want to deal in dollar, you are free but as long as you are dealing in my currency, you have to follow my rules.</i>
HoC	January 22, 2019	<i>Yes, dollarized economy, and the balance of payments...most of the balance of the payments are in USD so they cannot trade anymore with any business in Lebanon without the USD correspondent banks. The euro currency or all other currencies...we're talking about 15% of the balance of payments or 20% maximum, the others are in USD. So, they are in need of US correspondent banks in order to transact on the international.</i>
HoC	January 22, 2019	<i>Lebanese banks operate in a very dollarized country so we cannot live without the US clearing system and we cannot survive. Therefore, when we are out of the US system then we are out of business.</i>
HoC	February 2, 2019	<i>Our currency is pegged to the dollar. So basically, if we are cut off by the US correspondent banks, we cannot survive. It is not a choice whether to comply or not: we have to comply with the US regulations since fines, being financial or reputational, will severely affect us.</i>
HoC	February 6, 2019	<i>Nowadays, the cost is very high which could lead to stop relation with a correspondent, which is catastrophic since we are a dollarized economy, and all our transactions are conducted in USD.</i>

## Fear of De-Risking

Given the mounting pressure of the US regulations during Period III, banks became exposed to a major threat derived from “de-risking”. De-risking refers to US banks exiting relationships with their Lebanese counterparts which are perceived as high risk to do business with. The ABL stressed on the “*concern of the Lebanese banking sector to continue complying with the international banking standards especially the American ones given that more than 80% of the external operations of this sector is conducted in US dollars and through correspondent accounts with US banks*” (ABL Annual Report, 2015).

Thus, safeguarding relationships with US correspondent banks is a matter of survival for any Lebanese bank because the former is the gateway for the latter to the external world, and they are the oxygen for the Lebanese banking sector in the sense that it becomes apparent only if lost (Scott, 1995). As put by a senior manager at a large Lebanese bank, “*a bank cannot survive if it’s not being provided correspondent banking services. All the global banks have been reducing their number of relationships, leaving medium to small banks without any correspondent relationships; [this] is no prospect for the future*” (Executive Magazine, 2016). Hence, maintaining those relationships were becoming “*more demanding, more time-consuming, more complex, and expensive to maintain*” (Executive Magazine, 2015).

In addition, the cost for a US bank to maintain a correspondent relationship with a Lebanese bank is becoming “*extremely high and American banks prefer not to deal with smaller banks because this will cost them a lot of money just to carry out due diligence*” (The Daily Star, 2015). A consequence of this could be de-risking because “*when you’re hit with sanctions after sanction, they [US banks] begin to ask: why should we do business with Lebanese banks?*” (Executive Magazine, 2017). Thus, US correspondent banks might deem Lebanese banks too risky to deal with, which would “*undermine the economy which relies on dollar deposits transferred from Lebanese expatriates*” (The Daily Star, 2017). At the end, Lebanon is perceived as a high-risk country and US correspondent banks became more risk-averse in recent years in view of the heightened regulations globally for fighting money laundering and terrorism financing.

As a result, the fear of “de-risking” became a matter of concern for any Lebanese bank which have no other choice but to comply with the US correspondent demands because “*if Lebanese banks and the banking sector want to remain part of the international financial system they need to play by the rules of the game, [...] otherwise they will expose their correspondents, themselves and the sector to the measures that may be taken. This is pretty clear*” (Executive Magazine, 2016).

In sum, analysis of archival data revealed that the fear of de-risking emerged during Period III as a major motivation for compliance with the US regulations; “*We Lebanese will make the only choice we think we have: adapt*” (Executive Magazine, 2016). The consequences of non-compliance could be severe and may lead to termination of correspondent relationships, which means banning from access to the US financial system and subsequently could lead to international isolation of the Lebanese banking sector. In an interview with the Governor of the Central Bank, he declared that “*the priority is to keep Lebanon on the international financial map, so we have resolved to implement that U.S. law in Lebanon*” (The Daily Star, 2016).

In addition to archival data, participants in the interviews shared the same opinion about the major threat of “de-risking” that the Lebanese banking sector has faced, and about the fear of “de-risking” as a major motivation for conforming to the US requirements. The below verbatims from interviewees reinforced this view.

<b>Interviewee</b>	<b>Interview Date</b>	<b>Quotes</b>
HoC	December 19, 2018	<i>This has constituted a burden on US banks and which in turn has been reflected on Lebanon because US banks adopted what is called de-risking [...]. There was close monitoring which we have seen increasing more and more by the US correspondent banks especially in US currency.</i>
HoC	February 21, 2019	<i>We cannot breach the US sanctions because my relationship with the US correspondent will stop as well as hindering the use of USD transactions. The bank would close. It is a vital issue to comply with the US regulations and it is a major challenge that is ascending.</i>
ABL Senior Manager	February 28, 2019	<i>For banks, in my opinion it was the self-awareness and the second matter was their fear on their relationships to be barred with the US Correspondent Banks when dealing in US currency and this is an issue than no bank in Lebanon can deal with [...].</i>

<b>Interviewee</b>	<b>Interview Date</b>	<b>Quotes</b>
HoC	March 28, 2019	<i>Actually, the stick that the US is imposing on us, they are imposing that stick on their correspondent bank not on us, and this is making a hell of game changing, so technically the one who mostly suffer are their correspondent banks, because they are the one who actually can be charged with transactions, legal transactions through the US system, so it's indirect obligation for us to comply if we want to access international business.</i>
HoC	January 3, 2019	<i>Not to comply means you cannot maintain an account in the US. It is not a choice for you. If you want to have an account in the US, you have to comply. They will get us back to zero or even below zero because today you should have learned from the LCB case. And as we've heard, and we've seen in the newspapers that there is fear of de-risking Lebanon.</i>
GM	April 2, 2019	<i>We suffered as Lebanese Banks from the de-risking of our foreign correspondents. You know that de-risking affected some banks. There are some banks which are not too big in Lebanon they lost their correspondents. Disregarding, they didn't have any problem on the personal level, but de-risking was being mixed-up, risk is too big in Lebanon in general, so why to keep business for a small amount for a small bank? Let's exit.</i>
HoC	April 11, 2019	<i>Today the majority of Lebanese bank removed the nesting from its transactions, they tell you I am unable to hold the pressure of the correspondent [...]. I have to satisfy my correspondent, and the requirement of the correspondents are similar to those being implied and imposed by the Americans, and which are being imposed on me, I have to comply with the US Correspondent requirements.</i>
Board Member	April 12, 2019	<i>Today if you don't have correspondence in the world, you have to close the bank. So, rather your system says it's this or that you have to go where your business interests are, [...]. I would definitely go by what the US would endorse, because I don't have any choice, because if they tell the correspondents don't deal with this bank in Lebanon...</i>
Regulator	April 13, 2019	<i>It's not as urgent as the US because with the US you have sanctions, fines and isolation from the banking system in the US, so it hits hard basically.</i>
GM	February 15, 2019	<i>Also, of importance are the 5 or 6 correspondent banks in the US, the main correspondent banks in the US, like CitiBank, BONY bank of New York, Standard Chartered, or whatever. Also, banks make sure that correspondent banks they are satisfied with the way banks in Lebanon are dealing with all the compliance related issues.</i>
HoC	January 22, 2019	<i>We were really leading compliance and putting controls more than the ones available in the US. Why? To put the US banks at ease that this is what we have and that they are secure and do not de-risk us.</i>

Interviewee	Interview Date	Quotes
HoC	February 11, 2019	<i>This challenge is not triggered by a local interest but it was triggered from the fear and the utmost care to fully comply with the requirements of US regulator to avoid any possible sanctions of the Lebanese banks or at least to avoid the escape of correspondent banks from the local financial arena, which is called de-risking.</i>

**Fear of Sanctions**

Further to the LCB scandal at the beginning of Period III, there were fear across the banking industry of having a similar case whose consequences could be disastrous to the whole sector. Additional pressure has been heaped on the Lebanese banking sector following multiple rounds of US sanctions, so *“rumors of further LCB-style designations have persisted”* (Executive Magazine, 2011). The fear that further action could be taken by the US was ever-present. Thus, Lebanese banks became more cautious and they were *“right to be paranoid and to keep in line with US regulations in order to avoid the devastating blow to the sector’s credibility that an LCB redux would mean”* (Executive Magazine, 2011). As put by a founder of a legal firm that provides legal consultancy for banks, *“now we are afraid of another LCB issue. They need a new scapegoat so that the new procedures they are asking for can be implemented. Since our banks have accounts with correspondent banks in the US, they should be afraid”* (Executive Magazine, 2012).

So, the Lebanese banking sector found itself under increasing pressure to conform to the US requirements. A visit by the US Treasury Assistant Secretary for Terrorism Financing in 2011 *“set off a renewed wave of fears in the banking sector, especially after “concern” over the dealings of Lebanese Canadian Bank (LCB) threw the sector into crisis mode earlier in the year”* (Executive Magazine, 2012). The sector cannot afford any further sanctioning which became a grave concern in Lebanon *“given the high degree of the economy’s reliance on banking”* (Executive Magazine, 2014). So, the Lebanese banks have been forced to insulate themselves from any potential risk. Consequently, the fear of sanctions emerged during Period III as one of the major motivations for the Lebanese banking sector’s compliance with the US regulations. Failure to conform to the US demands could lead to severe consequences which are beyond the capacity of the sector to handle.

Similar perception has been revealed by interviewees who stressed on the fear of sanctions further to the LCB scandal and in the subsequent years. Wordings such as “*this shows the degree of fear*”, “*they fear another round of questioning*”, “*has taken away from the banks all initiatives that fear banks to work as institutions*”, “*why take the risk*”, “*this leads to more fear and panic*”, and others have been declared by participants. A selection of additional verbatims are shown in the below table. All of them reinforced the view about the fear of sanctions being behind the Lebanese banks’ motivations for adherence to the US demands.

<b>Interviewee</b>	<b>Interview Date</b>	<b>Quotes</b>
HoC	December 18, 2018	<i>Risks became threats, real and serious threats which could lead to inexistence of a bank or its reconstitution. We have seen some board of directors’ members subject to sanctions in one of the Lebanese banks, which oblige them to change in their board of directors. This shows the degree of fear.</i>
HoC	February 23, 2019	<i>Banks have now concerns to overcome this period and put it behind them because when pressures are exercised by foreign countries, in particular the US, they fear that they will be another round of international questioning about the possibility of having another case similar to the LCB one.</i>
Board Member	March 12, 2019	<i>That pressure coming from outside pushing the banks more and more into the corner, has taken away from the banks all initiatives that fear banks to work as institutions, [...] so they don’t have any headache, and no one blame them.</i>
HoC	March 25, 2019	<i>Surely, because 9/11 was far from us but the Lebanese Canadian occurred internally, so as the Lebanese Banks realized its seriousness and considered that they should not play with such topics, as they considered that it could be the Lebanese Canadian now but later on it could be any other bank, so it was a shocking point for Banks, which called them to wake up and told them to be aware for Compliance topics and mostly the Sanctions Compliance.</i>
GM	March 25, 2019	<i>So, the fear has 2 aspects: An aspect related to the ability of the US System or the US Regulator since it is the most powerful, the greatest player, and it is the most concerned, and another aspect which is the auto-fear.</i>
Board Member	April 12, 2019	<i>You know if it were Indonesia, you would say ok. But if the US, because the US also indirectly might affect us, if the US says anybody who deals with Lebanon would be sanctioned, the next day nobody will deal with you.</i>
HoC	January 22, 2019	<i>Why take the risk? The banking sector is aware of this fact now and they are working straightforward. They care about their relationships with the US banks [...] to avoid de-risking and sanctions [...] since this will negatively affect them.</i>

Interviewee	Interview Date	Quotes
HoC	February 6, 2019	<i>They cannot say it's because he is Syrian (although he is not blacklisted) you cannot deal with him but as a bank you become obliged to do de-risking and to stop your relationship with a Syrian customer because of the US regulation fear. This leads to more fear and panic because any mistake could lead to closing the bank due to negative talks about the bank in the US.</i>
HoC	February 11, 2019	<i>They have no other option but to comply. They either comply or they have to get ready for potential US sanctions at first. At the end, it is a law [US], even if it is foreign law, and Lebanese banks complied with its provisions to avoid being sanctioned and stopped dealing with the designated people by the law.</i>

On the other hand, the “motivations for compliance” are directly linked to the “consequences of non-compliance” with the US regulations, and which are aligned with the fear of de-risking and fear of sanctions as well. This sub-theme started to emerge in Period III as shown in Table 18 and 19 above, whether in archival data or interviews. Wordings used by participants evidenced this view; *“This might lead to closure of our accounts”, “this might lead to questioning our reputation”, “Non-compliance will lead to a catastrophe”, “could destroy the banking sector”, “could lead to inexistence of a bank”, “non-compliance will lead to a big damage”, “any mistake could be disastrous”, “this may end my existence”, “it cannot survive, and it cannot continue”, “a threat to our existence”, “comply or die”, “we have a risk of losing the license and being out of the business”, “Not to comply means you cannot maintain an account in the US”, “deteriorate the country and the sector”, “you will be locked outside the system”, “a bank would be taken to bankruptcy in no time”, “can be punished severally”*. Also, the following quotes from archival data evidenced the consequences of non-compliance and the damages that could cause to the Lebanese banking sector: *“could cause harm to depositors and clients’ interests”, “banned from dealing in US dollars and any banks [...] could potentially be sanctioned themselves”, “More worryingly for the banks, they could be deemed ‘non-compliant’”, “risking American censure”, “possibility of being cut-off from the US financial system”, “the threat is to be cut off from the US financial system”, “You wake up one morning and when you check your correspondence you find that you have been given the ominous title of “specially designated national””, “you are a financial outcast with whom no US citizen or corporation with American interests will do any business”, “jeopardize partnerships”*.

In sum, the results pertaining to the Lebanese banking sector motivation for compliance with the US requirements revealed that they were mainly driven by the need for the US currency in order for banks to transact on the international level, by fear of being de-risked from the US financial system by their US correspondent banks that threat them of cutting relationships in case of non-compliance, and finally by the risk of being sanctioned by the US in case of violations of its laws and regulations. These results were salient starting Period III as shown in archival data and interviews, versus absence of these motivations during Period I and II. Results were then aligned with the argument which considers that organizations comply with laws and regulations when they are threatened by severe sanctions (Ayers & Braithwaite, 1992), and with what Winter & May (2001) argued about organizations compliance because they fear detection of non-compliance and subsequently punishment.

Yet, results revealed also the need for a foreign resource – the US currency – as a major motivation for compliance, in addition to fear of de-risking or cutting off a relationship with a domestic bank by a foreign bank on which the domestic one is dependent for survival. The more an organization is dependent on a powerful legitimating actor, the more the tendency for compliance (Oliver, 1991; Zucker, 1987). Also, results have not shown any “calculated” motivation (Winter & May, 2001) that is based on the economic or material aspect and selfishness of Lebanese banks to maximize their profits.

**Figure 10:** Motivation for Compliance



**4.3.2.5. Compliance Challenges**

We’ve seen in the previous sections the diffusion of a revolutionary compliance practice in the Lebanese banking sector, which was the result of the pressure of an institutional and influential legitimating actor. Also, we’ve seen that the coercive pressure of the US led to isomorphic change in the compliance functions which became institutionalized in banks and evolved as core activities to seek the legitimacy of a foreign regulator. In addition, the above section has shown the major motivations for compliance with the US regulations.

However, given the ambiguous and conflicting requirements of the institutional environment within which organizations are situated, compliance may face challenges due to “institutional duality” (Kostova & Roth, 2002) where organizational practices vary across countries especially when organizations are confronted with different sets of isomorphic pressures and have to comply with requirements of various countries in order to maintain their legitimacy. These conflicting and ambiguous institutional demands also lead to institutional complexity (Greenwood et al., 2011). As this research postulates that the Lebanese banking sector is in continuous quest of the US regulator legitimacy, and as the previous results above revealed that the sector has adopted a legitimacy-seeking behavior through the compliance functions of banks, so, the aim of this section is to reveal the challenges facing the Lebanese banks’ compliance when confronted with conflicting requirements between the US ones and the domestic ones, in addition to other challenges revealed by data.

Table 18 and 19 above have shown that the Lebanese banks have faced challenges during Period III related to the cost of compliance, in addition to ambiguous regulations and conflicting demands challenges. These challenges are detailed below based on the analysis of data retrieved from the archive and interviews. In fact, Period I and II have not shown serious challenges to compliance since the latter was inexistent during Period I, primitive during Period II, whereas it has evolved starting Period III as revealed in the previous results above. Thus, I could not quote any challenge during Period I and II as shown in Table 18 and 19, except few conflicting demands between the US and the Lebanese requirements in Period I. Yet, it was until the fallout of the LCB and in the subsequent years of Period III that compliance with the US regulations started to confront challenges. Therefore, the focus in the below paragraphs is on challenges encountered in Period III.

### **Compliance Cost**

In view of the evolvement of the compliance functions during Period III, it was obvious that the cost of compliance has increased in parallel. So, Lebanese banks had to invest in people, technology, policies and procedures. This investment has been ascending since the LCB scandal where the costs of compliance “*have increasingly become a topic of boardroom conversations*” (Executive Magazine, 2016).

As stated by a chairman of a large Lebanese bank, “*we invested heavily in software, people and training as the requirements [from regulators] increased substantially and this cost the bank significantly*”, and added that “*these additional overheads have both increased the cost of doing business and stalled increase in income, thus bank profits are suffering*” (Executive Magazine, 2012). According to archival data, the increase of compliance cost was mainly due to the evolvement of US regulations during Period III, where banks had to increase compliance spending in order to comply with these mounting regulations. “*One example of an additional cost burden imposed by international regulators would be the compliance with the United States’ upcoming Foreign Account Tax Compliance Act (FATCA), [...]. That will add a significant operations cost to banks*” (Executive Magazine, 2012). This is an extra cost that banks would rather not have. As such, “*FATCA may well have a knock-on effect on banks to cut costs elsewhere*” (Executive Magazine, 2014). Also, with the US law against Hezbollah – HIFPA – it is the responsibility of banks to make sure they are compliant with the provisions of this foreign law.

In so doing, banks “*must carry out client due diligence when opening accounts or facilitating transactions. To the banks this is just another chapter in the book of risk management, where compliance with the laws of foreign jurisdictions in which they do business is not a choice, because the banks must comply and have long invested in the tools to do so*” (Executive Magazine, 2016). As described by a chief economist of Alpha bank in Lebanon, “*the structure of a bank’s compliance department has varied looks, [...] it is a mesh of human resources and technology, a combination of interfacing with the client plus sophisticated software tracking transactions and managing clients’ identities*” (Executive Magazine, 2016).

In terms of human resources, banks had to increase their compliance human capital whether at Head Office level or at branches’ level. The number of compliance officers suddenly increased after the LCB crisis and continued to increase in an ascending manner afterwards: “*you can see that the compliance function — the compliance staff and officers — at some of the larger banks, four or five years back, numbered less than 10, and now it has multiplied, perhaps many fold; that suggests to you the costs associated with compliance*” (Executive Magazine, 2017). As argued by a CFO of a leading bank, “*we have 82 or 83 branches in Lebanon, [so] we have to have 83 compliance officers, one for each branch, in addition to which a lot of [information technology] systems are required. There is a cost, obviously, and all banks are incurring an additional cost for compliance*” (Executive Magazine, 2016).

Also, the qualifications of the compliance staff have been upgraded. For instance, the Central Bank of Lebanon imposed through regulation on people working in the compliance field to acquire a certification such as the “Certified Anti-Money Laundering Specialist” issued by a US association.

The ABL at its end accompanied the efforts in compliance since the collapse of LCB by introducing best practices in this field and “*endeavored to strengthen the laws of the profession, charters and ethics of the banking activity and identify the existing gaps in order to treat them by taking the appropriate internal measures and procedures to fight financial crimes*” (ABL Annual Report, 2012). So, the ABL intensified training workshops in order to raise the banking industry awareness regarding compliance. As clarified by a Chairman of a big bank in Lebanon, the mounting demands to comply with AML/CFT requirements “*have prompted banks to increase spending [...]. The salaries of these qualified staff manning these departments are quite high and let us not forget the cost of technology*” (The Daily Star, 2015).

From a technology perspective, banks had to acquire systems for compliance monitoring and need to have “*the necessary IT systems and procedures, and they need to have qualified staff to do the job. So yes, this definitely is an added cost that wasn't part of the formula before*” (Executive Magazine, 2017). Given the complexity of regulations and the sheer number of transactions, manual controls became no more efficient and do not satisfy the requirements of US correspondent banks which started to inquire about the compliance systems adopted by the Lebanese banks.

Thus, banks had to invest into automated solutions to screen their prospective and existing clients against domestic and international sanctions lists including US OFAC list, systems for transactions' monitoring, and others for wire transfers filtering and trade finance due diligence. The rise in the cost of technology created a challenge for small banks which struggled to meet compliance requirements. However, as said by a General Manager of a large bank, “*you cannot really compromise on [compliance] requirements for the purpose of saving money because you may end up paying a more expensive price. Compliance failure, if it is serious enough, could affect the franchise. That's why this is essential spending*” (Executive Magazine, 2016).

Although the cost of compliance constituted a challenge for banks, it was revealed that *“the cost of a cut off can be far greater than the investment”* (Executive Magazine, 2016), because if a bank is accused of being non-compliant and its relationship with its US correspondent banks is discontinued, it becomes very hard *“to quantify losses in opportunity resulting from suspended relations with a correspondent bank”* (Executive Magazine, 2016). Thus, the question has never been whether to comply or not, but rather how much investment is necessary to satisfy the US regulator and the correspondent banks. Also, Lebanese banks never questioned whether they should or should not spend in compliance; *“we spend as much as we need for the purpose of continuing to preserve our standing as a compliant banking industry”* (Executive Magazine, 2016). So, the challenge *“is not to make money but to make durable income – income that you make and keep and don’t pay back as a matter of penalties or litigation. It is a cost and a necessary investment that we need to engage, and have, for the purpose of our continuity”* (Executive Magazine, 2016).

The above results from archival data have been reiterated by data from interviews. The below verbatims from participants confirmed the compliance cost as a challenge to compliance. As argued by a Head of Compliance, *“there was a huge investment by the supervisory authorities, by compliance functions in banks, in terms of technology or human resources [...]. This is an ongoing investment and ascending”* (Interview, HoC, December 18, 2018). Another Head of Compliance pointed out that *“today, we ended up with huge resources in big banks. The number of employees reporting to compliance function have drastically increased in the last years. In our bank, 200 people are working today in compliance, whereas this number was only 5 to 6 people 10 years ago. So, resources have increased. Also, at the level of systems, they also have significantly changed. We used to have systems which monitor activities in a specific way. Today, this has changed, and we became more alerted to avoid any loopholes* (Interview, HoC, February 21, 2019). Also, a General Manager confirmed that *“the cost of compliance increased, normally when you want to keep-up you need tools, you need human resource, you need the proper skills, you need IT Support, you need to be able to say I want to hold a meeting, you need a budget. There is an increase in cost that is only natural, because no matter how you look at it, the global community looks at us as a high-risk player”* (Interview, GM, February 20, 2019).

On the other hand, a Head of Compliance argued that “*the cost of compliance should not be an issue or should be debatable with management because any fine or any breach by any bank because of lack of compliance controls, the cost of violation exceeds much more the cost of compliance. [...] Compliance should be considered as an asset because it protects the bank from paying fines for violation that exceed by far the cost of compliance*” (Interview, HoC, February 23, 2019).

In sum, the analysis of data during Period III revealed that the cost of compliance has significantly increased in terms of human resources, technology, processes, and trainings. This has constituted a challenge to the Lebanese banks which had to increase their spending in order to respond to the mounting compliance requirements which cannot be compromised. However, investment in compliance was looked at as “*an institutional investment: it is an intangible deposit in the bank’s reputation, lending credibility and assurance to correspondent banks*”, as explained by a General Manager of a leading bank in Lebanon (Executive Magazine, 2016). Thus, allocating funds to strengthen compliance in view of the US requirements became inevitable for banks in face of the challenges of their legitimacy. Lebanese banks recognized that safeguarding their relationships with their US banks obliged them to do whatever it takes to protect those relationships which are crucial for their survival. Also, because non-compliance with US laws and regulations would certainly jeopardize those partnerships; something that is beyond the capability of the Lebanese banking sector to afford, in a country that is dollarized where the bulk of the transactions are in US currency. Those reasons fueled the existential need for investing in compliance.

### **Ambiguous Regulations and Conflicting Demands**

Analysis of data during Period III revealed that the Lebanese banking sector has been confronted with US regulations which are sometimes nuanced, opaque, and complex. These conflicting and ambiguous institutional demands led to institutional complexity (Greenwood et al., 2011) which in turn affects compliance. Also, ambiguous US requirements and conflicting demands led to compliance challenges due to institutional duality (Kostova & Roth, 2002) where Lebanese banks were compelled to comply with the US regulations and with the local ones as well.

This ambiguity in the US regulations has been evidenced for instance in the following excerpts from archival data: *“unclear language and dubious math”, “the details are still vague”, “the language within the designation (“may have”, “believed to be” or “probably”) is an indication of its ambiguity”, “by American definitions at least”, “Lebanon’s legal texts do not actually cover sanctions per se”, “Given the uncertainty, many banks are taking measures that go beyond the text of the law”, “How can a Lebanese bank know those surrounding an OFAC-listed individual to avoid them? It is really weird and beyond banks’ capacity”, “Legally, it is a grey area, and it is as if bankers are no longer responsible for best efforts but have to achieve the best results”, “Banks like sanctions regulations to be specific about targets”, “How to sanction the salaries of state officials and public employees from Hezbollah, or those loyal to it, would be difficult to determine”, “the current legal framework in Lebanon may prevent banks from complying with [...] therefore, for the banks to supply the IRS with the information without a waiver from the customer could be a breach of the law”, “I don’t know if it needs an amendment to the law”, “currently there is no legislation under which he can be prosecuted”, “The central bank will make sure that the banking secrecy law will not be hurt and will take a position to cover implementation of FATCA without breaching our banking secrecy by involving the Special Investigation Committee (SIC) in this issue”, “Understanding FATCA at an institutional level has been one of the main stumbling blocks to compliance”.* A complete list of quotes which support the ambiguous and conflicting requirements is attached as Appendix 17 at the end of the research.

Also, interviewees expressed their opinion about the ambiguity of the US regulations in some cases, and the conflicting requirements between the US and the Lebanese ones. Extracts from interviews which evidenced this view are depicted below.

<b>Interviewee</b>	<b>Interview Date</b>	<b>Quotes</b>
HoC	January 3, 2019	<i>Before the 126 [central bank circular 126], we had a period of gap, right? When a customer is hit...when OFAC lists a name X, we as banks were confused...we didn’t know what to do.</i>
GM	April 2, 2019	<i>When the Americans use terms such as “if it is knowingly financing”, knowingly, how would I know if financing is knowingly or not-knowingly, [...] you see, it is vague, or they call them consistent transactions, what does it mean consistent? Significant, is it 1 million dollars or one thousand dollars?</i>

Interviewee	Interview Date	Quotes
HoC	January 3, 2019	<i>If we take Notice 20 or in the 137 which informs you to close or freeze the account, in the US Sanctions they tell you have to freeze the assets and it's not a matter of closing the account. So, when you close the account, how are you closing the account? you are giving the money; giving the money it's against the US Laws.</i>
Board Member	April 12, 2019	<i>I think first Lebanese Banks did not expect, they didn't know how to go about this development [...]. Banks didn't know exactly what to do, [...] and they were looking at guidance from Central Bank.</i>
Regulator	April 13, 2019	<i>When initially the HIFPA law was issued, and they were in a state of a shock and they didn't know how to apply it properly, so it created a bit of a chaos, so the Lebanese Regulator intervened just to direct them specifically on how to do it.</i>
HoC	January 22, 2019	<i>When HIFPA law was issued, there was a confusion period: to which extent the Lebanese banks should apply it and on whom? This was a problem. [...] I can tell you that there was a difference and confusion and the central bank took the initiative and issued a circular for banks to introduce them how banks should process their transactions.</i>
HoC	February 11, 2019	<i>The US law is based on two main principles. First one is "strict liability" which is based on the "reason to know" that an operation is related to AML/CFT, and not only on absolute knowledge, just presumption. This is a tough criterion for Lebanese banks since they could be made liable just because they should have had a "reason to know" about a money laundering operation or about a person who is laundering money, without having absolute knowledge.</i>
HoC	February 23, 2019	<i>Today there is a conflict. The conflict is about the misunderstanding, [...]. So, before considering the conflict between the US laws and the Lebanese frame, there is a sound banking activity that any bank should adopt, regardless of where the funds are originating from.</i>
Regulator	March 4, 2019	<i>There is a kind of feedback between us [regulator] and the private sector which sometimes is alerting that if I comply with US regulations, I might be breaching the local laws. Here, you have to be devising in a very creative way to comply. Let me give you another example; we have 2 banks that are designated here in Lebanon, and these 2 banks are licensed, how to cohabit? You have to cohabit; you have to find a way to cohabit, to comply with both sides. You cannot say it is a local law and I want to work...No. We cannot revoke the license of these 2 banks and at the same time we told them that you cannot work in US dollar.</i>
HoC	March 28, 2019	<i>We are subject to the Lebanese Law nevertheless we are trying to accommodate and comply with the HIFPA 1 and HIFPA 2, not sure if I should call it framework or requirement in term of navigating in this gray area.</i>

Interviewee	Interview Date	Quotes
Regulator	April 13, 2019	<i>What happened is that initially this was the situation or the feeling that how can we apply the US law in Lebanon vis-à-vis our clients, how can we come and close the account when there is no legal basis in Lebanon.</i>
GM	February 15, 2019	<i>Reacting, either you see if there is a possibility of modifying your existing rules and regulations to comply with international rules and regulations, and here there will be lots of issues and lot of discussions, and you have to refer to the parliament and perform lobbying toward changing and set the reasons behind, and some people might accept and others might refuse and this is a problem, or otherwise you try to tell the outside that I have this case in Lebanon and I cannot do it in this manner and the maximum I can do it in another way this from the point of view of the laws.</i>

However, despite ambiguity and conflict of regulatory requirements, the Lebanese banks opted for compliance with the US regulations. This was due to the coercive pressure of the US and to the banks’ motivations for compliance as explained in the previous sections. As confirmed by a Head of Compliance, *“when there are conflicting demands between US regulations and Lebanese regulations, the Lebanese banks adopt the US regulations and their requirements to please the US Treasury”* (Interview, HoC, February 11, 2019). Also, a senior manager at ABL said that *“we as the Association of Banks in Lebanon decided that it is essential to protect our depositors and our banks, and if there is a contradiction between the HIFPA and our Lebanese regulations, we comply with HIFPA”* (Interview, ABL Senior Manager, February 28, 2019).

In sum, the Lebanese banks are working in a complex institutional environment where they are subject to the laws and regulations of a foreign country and to the ones of their domestic country. These regulatory requirements are sometimes ambiguous and conflicting. According to data retrieved from archives and interviews, Lebanese banks were compelled to conform to the demands of the US regulator whose requirements are sometimes nuanced and conflicting with the Lebanese laws and regulations. Yet, in view of the coercion of the US regulations, and the fear of being de-risked from the US financial system, Lebanese banks had no other choice but to adhere to the US requirements.

#### **4.3.2.6. Summary**

This part of the research answered the question of How the Compliance functions of Lebanese banks have been influenced by the pressures of US regulations? This influence can be summarized by the evolvement of the compliance functions in the Lebanese banks because of the US pressure, the isomorphic change in compliance because of the coercion of the US regulations, the motivations of the Lebanese banks to comply with the US requirements, and the challenges facing these banks when adhering to the US demands.

In fact, the Lebanese banking sector has witnessed the diffusion of a new practice – Compliance – which has emerged and became institutionalized in banks because of the pressure of a major institutional actor – the US regulator, in particular after the collapse of the LCB at the beginning of Period III and throughout this period. The compliance function, which was inexistent in banks during Period I, whose role was primitive in Period II, became revolutionary in Period III and a vital mean for defending and maintaining the sector’s legitimacy. Results have shown that the spread of Compliance among the Lebanese banks confirmed the suggestion of the neo-institutional theory with respect to the diffusion of new practices in organizations because of their social values rather than their technical ones. Lebanese banks, which are under institutional pressure, engaged in a legitimation process through their compliance activities in order to mitigate the risk of their legitimacy from being questioned or even stigmatized.

Also, the fierce US regulations during Period III led to isomorphic change in the compliance functions of the Lebanese banks. As revealed by data, these functions became homogenous, not because of mimetic mechanism where banks imitate the most successful ones, and not because of the normative one which were not salient during this period, but because of the coercion and the force of the US laws. Results have confirmed that Lebanese banks adapted to the requirements of their environment by adopting common compliance structures, forms, and practices (DiMaggio & Powell, 1983), and Compliance functions became increasingly similar in the Lebanese banks, in their quest for the legitimacy of a major institutional actor on which they are dependent to continue their business and to enhance their chances of survival irrespective of other considerations such as efficiency and business expansion. So, the coercion of the US regulations, which was dominant during Period III, resulted from both formal and informal pressure exerted on Lebanese banks and was driven by the force of the US, rather than other regulations, which led to coercive isomorphism.

Then, Lebanese banks, which had to align with the coercive pressure of the US because they are obliged to do so, had their motivations for compliance impacted as well. These motivations, as revealed by data, were driven by the Lebanese heavily dollarized economy, the fear of de-risking, and the fear of sanctions. Thus, results were aligned with the argument which considers that organizations comply with laws and regulations when they are threatened by severe sanctions (Ayers & Braithwaite, 1992), and with what Winter & May (2001) argued about organizations compliance because they fear detection of non-compliance and subsequently punishment. This is also true in the Lebanese context, however, Lebanese banks fear detection of being in violation of the regulations of a foreign regulator on which they are dependent to survive and where they are in a continuous quest for its legitimacy. In addition, Lebanese banks fear the de-risking phenomenon where their US correspondent banks might cut off their relationships and subsequently, they will be banned from access to the US financial system. Results have also shown the Lebanese banks' need for a foreign resource, the US currency, as a major motivation for compliance in a highly dollarized economy. This resource is owned by and it is the propriety of an influential institutional actor, and therefore, confirmed that the more an organization is dependent on a powerful legitimating actor, the more the tendency for compliance (Oliver, 1991; Zucker, 1987).

However, while conforming to the US requirements, Lebanese banks have faced challenges during Period III related to the cost of their compliance activities, in addition to ambiguous US regulations and conflicting demands challenges. Period III revealed that the cost of compliance has significantly increased in terms of human resources, technology, processes, and trainings. Unable to compromise on compliance, Lebanese banks had no other choice but to increase their spending in order to respond to the mounting compliance requirements. This has constituted a challenge for banks and became inevitable in face of the legitimacy challenges, although investment in compliance was looked at as “an institutional investment”. Also, the Lebanese banks found themselves challenged by a complex institutional environment where they are compelled to adhere to the laws and regulations of a foreign country – the US – and to the ones of their domestic country. Those challenges were mainly stemming from ambiguous US requirements and sometimes conflicting with local requirements. Yet, at the end, Lebanese banks were obliged to conform to the demands of the US regulator even when those requirements are sometimes nuanced and conflicting with the Lebanese laws and regulations.

### 4.3.3. Strategic Responses to the Institutional Pressure

**Table 20:** Archival Data Coding – Strategic Responses

<b>Acquiescence</b>	Period I [1997 - 2001]	Period II [2002 - 2010]	Period III [2011 - 2018]	References
Blind Adherence	0	0	0	0
Imitation of other Banks	0	0	0	0
Conscious Compliance	2	5	113	120
Overcompliance	0	0	16	16
<b>Compromise</b>	Period I [1997 - 2001]	Period II [2002 - 2010]	Period III [2011 - 2018]	References
Balancing	0	0	0	0
Pacifying	0	0	0	0
Bargaining	0	0	0	0
<b>Avoidance</b>	Period I [1997 - 2001]	Period II [2002 - 2010]	Period III [2011 - 2018]	References
Disguising Nonconformity	0	0	0	0
Decoupling	0	0	0	0
De-Risking	0	0	18	18
<b>Defiance</b>	Period I [1997 - 2001]	Period II [2002 - 2010]	Period III [2011 - 2018]	References
Ignoring US Regulations	0	0	0	0
Contesting US Regulations	3	1	1	5
Attacking US Regulator	0	0	0	0
<b>Manipulation</b>	Period I [1997 - 2001]	Period II [2002 - 2010]	Period III [2011 - 2018]	References
Co-opt the US Pressure	0	0	0	0
Lobbying	0	0	47	47
Exercise Power	0	0	0	0

**Table 21: Interviews Coding – Strategic Responses**

<b>Acquiescence</b>	Period I & Period II [1997 – 2010]	Period III [2011 - 2018]
Blind Adherence	0	3
Imitation of other Banks	0	0
Conscious Compliance	1	117
Overcompliance	0	48
<b>Compromise</b>	Period I & Period II [1997 – 2010]	Period III [2011 - 2018]
Balancing	0	0
Pacifying	0	0
Bargaining	0	0
<b>Avoidance</b>	Period I & Period II [1997 – 2010]	Period III [2011 - 2018]
Disguising Nonconformity	0	1
Decoupling	0	0
De-Risking	0	28
<b>Defiance</b>	Period I & Period II [1997 – 2010]	Period III [2011 - 2018]
Ignoring US Regulations	0	1
Contesting US Regulations	0	0
Attacking US Regulator	0	0
<b>Manipulation</b>	Period I & Period II [1997 – 2010]	Period III [2011 - 2018]
Co-opt the US Pressure	0	0
Lobbying	0	57
Exercise Power	0	0

#### **4.3.3.1. Introduction**

While the neo institutional theory broadly emphasized on organizational conformity to the institutional environment at the expense of the role of agency (Powell & DiMaggio, 1991; Oliver, 1991) where organizations passively conform to the isomorphic pressures arising from external institutions (DiMaggio & Powell, 1983), this does not mean that organizations which conform to the isomorphic change become passive recipients of institutional pressures and prisoners of their institutional environments (Suddaby, 2010). Rather, organizations could opt for various strategies to respond to the institutional pressures in order to maintain their legitimacy and may also engage in managing these institutional pressures by adopting certain legitimacy-seeking strategies (Oliver, 1991; Ashforth & Gibbs, 1990; Suchman, 1995). Thus, organizations are no more seen as cultural dopes; rather, they are considered as actively engaged in influencing the institutional environment in which they are situated. Oliver (1991) proposed in this respect valuable insights on the way organizations react to institutional processes and offered strategic responses to institutional pressure varying from passive conformity to proactive manipulation. She suggested five types of strategic responses which vary from passivity to increasing active resistance and labelled them acquiescence, compromise, avoidance, defiance, and manipulation.

In order to respond to the third research question about the strategic responses adopted by the Lebanese banking sector to maintain its legitimacy in view of the pressures of the US regulations, I've drawn on Oliver's conceptual framework to specifically explore the Lebanese banking sector responsiveness to the institutional pressures exerted by a major institutional actor, along with the strategies and tactics adopted for this purpose. As the likelihood of conformity or resistance to institutional pressure are determined by the question raised by Oliver (1991) of who is exerting these pressures, I was specifically interested in understanding how the Lebanese banking sector responded to the pressures of the US regulations.

Thus, this part of the research reveals the results about the theme “Strategic Responses to the Pressure of the US Regulations” during the three temporal brackets, in particular the strategies and tactics adopted by the Lebanese banking sector to respond to the challenges of its legitimacy and how these strategic responses varied over the three periods under study, in addition to exploring whether there were specific ones which are proprietary for the Lebanese context.

The below table depicts Oliver’s strategic responses and their respective tactics. I’ve added my own tactics which are inspired from Oliver’s ones, along with their attributes in the banking industry, as explained below.

**Table 22: Strategic Responses to the Pressure of US Regulations**

Strategies	Tactics	Researcher’s Tactics	Attributes
Acquiescence	Habit	Blind Adherence	Banks blindly adhere to US laws and regulations
	Imitate	Imitation of other Banks	Banks imitate the behavior of their successful peers
	Comply	Conscious Compliance	Banks consciously comply with US laws and regulations
Compromise	Balance	Balancing	Banks accommodate to multiple constituents demands (US and Lebanese)
	Pacify	Pacifying	Banks conform to the minimum standards of the US constituent
	Bargain	Bargaining	Banks obtain concessions from their exogenous constituent (the US Regulator)
Avoidance	Conceal	Disguising Non-Conformity	Banks disguise their non-conformity with a façade of compliance
	Buffer	Decoupling	Banks decouple their activities from external assessment
	Escape	De-risking	Banks de-risk some kind of risky businesses
Defiance	Dismiss	Ignoring US Regulations	Banks ignore US regulations due to low possibility of enforcement
	Challenge	Contesting US Regulations	Banks challenge US laws and regulations by considering them irrational
	Attack	Attacking US Regulator	Banks attack external demands when their privileges are in jeopardy
Manipulation	Co-opt	Co-opt the US Pressure	Banks co-opt the source of external pressures by neutralizing US opposition
	Influence	Lobbying	Banks lobby the US regulators for changing institutional rules
	Control	Exercise Power	Banks exercise power over the US Regulator who impose pressures

As the objective of this part is to evaluate Oliver's model in the Lebanese banking sector, I've adopted her model of strategic responses and tactics; however, while I kept the main strategic responses as themes, I've customized the tactics sub-themes derived from each strategic response to create my own ones and make them more comprehensive for the purpose of my study, preserving at the same time the spirit of Oliver's model, as shown in the above table. For instance, the strategic responses "acquiescence", "compromise", "avoidance", "defiance" and "manipulation" remained the same, whereas tactics such as "habit", "imitate", and "comply" have been replaced by "blind adherence", "imitation of other banks", and "conscious compliance" respectively.

Similarly to the previous parts, Table 20 and 21 above show the number of archival data documents along with the corresponding number of codes for each sub-theme over the three temporal brackets, and Table 2 shows the number of quotes from interviews where Period I and II have been merged as they correspond to the period pre-LCB whereas Period III corresponds to the period post-LCB.

Analysis of data came up with results which defy most of Oliver's strategic responses, in particular "compromise", "avoidance", "defiance", and "manipulation", along with their respective tactics. Rather, results have shown support for a specific tactic of the "acquiescence" strategic response – "Conscious Compliance" – during Period III. Also, results have revealed the salience of three new tactics during Period III; "overcompliance", "de-risking", and "lobbying", corresponding to the "acquiescence", "avoidance", and "manipulation" strategic responses respectively. Analysis results are detailed in the following paragraphs according to the three periods.

### **Period I and II (1997 – 2010)**

As shown in the coding of data related to Period I and II, from both archival data and interviews, the Lebanese banking sector did not engage in any strategy of active resistance to the pressure of US regulations except in very rare and specific cases. This is due to the fact that, as revealed by the previous results, the US regulations were not fierce during this period and therefore, there was no need for exceptional strategic responses to face the institutional pressure of the US. Rather, Lebanese banks were just complying with the minimum requirements, with compliance functions being inexistent or primitive at the Lebanese banks during this period.

By dissecting the strategic responses and tactics during this period, data from both archive and interviews merged together have yielded the below results. They revealed that the Lebanese banking sector was less inclined to engage in resistant strategic responses of “compromise”, “avoidance”, “defiance”, and “manipulation”. Rather, they show that the sector has consciously complied with the US regulations which were not harsh anyway during this period. “Conscious Compliance”, a tactic of the “acquiescence” strategic response, was evidenced by a low number of quotes during this period as shown in the below table, compared to a relatively large number in Period III. Also, the “defiance” strategy was only represented by “contesting US regulations” in very few cases during Period I and II, with the absence of any evidence for “ignoring the US regulations” or “attacking the US Regulator”.

<b>Acquiescence</b>	Period I & Period II [1997 – 2010]
Conscious Compliance	8
<b>Defiance</b>	*Period I & Period II [1997 – 2010]
Contesting US Regulations	4

**Period III (2011 – 2018)**

With the mounting threat to the sector’s legitimacy after the collapse of the LCB, and the subsequent evolution of compliance functions, the Lebanese banking sector had to adopt adequate strategic responses and tactics in face of the US challenges. Data has shown a strong support for “conscious compliance” with the US regulations during this period, and the emergence of three new tactics corresponding to “acquiescence”, “avoidance”, and “manipulation”. The below table depicts these new tactics along with their attributes.

<b>Strategies</b>	<b>Tactics</b>	<b>New Tactics</b>	<b>Attributes</b>
Acquiescence	Comply	Overcompliance	Banks go beyond what is required by the US Regulations
Avoidance	Escape	De-Risking	Banks de-risk some kind of risky businesses
Manipulation	Influence	Lobbying	Banks lobby the US regulators for changing institutional rules

Coding of archival data and interviews revealed the salience of “conscious compliance” and the emergence of the new tactics during Period III as shown in the below table. Each will be addressed in further details in the following paragraphs.

	Period III [2011 – 2018]		
<b>Acquiescence</b>	Archival Data	Interviews	Total
Conscious Compliance	113	117	230
Overcompliance	14	48	62
<b>Avoidance</b>	Archival Data	Interviews	Total
De-Risking	13	28	41
<b>Manipulation</b>	Archival Data	Interviews	Total
Lobbying	40	57	97

**4.3.3.2. Conscious Compliance**

Period III revealed that the Lebanese banking sector has consciously conformed to the US demands, not blindly. This has been shown in the number of quotes from articles in newspapers and magazines, and the ABL annual reports, which address conscious compliance during this period. This number amounted to 113 versus NIL article addressing “blind adherence”. Also, asked whether Lebanese banks have blindly or consciously complied with the US regulations, participants almost unanimously confirmed that Lebanese banks have consciously complied with the US requirements, versus just one interviewee admitting blind compliance when it comes to US regulations, and two others arguing both blind and conscious compliance depending on certain circumstances. Conscious compliance has also been shown at different places in the interviews, not just when answering the question about conscious versus blind adherence, which justify the large number of quotes from interviews amounted to 117. The below quotes from interviews evidenced this view. Also, a complete list of quotes from archival data supporting “conscious compliance” is enclosed at the bottom of this research in Appendix 18.

Interviewee	Interview Date	Quotes
HoC	February 21, 2019	<i>We are fully cooperating to show that we genuinely want to be fully compliant with international laws and regulations. Not to the extent of blindly complying. We have an edge in Lebanon, we know how to really balance between remaining compliant with international regulations and sanctions and at the same time not to hurt a big portion of the Lebanese population. Definitely we are not blindly compliant, we are consciously compliant.</i>
GM	February 20, 2019	<i>We have not done anything blindly.</i>
HoC	March 25, 2019	<i>I guess, compliance, it is partially blind but there is consciousness, why? Because Lebanese Banks have the Central bank backing them and giving them guidance. Why I am saying that it wasn't blindly, because at one time when the Law against Hezbollah was issued it was a shock to the Lebanese Banks, and at the first instance there was a blind response through a random campaign for closure of accounts [...], and here the Central bank was aware of such issue and reorganized this matter and requested from banks [...] to surely comply [...] but not a random or blind compliance, [...] so it started as blind but it is more now conscious.</i>
GM	March 25, 2019	<i>No, I don't think in my opinion that it was blindly, we all know that there were many instances where the Lebanese Banking Sector was conservative in some situations or had a different vision, but this was in order to reach the same objectives, meaning everyone was convinced that the Sector should not be used for money laundering or to serve terrorism.</i>
GM	April 2, 2019	<i>Blindly, No. Surely, it was consciously [...].</i>
Regulator	April 13, 2019	<i>I would believe that they consciously comply not blindly because they know they have constraints which is the banking secrecy law, so they cannot just blindly do that, and then they know they cannot basically just de-risk everybody, which led to complying if you want objectively and while preserving also the clients.</i>
GM	February 15, 2019	<i>Consciously, consciously because there were many large debates on adopting this measure as it is or modifying and what to do and how to do, so there were lot of discussions concerning the adoption or the implementation of international rules and regulations, and to see also if we don't have conflicts with existing rules and regulations, domestic rules and regulations. So not blindly, we cannot say blindly, but we have an interest to adopt as much as, I don't want to say 100%, it could be 99% or 98% of what is.</i>
HoC	February 2, 2019	<i>Yes, we are consciously complying since we do negotiation with the authorities whether at the government level here (when they send their representatives) or when we go to visit them.</i>

Interviewee	Interview Date	Quotes
HoC	February 11, 2019	<i>They have no other option but to comply. They either comply or they have to get ready for potential US sanctions at first, and European sanctions at second. Ultimately, they will be getting ready to get out of the banking system...they have no other choice. Hence, compliance is not done blindly as you said but it is due to the lack of other choices. They know the reason behind compliance, so it is not done blindly.</i>

On the other hand, Oliver (1991) proposed that the institutional theory accommodates interest-seeking, something I found relevant in the Lebanese context where the banking sector seeks its interests while consciously conforming to the US requirements. This has been shown in the wordings of interviewees who highlighted the sector’s interest in adherence to the US regulations. The following verbatims confirmed this view: *“it is in the bank’s interest to be fully compliant with the regulation”, “we have a subjective interest”, “we all know that it’s for the interest of the sector”, “we have interest to be compliant”, “you don’t have any interest not to cooperate”, “the regulator is very interested to keep the banks up to date”, “you have to go where your business interests are”, “we have an interest to adapt”, “we don’t have any interest to put the banking sector at any risk”, “what drives compliance is a mix of interest and creed”, “If I do not do things based on principles, I am doing it for the interest”.*

The sector’s interest-seeking can also be linked to the perception of legitimacy which became “pragmatic” after LCB as revealed in the first part of the second order findings. We’ve seen that “pragmatic” legitimacy is equivalent to “interests” where the Lebanese banking sector that is in continuous quest of the US regulator legitimacy, had to protect its interests and had at the same time to give something in return for exchange of legitimacy. The sector had to safeguard its interests on one hand, and to convince the US regulator on the other hand that it acts responsibly toward a major institutional actor on which it is dependent to survive in exchange for legitimacy by promoting a legitimacy-seeking behavior through “conscious compliance”.

**4.3.3.3. Overcompliance**

Data has shown the emergence of a new tactic – “Overcompliance” – during Period III. Overcompliance is about banks going beyond what is required by the US regulations for various interrelated reasons which range from satisfaction of the US regulator, fear of sanctions, ambiguous regulations, to interest-seeking, and others.

This has been revealed in the wordings of participants as shown below, as well as in quotes from archival data whose complete list is inserted at the end of this research as Appendix 19.

<b>Interviewee</b>	<b>Interview Date</b>	<b>Quotes</b>
HoC	February 21, 2019	<i>We are not just sticking to the fact of someone listed on the sanctions list and then dealing with it. We go the extra mile that is required from us on the first place.</i>
GM	February 20, 2019	<i>Overcompliance could be in place, for the purpose of making sure that we are satisfying the US correspondent bank because we could not take risks on this neutral relationship. We have different interests. I cannot abandon him, but he can. I think this is a very simple reality.</i>
ABL Senior Manager	February 28, 2019	<i>There is an over-reaction, why? [...], you should be more vigilant than any other country worldwide, this is an issue of high importance. Therefore, banks over-reacted to protect themselves, because if they were not 100% protected then one case will be a burden, and the negotiation power with the correspondents is not of importance because our size is very small to the correspondent banks and the latter may terminate the relationship upon any wrongdoing, and therefore I understand the reason of over-reaction.</i>
Board Member	March 14, 2019	<i>We have limited room for maneuver to play with danger. I think banks are obliged to over comply.</i>
HoC	March 25, 2019	<i>Banks went to the extreme because there was no guidance, then the guidance came at a later stage. [...] when there are no guidance banks will go to the extreme, and maybe it is their right and they cannot be blamed for that.</i>
GM	March 25, 2019	<i>In my opinion in some instances there was caution beyond norms because there was fear beyond norms.</i>
HoC	January 3, 2019	<i>We are limiting the expansion of the bank in order to be compliant with US regulations, and even go beyond. Today, in my opinion, Lebanese banks and everything related to AML, and sanctions even more than AML, we are applying the sanction to its most stringent notion. [...] We are going far than the extreme just to be conservative and minimize the risk to the maximum.</i>
GM	April 2, 2019	<i>We are sometimes overdoing it to avoid any problem.</i>
HoC	April 11, 2019	<i>It's not a matter of choice, we are in a situation we are obliged to over comply, we don't have a choice, the decision is not within our hands.</i>
Regulator	April 12, 2019	<i>Some banks maybe went overboard in this respect. Yes, overboard in the sense of the validations being taken on their clients went too far, maybe more than what is required from them. [...] so, they don't want to take risk, that's why they went a little bit overboard.</i>

<b>Interviewee</b>	<b>Interview Date</b>	<b>Quotes</b>
Board Member	April 12, 2019	<i>We took it a little bit to the extreme also, we were stricter than so many countries are now, because we're on the defense, we are weak, and we cannot afford to make a mistake. [...] We are pushing it really to another extreme, banks are overly careful.</i>
Regulator	April 13, 2019	<i>This is why one of the reasons was that you have to tell us and we will help you as a regulator basically or direct you on whether you should de-risk such persons or not because of overcompliance by the banks in some cases, [...] I mean banks were scared after LCB.</i>
GM	February 15, 2019	<i>When you don't want to have a headache about an issue, relief yourself and de-risk. There is a possibility that some people were oppressed.</i>
Regulator	May 17, 2019	<i>There are many banks which performed de-risking and some banks exaggerated in this. [...] You are doing something to the extreme in terms of compliance. Why do we go to the extreme with the US? We say it again, everybody knows that we don't have anything but the banking sector in this country, [...], we don't have any interest [...].</i>
GM	June 13, 2019	<i>I think it was an over shooting but maybe because of fear, because they didn't know what they didn't know, this is called the unknow unknowns, the easiest thing is to try to remove the easiest picks.</i>
HoC	January 10, 2019	<i>The second group is not highly aware of the sanctions and accordingly take the decision of de-risking and complete shut down even if this leads you to lose the business. In this way, you are over compliant [...]. So, I take the decision that I don't need all this business.</i>
HoC	January 22, 2019	<i>Sometimes we have to take the extra miles and go beyond the requirements. [...] We are over doing it...over compliance is applied to stay comfortable and ensure no leak.</i>
HoC	February 2, 2019	<i>The arms of the US are more empowered on us than on other banks. If a European bank is XX compliant, we shall be X+2 compliant (over compliant) because of all these factors. We cannot afford any mis-compliance toward any US regulations.</i>
HoC	February 6, 2019	<i>We go to the extreme much more.</i>
HoC	February 11, 2019	<i>Actually, they are overreacting and worrying too much about these sanctions.</i>
GM	February 15, 2019	<i>The US does not require zero tolerance, maybe it is 10%; some banks take the risk of 10%, other banks chose the zero.</i>

Given the uncertainty in the sector after LCB, most of the banks took tough compliance measures with respect to customers' acceptance that go beyond what is required by the US regulations, and have become increasingly cautious "*about which clients they take on board*" (The Daily Star, 2016) because of US regulations which led to "*a wide rift between Lebanese citizens and the banks*" (The Daily Star, 2016).

Fear of sanctions led banks to excessive closure of accounts, sometimes not concerned with US regulations, where legitimate businesses fell victim of overcompliance; "*many banks are taking measures that go beyond the text of the law by refusing to bank with those on the OFAC list as well as their relatives, close friends, business associates and so on*" (Executive Magazine, 2012). Due to fear of reprisal by the US, some banks "*went too far and they became more American than the Americans themselves. They even did something that the Americans did not ask for*" (The Daily Star, 2016), and some "*banks have closed or freeze hundreds of accounts linked to institutions or individuals [...], going sometimes beyond the list of names published by the US Treasury*" (Le Commerce du Levant, 2017). Also, the Governor of the Central Bank of Lebanon "*believed Lebanon's banks went too far in closing the accounts of holders*" (The Daily Star, 2016).

In sum, left with limited room for maneuver, the Lebanese banking sector had no other choice but to go to the extreme in conforming to the US regulations, sometimes beyond the latter requirements. This led to the birth of a new tactic of overcompliance pertaining to the "acquiescence" strategic response. Lebanese banks were not only less inclined to adopt resistant strategic responses, rather they went the extra mile in their adherence to the US demands, sometimes at the expense of their efficiency, performance, and business development.

#### **4.3.3.4. "De-Risking" Phenomenon**

In its strategic response of "avoidance", Oliver (1991) highlighted "escape" as a tactic whereby organizations exit a field that is subject to pressure or they may change their goals and activities in order to mitigate the risk of being in violation of conformity to institutional rules. Analysis of data revealed the emergence of "de-risking" as a new tactic in the Lebanese context whereby banks exit relationship with some type of clients and businesses perceived as high risk.

As defined by the Financial Action Task Force (FATF), “de-risking” or financial exclusion is “the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk in line with the risk-based approach”. However, in contrary to Oliver’s definition of “escape”, Lebanese banks have not adopted de-risking to escape conformity with US regulations, rather “de-risking” was the result of “overcompliance” identified in the previous section as part of the “acquiescence” strategic response.

In fact, the analysis of archival data revealed the “de-risking” measures adopted by the Lebanese banks in Period III. In view of the mounting pressure of the US during this period, some businesses have been perceived as high risk due to potential of being used as a vehicle for money laundering or terrorism financing, and therefore, they were subject to de-risking by Lebanese banks. For instance, the business with Lebanese exchange houses and used car dealers has been heavily impacted because of the involvement of these sectors in the money laundering scheme of LCB. Thus, banks had no other choice but to put these sectors out of business; *“we were not allowed to send from a Lebanese exchange house to an exchange house anywhere via the US. They don’t want any payments from banks related to the exchange dealers. It has created panic and is putting exchange dealers out of business [...] the US banks also don’t want us to deal with used car dealers”* (Executive Magazine, 2011).

Also, de-risking reached customers based on their nationality, although this is discriminatory and not required by the US regulations. For instance, after the US imposition of sanctions on Syria in August 2011, Lebanese banks adopted very strict measures regarding Syrian clients; *“some banks are simply saying “no” to Syrian traders”* and many Syrians *“can no longer open up accounts in Lebanon and find it difficult to conduct financial transactions even if they do not have ties with the regime”* (Executive Magazine, 2012). Sanctions on Syria have then created an increased mistrust by banks vis-à-vis Syrian individuals and entities so Lebanese banks *“refuse to open accounts for Syrian citizens, international banks refuse to undertake transfers not only in Syria but also for the benefit of any Syrian irrespective of his place of residence, and banking wire transfers are rejected because the word “Syria” is mentioned in the transfer”* (Le Commerce du Levant, 2014). Also, with the US law against Hezbollah, Hezbollah International Financing Prevention Act (HIFPA), banks went beyond the US demands and closed accounts belonging to a certain community which are not directly targeted by the US.

Thus, the evolution of US regulations during the period post-LCB affected the business of banks with their clients, and the way they deal with these customers. What was accepted in the previous years prior to the LCB crisis, is no more tolerable today because of US requirements. So, banks had to be more vigilant, more conscious with whom they transact in order to avoid being caught in violation of US sanctions programs because *“the US has the power to sanction a bank anytime and put anyone away. We’re helpless here and need to be very careful to protect the banking sector. I’d give up a suspicious customer, even if it lost millions to protect the bank”* (Executive Magazine, 2011).

In addition, it was revealed that the “de-risking” adopted by the Lebanese banks was also the result of the fear of being themselves “de-risked” by their US correspondent banks. The latter have become more risk-averse in Period III when dealing with high risk jurisdictions such as Lebanon. Hence, the “de-risking” phenomenon constituted a major threat to the Lebanese banking sector because safeguarding correspondent banking relationships with US banks is a matter of survival for Lebanese banks which had no other choice but to strengthen their compliance measures in order to maintain their legitimacy vis-à-vis their US counterparts and adopted “de-risking” as a response to the US regulations.

As described by a CFO of a large Lebanese bank, *“by definition, a bank cannot survive if it’s not being provided correspondent banking services”* (Executive Magazine, 2016). US correspondent banks, which are under risk of being penalized by their local authorities in case found to be dealing with sanctioned names, might deem *“Lebanese banks too risky to do business with. This would undermine the economy, which relies on dollar deposits transferred from expatriate”* (The Daily Star, 2017). As put by a senior official at the Central Bank of Lebanon, *“that’s the worst, the de-risking potential. And what really scares me is banks and central banks chickening out. When you’re hit with sanction after sanction they begin to ask, ‘Why should we do business with Lebanese banks?’”* (Executive Magazine, 2017).

Quotes from archival data evidencing this phenomenon is added as Appendix 20. Analysis of data from interviews corroborated the same view of “de-risking”. Participants unanimously confirmed that Lebanese banks adopted this tactic as a response to the US pressure. Below is a selection of quotes for interviewees which reinforced this view.

Interviewee	Interview Date	Quotes
HoC	February 21, 2019	<i>We do not deal anymore with car dealers: no car dealer can do a transaction in USD [...] the bank has changed its policy and preferred not to deal with car dealers as a promise from my bank to my correspondent banks based on what happened with the LCB, and due to the fact that car dealers might be involved in suspicious activities at the LCB. We decided to lose this business with car dealers in order to comply with correspondent banks although not all car dealers are involved in bad business. We adopted de-risking and we embedded this de-risking in our business model.</i>
HoC	March 25, 2019	<i>They were de-risking some businesses, they applied de-risking for example for used car dealers, money service businesses, and to other sectors which might imply that they work in the same pattern similar to the one that the LCB came across.</i>
GM	February 20, 2019	<i>Most of the time de-risking was to make sure that our correspondent banks are satisfied with the type of risk that we are passing through their wire. For example, in the case of the LCB they spoke about some industry, such as used cars dealers. Of course, there are many parties who were oppressed in this case, but we had no choice but to take that decision to pass the message that we are ready to apply what you decide as a matter of fact.</i>
HoC	February 23, 2019	<i>Lebanese banks have taken measures toward some sectors such as car dealers, exchange dealers, money remittance businesses, etc. All these sectors that could put the Lebanese banks at risk, have been de-risked. This de-risking came on time because these sectors were not regulated, were not under close scrutiny, so there was more control on some type of customers.</i>
HoC	January 3, 2019	<i>All banks adopted de-risking. Probably they are not considered as high-risk customer and that we can do controls over these customers, but because in our opinion these sectors or clients from the point of view of the US are vehicles for money laundering, so we de-risked all these sectors.</i>
HoC	April 11, 2019	<i>We, as a conservative approach, we are de-risking. Because we cannot handle this risk due to the case of the Lebanese Canadian, the risk cannot be handled.</i>
Board Member	April 12, 2019	<i>We look at the business we say why should I go into this, it's not significant for me, and yet I have to expose myself to a huge risk, so I would immediately de-risk, that's basic common sense, [...] I would de-risk to be on the safe side because the impact of an accident happening is huge, you can lose the business, it's not a matter of paying a small fee which can be accounted for or hedged, you know, you look at, I mean the risk is 100% loss [...] and the income or benefit is like insignificant, so I wouldn't hesitate.</i>

<b>Interviewee</b>	<b>Interview Date</b>	<b>Quotes</b>
Regulator	April 13, 2019	<i>Banks were scared after LCB, I mean fines hurt, and in the case of LCB it wasn't only fines, it was the whole bank went basically because of that. And then there was the case of not only the used-cars because of LCB case involved also MSBs they were de-risking MSBs, so you have now MSBs which cannot open account with a bank, not even on a personal basis and this happened also with the MPs of Hezbollah who were not able to open a bank account in Lebanon because of the US regulation.</i>
GM	February 15, 2019	<i>When you don't want to have a headache about an issue, relief yourself and de-risk. There is a possibility that some people were oppressed. [...] They don't want to have a burden about it, so they prefer to lose one, two or three customers rather than losing the relationship with the correspondent bank.</i>
Regulator	May 17, 2019	<i>There are many banks which performed de-risking and some banks exaggerated in this.</i>
HoC	January 10, 2019	<i>Many banks do not want to bother and prefer to adopt de-risking and loose business and not to take the risk of being questioned by a correspondent bank.</i>
HoC	January 22, 2019	<i>The de-risking of many businesses which were accepted in the past and were the source of the liquidity on the Lebanese market such as the cash coming from Africa from legitimate business, the cash coming from Iraq from legitimate businesses, [...] all of these were stopped due to compliance issues even if you know the source of funds and if you know where it comes from.</i>
HoC	January 22, 2019	<i>There is also a new risk that came into the market which is the de-risking. For example, all banks feared that their correspondents stop dealing with them...so it was very critical for the Lebanese banking sector to show to the correspondent banks that there are controls in place which are compliant with their requirements and controls. To ensure parallel process and to put the correspondent banks at ease, the compliance function in the banking sector become responsible to apply this.</i>
HoC	February 2, 2019	<i>We are only dealing now with top notch licensed money exchange houses and for necessity reason to avoid any potential problems that they might cause. So, money exchange houses were one of the sectors that we de-risked. We also moved out from Sudan and Syria.</i>
HoC	February 6, 2019	<i>We de-risk many businesses and we stop them. Whenever we have a possibility that the business could go in contradiction with the US regulations, we do not accept regardless of the profit that could be earned out of it. I do not consider it costly, since it is the cost for our survival and sustainability in the sector. That is why the correspondent bank goes to the extreme when dealing with you and hence you go further in your de-risking to save this relation.</i>

Interviewee	Interview Date	Quotes
HoC	February 11, 2019	<i>Due to the US requirements and instead of managing this risk, banks chose the de-risking strategy to avoid bad consequences. Without the US regulations, these high risky sectors would be only classified as “high risk” and managed accordingly. They moved out of the limit of the standard RBA and moved to the self-suppressive approach for these activities. “De-banking” approach was used by the Lebanese banks on these sectors [...] their activities become “de-banked” in Lebanon.</i>

In sum, a new response to the pressure of the US regulations has emerged in the Lebanese banking sector. In their way to conformity with the US requirements, we’ve seen that the Lebanese banks adopted “overcompliance” as part of their acquiescence strategic responses and went beyond what was required by the text of the law. Overcompliance then led to the birth of a new tactic of “de-risking” where Lebanese banks cut off relationships with customers and businesses perceived as high risk and which could affect their relations with their US counterparts. While Oliver (1991) pointed out to “escape” as tactic of the “avoidance” strategic response to institutional pressures where organizations exit a field or alter their goals and activities to avoid adherence to institutional rules, my results revealed that, in contrary to Oliver’s definition of “escape”, Lebanese banks have not adopted de-risking to escape conformity with US regulations, but to strictly comply with them and sometimes to go beyond these requirements.

**4.3.3.5. “Lobbying” with the US Regulators**

Oliver (1991) identified “Manipulation” as an active resistant strategic response to institutional pressure, along with three tactics of co-optation, influence, and control where organizations engage in controlling the pressures imposed on them. While co-optation is about neutralization of the institutional pressure, influence is a tactic adopted by organizations in an attempt to change public perception or governmental regulations to which they are compelled to comply.

Results revealed that the Lebanese banking sector did not engage in any active strategy of “manipulation”. Rather, analysis of data revealed that the Lebanese banking sector’s lobbying with the US regulators emerged as a strategic response after LCB. This strategy of visits to the US to discuss regulations and compliance matters was inexistent prior to LCB. During Period III, delegations of Lebanese bankers, members of the ABL, and Lebanese regulators, started to pay at least one yearly visit to the US to meet with officials of the US competent authorities.

The aim of these visits was to communicate with people from the US Department of Treasury, US Department of State, the Federal Reserve Bank of New York, the US Congress, the US correspondent banks, and others, and to put them in the picture of the measures taken by the Lebanese banking sector to comply with the US requirements. Those initiatives were applauded by the US authorities as the delegations “*received recognition for the efforts done by banks since the Lebanese Canadian bank case and was encouraged to follow with these efforts*” (ABL Annual Report, 2012). Also, the Central Bank of Lebanon encouraged the efforts undertaken by the Lebanese banking industry in this respect and praised the professionalism reflected throughout these visits, in addition to their importance for the banking sector and the country in general. The Central Bank stressed on the importance of recurrent and continuous communication with the US authorities.

Thus, developing ties with the US competent authorities served multiple purposes; they strengthened the position of the Lebanese banking sector, highlighted its role in the Lebanese landscape, and more importantly contributed to the enhancement of the sector’s legitimacy which was tarnished because of LCB incident. This has added comfort to the US correspondent banks in their dealings with their Lebanese counterparts, in particular the compliance measures adopted by the sector to adhere to the US demands, as those meetings “*stressed on the importance of the continuation of banks to abide by the rules of combatting money laundering adopted by the US banks due to the dollarization of the Lebanese economy and banking activities*” (ABL Annual Report, 2014).

As the pressure on the Lebanese banking sector intensified with the ratification of a US law against Hezbollah in 2015, “*a flurry of activity and travel to the United States in the opening months of 2016 by Lebanese government and banking officials indicates Lebanon’s mounting concern over the implementation of terrorism financing legislation by the United States, specifically the Hezbollah International Financing Prevention Act (HIFPA)*” (Executive Magazine, 2016). Lebanese delegations have been rushing to the US to assess the level of damage heading its way and to attempt to curb the impact of HIFPA on the Lebanese banking sector, as this law further pressured Lebanon’s financial industry and put a huge implementation burden on banks, and its impact was still opaque and yet to be tested on the ground.

Bad memories surfaced again with HIFPA and reminded the sector of the forced closure of LCB so Lebanese officials became “*more than a little concerned at the prospect of not just one bank as a victim but the entire sector*”, despite the US “*has been quick to point out that it is only Hezbollah that the Americans are interested in*” (Executive Magazine, 2016), and not the entire Lebanese banking sector.

With the objective of further tightening the source of funding of Hezbollah and curbing its financial network, the US levied in 2017-2018 the highest hard-hitting sanctions ever imposed on an organization that is considered “terrorist” by the United States. The US promulgated a new bill which amended the HIFPA of 2015. The new bill, known as HIFPA II, is much harsher than the one of 2015 and aims to impose sanctions on foreign persons, agencies of foreign governments, and financial institutions, that provide assistance, support, or fund raising to Hezbollah. The Governor of the Central Bank of Lebanon said that “*he would head a delegation to Washington to mitigate the effects of the expected sanctions and prevent shockwaves through the country’s financial service sector*” (The Daily Star, 2017).

In view of this coercive pressure, Lebanese bankers and officials have been shuttling between Beirut and Washington to meet with key US policymakers, especially with those executives involved in the drafting of HIFPA II, and to “*convince the US Congress of the counterproductive effect of the new sanctions*” (Le Commerce du Levant, 2017). The delegation to the US aimed “*to isolate the Lebanese economy from the negative repercussions of the new legislations, on one hand, and to fortify the banking sector against the possible complications that may result from the new legal formulations*” (ABL Annual Report, 2017).

During the communication with the US competent authorities, the delegation expressed its observations on the proposed US law and on the negative impact which might ensue on the Lebanese banking sector, and “*insisted that the current legislation in force is sufficient, thus eliminating the need for any new provisions that may leave inappropriate interpretations*” (Executive Magazine, 2017), especially that the Lebanese banks “*succeeded in applying the compliance rules through the mechanism developed by the BDL and accepted by the international authorities, including the US Treasury*” (ABL Annual Report, 2017). Additional quotes from archival data supporting this tactic can be found in Appendix 21.

In addition, participants to interviews expressed their opinion about “lobbying” and considered this tactic as crucial and efficient in the face of the US pressure. Yet, lobbying with the US regulators was not intended to exercise power over an influential institutional actor, but to solicit the opinion, views, and directives of the US competent authorities, and to show commitment of the sector to conformity to the US demands.

Interviewees questioned the ability of lobbyists to introduce major changes to the US regulations or to influence the decision-makers in the US, although they argued that this tactic could ease the severity of these regulations and their impact on the banking industry. As put by a Head of Compliance, “*the lobbying is not able to stop the sanctions or change the nuclear deal with Iran, or to stop HIFPA, or to stop Iranian sanction. We do not have this power*” (Interview, HoC, February 21, 2019). The below verbatims from interviewees highlight their views about lobbying with the US regulators, the objectives of this strategic response, along with the outcome of ongoing and open dialogue with the US.

Interviewee	Interview Date	Quotes
HoC	December 19, 2018	<i>BDL and ABL and even some chairmen of the board of directors are in contact through periodic visits to Washington and meeting with a number of officials at all levels and the US Treasury Department in order to see their directives, opinions, and views regarding Lebanese banks compliance with US sanctions programs and relevant US regulations.</i>
HoC	February 21, 2019	<i>When it comes to HIFPA, the lobbying was able to introduce some changes on the first draft. But strategically, the objective of the US regulations to attack Hezbollah and Iran remains unchanged. We don't have a strong lobbying to stop the issuance of a law on Hezbollah. Rather, the lobbying could amend some details that would hurt the banking sector. Hence, our connection with the US is heard because they trust us, and they know the banking sector in Lebanon. We are telling them that we want to cooperate with you, and we want to be transparent with you. However, the point you are asking for would not lead to your objectives and would instead hurt the Lebanese banking sector.</i>
GM	February 20, 2019	<i>We wrote the recommendation, they took in HIFPA 1 a big part of our recommendations, and in HIFPA 2 they took less of our recommendations compared to HIFPA 1, but very critical. [...] You had to convince the house and the Senate. It was not easy at all, and all the amendments which we incorporated was to the benefit of Lebanon as a whole.</i>

Interviewee	Interview Date	Quotes
HoC	February 23, 2019	<i>As long as there is dialogue, we can agree not to agree, but at least there is dialogue, communication, and discussion. [...] The measures taken by the Lebanese banking sector to intensify these visits to the US, and the discussion that is taken place, these are corrective discussions with the objective of rectifying things in case they are not correct first, and second to put procedures or amending them or updating them. [...] We are going there to learn what is lacking in order to correct these lacks and be at a perfect compliance level.</i>
ABL Senior Manager	February 28, 2019	<i>We worked on this issue to have a normal relationship with the US correspondent banks in New York similar to the relationship with any banking sector relationship with the US. I believe that the challenge is to maintain this relationship, and this cannot be done by words only. Furthermore, even with the presence of the Hezbollah threat, we were able to continue our relationship with the US Correspondent, the US Treasury and the US Congress because we deliver, because we always walk our talks.</i>
Regulator	March 4, 2019	<i>You should put this under compliance commitment. When there is senior political commitment which is doing what is required, they are going a long way reaching out to the one issuing the sanctions to talk to him and understand more how to be compliant because we don't want headache. So, they are going a long way to be compliant. It is not lobbying as much as they are trying to understand more the requirements and meet those requirements. They like it in the US. They see that people are coming to them to understand more. It shows good intention and good faith.</i>
Board Member	March 12, 2019	<i>Lobbying is a very good strategy. Definitely it derived positive results and I think the sanctions or the pressure on Lebanon could be higher should we had no lobbying. I have a very strong feeling that lobbying is efficient. It succeeded to a certain extent to amend some of the provisions of the law against Hezbollah. It is a success, no matter how you look at it.</i>
Board Member	March 14, 2019	<i>I think this is "Salutary". If we did not do this, we would end up in a bad situation. The credibility of this sector and the credibility of managers and their quality, their intellectual level and their certificates and their personalities and the structure that banks were able to create quickly have imposed a certain type of credibility. [...] This strategy is "salutary" and it is behind our survival until nowadays. The intelligence and the credibility of our people as well as the agility of the sector are behind our survival. We have a professional credibility. Otherwise, we are a bankrupt country at the level of country's economy.</i>

Interviewee	Interview Date	Quotes
HoC	March 25, 2019	<i>From the experience that Lebanese Banks went through, they gained some kind of immunity to absorb the new challenges amongst which are the US sanctions, now we have the political lobbying which we have in Lebanon, we are able to go to the US and send delegations and to trigger lobbying over there to minimize the impact, we cannot resist the US Sanctions but we can minimize its impact and to protect these banks. [...] Now how much beneficial it is beneficial, how much essential it is essential, how much it can change is something relative, in some places you can do lobbying and change and in other places you cannot, in my opinion there should be some kind of keeping-up between changing here, complying and adjusting your laws in a way that when the lobbyists go to the US to show them that we are acting.</i>
GM	March 25, 2019	<i>Lobbying surely is helping, it allows them to understand you in a better way, and this is right, after we started to meet them, they gained a greater understanding of the Lebanese Banks situation and we gained a greater perception on the way they think. So, communication doesn't cause harm. The problem is, we need to understand that, I don't think that we are able to change the essence of decisions, we can rotate the corners, extend the periods, or amend some non-essential or non-crucial matters.</i>
HoC	March 28, 2019	<i>Lobbying at least will make them understand who we are, we have systems, proper governance in place, with laws and regulations, we try as a country to abide to the best of our knowledge [...]. The other thing is lobbying is trying to minimize the political impact of HIFPA, to serve certain international or foreign policy/agenda, that is the reality of the Lebanese, or using the Lebanese Financial Sectors by different players, so definitely because of this, we get heard, they can understand, they can see different views, they can see more and more that we are trying our best to comply and protect the Lebanese economy.</i>
HoC	January 3, 2019	<i>In my opinion, going to the US is not going to change the perception of the US about Lebanon. Going to the US is to create a chemistry between banks and correspondent banks, and the impression that the correspondent bank takes when they talk to compliance officers rather than emails, they interact, he can explain more, however this is not what is going to let Americans change their perception of the sector's legitimacy.</i>
GM	April 2, 2019	<i>The Association of Banks, performs one or two, but in general once per year a visit to the United States where they meet with the House, Senate, Treasury Department, Department of State, FinCEN and all the authorities in the US to explain and check their feedback, and if they are sensitive to any issue [...]. Lobbying so far succeeded to avoid Lebanon from being blacklisted [...]. Now, to what extent we can succeed in pushing them to change their approach, I think this is a strategic decision, it's purely American.</i>

Interviewee	Interview Date	Quotes
Regulator	April 12, 2019	<i>In my opinion, it is very efficient. How much were they able to change it, maybe it was minimal, but being there, discussing these issues with the foreign lawmakers is essential, you need these people to listen to your story. Now he believes you or not, he accepts to amend something for you or not, it's pure politics [...]. So, you have to use the proper method, and today when he sees that there is transparency, the dialogue is open and the treasury has comfort, it helps a lot, so lobbying is very important.</i>
GM	February 15, 2019	<i>It is an excellent strategy policy, because you need also to interact with people there, so that they can know you, and it makes a difference when you sit with others and meet with them, and talk to them, so it affects, we're humans [...]. The strategy of lobbying is essential and fruitful for banks and it is giving good results so far.</i>
GM	June 13, 2019	<i>This at least brought awareness by these correspondence, regulators and legislators. on what level is doing? Talk their language, in terms of systems, in terms of intent, in terms of process, in terms of compliance, compliance to compliance, gives comfort to people, or awareness, (I don't want to say comfort), gives knowledge, right? So, the decisions can be significantly improved or at least at a minimum not detrimentally to what they have been without it. Certainly, it would have prevented further actions because of awareness.</i>
HoC	February 11, 2019	<i>Combined group lobbying is important, requested and definite. Concerning the second part of your question, yes indeed, lobbying has left positive result. For example, what happened in the first draft of HIFPA Law issued in 2015 to stop financing Hezbollah, it was said that some amendments were introduced to the law and some provisions have been refined.</i>

In sum, “lobbying” and open communication with the US regulators have proven to be viable strategic response in face of the pressure of US regulations. This emerging tactic which was salient during Period III succeeded to make lawmakers and decision-makers in the US listening to the Lebanese perspectives, to persuade the US in balancing its tough regulations with the need to preserve the stability of the Lebanese banking sector, and have been successful in “limiting the fallout of US sanctions on Lebanese banks” as stated by an analyst at Moody’s rating agency (The Daily Star, 2017). Also, as confirmed by a member of the Lebanese parliament who led a political delegation to Washington, HIFPA law has been “definitely toned down compared to the one we saw when we were there, so obviously our arguments have been taken into consideration” (The Daily Star, 2017), and the final version took into account the worries of Lebanese banks (The Daily Star, 2018).

As revealed by data, the aim of the sector's lobbying was not to exercise power over the US competent authorities, and did not have anyway the ability to do so, but to attempt to co-opt some of the US pressures and to ease their impact on the banking sector.

#### **4.3.3.6. Non-Resistant Strategic Responses**

Data revealed that the Lebanese banking sector was unable to adopt any resistant strategy to face the US pressure. The strategic responses of “compromise”, “avoidance”, “defiance”, and “manipulation” were not salient during Period III, nor their relevant tactics. Asked whether banks can engage in a strategy of “concealment” their non-conformity to the US regulations or whether they can adopt an aggressive strategy by ignoring them, participants confirmed that this is not possible in the Lebanese context due to severe consequences. The following wordings used by interviewees corroborated the inability of the sector to engage in this kind of strategic responses:

*“no bank dares anymore to follow this concealing policy”, “I doubt that any bank would still taking this issue lightly”, “It becomes undoable after the LCB case to take things lightly”, “I would say that the word concealment which I know very well as a man of law does not apply to the Lebanese reality”, “I exclude the word Concealment as a trend from the Lebanese Banking Sector dictionary”, “it is against our culture, it is against our commitment, it is against our interest”, “the bank has no interest to do concealment”, “this would be a suicidal decision to the Bank”, “there is no single bank that dares to do so”, “no one would want to play this game”, “if they conceal, they have to pay for it very dearly”, “no one shoots himself in the foot. The odds defy all logics. No one works against his interest”, “we cannot conceal; we do not have a strong country, no safe ground, and no financial or economic resilience”, “I don’t think it is wise for any bank to hide its non-compliance”, “willingly, definitely not”, “what’s the advantage of a bank to involve into those activities”, “banks were keen not to take this step”, “Impossible, it’s not a matter of choice”, “they will be hardly penalized, so I don’t think that someone will act in this manner”, “I think everybody measures the seriousness of the situation, and nobody would do it willingly, it’s not worth it”, “I don’t think anybody will willingly do it, the price is too high”, “I believe and strongly believe that banks will not take the risk of doing such an action”, “I doubt someone has a concealing strategy”, “I don’t think that Lebanese banks could use these tricks”, “Definitely not. Lebanese banks cannot adopt aggressive strategy”, “I think banks have nil room for maneuver”, “we cannot afford it at all”.*

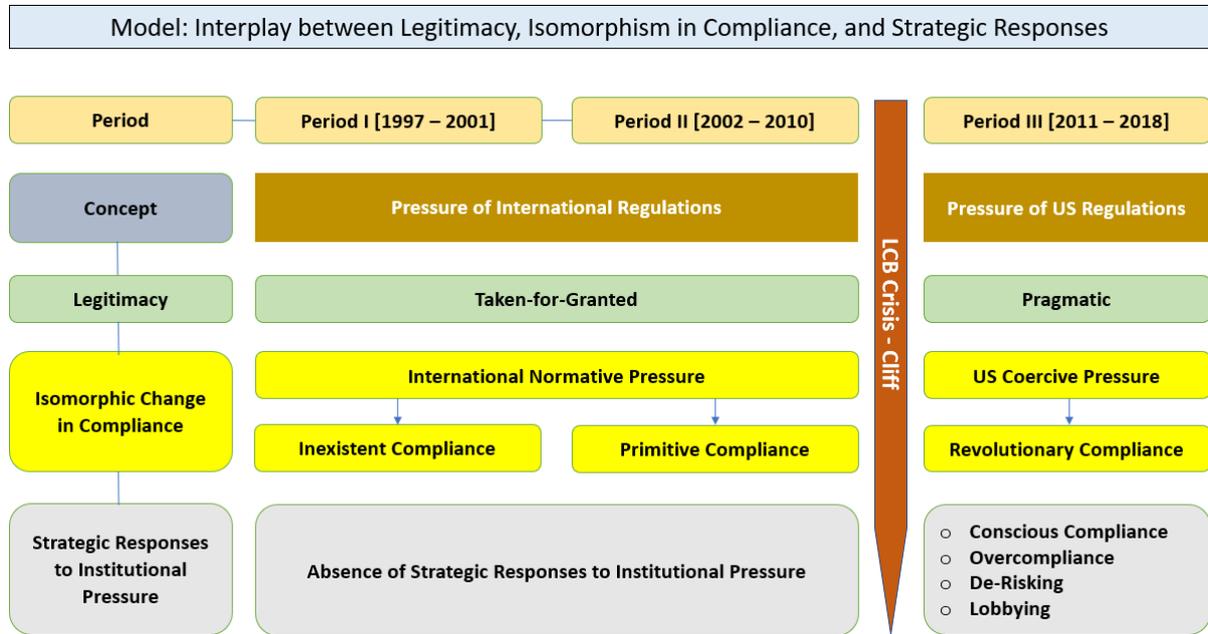
#### 4.3.3.7. Summary

The Lebanese banking sector choice of strategic responses was limited and constrained by the exogenous pressure of the US, where it had to be responsive to the US requirements in order to maintain its legitimacy and increase its likelihood of survival. The sector became interest-driven in its choice of strategic responses, not because of any direct benefit, material outcome, or organizational efficiency, but merely because it was seeking a legitimacy which was questioned at a certain point in time and therefore, it had to be responsive to the demands and expectations of a major institutional actor to defend its legitimacy. Thus, it was very much less inclined to adopt any resistance strategy. In contrary, the sector opted for more than passive strategic responses, to the extent of engagement in “overcompliance” and “de-risking” tactics to decrease the vulnerability to questioning in its quest for legitimacy.

Also, the Lebanese banking industry had no ability to maintain autonomy when it comes to compliance with the US regulations and had no room for maneuver in controlling the environment in which it is situated. This is in line with the institutional theory which deemphasized the ability of organizations to resist external demands, in particular those imposed by an influential institutional constituent. Thus, my results defied Oliver’s (1991) resistant strategic responses in the Lebanese context, in particular “compromise”, “avoidance”, “defiance”, and “manipulation”, along with their respective tactics. However, results have shown support for a specific tactic of the “acquiescence” strategic response – “Conscious Compliance” – after a cliff in the sector’s legitimacy during Period III, where the Lebanese banking sector has consciously conformed to the US demands rather than blindly, in order to safeguard its interests. In addition, results have revealed the salience of three new tactics after LCB crisis; “overcompliance” where banks went beyond what is required by the US regulations for various interrelated reasons which range from satisfaction of the US regulator, fear of sanctions, ambiguous regulations, to interest-seeking, “de-risking” where Lebanese banks cut off relationships with customers and businesses perceived as high risk and which could affect their relations with their US counterparts, yet in contrary to the “escape” tactic of Oliver (1991), they had not adopted de-risking to escape conformity with US regulations, but to strictly comply with them and sometimes to go beyond these requirements, and “lobbying” where banks engaged in open dialogue with the US competent authorities in order to defend their legitimacy.

#### 4.4. RESULTS SUMMARY

**Figure 11:** Interplay between Legitimacy, Isomorphism, and Strategic Responses



As shown in the above figure, my results reveal horizontal and vertical interplay between the three main themes of this research: Legitimacy, Isomorphism, and Strategic Responses. Horizontally, the findings highlight the centrality of time in process studies whose focus is on evolving phenomena and on how and why things emerge and develop over time (Langley et al., 2013). This study shows how legitimacy has evolved in the Lebanese banking sector over the three temporal brackets Period I (1997 – 2001), Period II (2002 – 2010), and Period III (2011 – 2018) where it appears to be dynamic and could take different dimensions depending on critical events which unfold over time. Results about legitimacy in this study have shown that it was cognitive or taken-for-granted during the first two temporal brackets due to low challenges of US regulations. So, the sector had not witnessed major challenges and got unchallenging media attention; rather, it was perceived as indispensable, and its legitimacy has never been questioned during this period. Then, legitimacy became pragmatic and interest-driven during Period III following a cliff in its perception resulting from stigmatization of the LCB legitimacy and the subsequent mounting pressure of the US regulations where the sector had to react to the US pressures to safeguard its interests in exchange of a legitimacy that is conferred by a foreign regulator.

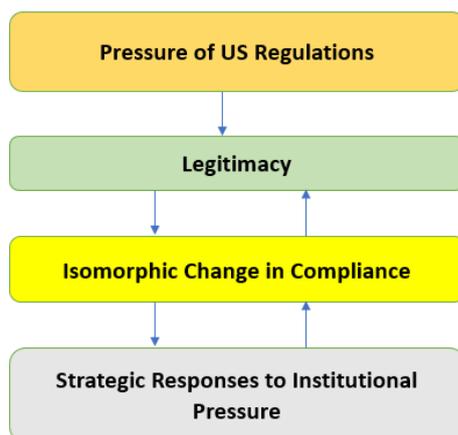
Also, horizontally, results reveal the influence of the US regulations on the compliance functions of banks. During Period I and II, the Lebanese banking sector was under normative pressure deriving from international bodies. However, this pressure had minor impact on the compliance functions which remained primitive and under-developed during the first two temporal brackets. Yet, it was until the beginning of Period III, with the collapse of the LCB and in the subsequent years that the banking industry witnessed a serious influence on the compliance functions because of the coercive pressure of the US regulations. This pressure led to isomorphic change in compliance which became institutionalized, homogenous, and revolutionary. Also, the findings show the influence of the US regulations on the motivations for compliance. In addition to the coercive pressure, results reveal that the motivations for compliance were also driven by the need for a US resource – the US currency – in order for banks to transact on the international level, by fear of being de-risked from the US financial system, and by the risk of being sanctioned by the US in case of violations of its laws and regulations. These results were salient starting Period III, versus absence of these motivations during Period I and II. However, in their way to conformity, banks have faced during Period III challenges related to the increased compliance cost, in addition to facing challenges related to ambiguous US regulations and conflicting demands in a complex institutional environment where they had to conform to the US laws and regulations and to the ones of their domestic country.

Finally, my findings defy Oliver's (1991) resistant strategic responses and show that the Lebanese banking sector choice of strategic responses was limited and constrained by the exogenous pressure of the US. The sector had no room for maneuver; rather, it had to be responsive to the US requirements in order to maintain its legitimacy and increase its likelihood of survival. Thus, it was very much less inclined to engage in any resistance strategy. Also, results show that the sector became interest-driven in its choice of strategic responses, where it had consciously conformed to the US demands in order to safeguard its interests. In addition, results highlight the salience of three new tactics in the Lebanese context during Period III; “overcompliance” where banks went beyond what is required by the US regulations, “de-risking” where they discontinued relationships with customers and businesses perceived as high risk, and “lobbying” where banks engaged in open dialogue with the US competent authorities in order to defend their legitimacy.

Vertically, results reveal the interplay between the three main themes. If I take a top-down approach, they show that when the legitimacy of the Lebanese banking sector has been challenged because of the fierce US regulations, the sector had to adopt a legitimacy-seeking behavior through the compliance functions of banks which diffused across the banking industry in order to defend its legitimacy. Thus, the questioned legitimacy led to isomorphic change in compliance and to the adoption of new strategic responses in the face of the US institutional pressure. In other terms, the stigmatization of a Lebanese bank legitimacy affected the entire sector and made a taken-for-granted legitimacy a pragmatic one, and obliged banks to defend it through their compliance functions which became isomorphic because of the US coercive pressure. In addition, in its quest for legitimacy, the sector had to engage in non-resistant strategic responses by adopting proprietary ones in the Lebanese context, and which can respond to the mounting pressure.

Taken from a bottom-up approach, results show that the strategic responses adopted by the Lebanese banking sector to face the US pressure, along with the compliance measures adopted by banks in this respect, enhance the sector's legitimacy. Thus, "vertical" results confirm the link between legitimacy, isomorphism, and strategic responses as shown in the below figure. This interplay is revisited in further details in the "Discussion" part.

**Figure 12:** Link between Legitimacy, Isomorphism, and Strategic Responses



## 5. CHAPTER FIVE : DISCUSSION

The purpose of this part is to interpret my findings in light of what was already known about the research problem being studied, to describe any new insights that emerged as a result, and to explain how this research contributed to the reader's understanding of the research problem. Finally, the objective is to state how the findings from my study helped in filling-in the gaps encountered in the literature, in addition to the major contributions to the theory and practice.

This research postulated that the Lebanese banking sector is on continuous quest for the legitimacy of the US regulator on which it is dependent to survive and might encounter problems along the way to maintain it. So, the aim of my study was to explore how the US regulations affect the perception of the Lebanese banking sector legitimacy and how legitimacy has evolved over time in the Lebanese context. In addition, the objective was to investigate how the compliance functions of banks have been influenced by the US regulations and the ways in which Lebanese banks use their compliance activities to engage in legitimacy-seeking behavior, along with the strategic responses adopted by the Lebanese banking sector to respond to the challenges of its legitimacy.

In order to achieve the above objectives, I came up with answers to the below central question and the two sub-questions:

- How the US regulations affect the perception of the Lebanese banking sector legitimacy?
- How the Compliance functions of Lebanese banks have been influenced by the pressures of US regulations?
- What are the strategic responses adopted by the Lebanese banking sector to maintain its legitimacy in view of the pressures of the US regulations?

Below, I first reiterate my research problem, methodology, and findings. Second, I discuss my findings that are revealed during this research in light of the mobilized theoretical framework. Third, I highlight the research contributions to the literature, theory, and practice. Finally, I address the limitations of this study and implications for future research.

## **5.1. REITERATION OF THE RESEARCH PROBLEM, METHODOLOGY, AND FINDINGS**

The Lebanese banking sector demonstrated over the years its ability to serve as a model of stability and as a pillar of the country's economy and society despite all challenges. However, the sector has faced increased institutional pressures deriving from international regulations. The most critical exogenous pressures are those exercised by a key institutional actor – the United States, and are of particular importance for the Lebanese banking sector to comply with because of the country's dollarized economy, because Lebanese banks maintain correspondent relationships with their US counterparts in order to transact on the international level, and because of the “exorbitant privilege” of the US to enforce compliance with its regulations beyond its borders.

The consequences of non-compliance with the US regulations could be disastrous and may expose violating banks to reputational damage, financial penalties, and ban from access to the US financial system. This may also affect the sector's legitimacy which could be questioned or even stigmatized in case of violation. Given the increased challenges of the US regulations, Lebanese banks continuously seek a legitimacy that is conferred by the US, especially after the collapse of the Lebanese Canadian Bank which was shut down overnight due to violation of US regulations. Lebanese banks, being part of the international financial community, are struggling to maintain their legitimacy vis-à-vis the US regulator.

In addition, the pressure exercised by the US regulations has had impact on the compliance activities of banks which have evolved over time to cope with the requirements of the US regulations. However, conforming to a sheer number of regulations is not always an easy and straightforward task for banks, especially where laws and regulations provisions differ from one country to another, not to mention conflicting requirements in some instances. Thus, compliance functions faced mounting challenges in the way to conformity to the US demands. Their role has always been a challenging responsibility, but with the increased uncertainty of today's global political order and its potential impact on the regulatory environment, it has never been so demanding, especially that banks can do little to influence the external environment. Thus, compliance functions became the major player in helping banks maintaining their external legitimacy.

On the other hand, when faced with institutional pressure, organizations in general adopt various strategies to maintain their legitimacy, which vary from passive conformity to proactive manipulation (Oliver, 1991). Organizations could passively conform to isomorphic pressures arising from external institutions (DiMaggio & Powell, 1983), by conforming to the three external institutional pressures (coercive, normative, and mimetic) identified by DiMaggio & Powell (1983). Or, organizations could proactively engage in managing these institutional pressures by adopting certain legitimacy-seeking strategies (Oliver, 1991; Ashforth & Gibbs, 1990; Suchman, 1995).

Given the above research problem, I've first mobilized "legitimacy", being a major concept of the neo institutional theory, in order to explore how the US regulations have affected the perception of the Lebanese banking sector's legitimacy. Second, I've examined the US regulations in the sociological view of three mechanisms of institutional isomorphic change: normative, mimetic, and coercive, seeking to understand how these regulations have influenced the compliance functions of banks. Finally, I've drawn on the five possible strategic responses identified by Oliver (1991) and their relevant tactics for the purpose of exploring how the Lebanese banking sector reacted to the institutional pressure, and for evaluating as well the legitimacy-seeking behavior adopted by the sector while facing the US pressure.

As for the method used to investigate the above, I followed a retrospective and processual longitudinal design; retrospective longitudinal where time was very important to take into consideration, and processual because I addressed a "*sequence of events that describes how things change over time*" (Van de Ven, 1992: 169). Thus, this study relied on collection and content analysis of extensive archival data from 1997 to 2018, in addition to collection and analysis of data from 28 participants through semi-structured interviews.

So, the first objective of this study was to explore how the US regulations affect the perception of the Lebanese banking sector legitimacy. Results extracted from the analysis of both archival data and interviews revealed how this perception has evolved over the period under study which was divided into three temporal brackets: Period I (1997 – 2001), Period II (2002 – 2010), and Period III (2011 – 2018), and how legitimacy has passed from a "cognitive" or taken-for-granted status in Period I and II to a "pragmatic" one during Period III following a "cliff" which was due to the collapse of the LCB.

The sector did not witness serious challenges stemming from the US regulations during the first two temporal brackets, and therefore, it was perceived as appropriate, largely accepted, inevitable, indispensable, pillar of the economy, and crucial for the society. Its legitimacy was not questioned because of the US regulations and it got unchallenging media attention with respect to pressures of US regulations. However, the findings have shown that this perception has been challenged at the start of Period III with the collapse of the LCB whose legitimacy has been stigmatized because of violation of US regulations. This stigmatization of LCB legitimacy led to a “cliff” in the sector’s legitimacy. The latter was no more beyond any reproach. Rather, the perception of legitimacy has passed to a “pragmatic” one where the sector had to react to the US pressures to safeguard its interests in exchange of the legitimacy that is conferred by a foreign regulator – the US.

The second objective of my research was to understand how the US regulations have influenced the compliance functions of Lebanese banks. I referred to the institutional theory and examined the relevance of the institutional pressures imposed by a foreign regulator on the Lebanese banking sector in the development of the Compliance Function in banks. Results emphasized on the isomorphic behavior of banks where the coercive isomorphism seemed to be dominant in shaping the Compliance functions which have been influenced by the pressure of US regulations. In fact, the Lebanese banking sector has witnessed the diffusion of a new practice – Compliance – which has emerged and became institutionalized in banks because of the pressure of a major institutional actor – the US regulator, in particular after the collapse of the LCB at the beginning of Period III and throughout this period. The compliance function, which was inexistent in banks during Period I, whose role was primitive in Period II, became revolutionary in Period III and a vital mean for defending and maintaining the sector’s legitimacy. In addition, results have shown the influence of the US regulations on the motivations of the Lebanese banks for compliance, along with the challenges they faced when they tended to conform and maintain their legitimacy. These motivations were driven by the Lebanese heavily dollarized economy, the fear of de-risking, and the fear of sanctions. However, while conforming to the US requirements, Lebanese banks have faced challenges during Period III related to the cost of their compliance activities, in addition to challenges related to ambiguity of regulations and conflicting demands.

Finally, my research aimed to exploring how the Lebanese banking sector reacted to the institutional pressure, by drawing on Oliver's (1991) conceptual framework to specifically explore the sector's responsiveness to the institutional pressures exerted by a major institutional actor, along with the strategies and tactics to maintain the sector's legitimacy. Results revealed that the sector's choice of strategic responses was limited and constrained by the exogenous pressure of the US, where it had to be responsive to the US requirements in order to maintain its legitimacy and increase its likelihood of survival. Thus, it was very much less inclined to adopt any resistance strategy. In contrary, the sector opted for more than passive strategic responses, to the extent of engagement in "overcompliance" and "de-risking" tactics to decrease the vulnerability to questioning in its quest for legitimacy. These two tactics emerged then as new ones in the Lebanese context. Also, results have shown support for a specific tactic of the "acquiescence" strategic response – "Conscious Compliance" – after a cliff in the sector's legitimacy during Period III, and the salience of "lobbying" with the US regulators as a new tactic for defending legitimacy.

## **5.2. CONTRIBUTIONS**

The results extracted out of this study bring new insights at the level of the literature, theory, and practice. This research contributes then to the literature related to legitimacy in the banking industry, compliance, strategic responses to institutional pressure, and motivations for compliance, by filling-in some gaps in the literature which appeared to be very scarce in banking. Also, this study has contributions for the mobilized theoretical framework, in particular for two core concepts of the neo institutional theory, legitimacy and isomorphism, as well as to Oliver's (1991) conceptual framework of strategic responses. Finally, this study shares in managerial contributions especially for those working or interested in the banking industry, more specifically with topics related to legitimacy of banks, compliance with regulations, and pressure of the US regulations.

### **5.2.1. Contribution to the Literature and Theory**

This study contributes to the theory and literature about the neo institutional theory in the banking industry, in particular to two of its core concepts, legitimacy and isomorphism, which were revealed to be very scarce in the literature related to banking versus extant literature in other fields.

While the theory constituted a shift toward viewing institutions as collective cognitions and processes that occur across “organizational fields” rather than individual organizations, and contributed to the understanding of the behavior of organizations when they are influenced by other organizations and by social forces, it still lacks an understanding of “agency” and the purposive role of actors in explaining how legitimacy is socially constructed and does not tell us how organizations engage in various proactive strategies to respond to institutional pressures in order to maintain their legitimacy.

As this research aimed to exploring the perception of Lebanese banking sector legitimacy in light of the exogenous pressure of the US regulations along with the strategic responses adopted by these banks to maintain their legitimacy vis-à-vis a major institutional constituent – the US regulator, the literature does not address how banks respond to challenges of their legitimacy when confronted with pressures of a foreign regulator. This gap in the literature has been studied in the Lebanese context through an institutional lens, and answers have been provided on how banks continue to survive and maintain their legitimacy in view of the heightened pressures.

In fact, the literature review on legitimacy had demonstrated its importance for the survival of organizations and how the latter require social acceptability and credibility rather than material resources and technical information in order to maintain their legitimacy and continue to survive. It has consequences on organizations, and it captures an important element of an organization’s access to resources and survival in an institutional environment. Also, the literature has shown that organizations seek endorsement and legitimacy from various constituents, but certain sources may have a larger impact than others. However, legitimacy in the banking industry remains very scarce in the literature where most of the researches are concentrated on how banks engage in corporate social responsibility activities to maintain their legitimacy.

While legitimacy has been studied in various sectors, including banking, most of the empirical studies however which address the legitimacy of banks have been concentrated on corporate social responsibility and its role in the legitimation process. For instance, Branco & Rodrigues (2006) examined the disclosure of social responsibility information by Portuguese banks, and their results suggested that that better-known banks have more reason to justify their existence to society by using social responsibility disclosure, and therefore to maintain legitimacy.

Nilsen (2010) examined how the banking sector use corporate social responsibility to repair legitimacy and reputation and Bartlett (2005) investigated how four Australian banks responded to legitimacy concerns through social responsibility reporting. Shen, Wu, Chen, & Fang (2016) argued that banks that engage in corporate social responsibility activities improve their financial performance, whereas Margolis, Elfenbein & Walsh (2007) found out that 27% of corporate social responsibility activities have a positive effect on performance of organizations, 2% has a negative effect, and 58% has a non-significant effect.

Also, Deephouse (1996) tested a central proposition of the institutional theory, isomorphism-legitimacy link, in a population of commercial banks in the US and found out that the sources of legitimacy may differ by type of audience. He demonstrated how legitimacy is operationally defined using regulators and the media as sources. He highlighted that legitimacy matters because it enhances strategic choice in the context of banks when he argued that regulatory sanctions restricted the ability of banks to make certain types of loans. He finally found a positive correlation between strategic isomorphism and legitimacy and concluded that organizational isomorphism increases organizational legitimacy. Deephouse & Carter (2005) empirically examined the financial, regulatory, and public dimensions of legitimacy and reputation in a population of US commercial banks. They again demonstrated that isomorphism improves legitimacy, but its effects on reputation depend on the bank's reputation, and that higher financial performance increases reputation, however, it does not increase the legitimacy of high performing banks.

However, researches on legitimacy did not examine how a foreign regulator could influence the perception of legitimacy in the banking sector of a different country and how the dimensions of legitimacy vary following a crisis. No previous studies revealed how a banking sector seeks to maintain its legitimacy vis-à-vis a foreign and powerful institutional constituent on which it is dependent to survive and continue business.

This study also contributes to the literature related to the strategic responses adopted by organizations when confronted with institutional pressures. The literature on strategic responses highlights that organizations are no more seen as cultural dopes. Rather, they actively engage in influencing the institutional environment in which they are embedded. Many researchers have tested Oliver's (1991) typology in various fields.

For instance, Clemens & Douglas (2005) evaluated Oliver's framework in the steel industry and found out that organizations that cooperated with each other in this field were less inclined to engage in resistance strategies. In the hospital industry, Heese, Krishnan, & Moers (2016) argued that decoupling occurs within regulatory agencies which face pressures to decouple from the policies they set for enforcement and that organizations respond to institutional pressures by decoupling policies from actual practice. Wijethilake, Munir, & Appuhami (2017) examined the role of management control systems in strategically responding to institutional pressures for sustainability in a multinational manufacturing organization. In the context of banking, drawing on the institutional theory and Oliver's framework, Munir, Perera, & Baird (2011) examined the factors leading banks to change their performance measurement systems, and found out that banks respond through active resistance to the environmental factors which affect their functioning, rather than passively conform to these pressures.

However, despite strategic responses to institutional pressures have gained attention in the literature, they remain scarce in the banking industry and little is known about how banks respond to the mounting pressures of various and conflicting regulations. This study addressed part of this gap by exploring the strategic responses adopted by the Lebanese banking sector when faced with pressure of a foreign regulator, and the extent to which Lebanese banks were in a position to influence the institutional environment and subsequently the US regulations that are subject to, and whether they had any room for maneuver.

With respect to "Compliance" literature, organizations are sometimes faced with nuanced, opaque, and complex regulations. These conflicting and ambiguous institutional demands lead to institutional complexity which in turn affects compliance. In the banking context, banks are subject to various laws and regulations with which they are required to comply. Failure to do so, banks might be subjected to financial or reputational loss and subsequently to questioning their legitimacy. Thus, banks could engage in a legitimation process by strengthening their compliance programs to maintain their legitimacy or could decouple their compliance activities by creating a legitimacy façade to give the impression that they are compliant and legitimate. Oliver (1991) repertoire of strategic responses to institutional processes has been focused on the willingness and ability of organizations to respond to external demands.

Yet, prior researches, with few exceptions, did not address the internal mechanisms such as compliance programs adopted by organizations to respond to exogenous requirements, and how compliance functions diffuse and become institutionalized in the banking industry in order to defend legitimacy. This void in the literature has been addressed during this study in the banking industry where compliance functions have emerged and evolved over time to accompany the heightened requirements of international laws and regulations, in particular US ones.

In addition, this research contributes to the literature related to organizations' motivations for compliance, which is debatable among both regulatory bodies and scholars of regulations and compliance. Fundamental questions arise of why and how organizations comply with laws and regulations, what are their motivations, and when they opt for strategies of resistance. Nielsen & Parker (2012) identified three different types of motivations to compliance: economic, social, and normative. Winter & May (2001) identified calculated, social, and normative motivations. Also, the literature tells us that motivations could be because of the fear of sanctions, or because of the feeling of social pressure. In addition, motivations for compliance could be based on economic reasons, cost/benefit criteria, materiality, selfishness, business expansion, or profit maximization. Yet, what is not clear in the literature is how, in a dynamic and evolving financial sector landscape which continue to witness scandals due to violations of regulations, banks are motivated to comply and what are the main drivers for compliance. This void in the literature has been tackled in this research which highlighted novel motivations for compliance in the banking sector.

As this research mobilized two core concepts of the neo institutional theory, legitimacy and isomorphism, along with the strategic responses' conceptual framework of Oliver (1991), its contribution to the legitimacy concept was uncovered at the level of legitimacy dimensions and its variation. Suchman (1995) identified three different dimensions of organizational legitimacy: pragmatic, based on audience self-interest; moral, based on normative approval; and cognitive, based on comprehensibility and taken-for-grantedness. While many researchers studied each dimension separately, no one addressed the interplay between different dimensions.

This study shows that legitimacy is not static. Rather, it is dynamic and could pass from one status to another, from cognitive to pragmatic in this case, following a cliff in its perception due to legitimacy stigmatization of one organization which affects the legitimacy perception of a whole organizational field. In order to defend its legitimacy, the organizational field adopted a legitimacy-seeking behavior through its compliance functions. So, this study also contributes to the isomorphism concept by showing the diffusion of an organizational process – Compliance – in the organizational field because of the institutional pressure of a foreign regulator, not a domestic one. Thus, the coercive pressure of a foreign regulator led to isomorphic change in the compliance functions which became homogenous across the entire organizational field. Deephouse (1996) tested the linkage between legitimacy and isomorphism. However, his results supported the proposition that isomorphism in the strategies of commercial banks is linked to the legitimacy conferred by local regulator, not foreign one.

The below figure shows the interplay between legitimacy and the isomorphic change in compliance over time, how the dimensions of legitimacy have changed, and the diffusion of Compliance as a new process following a cliff in legitimacy.

**Figure 13:** Interplay between Legitimacy and Isomorphism



In addition, this research offers important contributions to the strategic responses adopted by organizations when faced with institutional pressure by enriching the traditional conceptual framework of Oliver (1991). While this study defies most of Oliver's (1991) repertoire of strategic responses, it adds relevant tactics of "conscious compliance", "overcompliance", "de-risking", and "lobbying" to the strategies of organizations facing exogenous pressures. Also, this study does not only confirm the emphasis of the neo institutional theory on organizational conformity to institutional processes at the expense of the role of agency in organizational adaptation to institutional environment (Powell & DiMaggio, 1991; Oliver, 1991), but also defies any resistance strategy or proactive manipulation to external demands. In addition, it offers valuable insights on the way organizations react to institutional processes by not only adopting passive conformity, but also by going beyond the exogenous requirements in order to maintain their legitimacy.

### **5.2.2. Managerial Contribution**

This research offers valuable insights at different fronts for practitioners in the banking industry, whether bankers, regulators, consultants, analysts, or others. These insights could be beneficial for both local and foreign stakeholders, although some are only proprietary for the Lebanese banking sector because the study was conducted in the Lebanese context. In order to enhance the managerial contribution, I engaged two EDBA students who are Lebanese bankers and knowledgeable about banking issues for the purpose of validating whether my contributions add value to their banking experience and knowledge.

First, this work sheds the light on financial crimes regulations which are a hot topic today in the financial community around the world including Lebanon. Violation of these regulations constitute a major threat for any bank because non-compliance could have severe consequences on violating banks and may put their continuity and survival at risk. In addition to the financial penalties that may be imposed on non-compliant banks and the damage to their reputation, a major threat called "de-risking" has emerged in the banking industry in the recent years. The risk of "de-risking" has been addressed at several instances throughout this study, whether at the level of correspondent banks terminating relationships with their counterparts or at the level of banks exiting relationships with customers perceived as high risk. In addition, this research revealed that "de-risking" adopted by the Lebanese banks became one of the strategic responses to maintain legitimacy in the face of institutional pressures.

Second, this research highlights the importance of the US regulations and their extraterritorial reach. These regulations have long-arm jurisdiction over foreign financial institutions and constitute a critical concern for the international financial community, including the Lebanese one, and make those institutions vulnerable to the extraterritorial reach of the US and the severe consequences of being in violation of regulations imposed by a major institutional constituent. This primarily stems from the “exorbitant privilege” of the US to enforce conformity with its regulations beyond its borders, and because of the power that the US currency enjoys being a predominant currency for international trade and finance. Also, the study provides some examples that occur on the international level where large and international non-US banks have been fined for violating US regulations. In addition, enforcement actions against these banks provide insights about the challenges facing compliance functions around the world on how to deal with foreign laws and regulations, and subsequently about the necessity of serious commitment by foreign banks to comply with US sanctions programs.

Third, this research offers extensive information about “compliance with regulations” in general, and about compliance with the US regulations in particular. It also highlights why the US regulations are important to comply with in the Lebanese context. This study then sheds the light on the importance of conformity to the US requirements in a country that is highly dollarized, and which depends on the US currency and the US correspondent banks in order to survive and continue business. It reveals how the compliance functions in the Lebanese banks have evolved over time to become “revolutionary” in view of the mounting pressures of the US regulations, after being inexistent or primitive at a certain point in time. A historical shift toward compliance functions and their independence within organizations has emerged and resulted in the development and the institutionalization of compliance as a core control function within organizations. The compliance function, which was viewed as a hindrance for business development, has diffused today across the banking industry and became one of the core functions for risk mitigation. This contribution is not only important for local bankers, but also for foreign ones, in particular for the US correspondent banks which maintain relationships with their Lebanese counterparts, so it opens valuable gateway for them to understanding how the Lebanese banking sector is reacting in the face of the US regulations.

Fourth, this work offers valuable insights for banking practitioners about the motivations for compliance which could vary under different circumstances. This issue is debatable among regulatory bodies, practitioners, and scholars of regulations and compliance where some believes that organizations comply with laws and regulations when they are threatened by severe sanctions, whereas some others consider that persuasion could better serve the objective of compliance. While a fundamental question arises of why and how organizations comply with laws and regulations and what are their motivations, this study reveals the salience of “dollarization”, “fear of de-risking”, and “fear of sanctions” as the main drivers for compliance with the US regulations.

Fifth, the sequences of events from 1997 to 2018 revealed in the first order findings may serve as a valuable reference for practitioners in the banking industry as they depict the evolution of international and US regulations and their impact on the Lebanese banking sector, and how the local regulations and the compliance functions in banks have accompanied the pressures derived from these regulations. Thus, the chronology of events which unfold over time is crucial for understanding how critical events, the mounting pressures of US regulations which are the most important to comply with due to their direct impact on the Lebanese banking sector, the evolvement of the Lebanese laws and regulations as a response to US pressures, and the collapse of the LCB, have affected the perception of legitimacy in the Lebanese banking sector.

Sixth, this study develops rich understanding for practitioners about the legitimacy of the Lebanese banking sector. It highlights that the legitimacy conferred by the domestic regulator to the Lebanese banks by virtue of the regulatory license granted to them to operate is not enough, and consequently the sector is in continuous quest for the legitimacy of an external and influential institutional actor, the US regulator. Although the sector is perceived as a pillar of the Lebanese economy and society, and its legitimacy was never questioned, the study reveals that the sector’s legitimacy is no more taken-for-granted, rather it becomes pragmatic after the heightened pressure of the US which led to stigmatization of a Lebanese bank’s legitimacy.

Seventh, this study enriches practitioners’ knowledge about the strategic responses that could be taken across banks to face the exogenous institutional pressure, which revealed to be less inclined in the Lebanese context to go for resistant ones when confronted with the coercive pressure of a major constituent.

In contrary to Oliver's (1991) proposed insights on the way organizations react to institutional processes which could vary from passive conformity to proactive manipulation, this study reveals that the Lebanese banking sector choice of strategic responses was limited and constrained by the exogenous pressure of the US, where it had to be responsive to the US requirements in order to maintain its legitimacy and increase its likelihood of survival. This contribution is important for bankers since it highlights that the Lebanese banking sector became interest-driven in its choice of strategic responses, not because of any direct benefit, material outcome, or organizational efficiency, but merely because it was seeking a legitimacy which was questioned at a certain point in time and therefore, it had to be responsive to the demands and expectations of a major institutional actor to defend its legitimacy.

Finally, this work draws special attention to the challenges that the Lebanese banking sector has faced over the years. It spotlights that despite the positive perception of the sector and its constructive role in the economy and the society, the sector has faced many challenges over the years: political, economic, technological, in addition to challenges of international regulations, in particular US ones, which have to do with anti-money laundering, counter-financing of terrorism, sanctions programs, and tax evasion. However, this study concludes that some challenges have more influence than others on the perception of the sector and have more impact on its legitimacy.

### **5.3. LIMITATIONS AND OPPORTUNITIES FOR FUTURE RESEARCHES**

The findings of this study have to be seen in light of some limitations. There may be some possible limitations related to the methodology, bias in the interviewees' perception, and generalization of its results. Although these limitations open the door for future researches which could address them, I believe that they do not affect my research findings which remain reliable and valid. Those limitations are discussed below.

#### **Methodological Limitations**

The paper utilizes a longitudinal retrospective design and undertakes a qualitative content analysis of archival data from 1997 to 2018. Time is very important to take into consideration because it is the only thing we cannot escape (Gehman et al., 2017).

Also, Langley et al. (2013) highlighted the centrality of time in process studies whose focus is on evolving phenomena and on how and why things emerge and develop over time. However, a limitation to retrospective studies in general and to this research as well is the difficulty of participants to remember past events when reconstructing their experiences.

Also, this study relies on collection of extensive archival data and interviews. Although I believe that the saturation has been achieved in the number of interviews, a limitation was encountered in the sampling where I could not reach out to two banks which are sanctioned by the US, although they were included in my initial sample. It could have been beneficial to collect the opinion of participants from these two banks on the subject especially that legitimacy is essential for survival of banks, and therefore it is important to know how these banks are still surviving despite being sanctioned, what are their adopted compliance strategies, and whether their perception of legitimacy has been affected by the US regulations. This limitation was probably due to the criticality of the topic and therefore to the inability of participants from these two banks to freely talk about their perception of the Lebanese banking sector legitimacy and their compliance activities. However, although access to these two banks could have generated additional insights, I believe that my findings remain reliable and valid.

### **Bias of Interviewees**

One of the objectives of this research is to obtain interviewees' perception about legitimacy, compliance, and strategic responses to the pressure of the US regulations. While collecting this data through semi-structured interviews, there is a risk of participants' bias when expressing their opinions for two reasons: first because the mobilized topics are critical especially when it comes to talking about the US regulations where interviewees are somehow reluctant to talk freely about them due to whether they perceive them as legitimate or not, and second because participants are talking about their experience in their banks and therefore there is a risk of being biased in particular when they share their internal compliance activities. Despite this limitation, the risk has been mitigated by collecting extensive archival data from newspapers and magazines for a period of 20 years. On the other hand, this limitation opens the door for future research about "decoupling" which will be discussed below in more details.

## **Generalization of Results**

This study was conducted in a specific organizational field – banking industry – and in a specific country – Lebanon. Thus, results cannot be replicated for other sectors and other countries, or for the same sector but in other countries. On the sectoral level, the perception of legitimacy in the banking industry could differ from its perception in the industrial field for instance. The former is perceived as inevitable for the economy and the society and their legitimacy could be stigmatized due to a simple violation of laws and regulations. Also, the compliance functions in non-banking environments could vary from compliance activities in banks which are very well-regulated industries and are subject to various regulations with which they are compelled to conform. In addition, the strategic responses adopted by the banking sector to maintain its legitimacy are different than the ones adopted by other sectors. While the former are less inclined to opt for resistant strategies due to regulations constraints, the latter have probably a larger room for maneuver.

On the country level, as this study was an exploratory one in the Lebanese context, so the results were specific to the environment where it was conducted. In fact, the perception of legitimacy could differ from one country to another. For instance, the French banking sector may not be subject to the same institutional pressure of the US as the Lebanese one for various reasons, and therefore, the banking sector's legitimacy in France is not challenged in the same manner as the one in Lebanon. Consequently, the compliance measures and the strategic responses to maintain legitimacy could not be the same as well. Therefore, this study calls for future researches of these concepts in different sectors and/or different countries.

## **Opportunities for Future Researches**

The limitations explained above open the door for future researches which could introduce new insights to the literature, theory, and practice. The first limitation which has to do with the research design, in particular the longitudinal retrospective aspect of it, could be mitigated with future researches by using different design. A possible one could be to enrich its findings by adopting a quantitative technique. Also, as this research was conducted in the Lebanese banking sector, a future research based on comparative multiple case study between the perception of legitimacy in Lebanon and its perception in another country could bring additional insights. Also, future studies could be carried out on different sectors, other than banking. It would be interesting to explore the legitimacy in non-regulated industries and see whether they have any room for maneuver in their strategic responses to institutional pressures.

On the other hand, an interesting concept of the neo institutional theory that is worth being explored in the Lebanese context is “decoupling”. Decoupling is about separating formal structure from actual organizational practice (Meyer & Rowan, 1977). Organizations, adopting a formal structure because of external pressure, often separate and buffer their technical activities from functions adopted as a result of this institutional pressure. So, they create an illusion of their activities but actually perform different organizational practices. So, it is important to explore whether organizations fully implement their compliance programs, or they opt for other strategies to respond to institutional pressures such as for instance decoupling their compliance programs from their day-to-day activities (Maclean & Behnam, 2010).

Another avenue for possible future research is to examine the link between legitimacy and resource dependence. Oliver (1991) applied the convergent insights of the institutional theory and the resource dependence theory in order to predict the strategic responses of organizations to institutional pressure. I therefore believe it is important to examine my research problem from this perspective especially that my findings revealed that the Lebanese banks’ need for a foreign resource, the US currency, as a major motivation for compliance in a highly dollarized economy where this resource is owned by and it is the propriety of an influential institutional actor.

#### **5.4. CONCLUSION**

Financial crimes regulations constitute today a major concern to the international financial community, including the Lebanese banking industry. Penalties for violations of these regulations can be severe in terms of financial fines, loss of business, reputational damage, and stigmatization of legitimacy. Legitimacy is crucial for the survival of organizations. In order to maintain it, organizations in general seek endorsement from various constituents, but certain sources may have a larger impact than others (Deephouse & Suchman, 2008).

In the Lebanese context, it is the legitimacy of the US regulator that matters for various reasons: highly dollarized economy, correspondent banking relationships with the US counterparts, extraterritorial reach of the US regulations beyond its borders, and because Lebanon had a real life case which led to the overnight collapse of a Lebanese bank due to non-adherence to the US requirements.

Thus, this study postulates that the Lebanese banking sector is on continuous quest for the legitimacy of the US regulator on which it is dependent to survive and might encounter challenges along the way to maintain it. My study succeeded to reveal how the US regulations affect the perception of the Lebanese banking sector's legitimacy, as well as to examine how the Compliance functions of Lebanese banks have been influenced by the pressures of US regulations, and finally it helped to understand the strategic responses adopted by the Lebanese banking sector to maintain its legitimacy in view of the pressures of these regulations.

Toward achieving this objective, I mobilized the concept of legitimacy, isomorphism, and strategic responses, and I revealed the interplay between the three concepts. By doing so, I contributed to two core concepts of the neo institutional theory and to the conceptual framework of Oliver (1991) regarding strategic responses to institutional pressures.

The study has shown how all of a sudden, further to a scandal, an organization could reach some kind of a "cliff" in its legitimacy and become illegitimate because of the coercive pressure of a foreign regulator rather than a domestic one. This was illustrated in the Lebanese context by the collapse of a Lebanese bank due to violation of a foreign regulator's regulations. This has had impact on the entire sector whose legitimacy, which was "cognitive" and beyond any reproach before this scandal, became challenged and had to be more "pragmatic". In order to defend and maintain its legitimacy, the Lebanese banking sector had to adopt pragmatic strategic responses in face of the US pressure by issuing proper laws and regulations, strengthening compliance activities, and distance itself from any defiance of the US demands following a crisis that has affected the sector's legitimacy and which was due to lack of compliance with US regulations.

In addition, my study succeeded in filling-in some gaps in the literature related to legitimacy in the banking industry by shedding the light on the ascending and exogenous pressures that the Lebanese banking sector has faced and continue to face over the years from a key institutional actor on which the sector is dependent to survive, and how the sector engaged in legitimacy-seeking behavior to maintain its legitimacy which was challenged because of the coercive pressure of the US. Also, this study highlighted that the strategic responses adopted in the Lebanese context are country-specific which means that they are neither passive nor proactive, rather they go beyond passive conformity to reach an "over compliant" strategy.

## LIST OF ILLUSTRATIONS

### List of Tables

**Table 1:** Penalties on certain financial institutions for violation of US Sanctions Programs

**Table 2:** Migrant Remittance Inflows

**Table 3:** The Three Pillars of Institutions

**Table 4:** Strategic Responses to Institutional Pressures

**Table 5:** Examples of Strategic Responses to Institutional Pressures in the Banking Context

**Table 6:** My Research Strategy

**Table 7:** Number of Relevant Articles Selected per Magazines/Newspapers per Year

**Table 8:** Sample Size

**Table 9:** Concepts and Sub-Concepts

**Table 10:** Interview Guide

**Table 11:** Data Sources and Use in the Analysis

**Table 12:** Coding Grid

**Table 13:** Illustrative Codes

**Table 14:** Archival Data Coding – Legitimacy

**Table 15:** Interviews Coding – Legitimacy

**Table 16:** Archival Data Coding – Impact of US Regulations

**Table 17:** Interviews Coding – Impact of US Regulations

**Table 18:** Archival Data Coding – Influence of US Regulations on Compliance

**Table 19:** Interviews Coding – Influence of US Regulations on Compliance

**Table 20:** Archival Data Coding – Strategic Responses

**Table 21:** Interviews Coding – Strategic Responses

**Table 22:** Strategic Responses to the Pressure of US Regulations

## **List of Figures**

**Figure 1:** Research Project Outline

**Figure 2:** Theoretical Framework

**Figure 3:** Chronology of Critical Events from 1997 until 2018

**Figure 4:** Perception of Legitimacy – Period I & II

**Figure 5:** Perception of Legitimacy – LCB Crisis

**Figure 6:** Perception of Legitimacy – Period III

**Figure 7:** Isomorphic Change in Compliance

**Figure 8:** Evolvement of Compliance

**Figure 9:** Compliance Attributes

**Figure 10:** Motivation for Compliance

**Figure 11:** Interplay between Legitimacy, Isomorphism, and Strategic Responses

**Figure 12:** Link between Legitimacy, Isomorphism, and Strategic Responses

**Figure 13:** Interplay between Legitimacy and Isomorphism

## **Screen Capture**

**Screen Capture 1:** Data Files

**Screen Capture 2:** Creation of Parent and Child Nodes

**Screen Capture 3:** Nodes Matrix

## BIBLIOGRAPHY

- Aldrich, H. E., & Fiol, C. M. (1994). "Fools rush in? The institutional context of industry creation." *Academy of management review*, 19(4), 645-670.
- Arnold, P. J., & Sikka, P. (2001). "Globalization and the state–profession relationship: the case the Bank of Credit and Commerce International." *Accounting, Organizations and Society*, 26(6), 475-499.
- Artingstall, D., Dove, N., Howell, J., & Levi, M. (2016). "Drivers and Impacts of De-risking." *John Howell & Co. for the Financial Conduct Authority*.
- Ashforth, B. E. & Gibbs, B. W., (1990). "The double-edge of organizational legitimation." *Organization Science*, 1(2), pp. 177-194.
- Atakan-Duman, S., & Ozdora-Aksak, E. (2014). "The role of corporate social responsibility in online identity construction: An analysis of Turkey's banking sector." *Public Relations Review*, 40(5), 862-864.
- Ayers, I., & Braithwaite, J. (1992). "Responsive regulation. In *Transcending the deregulation debate*." Oxford University Press.
- Bailey, R. (2017). "Lebanon's Banking Sector: A Partner in Compliance." *The Daily Star* (May 9, 2017).
- Bansal, P., & Clelland, I. (2004). "Talking trash: Legitimacy, impression management, and unsystematic risk in the context of the natural environment." *Academy of Management Journal*, 47(1), 93-103.
- Bansal, P., & Corley, K. (2012). "Publishing in AMJ - Part 7: What's Different about Qualitative Research?" *The Academy of Management Journal*, 55(3): 509–513.
- Barreto, I., & Baden-Fuller, C. (2006). "To conform or to perform? Mimetic behaviour, legitimacy-based groups and performance consequences." *Journal of Management Studies*, 43(7), 1559-1581.
- Bartlett, B. L. (2002). "The negative effects of money laundering on economic development." *Asian Development Bank Regional Technical Assistance Project No, 5967*.
- Bartlett, Jennifer L. (2005). "Addressing concerns about legitimacy: A case study of social responsibility reporting in the Australian banking industry." In *Proceedings 34th European Marketing Academy Conference 2005*, Milan.
- Basel Committee on Banking Supervision. (2005). "Compliance and the Compliance Function in Banks." <http://www.bis.org/publ/bcbs113.pdf>.
- Bitektine, A. (2011). "Toward a theory of social judgments of organizations: The case of legitimacy, reputation, and status." *Academy of Management Review*, 36(1), 151-179.

- Bitektine, A., & Haack, P. (2015). "The "macro" and the "micro" of legitimacy: Toward a multilevel theory of the legitimacy process". *Academy of Management Review*, 40: 49-75.
- Blaikie, N. (2009). *Designing social research*. Polity.
- Bonardi, J. P., & Keim, G. D. (2005). "Corporate political strategies for widely salient issues." *Academy of Management Review*, 30(3), 555-576.
- Boulding, K. E. (1969). *The legitimacy of central banks*. Board of Governors of the Federal Reserve System.
- Boxenbaum, E. & Jonsson, S., (2008). Isomorphism, diffusion and decoupling *the SAGE handbook of organizational institutionalism*. R. Greenwood, Oliver, C., Sahlin, K. and Suddaby, R. *Thousand Oaks, CA: Sage*.
- Brannick, T., & Coghlan, D. (2006). "Reflexivity in management and business research: what do we mean?". *Irish Journal of Management*, 27(2).
- Brouthers, L. E., O'Donnell, E. & Hadjimarcou, J. (2005). "Generic Product Strategies for Emerging Market Exports into Triad Nation Markets: A Mimetic Isomorphism Approach." *Journal of Management Studies*, 42: 225–245.
- Brown, A. D. (1998). "Narrative, politics and legitimacy in an IT implementation." *Journal of Management Studies*, 35(1), 35-58.
- Brown, A. D. (2005). "Making sense of the collapse of Barings Bank." *Human Relations*, 58(12), 1579-1604.
- Bundy, J., & Pfarrer, M. D. (2015). "A burden of responsibility: The role of social approval at the onset of a crisis." *Academy of Management Review*, 40(3), 345-369.
- Burdon, W. M., & Sorour, M. K. (2018). "Institutional Theory and Evolution of 'A Legitimate' Compliance Culture: The Case of the UK Financial Service Sector." *Journal of Business Ethics*, 1-34.
- Burrell, Peter. (2012). "Financial and Trade Sanctions: What Banks Need to Know." *The Banking Law Journal*.
- Carter, B. (2013). "Overview and Operation of U.S. Financial Sanctions, Including the Example of Iran." *Georgetown Journal of International Law*, Volume 44.
- Castelo Branco, M., & Lima Rodrigues, L. (2006). "Communication of corporate social responsibility by Portuguese banks: A legitimacy theory perspective." *Corporate Communications: An International Journal*, 11(3), 232-248.
- Castillo-Montoya, M. (2016). "Preparing for interview research: The interview protocol refinement framework." *The Qualitative Report*, 21(5), 811-831.
- Charmaz, K. (2006). "*Constructing grounded theory: A practical guide through qualitative analysis*." Sage.

- Charmaz, K., & Belgrave, L. L. (2007). "Grounded theory". *The Blackwell encyclopedia of sociology*.
- Chedrawi, C., & Osta, S. (2017). "CSR in the banking sector: A legitimacy approach to the shareholders' and stakeholders' debate." *Marketing and Branding Research*, 4(3), 280.
- Choi, Y. R., & Shepherd, D. A. (2005). "Stakeholder perceptions of age and other dimensions of newness." *Journal of Management*, 31(4), 573-596.
- Clawson, P. (1998). "Council on Foreign Relations." *Economic Sanctions and American Diplomacy*.
- Clemens, B. W., & Douglas, T. J. (2005). "Understanding strategic responses to institutional pressures." *Journal of Business Research*, 58(9), 1205-1213.
- Cohen, B. D., & Dean, T. J. (2005). "Information asymmetry and investor valuation of IPOs: Top management team legitimacy as a capital market signal." *Strategic Management Journal*, 26(7), 683-690.
- Cortright, D., & Lopez, G. A. (Eds.). (2002). *Smart sanctions: targeting economic statecraft*. Rowman & Littlefield.
- Côté, J., Salmela, J. H., Baria, A., & Russell, S. J. (1993). "Organizing and interpreting unstructured qualitative data." *The sport psychologist*, 7(2), 127-137.
- Crawford, E. P., & Williams, C. C. (2010). "Should corporate social reporting be voluntary or mandatory? Evidence from the banking sector in France and the United States." *Corporate Governance: The international journal of business in society*, 10(4), 512-526.
- Creswell, John W., (2013). "Qualitative Inquiry and Research Design: Choosing Among Five Approaches." *SAGE Publications*, 3rd Edition.
- Davis, G. F., & Marquis, C. (2005). "Prospects for organization theory in the early twenty-first century: Institutional fields and mechanisms." *Organization Science*, 16(4), 332-343.
- D'Andrade, Roy G. (1984). Cultural meaning systems. In *Culture Theory: Essays on Mind, Self, and Emotion*, ed. Richard A. Shweder and Robert A. LeVine (pp. 88-119). *Cambridge, UK: Cambridge University Press*.
- Deephouse, D. L. (1996). "Does isomorphism legitimate?" *Academy of Management Journal*, 39: 1024-1039.
- Deephouse, D. L., Bundy, J., Tost, L. P., & Suchman, M. C. (2017). "Organizational legitimacy: Six key questions." *The SAGE handbook of organizational institutionalism*, 27-54.
- Deephouse, D. L., & Carter, S. M. (2005). "An examination of differences between organizational legitimacy and organizational reputation." *Journal of management Studies*, 42(2), 329-360.

- Deephouse, D. L., & Suchman, M. (2008). "Legitimacy in organizational institutionalism." *The Sage handbook of organizational institutionalism*, 49, 77.
- Demirguc-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2018). *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*. The World Bank.
- Desai, V. M. (2011). "Mass media and massive failures: Determining organizational efforts to defend field legitimacy following crises." *Academy of Management Journal*, 54(2), 263-278.
- Dex, S. (1995). "The reliability of recall data: A literature review." *Bulletin of Sociological Methodology/Bulletin de Methodologie Sociologique*, 49(1), 58-89.
- DiMaggio, P. J. (1988). "Interest and agency in institutional theory" in *Institutional patterns and organizations: Culture and environment*. L. G. Zucker (ed.), 3–21. Cambridge, MA: Ballinger.
- DiMaggio, P. J., & Powell, W. W. (1983). "The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields." *American Sociological Review*, 48(2): 147–160.
- DiMaggio, P. J., & Powell, W. W. (1991). "Introduction." Pp. 1-38 in *The New Institutionalism in Organization Analysis*, Walter W. Powell and Paul J. DiMaggio, eds. Chicago: *University of Chicago Press*.
- Donaldson, L. (1995). "American anti-management theories of organization: A critique of paradigm proliferation (Vol. 25)." *Cambridge University Press*.
- Dowling, J., & Pfeffer, J. (1975). "Organizational legitimacy: Social values and organizational behavior." *Pacific sociological review*, 18(1), 122-136.
- Drigă, I. (2006). "The role of the banking system in the Sustainable development of the economy." *VOL. VI*, 55.
- Drucker-Godard, C., Ehlinger, S., & Grenier, C. "Validité et Fiabilité de la Recherche." In Thiétart, R. A. (2014). *Méthodes de recherche en management*. Dunod, Paris.
- Dubois, A., & Gadde, L. E. (2002). Systematic combining: an abductive approach to case research." *Journal of business research*, 55(7), 553-560.
- Dupuis, S. L. (1999). "Naked truths: Towards a reflexive methodology in leisure research". *Leisure sciences*, 21(1), 43-64.
- Durner, T., & Shetret, L. (2015). "Understanding Bank De-Risking and its Effects on Financial Inclusion: An exploratory study".
- Edwards, R., & Holland, J. (2013). *What is qualitative interviewing?* A&C Black.

- Edwards, J., & Wolfe, S. (2004). "The compliance function in banks." *Journal of financial regulation and compliance*, 12(3), 216-224.
- Edwards, J., & Wolfe, S. (2005). "Compliance: A review." *Journal of Financial Regulation and Compliance*, 13(1), 48-59.
- Eichengreen, B. (2011). *Exorbitant Privilege: The rise and fall of the Dollar and the Future of the International Monetary System*. Oxford University Press.
- Eisenhardt, K. M. (1989). "Building theories from case study research." *Academy of Management Review*, 14: 532–550.
- Eisenhardt, K. M., & Graebner, M. E. (2007). "Theory building from cases: Opportunities and challenges." *Academy of management journal*, 50(1), 25-32.
- El-Chaarani H., (2014). "The Impact of Corporate Governance on the Performance of Lebanese Banks." *The International Journal of Business and Finance Research*, 8(5).
- Elliot, V. H. (2016). "Institutional entrepreneurship and change: A contemporary history of the Swedish banking industry and its performance management systems." *Journal of Accounting & Organizational Change*, 12(2), 223-251.
- Elsbach, K. D. (2003). "Organizational perception management." *Research in organizational behavior*, 25, 297-332.
- Elsbach, K. D., & Sutton, R. I. (1992). "Acquiring organizational legitimacy through illegitimate actions: A marriage of institutional and impression management theories." *Academy of management Journal*, 35(4), 699-738.
- Etzioni, A. (1975). *Comparative analysis of complex organizations*, rev. Simon and Schuster.
- Etzioni, A. (2009). "The capture theory of regulations—Revisited." *Society*, 46(4), 319-323.
- Farmer, R. D. (2000), "Costs of Economic Sanctions to the Sender". *The World Economy*, 23, 1, 93–117.
- Fashola, O. I. (2014). "Banking and the Customer: A Neo-Institutional Reconfiguration." *Research Journal of Finance and Accounting*, Vol.5, No.16.
- Fiol, C. M., Harris, D., & House, R. (1999). "Charismatic leadership: Strategies for effecting social change." *The Leadership Quarterly*, 10(3), 449-482.
- Fiss, P. C., & Zajac, E. J. (2006). "The symbolic management of strategic change: Sensegiving via framing and decoupling." *Academy of Management Journal*, 49(6), 1173-1193.
- Galaskiewicz, J., (1985). "Interorganizational relations." *Annual Review of Sociology*, 11: pp. 281-304.
- Garfield, R., & Santana, S. (1997). "The impact of the economic crisis and the US embargo on health in Cuba." *American Journal of Public Health*, 87(1), 15-20.

- Gehman, J., Glaser, V. L., Eisenhardt, K. M., Gioia, D., Langley, A., & Corley, K. G. (2017). "Finding theory–method fit: A comparison of three qualitative approaches to theory building." *Journal of Management Inquiry*, 1056492617706029.
- Goodstein, J. D. (1994). "Institutional pressures and strategic responsiveness: Employer involvement in work-family issues." *Academy of Management journal*, 37(2), 350-382.
- Goodstein, J. (2002). "Institutional Theory and Institutional Change: Introduction to the Special Research Forum." *Academy of Management Journal*, Volume 45.
- Graebner, M. E., Martin, J. A., & Roundy, P. T. (2012). "Qualitative data: Cooking without a recipe." *Strategic Organization*, 10(3): 276–284.
- Green, J. & Thorogood, N. (2009 [2004]). *Qualitative methods for health research* (2nd ed.). Thousand Oaks, CA: Sage.
- Greenwood, R., & Hinings, C. R. (1996). "Understanding radical organizational change: Bringing together the old and the new institutionalism." *Academy of management review*, 21(4), 1022-1054.
- Greenwood, R., Oliver, C., Lawrence, T. B., & Meyer, R. E. (Eds.). (2017). *The Sage handbook of organizational institutionalism*. Sage.
- Greenwood, R., Oliver, C., Sahlin, K., & Suddaby, R. (Eds.). (2008). "Introduction." In *The Sage handbook of organizational institutionalism* (pp. 1-46). London: Sage.
- Greenwood, R., Raynard, M., Kodeih, F., Micelotta, E. R., & Lounsbury, M. (2011). "Institutional complexity and organizational responses." *The Academy of Management Annals*, 5: 317–371.
- Hamilton, J. T. (1995). "Pollution as news: Media and stock market reactions to the toxics release inventory data." *Journal of environmental economics and management*, 28(1), 98-113.
- Han, B. (2016). "The role and welfare rationale of secondary sanctions: A theory and a case study of the US sanctions targeting Iran." *Conflict Management and Peace Science*, 0738894216650836.
- Hannan, M. T., & Freeman, J. (1984). "Structural inertia and organizational change." *American sociological review*, 149-164.
- Heese, J., Krishnan, R., & Moers, F. (2016). "Selective regulator decoupling and organizations' strategic responses." *Academy of Management Journal*, 59(6), 2178-2204.
- Helleiner, E. (1999). "State power and the regulation of illicit activity in global finance." *The illicit global economy and state power*, 53-90.
- Higgins, M. C., & Gulati, R. (2006). "Stacking the deck: The effects of top management backgrounds on investor decisions." *Strategic Management Journal*, 27(1), 1-25.

- Hirsch, P. M., & Andrews, J. A. Y. (1984). "Administrators' response to performance and value challenges: Stance, symbols, and behavior." In T. J. Sergiovanni & J. E. Corbally (Eds.), *Leadership and organizational culture*: 170-185. Urbana, IL: University of Illinois Press.
- Holland, P. G., & Alakavuklar, O. N. (2017). "Corporate Social Responsibility (CSR) Reporting and Seeking Legitimacy of Māori Communities: A Case from Aotearoa New Zealand Energy Sector." In *CSR 2.0 and the New Era of Corporate Citizenship* (pp. 123-146). IGI Global.
- Hufbauer, G. C., Schott, J. J., & Elliott, K. A. (1990). *Economic sanctions reconsidered: History and current policy* (Vol. 1). Peterson Institute.
- Hybels, R. (1995). "On legitimacy, legitimation and organizations: A critical review and integrative theoretical model." *Academy of Management Proceedings*: 241-245.
- Jackman, D. (2001). "Why comply?" *Journal of Financial Regulation and Compliance*, 9(3), 211-217.
- Jackman, D. (2015). *The Compliance Revolution: How Compliance Needs to Change to Survive*. John Wiley & Sons.
- Jackson, W. D., M. Jickling, G. Shorter, M. Murphy, & M. Seitzinger. (2006). "Banking and securities regulation and agency enforcement authorities." *CRS report for Congress*.
- Jensen, M. (2006). "Should we stay or should we go? Accountability, status anxiety, and client defections." *Administrative Science Quarterly*, 51(1), 97-128.
- Jette, D. U., Grover, L., & Keck, C. P. (2003). "A qualitative study of clinical decision making in recommending discharge placement from the acute care setting." *Physical Therapy*, 83(3), 224-236.
- Jones, E. (2009). "Output legitimacy and the global financial crisis: Perceptions matter." *JCMS: Journal of Common Market Studies*, 47(5), 1085-1105.
- Jonsson, S., Greve, H. R., & Fujiwara-Greve, T. (2009). "Undeserved loss: The spread of legitimacy loss to innocent organizations in response to reported corporate deviance." *Administrative Science Quarterly*, 54(2), 195-228.
- Klein, M. A. (1971). "A theory of the banking firm." *Journal of money, credit and banking*, 3(2), 205-218.
- Kondra, A. Z., & Hinings, C. R. (1998). "Organizational diversity and change in institutional theory." *Organization studies*, 19(5), 743-767.
- Kostova, T. (1999). "Transnational transfer of strategic organizational practices: A contextual perspective." *Academy of management review*, 24(2), 308-324.
- Kostova, T., & Zaheer, S. (1999). "Organizational legitimacy under conditions of complexity: The case of the multinational enterprise." *Academy of Management review*, 24(1), 64-81.

- Kostova, T., & Roth, K. (2002). "Adoption of an organizational practice by subsidiaries of multinational corporations: Institutional and relational effects." *Academy of management journal*, 45(1), 215-233.
- Kraatz, M. S., & Zajac, E. J. (1996). "Exploring the limits of the new institutionalism: The causes and consequences of illegitimate organizational change." *American sociological review*, 812-836.
- Kumar, V. A. (2012). "Money laundering: Concept, significance and its impact." *European Journal of Business and management*, 4(2).
- LaFree, G., & Morris, N. A. (2012). "Does legitimacy matter? Attitudes toward anti-American violence in Egypt, Morocco, and Indonesia." *Crime & Delinquency*, 58(5), 689-719.
- Lamertz, K., & Baum, J. A. C. (1998). "The legitimacy of organizational downsizing in Canada: An analysis of explanatory media accounts." *Canadian Journal of Administrative Sciences*, 15: 93-107.
- Lamin, A., & Zaheer, S. (2012). "Wall Street vs. Main Street: Firm Strategies for Defending Legitimacy and Their Impact on Different Stakeholders". *Organization Science*, 23: 47-66.
- Lawrence, T., Suddaby, R., & Leca, B. (2011). "Institutional work: Refocusing institutional studies of organization." *Journal of management inquiry*, 20(1), 52-58.
- Lee, P. L. (2014). "Compliance Lessons from OFAC Case Studies-part I." *Banking LJ*, 131, 657.
- Lee, P. L. (2014). "Compliance Lessons from OFAC Case Studies-Part II." *Banking LJ*, 131, 717.
- Langley, A. (2007). "Process thinking in strategic organization." *Strategic Organization*, 5: 271– 282.
- Langley, A. N. N., Smallman, C., Tsoukas, H., & Van de Ven, A. H. (2013). "Process studies of change in organization and management: Unveiling temporality, activity, and flow." *Academy of management journal*, 56(1), 1-13.
- Losiewicz-Dniestrzanska, E. (2015). "Monitoring of compliance risk in the bank." *Procedia Economics and Finance*, 26, 800-805.
- Lounsbury, M. & Yanfei Zhao, E. (2013). "An Early Edited Collection That Contains Both Previously Published Papers and Original Chapters by John Meyer and W. Richard Scott." *Oxford Bibliographies*.
- McCarthy, K. J., & Dolfsma, W. (2014). "Neutral media? Evidence of media bias and its economic impact." *Review of Social Economy*, 72(1), 42-54.

- MacLean, T. L., & Behnam, M. (2010). "The dangers of decoupling: The relationship between compliance programs, legitimacy perceptions, and institutionalized misconduct". *Academy of Management Journal*, 53: 1499-1520.
- MacQueen, K. M., & Milstein, B. (1999). "A systems approach to qualitative data management and analysis." *Field Methods*, 11(1), 27-39.
- Marcus, A.A., & Goodman, R.S. (1991). "Victims and shareholders: The dilemmas of presenting corporate policy during a crisis." *Academy of Management Journal*, 34: 281 – 305.
- Margolis, J. D., Elfenbein, H. A. & Walsh, J. P. (2007). Does it pay to be good? A meta-analysis and redirection of research on the relationship between corporate social and financial performance. *Working paper, Harvard Business School, Cambridge*.
- Mason, J. (2017). *Qualitative researching*. Sage.
- Maurer, J. G. (1971). "Readings in organizational theory: Open systems approaches." *New York: Random House*.
- Mendoza, J. P., Dekker, H. C., & Wielhouwer, J. L. (2016). "Firms' compliance with complex regulations." *Law and human behavior*, 40(6), 721.
- Mergenthaler, E., & Stinson, C. (1992). "Psychotherapy transcription standards." *Psychotherapy research*, 2(2), 125-142.
- Meyer, J. W., & Rowan, B. (1977). "Institutionalized organizations: Formal structure as myth and ceremony." *American Journal of Sociology*, 83(2): 340–363.
- Meyer, J. W., & Scott, W. R. (1983a). "Centralization and the legitimacy problems of local government." In *Organizational Environments: Ritual and Rationality*, ed. John W. Meyer and W. Richard Scott (pp. 199–215). Beverly Hills, CA: Sage.
- Miles, M. B., Huberman, A. M., (1994). *Qualitative data analysis: An expanded sourcebook*. sage.
- Miles, M. B., Huberman, A. M., & Saldaña, J. (2014). *Qualitative Data Analysis*. Sage.
- Mitchell, D. J. (2004). "US Government agencies confirm that low-tax jurisdictions are not money-laundering havens." *Journal of Financial Crime*, 11(2), 127-133.
- Mizuchi, M. & L. Fein. (1999). "The Social Construction of Organizational Knowledge: A Study of the Uses of Coercive, Mimetic and Normative Isomorphism", *Administrative Science Quarterly* 44(4), 653–683.
- Morse, J. M. (1995). "The significance of saturation." *Qualitative Health Research*, 5(3), 147-149.
- Morse, J. M. (2000). "Determining sample size." *Qualitative Health Research*, 10(1), 3-5.

- Munir, R., & Baird, K. (2016). "Influence of institutional pressures on performance measurement systems." *Journal of Accounting & Organizational Change*, 12(2), 106-128.
- Munir, R., Perera, S., & Baird, K. (2011). An analytical framework to examine changes in performance measurement systems within the banking sector. *Australasian Accounting, Business and Finance Journal*, 5(1), 93-115.
- Nichols, P. M. (2008). Using Sociological Theories of Isomorphism to Evaluate the Possibility of Regime Change Through Trade Sanctions. *U. Pa. J. Int'l L.*, 30, 753.
- Nielsen, V. L., & Parker, C. (2012). "Mixed motives: Economic, Social and normative motivations in business compliance." *Law and Policy*, 34(4), 428-462.
- Nilsen, H. (2010). "CSR in Banking-the Pursuit Toward Repairing Legitimacy and Reputation: A Case Study of Den Norske Bank and Danske Bank."
- O'Donovan, G., (2002). "Environmental disclosures in the annual report: extending the applicability and predictive power of legitimacy theory." *Accounting, Auditing and Accountability Journal*, 15(3), pp. 344-371.
- Ochieng, A. O., & Kwasira, J. (2017). « Assessment of Strategic Responses to Institutional Pressures on Performance of Commercial Banks in Nakuru Central Business District, Kenya." *International Journal of Economics, Commerce and Management*. Vol. V, Issue 5, May 2017.
- OECD (2013), "The 2008 financial crisis – A crisis of globalisation?", in *Economic Globalisation: Origins and consequences*, OECD Publishing, Paris.
- Oliver, C., (1991). "Strategic responses to institutional processes." *Academy of Management Review*, 16(1), pp. 145-179.
- Parsons, T. (1960). "Structure and process in modern societies." *New York: Free Press*.
- Parsons, T. (1963). "On the concept of influence." *Public opinion quarterly*, 27(1), 37-62.
- Paruchuri, S., & Misangyi, V. F. (2015). "Investor perceptions of financial misconduct: The heterogeneous contamination of bystander firms." *Academy of Management Journal*, 58(1), 169-194.
- Peksen, D., & Drury, A. C. (2009). "Economic sanctions and political repression: Assessing the impact of coercive diplomacy on political freedoms." *Human Rights Review*, 10(3), 393-411.
- Pérezts, M., & Picard, S. (2015). "Compliance or comfort zone? The work of embedded ethics in performing regulation." *Journal of Business Ethics*, 131(4), 833-852.
- Perrow, C. (1986). "Complex Organizations: A Critical Essay." 3d ed. *New York: McGraw-Hill*.

- Pettigrew, A. M. (1990). "Longitudinal field research on change: Theory and practice." *Organization science*, 1(3), 267-292.
- Pettigrew, A. M. (1997). "What is a processual analysis." *Scandinavian journal of management*, 13(1997), 4.
- Pfeffer, J., & Salancik, G. R. (1978). "The external control of organizations: A resource dependence perspective." *New York: Harper & Row*.
- Piazza, A., & Jourdan, J. (2018). "When the dust settles: The consequences of scandals for organizational competition." *Academy of Management Journal*, 61(1), 165-190.
- Pillar, P. R. (2004). "*Terrorism and US foreign policy*." Brookings Institution Press.
- Pollock, T. G., & Rindova, V. P. (2003). "Media legitimation effects in the market for initial public offerings." *Academy of Management Journal*, 46: 631-642.
- Powell, W. W. 1991. "Expanding the scope of institutional analysis". In W. W. Powell & P. J. DiMaggio (Eds.), *The new institutionalism in organizational analysis*: 183-203. Chicago: University of Chicago Press.
- Powell, W. W., (2007). "The New Institutionalism." *The International Encyclopedia of Organization Studies*. Beverly Hills, CA: Sage Publishers
- Prorokowski, L., & Prorokowski, H. (2014). "Organisation of compliance across financial institutions." *Journal of Investment Compliance*, 15(1), 65-76.
- Raaijmakers, A. G., Vermeulen, P. A., Meeus, M. T., & Zietsma, C. (2015). "I need time! Exploring pathways to compliance under institutional complexity." *Academy of Management Journal*, 58(1), 85-110.
- Rao, H. (1994). "The social construction of reputation: Certification contests, legitimation, and the survival of organizations in the American automobile industry: 1895–1912." *Strategic management journal*, 15(S1), 29-44.
- Rathbone, M. (2013). "Sanctions, Sanctions Everywhere: Forging A Path Through Complex Transnational Sanctions Law." *Georgetown Journal of International Law*. 44.
- Reast, J., Maon, F., Lindgreen, A. & Vanhamme, J. (2012). "Legitimacy-seeking organisational strategies in controversial industries: A case study analysis and a bidimensional model." *Journal of Business Ethics*.
- Reimann, F., Ehr Gott, M., Kaufmann, L., & Carter, C. R. (2012). "Local stakeholders and local legitimacy: MNEs' social strategies in emerging economies." *Journal of International Management*, 18(1), 1-17.
- Reuter, P. (2005). "Chasing dirty money: The fight against money laundering." *Peterson Institute*.

- Rindova, V. P., Pollock, T. G., & Hayward, M. L. A. (2006). "Celebrity firms: The social construction of market popularity." *Academy of Management Review*, 31: 50-71.
- Ritchie, Jane; Lewis, Jane & Elam, Gillian (2003). Designing and selecting samples. In Jane Ritchie & Jane Lewis (Eds.), *Qualitative research practice. A guide for social science students and researchers* (pp.77-108) Thousand Oaks, CA: Sage.
- Romelaer, P., "L'Entretien de Recherche." In Roussel, P., & Wacheux, F. (2005). *Management des ressources humaines : Méthodes de recherche en sciences humaines et sociales*. Bruxelles, Belgique: De Boeck.
- Roth, F. (2009). "The effect of the financial crisis on systemic trust." *Intereconomics*, 44(4), 203-208.
- Rowley, T., & Berman, S. (2000). "A brand new brand of corporate social performance." *Business & society*, 39(4), 397-418.
- Rubin, H. J., & Rubin, I. S. (2012). "Qualitative interviewing: The art of hearing data (3rd ed.)". *Thousand Oaks, CA: Sage*.
- Ruef, M., & Scott, W. R. (1998). "A multidimensional model of organizational legitimacy: Hospital survival in changing institutional environments". *Administrative Science Quarterly*, 43: 877-904.
- Ruspini, E. (2003). *An introduction to longitudinal research*. Routledge.
- Salomon, R., & Wu, Z. (2012). "Institutional distance and local isomorphism strategy." *Journal of International Business Studies*, 43(4), 343-367.
- Sandelowski, M. (1995). "Sample size in qualitative research." *Research in nursing & health*, 18(2), 179-183.
- Scheid-Cook, T. L. (1992). "Organizational enactments and conformity to environmental prescriptions." *Human Relations*, 45(6), 537-554.
- Scholz, J.T. (1984). "Voluntary compliance and regulatory enforcement." *Law and Policy*, 6, 385-404.
- Scott, W. R. (1987). "The adolescence of institutional theory." *Administrative Science Quarterly* 32:493-511.
- Scott, W. R. (1995). "Institutions and Organizations." Thousand Oaks, CA: Sage.
- Scott, W. R. (2001). "Institutions and Organizations." Thousand Oaks, CA: Sage.
- Scott, W. R. (2014). "Institutions and Organizations: Ideas, Interests, and Identities." *SAGE Publications*, 4th Edition.

- Scott, W., Ruef, M., Mendel, P. & Caronna, C. (2000). "Institutional Change and Healthcare Organization: From Professional Dominance to Managed Cares." *Chicago, IL: University of Chicago Press*.
- Seidman, I. (2013). "Interviewing as qualitative research: A guide for researchers in education and the social sciences." Teachers college press.
- Selznick, P. (1949). "TVA and the Grass Roots." Berkeley, CA: *University of California Press*.
- Selznick, P. (1966). "TVA and the grass roots: a study in the sociology of formal organization." *New York: Harper & Row*.
- Sharman, J. C. (2004). "International Organisations, Blacklisting and Tax Haven Regulation." In *International Studies Association annual conference, Montreal* (pp. 1-4).
- Shen, C. H, Wu, M. W., Chen, T. H., & Fang, H. (2016). "To engage or not to engage in corporate social responsibility: Empirical evidence from global banking sector", *Economic Modelling*, 55, 207–225.
- Singh Deol, H. (2009). "Strategic environment and intellectual capital of Indian banks." *Journal of Intellectual Capital*, 10(1), 109-120.
- Singh, J. V., Tucker, D. J., & House, R. J. (1986). "Organizational legitimacy and the liability of newness." *Administrative science quarterly*, 171-193.
- Starr, J. A., & MacMillan, I. A. (1990). "Resource cooptation via social contracting: Resource acquisition strategies for new ventures." *Strategic Management Journal*, 11: 79-92.
- Stemler, S. (2001). "An overview of content analysis". *Practical assessment, research & evaluation*, 7(17), 137-146.
- Stuenkel, O. (2013). The financial crisis, contested legitimacy, and the genesis of intra-BRICS cooperation. *Global governance*, 19(4), 611-630.
- Suchman, M.C. (1995), "Managing Legitimacy: Strategic and Institutional Approaches", *Academy of Management Review*, Vol. 20 No. 3, pp. 571-610.
- Suddaby, R. (2010). "Challenges for institutional theory." *Journal of management inquiry*, 19(1), 14-20.
- Suddaby, R. (2013). Institutional theory. *The Sage Encyclopedia of Management Theory*, 379-38.
- Suddaby, R., Viale, T., & Gendron, Y. (2016). "Reflexivity: The role of embedded social position and entrepreneurial social skill in processes of field level change." *Research in Organizational Behavior*, 36, 225-245.
- Suddaby, R., Bitektine, A., & Haack, P. (2017). "Legitimacy." *Academy of Management Annals*, 11(1), 451-478.

- Taylor, S.S., Fisher, D. and Dufresne, R.L. (2002), "The aesthetics of management storytelling: a key to organizational learning", *Management Learning*, Vol. 33 No. 3, pp. 313-30.
- Tierney, J. (2017). *Constructing Resilience: Real Estate Investment, Sovereign Debt and Lebanon's Transnational Political Economy*. University of California, Berkeley.
- Timmermans, S., & Tavory, I. (2012). "Theory construction in qualitative research: From grounded theory to abductive analysis." *Sociological Theory*, 30(3), 167-186.
- Timmermans, S., & Tavory, I. (2012). "Theory construction in qualitative research: From grounded theory to abductive analysis." *Sociological Theory*, 30(3), 167-186.
- Tolbert, P. S., & Zucker, L.G. (1983). "Institutional sources of change in the formal structure of organizations: The diffusion of civil service reform, 1880-1935." *Administrative Science Quarterly*, 28: 22-39.
- Tost, L. P. (2011). "An integrative model of legitimacy judgments." *Academy of Management Review*, 36(4), 686-710.
- Tsingou, E. (2005). "Global Governance and Transnational Financial Crime: Opportunities and Tension in the Global Anti-Money Laundering Regime." *Centre for the Study of Globalization and Regionalization* 161/05.
- Tyler, T. R. (2006). "Psychological perspectives on legitimacy and legitimation." *Annual Review of Psychology*, 57, 375-400.
- Vandangeon-Derumez, I., & Garreau, L. "Analyses longitudinales." In Thiétart, R. A. (2014). *Méthodes de recherche en management*. Dunod, Paris.
- Van de Ven, A. H. (1992). "Suggestions for studying strategy process: A research note." *Strategic Management Journal*, 13(Summer Special Issue): 169-191.
- Van de Ven, A. H. (2007). "Engaged scholarship: A guide for organizational and social research." *Oxford University Press on Demand*.
- Van der Stede, W. A. (2011). "Management accounting research in the wake of the crisis: Some reflections", *European Accounting Review*, 20 (4): 605-623.
- Venard, B., & Hanafi, M. (2008). "Organizational isomorphism and corruption in financial institutions: Empirical research in emerging countries." *Journal of Business Ethics*, 81(2), 481-498.
- Walker, K., Schlosser, F., & Deephouse, D. L. (2014). "Organizational ingenuity and the paradox of embedded agency: The case of the embryonic Ontario solar energy industry." *Organization Studies*, 35(4), 613-634.
- Warren, C.A. and Karner, T.X., (2005). "Discovering qualitative methods: Field research, interviews, and analysis." *Roxbury*.

- Weaver, G. R., & Treviño, L. K. (1999). "Compliance and Values Oriented Ethics Programs: Influences on Employees' Attitudes and Behavior." *Business Ethics Quarterly*, 9(2), 315-335.
- Weaver, G. R., Trevino, L. K., & Cochran, P. L. (1999). "Corporate ethics programs as control systems: Influences of executive commitment and environmental factors." *Academy of Management Journal*, 42(1), 41-57.
- Webb, J. W., Tihanyi, L., Ireland, R. D., & Sirmon, D. G. (2009). "You say illegal, I say legitimate: Entrepreneurship in the informal economy." *Academy of Management Review*, 34(3), 492-510.
- Weber, M. (1978). "Economy and society: an outline of interpretive sociology." Berkeley, CA: *University of California Press*.
- Wijethilake, C., Munir, R., & Appuhami, R. (2017). "Strategic responses to institutional pressures for sustainability: The role of management control systems." *Accounting, Auditing & Accountability Journal*, 30(8), 1677-1710.
- Winter, S. C., & May, P. J. (2001). "Motivation for compliance with environmental regulations." *Journal of Policy Analysis and Management: The Journal of the Association for Public Policy Analysis and Management*, 20(4), 675-698.
- Wood, G. (2002). "A partnership model of corporate ethics." *Journal of Business ethics*, 40(1), 61-73.
- Wood, R. M. (2008). "A hand upon the throat of the nation": economic sanctions and state repression, 1976–2001." *International Studies Quarterly*, 52(3), 489-513.
- Wu, Z., & Salomon, R. (2016). "Does imitation reduce the liability of foreignness? Linking distance, isomorphism, and performance." *Strategic Management Journal*, 37(12), 2441-2462.
- Yin, R. K. (2003). "Case study research: Design and methods" (3rd ed.). *Thousand Oaks, CA: Sage*.
- Yin, R.K. (2009). "Case Study Research: Design and Method" (4th ed.). *Thousand Oaks, CA: Sage*.
- Yu, T., Sengul, M., & Lester, R. H. (2008). "Misery loves company: The spread of negative impacts resulting from an organizational crisis." *Academy of Management Review*, 33(2), 452-472.
- Zaheer, S. (1995). "Overcoming the liability of foreignness." *Academy of Management Journal*, 38(2): 341–363.
- Zimmerman, M. A., & Zeitz, G. J. (2002). "Beyond survival: Achieving new venture growth by building legitimacy." *Academy of Management Review*, 27: 414-431.

- Zreika, M., & Elkanj, N. (2011). "Banking efficiency in Lebanon: an empirical investigation." *Journal of Social Sciences*, 7(2), 199.
- Zucker, L. G. (1977). "The role of institutionalization in cultural persistence." *American Sociological Review*, 726-743.
- Zucker, L. G. (1987). "Institutional theories of organization." *Annual Review of Sociology*, 13(1), 443-464.

## APPENDICES

### Appendix 1 - The Daily Star

Month	Year	Title	Author(s)	URL
October	1997	Deputies discuss law to crack down on money laundering		<a href="http://www.dailystar.com.lb/News/Lebanon-News/1997/Oct-25/13739-deputies-discuss-law-to-crack-down-on-money-laundering.ashx">http://www.dailystar.com.lb/News/Lebanon-News/1997/Oct-25/13739-deputies-discuss-law-to-crack-down-on-money-laundering.ashx</a>
January	1998	Murr rejects bank secrecy clause in Arab League's anti-terrorist agreement		<a href="http://www.dailystar.com.lb/News/Lebanon-News/1998/Jan-06/17543-murr-rejects-bank-secrecy-clause-in-arab-leagues-anti-terrorist-agreement.ashx">http://www.dailystar.com.lb/News/Lebanon-News/1998/Jan-06/17543-murr-rejects-bank-secrecy-clause-in-arab-leagues-anti-terrorist-agreement.ashx</a>
February	1998	Banks urged to help fund return of the displaced	Zeina Abu Rizk	<a href="http://www.dailystar.com.lb/News/Lebanon-News/1998/Feb-13/18261-banks-urged-to-help-fund-return-of-the-displaced.ashx">http://www.dailystar.com.lb/News/Lebanon-News/1998/Feb-13/18261-banks-urged-to-help-fund-return-of-the-displaced.ashx</a>
February	1998	British bank scholarship donation made to AUB		<a href="http://www.dailystar.com.lb/News/Lebanon-News/1998/Feb-28/21267-british-bank-scholarship-donation-made-to-aub.ashx">http://www.dailystar.com.lb/News/Lebanon-News/1998/Feb-28/21267-british-bank-scholarship-donation-made-to-aub.ashx</a>
November	1998	Cabinet gives a thumbs-up to graft draft	Nafez Kawas	<a href="http://www.dailystar.com.lb/News/Lebanon-News/1998/Nov-05/30639-cabinet-gives-a-thumbs-up-to-graft-draft.ashx">http://www.dailystar.com.lb/News/Lebanon-News/1998/Nov-05/30639-cabinet-gives-a-thumbs-up-to-graft-draft.ashx</a>
November	1998	Law-enforcement confab targets organized crime	May Farah	<a href="http://www.dailystar.com.lb/News/Lebanon-News/1998/Nov-14/34717-law-enforcement-confab-targets-organized-crime.ashx">http://www.dailystar.com.lb/News/Lebanon-News/1998/Nov-14/34717-law-enforcement-confab-targets-organized-crime.ashx</a>
January	1999	Corruption convention could impact on bank secrecy laws	Chibli Mallat	<a href="http://www.dailystar.com.lb/News/Lebanon-News/1999/Jan-25/34923-corruption-convention-could-impact-on-bank-secrecy-laws.ashx">http://www.dailystar.com.lb/News/Lebanon-News/1999/Jan-25/34923-corruption-convention-could-impact-on-bank-secrecy-laws.ashx</a>
June	1999	Don't bank on U.S., says envoy	Mona Ziade	<a href="http://www.dailystar.com.lb/News/Lebanon-News/1999/Jun-03/12383-dont-bank-on-us-says-envoy.ashx">http://www.dailystar.com.lb/News/Lebanon-News/1999/Jun-03/12383-dont-bank-on-us-says-envoy.ashx</a>
June	1999	Byblos Bank donates \$1m to help out		<a href="http://www.dailystar.com.lb/News/Lebanon-News/1999/Jun-29/10860-byblos-bank-donates-1m-to-help-out.ashx">http://www.dailystar.com.lb/News/Lebanon-News/1999/Jun-29/10860-byblos-bank-donates-1m-to-help-out.ashx</a>
July	1999	Banks give \$4 million to boost reconstruction fund		<a href="http://www.dailystar.com.lb/News/Lebanon-News/1999/Jul-10/33388-banks-give-4-million-to-boost-reconstruction-fund.ashx">http://www.dailystar.com.lb/News/Lebanon-News/1999/Jul-10/33388-banks-give-4-million-to-boost-reconstruction-fund.ashx</a>
July	1999	Banking secrecy laws will stay and gold reserves will remain		<a href="http://www.dailystar.com.lb/News/Lebanon-News/1999/Jul-14/33443-banking-secrecy-laws-will-stay-and-gold-reserves-will-remain.ashx">http://www.dailystar.com.lb/News/Lebanon-News/1999/Jul-14/33443-banking-secrecy-laws-will-stay-and-gold-reserves-will-remain.ashx</a>
October	1999	Illicit wealth bill modified to protect bank secrecy	Zeina Abu Rizk	<a href="http://www.dailystar.com.lb/News/Lebanon-News/1999/Oct-21/18528-illicit-wealth-bill-modified-to-protect-bank-secrecy.ashx">http://www.dailystar.com.lb/News/Lebanon-News/1999/Oct-21/18528-illicit-wealth-bill-modified-to-protect-bank-secrecy.ashx</a>
June	2000	Berri stands up for secrecy law		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2000/Jun-28/28257-berri-stands-up-for-secrecy-law.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2000/Jun-28/28257-berri-stands-up-for-secrecy-law.ashx</a>

Month	Year	Title	Author(s)	URL
June	2000	Lebanon escapes new blacklist of money-launderers and tax havens		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2000/Jun-27/28231-lebanon-escapes-new-blacklist-of-money-launderers-and-tax-havens.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2000/Jun-27/28231-lebanon-escapes-new-blacklist-of-money-launderers-and-tax-havens.ashx</a>
February	2001	PM tells banks to help out	Nafez Kawas	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2001/Feb-02/18972-pm-tells-banks-to-help-out.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2001/Feb-02/18972-pm-tells-banks-to-help-out.ashx</a>
March	2001	Islamic bank offers \$28m loan for waste water plants		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2001/Mar-14/22478-islamic-bank-offers-28m-loan-for-waste-water-plants.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2001/Mar-14/22478-islamic-bank-offers-28m-loan-for-waste-water-plants.ashx</a>
March	2001	Parliament to tackle money laundering in two-day meet		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2001/Mar-20/25859-parliament-to-tackle-money-laundering-in-two-day-meet.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2001/Mar-20/25859-parliament-to-tackle-money-laundering-in-two-day-meet.ashx</a>
April	2001	House passes law to combat dirty money	Zeina Abu Rizk	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2001/Apr-11/12579-house-passes-law-to-combat-dirty-money.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2001/Apr-11/12579-house-passes-law-to-combat-dirty-money.ashx</a>
September	2001	Beirut to freeze suspect accounts		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2001/Sep-26/34522-beirut-to-freeze-suspect-accounts.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2001/Sep-26/34522-beirut-to-freeze-suspect-accounts.ashx</a>
September	2001	Country will not shelter terrorists, dirty money	Mona Ziade	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2001/Sep-27/34531-country-will-not-shelter-terrorists-dirty-money.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2001/Sep-27/34531-country-will-not-shelter-terrorists-dirty-money.ashx</a>
October	2001	Hizbullah condemns inclusion on US terrorist list	Elie Hourani, Mohammed Zaatari	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2001/Oct-08/25777-hizbullah-condemns-inclusion-on-us-terrorist-list.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2001/Oct-08/25777-hizbullah-condemns-inclusion-on-us-terrorist-list.ashx</a>
October	2001	Visiting US congressman weighs into resistance vs terrorism debate	Alia Ibrahim	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2001/Oct-10/25809-visiting-us-congressman-weighs-into-resistance-vs-terrorism-debate.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2001/Oct-10/25809-visiting-us-congressman-weighs-into-resistance-vs-terrorism-debate.ashx</a>
October	2001	Central Bank receives US demand to freeze assets of suspects	Cilina Nasser	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2001/Oct-16/27345-central-bank-receives-us-demand-to-freeze-assets-of-suspects.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2001/Oct-16/27345-central-bank-receives-us-demand-to-freeze-assets-of-suspects.ashx</a>
October	2001	Battle denies top Hizbullah men are on terrorist list	Cilina Nasser, Youssef Diab	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2001/Oct-20/24838-battle-denies-top-hizbullah-men-are-on-terrorist-list.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2001/Oct-20/24838-battle-denies-top-hizbullah-men-are-on-terrorist-list.ashx</a>
October	2001	Hariri: Funds in banks too small for laundering	Nafez Kawas	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2001/Oct-04/24703-hariri-funds-in-banks-too-small-for-laundering.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2001/Oct-04/24703-hariri-funds-in-banks-too-small-for-laundering.ashx</a>
November	2001	Hizbullah unshaken by US order to freeze its funds	Nicholas Blanford	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2001/Nov-05/24229-hizbullah-unshaken-by-us-order-to-freeze-its-funds.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2001/Nov-05/24229-hizbullah-unshaken-by-us-order-to-freeze-its-funds.ashx</a>
November	2001	Bank links to dirty money denied	Alia Ibrahim	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2001/Nov-08/25097-bank-links-to-dirty-money-denied.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2001/Nov-08/25097-bank-links-to-dirty-money-denied.ashx</a>

Month	Year	Title	Author(s)	URL
November	2001	Central Bank fends off demands to freeze Hizbullah's assets	Zeina Abu Rizk	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2001/Nov-09/25112-central-bank-fends-off-demands-to-freeze-hizbullahs-assets.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2001/Nov-09/25112-central-bank-fends-off-demands-to-freeze-hizbullahs-assets.ashx</a>
November	2001	US congressmen assured of Hizbullah's 'limited scope'	Nicholas Blanford	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2001/Nov-19/25396-us-congressmen-assured-of-hizbullahs-limited-scope.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2001/Nov-19/25396-us-congressmen-assured-of-hizbullahs-limited-scope.ashx</a>
November	2001	Central Bank freezes accounts of laundering suspects	Youssef Diab	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2001/Nov-24/25451-central-bank-freezes-accounts-of-laundering-suspects.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2001/Nov-24/25451-central-bank-freezes-accounts-of-laundering-suspects.ashx</a>
November	2001	Berri minimizes US-Lebanon tension over Hizbullah	Zeina Abu Rizk	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2001/Nov-20/25404-berri-minimizes-us-lebanon-tension-over-hizbullah.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2001/Nov-20/25404-berri-minimizes-us-lebanon-tension-over-hizbullah.ashx</a>
November	2001	Hariri plays down severity of Lebanese-US conflict	Nicolas Tohme	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2001/Nov-13/25145-hariri-plays-down-severity-of-lebanese-us-conflict.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2001/Nov-13/25145-hariri-plays-down-severity-of-lebanese-us-conflict.ashx</a>
January	2002	Anti-terrorism measures high on Pique's agenda	Khalil Fleihan	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2002/Jan-18/36216-anti-terrorism-measures-high-on-piques-agenda.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2002/Jan-18/36216-anti-terrorism-measures-high-on-piques-agenda.ashx</a>
July	2002	Big changes ahead		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2002/Jul-02/36309-big-changes-ahead.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2002/Jul-02/36309-big-changes-ahead.ashx</a>
November	2002	US warns Beirut over trafficking	Cilina Nasser	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2002/Nov-20/14654-us-warns-beirut-over-trafficking.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2002/Nov-20/14654-us-warns-beirut-over-trafficking.ashx</a>
June	2003	Siniora banned from entering US		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2003/Jun-16/39111-siniora-banned-from-entering-us.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2003/Jun-16/39111-siniora-banned-from-entering-us.ashx</a>
July	2003	The Lebanese link in suspected Latin American militant fundraisers	Ed Blanche	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2003/Jul-01/37726-the-lebanese-link-in-suspected-latin-american-militant-fundraisers.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2003/Jul-01/37726-the-lebanese-link-in-suspected-latin-american-militant-fundraisers.ashx</a>
July	2003	Accounts frozen in Al-Madina Bank case		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2003/Jul-15/38642-accounts-frozen-in-al-madina-bank-case.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2003/Jul-15/38642-accounts-frozen-in-al-madina-bank-case.ashx</a>
July	2003	Lebanon free of WMD, links to Al-Qaeda	Khalil Fleihan	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2003/Jul-23/39520-lebanon-free-of-wmd-links-to-al-qaeda.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2003/Jul-23/39520-lebanon-free-of-wmd-links-to-al-qaeda.ashx</a>
August	2003	Lahoud urges bankers to keep system stable	Nafez Kawas	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2003/Aug-05/26483-lahoud-urges-bankers-to-keep-system-stable.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2003/Aug-05/26483-lahoud-urges-bankers-to-keep-system-stable.ashx</a>

Month	Year	Title	Author(s)	URL
September	2003	Central Bank denies targeting Hamas	Sabine Darrous, Maurice Kaldawi	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2003/Sep-24/41766-central-bank-denies-targeting-hamas.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2003/Sep-24/41766-central-bank-denies-targeting-hamas.ashx</a>
November	2003	US pressure on Syria figures to be counter-productive	Rania Abou Zeid	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2003/Nov-07/41375-us-pressure-on-syria-figures-to-be-counter-productive.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2003/Nov-07/41375-us-pressure-on-syria-figures-to-be-counter-productive.ashx</a>
February	2004	Banks have opportunity to claim energized role	Christian Henderson	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2004/Feb-13/2547-banks-have-opportunity-to-claim-energized-role.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2004/Feb-13/2547-banks-have-opportunity-to-claim-energized-role.ashx</a>
August	2004	Closure of US terror-designated charity shatters many lives	Cilina Nasser	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2004/Aug-27/2799-closure-of-us-terror-designated-charity-shatters-many-lives.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2004/Aug-27/2799-closure-of-us-terror-designated-charity-shatters-many-lives.ashx</a>
October	2004	U.S. mulling plans to freeze Lebanese assets	Majdoline Hatoum, Khalil Fleihan	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2004/Oct-29/3815-us-mulling-plans-to-freeze-lebanese-assets.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2004/Oct-29/3815-us-mulling-plans-to-freeze-lebanese-assets.ashx</a>
September	2005	U.S. lauds Lebanon's efforts in curbing money laundering and terror financing	Spencer Osberg	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2005/Sep-28/6111-us-lauds-lebanons-efforts-in-curbing-money-laundering-and-terror-financing.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2005/Sep-28/6111-us-lauds-lebanons-efforts-in-curbing-money-laundering-and-terror-financing.ashx</a>
December	2006	US Treasury targets individuals, businesses in South America for allegedly channeling money to Hizbullah		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2006/Dec-07/44891-us-treasury-targets-individuals-businesses-in-south-america-for-allegedly-channeling-money-to.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2006/Dec-07/44891-us-treasury-targets-individuals-businesses-in-south-america-for-allegedly-channeling-money-to.ashx</a>
May	2007	US State Department report on Lebanon and Hizbullah		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2007/May-03/46938-us-state-department-report-on-lebanon-and-hizbullah.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2007/May-03/46938-us-state-department-report-on-lebanon-and-hizbullah.ashx</a>
July	2007	Salameh says society needs 'dose of liberalism'		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2007/Jul-14/48254-salameh-says-society-needs-dose-of-liberalism.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2007/Jul-14/48254-salameh-says-society-needs-dose-of-liberalism.ashx</a>
October	2007	Salameh receives award from Arab bankers in North America		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2007/Oct-25/47009-salameh-receives-award-from-arab-bankers-in-north-america.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2007/Oct-25/47009-salameh-receives-award-from-arab-bankers-in-north-america.ashx</a>
November	2008	Bank Audi on Lebanon amid global turmoil: a new episode of financial resilience		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2008/Nov-20/52214-bank-audi-on-lebanon-amid-global-turmoil-a-new-episode-of-financial-resilience.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2008/Nov-20/52214-bank-audi-on-lebanon-amid-global-turmoil-a-new-episode-of-financial-resilience.ashx</a>
August	2010	US Treasury official leaves Beirut after talks on Iran sanctions		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2010/Aug-19/58833-us-treasury-official-leaves-beirut-after-talks-on-iran-sanctions.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2010/Aug-19/58833-us-treasury-official-leaves-beirut-after-talks-on-iran-sanctions.ashx</a>
December	2010	US sanctions Hizbullah financiers in Africa, South America	Patrick Galey	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2010/Dec-11/60663-us-sanctions-hizbullah-financiers-in-africa-south-america.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2010/Dec-11/60663-us-sanctions-hizbullah-financiers-in-africa-south-america.ashx</a>

Month	Year	Title	Author(s)	URL
January	2011	Two Lebanese currency traders deny U.S. charges of criminal links	Patrick Galey	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2011/Jan-28/60689-two-lebanese-currency-traders-deny-us-charges-of-criminal-links.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2011/Jan-28/60689-two-lebanese-currency-traders-deny-us-charges-of-criminal-links.ashx</a>
February	2011	U.S. Treasury: Lebanese Canadian Bank involved in Hezbollah payments		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2011/Feb-11/61095-us-treasury-lebanese-canadian-bank-involved-in-hezbollah-payments.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2011/Feb-11/61095-us-treasury-lebanese-canadian-bank-involved-in-hezbollah-payments.ashx</a>
March	2011	SGBL to merge with Lebanese-Canadian Bank	Osama Habib	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2011/Mar-04/121872-sgbl-to-merge-with-lebanese-canadian-bank.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2011/Mar-04/121872-sgbl-to-merge-with-lebanese-canadian-bank.ashx</a>
March	2011	Salameh: Lebanese banks not under U.S. pressure	Rima S. Aboulmona	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2011/Mar-21/134830-salameh-lebanese-banks-not-under-us-pressure.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2011/Mar-21/134830-salameh-lebanese-banks-not-under-us-pressure.ashx</a>
March	2011	Jumblatt denies warning over U.S. attempts to target banks		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2011/Mar-22/134893-jumblatt-denies-warning-over-us-attempts-to-target-banks.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2011/Mar-22/134893-jumblatt-denies-warning-over-us-attempts-to-target-banks.ashx</a>
August	2011	Sanctioned Syrian bank denies US allegations		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2011/Aug-17/146452-sanctioned-syrian-bank-denies-us-allegations.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2011/Aug-17/146452-sanctioned-syrian-bank-denies-us-allegations.ashx</a>
September	2011	Mikati, Salameh voice optimism on Lebanon's economy		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2011/Sep-15/148831-mikati-salameh-voice-optimism-on-lebanons-economy.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2011/Sep-15/148831-mikati-salameh-voice-optimism-on-lebanons-economy.ashx</a>
November	2011	Lebanon must protect against Syria evading sanctions: U.S. official		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2011/Nov-10/153637-lebanon-must-protect-against-syria-evading-sanctions-us-official.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2011/Nov-10/153637-lebanon-must-protect-against-syria-evading-sanctions-us-official.ashx</a>
December	2011	Hezbollah: Money laundering accusations aim to tarnish group's image		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2011/Dec-22/157636-hezbollah-money-laundering-accusations-aim-to-tarnish-groups-image.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2011/Dec-22/157636-hezbollah-money-laundering-accusations-aim-to-tarnish-groups-image.ashx</a>
December	2011	Hezbollah laundered millions in US: Prosecutor		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2011/Dec-16/157067-hezbollah-laundered-millions-in-us-prosecutor.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2011/Dec-16/157067-hezbollah-laundered-millions-in-us-prosecutor.ashx</a>
December	2011	Feltman to visit Beirut		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2011/Dec-03/155951-feltman-to-visit-beirut.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2011/Dec-03/155951-feltman-to-visit-beirut.ashx</a>
March	2012	U.S. warns Lebanon against attempts to evade Syria sanctions		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2012/Mar-20/167336-us-warns-lebanon-against-attempts-to-evade-syria-sanctions.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2012/Mar-20/167336-us-warns-lebanon-against-attempts-to-evade-syria-sanctions.ashx</a>
July	2012	Salameh: Banking sector abides by law		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2012/Jul-10/179995-salameh-banking-sector-abides-by-law.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2012/Jul-10/179995-salameh-banking-sector-abides-by-law.ashx</a>
August	2012	U.S. seizes \$150 mln in Hezbollah-linked funds: officials		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2012/Aug-21/185202-us-seizes-150-mln-in-hezbollah-linked-funds-officials.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2012/Aug-21/185202-us-seizes-150-mln-in-hezbollah-linked-funds-officials.ashx</a>

Month	Year	Title	Author(s)	URL
October	2012	US imposes sanctions on Lebanese charities with Hamas ties		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2012/Oct-04/190149-us-imposes-sanctions-on-lebanese-charities-with-hamas-ties.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2012/Oct-04/190149-us-imposes-sanctions-on-lebanese-charities-with-hamas-ties.ashx</a>
April	2013	U.S. lists Lebanese firms as 'money laundering concern'		<a href="http://www.dailystar.com.lb/News/Local-News/2013/Apr-23/214785-us-lists-lebanese-firms-as-money-laundering-concern.ashx">http://www.dailystar.com.lb/News/Local-News/2013/Apr-23/214785-us-lists-lebanese-firms-as-money-laundering-concern.ashx</a>
May	2013	France wants Hezbollah armed wing on EU terror list by end-June	John Irish	<a href="http://www.dailystar.com.lb/News/Local-News/2013/May-23/218058-france-seeks-to-brand-hezbollah-as-terrorist-group.ashx">http://www.dailystar.com.lb/News/Local-News/2013/May-23/218058-france-seeks-to-brand-hezbollah-as-terrorist-group.ashx</a>
September	2013	SGBL accompanies youths as they progress		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2013/Sep-14/231265-sgbl-accompanies-youths-as-they-progress.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2013/Sep-14/231265-sgbl-accompanies-youths-as-they-progress.ashx</a>
September	2013	West targets Hezbollah financing, ties in Africa	David Lewis	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2013/Sep-21/232016-west-targets-hezbollah-financing-ties-in-africa.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2013/Sep-21/232016-west-targets-hezbollah-financing-ties-in-africa.ashx</a>
April	2014	U.S. bill aims to cut off Hezbollah's funding		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2014/Apr-06/252460-us-bill-aims-to-cut-off-hezbollahs-funding.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2014/Apr-06/252460-us-bill-aims-to-cut-off-hezbollahs-funding.ashx</a>
June	2014	Central Bank protects economy's stability: Salameh		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2014/Jun-10/259594-central-bank-protects-economys-stability-salameh.ashx">www.dailystar.com.lb/News/Lebanon-News/2014/Jun-10/259594-central-bank-protects-economys-stability-salameh.ashx</a>
June	2014	U.S. advances new sanctions on Hezbollah		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2014/Jun-27/261775-us-advances-new-sanctions-on-hezbollah.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2014/Jun-27/261775-us-advances-new-sanctions-on-hezbollah.ashx</a>
June	2014	U.S. committee approves sanctions against Hezbollah		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2014/Jun-26/261718-us-committee-approves-sanctions-against-hezbollah.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2014/Jun-26/261718-us-committee-approves-sanctions-against-hezbollah.ashx</a>
July	2014	Cyprus seizes Lebanese-owned bank	Osama Habib, Ryan Stultz	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2014/Jul-18/264302-us-accuses-lebanese-owned-bank-of-money-laundering.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2014/Jul-18/264302-us-accuses-lebanese-owned-bank-of-money-laundering.ashx</a>
August	2014	Hezbollah hospital expands despite U.S. sanctions	Kareem Shaheen	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2014/Aug-27/268605-hezbollah-hospital-expands-despite-us-sanctions.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2014/Aug-27/268605-hezbollah-hospital-expands-despite-us-sanctions.ashx</a>
August	2015	Smaller banks feel pain of compliance	Osama Habib	<a href="http://www.dailystar.com.lb/Business/Local/2015/Aug-12/310700-smaller-banks-feel-pain-of-compliance.ashx">http://www.dailystar.com.lb/Business/Local/2015/Aug-12/310700-smaller-banks-feel-pain-of-compliance.ashx</a>
November	2015	Hezbollah outraged by U.S. sanctions bill	Louay Faour	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2015/Nov-24/324311-hezbollah-outraged-by-us-sanctions-bill.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2015/Nov-24/324311-hezbollah-outraged-by-us-sanctions-bill.ashx</a>
November	2015	Legislative session crucial for Lebanon: Central Bank Governor		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2015/Nov-07/322051-legislative-session-crucial-for-lebanon-central-bank-governor.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2015/Nov-07/322051-legislative-session-crucial-for-lebanon-central-bank-governor.ashx</a>

Month	Year	Title	Author(s)	URL
December	2015	U.S. Congress votes to sanction banks dealing with Hezbollah		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2015/Dec-17/327783-us-congress-votes-to-sanction-banks-dealing-with-hezbollah.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2015/Dec-17/327783-us-congress-votes-to-sanction-banks-dealing-with-hezbollah.ashx</a>
March	2016	Lebanon finance minister heads to US to tackle terror funding		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/Mar-19/343069-lebanon-finance-minister-heads-to-us-to-tackle-terror-funding.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/Mar-19/343069-lebanon-finance-minister-heads-to-us-to-tackle-terror-funding.ashx</a>
March	2016	Khalil to talk terror finance in Washington		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/Mar-21/343234-khalil-to-talk-terror-finance-in-washington.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/Mar-21/343234-khalil-to-talk-terror-finance-in-washington.ashx</a>
March	2016	Lebanon finance minister urges US to delay implementation of anti-Hezbollah law		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/Mar-25/344123-lebanon-finance-minister-urges-us-to-delay-implementation-of-anti-hezbollah-law.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/Mar-25/344123-lebanon-finance-minister-urges-us-to-delay-implementation-of-anti-hezbollah-law.ashx</a>
March	2016	US must respect Lebanon's 'special political makeup': finance minister from Washington		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/Mar-22/343511-us-must-respect-lebanons-special-political-makeup-finance-minister-from-washington.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/Mar-22/343511-us-must-respect-lebanons-special-political-makeup-finance-minister-from-washington.ashx</a>
April	2016	Lebanon will abide by US anti-Hezbollah law: Central bank		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/Apr-18/347960-lebanon-will-abide-by-us-anti-hezbollah-law-central-bank.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/Apr-18/347960-lebanon-will-abide-by-us-anti-hezbollah-law-central-bank.ashx</a>
May	2016	Hezbollah ministers protest new banking rules	Hasan Lakkis	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/May-13/351936-hezbollah-ministers-protest-new-banking-rules.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/May-13/351936-hezbollah-ministers-protest-new-banking-rules.ashx</a>
May	2016	Geagea says Hezbollah hurts Lebanon banking sector		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/May-13/352000-geagea-says-hezbollah-hurts-lebanon-banking-sector.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/May-13/352000-geagea-says-hezbollah-hurts-lebanon-banking-sector.ashx</a>
May	2016	Lebanon working to resolve Hezbollah banking issue: PM		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/May-16/352305-us-measures-against-hezbollah-under-control-salam.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/May-16/352305-us-measures-against-hezbollah-under-control-salam.ashx</a>
May	2016	Hezbollah considers Salameh's approach to sanctions 'positive': report		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/May-18/352684-hezbollah-considers-salamehs-approach-to-sanctions-positive-report.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/May-18/352684-hezbollah-considers-salamehs-approach-to-sanctions-positive-report.ashx</a>
May	2016	Lebanese charity says unfairly hit by U.S. anti-Hezbollah law		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/May-21/353210-lebanese-charity-says-unfairly-hit-by-us-anti-hezbollah-law.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/May-21/353210-lebanese-charity-says-unfairly-hit-by-us-anti-hezbollah-law.ashx</a>
June	2016	100 Hezbollah-linked bank accounts frozen: Salameh		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/Jun-09/356082-100-hezbollah-linked-bank-accounts-closed-salameh.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/Jun-09/356082-100-hezbollah-linked-bank-accounts-closed-salameh.ashx</a>
June	2016	Lebanon to close more Hezbollah-linked bank accounts, including hospital: report		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/Jun-10/356263-lebanon-to-close-more-hezbollah-linked-bank-accounts-including-hospital-report.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/Jun-10/356263-lebanon-to-close-more-hezbollah-linked-bank-accounts-including-hospital-report.ashx</a>

Month	Year	Title	Author(s)	URL
June	2016	Hezbollah official says US sanctions law violates Lebanon sovereignty		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/Jun-20/357960-hezbollah-official-says-us-sanctions-law-violates-lebanon-sovereignty.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/Jun-20/357960-hezbollah-official-says-us-sanctions-law-violates-lebanon-sovereignty.ashx</a>
June	2016	Nasrallah says U.S. sanctions have no impact on Hezbollah	Hussein Dakroub	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/Jun-25/358893-nasrallah-says-us-sanctions-have-no-impact-on-hezbollah.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/Jun-25/358893-nasrallah-says-us-sanctions-have-no-impact-on-hezbollah.ashx</a>
June	2016	Hariri: Hezbollah wars led to Arab boycott, U.S. sanctions	Hussein Dakroub	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/Jun-18/357627-hariri-hezbollah-wars-led-to-arab-boycott-us-sanctions.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/Jun-18/357627-hariri-hezbollah-wars-led-to-arab-boycott-us-sanctions.ashx</a>
June	2016	Leaders urge restraint after bank attack	Hussein Dakroub	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/Jun-14/356832-leaders-urge-restraint-after-bank-attack.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/Jun-14/356832-leaders-urge-restraint-after-bank-attack.ashx</a>
June	2016	Geagea defends bank governor over Hezbollah account closures		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/Jun-11/356488-geagea-defends-bank-governor-over-hezbollah-account-closures.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/Jun-11/356488-geagea-defends-bank-governor-over-hezbollah-account-closures.ashx</a>
July	2016	Hezbollah seeks truce with banking head over US law		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/Jul-22/363399-hezbollah-to-salameh-over-us-banks-law-we-understand.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/Jul-22/363399-hezbollah-to-salameh-over-us-banks-law-we-understand.ashx</a>
August	2016	More Hezbollah-linked bank accounts to be frozen soon: report		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2016/Aug-17/367564-new-list-of-hezbollah-linked-bank-accounts-to-be-frozen-soon-reports.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2016/Aug-17/367564-new-list-of-hezbollah-linked-bank-accounts-to-be-frozen-soon-reports.ashx</a>
March	2017	AUB unwittingly violated U.S. sanctions		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2017/Mar-25/399110-aub-unwittingly-violated-us-sanctions.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2017/Mar-25/399110-aub-unwittingly-violated-us-sanctions.ashx</a>
April	2017	Lebanon can minimize impact of new US sanctions: Hariri		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2017/Apr-27/403617-lebanon-can-minimize-impact-of-new-us-sanctions-hariri.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2017/Apr-27/403617-lebanon-can-minimize-impact-of-new-us-sanctions-hariri.ashx</a>
April	2017	Hariri aims to curb sanctions impact		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2017/Apr-28/403649-hariri-aims-to-curb-sanctions-impact.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2017/Apr-28/403649-hariri-aims-to-curb-sanctions-impact.ashx</a>
April	2017	Tajeddine part of U.S. terror prosecution trend	Rhys Dubin	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2017/Apr-14/401900-tajeddine-part-of-us-terror-prosecution-trend.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2017/Apr-14/401900-tajeddine-part-of-us-terror-prosecution-trend.ashx</a>
May	2017	Lebanese claiming Hezbollah ties pleads guilty to money laundering		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2017/May-29/407569-lebanese-claiming-hezbollah-ties-pleads-guilty-to-money-laundering.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2017/May-29/407569-lebanese-claiming-hezbollah-ties-pleads-guilty-to-money-laundering.ashx</a>
May	2017	Abou Merhi, other Lebanese taken off sanctions list		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2017/May-10/405212-abou-merhi-other-lebanese-taken-off-sanctions-list.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2017/May-10/405212-abou-merhi-other-lebanese-taken-off-sanctions-list.ashx</a>

Month	Year	Title	Author(s)	URL
June	2017	Congressional committee hearing supports U.S. sanctions against Hezbollah	Federica Marsi	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2017/Jun-09/409017-congressional-committee-hearing-supports-us-sanctions-against-hezbollah.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2017/Jun-09/409017-congressional-committee-hearing-supports-us-sanctions-against-hezbollah.ashx</a>
July	2017	Hariri urges US to spare banks from sanctions	Hussein Dakroub	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2017/Jul-29/414367-hariri-urges-us-to-spare-banks-from-sanctions.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2017/Jul-29/414367-hariri-urges-us-to-spare-banks-from-sanctions.ashx</a>
August	2017	Changes to draft U.S. sanctions allay fears	Lisa Barrington	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2017/Aug-28/417404-changes-to-draft-us-sanctions-allay-fears.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2017/Aug-28/417404-changes-to-draft-us-sanctions-allay-fears.ashx</a>
August	2017	U.S. sanctions web slows NGO relief activities	Federica Marsi	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2017/Aug-31/417787-us-sanctions-web-slows-ngo-relief-activities.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2017/Aug-31/417787-us-sanctions-web-slows-ngo-relief-activities.ashx</a>
October	2017	Banking sector, economy safe from sanctions: Salameh		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2017/Oct-15/422722-banking-sector-economy-safe-from-sanctions-salameh.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2017/Oct-15/422722-banking-sector-economy-safe-from-sanctions-salameh.ashx</a>
October	2017	Hezbollah blasts US sanctions		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2017/Oct-26/424017-hezbollah-blasts-us-sanctions.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2017/Oct-26/424017-hezbollah-blasts-us-sanctions.ashx</a>
October	2017	U.S. House tightens Hezbollah sanctions, eyes govt bodies	Benjamin Redd	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2017/Oct-26/423976-us-house-tightens-hezbollah-sanctions-eyes-govt-bodies.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2017/Oct-26/423976-us-house-tightens-hezbollah-sanctions-eyes-govt-bodies.ashx</a>
October	2017	US happy with Hezbollah sanctions enforcement: Torbey		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2017/Oct-23/423634-us-sanctions-against-hezbollah-will-not-target-banks-torbey.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2017/Oct-23/423634-us-sanctions-against-hezbollah-will-not-target-banks-torbey.ashx</a>
November	2017	Durable Lebanese banks have earned trust		<a href="http://www.dailystar.com.lb/Business/Local/2017/Nov-24/427589-durable-lebanese-banks-have-earned-trust.ashx">http://www.dailystar.com.lb/Business/Local/2017/Nov-24/427589-durable-lebanese-banks-have-earned-trust.ashx</a>
November	2017	Banking sector safe from sanctions: Torbey to Aoun		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2017/Nov-02/424876-banking-sector-safe-from-sanctions-torbey-to-aoun.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2017/Nov-02/424876-banking-sector-safe-from-sanctions-torbey-to-aoun.ashx</a>
December	2017	No Hezbollah funds going through Lebanese banks: Geagea		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2017/Dec-02/428643-no-hezbollah-funds-going-through-lebanese-banks-geagea.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2017/Dec-02/428643-no-hezbollah-funds-going-through-lebanese-banks-geagea.ashx</a>
December	2017	Banking sector is fine: Hariri		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2017/Dec-06/429129-banking-sector-is-fine-hariri.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2017/Dec-06/429129-banking-sector-is-fine-hariri.ashx</a>
December	2017	Lebanon is combating terror financing: Machnouk		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2017/Dec-13/429975-lebanon-is-combating-terror-financing-machnouk.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2017/Dec-13/429975-lebanon-is-combating-terror-financing-machnouk.ashx</a>

Month	Year	Title	Author(s)	URL
January	2018	U.S. to probe Hezbollah 'narcoterror'		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2018/Jan-12/433381-us-to-probe-hezbollah-narcoterror.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2018/Jan-12/433381-us-to-probe-hezbollah-narcoterror.ashx</a>
January	2018	U.S. holds to pro-Lebanon, anti-Hezbollah strategy	Benjamin Redd	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2018/Jan-24/435194-us-holds-to-pro-lebanon-anti-hezbollah-strategy.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2018/Jan-24/435194-us-holds-to-pro-lebanon-anti-hezbollah-strategy.ashx</a>
January	2018	Berri meets U.S. anti-terror official	Gasia Trtrian	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2018/Jan-23/435130-berri-meets-us-anti-terror-official.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2018/Jan-23/435130-berri-meets-us-anti-terror-official.ashx</a>
February	2018	US and Argentina to work together against Hezbollah		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2018/Feb-04/436825-us-and-argentina-to-work-together-against-hezbollah.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2018/Feb-04/436825-us-and-argentina-to-work-together-against-hezbollah.ashx</a>
February	2018	'More to come' as U.S. slaps Hezbollah with fresh sanctions	Timour Azhari, Benjamin Redd	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2018/Feb-03/436724-more-to-come-as-us-slaps-hezbollah-with-fresh-sanctions.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2018/Feb-03/436724-more-to-come-as-us-slaps-hezbollah-with-fresh-sanctions.ashx</a>
February	2018	Salameh rejects US demand to close SLCB: report		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2018/Feb-07/437200-salameh-rejects-us-demand-to-close-slcb.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2018/Feb-07/437200-salameh-rejects-us-demand-to-close-slcb.ashx</a>
March	2018	Aoun asks EBRD to increase investments in Lebanon		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2018/Mar-15/441666-aoun-asks-ebrd-to-increase-investments-in-lebanon.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2018/Mar-15/441666-aoun-asks-ebrd-to-increase-investments-in-lebanon.ashx</a>
March	2018	Hezbollah listing up to EU states: Mogherini		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2018/Mar-23/442717-hezbollah-listing-up-to-eu-states-mogherini.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2018/Mar-23/442717-hezbollah-listing-up-to-eu-states-mogherini.ashx</a>
May	2018	New US sanctions target Hezbollah official	Joseph Haboush	<a href="http://www.dailystar.com.lb/Business/Regional/2018/May-15/449512-us-imposes-sanctions-on-irans-central-bank-chief-others.ashx">http://www.dailystar.com.lb/Business/Regional/2018/May-15/449512-us-imposes-sanctions-on-irans-central-bank-chief-others.ashx</a>
May	2018	New US sanctions hit at Hezbollah financiers, funding		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2018/May-17/449846-us-imposes-fresh-hezbollah-related-sanctions.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2018/May-17/449846-us-imposes-fresh-hezbollah-related-sanctions.ashx</a>
May	2018	U.S., Gulf allies sanction Hezbollah leaders		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2018/May-17/449730-us-gulf-allies-sanction-hezbollah-leaders.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2018/May-17/449730-us-gulf-allies-sanction-hezbollah-leaders.ashx</a>
October	2018	Hezbollah role can 'make or break' aid	Joseph Haboush	<a href="http://www.dailystar.com.lb/News/Lebanon-News/2018/Oct-12/466112-hezbollah-role-can-make-or-break-aid.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2018/Oct-12/466112-hezbollah-role-can-make-or-break-aid.ashx</a>
October	2018	U.S. steps up Hezbollah sanctions with new law		<a href="http://www.dailystar.com.lb/News/Lebanon-News/2018/Oct-27/467659-us-steps-up-hezbollah-sanctions-with-new-law.ashx">http://www.dailystar.com.lb/News/Lebanon-News/2018/Oct-27/467659-us-steps-up-hezbollah-sanctions-with-new-law.ashx</a>

## Appendix 2 - Executive Magazine

Date	Title	Subtitle	Author(s)	URL
1-May-01	Coming Clean	Will the anti-money laundering law improve Lebanon's image or simply end banking secrecy?	Hadi Khatib	n/a
1-Oct-01	Assessing the Damage	What will happen to the Middle East after the attacks on the US?	Hadi Khatib, Tania Tavoukdjian, Natacha Tohme	n/a
1-Nov-01	On the Hit List	Lebanon may be the next target in the US "war on terrorism"	Kirsten Vance	n/a
1-Mar-02	Concealing the Wealth	Is banking secrecy essential?	Paula Schmitt	n/a
1-Nov-02	Fraud: Under the Hammer	Executive examines cases of financial fraud - past and present - and in an interview with state prosecutor, Adnan Addoum, asks whether enough is being done to combat financial crimes to protect the sector	Executive staff	n/a
1-Mar-03	The laundry business	\$1.5 trillion every year is made to look 'whiter than white'	Thomas Schellen	n/a
1-Mar-03	Where to put dirty money	In a money-based economy, virtually any business - services, retail, real estate and banking - can be used for money laundering	Thomas Schellen	n/a
1-Jun-03	Obstacle Course	How the banking sector manages to stay afloat in the face of taxation, declining interest rates and rumors of money laundering	Executive staff	n/a
1-Oct-03	A growing epidemic		Thomas Schellen	<a href="http://www.executive-magazine.com/business-finance/business/a-growing-epidemic">http://www.executive-magazine.com/business-finance/business/a-growing-epidemic</a>

<b>Date</b>	<b>Title</b>	<b>Subtitle</b>	<b>Author(s)</b>	<b>URL</b>
1-Jan-04	Efficiency not mediocrity	Makram Sader gives a wrap up of growth in the sector and a strategy in 2004	Executive staff	<a href="http://www.executive-magazine.com/business-finance/finance/efficiency-not-mediocrity">http://www.executive-magazine.com/business-finance/finance/efficiency-not-mediocrity</a>
1-Jan-04	Q&A: Riad Salameh		Thomas Schellen	<a href="http://www.executive-magazine.com/business-finance/finance/qa-riad-salameh">http://www.executive-magazine.com/business-finance/finance/qa-riad-salameh</a>
1-June-04	Let's get together		Tony Hchaime	<a href="http://www.executive-magazine.com/business-finance/business/lets-get-together">http://www.executive-magazine.com/business-finance/business/lets-get-together</a>
1-Jul-04	Counting the profits		Thomas Schellen	<a href="http://www.executive-magazine.com/business-finance/business/counting-the-profits">http://www.executive-magazine.com/business-finance/business/counting-the-profits</a>
1-Jul-04	Banks with buying power	profiles ten alpha banks that might be	Tony Hchaime	<a href="http://www.executive-magazine.com/economics-policy/banks-with-buying-power">http://www.executive-magazine.com/economics-policy/banks-with-buying-power</a>
1-Sep-04	Banking on the good times	Assets and deposits in the Lebanese banking sector keep on increasing although loan portfolio	Tony Hchaime	<a href="http://www.executive-magazine.com/economics-policy/banking-on-the-good-times">http://www.executive-magazine.com/economics-policy/banking-on-the-good-times</a>
1-Oct-04	Upping the ante on Syria		Claude Salhani	<a href="http://www.executive-magazine.com/business-finance/business/upping-the-ante-on-syria">http://www.executive-magazine.com/business-finance/business/upping-the-ante-on-syria</a>
1-Nov-04	Go West or East young bank	Lebanese banks need to look beyond their borders in order to improve revenues and rely less on a stagnant local economy	Nicolas Photiades	<a href="http://www.executive-magazine.com/economics-policy/go-west-or-east-young-bank">http://www.executive-magazine.com/economics-policy/go-west-or-east-young-bank</a>
1-Jan-05	Banking Voices – Size still matters		Executive staff	<a href="http://www.executive-magazine.com/business-finance/finance/banking-voices-size-still-matters">http://www.executive-magazine.com/business-finance/finance/banking-voices-size-still-matters</a>
1-Jan-05	Finance Voices – Where's the regulation?		Executive staff	<a href="http://www.executive-magazine.com/business-finance/finance/finance-voices-wheres-the-regulation">http://www.executive-magazine.com/business-finance/finance/finance-voices-wheres-the-regulation</a>
1-May-05	Talking Economics	Five political leaders discuss their economic proposals	Thomas Schellen	<a href="http://www.executive-magazine.com/economics-policy/talking-economics">http://www.executive-magazine.com/economics-policy/talking-economics</a>
1-Nov-05	Protecting the integrity of Banks	Lebanon has retained its banking secrecy laws whilst adopting new measures to fight money laundering	Thomas Schellen	<a href="http://www.executive-magazine.com/economics-policy/protecting-the-integrity-of-banks">http://www.executive-magazine.com/economics-policy/protecting-the-integrity-of-banks</a>
1-Jun-06	Georges Zard Abou Jaoude – Grand Plans Ahead	As Lebanese Canadian Bank prepares to launch an IPO, opportunities and challenges loom.	Executive staff	<a href="http://www.executive-magazine.com/business-finance/business/georges-zard-abou-jaoude-grand-plans-ahead">http://www.executive-magazine.com/business-finance/business/georges-zard-abou-jaoude-grand-plans-ahead</a>

<b>Date</b>	<b>Title</b>	<b>Subtitle</b>	<b>Author(s)</b>	<b>URL</b>
1-Jun-06	The rise of LCB		Executive staff	<a href="http://www.executive-magazine.com/business-finance/business/the-rise-of-lcb">http://www.executive-magazine.com/business-finance/business/the-rise-of-lcb</a>
1-Jun-06	Lebanon must heed world bank warnings	Political paralysis is a luxury the country can no longer afford	Faysal Badran	<a href="http://www.executive-magazine.com/economics-policy/lebanon-must-heed-world-bank-warnings">http://www.executive-magazine.com/economics-policy/lebanon-must-heed-world-bank-warnings</a>
3-Jun-06	LEBCAN multitasking on strategies	Lebanese Canadian Bank aims to grow into 'a major player' by 2010	Executive staff	<a href="http://www.executive-magazine.com/business-finance/business/lebcan-multitasking-on-strategies">http://www.executive-magazine.com/business-finance/business/lebcan-multitasking-on-strategies</a>
1-Aug-06	Believe in the Lebanese Way	Whatever happens to Lebanon, its instinctive desire to trade and make money will win through in the end	Michael Karam	<a href="http://www.executive-magazine.com/buzz/believe-in-the-lebanese-way">http://www.executive-magazine.com/buzz/believe-in-the-lebanese-way</a>
1-Sep-06	We don't suntrust you	Banking restrictions in the era of the USA. Patriot Act	Thomas Schellen	<a href="http://www.executive-magazine.com/business-finance/business/we-dont-suntrust-you">http://www.executive-magazine.com/business-finance/business/we-dont-suntrust-you</a>
1-Dec-06	Beirut Stock Exchange under pressure to meet regional standards	While neighboring stock indices modernize, Beirut	Executive staff	<a href="http://www.executive-magazine.com/business-finance/society/beirut-stock-exchange-under-pressure-to-meet-regional-standards">http://www.executive-magazine.com/business-finance/society/beirut-stock-exchange-under-pressure-to-meet-regional-standards</a>
1-Apr-07	Regulating the shadows – Hawalas test global financial system	But balance in regulation must be found	Executive staff	<a href="http://www.executive-magazine.com/business-finance/finance/regulating-the-shadows-hawalas-test-global-financial-system">http://www.executive-magazine.com/business-finance/finance/regulating-the-shadows-hawalas-test-global-financial-system</a>
1-Jun-07	Alternative Strategies – Banks staying strong	Despite political turmoil, the sector is still registering strong growth	Executive staff	<a href="http://www.executive-magazine.com/business-finance/society/alternative-strategies-banks-staying-strong">http://www.executive-magazine.com/business-finance/society/alternative-strategies-banks-staying-strong</a>
1-Jun-07	Looking Overseas – Banks eye lucrative markets	Alpha and Beta banks are getting in on the expansion action	Executive staff	<a href="http://www.executive-magazine.com/business-finance/society/looking-overseas-banks-eye-lucrative-markets">http://www.executive-magazine.com/business-finance/society/looking-overseas-banks-eye-lucrative-markets</a>
1-Sep-07	FEMIP – Helping the private sector	EIB partners with banking sector on programs to aid in recovery	Executive staff	<a href="http://www.executive-magazine.com/business-finance/society/femip-helping-the-private-sector">http://www.executive-magazine.com/business-finance/society/femip-helping-the-private-sector</a>
3-May-08	Secrecy Laws – Hush money	Accounting for the darker side of deposits in Lebanon	Executive staff	<a href="http://www.executive-magazine.com/business-finance/finance/secrecy-laws-hush-money">http://www.executive-magazine.com/business-finance/finance/secrecy-laws-hush-money</a>
1-Jun-08	Banking overview – Cedar's deep roots	Weathering storms political and economic, Lebanese banks persevere	Executive staff	<a href="http://www.executive-magazine.com/business-finance/society/banking-overview-cedars-deep-roots">http://www.executive-magazine.com/business-finance/society/banking-overview-cedars-deep-roots</a>

Date	Title	Subtitle	Author(s)	URL
3-Sep-08	Aviation – LCB wind for MEA		Executive staff	<a href="http://www.executive-magazine.com/business-finance/finance/aviation-lcb-wind-for-meas-wings">http://www.executive-magazine.com/business-finance/finance/aviation-lcb-wind-for-meas-wings</a>
3-Dec-08	Lebanon's banks invested in rebuilding the country's economy – By invitation: Fadlo I. Choueiri		Executive staff	<a href="http://www.executive-magazine.com/business-finance/finance/lebanons-banks-invested-in-rebuilding-the-countrys-economy-by-invitation-fadlo-i-choueiri">http://www.executive-magazine.com/business-finance/finance/lebanons-banks-invested-in-rebuilding-the-countrys-economy-by-invitation-fadlo-i-choueiri</a>
3-Feb-09	The Central Bank of Lebanon – Riad Salameh (Q&A)	The governor at the center of the banking sector	Executive staff	<a href="http://www.executive-magazine.com/business-finance/finance/the-central-bank-of-lebanon-riad-salameh-qa">http://www.executive-magazine.com/business-finance/finance/the-central-bank-of-lebanon-riad-salameh-qa</a>
3-Apr-09	Standard Chartered Bank, Lebanon – Pik Yee Foong (Q&A)	One-on-one with the bank	Executive staff	<a href="http://www.executive-magazine.com/business-finance/finance/standard-chartered-bank-lebanon-pik-ye-foong-qa">http://www.executive-magazine.com/business-finance/finance/standard-chartered-bank-lebanon-pik-ye-foong-qa</a>
3-Jun-09	Lebanon – Insulated, not impervious		Executive staff	<a href="http://www.executive-magazine.com/business-finance/finance/lebanon-insulated-not-impervious">http://www.executive-magazine.com/business-finance/finance/lebanon-insulated-not-impervious</a>
1-Apr-10	The region's rising risk	As the saber rattling continues financial ratings come under pressure	Paul Cochrane	<a href="http://www.executive-magazine.com/opinion/comment/the-regions-rising-risk">http://www.executive-magazine.com/opinion/comment/the-regions-rising-risk</a>
3-Jul-10	Who owns the banks	Revealing the hands holding the real power in Lebanon	Paul Cochrane	<a href="http://www.executive-magazine.com/business-finance/finance/who-owns-the-banks">http://www.executive-magazine.com/business-finance/finance/who-owns-the-banks</a>
3-Oct-10	Executive insight – Warring bankers line up on Basel III battle lines		Fabio Scacciavillani	<a href="http://www.executive-magazine.com/business-finance/finance/executive-insight-warring-bankers-line-up-on-basel-iii-battle-lines">http://www.executive-magazine.com/business-finance/finance/executive-insight-warring-bankers-line-up-on-basel-iii-battle-lines</a>
3-Dec-10	Praying for peace	The super-hero sector bites its nails about the future	Paul Cochrane	<a href="http://www.executive-magazine.com/business-finance/finance/praying-for-peace">http://www.executive-magazine.com/business-finance/finance/praying-for-peace</a>
3-Apr-11	An arranged marriage		Paul Cochrane	<a href="http://www.executive-magazine.com/business-finance/finance/an-arranged-marriage">http://www.executive-magazine.com/business-finance/finance/an-arranged-marriage</a>
3-May-11	We are under attack	Lebanese banking sector under attack from international forces	Yasser Akkaoui	<a href="http://www.executive-magazine.com/opinion/comment/we-are-under-attack">http://www.executive-magazine.com/opinion/comment/we-are-under-attack</a>
3-Sep-11	Executive Insight – Rebuilding relations	A banker	Dory Hage	<a href="http://www.executive-magazine.com/business-finance/finance/executive-insight-rebuilding-relations">http://www.executive-magazine.com/business-finance/finance/executive-insight-rebuilding-relations</a>

Date	Title	Subtitle	Author(s)	URL
3-Oct-11	Commemoration and conformity		Peter Speetjens	<a href="http://www.executive-magazine.com/opinion/comment/commemoration-and-conformity">http://www.executive-magazine.com/opinion/comment/commemoration-and-conformity</a>
3-Nov-11	Executive Insight – Rise of the Chief Risk Officer		Shane Phillips	<a href="http://www.executive-magazine.com/business-finance/finance/executive-insight-rise-of-the-chief-risk-officer">http://www.executive-magazine.com/business-finance/finance/executive-insight-rise-of-the-chief-risk-officer</a>
3-Dec-11	Performance of Lebanese banks in 2011	Insight into the health of the Lebanese banking sector after a roller coaster 2011	Maya Sioufi	<a href="http://www.executive-magazine.com/business-finance/finance/performance-of-lebanese-banks-in-2011">http://www.executive-magazine.com/business-finance/finance/performance-of-lebanese-banks-in-2011</a>
3-Dec-11	Mixed fortunes	The industry’s players have been dealt differing hands in a year of duress	Executive staff	<a href="http://www.executive-magazine.com/business-finance/society/mixed-fortunes">http://www.executive-magazine.com/business-finance/society/mixed-fortunes</a>
3-Dec-11	Castles made of sand	A failing economy threatens to leave future generations stranded	Executive staff	<a href="http://www.executive-magazine.com/economics-policy/castles-made-of-sand">http://www.executive-magazine.com/economics-policy/castles-made-of-sand</a>
3-Dec-11	Banking on diplomacy	Arab uprisings have hit regional banks	Paul Cochrane	<a href="http://www.executive-magazine.com/opinion/comment/banking-on-diplomacy">http://www.executive-magazine.com/opinion/comment/banking-on-diplomacy</a>
5-Jan-12	Avoiding collateral damage		Sami Halabi	<a href="http://www.executive-magazine.com/economics-policy/avoiding-collateral-damage">http://www.executive-magazine.com/economics-policy/avoiding-collateral-damage</a>
3-Feb-12	Culling the small fish	Small business owners caught in an international relations dragnet	Joe Dyke	<a href="http://www.executive-magazine.com/business-finance/finance/culling-the-small-fish">http://www.executive-magazine.com/business-finance/finance/culling-the-small-fish</a>
3-Mar-12	Prying open privacy	US crackdown on tax-dodgers could reshape Lebanon’s secrecy laws	Joe Dyke	<a href="http://www.executive-magazine.com/business-finance/finance/prying-open-privacy">http://www.executive-magazine.com/business-finance/finance/prying-open-privacy</a>
3-Apr-12	The man with your books	Executive chats with the head of the central bank’s Special Investigation Committee	Joe Dyke	<a href="http://www.executive-magazine.com/business-finance/finance/the-man-with-your-books">http://www.executive-magazine.com/business-finance/finance/the-man-with-your-books</a>
3-Jun-12	A chat with Riad Salameh	The government steers a cautious course amid woes at home and abroad	Maya Sioufi	<a href="http://www.executive-magazine.com/business-finance/finance/a-chat-with-riad-salameh">http://www.executive-magazine.com/business-finance/finance/a-chat-with-riad-salameh</a>
3-Jun-12	A tough road to cross	Lebanese banks still profitable, but the challenges are growing	Maya Sioufi	<a href="http://www.executive-magazine.com/business-finance/finance/a-tough-road-to-cross">http://www.executive-magazine.com/business-finance/finance/a-tough-road-to-cross</a>
3-Jun-12	Mounting fees	Banks need to adjust to wage hikes and new regulations	Maya Sioufi	<a href="http://www.executive-magazine.com/business-finance/finance/mounting-fees">http://www.executive-magazine.com/business-finance/finance/mounting-fees</a>

Date	Title	Subtitle	Author(s)	URL
3-Jun-12	Reputations at risk	Syrian affiliates of Lebanese banks complicate compliance	Paul Cochrane	<a href="http://www.executive-magazine.com/business-finance/finance/reputations-at-risk">http://www.executive-magazine.com/business-finance/finance/reputations-at-risk</a>
3-Aug-12	Banks caught in Iranian propaganda war	United Against Nuclear Iran launches fresh assault on Lebanon	Maya Sioufi	<a href="http://www.executive-magazine.com/opinion/comment/banks-caught-in-iranian-propaganda-war">http://www.executive-magazine.com/opinion/comment/banks-caught-in-iranian-propaganda-war</a>
1-Sep-12	A view from the Alps	Talking taxes, francs and emerging markets with Swiss private banking giant Pictet	Maya Sioufi	<a href="http://www.executive-magazine.com/business-finance/finance/a-view-from-the-alps">http://www.executive-magazine.com/business-finance/finance/a-view-from-the-alps</a>
3-Dec-12	The uncomfortable gaze of Uncle Sam	US pressure compounds a tough year for Lebanese banks	Maya Sioufi	<a href="http://www.executive-magazine.com/business-finance/finance/lebanon-banks-usa">http://www.executive-magazine.com/business-finance/finance/lebanon-banks-usa</a>
10-Dec-12	The dollar's the boss	Lebanese banks still beholden to the US Treasury	Paul Cochrane	<a href="http://www.executive-magazine.com/opinion/comment/lebanon-dollar-treasury">http://www.executive-magazine.com/opinion/comment/lebanon-dollar-treasury</a>
16-Apr-13	'Lebanon remains a growth market'	HSBC's new country chief confident of profits	Thomas Schellen	<a href="http://www.executive-magazine.com/business-finance/finance/lebanon-remains-a-growth-market">http://www.executive-magazine.com/business-finance/finance/lebanon-remains-a-growth-market</a>
19-Apr-13	Moving towards an Iranian deal	Hurdles to lifting sanctions are imposing, but the biggest is trust	Benjamin Redd	<a href="http://www.executive-magazine.com/buzz/iran-america-sanctions-negotiations-trust">http://www.executive-magazine.com/buzz/iran-america-sanctions-negotiations-trust</a>
10-Oct-13	Knocking back the sanctions	The case of Bank Mellat shows the vulnerability of Iranian sanctions	Benjamin Redd	<a href="http://www.executive-magazine.com/business-finance/finance/bank-mellat-iran-sanctions">http://www.executive-magazine.com/business-finance/finance/bank-mellat-iran-sanctions</a>
30-Apr-14	FATCA – Region preparing for Uncle Sam	Forthcoming US rules loom large over Middle Eastern banking sectors	Paul Cochrane	<a href="http://www.executive-magazine.com/business-finance/finance/fatca-answering-to-uncle-sam">http://www.executive-magazine.com/business-finance/finance/fatca-answering-to-uncle-sam</a>
3-Jun-14	Lebanon's financial sector braces for FATCA	Banks prepare to open their books to the long arms of Uncle Sam	Paul Cochrane	<a href="http://www.executive-magazine.com/business-finance/finance/lebanon-financial-sector-braces-for-fatca">http://www.executive-magazine.com/business-finance/finance/lebanon-financial-sector-braces-for-fatca</a>
10-Jun-14	Guarding a fragile future	Banks shudder as the government grabs for their profits	Thomas Schellen	<a href="http://www.executive-magazine.com/business-finance/finance/banks-guarding-a-fragile-future">http://www.executive-magazine.com/business-finance/finance/banks-guarding-a-fragile-future</a>
24-Jul-14	A world connected (to the US government)	The US Treasury blacklists phone distributor Stars Group Holding	Jeremy Arbid	<a href="http://www.executive-magazine.com/business-finance/business/a-world-connected-us-sanctions-stars">http://www.executive-magazine.com/business-finance/business/a-world-connected-us-sanctions-stars</a>
4-Sep-14	Feeling our presence	Roula Habis on managing wealth in the Middle East	Livia Murray, Thomas Schellen	<a href="http://www.executive-magazine.com/business-finance/finance/wealth-management-feeling-our-presence">http://www.executive-magazine.com/business-finance/finance/wealth-management-feeling-our-presence</a>

<b>Date</b>	<b>Title</b>	<b>Subtitle</b>	<b>Author(s)</b>	<b>URL</b>
10-Sep-14	Money magnets	Lebanon's wealth management business is small, but private banks want to change that	Livia Murray	<a href="http://www.executive-magazine.com/business-finance/finance/wealth-money-magnets">http://www.executive-magazine.com/business-finance/finance/wealth-money-magnets</a>
17-Sep-14	Raising capital, the human kind	Lebanon's EMBA programs are growing, but no one knows what value they add	Thomas Schellen	<a href="http://www.executive-magazine.com/business-finance/business/emba-raising-capital-the-human-kind">http://www.executive-magazine.com/business-finance/business/emba-raising-capital-the-human-kind</a>
25-Sep-14	A tougher game	Small updates on the precarious art of wealth management	Thomas Schellen	<a href="http://www.executive-magazine.com/business-finance/finance/wealth-management-a-tougher-game">http://www.executive-magazine.com/business-finance/finance/wealth-management-a-tougher-game</a>
2-Jan-15	Dormant capital	Lebanon's monetary policy serves only the banks, not the economy	Elie Yachoui	<a href="http://www.executive-magazine.com/opinion/comment/monetary-policy-dormant-capital">http://www.executive-magazine.com/opinion/comment/monetary-policy-dormant-capital</a>
4-May-15	Profits '??' Us	Following years of low profitability Lebanese banks are making money again by expanding their reach abroad.	Thomas Schellen	<a href="http://www.executive-magazine.com/business-finance/finance/banking-profits-r-us">http://www.executive-magazine.com/business-finance/finance/banking-profits-r-us</a>
7-May-15	The banking turnover	Lebanon's banks gear up for a new generation of bankers and customers	Livia Murray	<a href="http://www.executive-magazine.com/business-finance/finance/the-banking-turnover">http://www.executive-magazine.com/business-finance/finance/the-banking-turnover</a>
8-May-15	Resilient or resistant?	Lebanon's banking system is sclerotic — that must change	Executive staff	<a href="http://www.executive-magazine.com/opinion/leaders/banking-resilient-or-resistant">http://www.executive-magazine.com/opinion/leaders/banking-resilient-or-resistant</a>
16-Jul-15	For better or for worse	The tricky task of unpegging Lebanon's lira	Thomas Schellen	<a href="http://www.executive-magazine.com/business-finance/finance/monetary-policy-for-better-or-for-worse">http://www.executive-magazine.com/business-finance/finance/monetary-policy-for-better-or-for-worse</a>
14-Aug-15	MEAB injects a bit of youth to its boardroom	Ali Hejeij has plans to boost MEAB's size and scope	Thomas Schellen	<a href="http://www.executive-magazine.com/business-finance/meab-injects-a-bit-of-youth-to-its-boardroom">http://www.executive-magazine.com/business-finance/meab-injects-a-bit-of-youth-to-its-boardroom</a>
17-Aug-15	Working with and against financial sanctions	Banks and businesses are being crippled by US anti terror financial regulations	Thomas Schellen	<a href="http://www.executive-magazine.com/business-finance/working-with-and-against-financial-sanctions">http://www.executive-magazine.com/business-finance/working-with-and-against-financial-sanctions</a>
14-Sep-15	Iran: a pot of gold in the Middle East	If Iran's sanctions are lifted under the new nuclear deal, a huge opportunity awaits Lebanon	Dala Osseiran	<a href="http://www.executive-magazine.com/economics-policy/iran-a-pot-of-gold-in-the-middle-east">http://www.executive-magazine.com/economics-policy/iran-a-pot-of-gold-in-the-middle-east</a>
19-Jan-16	The mechanics that keep the boat afloat	Banking sector maintains its performance in 2015	Thomas Schellen	<a href="http://www.executive-magazine.com/business-finance/the-mechanics-that-keep-the-boat-afloat">http://www.executive-magazine.com/business-finance/the-mechanics-that-keep-the-boat-afloat</a>
5-Feb-16	Shark hunt	Central bank steps in to regulate non-bank lenders	Matt Nash	<a href="http://www.executive-magazine.com/economics-policy/shark-hunt">http://www.executive-magazine.com/economics-policy/shark-hunt</a>

<b>Date</b>	<b>Title</b>	<b>Subtitle</b>	<b>Author(s)</b>	<b>URL</b>
8-Feb-16	Lebanon's Captagon boom	Getting high off of local supply	Jeremy Arbid	<a href="http://www.executive-magazine.com/economics-policy/lebanons-captagon-boom">http://www.executive-magazine.com/economics-policy/lebanons-captagon-boom</a>
10-Feb-16	Great potential in need of an edge	Private banking in Lebanon has a host of new angles	Thomas Schellen	<a href="http://www.executive-magazine.com/business-finance/great-potential-in-need-of-an-edge">http://www.executive-magazine.com/business-finance/great-potential-in-need-of-an-edge</a>
10-Feb-16	Leader in ethics, leader in managing wealth	Or is Lebanon set to repeat past mistakes?	Executive staff	<a href="http://www.executive-magazine.com/opinion/leaders/leader-in-ethics-leader-in-managing-wealth">http://www.executive-magazine.com/opinion/leaders/leader-in-ethics-leader-in-managing-wealth</a>
9-Mar-16	Still sanctioned	American officials deny Merhi Abou Merhi acquittal	Jeremy Arbid	<a href="http://www.executive-magazine.com/economics-policy/still-sanctioned">http://www.executive-magazine.com/economics-policy/still-sanctioned</a>
22-Mar-16	Caught in the headlights	Lebanon fears reprisal of American financial sanctions	Jeremy Arbid	<a href="http://www.executive-magazine.com/economics-policy/caught-in-the-headlights">http://www.executive-magazine.com/economics-policy/caught-in-the-headlights</a>
23-Mar-16	Gray Money	Hawala: cash transfers or money laundering?	Jeremy Arbid	<a href="http://www.executive-magazine.com/economics-policy/gray-money">http://www.executive-magazine.com/economics-policy/gray-money</a>
7-Apr-16	Damage control	Lebanon braces itself for US anti-Hezbollah law	Jeremy Arbid	<a href="http://www.executive-magazine.com/economics-policy/16297">http://www.executive-magazine.com/economics-policy/16297</a>
7-Apr-16	Spinning circles	Lebanon lacks representation abroad	Executive staff	<a href="http://www.executive-magazine.com/opinion/spinning-circles">http://www.executive-magazine.com/opinion/spinning-circles</a>
11-Apr-16	Up to standard	Lebanese banks now comply with international anti-money laundering standards	Jeremy Arbid	<a href="http://www.executive-magazine.com/economics-policy/16328">http://www.executive-magazine.com/economics-policy/16328</a>
6-Jun-16	An ode to strength	The banks versus Lebanon's instability	Executive staff	<a href="http://www.executive-magazine.com/opinion/an-ode-to-strength">http://www.executive-magazine.com/opinion/an-ode-to-strength</a>
6-Jun-16	Back to banking for the future	The economic need to answer impossible questions and define improbable options	Thomas Schellen	<a href="http://www.executive-magazine.com/special-report/back-banking-future">http://www.executive-magazine.com/special-report/back-banking-future</a>
13-Jun-16	Compelled to comply	Lebanese banks begin to implement US law	Jeremy Arbid	<a href="http://www.executive-magazine.com/special-report/compelled-to-comply">http://www.executive-magazine.com/special-report/compelled-to-comply</a>
14-Jun-16	Updates on Lebanon's banking sector	Twenty-two minutes with central bank Governor Riad Salameh	Thomas Schellen, Jeremy Arbid	<a href="http://www.executive-magazine.com/special-report/updates-on-lebanons-banking-sector">http://www.executive-magazine.com/special-report/updates-on-lebanons-banking-sector</a>
15-Jun-16	Lebanese banks comply with US Hezbollah Act	Getting the facts straight from Chahdan Jebeyli	Jeremy Arbid	<a href="http://www.executive-magazine.com/special-report/lebanese-banks-comply-us-hezbollah-act">http://www.executive-magazine.com/special-report/lebanese-banks-comply-us-hezbollah-act</a>

Date	Title	Subtitle	Author(s)	URL
28-Sep-16	“To move or not to move?”	Preliminary analysis of the case of Bank Audi	Philip Karam	<a href="http://www.executive-magazine.com/banking-finance/move-not-move">http://www.executive-magazine.com/banking-finance/move-not-move</a>
4-Oct-16	Time to fight back	When we play by the rules, we expect to be treated fairly	Yasser Akkaoui	<a href="http://www.executive-magazine.com/opinion/time-to-fight-back">http://www.executive-magazine.com/opinion/time-to-fight-back</a>
6-Oct-16	The twisted tale of the Lebanese Canadian Bank	An old conflict and a lazy press corps	Matt Nash, Thomas Schellen	<a href="http://www.executive-magazine.com/business-finance/the-twisted-tale-of-the-lebanese-canadian-bank">http://www.executive-magazine.com/business-finance/the-twisted-tale-of-the-lebanese-canadian-bank</a>
17-Oct-16	Rocky relations	More Arab banks are reporting interruptions in correspondent banking relations with Western institutions	Jeremy Arbid	<a href="http://www.executive-magazine.com/business-finance/rocky-relations">http://www.executive-magazine.com/business-finance/rocky-relations</a>
29-Dec-16	Lebanon’s economy weathers a tough 2016	Internal and external crises hamper growth	Jeremy Arbid	<a href="http://www.executive-magazine.com/economics-policy/lebanons-economy-weathers-a-tough-2016">http://www.executive-magazine.com/economics-policy/lebanons-economy-weathers-a-tough-2016</a>
15-Mar-17	Cyber(in)securities	Fresh thinking needed to protect the banking system	Thomas Schellen	<a href="http://www.executive-magazine.com/cybersecurity/cyberinsecurities">http://www.executive-magazine.com/cybersecurity/cyberinsecurities</a>
7-Jun-17	On the job	A look at the banking sector’s existential resource	Thomas Schellen	<a href="http://www.executive-magazine.com/special-report/on-the-job">http://www.executive-magazine.com/special-report/on-the-job</a>
16-Jun-17	A balancing act	Uncertainty over the sanctions is enough to destabilize the sector	Jeremy Arbid	<a href="http://www.executive-magazine.com/special-report/a-balancing-act-2">http://www.executive-magazine.com/special-report/a-balancing-act-2</a>
17-Jun-17	Changes from abroad	Executive talks compliance with SIC head	Jeremy Arbid	<a href="http://www.executive-magazine.com/special-report/changes-from-abroad">http://www.executive-magazine.com/special-report/changes-from-abroad</a>
7-Aug-17	The rumors were true	US targets Hezbollah finances with new sanctions law	Jeremy Arbid	<a href="http://www.executive-magazine.com/economics-policy/the-rumors-were-true">http://www.executive-magazine.com/economics-policy/the-rumors-were-true</a>
14-Sep-17	All the makings of	Managing wealth from another perspective	Thomas Schellen	<a href="http://www.executive-magazine.com/special-report/all-the-makings-of">http://www.executive-magazine.com/special-report/all-the-makings-of</a>
9-Jan-18	From foggy to cloudy	Banking development opportunities for 2018 suffer from opacity and uncertainties	Thomas Schellen	<a href="http://www.executive-magazine.com/business-finance/from-foggy-to-cloudy">http://www.executive-magazine.com/business-finance/from-foggy-to-cloudy</a>
15-Feb-18	Disruptive technology	Banking, Bitcoin, and blockchain—win-lose-lose or lose-win-win?	Thomas Schellen	<a href="http://www.executive-magazine.com/cover-story/disruptive-technology">http://www.executive-magazine.com/cover-story/disruptive-technology</a>
6-Jun-18	The noose around Lebanon	Lebanon’s economy at risk from external pressures	Jeremy Arbid	<a href="http://www.executive-magazine.com/cover-story/the-noose-around-lebanon">http://www.executive-magazine.com/cover-story/the-noose-around-lebanon</a>

<b>Date</b>	<b>Title</b>	<b>Subtitle</b>	<b>Author(s)</b>	<b>URL</b>
11-Jun-18	The impact of GDPR on Lebanese businesses	The new EU regulations have a long reach	Jihane Abi Saleh	<a href="http://www.executive-magazine.com/opinion/the-impact-of-gdpr-on-lebanese-businesses">http://www.executive-magazine.com/opinion/the-impact-of-gdpr-on-lebanese-businesses</a>
4-Jul-18	Access to information in Lebanon	Dead or alive?	Ghassan Moukheiber	<a href="http://www.executive-magazine.com/opinion/access-to-information-in-lebanon">http://www.executive-magazine.com/opinion/access-to-information-in-lebanon</a>

### Appendix 3 - Lebanon Opportunities

Month	Year	Title	Author(s)	URL/Hard Copy
January	1999	Banking Secrecy	Lebanon Opportunities	Hard Copy
September	1999	JP Morgan adds Lebanon to global index	Lebanon Opportunities	Hard Copy
October	1999	The economy and the role of banks	Lebanon Opportunities	Hard Copy
February	2000	Cabinet appoints Banking Commission	Lebanon Opportunities	Hard Copy
June	2000	BSA files lawsuit against bank for illegal use of software	Lebanon Opportunities	Hard Copy
July	2000	Banking secrecy attacked	Lebanon Opportunities	Hard Copy
August	2000	Banking Control Commission quietly stands guard over the financial sector	Lebanon Opportunities	Hard Copy
August	2000	Banks swimming in cash	Lebanon Opportunities	Hard Copy
November	2000	IMF to check on anti-money laundering measures	Lebanon Opportunities	Hard Copy
January	2001	Money laundering law awaits Parliament's approval	Lebanon Opportunities	Hard Copy
February	2001	Anti-money laundering bill preserves secrecy	Lebanon Opportunities	Hard Copy
March	2001	Bank secrecy laws "will be lifted in drugs cases"	Lebanon Opportunities	Hard Copy
April	2001	Arab Banks 'need to cooperate to fight cybercrime'	Lebanon Opportunities	Hard Copy
June	2001	FATF approves Lebanon's anti-money laundering efforts	Lebanon Opportunities	Hard Copy
July	2001	FATF keeps Lebanon on money-laundering blacklist	Lebanon Opportunities	Hard Copy
August	2001	FATF receives assurances on dirty money battle	Lebanon Opportunities	Hard Copy
October	2001	Money-laundering: not enough action to delist	Lebanon Opportunities	Hard Copy
December	2001	Banks asked to freeze 30 accounts	Lebanon Opportunities	Hard Copy
March	2002	FATF to reverse blacklist decision	Lebanon Opportunities	Hard Copy

Month	Year	Title	Author(s)	URL/Hard Copy
June	2002	SIC detects 22 cases of money laundering	Lebanon Opportunities	Hard Copy
July	2002	Lebanon is removed from FATF list	Lebanon Opportunities	Hard Copy
August	2002	Lebanon removed from FinCEN list	Lebanon Opportunities	Hard Copy
April	2003	Casino chairman faces boardroom sanctions	Lebanon Opportunities	Hard Copy
October	2003	Campaign to crack down on money laundering	Lebanon Opportunities	Hard Copy
January	2004	Fighting money laundering and 'terrorist financing'	Lebanon Opportunities	Hard Copy
February	2004	Anti-money laundering body proposed for MENA	Lebanon Opportunities	Hard Copy
April	2004	Secrecy waved for money laundering cases	Lebanon Opportunities	Hard Copy
August	2004	Basel II: A challenge to Lebanese banks?	Lebanon Opportunities	Hard Copy
August	2004	Fight against money laundering stepped up	Lebanon Opportunities	Hard Copy
May	2005	Lifting the lid on banking secrecy	Lebanon Opportunities	Hard Copy
September	2005	US targets regional banks	Lebanon Opportunities	Hard Copy
November	2005	Just how secret is banking really?	Lebanon Opportunities	Hard Copy
April	2006	195 cases of money laundering investigated	Lebanon Opportunities	Hard Copy
January	2007	Local banks are expanding their settlements abroad	Lebanon Opportunities	Hard Copy
May	2009	226 cases of money laundering	Lebanon Opportunities	Hard Copy
June	2009	Corporate governance for banks	Lebanon Opportunities	Hard Copy
April	2010	Banking on sound monetary and fiscal policies	Lebanon Opportunities	Hard Copy
March	2011	The Lebanese Canadian Bank accused the US Patriot Act	Lebanon Opportunities	Hard Copy
November	2015	Banking secrecy	Lebanon Opportunities	Hard Copy
December	2015	Gatca: The Global Account Tax Compliance Act	Lebanon Opportunities	Hard Copy

<b>Month</b>	<b>Year</b>	<b>Title</b>	<b>Author(s)</b>	<b>URL/Hard Copy</b>
January	2016	Cashing in on post-Iran sanction lift	Lebanon Opportunities	Hard Copy
May	2016	Bank compliance to international regulations: How to avoid getting into hot water	Lebanon Opportunities	Hard Copy
July	2016	FAQ: Compliance with laws – all you need to know on bank sanctions on Hezbollah	Lebanon Opportunities	Hard Copy
July	2016	Compliance with laws – all you need to know on bank sanctions on Hezbollah	Lebanon Opportunities	Hard Copy
September	2016	GATCA: The automatic exchange of bank information carries local prospects	Lebanon Opportunities	Hard Copy
October	2016	Tax Data Exchange: From curse to opportunity	Lebanon Opportunities	Hard Copy

## Appendix 4 - Le Commerce du Levant

Month	Year	Title	Author(s)	URL
April	2000	Secret bancaire et blanchiment	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/article/2208-secret-bancaire-et-blanchiment">https://www.lecommercedulevant.com/article/2208-secret-bancaire-et-blanchiment</a>
March	2001	Le GAFI intransigeant	Rosemonde Hatem et Nayla Mégarbané	<a href="https://www.lecommercedulevant.com/article/3261-le-gafi-intransigeant">https://www.lecommercedulevant.com/article/3261-le-gafi-intransigeant</a>
May	2001	Loi antiblanchiment	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/article/3441-loi-antiblanchiment">https://www.lecommercedulevant.com/article/3441-loi-antiblanchiment</a>
June	2001	Loi antiblanchiment	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/article/3441-loi-antiblanchiment">https://www.lecommercedulevant.com/article/3441-loi-antiblanchiment</a>
August	2001	L'OCDE face aux paradis fiscaux	Samir Azar	<a href="https://www.lecommercedulevant.com/article/3107-locde-face-aux-paradis-fiscaux">https://www.lecommercedulevant.com/article/3107-locde-face-aux-paradis-fiscaux</a>
September	2001	BBAC: formation antiblanchiment		<a href="https://www.lecommercedulevant.com/articles/more/6/1/3858">https://www.lecommercedulevant.com/articles/more/6/1/3858</a>
December	2001	Affaires de blanchiment	Affaires de blanchiment	<a href="https://www.lecommercedulevant.com/article/4302-affaires-de-blanchiment">https://www.lecommercedulevant.com/article/4302-affaires-de-blanchiment</a>
May	2002	Les circuits du blanchiment d'argent	Samir Azar	<a href="https://www.lecommercedulevant.com/article/4713-les-circuits-du-blanchiment-dargent">https://www.lecommercedulevant.com/article/4713-les-circuits-du-blanchiment-dargent</a>
June	2002	Blanchiment d'argent	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/article/4531-blanchiment-dargent">https://www.lecommercedulevant.com/article/4531-blanchiment-dargent</a>
August	2002	Le Liban retire de la liste noire	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/article/5002-le-liban-retir-de-la-liste-noire">https://www.lecommercedulevant.com/article/5002-le-liban-retir-de-la-liste-noire</a>
March	2003	Al Madina renflouee	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/article/5644-al-madina-renfloue">https://www.lecommercedulevant.com/article/5644-al-madina-renfloue</a>
April	2003	Blanchiment	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/article/5834-blanchiment">https://www.lecommercedulevant.com/article/5834-blanchiment</a>
September	2003	Blanchiment	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/article/6280-blanchiment">https://www.lecommercedulevant.com/article/6280-blanchiment</a>
November	2003	Blanchiment	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/article/6428-blanchiment">https://www.lecommercedulevant.com/article/6428-blanchiment</a>
December	2003	Al Madina 20 questions reponses		<a href="https://www.lecommercedulevant.com/article/6533-al-madina-20-questions-rponses">https://www.lecommercedulevant.com/article/6533-al-madina-20-questions-rponses</a>
April	2004	Blanchiment	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/article/7443-blanchiment">https://www.lecommercedulevant.com/article/7443-blanchiment</a>

Month	Year	Title	Author(s)	URL
January	2005	Lebanese Canadian Bank La banque a ressorts		<a href="https://www.lecommercedulevant.com/article/9426-lebanese-canadian-bank-la-banque-ressorts">https://www.lecommercedulevant.com/article/9426-lebanese-canadian-bank-la-banque-ressorts</a>
December	2006	Document: L'argent de la terreur	Nayla Mégarbané	<a href="https://www.lecommercedulevant.com/article/11075-document-largent-de-la-terreur">https://www.lecommercedulevant.com/article/11075-document-largent-de-la-terreur</a>
January	2007	"Il faut assouplir le secret bancaire libanais"		<a href="https://www.lecommercedulevant.com/article/11182--il-faut-assouplir-le-secret-bancaire-libanais-">https://www.lecommercedulevant.com/article/11182--il-faut-assouplir-le-secret-bancaire-libanais-</a>
April	2007	185 cas de blanchiment rapportes en 2006	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/articles/more/4/1/11482">https://www.lecommercedulevant.com/articles/more/4/1/11482</a>
July	2007	La BDL recompensee pour sa lutte contre le blanchiment d'argent	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/article/11850-la-bdl-rcompense-pour-sa-lutte-contre-le-blanchiment-dargent">https://www.lecommercedulevant.com/article/11850-la-bdl-rcompense-pour-sa-lutte-contre-le-blanchiment-dargent</a>
May	2008	Blanchiment: 234 cas signales en 2007	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/article/16066-blanchiment-234-cas-signals-en-2007">https://www.lecommercedulevant.com/article/16066-blanchiment-234-cas-signals-en-2007</a>
October	2008	Les banques libanaises epargnees par la crise mondiale	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/article/13702-les-banques-libanaises-pargnes-par-la-crise-mondiale">https://www.lecommercedulevant.com/article/13702-les-banques-libanaises-pargnes-par-la-crise-mondiale</a>
November	2008	L'immunité du Liban face a la crise, mythe ou realité?	Sahar Al Attar	<a href="https://www.lecommercedulevant.com/article/16643-limmunit-du-liban-face-la-crise-mythe-ou-ralit-">https://www.lecommercedulevant.com/article/16643-limmunit-du-liban-face-la-crise-mythe-ou-ralit-</a>
March	2009	Mohammad Baasiri, homme de l'annee en matiere de lutte contre le blanchiment d'argent	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/article/14206-mohammad-baassiri-homme-de-lanne-en-matire-de-lutte-contre-le-blanchiment-dargent">https://www.lecommercedulevant.com/article/14206-mohammad-baassiri-homme-de-lanne-en-matire-de-lutte-contre-le-blanchiment-dargent</a>
May	2009	Blanchiment d'argent: 226 cas signales	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/article/14423-blanchiment-dargent-226-cas-signals">https://www.lecommercedulevant.com/article/14423-blanchiment-dargent-226-cas-signals</a>
May	2009	Secteur financier: La confiance revient	Sahar Al Attar	<a href="https://www.lecommercedulevant.com/article/16813-secteur-financier-la-confiance-revient">https://www.lecommercedulevant.com/article/16813-secteur-financier-la-confiance-revient</a>
August	2009	Le Liban a signe des dizaines d'accords bilateraux pour favoriser l'investissement	Carol Khouzami	<a href="https://www.lecommercedulevant.com/article/14745-le-liban-a-sign-des-dizaines-daccords-bilatreaux-pour-favoriser-linvestissement">https://www.lecommercedulevant.com/article/14745-le-liban-a-sign-des-dizaines-daccords-bilatreaux-pour-favoriser-linvestissement</a>
September	2009	Riad Salame: "La confiance est la"	Sibylle Rizk	<a href="https://www.lecommercedulevant.com/article/14831-riad-salam-la-confiance-est-l-">https://www.lecommercedulevant.com/article/14831-riad-salam-la-confiance-est-l-</a>
January	2010	Resilience ne signifie pas immunité, selon la Bank Audi	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/article/15153-rsilience-ne-signifie-pas-immunit-selon-la-bank-audi">https://www.lecommercedulevant.com/article/15153-rsilience-ne-signifie-pas-immunit-selon-la-bank-audi</a>

Month	Year	Title	Author(s)	URL
April	2010	Blanchiment d'argent: 202 cas signales en 2009	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/article/15424-blanchiment-dargent-202-cas-signals-en-2009">https://www.lecommercedulevant.com/article/15424-blanchiment-dargent-202-cas-signals-en-2009</a>
April	2010	Blanchiment d'argent: 202 cas signales en 2009	Rosemonde Hatem	<a href="https://www.lecommercedulevant.com/article/15424-blanchiment-dargent-202-cas-signals-en-2009">https://www.lecommercedulevant.com/article/15424-blanchiment-dargent-202-cas-signals-en-2009</a>
August	2010	Lebanese Canadian Bank: benefices en haut de 85% au 1 er semestre	R.H.	<a href="https://www.lecommercedulevant.com/article/16368-lebanese-canadian-bank-bnfices-en-hausse-de-85-au-1er-semestre">https://www.lecommercedulevant.com/article/16368-lebanese-canadian-bank-bnfices-en-hausse-de-85-au-1er-semestre</a>
September	2010	Salame: les banques libanaises doivent respecter les nouvelles sanctions internationale sur l'Iran	B.B.	<a href="https://www.lecommercedulevant.com/article/17213-salam-les-banques-libanaises-doivent-respecter-les-nouvelles-sanctions-internationales-sur-liran">https://www.lecommercedulevant.com/article/17213-salam-les-banques-libanaises-doivent-respecter-les-nouvelles-sanctions-internationales-sur-liran</a>
October	2010	La Libanaise Canadian Bank s'implante en Afrique	Marie Jose Daoud	<a href="https://www.lecommercedulevant.com/article/17276-la-lebanese-canadian-bank-simplante-en-afrique">https://www.lecommercedulevant.com/article/17276-la-lebanese-canadian-bank-simplante-en-afrique</a>
January	2011	Trafic de drogue: dix libanais et le Caesar's Park Hotel sur la liste noire des Etats Unis	Sahar Al Attar	<a href="https://www.lecommercedulevant.com/article/17973-traffic-de-drogue-dix-libanais-et-le-caesars-park-hotel-sur-la-liste-noire-des-etats-unis">https://www.lecommercedulevant.com/article/17973-traffic-de-drogue-dix-libanais-et-le-caesars-park-hotel-sur-la-liste-noire-des-etats-unis</a>
February	2011	La Lebanese Canadian Bank serait sur le point d'etre vendue	Sahar Al Attar	<a href="https://www.lecommercedulevant.com/article/18208-la-lebanese-canadian-bank-serait-sur-le-point-dtre-vendue">https://www.lecommercedulevant.com/article/18208-la-lebanese-canadian-bank-serait-sur-le-point-dtre-vendue</a>
February	2011	La Lebanese Canadian Bank dement etre impliquee dans des operations illegales	Sahar Al Attar	<a href="https://www.lecommercedulevant.com/article/18106-la-lebanese-canadian-bank-dment-tre-implique-dans-des-operations-illgales">https://www.lecommercedulevant.com/article/18106-la-lebanese-canadian-bank-dment-tre-implique-dans-des-operations-illgales</a>
February	2011	L'Association des banques au Liban se solidarise avec la Lebanese Canadian Bank	Sahar Al Attar	<a href="https://www.lecommercedulevant.com/article/18127-lassociation-des-banques-au-liban-se-solidarise-avec-la-lebanese-canadian-bank">https://www.lecommercedulevant.com/article/18127-lassociation-des-banques-au-liban-se-solidarise-avec-la-lebanese-canadian-bank</a>
February	2011	Salame a Washington pour evoquer l'affaire de la Lebanese Canadian Bank	Sahar Al Attar	<a href="https://www.lecommercedulevant.com/article/18181-salam-washington-pour-voquer-laffaire-de-la-lebanese-canadian-bank">https://www.lecommercedulevant.com/article/18181-salam-washington-pour-voquer-laffaire-de-la-lebanese-canadian-bank</a>
February	2011	Salame: Les accusations du Tresor US ne ciblent pas le secteur bancaire	Sahar Al Attar	<a href="https://www.lecommercedulevant.com/article/18187-salam-les-accusations-du-trsor-us-ne-ciblent-pas-le-secteur-bancaire">https://www.lecommercedulevant.com/article/18187-salam-les-accusations-du-trsor-us-ne-ciblent-pas-le-secteur-bancaire</a>
March	2011	Salame s'exprime ce soir sur l'affaire de la Lebanese Canadian Bank	Sahar Al Attar	<a href="https://www.lecommercedulevant.com/article/18281-salam-sexprime-ce-soir-sur-laffaire-de-la-lebanese-canadian-bank">https://www.lecommercedulevant.com/article/18281-salam-sexprime-ce-soir-sur-laffaire-de-la-lebanese-canadian-bank</a>
March	2011	Entretien avec Patrick Soumrani, avocat, spécialiste de droit bancaire	M.R.	<a href="https://www.lecommercedulevant.com/article/18239-entretien-avec-patrick-soumrani-avocat-spcialiste-de-droit-bancaire">https://www.lecommercedulevant.com/article/18239-entretien-avec-patrick-soumrani-avocat-spcialiste-de-droit-bancaire</a>

Month	Year	Title	Author(s)	URL
March	2011	Blanchiment d'argent: Le secret bancaire leve dans 23 cas en 2010	R.N.	<a href="https://www.lecommercedulevant.com/article/18328-blanchiment-dargent-le-secret-bancaire-lev-dans-23-cas-en-2010">https://www.lecommercedulevant.com/article/18328-blanchiment-dargent-le-secret-bancaire-lev-dans-23-cas-en-2010</a>
March	2011	Salame a Paris pour finaliser la fusion entre la LCB et la SGBL	B.B.	<a href="https://www.lecommercedulevant.com/article/18375-salam-paris-pour-finaliser-la-fusion-entre-la-lcb-et-la-sgbl">https://www.lecommercedulevant.com/article/18375-salam-paris-pour-finaliser-la-fusion-entre-la-lcb-et-la-sgbl</a>
March	2011	Affaire de la LCB : l'ambassadeur des Etats Unis rassure le secteur bancaire	Sahar Al Attar	<a href="https://www.lecommercedulevant.com/article/18395-affaire-de-la-lcb-lambassadeur-des-etats-unis-rassure-le-secteur-bancaire-">https://www.lecommercedulevant.com/article/18395-affaire-de-la-lcb-lambassadeur-des-etats-unis-rassure-le-secteur-bancaire-</a>
March	2011	Des mesures pour proteger la reputation des banques libanaises		<a href="https://www.lecommercedulevant.com/article/18439-des-mesures-pour-protger-la-rputation-des-banques-libanaises">https://www.lecommercedulevant.com/article/18439-des-mesures-pour-protger-la-rputation-des-banques-libanaises</a>
April	2011	Aucune banque libanais dans le collimateur des Etats Unis, assure l'ABL	B.B.	<a href="https://www.lecommercedulevant.com/article/18563-aucune-banque-libanaise-dans-le-collimateur-des-etats-unis-assure-labl">https://www.lecommercedulevant.com/article/18563-aucune-banque-libanaise-dans-le-collimateur-des-etats-unis-assure-labl</a>
April	2011	Le vice gouverneur evoque le role joue par la BDL pour eviter les crises au Liban	R.N.	<a href="https://www.lecommercedulevant.com/article/18602-le-vice-gouverneur-voque-le-rle-jou-par-la-bdl-pour-viter-les-criSES-au-liban">https://www.lecommercedulevant.com/article/18602-le-vice-gouverneur-voque-le-rle-jou-par-la-bdl-pour-viter-les-criSES-au-liban</a>
April	2011	Salame veut renforcer la lutte contre la blanchiment d'argent	R.N.	<a href="https://www.lecommercedulevant.com/article/18658-salam-veut-renforcer-la-lutte-contre-le-blanchiment-dargent">https://www.lecommercedulevant.com/article/18658-salam-veut-renforcer-la-lutte-contre-le-blanchiment-dargent</a>
June	2011	La place du Liban dans la repression internationale du blanchiment d'argent et du financement du terrorisme	Nayla Mégarbané	<a href="https://www.lecommercedulevant.com/article/18963-la-place-du-liban-dans-la-rpression-internationale-du-blanchiment-dargent-et-du-financement-du-terrorisme">https://www.lecommercedulevant.com/article/18963-la-place-du-liban-dans-la-rpression-internationale-du-blanchiment-dargent-et-du-financement-du-terrorisme</a>
June	2011	Salame evoque les mesures prises par la BDL a Washington	R.N.	<a href="https://www.lecommercedulevant.com/article/18994-salam-voque-les-mesures-prises-par-la-bdl-washington-">https://www.lecommercedulevant.com/article/18994-salam-voque-les-mesures-prises-par-la-bdl-washington-</a>
August	2011	Le Tresor americain impose des sanctions contre la Syrian Lebanese Commercial Bank	P.S.	<a href="https://www.lecommercedulevant.com/article/19396-le-trsor-amricain-impose-des-sanctions-contre-la-syrian-lebanese-commercial-bank">https://www.lecommercedulevant.com/article/19396-le-trsor-amricain-impose-des-sanctions-contre-la-syrian-lebanese-commercial-bank</a>
August	2011	Fitch souligne la "vulnerabilite" du secteur bancaire libanais	P.S.	<a href="https://www.lecommercedulevant.com/article/19411-fitch-souligne-la-vulnrabilit-du-secteur-bancaire-libanais">https://www.lecommercedulevant.com/article/19411-fitch-souligne-la-vulnrabilit-du-secteur-bancaire-libanais</a>
September	2011	Une annee agitee pour les banques libanaises	Marie Jose Daoud	<a href="https://www.lecommercedulevant.com/article/19585-une-anne-agite-pour-les-banques-libanaises">https://www.lecommercedulevant.com/article/19585-une-anne-agite-pour-les-banques-libanaises</a>
October	2011	La Lebanese Canadian bank accusee de blanchir de l'argent qui aurait profite au Hezbollah	M.R.	<a href="https://www.lecommercedulevant.com/article/18104-la-lebanese-canadian-bank-accuse-de-blanchir-de-largent-qui-aurait-profit-au-hezbollah">https://www.lecommercedulevant.com/article/18104-la-lebanese-canadian-bank-accuse-de-blanchir-de-largent-qui-aurait-profit-au-hezbollah</a>

Month	Year	Title	Author(s)	URL
November	2011	La Banque du Liban affiche "son soutien absolu" a la Lebanese Canadian Bank	Sahar Al Attar	<a href="https://www.lecommercedulevant.com/article/18107-la-banque-du-liban-affiche-son-soutien-absolu-la-lebanese-canadian-bank-">https://www.lecommercedulevant.com/article/18107-la-banque-du-liban-affiche-son-soutien-absolu-la-lebanese-canadian-bank-</a>
November	2011	La Lebanese Canadian Bank demet etre impliquee dans des operations illegales	Sahar Al Attar	<a href="https://www.lecommercedulevant.com/article/18106-la-lebanese-canadian-bank-dment-tre-implique-dans-des-oprations-illgales-">https://www.lecommercedulevant.com/article/18106-la-lebanese-canadian-bank-dment-tre-implique-dans-des-oprations-illgales-</a>
November	2011	Une annee agitee pour les banques libanaises	M.J.D.	<a href="https://www.lecommercedulevant.com/article/19585-une-anne-agite-pour-les-banques-libanaises">https://www.lecommercedulevant.com/article/19585-une-anne-agite-pour-les-banques-libanaises</a>
December	2011	Washington met en garde Beyrouth contre une fuite de capitaux syriens	Pierre Sawaya	<a href="https://www.lecommercedulevant.com/article/19831-washington-met-en-garde-beyrouth-contre-une-fuite-de-capitaux-syriens">https://www.lecommercedulevant.com/article/19831-washington-met-en-garde-beyrouth-contre-une-fuite-de-capitaux-syriens</a>
December	2011	L'impact des sanctions commence a se faire sentir	Jihad Yazigi	<a href="https://www.lecommercedulevant.com/article/20011-limpact-des-sanctions-commence-se-faire-sentir">https://www.lecommercedulevant.com/article/20011-limpact-des-sanctions-commence-se-faire-sentir</a>
January	2012	Salame: Les banques se soumettront aux sanctions contre la Syrie	P.S.	<a href="https://www.lecommercedulevant.com/article/20090-salam-les-banques-se-soumettront-aux-sanctions-contre-la-syrie">https://www.lecommercedulevant.com/article/20090-salam-les-banques-se-soumettront-aux-sanctions-contre-la-syrie</a>
January	2012	La Syrian Lebanese Commercial Bank sous le coup de sanctions europeennes	P.S.	<a href="https://www.lecommercedulevant.com/article/20090-salam-les-banques-se-soumettront-aux-sanctions-contre-la-syrie">https://www.lecommercedulevant.com/article/20090-salam-les-banques-se-soumettront-aux-sanctions-contre-la-syrie</a>
March	2012	Un responsable americain appelle les banques libanaises au respect des sanctions contre Damas	P.S.	<a href="https://www.lecommercedulevant.com/article/20357-un-responsable-amricain-appelle-les-banques-libanaises-au-respect-des-sanctions-contre-damas">https://www.lecommercedulevant.com/article/20357-un-responsable-amricain-appelle-les-banques-libanaises-au-respect-des-sanctions-contre-damas</a>
April	2012	Blanchiment d'argent: la CSI a reçu 335 cas dits "suspects" en 2011	P.S.	<a href="https://www.lecommercedulevant.com/article/20468-blanchiment-dargent-la-csi-a-reu-335-cas-dits-suspects-en-2011">https://www.lecommercedulevant.com/article/20468-blanchiment-dargent-la-csi-a-reu-335-cas-dits-suspects-en-2011</a>
August	2012	Les banques libanaises appelees a lutter contre l'evasion fiscale americaine		<a href="https://www.lecommercedulevant.com/article/20964-les-banques-libanaises-appeles-lutter-contre-lvasion-fiscale-amricaine">https://www.lecommercedulevant.com/article/20964-les-banques-libanaises-appeles-lutter-contre-lvasion-fiscale-amricaine</a>
September	2012	Mise en garde americaine aux banques libanaises	P.S.	<a href="https://www.lecommercedulevant.com/article/21037-mise-en-garde-amricaine-aux-banques-libanaises">https://www.lecommercedulevant.com/article/21037-mise-en-garde-amricaine-aux-banques-libanaises</a>
January	2013	Les banques veulent sortir le Liban de l'ere du "cash"	Marie Jose Daoud	<a href="https://www.lecommercedulevant.com/article/21559-les-banques-veulent-sortir-le-liban-de-lre-du-cash">https://www.lecommercedulevant.com/article/21559-les-banques-veulent-sortir-le-liban-de-lre-du-cash</a>
June	2013	Lutte contre le blanchiment: une delegation des banques libanaises en France	P.S.	<a href="https://www.lecommercedulevant.com/article/22168-lutte-contre-le-blanchiment-une-dlgation-des-banques-libanaises-en-france">https://www.lecommercedulevant.com/article/22168-lutte-contre-le-blanchiment-une-dlgation-des-banques-libanaises-en-france</a>
July	2013	Une delegations de banques libanaises a Paris pour rassures les autorites fiscales	P.S.	<a href="https://www.lecommercedulevant.com/article/22258-une-dlgation-de-banques-libanaises-paris-pour-rassurer-les-autorits-fiscales">https://www.lecommercedulevant.com/article/22258-une-dlgation-de-banques-libanaises-paris-pour-rassurer-les-autorits-fiscales</a>

Month	Year	Title	Author(s)	URL
October	2013	Les banques libanaises resistent dans un contexte regionale difficile	Louise Meunier	<a href="https://www.lecommercedulevant.com/article/22579-les-banques-libanaises-rsistent-dans-un-contexte-rgional-difficile">https://www.lecommercedulevant.com/article/22579-les-banques-libanaises-rsistent-dans-un-contexte-rgional-difficile</a>
February	2014	Cybercrime: les pirates a l'abordage des entreprises	Cyrille Neme	<a href="https://www.lecommercedulevant.com/article/23174-cybercrime-les-pirates-labordage-des-entreprises">https://www.lecommercedulevant.com/article/23174-cybercrime-les-pirates-labordage-des-entreprises</a>
February	2014	Les banques sont elles a l'abri des cyberattaques	C.N.	<a href="https://www.lecommercedulevant.com/article/23173-les-banques-sont-elles-labri-des-cyberattaques-">https://www.lecommercedulevant.com/article/23173-les-banques-sont-elles-labri-des-cyberattaques-</a>
March	2014	Blanchiment d'argent: 301 cas "suspects" signales en 2013	P.S.	<a href="https://www.lecommercedulevant.com/article/23373-blanchiment-dargent-301-cas-suspects-signals-en-2013">https://www.lecommercedulevant.com/article/23373-blanchiment-dargent-301-cas-suspects-signals-en-2013</a>
April	2014	Un projet de loi US anti Hezbollah risque d'affecter le secteur bancaire libanais	Bachir El Khoury	<a href="https://www.lecommercedulevant.com/article/23397-un-projet-de-loi-us-anti-hezbollah-risque-daffecter-le-secteur-bancaire-libanais">https://www.lecommercedulevant.com/article/23397-un-projet-de-loi-us-anti-hezbollah-risque-daffecter-le-secteur-bancaire-libanais</a>
June	2014	Un projet de loi US ciblant le financement du Hezbollah approuve en commission parlementaire	P.S.	<a href="https://www.lecommercedulevant.com/article/23757-un-projet-de-loi-us-ciblant-le-financement-du-hezbollah-approuv-en-commission-parlementaire-">https://www.lecommercedulevant.com/article/23757-un-projet-de-loi-us-ciblant-le-financement-du-hezbollah-approuv-en-commission-parlementaire-</a>
August	2014	La FBME chypriote accusee de blanchiment au profit du Hezbollah par le Tresor americain	B.K.	<a href="https://www.lecommercedulevant.com/article/23792-la-fbme-chypriote-accuse-de-blanchiment-au-profit-du-hezbollah-par-le-trsor-amricain-">https://www.lecommercedulevant.com/article/23792-la-fbme-chypriote-accuse-de-blanchiment-au-profit-du-hezbollah-par-le-trsor-amricain-</a>
October	2014	Un environnement politique et fiscal trouble	C.N.	<a href="https://www.lecommercedulevant.com/article/24064-un-environnement-politique-et-fiscal-trouble">https://www.lecommercedulevant.com/article/24064-un-environnement-politique-et-fiscal-trouble</a>
October	2014	Riad Salame: "Le secret bancaire n'a pas de vocation a abriter des operations illegales"	Sibylle Rizk	<a href="https://www.lecommercedulevant.com/article/24062-riad-salam-le-secret-bancaire-na-pas-vocation-abriter-des-oprations-illgales-">https://www.lecommercedulevant.com/article/24062-riad-salam-le-secret-bancaire-na-pas-vocation-abriter-des-oprations-illgales-</a>
October	2014	Syrie: Inscrit sur la liste noire du Tresor americain, le groupe libanais DK se defend	P.S.	<a href="https://www.lecommercedulevant.com/article/24135-syrie-inscrit-sur-la-liste-noire-du-trsor-amricain-le-groupe-libanais-dk-se-dfend">https://www.lecommercedulevant.com/article/24135-syrie-inscrit-sur-la-liste-noire-du-trsor-amricain-le-groupe-libanais-dk-se-dfend</a>
November	2014	Les sanctions affectent la conduite des affaires en Syrie	Jihad Yazigi	<a href="https://www.lecommercedulevant.com/article/24258-les-sanctions-affectent-la-conduite-des-affaires-en-syrie">https://www.lecommercedulevant.com/article/24258-les-sanctions-affectent-la-conduite-des-affaires-en-syrie</a>
April	2015	Evasion fiscale	Sibylle Rizk	<a href="https://www.lecommercedulevant.com/article/24764-vasion-fiscale">https://www.lecommercedulevant.com/article/24764-vasion-fiscale</a>
May	2015	Blanchiment: 277 cas suspects signales en 2014	P.S.	<a href="https://www.lecommercedulevant.com/article/24834-blanchiment-277-cas-suspects-signals-en-2014">https://www.lecommercedulevant.com/article/24834-blanchiment-277-cas-suspects-signals-en-2014</a>
June	2015	Suite au pressions americaines, Middle East Africa Bank change de president	P.H.B.	<a href="https://www.lecommercedulevant.com/article/24963-suite-aux-pressions-amricaines-middle-east-africa-bank-change-de-prsident">https://www.lecommercedulevant.com/article/24963-suite-aux-pressions-amricaines-middle-east-africa-bank-change-de-prsident</a>

Month	Year	Title	Author(s)	URL
July	2015	Colloque sur la réglementation bancaire	P.S.	<a href="https://www.lecommercedulevant.com/article/24984-colloque-sur-la-reglementation-bancaire">https://www.lecommercedulevant.com/article/24984-colloque-sur-la-reglementation-bancaire</a>
October	2015	Les banques libanaises inspirent toujours confiance	Philippe Chalu	<a href="https://www.lecommercedulevant.com/article/25356-les-banques-libanaises-inspirent-toujours-confiance">https://www.lecommercedulevant.com/article/25356-les-banques-libanaises-inspirent-toujours-confiance</a>
October	2015	Les flux de depots, principale vulnérabilité des banques	Ph.Ch.	<a href="https://www.lecommercedulevant.com/article/25355-les-flux-de-dpts-principale-vulnabilite-des-banques">https://www.lecommercedulevant.com/article/25355-les-flux-de-dpts-principale-vulnabilite-des-banques</a>
October	2015	Riad Salame: "Transparence et gouvernance, un changement culturel est en cours"	S.R.	<a href="https://www.lecommercedulevant.com/article/25351-riad-salam-transparence-et-gouvernance-un-changement-culturel-est-en-cours">https://www.lecommercedulevant.com/article/25351-riad-salam-transparence-et-gouvernance-un-changement-culturel-est-en-cours</a>
October	2015	Sanctions américaines contre l'homme d'affaires Merhi Abou Merhi	Sahar Al Attar	<a href="https://www.lecommercedulevant.com/article/25372-sanctions-amricaines-contre-lhomme-daffaires-merhi-abou-merhi">https://www.lecommercedulevant.com/article/25372-sanctions-amricaines-contre-lhomme-daffaires-merhi-abou-merhi</a>
October	2015	La criminalité financière en augmentation au Liban	ABR	<a href="https://www.lecommercedulevant.com/article/25382-la-criminalite-financiere-en-augmentation-au-liban">https://www.lecommercedulevant.com/article/25382-la-criminalite-financiere-en-augmentation-au-liban</a>
October	2015	Abou Merhi dément toute activité criminelle au profit du Hezbollah	ABR	<a href="https://www.lecommercedulevant.com/article/25395-abou-merhi-dment-toute-activite-criminelle-au-profit-du-hezbollah">https://www.lecommercedulevant.com/article/25395-abou-merhi-dment-toute-activite-criminelle-au-profit-du-hezbollah</a>
January	2016	La cybercriminalité a fortement augmenté en un an	C.B.	<a href="https://www.lecommercedulevant.com/article/25717-la-cybercriminalite-a-fortement-augment-en-un-an">https://www.lecommercedulevant.com/article/25717-la-cybercriminalite-a-fortement-augment-en-un-an</a>
January	2016	Nouvelles sanctions américaines contre le Hezbollah	Philippe Chalu	<a href="https://www.lecommercedulevant.com/article/25737-nouvelles-sanctions-amricaines-contre-le-hezbollah">https://www.lecommercedulevant.com/article/25737-nouvelles-sanctions-amricaines-contre-le-hezbollah</a>
January	2016	Les comptoirs de crédit soumis à de nouvelles réglementations	Sahar Al Attar	<a href="https://www.lecommercedulevant.com/article/25724-les-comptoirs-de-credit-soumis-de-nouvelles-rglementations">https://www.lecommercedulevant.com/article/25724-les-comptoirs-de-credit-soumis-de-nouvelles-rglementations</a>
February	2016	"Le secret bancaire au Liban n'est pas en danger", assure Torbey	M.R.	<a href="https://www.lecommercedulevant.com/article/25831-le-secret-bancaire-au-liban-nest-pas-en-danger-assure-torbey">https://www.lecommercedulevant.com/article/25831-le-secret-bancaire-au-liban-nest-pas-en-danger-assure-torbey</a>
March	2016	Circulaire de la BDL pour en finir avec les actions au porteur		<a href="https://www.lecommercedulevant.com/article/25928-circulaire-de-la-bdl-pour-en-finir-avec-les-actions-au-porteur">https://www.lecommercedulevant.com/article/25928-circulaire-de-la-bdl-pour-en-finir-avec-les-actions-au-porteur</a>
March	2016	Les comptoirs de crédit enfin réglementés	Philippe Chalu	<a href="https://www.lecommercedulevant.com/article/25960-les-comptoirs-de-credit-enfin-rglements">https://www.lecommercedulevant.com/article/25960-les-comptoirs-de-credit-enfin-rglements</a>
April	2016	Les cartes prépayées désormais interdites		<a href="https://www.lecommercedulevant.com/article/26035-les-cartes-prpayes-dsormais-interdites">https://www.lecommercedulevant.com/article/26035-les-cartes-prpayes-dsormais-interdites</a>

Month	Year	Title	Author(s)	URL
April	2016	Formation des banques a lutter contre le piratage des donnees personnelles		<a href="https://www.lecommercedulevant.com/article/26052-formation-des-banques-lutter-contre-le-piratage-des-donnees-personnelles">https://www.lecommercedulevant.com/article/26052-formation-des-banques-lutter-contre-le-piratage-des-donnees-personnelles</a>
April	2016	La fin du secret bancaire?	Sybille Rizk	<a href="https://www.lecommercedulevant.com/article/26060-la-fin-du-secret-bancaire-">https://www.lecommercedulevant.com/article/26060-la-fin-du-secret-bancaire-</a>
April	2016	Paradis fiscaux - Le Liban a nouveau menace d'inscription sur liste noire	Sybille Rizk	<a href="https://www.lecommercedulevant.com/article/26108-le-liban-nouveau-menac-dinscription-sur-liste-noire">https://www.lecommercedulevant.com/article/26108-le-liban-nouveau-menac-dinscription-sur-liste-noire</a>
May	2016	Les banques survivent au conflit	Jihad Yazigi	<a href="https://www.lecommercedulevant.com/article/25963-les-banques-survivent-au-conflit">https://www.lecommercedulevant.com/article/25963-les-banques-survivent-au-conflit</a>
May	2016	Salame assure que le Liban va se conformer a la loi americaine anti Hezbollah		<a href="https://www.lecommercedulevant.com/article/26138-salam-assure-que-le-liban-va-se-conformer-la-loi-amricaine-anti-hezbollah">https://www.lecommercedulevant.com/article/26138-salam-assure-que-le-liban-va-se-conformer-la-loi-amricaine-anti-hezbollah</a>
May	2016	Certaines cartes prepayees seront epargnees par l'interdiction de la BDL		<a href="https://www.lecommercedulevant.com/article/26136-certaines-cartes-prpayes-seront-pargnes-par-linterdiction-de-la-bdl">https://www.lecommercedulevant.com/article/26136-certaines-cartes-prpayes-seront-pargnes-par-linterdiction-de-la-bdl</a>
May	2016	L'Association des banques confiante apres sa visite aux Etats Unis		<a href="https://www.lecommercedulevant.com/article/26144-lassociation-des-banques-confiante-aprs-sa-visite-aux-tats-unis">https://www.lecommercedulevant.com/article/26144-lassociation-des-banques-confiante-aprs-sa-visite-aux-tats-unis</a>
May	2016	Sanctions contre le Hezbollah: la BDL veut eviter les abus	C.F.	<a href="https://www.lecommercedulevant.com/article/26157-sanctions-contre-le-hezbollah-la-bdl-veut-viter-les-abus">https://www.lecommercedulevant.com/article/26157-sanctions-contre-le-hezbollah-la-bdl-veut-viter-les-abus</a>
May	2016	Le Hezbollah denonce l'application des sanctions americaines par la BDL	C.F.	<a href="https://www.lecommercedulevant.com/article/26173-le-hezbollah-dnonce-lapplication-des-sanctions-amricaines-par-la-bdl-">https://www.lecommercedulevant.com/article/26173-le-hezbollah-dnonce-lapplication-des-sanctions-amricaines-par-la-bdl-</a>
May	2016	La BDL etend sa lutte contre le blanchiment d'argent	C.F.	<a href="https://www.lecommercedulevant.com/article/26176-la-bdl-tend-sa-lutte-contre-le-blanchiment-dargent">https://www.lecommercedulevant.com/article/26176-la-bdl-tend-sa-lutte-contre-le-blanchiment-dargent</a>
May	2016	Sanctions contre le Hezbollah: la cloture des comptes n'est pas a la discretion des banques	C.F.	<a href="https://www.lecommercedulevant.com/article/26199-sanctions-contre-le-hezbollah-la-clture-des-comptes-nest-pas-la-discretion-des-banques">https://www.lecommercedulevant.com/article/26199-sanctions-contre-le-hezbollah-la-clture-des-comptes-nest-pas-la-discretion-des-banques</a>
May	2016	Le secret bancaire leve a 28 reprises au Liban en 2015	C.F.	<a href="https://www.lecommercedulevant.com/article/26202-le-secret-bancaire-lev-28-reprises-au-liban-en-2015">https://www.lecommercedulevant.com/article/26202-le-secret-bancaire-lev-28-reprises-au-liban-en-2015</a>
June	2016	Deputes et ministres du Hezbollah concernes par les sanctions americaines, selon un officiel americain	M.R.	<a href="https://www.lecommercedulevant.com/article/26269-dputs-et-ministres-du-hezbollah-concerns-par-les-sanctions-amricaines-selon-un-officiel-amricain">https://www.lecommercedulevant.com/article/26269-dputs-et-ministres-du-hezbollah-concerns-par-les-sanctions-amricaines-selon-un-officiel-amricain</a>

Month	Year	Title	Author(s)	URL
June	2016	Sanctions contre le Hezbollah: une centaine de compte bancaires deja fermes selon Riad Salame	M.R.	<a href="https://www.lecommercedulevant.com/article/26284-sanctions-contre-le-hezbollah-une-centaine-de-compte-bancaires-dj-ferms-selon-riad-salam">https://www.lecommercedulevant.com/article/26284-sanctions-contre-le-hezbollah-une-centaine-de-compte-bancaires-dj-ferms-selon-riad-salam</a>
June	2016	Premieres mesures d'apaisement dans la crise qui oppose le milieu bancaire au Hezbollah	M.R.	<a href="https://www.lecommercedulevant.com/article/26294-premieres-mesures-dapaisement-dans-la-crise-qui-oppose-le-milieu-bancaire-au-hezbollah">https://www.lecommercedulevant.com/article/26294-premieres-mesures-dapaisement-dans-la-crise-qui-oppose-le-milieu-bancaire-au-hezbollah</a>
June	2016	Les comptes de l'association Mabarrat auraient ete rouverts	C.B.	<a href="https://www.lecommercedulevant.com/article/26303-les-comptes-de-lassociation-mabarat-auraient-t-rouverts">https://www.lecommercedulevant.com/article/26303-les-comptes-de-lassociation-mabarat-auraient-t-rouverts</a>
July	2016	Transparence fiscale: le calendrier est serre pour le Liban	Sybille Rizk	<a href="https://www.lecommercedulevant.com/article/26377-transparence-fiscale-le-calendrier-est-serr-pour-le-liban">https://www.lecommercedulevant.com/article/26377-transparence-fiscale-le-calendrier-est-serr-pour-le-liban</a>
August	2016	Un decret precise qui est non resident fiscal		<a href="https://www.lecommercedulevant.com/article/26456-un-decret-prcise-qui-est-non-rsident-fiscal">https://www.lecommercedulevant.com/article/26456-un-decret-prcise-qui-est-non-rsident-fiscal</a>
August	2016	Nouvelle circulaire de la BDL pour encadrer les "comptoirs financiers"	M.B.	<a href="https://www.lecommercedulevant.com/article/26535-nouvelle-circulaire-de-la-bdl-pour-encadrer-les-comptoirs-financiers-">https://www.lecommercedulevant.com/article/26535-nouvelle-circulaire-de-la-bdl-pour-encadrer-les-comptoirs-financiers-</a>
September	2016	Les banques libanaises s'astreignent a la prudence	Philippe Chalu	<a href="https://www.lecommercedulevant.com/article/26701-les-banques-libanaises-sastreignent-la-prudence">https://www.lecommercedulevant.com/article/26701-les-banques-libanaises-sastreignent-la-prudence</a>
October	2016	Le Liban a l'abri du "derisking" des banques americaines, selon l'ABL	M.H.	<a href="https://www.lecommercedulevant.com/article/26719-le-liban-labri-du-derisking-des-banques-amricaines-selon-labl">https://www.lecommercedulevant.com/article/26719-le-liban-labri-du-derisking-des-banques-amricaines-selon-labl</a>
October	2016	A l'ere de la transparence, le secret bancaire libanais plie, mais ne rompt pas	Sahar Al Attar	<a href="https://www.lecommercedulevant.com/article/26762--lre-de-la-transparence-le-secret-bancaire-libanais-plier-mais-ne-rompt-pas">https://www.lecommercedulevant.com/article/26762--lre-de-la-transparence-le-secret-bancaire-libanais-plier-mais-ne-rompt-pas</a>
October	2016	Gatca/Fatca, mode d'emploi	Sahar Al Attar	<a href="https://www.lecommercedulevant.com/article/26755-gatca-fatca-mode-demploi">https://www.lecommercedulevant.com/article/26755-gatca-fatca-mode-demploi</a>
October	2016	L'echange automatique d'informations, un defi et une opportunitie pour le Liban	Jean Riachi	<a href="https://www.lecommercedulevant.com/article/26754-lchange-automatique-dinformations-un-dfi-et-une-opportunit-pour-le-liban">https://www.lecommercedulevant.com/article/26754-lchange-automatique-dinformations-un-dfi-et-une-opportunit-pour-le-liban</a>
October	2016	Le secret bancaire, un atout pour le Liban?	Sahar Al Attar	<a href="https://www.lecommercedulevant.com/article/26761-le-secret-bancaire-un-atout-pour-le-liban-">https://www.lecommercedulevant.com/article/26761-le-secret-bancaire-un-atout-pour-le-liban-</a>
December	2016	Lutte contre la cybercriminalite: nouveau guide destine au grand public	M.H.	<a href="https://www.lecommercedulevant.com/article/26894-lutte-contre-la-cybercriminalit-nouveau-guide-destin-au-grand-public">https://www.lecommercedulevant.com/article/26894-lutte-contre-la-cybercriminalit-nouveau-guide-destin-au-grand-public</a>
February	2017	Des Libanais affectes par les sanctions des Etats Unis contre l'Iran	M.R.	<a href="https://www.lecommercedulevant.com/article/27075-des-libanais-affects-par-les-sanctions-des-etats-unis-contre-liran">https://www.lecommercedulevant.com/article/27075-des-libanais-affects-par-les-sanctions-des-etats-unis-contre-liran</a>

Month	Year	Title	Author(s)	URL
March	2017	Les nouvelles normes lèvent le voile sur les biens des Libanais à l'étranger	Avocat et Président d' Aldic	<a href="https://www.lecommercedulevant.com/article/27121-les-nouvelles-normes-lvent-le-voile-sur-les-biens-des-libanais-ltranger">https://www.lecommercedulevant.com/article/27121-les-nouvelles-normes-lvent-le-voile-sur-les-biens-des-libanais-ltranger</a>
April	2017	Durcissement prévu des sanctions américaines contre le Hezbollah	F.G.	<a href="https://www.lecommercedulevant.com/article/27279-durcissement-prvu-des-sanctions-amricaines-contre-le-hezbollah">https://www.lecommercedulevant.com/article/27279-durcissement-prvu-des-sanctions-amricaines-contre-le-hezbollah</a>
May	2017	Lève des sanctions américaines contre l'homme d'affaires libanais Merhi Abou Merhi	Sahar Al Attar	<a href="https://www.lecommercedulevant.com/article/27349-leve-des-sanctions-amricaines-contre-lhomme-daffaires-libanais-merhi-abou-merhi">https://www.lecommercedulevant.com/article/27349-leve-des-sanctions-amricaines-contre-lhomme-daffaires-libanais-merhi-abou-merhi</a>
May	2017	Le secret bancaire lève sur 42 comptes en 2016	F.G.	<a href="https://www.lecommercedulevant.com/article/27358-le-secret-bancaire-lev-sur-42-comptes-en-2016">https://www.lecommercedulevant.com/article/27358-le-secret-bancaire-lev-sur-42-comptes-en-2016</a>
June	2017	Accès à l'information: la loi ne suffit pas	M.R.	<a href="https://www.lecommercedulevant.com/article/27419-accs-linformation-la-loi-ne-suffit-pas">https://www.lecommercedulevant.com/article/27419-accs-linformation-la-loi-ne-suffit-pas</a>
June	2017	Transparence fiscale: Le Liban soumis à l'examen par les pairs du Forum mondial	C.H.	<a href="https://www.lecommercedulevant.com/article/27442-transparence-fiscale-le-liban-soumis-lexamen-par-les-pairs-du-forum-mondial">https://www.lecommercedulevant.com/article/27442-transparence-fiscale-le-liban-soumis-lexamen-par-les-pairs-du-forum-mondial</a>
July	2017	Le congrès américain avance sur la voie de nouvelles sanctions contre le Hezbollah	M.R.	<a href="https://www.lecommercedulevant.com/article/27529-le-congrs-amricain-avance-sur-la-voie-de-nouvelles-sanctions-contre-le-hezbollah">https://www.lecommercedulevant.com/article/27529-le-congrs-amricain-avance-sur-la-voie-de-nouvelles-sanctions-contre-le-hezbollah</a>
August	2017	La BDL encadre l'échange automatique d'informations fiscales		<a href="https://www.lecommercedulevant.com/article/27696-la-bdl-encadre-lechange-automatique-dinformations-fiscales">https://www.lecommercedulevant.com/article/27696-la-bdl-encadre-lechange-automatique-dinformations-fiscales</a>
September	2017	Le point de vue des banquiers	B.K.	<a href="https://www.lecommercedulevant.com/article/27747-le-point-de-vue-des-banquiers">https://www.lecommercedulevant.com/article/27747-le-point-de-vue-des-banquiers</a>
September	2017	La stabilité du système financier en question	B.K. et S.A.	<a href="https://www.lecommercedulevant.com/article/27753-la-stabilite-du-systeme-financier-en-question">https://www.lecommercedulevant.com/article/27753-la-stabilite-du-systeme-financier-en-question</a>
September	2017	Les banques libanaises sont-elles solides?		<a href="https://www.lecommercedulevant.com/rubrique/27546-les-banques-libanaises-sont-elles-solides-">https://www.lecommercedulevant.com/rubrique/27546-les-banques-libanaises-sont-elles-solides-</a>
October	2017	Les élus américains adoptent les nouvelles sanctions contre le Hezbollah	F.G.	<a href="https://www.lecommercedulevant.com/article/27831-les-elus-americains-adoptent-les-nouvelles-sanctions-contre-le-hezbollah">https://www.lecommercedulevant.com/article/27831-les-elus-americains-adoptent-les-nouvelles-sanctions-contre-le-hezbollah</a>
December	2017	Le Liban, pays de transit des antiquités pillées	J.B.	<a href="https://www.lecommercedulevant.com/article/28034-le-liban-pays-de-transit-des-antiquites-pillees">https://www.lecommercedulevant.com/article/28034-le-liban-pays-de-transit-des-antiquites-pillees</a>
March	2018	Les cryptomonnaies officiellement interdites		<a href="https://www.lecommercedulevant.com/article/28219-les-cryptomonnaies-officiellement-interdites">https://www.lecommercedulevant.com/article/28219-les-cryptomonnaies-officiellement-interdites</a>

Month	Year	Title	Author(s)	URL
May	2018	Echange d'informations: quelles implications sur la fiscalite mobiliere	Justine Babin	<a href="https://www.lecommercedulevant.com/article/28308-echange-dinformations-queelles-implications-sur-la-fiscalite-mobiliere-">https://www.lecommercedulevant.com/article/28308-echange-dinformations-queelles-implications-sur-la-fiscalite-mobiliere-</a>
June	2018	Protection des donnees personnelles: le Far West libanais	Justine Babin	<a href="https://www.lecommercedulevant.com/article/28404-protection-des-donnees-personnelles-le-far-west-libanais">https://www.lecommercedulevant.com/article/28404-protection-des-donnees-personnelles-le-far-west-libanais</a>

## Appendix 5

### “Pillar of the Economy” Quotes from Archival Data

Year	Magazine/Newspaper	Quotes
1999	The Daily Star	“The United States is tremendously optimistic about Lebanon, and this was not the perception a year or two ago,” he said during a lunch hosted by the Harvard Business School Club of Lebanon at the Alexandre Hotel in Acharfieh. U.S. investors were keen on entering the Lebanese market and to “establish permanent investments here,” Satterfield said. But the Lebanese “need to be aggressive not passive” in offering opportunities. Also, investors needed clear laws that assured them that their investments were protected, he said.
2001	The Daily Star	Prime Minister Rafik Hariri called on bankers on Thursday to do their utmost in implementing the government’s policy to stimulate the economy. Farid Roufayel, who headed a delegation representing the Association of Banks in Lebanon, told reporters after meeting Hariri that the premier briefed the bankers on measures to support loans to productive sectors. Hariri underlined the importance of giving loans to small and medium-size operations considered vital to activating the economy, Roufayel said.
2003	Executive Magazine	According to the Association of Banks in Lebanon (ABL), the banking system contributes to 4.5% of GOP, employing around 1.2% of the country's labor force.
2004	The Daily Star	Analysts and bankers interviewed by The Daily Star said that there was potential for Lebanon to regain its pre-war status due to the wealth of human resources and the experience of Lebanese banks.
2004	Executive Magazine	There was a good progression for non-resident deposits and fiduciary deposits, which means that the banking sector in Lebanon is conveying more confidence for the region and non-Lebanese. The capitalization of the banks is now over \$3 billion, capital adequacy is over the required 12%, and the situation in the sector, in terms of improving management and technology, is also good. So I think that the banking sector in Lebanon is sound and is progressing in a healthy manner.
2004	Executive Magazine	And anyway, if things get harder, we have taken all the necessary measures so that they do not affect the stability of the economy or the financial sector. Already, the results have shown that despite the political internal tensions of the last two or three months, these were not felt by the financial markets. And this is a big improvement in the financial history of the country, where these financial markets were very sensitive to political developments.
2004	Executive Magazine	We were surprised by the extent of the commercial banks’ balance sheet growth, mainly in the deposit base growth. This is reflected by the growth of the monetary aggregate (M3: amount of money in circulation plus deposits at banks), which increased by 14% from September 2002 to September 2003.
2004	Executive Magazine	In simple terms, the banking sector has outgrown the Lebanese economy and domestic economic growth. It grew eight to 10 times in the last 10 years – while the Lebanese economy did not grow as fast.

Year	Magazine/Newspaper	Quotes
2004	Executive Magazine	Why does the Lebanese banking industry have to turn over a new leaf? The current model of banking growth was sustainable until today because of two factors: 1. The Lebanese community and some Arab funds repatriated part of its wealth to Lebanon, enabling our deposit base to widen without any relation with domestic economic growth. 2. The state, central bank and treasury became our main client (54% of our assets in September 2003) and both of them accepted to extend to a maximum their foreign currency debt. This policy helped a lot by providing fresh blood to this dollarized model in one hand and by providing the banking industry with good placement opportunity in another hand.
2004	Executive Magazine	Lebanon's banking industry appears to be very well positioned regionally because it fully achieved these improvements and it is very well equipped to more important cross-border activity.
2004	Executive Magazine	The banking community and the banking authority are a necessary part of the problems and solutions of the economy. Whenever we have had a good program we have always been able to deliver our part of it.
2004	Executive Magazine	By targeting certain specialized institutions through 'horizontal' consolidation, these banks can achieve critical mass in terms of the financial resources, skill, and geographical diversification needed for competing on a regional scale
2004	Executive Magazine	It seems then, that while a number of large Lebanese banks are eager to go down the M&A path seeking growth and scale, most are not likely to engage in any such activities in the very short term. Some are busy consolidating recent acquisitions, while others are busy with shareholding or management restructuring.
2004	Executive Magazine	The results of the Lebanese banking sector for the past 12 months were simply beyond expectations, with the numbers for the six listed banks speaking loudly.
2004	Executive Magazine	the banking sector performance clearly defied cautious predictions made by experts one year ago. "Banking performance has been more satisfactory than I projected, because resources from investors increased by 14%, a fairly significant amount under the climate we are in," said Marwan Iskandar, one of Lebanon's leading economists. He attributed the sector's good results largely to Arab investors "who find it convenient to place some money in Lebanon.
2004	Executive Magazine	The banking sector in Lebanon continued to witness sustained growth throughout the first half of 2004, continuing the trend adopted in 2003, which followed a short lull. Total banking sector assets grew by more than 11.8% year-on-year, reaching LL94,377 billion as of June 30, 2004. Main growth was driven by growth in deposits, with bank deposits standing at LL64,639 billion at the end of June 2004, up 11.7% from the same period last year, and 4.7% from year-end 2003.
2004	Executive Magazine	The advantages of establishing branches or fully authorized banks abroad are multiple for Lebanese banks, with the most obvious and important being the opportunity to diversify revenues, assets, funding and capital.
2004	Executive Magazine	During the civil war period, several Lebanese banks made the strategic decision to establish sister banks to the ones already established in Lebanon in countries such as France, Switzerland and Belgium and even the US. These sister banks had more or less the same shareholders as the Lebanon-domiciled banks, and were fully authorized by the French, Swiss, Belgian and US central banking authorities. The aim of these foreign entities was to channel Lebanese savings out of Lebanon in times of war and to cater in terms of banking services to the Lebanese communities, who had sought refuge in these countries.

Year	Magazine/Newspaper	Quotes
2004	Executive Magazine	Today, the reason for setting up shop elsewhere is aimed principally at following a new breed of Lebanese economic immigrants. While the objective to escape from Lebanon is still present, this time it is more to flee from an inhospitable economic environment rather than a war. The reasons, for overseas expansion are now dominated by different parameters, of which the most important remains the diversification of revenues away from a very risky domestic economic situation.
2005	Executive Magazine	banking and tourism as leading economic sectors deserve further growth incentives because they can be developed effectively and with good results.
2005	Executive Magazine	In matters of the public debt, Edde affirms that it is most urgent to address the debt of 200% of GDP, which in his opinion the country could only sustain because it's banking sector is also of very large size.
2005	Executive Magazine	In selecting economic sectors for development, the National Bloc includes banking on its list because of its high degree of development and additional potential.
2006	Executive Magazine	Deposits are over 3.5 times the size of our GDR. In other words, liquidity is not a problem and more IPOs in Lebanon are healthy for the economy.
2006	Executive Magazine	The idea of serving the diaspora came out of a need for survival. Frankly speaking, I feel that the strength of Lebanon stems from its emigrants. If you look at the country's financial statistics, you see that every year we have a commercial deficit of around \$5 billion, whereas the balance of payments is positive. This comes chiefly from the repatriation of income, so despite a huge debt-to-GDP ratio, Lebanon still lives relatively well and we have some degree of growth.
2007	Executive Magazine	The Lebanese banking sector has always had an exceptional degree of resilience given Lebanon's checkered political history. The current political crisis and economic malaise is no exception, with Lebanese banks reporting strong growth, launching new products, and diversifying through expanding into new markets.
2007	Executive Magazine	Nonetheless, due to the unique role of Lebanon's banking sector in the economy, the real economy might be in the doldrums, but the monetary sector is not. The reasons for this are manifold: the huge remittances from Lebanese abroad, which brings in an estimated 25% of the country's GDP; banks' high capital ratios; interest on lending to the government; and a buoyant real estate sector.
2007	Executive Magazine	The Lebanese are still the most important trigger for aggregated demand, so is therefore GDP growth. We are not borrowing from domestic income but national income, from inflows from expats. As long as this exists, inflows are unrelated to the situation in Lebanon and the monetary sector is immune
2007	Executive Magazine	The cumulative assets of Lebanese banks also reflect the sector's strong position. At \$78 billion, or 375% of Lebanon's GDP, the sector is far and above the regional average of 90% of GDP, 107% in emerging markets, and 132% in developed economies. This is in large part due to profitability of financing Lebanon's public debt, which is currently at \$41 billion. Since the country's early inception in the 1920s banking has played a pivotal role in shaping Lebanon's economy. Today, it remains a resilient sector, especially when compared to other industry sectors, which have been plagued with low growth levels. For example, in February 2008, Bank Byblos reported that the country's bank assets showed a 14.10% year-to-year growth.

Year	Magazine/Newspaper	Quotes
2007	The Daily Star	He added that the local and international community forgot the public debt thanks to the measures adopted by the Central Bank to protect the pound and keep inflation at reasonable levels. "Our banking sector is one of the most credible and viable banking sectors in the world," he said, adding that total bank assets are three times the size of Lebanon's GDP. "The banking sector continues to grow despite the political and security disturbances in the country," Salameh said.
2007	The Daily Star	He stressed that the banking sector has survived many security and political incidents. "In fact, Lebanese banking survived really severe shocks, much harder than the ones simulated by the rating agencies and international institutions in their macroeconomics scenarios, which have more than often questioned the resilience and strength of our system," Salameh said. He added thanks to the Central Bank's strict regulations, coupled with good managerial skills, banks in Lebanon managed to achieve strong growth as reflected by the steady rise in assets and deposits.
2008	Executive Magazine	during the 1975-90 period the volume of bank deposits increased by 392 times.
2008	Executive Magazine	Against all odds Lebanese banks have been weathering the current economic and political crisis. In spite of the numerous political shocks Lebanon faced in the last two years, the banking sector still managed to show healthy performance levels.
2008	Executive Magazine	"The Central Bank of Lebanon (BDL), since the mid- 1990s, has adopted consistent strategies in the economic, monetary and banking domains. Thankfully, these strategies have proved to be successful," said Roger Dagher, Bank of Beirut's CFO. The BDL has been able to greatly contribute to the sector's strength and resilience to political and economic shocks while the banking sector in Lebanon is often deemed as the most prosperous industry driving the economy.
2008	Executive Magazine	An important factor accounting for the banking sector's relatively healthy growth levels are remittances, of which Lebanon receives some \$6 billion every year. "The bulk of this amount flows directly into the banking system, which retains a fair sum of it," said Usher. The CEO also estimates about 50% of the banks' deposit growth to be stemming from the Lebanese diaspora living overseas. "The economy largely functions on these inward remittances and on the banking sector,"
2008	Executive Magazine	Despite the dire economic situation in Lebanon during 2007 deposits, whether based in dollars or Lebanese pounds, still managed to rise.
2008	Executive Magazine	Evidently, Lebanese banks have shown resilience to political and economic shocks and even to security tribulations due to certain factors. As Dagher declared: "There is no secret; this resilience is due to the constant inflow of funds from the sizable and affluent Lebanese diaspora and the adoption of a regional expansion strategy that provides means of diversification, both in terms of income and risk."
2008	Executive Magazine	The Lebanese banking sector has shown strong resilience to economic and political shocks and has demonstrated a commitment to continuously support the Lebanese government in its arduous rehabilitation journey.

Year	Magazine/Newspaper	Quotes
2008	Executive Magazine	the Lebanese banking sector has responded rapidly and efficiently to the financing needs of the domestic economy and continues to provide a wide range of conventional as well as high quality modern financial services for resident and non- resident clients. The Lebanese banking sector continues to be the backbone of the economy, characterized by an efficient banking secrecy law, a free exchange system and free movement and repatriation of capital. In the past couple of years, the banking sector witnessed a significant improvement in investing in human capital, the latest information and communication technologies, internal auditing, risk management and control systems, and money laundering compliance units.
2008	Executive Magazine	One cannot forget the role of the Lebanese banking sector in fueling Banque du Liban's (BdL) foreign currency reserves to record highs, thanks to the banks' historical investments in BdL's financial instruments that helped mitigate the risk of any imminent currency devaluation and added an influx of foreign capital from Lebanese expatriates, who continue to prosper on the back of a more relaxed political and investment environment.
2008	Executive Magazine	Concurrently, in 2008 the Lebanese banking sector has witnessed a unique inflow of foreign remittances from Lebanese expatriates, especially those living in the Gulf, with some 43.1% reported annual expansion in foreign inflows to \$5.65 billion through July 2008, up from \$3.95 billion in the same period in 2007. In the second half of 2008, notwithstanding the global financial turmoil that struck financial institutions worldwide, the Lebanese banking sector preserved its solid standing with a reported \$500 million influx during the one-week period that followed the bankruptcy filing of Lehman Brothers. Renowned international credit rating agencies continue to praise the role of the banking sector in stabilizing the economy, to a certain extent, by being the primary source of public financing in both foreign and domestic currencies.
2008	Executive Magazine	the Lebanese banking sector has and will always be a major contributor to Lebanon's economic resurrection. This owes to the banking sector's eagerness to provide continuous financial support to the government if and when needed, its proven ability to create job opportunities both domestically and regionally as banks expand abroad, its credibility in the eyes of international donors and rating agencies that increase foreign and domestic investors' level of confidence in the economy, that attract foreign direct investment and that add to its thrust to provide continuous financing to the various economic sectors upon which economic growth depends.
2008	Le Commerce du Levant	La crise des marchés mondiaux n'aura pas de répercussion sur l'économie libanaise. Les secteurs bancaire et financier locaux seront épargnés. C'est en tout cas ce qu'ont affirmé le ministre des Finances, Mohammad Chatah, le gouverneur de la Banque centrale, Riad Salamé, et le président de l'Association des banques, François Bassil. La Banque du Liban interdit depuis plusieurs années les placements bancaires dans les titres dérivés à haut risque, dont les "subprime", crédits immobiliers à risque aux États-Unis, a rappelé Riad Salamé. Tandis que, selon François Bassil, « le secteur bancaire local bénéficie d'un taux de liquidités élevé, de l'ordre de 45 à 50 % ».
2008	Le Commerce du Levant	Il est encore trop tôt pour mesurer précisément l'impact de la crise financière sur le Liban, estiment les analystes. Le ministre des Finances, Mohammad Chatah, ainsi que le gouverneur de la BDL, Riad Salamé, assurent que le Liban est à l'abri. Cette analyse est contestée par certains experts, mais une version fait l'unanimité : le secteur bancaire, en particulier, sera relativement épargné, du moins dans un premier temps. « Aucune banque libanaise n'est exposée aux crédits hypothécaires à risques aux États-Unis »

Year	Magazine/Newspaper	Quotes
2008	The Daily Star	In parallel, the Lebanese banking sector is witnessing one of its best years ever. Consolidated deposits grew by \$7.8 billion year-to date, 57 percent above the growth reported in the first nine months of last year and 2 times more than the average growth of the similar period in the past five years. Such a growth, realized within the context of significant currency conversions towards the Lebanese Pound, was coupled with a drop in deposit dollarization from 77.3 percent at end-December 2007 to 72.0 percent at end-September 2008, its lowest level since the beginning of 2005. This year also reported a significant growth in banks' lending portfolios, with aggregate lending growing by 21.4 percent year-to-date triggered by both domestic lending to an improving local economy and regional lending to Lebanese corporate with regional operations within the context of a regional boom that was prevailing over that period.
2008	The Daily Star	The Lebanese banking sector registered a remarkable performance over the first nine months of 2008, with all major aggregates reporting a solid progression. Total assets grew by LP14,291 billion between December 2007 and September 2008, the equivalent of 11.5 percent, against LP11,078 billion or 9.9 percent in the first nine months of 2007. By comparison, the average first nine months of the previous five years reported an average growth of LP5,998 billion, the equivalent of 6.5 percent.
2008	The Daily Star	By the end of September 2008, the banking sector domestic assets reached nearly 340 percent of Lebanon's GDP, one of the highest ratios among peers at the regional and international levels. Customer deposits, which account for 82 percent of total assets, represented 276 percent of GDP at end-September 2008. Such a large banking dimension relative to the country's economic dimension acts as a normal support to the regional expansion strategies undertaken recently by Lebanese banks.
2008	The Daily Star	The reasons why Lebanon was relatively insulated from the global financial crisis are various, ranging from the regulatory and supervisory regime to the conservative practices of Lebanese banks and to structural economic factors such as the recurrence and non-speculative nature of capital inflows towards Lebanon supported by a large pool of offshore savings around the Globe.
2008	The Daily Star	the Lebanese financial system benefit from a stable deposit base supported by recurrent capital inflows, the bulk of which is constituted of remittances from a large pool of Diasporas all over the World. With annual remittances of close to \$6 billion, Lebanon has the highest ratio for remittances per capita in the World. Such remittances, which have been sustainably growing year-after year over the past decades, are not likely to receive a significant hit as a result of the current crisis, and are expected to remain in the worst circumstances above 20 percent of Lebanon's GDP. These remittances, which empirically proved to be non-volatile in nature, originate from a large pool of Diasporas well diversified by sector of activity and country of residence around the globe.
2009	Executive Magazine	Confidence in the banking sector in Lebanon and in the monetary in general, is very high, as witnessed by the large conversions from dollars to the Lebanese pound. In 2008, de-dollarization was important and the central bank bought more than \$8 billion from the markets.
2009	Le Commerce du Levant	Le mouvement de conversion, impulsé par l'amélioration des perspectives politiques, a ensuite été conforté par l'éclatement de la crise financière. Les banques locales ayant été épargnées et la situation interne restant stable, les entrées de capitaux se sont dirigées vers la monnaie locale

Year	Magazine/Newspaper	Quotes
2009	Le Commerce du Levant	Les marchés ont réalisé que le modèle libanais était soutenable. La confiance s'est renforcée, permettant même des transferts vers la livre libanaise malgré la réduction du différentiel d'intérêt entre la livre et le dollar. Le Liban a ainsi bénéficié d'importantes entrées de devises au cours des 12 derniers mois et plus particulièrement au premier semestre 2009. Elles ont totalisé 16 milliards de dollars sur un an, dont 90 % ont été convertis en livres.
2009	Executive Magazine	I'm glad you separate Lebanon from the rest! Lebanon is very different, it's an exceptional case and very different from the GCC because we're in a very strong liquidity position here in Lebanon. [Last year was] a good year for Lebanon and for the banks, especially in the second half of the year where the GCC was suffering a liquidity crisis but Lebanon actually had an influx of deposits into the country. The AD [advances to deposits] ratio that the banking industry enjoys is about 33 percent – it's the kind of phenomena that you would not experience in any other part of the world.
2009	Executive Magazine	“lack of sophistication” in commercial banking was the key factor protecting the Lebanese banking sector from the financial turmoil plaguing the rest of the world.
2009	Executive Magazine	the Lebanese banks' robust balance sheet liquidity is one of the highest in the world.
2009	Executive Magazine	But the potential for damage is cushioned by the Lebanese banks conservative management and the central bank's policies. With the high levels of liquidity, little exposure to real estate lending, robust deposit bases and strong support from the central bank, Lebanese banks are well positioned to weather the global economic storm.
2010	Executive Magazine	Lebanon's banking sector has been called many things: the unofficial government, the country's financial savior, a nepotistic mafia, and that 'other economy,' which continuously shines while the 'real economy' limps behind.
2010	Executive Magazine	That the banks have extraordinary influence here is a given, having funded the country's post-war reconstruction through loans to the government and ridden out every kind of systematic risk imaginable, bar a nuclear bomb or natural disaster. The banks and the bankers are Lebanon's economic superstars.
2010	Executive Magazine	“They are the country, but not in a 'negative' way; they are the economy. But the government wouldn't want to make them angry... so maybe the bankers are more powerful than politicians.”
2010	Executive Magazine	A more positive development has been the IFC's investment in Byblos Bank, as well as its extension of \$482 million in guarantees to four Lebanese banks since 2006 as part of its Global Trade Finance Program. “The IFC has added a lot of confidence to these banks and it is not hot money, this is stable money,” said Awdeh. The IFC's Jacobs said that while they are fairly exposed due to their involvement in the Lebanese banking sector, the corporation might invest in “one or two more banks.”  Meanwhile, in late May, American emerging market fund Franklin Templeton Asset Management indicated an interest in investing in Lebanon's banking sector, after its executive chairman came to Lebanon on invitation of BLOMINVEST.  “Banks are well run, Lebanon is doing well, and banks are growing regionally. To me, that points to good investment opportunities,” said Jacobs.
2010	Executive Magazine	Bankers and politicians alike delight in calling the banking sector immune — immune to the financial crisis, immune to political rumblings and knee jerks in public opinion.

Year	Magazine/Newspaper	Quotes
2010	Executive Magazine	The banking sector has a kind of immunity which keeps the industry aside from the political tensions. Nevertheless, any tensions in Lebanon have a direct effect on the economy and accordingly on the banks in general
2010	Le Commerce du Levant	la Bank Audi est arrivée à la conclusion que le Liban a été le plus résilient des pays de la région Moyen-Orient et Afrique du Nord face à la crise financière internationale. « La performance de l'économie libanaise a été saluée par les grandes institutions mondiales, pour être restée à l'abri des répercussions de la crise financière internationale, tant au niveau de l'économie réelle qu'au niveau du secteur bancaire.
2011	Le Commerce du Levant	Mais les responsables libanais se sont voulus rassurants. Le Premier ministre a assuré que le secteur bancaire est le pilier de l'économie libanaise et « qu'aucun Libanais ne voudrait soumettre ce secteur à un danger éventuel ».
2013	Executive Magazine	Lebanon has been a growth market and we have been able to generate a good return on equity.
2013	Executive Magazine	But the connectivity of the economy and the connectivity of the business is the fifth filter and Lebanon has incredible connectivity around the world. In terms of being an international bank connected to the region and the world and being able to fund trade business and cater to individuals and businesses that have connections around the world, that is really where we have an advantage.
2013	Le Commerce du Levant	Ce sont les dépôts du secteur privé qui alimentent cette croissance : ils représentent 83 % du total des actifs, soit 131,3 milliards de dollars, affichant une croissance de 5 % entre décembre 2012 et juin 2013. Une situation qui illustre la résilience du secteur face aux conditions économiques difficiles de ce début d'année et qui montre que les banques libanaises sont encore aptes à attirer des dépôts.
2014	Executive Magazine	When widening the view over the previous 12 months, sector data were not staging any alarming deviations from their long-term growth trajectories either, as proven by the full-year data for 2013. In simple terms, growth of banking assets, deposits and loans did not go AWOL in the otherwise growth-averse economy of 2013.
2014	Executive Magazine	The sector has been resilient to regional turmoil, and specifically Syrian turmoil, in terms of growth and financial soundness
2014	Executive Magazine	This rate of growth was sufficient to meet the needs of Lebanon's public and private sector borrowing, Barakat explained. "We need for our deposits to grow 5 percent [annually] in order to be able to provide loans to the public and private sector and thus meet the financing needs of the entire domestic economy. Despite the crisis that affected Lebanon for the past three years, deposits growth was above that mark and thus banks have been able to finance the economy while keeping liquidity at a good level."
2014	Executive Magazine	Nassib Ghobril, chief economist of Byblos Bank, confirmed the positive sentiment in difficult economic terrain and summarized the state of Lebanese banks in 2014 as being still "very solid, very liquid, highly capitalized and very well managed."
2014	Executive Magazine	the Lebanese banking sector is stable and it is unlikely that there will be shocks affecting the sector in 2014. "There could be an uptick in the sector if there is stability that favors the economic performance of the whole country," he said, adding that prospects for lending growth do exist but will depend on political stability and security. "Otherwise it will continue more or less like 2013."

Year	Magazine/Newspaper	Quotes
2014	Le Commerce du Levant	Le secteur bancaire libanais démontre de vrais signes de solidité : les dépôts ont augmenté de 6 % en moyenne ces dernières années, ce qui se traduit par un niveau légèrement positif de la balance des paiements ; les banques sont fortement capitalisées
2014	The Daily Star	“In these circumstances, I would like to confirm that the Central Bank will protect monetary and credit stability in Lebanon,” Salameh announced
2015	Executive Magazine	The alpha bankers had a good year. Profits for 2014 showed surprising strength by growing 9.13 percent year on year to LBP 2.8 trillion (\$1.9 billion) for the 14 banks with deposits of over \$2 billion each. Individual profit champions were BLOM Bank, at \$29 billion the sector’s number two by assets, with \$365 million, and sector leader Bank Audi, whose profits amounted to \$350 million on assets of \$42 billion.
2015	Executive Magazine	In total, no Lebanese bank was swallowed by the subprime bog or any other sinkhole of the global financial crisis. Even in the country’s one large financial mess of the past several years — the indictment and dissolution of Lebanese Canadian Bank — the final settlement was regarded by the Lebanese shareholders and the former bank’s management as an absolution from culpability.
2015	Executive Magazine	On the other hand, the Lebanese banking system is exhibiting sclerosis. The industry’s structures appear to have hardened in several respects that imply a new need for multi-tiered change. One such indicator of structural sclerosis is related to the immense importance of Lebanese banks in keeping the economy above water.
2015	Executive Magazine	Top decisionmakers at several alpha banks, along with central bank chief Riad Salameh, regard no individual bank — but rather the entire sector — as systemically important. This correctly reflects the national situation, diagnosed time and again by multilateral financial institutions and countless analysts, whereby the Lebanese structural dependency on capital inflows for financing the current account deficit correlates with the domestic banking sector’s crucial importance as an investor in public debt — and its high exposure to sovereign risk.
2015	Executive Magazine	Yet nobody can deny that the Lebanese banking sector is flourishing, generating high profits for both owners and shareholders in our commercial banks. There are three reasons for this, despite the financial sector’s violations of a basic macroeconomic equation. The first is that the majority of the \$45 billion in domestic lending is given by the banks to the private sector’s strongest constituents.
2015	Le Commerce du Levant	Cette croissance reste alimentée par celle des dépôts du secteur privé qui constituent toujours l’essentiel (84 %) des actifs avec 140,3 milliards de dollars, soit plus de trois fois le PIB enregistré en 2014. Mais son rythme a ralenti : la hausse de 5,6 % en glissement annuel observée au premier semestre traduit une légère décélération par rapport à ceux des deux années précédentes (respectivement à +9 % et +6 %).
2015	Le Commerce du Levant	La résilience du secteur conforte une stratégie globale rendue traditionnellement prudente par des règles de gouvernance de la BDL axées sur le maintien d’un solde positif de la balance des paiements par l’attrait des capitaux. « Le secteur a fait montre d’une impressionnante résilience étant donné les nombreux défis posés par la situation du pays. Ceci est dû, à mon avis, à la grande expérience des banques libanaises, d’une part, et à la BDL qui applique des réglementations conçues pour éviter les perturbations systémiques

Year	Magazine/Newspaper	Quotes
2015	Le Commerce du Levant	Selon une étude publiée par le FMI, la croissance moyenne annuelle des dépôts doit être de 8 % pour assurer le financement des secteurs public et privé libanais. Si ce ratio tombait à 4 %, la hausse des taux d'intérêt qui s'ensuivrait afin de compenser le déséquilibre ralentirait l'économie et enlèverait 1 % de croissance du produit intérieur brut (PIB).
2015	Le Commerce du Levant	Le principal facteur d'attractivité est la confiance. Un expatrié libanais ne placerait pas son argent au Liban s'il percevait un risque de perte de son capital. Je ne crois pas que le Liban représente une solution de facilité
2015	The Daily Star	The Central Bank is widely seen as one of the most dependable institutions in Lebanon. It has stepped in to promote initiatives usually proposed by governments, such as economic stimulus packages, over the past three years.
2016	Executive Magazine	Banks are arguably the businesses that are best positioned for being viewed as leaders in the Lebanese economic context, given their much-larger-than-GDP shares in financial assets and their lifeline function in financing the private and public sectors.
2016	Executive Magazine	something also deserves to be said about the current time, namely that Lebanon now, more than ever, is advised to think with full appreciation of its banks and its central bank.
2016	Executive Magazine	This is not because the central bank has a monopoly on printing and controlling our money and because the commercial banks are financing both our private and public deficits. They have been doing both for ages.
2016	Executive Magazine	Inversely, it feels as if – whether based on facts or not – banks and the central bank are ever more important. The stimulus packages that keep our housing market afloat (as illiquid as real estate is in itself) come from the central bank. The investments that drive our slow migration into the entrepreneurial knowledge economy come from the central bank (see update on the latest funds). When people organize large social events, such as the Beirut Marathon, a cultural festival, a design week or a startup competition, they go to banks, and the banks, as Byblos Bank's chief economist Nassib Ghobril put it, "respond". That is why we sought out examples of how important a role banks play in our society, not only in their core business activity but also in areas like sponsorship of movies (see story) and cultural events
2016	Executive Magazine	We all owe a big debt of gratitude to central banks. Acting boldly and innovatively in the midst of a massive financial crisis, they helped the world avert a multi-year depression that would have wreaked havoc on our generation and that of our children." But he also observed the danger of them being so central to the whole economy, saying "the longer central banks remain 'the only game in town', dedicated to repressing market volatility and artificially boosting asset prices, the greater the subsequent risk to their effectiveness and operational autonomy
2016	Executive Magazine	With currency he describes not only narrow money but also broad money, which is created at banks through deposits. "Currency is not cash, it is scriptural currency, deposits. The central bank is responsible for issuing banknotes. We create the other currency through our loans. We are financing the Lebanese economy exclusively; there are no capital markets. You cannot imagine any country without a banking system, unless you want to go back to barter economies," Baz explains further.

Year	Magazine/Newspaper	Quotes
2016	Executive Magazine	The government is reliant on the domestic banking system for the bulk of its financing in both local and foreign currency. The economy would therefore be vulnerable to a shock that adversely affects the risk appetite of local banks or the confidence of depositors.”
2016	Executive Magazine	there is over-dependence on banks in the sense that they are the only source of financing for the private sector and almost the only source of financing for the government. Between commercial banks and the central bank, and in absence of political will to reduce the fiscal deficit, which is the weak link in the economy, the banks will have to continue to attract deposits so the government can continue to meet its maturities and dates of payment.
2016	Executive Magazine	With no fiscal policy in place, Banque du Liban (BDL), Lebanon’s central bank, has stepped in to shore up Lebanon’s sputtering economy. BDL claims that its stimulus packages (\$1.46 billion in 2013, increased by \$920 million in 2014, an additional \$990 million in 2015 and another \$1 billion more announced this November), whose primary role has been to spur job creation, have made a “sizeable contribution to GDP.” BDL says that “the stimulus packages of 2013 and 2014 proved to be successful, contributing around 50 percent of real gross domestic product growth,”
2016	Executive Magazine	“Certainly someone like John Kerry and the State Department institutionally, don’t want to see the collapse of the Lebanese banking sector because they are well aware of the fact that it is one of the few things left standing in Lebanon,” Warde told Executive. Preserving the integrity of the banking sector is a point underlined by Obama’s nominee for ambassador to Lebanon, Elizabeth Richard. Richard testified to Congress in her nomination hearing in mid-March that shielding Lebanon’s banking sector and economy from Hezbollah infiltration is a top priority for the Administration. “Our goal,” she said, “is to dismantle Hizbollah’s international financial network while supporting Lebanese institutions and the Lebanese people. The success of the Lebanese banking sector, a backbone of the country’s economy, relies on upholding an already excellent reputation. Both Lebanon and the United States have an interest in ensuring Hizbollah cannot penetrate the Lebanese financial sector.”
2016	Executive Magazine	The country is liquid and today banks have excess liquidity.
2016	Le Commerce du Levant	En dépit d’une croissance du PIB qui n’a cessé de diminuer ces dernières années en raison de la conjonction des guerres régionales et de l’impasse politique nationale (le Fonds monétaire international l’estime à 1 % pour 2016, comme en 2015, contre 2,8 % en 2012) ; le secteur bancaire libanais tient bon. Il « maintient intacte la confiance de la population dans sa capacité à sauvegarder son pouvoir d’achat, ainsi que les intérêts des déposants et des actionnaires
2017	Executive Magazine	Besides its two main contributions to the national economy — the financing of our public and private sector deficits — there are additional facets to Lebanese banking and its role in society. These facets are varied as banks’ enhancement of consumer lifestyles, sponsorship of events, their charitable contributions, their sponsorship of Lebanese art and their role as job creators and employers. Of these societal functions, banking sector employment is the weightiest one, constituting an important structural pillar of national employee incomes and of the labor market.
2017	Le Commerce du Levant	Avec des réserves en devises de 42,2 milliards de dollars (hors réserves en or), soit 75 % de la masse monétaire en livres, « la BDL est capable de maintenir le taux de change stable, même si les trois quarts des déposants décident du jour au lendemain de convertir leurs avoirs en dollars.

Year	Magazine/Newspaper	Quotes
2017	The Daily Star	The key to the success of the banking sector lies in the trust that stakeholders have in the banks. The continuing ability of banks to attract deposits, regardless of domestic and regional political conditions, has been the cornerstone of monetary, fiscal, economic and – most importantly – social stability in Lebanon.
2018	The Daily Star	Lebanon is very important to the bank and the international community, not just because of its key role in regional stability, but also because it serves as an example for national reconciliation.”

## Appendix 6

### “Crucial for the Society” Quotes from Archival Data

Year	Magazine/Newspaper	Quotes
1998	The Daily Star	In an attempt to find revenues to speed up the return of the displaced, MPs and the government have begun negotiations aimed at encouraging private banks to contribute. Tyre MP Mohammed Abdelhamid Beydoun, who is also a member of the finance and budget parliamentary committee, yesterday revealed that these contacts, in which he is personally involved, are a continuation of a previous proposal calling for the use of private bank deposits with the central bank to finance the return. Central bank governor Riad Salame is also taking part in the consultations.
1998	The Daily Star	According to the new proposal, private banks would allocate part of their deposits placed in the central bank with no interest rate, to finance the return of the displaced without endangering the monetary situation.
1998	The Daily Star	The British Bank has donated LL16,054,600 to the American University of Beirut’s scholarship programme as part of an agreement between the two institutions to promote the education of Lebanese graduate students. Signed at the end of 1996, the agreement calls for the grant to be paid annually over a period of two years to cover the full tuition of two graduate students.
1999	The Daily Star	Byblos Bank donated \$1 million to help the government rebuild the damages caused by the Israeli air strikes against Lebanon last Thursday.
1999	The Daily Star	The fund for reconstruction, set up after the Israeli bomb attacks, received a boost Friday when the Association of Banks gave Salim Hoss a check for \$4 million. This brings the total donated by banks to \$7.3 million, representing 50 percent of the total in the fund.
2001	The Daily Star	Prime Minister Rafik Hariri called on bankers on Thursday to do their utmost in implementing the government’s policy to stimulate the economy. Farid Roufayel, who headed a delegation representing the Association of Banks in Lebanon, told reporters after meeting Hariri that the premier briefed the bankers on measures to support loans to productive sectors. Hariri underlined the importance of giving loans to small and medium-size operations considered vital to activating the economy, Roufayel said.
2001	The Daily Star	The Islamic Development Bank is offering a \$28 million interest-free loan to finance the building of two wastewater treatment plants in the Western Bekaa.
2003	Executive Magazine	According to the Association of Banks in Lebanon (ABL), the banking system contributes to 4.5% of GOP, employing around 1.2% of the country’s labor force.
2006	Executive Magazine	We are trying to give back society what it offers us. We discovered that the more you give to society and the more you help, the more it gives back in return. It is a kind of virtuous circle. We recently launched solar energy loans, for instance, which allow people to install solar energy equipment and repay it in installments. Through this we give visibility to the bank, make money and also manage to reduce our clients’ cost at the same time.
2007	Executive Magazine	The Lebanese banking sector has always had an exceptional degree of resilience given Lebanon’s checkered political history. The current political crisis and economic malaise is no exception, with Lebanese banks reporting strong growth, launching new products, and diversifying through expanding into new markets.

Year	Magazine/Newspaper	Quotes
2007	Executive Magazine	As a result, banks have repackaged personal loans with new names to entice customers, from solar panels and dental care to computers and plastic surgery. First National Bank (FNB) has been at the forefront of such campaigns, offering the highly publicized plastic surgery loan.
2007	Executive Magazine	Until three or four years ago people paid cash, but now use electronic transfers. That has increased the banking population
2007	Executive Magazine	Banks are, however, essentially chasing a limited number of economically viable clients, prompting some institutions to cater to small- and medium-sized enterprises (SMEs) and lower income customers.
2007	Executive Magazine	investing in new branches in the less banked areas of the country and in the capital.
2007	The Daily Star	He added that the local and international community forgot the public debt thanks to the measures adopted by the Central Bank to protect the pound and keep inflation at reasonable levels. "Our banking sector is one of the most credible and viable banking sectors in the world," he said, adding that total bank assets are three times the size of Lebanon's GDP. "The banking sector continues to grow despite the political and security disturbances in the country," Salameh said.
2008	Executive Magazine	loans to deposits have increased by 15% in the last two years, and banks are diversifying risk by looking into new forms of personal retail and corporate lending.
2008	Executive Magazine	Lebanese commercial banks also grease the economic wheels through loans destined to SMEs or others done in conjunction with the government such as kafalat, targeting particular economic sectors namely agriculture, IT or tourism.
2008	Executive Magazine	"This deal is very good for the Lebanese banking sector because it shows that Lebanese local banks now have the capacity to lend or to give such big amounts. Finally," he concluded, "the deal is very good for Lebanese Canadian Bank; it's one of our biggest operations yet, and we hope it's only the beginning."
2008	Executive Magazine	the Lebanese banking sector has responded rapidly and efficiently to the financing needs of the domestic economy and continues to provide a wide range of conventional as well as high quality modern financial services for resident and non- resident clients.
2008	Executive Magazine	the Lebanese banking sector has and will always be a major contributor to Lebanon's economic resurrection. This owes to the banking sector's eagerness to provide continuous financial support to the government if and when needed, its proven ability to create job opportunities both domestically and regionally as banks expand abroad, its credibility in the eyes of international donors and rating agencies that increase foreign and domestic investors' level of confidence in the economy, that attract foreign direct investment and that add to its thrust to provide continuous financing to the various economic sectors upon which economic growth depends.
2010	Executive Magazine	That the banks have extraordinary influence here is a given, having funded the country's post-war reconstruction through loans to the government and ridden out every kind of systematic risk imaginable, bar a nuclear bomb or natural disaster. The banks and the bankers are Lebanon's economic superstars.
2012	Executive Magazine	As one of the largest private sector employers, with roughly 21,000 employees as of the end of 2011, the salary increases, applied to all bank employees across all brackets, are "significant money,"

Year	Magazine/Newspaper	Quotes
2013	Executive Magazine	But the connectivity of the economy and the connectivity of the business is the fifth filter and Lebanon has incredible connectivity around the world. In terms of being an international bank connected to the region and the world and being able to fund trade business and cater to individuals and businesses that have connections around the world, that is really where we have an advantage.
2013	Le Commerce du Levant	Certaines banques complètent leurs programmes de fidélisation par des engagements en faveur d'une cause. C'est le cas de la Bank of Beirut, qui propose une carte, Lebnan al-Bel dont une partie des revenus sont alloués à des projets de développement touristiques au Liban, en collaboration avec le ministère du Tourisme. Ou encore de la BLOM, dont la carte "Giving" contribue chaque année à hauteur de 200 000 dollars environ à financer le déminage du territoire libanais. « Ce programme nous a permis de retirer l'an dernier 26 000 mines », se félicite Élias Aractingi, vice-directeur général de la banque.
2013	The Daily Star	Youths have always been one of the most important targets for the banking sector. Banks make great efforts to seduce and pamper young people from their early age in order to retain them on the long run. Therefore, it is essential to attract this segment by offering products and services that meet their expectations best
2014	Executive Magazine	This rate of growth was sufficient to meet the needs of Lebanon's public and private sector borrowing, Barakat explained. "We need for our deposits to grow 5 percent [annually] in order to be able to provide loans to the public and private sector and thus meet the financing needs of the entire domestic economy. Despite the crisis that affected Lebanon for the past three years, deposits growth was above that mark and thus banks have been able to finance the economy while keeping liquidity at a good level."
2015	Executive Magazine	Advancing financial inclusion and job creation are priorities where banks play a role in the war against the sources of terrorism, [namely] the economic distresses that enable terror groups. It is my opinion that banks have to play a large role in economic growth through SME finance, housing and real estate finance, infrastructure lending, etc," Fattouh tells Executive.
2016	Executive Magazine	An existential concern for banking (at least in theory) is the commitment and measurable contribution to society as function of their sound economic performance. More than the charitable engagements and social responsibility undertakings that can be presented in annual CSR reports – but are done so by too few Lebanese banks until now – the core issues in this regard are the governance performances, macroeconomic contributions and model functions vis-a-vis the state and society that banks must have an interest in carrying out, for the sake of their sustainability and long-term profitability.
2016	Executive Magazine	Inversely, it feels as if – whether based on facts or not – banks and the central bank are ever more important. The stimulus packages that keep our housing market afloat (as illiquid as real estate is in itself) come from the central bank. The investments that drive our slow migration into the entrepreneurial knowledge economy come from the central bank (see update on the latest funds). When people organize large social events, such as the Beirut Marathon, a cultural festival, a design week or a startup competition, they go to banks, and the banks, as Byblos Bank's chief economist Nassib Ghobril put it, "respond". That is why we sought out examples of how important a role banks play in our society, not only in their core business activity but also in areas like sponsorship of movies (see story) and cultural events

Year	Magazine/Newspaper	Quotes
2016	Le Commerce du Levant	En dépit d'une croissance du PIB qui n'a cessé de diminuer ces dernières années en raison de la conjonction des guerres régionales et de l'impasse politique nationale (le Fonds monétaire international l'estime à 1 % pour 2016, comme en 2015, contre 2,8 % en 2012) ; le secteur bancaire libanais tient bon. Il « maintient intacte la confiance de la population dans sa capacité à sauvegarder son pouvoir d'achat, ainsi que les intérêts des déposants et des actionnaires
2017	Executive Magazine	Besides its two main contributions to the national economy — the financing of our public and private sector deficits — there are additional facets to Lebanese banking and its role in society. These facets are varied as banks' enhancement of consumer lifestyles, sponsorship of events, their charitable contributions, their sponsorship of Lebanese art and their role as job creators and employers. Of these societal functions, banking sector employment is the weightiest one, constituting an important structural pillar of national employee incomes and of the labor market.
2017	The Daily Star	The key to the success of the banking sector lies in the trust that stakeholders have in the banks. The continuing ability of banks to attract deposits, regardless of domestic and regional political conditions, has been the cornerstone of monetary, fiscal, economic and – most importantly – social stability in Lebanon.
2018	Executive Magazine	Most news from local banks shown on the website of the Association of Banks in Lebanon in 2017 or reported in Lebanese media focused on corporate social responsibility and querying top bankers about development strategies at the end the year felt like pulling teeth.

## Appendix 7

### “Challenges of the Sector” Quotes from Archival Data

Year	Magazine/Newspaper	Quotes
1999-2000	ABL Annual Report	Comme nous le savons, le Liban a été inscrit par le groupe d'action financière internationale (FATF) sur la liste noire des pays non-coopératifs en matière de réglementation et de mesures internationales de lutte contre le blanchiment des capitaux, et par le Forum de la stabilité financière (FSF) sur la liste des centres financiers offshore. Or, le Liban avait pris certaines mesures préventives sur ce plan, comme l'ont d'ailleurs reconnu les organismes internationaux, dont l'arrêt de toute culture ou trafic de plantes produisant des stupéfiants, et la signature de la convention de diligence entre l'ABL et les banques opérant au Liban, qui prévoit des mesures extrêmement strictes visant à empêcher que le secteur bancaire ne soit utilisé à des fins de blanchiment de capitaux de la part des réseaux de crime organisé. Parmi les mesures prises, figurent également les conférences organisées par l'ABL, auxquelles ont participé les responsables des banques et des établissements financiers et qui visaient à faire connaître les opérations de blanchiment et les méthodes de lutte contre elles.
2001	The Daily Star	He said that “spreading such news” was part of an attempt to put pressure on Lebanon and on banking secrecy. “Whoever is writing such articles wants to promote the idea that Lebanon is a pioneer in money-laundering,” he said. He stressed, however, that the government was dedicated to fighting drugs and money-laundering and would not be “lenient on the matter.”
2001	The Daily Star	Elsewhere, an informed source expressed astonishment regarding Sunday’s remarks made by National Security Adviser, Condoleezza Rice during a television interview. The adviser said that Hizbullah was currently the object of dialogue between the US and the Lebanese government for the purpose of freezing Hizbullah’s assets. The source condemned Rice’s warning during which she said that Lebanon would not succeed in its attempt to secure international financial assistance unless Beirut met Washington’s demands. Rice said that “Lebanon’s very survival depended on such compliance.”
2003	The Daily Star	President Emile Lahoud said Monday that it was “unacceptable” to permit any shortcoming in the banking system, especially with the country enjoying stability, security and the confidence of the world community. Lahoud’s remark came during an audience given to the governor of the Central Bank, Riad Salameh, and his three new vice-presidents, Ahmed Jashi, Majid Jumblatt and Alain Balian. The governor’s new aides swore to carry out their duties “sincerely and scrupulously, abiding by law and honor.” Lahoud congratulated them and wished them success in their mission, adding that the official banking institutions entrusted with looking after the integrity of banking in Lebanon were performing their duties in line with the provisions of law.
2004	The Daily Star	The White House and the U.S. Treasury's Counter-Terrorism Office are studying legal means to freeze the assets of some U.S.-based Lebanese investors, according to diplomatic sources on Thursday. Due to the U.S. view that Lebanon has failed to implement UN Security Council Resolution 1559 - which calls for the withdrawal of all Syrian forces from Lebanon and the disarming of all militias - the U.S. administration and the office have compiled data on the Lebanese investors and divided them into categories. "But this is not likely to be the only sanction targeting Lebanon; other sanctions are under study," the sources said.

Year	Magazine/Newspaper	Quotes
2010-2011	ABL Annual Report	<p>Following the crisis one Lebanese bank suffered from in February 2011 due to its designation by the U.S. Department of the Treasury as a suspected cover for money laundering transactions, cooperation (through meetings and sessions) between the Banque Du Liban and the Association was intensified in order to fill the gaps in the regulations, laws and practices The BDL handled this situation promptly by dealing directly with the U.S. Treasury in order to dissipate any potential impact on the Lebanese banking and financial system.</p> <p>The existent gaps emerged in the control of cash flow across borders, as well as in banks transactions with money dealers who used to achieve significant turnovers due to banking transactions that are not included at all within the job description of the money dealer profession. Moreover, money dealers issue checks of large amounts and conduct money transfers for the account of third parties all over the world. Therefore, it is requested at the banking level to put an end to such practices and strictly apply the legislations and regulations relative to money dealers and cash money in order to prevent the transit of illegal funds through the banking sector and expose banks to risks among which mainly the reputation risk.</p>
2010-2011	ABL Annual Report	<p>Monetary and supervisory authorities in cooperation with the Association continued during the last few years, to monitor closely the serious and real involvement of banks in fighting money laundering. They insisted on the introduction of “best practices” in this field and endeavored to strengthen the laws of the profession, charters and ethics of the banking activity and identify the existing gaps in order to treat them by taking the appropriate internal measures and procedures to fight financial crimes. They also focused on setting and developing systems and training human cadres qualified to undertake tasks in this field. Furthermore, the Association intensified the meetings within its specialized commissions in order to reexamine the procedures and the best methods for implementing them. The banks have made an intensive and expanded training workshop to raise their employees’ awareness regarding suspected transactions and their risks, in order to avoid being at reputation risks, following the problem one Lebanese bank suffered from in February 2011 due to its designation by the U.S. Department of the Treasury as a suspected cover for money laundering transactions.</p>
2011	Le Commerce du Levant	<p>Le gouverneur de la Banque du Liban, Riad Salamé, a assuré vendredi que les accusations de blanchiment du Trésor américain ciblent certaines activités de la Lebanese Canadian Bank et non pas le secteur bancaire libanais en général. Ces propos ont été tenus à l’issue de sa rencontre à Washington avec des hauts responsables du Département du Trésor américain.</p>
2011	Le Commerce du Levant	<p>L’Association des banques du Liban a formellement démenti vendredi les informations parues deux jours auparavant dans le quotidien libanais Al-Liwaa selon lequel pas moins de quatre banques libanaises étaient sous surveillance des autorités monétaires américaines, trois pour détention de comptes servant à du blanchiment d’argent, et une pour des comptes servant d’évasion fiscale à leur détenteur. Selon Al-Liwaa, les autorités américaines seraient en passe d’appliquer des sanctions contre les banques en question en cas de non-coopération. Ce démenti succède à celui du gouverneur de la Banque centrale Riad Salamé jeudi, allant dans le même sens.</p>
2011	Le Commerce du Levant	<p>Le Trésor américain a imposé des sanctions contre la Syrian Lebanese Commercial Bank (SLCB), filiale de la Commercial Bank of Syria (CBS), la plus grande banque commerciale de Syrie elle-même sous le coup de sanctions américaines, pour soutien financier à des entités iraniennes et nord-coréennes. Ces sanctions gèlent les actifs que la SLCB pourrait détenir aux Etats-Unis et interdisent aux entreprises et ressortissants américains toute transaction avec elle.</p>

Year	Magazine/Newspaper	Quotes
2011	Le Commerce du Levant	<p>Selon l'agence Al Markazia, le gouverneur de la Banque du Liban, Riad Salamé, est actuellement à Washington pour évoquer l'affaire de la Lebanese Canadian Bank que les autorités américaines accusent de blanchiment d'argent. Le gouverneur devrait rencontrer des hauts responsables du département du Trésor pour savoir si les accusations américaines constituent un message politique, lié à la composition du prochain gouvernement. Salamé devrait également défendre la réputation du secteur bancaire et assurer à ses interlocuteurs que les normes internationales en matière de lutte contre le blanchiment d'argent sont strictement appliquées au Liban.</p>
2011	Le Commerce du Levant	<p>Le département du Trésor américain a accusé la Lebanese Canadian Bank (LCB) de blanchiment d'argent pour le compte d'un groupe de trafiquant libanais, qui serait apparenté au Hezbollah. «Grâce à une mauvaise gestion, l'insuffisance de ses contrôles internes, et le manque d'application des normes bancaires prudentielles, la LCB a été largement utilisée par les personnes associées à ce trafic de drogue international. Ceux-ci s'en sont servis pour faire transiter des centaines de millions de dollars par mois d'argent sale et les réinjecter dans le système financier légal », selon un communiqué rendu public ce jeudi.</p>
2011	Le Commerce du Levant	<p>Dans une allocution, le président de l'Association, Josph Torbey, a souligné que le secteur bancaire respecte les normes internationales en matière de lutte contre le blanchiment. « Le cas de la Lebanese Canadian Bank (LCB) est isolé, a-t-il affirmé. Nous ne savons pas exactement ce qui s'est passé puisque l'affaire est encore au main des autorités compétentes ». Il a toutefois évoqué « la campagne menée récemment dans la presse et dans certains milieux politiques » faisant croire qu'il existe une liste de banques dans collimateur du Trésor US.</p>
2011	Le Commerce du Levant	<p>En réaction à l'affaire de la Lebanese Canadian Bank, accusée de blanchiment par le Trésor américain, les autorités monétaires et l'industrie bancaire sont en train de revoir les systèmes en place pour mieux se protéger. Une série de mesures sont envisagées pour préserver l'épargne des Libanais et éviter que « la mauvaise monnaie ne chasse la bonne », selon le dicton français.</p>
2011	Le Commerce du Levant	<p>le département du Trésor américain a créé un précédent : c'est la première fois dans l'histoire moderne du secteur bancaire libanais qu'une banque libanaise est l'objet de telles accusations. Au cours des deux dernières décennies, 47 banques sont sorties du marché, sans que la réputation du secteur ait été affectée : la suppression de licence étant due soit à la décision des propriétaires de quitter le secteur bancaire, soit à la fermeture de filiales étrangères au Liban, soit à une mauvaise gestion, soit à des difficultés liées aux conditions économiques ou sécuritaires ayant prévalu au Liban entre 1975 et 1990.</p>
2011	Lebanon Opportunities	<p>The banking system has been rocked by the accusation from the US Treasury Department that the Lebanese Canadian Bank (LCB) has been laundering drug money as much as \$200 millions per month, on behalf of an international drug ring run by a Lebanese trafficker, with proceeds going to Hizbullah.</p>
2011	The Daily Star	<p>Federal authorities blamed Lebanese financial institutions Thursday for wiring more than \$300 million into the United States in a money-laundering scheme they said used the U.S. financial system to benefit Hezbollah. The U.S. government said in the lawsuit filed in a Manhattan federal court that it seeks nearly a half-billion dollars in money-laundering penalties from some Lebanese financial entities, 30 U.S. car buyers and a U.S. shipping company. It also said it's entitled to claim their assets as forfeitable under U.S. money-laundering laws.</p>
2011	The Daily Star	<p>U.S. Federal authorities have blamed Lebanese financial institutions for wiring more than \$300 million into the United States in a money-laundering scheme they said used the U.S. financial system to benefit Hezbollah.</p>

Year	Magazine/Newspaper	Quotes
2011	The Daily Star	The U.S. Treasury accused a Beirut-based bank of involvement in an international money-laundering and drug-trafficking operation with ties to Hezbollah Thursday. The Treasury designated Lebanese Canadian Bank a “primary money laundering concern,” saying this might eventually force U.S. financial institutions to cut off ties with the bank. “Several individuals ... hold or utilize cash deposit accounts at LCB to move hundreds of millions of dollars monthly in cash proceeds from illicit drug sales,” the Treasury said. The bank issued a statement denying any knowledge of involvement in illicit activities.
2011	The Daily Star	Lebanon must protect its financial sector from attempts to use it to avoid sanctions on Syria, U.S. Treasury Assistant Secretary for Terrorist Financing Daniel Glaser said Thursday. Glaser “stressed the need for authorities to protect the Lebanese financial sector from potential Syrian attempts to evade U.S. and EU financial sanctions,” said a statement issued by the U.S. Embassy in Lebanon. It said Glaser, who is in Lebanon on his first visit as assistant secretary, also underscored the need for Lebanon to take the necessary steps to “ensure a transparent and well-regulated financial sector for Lebanon’s continued prosperity.”
2012	The Daily Star	The U.S. Treasury's Under Secretary for Terrorism and Financial Intelligence David Cohen warned Lebanon Tuesday against international financial sanctions on Syria. “He [Cohen] also stressed the need for authorities to protect the Lebanese financial sector from potential attempts to evade U.S. and international financial sanctions,” the U.S. Embassy quoted Cohen as saying.
2012	The Daily Star	In his meetings, Cohen discussed the steps Lebanon should take to ensure a transparent and well-regulated financial sector for Lebanon’s continued prosperity. According to the embassy, the U.S. official reiterated his country’s view that it was important to ensure that the current instability in Syria not undermine the Lebanese financial sector.
2012	The Daily Star	Central Bank Governor Riad Salameh defended Lebanon’s banking sector Monday, dismissing reports of money smuggling from Syria to Lebanese banks. The Central Bank chief added that Syrian deposits in Lebanese banks have recently decreased. “What is being said about smuggling of money from Syria to Lebanese banks is false,
2012	The Daily Star	The U.S. Treasury has intensified its scrutiny of Lebanon’s banks over the past few years in a bid to crack down on Syrian and Iranian attempts to evade Western sanctions.
2012	The Daily Star	“As a result of the actions and omissions of [Lebanon’s Central Bank] and the [Lebanese banking system], Lebanon has become a sovereign money laundering jurisdiction that receives massive inflows of illicit deposits ... from Hezbollah’s terror and criminal activities, and the illicit symbiotic relationships among Iran, Syria and Hezbollah,” said a press release issued by the New York-based group United against Nuclear Iran.
2015	Le Commerce du Levant	Étant donné la coordination au niveau mondial entre les banques, il est nécessaire qu'elles unissent leurs forces pour combattre le crime organisé sous toutes ses formes, notamment le crime transfrontalier, l'évasion fiscale, le blanchiment d'argent et le financement du terrorisme », a déclaré le nouveau président de l'Association des banques au Liban (ABL), Joseph Torbey. « Les banques en général, et celles libanaises en particulier, font face à de graves menaces en raison des crises géopolitiques dans les pays arabes. Pour protéger leurs investissements, elles doivent renforcer leur gouvernance et de la gestion des risques », a-t-il ajouté.

Year	Magazine/Newspaper	Quotes
2015	Le Commerce du Levant	Quelle que soit la performance de leur activité, les banques libanaises ont désormais une nouvelle préoccupation fondamentale : éviter de rééditer l'expérience de la Lebanese Canadian Bank qui a été rayée de la carte en raison d'une accusation de blanchiment émanant du Trésor américain. « Il est absolument nécessaire pour chacune des banques d'instaurer une culture de conformité conciliant les impératifs de développement des activités et l'application stricte des réglementations internationales. Sur ce plan, la Banque du Liban, à travers la circulaire 126 datée d'avril 2012, recommande le respect des lois internationales et leur application, y compris d'éventuelles sanctions »
2015	The Daily Star	Holding a legislative session is essential to preserving Lebanon's financial status, Governor of Central Bank Riad Salameh told Al-Mustaqbal newspaper Saturday. "Lebanon should remain engaged in financial globalization, or it would be seen as uncooperative in terms of combating money laundering," Salameh said, expressing dismay.
2016	The Daily Star	Lebanon's banking sector has been under pressure over the U.S. sanctions law targeting Hezbollah's finances, which went into effect in March. Some banks, including BLOM, froze accounts linked to Hezbollah after U.S. sanctions began targeting the group's finances.
2016	The Daily Star	Hariri accused Hezbollah of verbally attacking the last sector that is protecting the national economy, the banking sector. He said Lebanese banks are applying international regulations approved unanimously by Parliament.
2016	The Daily Star	His visit was aimed at strengthening assurances that the Lebanese banking sector would not be targeted by the recent congressional measure to tighten the noose around the finances of Hezbollah.
2016	The Daily Star	Many in Lebanon are worried that the U.S. legislation will have negative effects on the Lebanese banking sector, which is one of the most active industries in the tiny Arab country.
2016	Executive Magazine	Lebanon is in a sticky situation. The Hezbollah International Financing Prevention Act (HIFPA), a United States law targeting Hezbollah, places Lebanon between Hezbollah and a loaded gun. It is the latest fire encroaching on the Lebanese economic house and comes on top of domestic catastrophes, such as the garbage and political crises, as well as the turmoil roiling throughout the region. All of these are troubles that are, in theory, throwing our national economy back to the stone age that Israel wanted to send us to nearly ten years ago. The worst thing about HIFPA is that Lebanese leaders could have done much to protect the house from the political fire starters across the Atlantic.
2016	Executive Magazine	To say that Lebanese banks are panicked that their compliance investments might not satisfy American standards may be an overstatement, but it certainly is an issue that compliance executives and banks' management are following closely. "I'm not trying to minimize the [issue] but I'm saying it is important to the US, it's important to us and it's important to our clients," Jebeyli says. Lebanese banking officials and executives are acutely aware of the seriousness of the American legislation, a notion that Jebeyli and others that Executive spoke with pointed out. And the lessons learned from the case of LCB – of alleged management complicity in money laundering and that of insufficient controls – are now core considerations in assessing compliance programs.

Year	Magazine/Newspaper	Quotes
2016	Executive Magazine	I read the Simpson designation which said they had reason to believe that Lebanese Canadian Bank was a primary money laundering concern. To me, I would differentiate between the fact (and I don't know exactly the facts) and the lesson you learn out of stuff like this. In the Lebanese Canadian Bank case they raised two issues: one being management complicity – and of course I'm not saying there was management complicity – but in terms of what I need to pay attention to as a prudent banker; and then they spoke of insufficient controls.
2016	Executive Magazine	The reputation and integrity of the Lebanese banking sector and of Banque du Liban (BDL) are under attack when allegations of misconduct are replicated without basic scrutiny.
2016	Executive Magazine	The West increasingly views this part of the world with suspicion. Correspondent banking is more problematic for Arab banks than others. We Lebanese will make the only choice we think we have: adapt.
2016	Executive Magazine	While parliament did pass legislation to patch up anti-money laundering and counter-terrorism financing rules to meet international standards and safeguard Lebanon's banking sector, it had virtually no leverage to soften the impact of American rules. Remembering the forced closure of the Lebanese Canadian Bank in 2011, local officials earlier this year were concerned that HIFPA would disrupt Lebanon's banking sector, blowing up the Lebanese economy in the process.
2016	Executive Magazine	American legislation has had a significant psychological effect on Lebanon's banking sector and among the political elite, but the actual impact in terms of the number of bank accounts affected is not clear but probably limited. Of the more than 100 individuals and entities sanctioned due to that law, one might presume the number of accounts and assets frozen are not significant.
2016	Executive Magazine	While the American legislation did not blow up the Lebanese economy (the main office of Blom Bank, however, was bombed), it did further emphasize BDL's role in the absence of real governance and policymaking. The government and parliament have largely reduced their activity to reactionary decision-making and emergency legislation, rather than proactively addressing the many systemic challenges that the country faces.
2016	Le Commerce du Levant	Depuis que la Lebanese Canadian Bank a été rayée de la carte en 2011, les banques libanaises sont résolues à éviter de rééditer l'expérience. La banque avait été accusée par le Trésor américain de blanchir l'argent de personnes proches du Hezbollah. « Il est absolument nécessaire pour chacune des banques d'instaurer une culture de conformité conciliant les impératifs de développement des activités et l'application stricte des réglementations internationales. Sur ce plan, la Banque du Liban, à travers la circulaire 126 datée d'avril 2012, recommande le respect des lois internationales et leur application, y compris d'éventuelles sanctions
2016	Le Commerce du Levant	Quelques points restent en suspens notamment en ce qui concerne le traitement des fonctionnaires affiliés au Hezbollah. Sous le couvert de l'anonymat, une source proche du gouvernement affirme que le gouverneur de la BDL Riad Salamé a assuré que les salaires des députés et des ministres du Hezbollah payés par le ministère des Finances en livres libanaises ne seront pas touchés. Mais quid de l'ouverture d'un nouveau compte en banque par l'un deux, même en devise locale ? À l'instar de sources bancaires qui préfèrent l'anonymat, Wissam Fattouh s'inquiète également du fait que la décision du Congrès affecte directement les opérations bancaires d'une bonne partie de la population libanaise sur la base de leurs affiliations politiques.
2017	Executive Magazine	The mere talk of further sanctions has shaken faith in Lebanese banks

Year	Magazine/Newspaper	Quotes
2017	Executive Magazine	The attempt by Lebanese officials to downplay the threat of new legislation is understandable. The mere talk of further sanctions has shaken faith in Lebanese banks, and local officials say any new legislation would crush confidence in the banking system, disrupting the country's economy in the process.
2017	Executive Magazine	Around 100 individuals and entities were sanctioned by the United States following the April 2016 implementation of HIFPA. The SIC, which acts as Lebanon's financial intelligence unit (FIU), would not disclose the aggregate number of accounts that were closed, citing banking secrecy. But a senior international monetary official told Executive in December that the legislation probably had little effect on Hezbollah's finances but had a large impact on confidence in the banking sector.
2017	Executive Magazine	Regarding media reports about new American legislation, the head of compliance at one of Lebanon's Alpha banks said that if the rumors of new sanctions were true, the "impact would not be good, because we are talking about psychological effects."
2017	Executive Magazine	a consequence of a new law could be de-risking, a unilateral severing of banking relations. "That's the worst, the de-risking potential. And what really scares me is banks and central banks chickening out. When you're hit with sanction after sanction they begin to ask, 'Why should we do business with Lebanese banks?'"
2017	Executive Magazine	following last year's local implementation of HIFPA the number of accounts that local banks closed was not significant, but confidence was affected, adding that rumors of fresh legislation have reminded the banking community of this uncertainty. "There is conscientiousness from everybody because of the rumors, but it has not culminated into something like de-risking actions."
2017	Executive Magazine	Confidence in Lebanon's banking system is a delicate thing. Mansour describes Lebanon's anti-money laundering (AML) and counter-terrorism financing (CTF) framework as robust, and says that local banks are in full compliance with international standards, foreign legislation and national regulations. However, to outside observers, it might be hard to recognize the integrity of Lebanon's financial system and the rules that govern it. To them the core may be intact, but the rest of the apple looks rotten.
2017	Executive Magazine	The Basel Index ranks Lebanon as second worst in the Middle East, behind only Iran, and 28th worst out of all 149 countries. The index measures "AML/CFT systems combined with structural and functional vulnerabilities, such as high rates of perceived corruption, weak judicial systems and inadequate financial sector standards." Though it also states that, "it is important however to note that the fact that these countries are placed higher in the risk-rating category does not necessarily mean that they can automatically be considered as attractive destinations for money launderers. It only means that the country has a heightened vulnerability to money laundering due to shortcomings in their AML systems as assessed by international standards."
2017	Executive Magazine	According to the US State Department's 2016 International Narcotics Control Strategy Report, Lebanon is among 65 nations considered a "jurisdiction of primary concern" for money laundering and financial crimes. In explaining this designation, the department noted, "Lebanon faces money laundering and terrorism financing challenges."

Year	Magazine/Newspaper	Quotes
2017	Executive Magazine	<p>There does seem to have been an acceptance on the Americans' part that they should not disrupt the Lebanese economy by cutting off local banks from the global financial system. And the banking community's message to US lawmakers, when related to Hezbollah, seems to be that if you cut off Lebanese banks, you give the country to Hezbollah and Iran. But there are different tactics at play. The United States is applying the bullying strategy: Do as we say, or else. Lebanon's part is to roll over like a good little doggy: We know you don't mean what you say, you're nice and we're nice so don't confront us. But the notion that the Americans are not contemplating something serious is hard to buy, and the worry with Trump is that he seems willing to push the envelope further than previous administrations, and in unpredictable ways.</p> <p>Where does that leave Lebanon? The banking system is the pillar of the economy, and so it begs the question of Lebanon's political class: Is blowing up the country's banking sector worth the price of resistance?</p>
2017	Executive Magazine	<p>Local media outlets have been reporting since mid-April that the United States was close to expanding its legislative efforts to target Hezbollah's finances, a rumor that the Secretary General of the SIC, Abdul Hafiz Mansour, says has been blown out of proportion. But while new legislation or amendments to HIFPA remain at the draft stage, media speculation alone has caused a spike of uncertainty and forced a rush to Washington by Lebanese officials in an effort to water down any expansion of regulations.</p>
2017	Executive Magazine	<p>The notion stokes fear of past American actions, as one vice president of investment banking at a local bank, who spoke on condition of anonymity because he was not authorized to comment publicly, wrote to Executive in an email. "Other than the effect of lower confidence in the banking system, which would probably be external rather than internal, will we have more cases like the Lebanese Canadian Bank which was closed following similar sanctions?" A senior official at Lebanon's central bank (Banque du Liban), who also insisted on anonymity, told Executive in June that he feared a unilateral severing of banking relations. "What really scares me is banks and central banks chickening out. When you're hit with sanction after sanction they begin to ask, 'Why should we do business with Lebanese banks?'"</p>
2017	The Daily Star	<p>The United States opened the door to imposing sanctions on the Lebanese government Wednesday night with bills targeting both Hezbollah and Iran. The U.S. House of Representatives voted late Wednesday night on two bills specifically authorizing sanctions against government bodies complicit with Hezbollah. The first, a dramatic tightening of sanctions introduced under the Hezbollah International Financing Prevention Act of 2015, passed with overwhelming support, with co-sponsor signatures from over a quarter</p>
2017	The Daily Star	<p>The head of the Association of Banks in Lebanon Joseph Torbey Thursday assured President Michel Aoun that Lebanon's banking sector would not be affected by tightened U.S. sanctions against Hezbollah.</p>
2017	The Daily Star	<p>Torbey told Aoun that "we received assurances from the Americans that the banking sector will not be targeted by the Hezbollah sanctions as long as it is committing to international measures for banking."</p>
2017	The Daily Star	<p>A week after a Saudi minister alleged that Hezbollah was using Lebanese banks to launder money, Prime Minister Saad Hariri has assured that there is no reason to fear for Lebanon's banking sector, and that the banks are complying with U.S. laws. At the premier's Downtown residence Tuesday night, he told a business and economic delegation from north Lebanon that Lebanon was among the few countries that apply U.S. laws to its banks, "especially in regard to transparency," according to statement from Hariri's office released Wednesday.</p>

Year	Magazine/Newspaper	Quotes
2017	The Daily Star	A number of members of the U.S. House of Representatives have prepared a draft for a bill entitled “Hezbollah International Financing Prevention Amendments Act of 2017” that is mainly aimed at cutting off all forms of financial support to the party, which Washington labeled as a terrorist organization. The new draft, which has not yet been introduced in the House, has reportedly added new entities such as the Amal Movement to the list of sanctioned parties. A similar draft is said to be making the rounds in the Senate. The proposed amendments have caused alarm in Lebanon among both politicians and the banking sector.
2017	The Daily Star	Four security experts were summoned to advise members of Congress on possible legal actions to undermine Hezbollah’s financial network at a hearing held at the United States House Committee on Foreign Affairs in Washington. The hearing followed recent U.S. moves to widen financial sanctions on the Shiite group, which left Lebanon worried about potential repercussions on the country’s economic stability.
2017	The Daily Star	While the panel favored the idea of economic sanctions, questions over whether Lebanese banks were definitively playing a role in financing terrorism remained unanswered.
2017	The Daily Star	The issue of the anti-Hezbollah sanctions and its repercussions on the Lebanese economy and the banking sector also figured high
2017	The Daily Star	“Talks focused on the importance of the stability of the banking sector in Lebanon and of the IMF following up on the legislation that will be enacted by the U.S. Congress to make sure it does not lead to the instability of the Lebanese banking sector,” according to a statement released by Hariri’s media office Friday.
2017	The Daily Star	Hariri said Thursday that his talks with U.S. lawmakers and senators centered on ways to shield Lebanon from the negative effects of the sanctions on Hezbollah. His remarks came after Republican and Democratic U.S. lawmakers introduced legislation on July 20 seeking to bolster sanctions against Hezbollah, accusing the Iranian-backed group of violence in Syria and amassing rockets along Israel’s border. A number of members of the U.S. House of Representatives have prepared the draft “Hezbollah International Financing Prevention Amendments Act of 2017,” which aims to cut off all forms of financial support to the party.
2017	The Daily Star	Politicians and bankers in Lebanon are worried that U.S. efforts to widen sanctions on Hezbollah could damage the country’s banking industry because of the group’s widespread influence in the country.
2017	The Daily Star	Proposed tighter U.S. sanctions on Hezbollah have been altered enough to allay fears of major damage to Lebanon’s economy, a sign Washington is taking concerns about Lebanese stability seriously, banking and political sources said. But banking figures told Reuters Lebanese authorities should not be complacent as U.S. President Donald Trump’s future stance on Iran and its allies cannot be predicted, and the bill won’t be discussed and voted on until autumn when Congress reconvenes. When drafts said to be U.S. plans for extended anti-Hezbollah legislation circulated in Lebanon earlier this year, local media warned of dire consequences for Lebanon’s fragile economy and fractious sectarian politics.

Year	Magazine/Newspaper	Quotes
2018	The Daily Star	Berri told the delegation that money laundering laws passed by the Lebanese Parliament have made Lebanon "a country that meets the highest international legal standards regarding money transfer financial movement and combatting money laundering and terrorist financing," a statement from the Speaker's media office said. Berri's remark referred to the passing of several draft laws in 2016 on combatting Terrorist Financing that had been pending for years, amending the outdated 2001 Law No 318. Despite efforts carried out by various official bodies, the U.S. still regards Lebanon's efforts as insufficient. "Lebanon should strengthen its overall efforts to disrupt and dismantle money laundering and terrorist financing activities, including those carried out by Hezbollah," the U.S. government website currently states.
2018	The Daily Star	in the international community recognize the fragility of Lebanon's economic situation, and that "cutting off aid to produce a political result could be playing with fire in Lebanon."
2018	The Daily Star	The original HIFPA in 2015 was narrow and only targeted foreign financial institutions with sanctions, but the 2017 draft version called for sanctions on "agencies and instrumentalities of foreign states." There was fear that the original version would have a negative impact on Lebanon and its fragile economy, which led to a group of Lebanese lawmakers flying out to D.C. to lobby against it. "This final version takes into account the worries of Lebanese banks, as well as the fears of President Michel Aoun, Speaker Nabih Berri and Prime Minister[-designate] Saad Hariri," Maksad noted.
2018	The Daily Star	Billingslea insisted there were "no current plans to sanction Lebanese banks," an ever-present worry in a country where banks hold half the public debt, sustaining the government and political status quo.
2018	The Daily Star	Despite Billingslea's reassuring words that there were no new sanctions planned against banks, he made no such promises about general sanctions. "We'll never take that off the table. This is a constant campaign."

## Appendix 8

### “Taken-for-Grantedness” Quotes from Archival Data

Year	Magazine/Newspaper	Quotes
2002	Executive Magazine	The banking sector is probably the best sector in Lebanon. We are well regulated, and we have received awards.
2002	Executive Magazine	You don't have all the deposits in Lebanon because of bank secrecy, you do because you have a great law where you can protect your assets and your privacy with a whole host of services and a good regulatory environment.
2002	Executive Magazine	By far the most successful sector in Lebanon is banking.
2003	The Daily Star	President Emile Lahoud said Monday that it was “unacceptable” to permit any shortcoming in the banking system, especially with the country enjoying stability, security and the confidence of the world community. A presidential press release also said Lahoud affirmed that the factors of stability, growth and progress characterizing the country's banking system were a result of the current world confidence in it.
2004	Executive Magazine	The central bank was able to conserve the image of the banking sector.
2004	The Daily Star	Analysts and bankers interviewed by The Daily Star said that there was potential for Lebanon to regain its pre-war status due to the wealth of human resources and the experience of Lebanese banks.
2004	The Daily Star	The strength of Lebanon's banking sector lay in the experience that Lebanese banks had accumulated, Hshaime said. “Lebanon can play a role in the quality of services. There is an established amount of experience that they do not have in other banks in the Middle East,”
2005	Executive Magazine	Despite limitations, the financial sector has been a positive story for Lebanon. It continues to be buoyant and able to attract deposits from outside the country.
2005	Executive Magazine	Banking and tourism as leading economic sectors deserve further growth incentives because they can be developed effectively and with good results.
2005	Executive Magazine	In matters of the public debt, Edde affirms that it is most urgent to address the debt of 200% of GDP, which in his opinion the country could only sustain because it's banking sector is also of very large size.
2005	Executive Magazine	In selecting economic sectors for development, the National Bloc includes banking on its list because of its high degree of development and additional potential.
2005	Lebanon Opportunities	It wasn't long before Beirut became the financial center of the Middle East and a prominent player in the arena of global finance. Huge fortunes were kept in, or passed through, Lebanese banks, causing a boom in all sectors of the economy.
2007	Executive Magazine	The Lebanese banking sector has always had an exceptional degree of resilience given Lebanon's checkered political history. The current political crisis and economic malaise is no exception, with Lebanese banks reporting strong growth, launching new products, and diversifying through expanding into new markets.
2007	The Daily Star	"Our banking sector is one of the most credible and viable banking sectors in the world," he said, adding that total bank assets are three times the size of Lebanon's GDP.

Year	Magazine/Newspaper	Quotes
2007	The Daily Star	"In fact, Lebanese banking survived really severe shocks, much harder than the ones simulated by the rating agencies and international institutions in their macroeconomics scenarios, which have more than often questioned the resilience and strength of our system," Salameh said.
2008	Executive Magazine	Since the country's early inception in the 1920s banking has played a pivotal role in shaping Lebanon's economy. Today, it remains a resilient sector, especially when compared to other industry sectors, which have been plagued with low growth levels.
2008	Executive Magazine	Against all odds Lebanese banks have been weathering the current economic and political crisis. In spite of the numerous political shocks Lebanon faced in the last two years, the banking sector still managed to show healthy performance levels.
2008	Executive Magazine	The Central Bank of Lebanon (BDL), since the mid- 1990s, has adopted consistent strategies in the economic, monetary and banking domains. Thankfully, these strategies have proved to be successful. The BDL has been able to greatly contribute to the sector's strength and resilience to political and economic shocks while the banking sector in Lebanon is often deemed as the most prosperous industry driving the economy.
2008	Executive Magazine	The Lebanese banking sector has shown strong resilience to economic and political shocks and has demonstrated a commitment to continuously support the Lebanese government in its arduous rehabilitation journey.
2008	Executive Magazine	The Lebanese banking sector continues to be the backbone of the economy, characterized by an efficient banking secrecy law, a free exchange system and free movement and repatriation of capital. In the past couple of years, the banking sector witnessed a significant improvement in investing in human capital, the latest information and communication technologies, internal auditing, risk management and control systems, and money laundering compliance units.
2008	Executive Magazine	the Lebanese banking sector has and will always be a major contributor to Lebanon's economic resurrection. This owes to the banking sector's eagerness to provide continuous financial support to the government if and when needed, its proven ability to create job opportunities both domestically and regionally as banks expand abroad, its credibility in the eyes of international donors and rating agencies that increase foreign and domestic investors' level of confidence in the economy, that attract foreign direct investment and that add to its thrust to provide continuous financing to the various economic sectors upon which economic growth depends.
2008	The Daily Star	"The banking sector continues to grow despite the political and security disturbances in the country," Salameh said.
2008	The Daily Star	He added thanks to the Central Bank's strict regulations, coupled with good managerial skills, banks in Lebanon managed to achieve strong growth as reflected by the steady rise in assets and deposits.
2009	Executive Magazine	Confidence in the banking sector in Lebanon and in the monetary in general, is very high, as witnessed by the large conversions from dollars to the Lebanese pound.
2009	Executive Magazine	But the potential for damage is cushioned by the Lebanese banks conservative management and the central bank's policies. With the high levels of liquidity, little exposure to real estate lending, robust deposit bases and strong support from the central bank, Lebanese banks are well positioned to weather the global economic storm.
2009	Le Commerce du Levant	Les marchés ont réalisé que le modèle libanais était soutenable. La confiance s'est renforcée, permettant même des transferts vers la livre libanaise malgré la réduction du différentiel d'intérêt entre la livre et le dollar.

Year	Magazine/Newspaper	Quotes
2010	Executive Magazine	Lebanon's banking sector has been called many things: the unofficial government, the country's financial savior, a nepotistic mafia, and that 'other economy,' which continuously shines while the 'real economy' limps behind.
2010	Executive Magazine	That the banks have extraordinary influence here is a given, having funded the country's post-war reconstruction through loans to the government and ridden out every kind of systematic risk imaginable, bar a nuclear bomb or natural disaster. The banks and the bankers are Lebanon's economic superstars.
2010	Executive Magazine	They are the country, but not in a 'negative' way; they are the economy. But the government wouldn't want to make them angry... so maybe the bankers are more powerful than politicians."
2010	Executive Magazine	Bankers and politicians alike delight in calling the banking sector immune — immune to the financial crisis, immune to political rumblings and knee jerks in public opinion.
2010	Executive Magazine	The banking sector has a kind of immunity which keeps the industry aside from the political tensions.
2010	Le Commerce du Levant	la Bank Audi est arrivée à la conclusion que le Liban a été le plus résilient des pays de la région Moyen-Orient et Afrique du Nord face à la crise financière internationale. « La performance de l'économie libanaise a été saluée par les grandes institutions mondiales, pour être restée à l'abri des répercussions de la crise financière internationale, tant au niveau de l'économie réelle qu'au niveau du secteur bancaire.
2015	Le Commerce du Levant	Le principal facteur d'attractivité est la confiance. Un expatrié libanais ne placerait pas son argent au Liban s'il percevait un risque de perte de son capital.
2015	The Daily Star	The Central Bank is widely seen as one of the most dependable institutions in Lebanon. It has stepped in to promote initiatives usually proposed by governments, such as economic stimulus packages, over the past three years.
2016	Executive Magazine	Banks are arguably the businesses that are best positioned for being viewed as leaders in the Lebanese economic context, given their much-larger-than-GDP shares in financial assets and their lifeline function in financing the private and public sectors.
2016	Executive Magazine	It may be a universal sentiment that banks are more trusted than liked, "but in Lebanon banks have a good image compared to other industries,"
2016	Executive Magazine	something also deserves to be said about the current time, namely that Lebanon now, more than ever, is advised to think with full appreciation of its banks and its central bank.
2016	Executive Magazine	This is not because the central bank has a monopoly on printing and controlling our money and because the commercial banks are financing both our private and public deficits. They have been doing both for ages.
2016	Executive Magazine	Banks and the central bank are ever more important. The stimulus packages that keep our housing market afloat (as illiquid as real estate is in itself) come from the central bank. [...] When people organize large social events, such as the Beirut Marathon, a cultural festival, a design week or a startup competition, they go to banks, and the banks "respond". That is why we sought out examples of how important a role banks play in our society, not only in their core business activity but also in areas like sponsorship of movies (see story) and cultural events.

Year	Magazine/Newspaper	Quotes
2016	Executive Magazine	Within the reality of us not ever being able to predict the future with certainty (but enjoying the illusion that we can), trust in our banking system is key for having confidence in our own future.
2016	Executive Magazine	Lebanon without banks. That is far more difficult to envision than Mount Sannine without snow or the coastline without illegal buildings and the hills without litter. Asking some Lebanese economists if they can imagine the country without banks is like asking a king salmon if it can live without water.
2016	Executive Magazine	Lebanon could not exist without its banks.
2016	Executive Magazine	Lebanon's "financial and business success stories should be told to the international markets and to our core audience of financiers and investors," she adds and enthuses, in response to a why-here question, "Lebanon has an incredibly strong banking sector with globally recognized banks."
2016	Executive Magazine	Lebanon stands out in banking and it is unthinkable to contemplate a modern – i.e. short of returning to Paleolithic barter – global economy without it.
2016	Executive Magazine	In the local direction, banking is as vital as ever, and that means the economy is both sensitive and exposed to this segment.
2016	Executive Magazine	everyone looks to banks as the institutions for all seasons and purposes.
2016	Executive Magazine	By size of infractions, Lebanon, in the years since 2002, has not really been on the radar of anti-money laundering concerns. But when terrorism finance is factored, where very small amounts can actually finance a bomb, then Lebanon is on the map.
2016	Executive Magazine	Lebanon as we know it cannot exist without the banks, and the banks effectively cannot operate without connections to correspondent banks worldwide.
2016	Le Commerce du Levant	En dépit d'une croissance du PIB qui n'a cessé de diminuer ces dernières années en raison de la conjonction des guerres régionales et de l'impasse politique nationale, le secteur bancaire libanais tient bon. Il « maintient intacte la confiance de la population dans sa capacité à sauvegarder son pouvoir d'achat, ainsi que les intérêts des déposants et des actionnaires
2016	The Daily Star	"The country's banking sector remained resilient and prosperous despite the situation in the region, the political atmosphere during the past 10 years and the paralysis over the past two years,"
2016	The Daily Star	"All this shows that there is confidence and we rule out any (financial) crash in Lebanon,"
2017	Executive Magazine	In one corner towers the banking sector as the primary force and primary concern for all things economic and also all things digital.
2017	Executive Magazine	Banking is such a constant in Lebanese existence that you can pretty much set your watch by its heartbeat.

Year	Magazine/Newspaper	Quotes
2017	Executive Magazine	Besides its two main contributions to the national economy — the financing of our public and private sector deficits — there are additional facets to Lebanese banking and its role in society. These facets are varied as banks' enhancement of consumer lifestyles, sponsorship of events, their charitable contributions, their sponsorship of Lebanese art and their role as job creators and employers. Of these societal functions, banking sector employment is the weightiest one, constituting an important structural pillar of national employee incomes and of the labor market.
2017	The Daily Star	The key to the success of the banking sector lies in the trust that stakeholders have in the banks. The continuing ability of banks to attract deposits, regardless of domestic and regional political conditions, has been the cornerstone of monetary, fiscal, economic and – most importantly – social stability in Lebanon.

## Appendix 9

### “Specific Scandal” Quotes from Archival Data

Year	Magazine/Newspaper	Quotes
2004	Executive Magazine	<p>E: From your perspective, has the whole Al Madina affair been resolved without damage to the image of Lebanon or its banking sector?</p> <p>RS: The banking sector did not suffer, on the contrary. This year we have increases in deposits by 15% and a record positive balance of payments – around \$3.4 billion until the end of October. The banking system is safe. No other bank was linked to this bank and there is no echo on other banks. We do think that the way the situation was handled was quick and the results were good. Nobody lost money, neither the government nor the central bank nor the depositors.</p>
2010-2011	ABL Annual Report	<p>Following the crisis one Lebanese bank suffered from in February 2011 due to its designation by the U.S. Department of the Treasury as a suspected cover for money laundering transactions, cooperation (through meetings and sessions) between the Banque Du Liban and the Association was intensified in order to fill the gaps in the regulations, laws and practices The BDL handled this situation promptly by dealing directly with the U.S. Treasury in order to dissipate any potential impact on the Lebanese banking and financial system.</p>
2011	ABL Annual Report	<p>The Association intensified the meetings within its specialized commissions in order to reexamine the procedures and the best methods for implementing them. The banks have made an intensive and expanded training workshop to raise their employees’ awareness regarding suspected transactions and their risks, in order to avoid being at reputation risks, following the problem one Lebanese bank suffered from in February 2011 due to its designation by the U.S. Department of the Treasury as a suspected cover for money laundering transactions.</p>
2011	Executive Magazine	<p>The United States Department of the Treasury’s designation in early February of Lebanese Canadian Bank (LCB) as a “financial institution of prime money laundering concern” hit the bank like a missile strike. And, as so often is the case with American ‘operations’ in the region, the collateral damage was high.</p>
2011	Executive Magazine	<p>The designation drove LCB’s reputation into the gutter and stimulated a limited run on the bank by depositors. The designation is just a first step before further action against the bank is taken, with LCB allowed, under US law, 60 days to appeal, which they are doing as the management have denied any wrong doing. But the damage has already been done; to stave off a crippling run on the bank, LCB had to act fast. “LCB’s shareholders decided to sell, as they couldn’t deal in US dollars, which killed the bank. It wasn’t a decision by the US or BDL</p>
2011	Executive Magazine	<p>“Why wasn’t LCB fined? They wanted the bank closed. It’s a wake up call for the Lebanese banking sector and the threat posed by Hezbollah,</p>
2011	Executive Magazine	<p>LCB is not the only financial institution to have been shaken by FinCEN’s designation; all Lebanese banks and foreign exchange houses’ relations with the US have been affected.</p>

Year	Magazine/Newspaper	Quotes
2011	Executive Magazine	Whether or not the accusations against Lebanese Canadian Bank are true, whether or not there is substance to the rumors that there is a list of banks yet to be targeted, we have to assume that doing business in Lebanon is now fundamentally different than it was just months ago. And not only is the timing of the attack no mistake, but the cause is unmistakable. What is happening is an external response to our internal politics. It is the price we pay for Hezbollah and company taking over at the helm of government. The surging growth in business and commerce — the economic hiatus from reality we proudly took for granted over the last several year seven while the rest of the world was thrashing in crisis — is over. Now, with our heads out of the clouds, we are only just beginning to realize that we may not have a parachute. We do not know who pulled which strings in Washington to spur the US Treasury’s accusations, and we do not know their next move, but what is certain is a central pillar — that spared our country the economic collapses seen elsewhere in recent years — is now being threatened.
2011	Executive Magazine	What has presented unusual concern this year is the black cloud lingering over the sector following the listing in February of Lebanese Canadian Bank (LCB) by the United States Department of the Treasury as a “financial institution of prime money laundering concern.”
2011	Executive Magazine	For the banking sector, the LCB designation was a well-aimed kick to the nether regions. Banks are still “paranoid” 10 months later,
2011	Executive Magazine	Adding to the weight on the lira and rattling the banking sector earlier this year was the debacle involving the United States Treasury Department and Lebanese Canadian Bank, when the treasury proposed banning US financial institutions from opening or maintaining certain accounts at the bank, in effect forbidding it from using the US dollar. At a time when government was at a standstill, this had reverberating effects on economic confidence due to the suggestion (still unproven) that the bank was working with Hezbollah — which the US has labeled as a terrorist organization — setting off speculation over possible banking sanctions. There are still widespread reports of investigations being carried out by the US treasury into a list of banks, although Lebanese authorities have refuted these. “We have no problems and no issues at all with the American treasury,” insisted Finance Minister Mohamad Safadi when questioned by Executive about his meetings with US officials.
2011	Executive Magazine	In February, the United States Department of the Treasury designated LCB as a “financial institution of prime money laundering concern,” accusing the bank of laundering hundreds of millions of dollars for a Lebanese-Colombian drug baron with links to Hezbollah, which Washington has designated as a terrorist group. LCB was eventually bought out by Société Générale de Banque au Liban (SGBL) for an undisclosed amount, although banking sources in Lebanon put the figure at around \$500 million. The ordeal shook Lebanon’s banking sector, but several leading industry officials with whom Executive spoke said they were optimistic that there would be no recurrence of incidents of this sort.
2011	Executive Magazine	Indeed, the general consensus is that the LCB debacle has nurtured, by necessity, a new culture of accountability on the road to transparency. “I think it was an individual case, and I think most banks have learnt a lesson,” says Jean Riachi, chairman of FFA Private Bank. According to Freddie Baz, chief financial officer at Bank Audi, “Important banks in Lebanon know their responsibilities and duties in terms of compliance.” “LCB is an event that triggered some kind of extra focus,” he adds. “These crises can happen and they can quickly be resolved without collateral damage.” But the Lebanese banking sector remains on the fence with regards to Syria, where the outcome of the uprising is still far from certain. While most in the industry say the impact on Lebanese banks has been contained thus far, they remain concerned going into 2012.

Year	Magazine/Newspaper	Quotes
2011	Le Commerce du Levant	Le gouverneur de la Banque du Liban, Riad Salamé, a assuré vendredi que les accusations de blanchiment du Trésor américain ciblent certaines activités de la Lebanese Canadian Bank et non pas le secteur bancaire libanais en général. Ces propos ont été tenus à l'issue de sa rencontre à Washington avec des hauts responsables du Département du Trésor américain.
2011	Le Commerce du Levant	Selon l'agence Al Markazia, le gouverneur de la Banque du Liban, Riad Salamé, est actuellement à Washington pour évoquer l'affaire de la Lebanese Canadian Bank que les autorités américaines accusent de blanchiment d'argent. Le gouverneur devrait rencontrer des hauts responsables du département du Trésor pour savoir si les accusations américaines constituent un message politique, lié à la composition du prochain gouvernement. Salamé devrait également défendre la réputation du secteur bancaire et assurer à ses interlocuteurs que les normes internationales en matière de lutte contre le blanchiment d'argent sont strictement appliquées au Liban.
2011	Le Commerce du Levant	Le département du Trésor américain a accusé la Lebanese Canadian Bank (LCB) de blanchiment d'argent pour le compte d'un groupe de trafiquant libanais, qui serait apparenté au Hezbollah. «Grâce à une mauvaise gestion, l'insuffisance de ses contrôles internes, et le manque d'application des normes bancaires prudentielles, la LCB a été largement utilisée par les personnes associées à ce trafic de drogue international. Ceux-ci s'en sont servis pour faire transiter des centaines de millions de dollars par mois d'argent sale et les réinjecter dans le système financier légal », selon un communiqué rendu public ce jeudi.
2011	Le Commerce du Levant	Le département du Trésor américain a accusé la Lebanese Canadian Bank (LCB) de blanchiment d'argent pour le compte d'un groupe de trafiquant libanais, qui serait apparenté au Hezbollah. «Grâce à une mauvaise gestion, l'insuffisance de ses contrôles internes, et le manque d'application des normes bancaires prudentielles, la LCB a été largement utilisée par les personnes associées à ce trafic de drogue international. Ceux-ci s'en sont servis pour faire transiter des centaines de millions de dollars par mois d'argent sale et les réinjecter dans le système financier légal »,selon un communiqué rendu public ce jeudi.
2011	Le Commerce du Levant	Conséquence, il est désormais interdit aux établissements financiers américains de mener - directement ou indirectement - la moindre transaction financière avec la LCB ou ses filiales. Que cela soit pour le compte de la banque libanaise, pour leur propre compte ou le compte de tiers.
2011	Le Commerce du Levant	L'Association des banques au Liban a publié mercredi un communiqué dans lequel elle affiche sa « solidarité » avec la Lebanese Canadian Bank (LCB) face aux accusations américaines de blanchiment d'argent. Elle a appelé les banques à se serrer les coudes pour « contenir les répercussions négatives de la résolution américaine et préserver la réputation du secteur et son avenir
2011	Le Commerce du Levant	Dans une allocution, le président de l'Association, Josph Torbey, a souligné que le secteur bancaire respecte les normes internationales en matière de lutte contre le blanchiment. « Le cas de la Lebanese Canadian Bank (LCB) est isolé, a-t-il affirmé. Nous ne savons pas exactement ce qui s'est passé puisque l'affaire est encore au main des autorités compétentes ». Il a toutefois évoqué « la campagne menée récemment dans la presse et dans certains milieux politiques » faisant croire qu'il existe une liste de banques dans collimateur du Trésor US.
2011	Le Commerce du Levant	En réaction à l'affaire de la Lebanese Canadian Bank, accusée de blanchiment par le Trésor américain, les autorités monétaires et l'industrie bancaire sont en train de revoir les systèmes en place pour mieux se protéger. Une série de mesures sont envisagées pour préserver l'épargne des Libanais et éviter que « la mauvaise monnaie ne chasse la bonne », selon le dicton français.

Year	Magazine/Newspaper	Quotes
2011	Le Commerce du Levant	le département du Trésor américain a créé un précédent : c'est la première fois dans l'histoire moderne du secteur bancaire libanais qu'une banque libanaise est l'objet de telles accusations. Au cours des deux dernières décennies, 47 banques sont sorties du marché, sans que la réputation du secteur ait été affectée : la suppression de licence étant due soit à la décision des propriétaires de quitter le secteur bancaire, soit à la fermeture de filiales étrangères au Liban, soit à une mauvaise gestion, soit à des difficultés liées aux conditions économiques ou sécuritaires ayant prévalu au Liban entre 1975 et 1990.
2011	Le Commerce du Levant	la Lebanese Canadian Bank (LCB), qui est accusée par le Trésor américain de blanchiment d'argent, est sur le point d'être cédée pour un montant de 500 à 600 millions de dollars. La direction de la LCB est en négociation directe avec quatre banques qui ont manifesté leur intérêt à travers la Banque centrale. Selon an-Nahar, cette solution a été discutée lors de la réunion qui s'est tenue la semaine dernière à Washington entre le gouverneur Riad Salamé et des hauts responsables du département du Trésor américain.
2012	Executive Magazine	Near the beginning of 2011 it emerged that the United States Department of the Treasury had designated Lebanese Canadian Bank as a money laundering concern, claiming it was acting as a washing machine for Hezbollah cash. To prevent a catastrophic collapse in confidence in the sector, Bank du Liban (BDL), Lebanon's central bank, intervened, eventually facilitating LCB — minus the suspect accounts — being bought out by Société Générale de Banque au Liban. The LCB crisis proved seminal for the industry, with a December article in The New York Times alleging pervasive cooperation between LCB and Hezbollah in laundering money, bringing the crisis back into the international consciousness. While the banking sector tried hard to regain confidence some of the mud stuck, and it has struggled to regain its international reputation. A compliance officer of a major Lebanese bank, talking on condition of anonymity because he was not officially permitted to speak to the press, admitted it signalled change in the industry. "After the LCB it has become much more important for banks to have the backing of the international community. It has made all the Lebanese banks more concerned," he said.
2011	Lebanon Opportunities	The banking system has been rocked by the accusation from the US Treasury Department that the Lebanese Canadian Bank (LCB) has been laundering drug money as much as \$200 million per month, on behalf of an international drug ring run by a Lebanese trafficker, with proceeds going to Hizbullah.
2011	The Daily Star	The U.S. Treasury accused a Beirut-based bank of involvement in an international money-laundering and drug-trafficking operation with ties to Hezbollah Thursday. The Treasury designated Lebanese Canadian Bank a "primary money laundering concern," saying this might eventually force U.S. financial institutions to cut off ties with the bank. "Several individuals ... hold or utilize cash deposit accounts at LCB to move hundreds of millions of dollars monthly in cash proceeds from illicit drug sales," the Treasury said. The bank issued a statement denying any knowledge of involvement in illicit activities.
2011	The Daily Star	On Feb. 10 the U.S. Treasury said LCB, through management complicity and a failure of internal controls, was used "extensively" to move as much as \$200 million a month in proceeds from illicit drug deals.
2011	The Daily Star	He added that the Central Bank intends to strengthen measures to improve banking supervision and ensure that all banks are complying with these directives. Salameh said that the Central Bank will organize the cash which flows to the country and its banks and most notably the cash which is being carried and deposited by combos and exchange dealers.

Year	Magazine/Newspaper	Quotes
2011	The Daily Star	Jumblatt was quoted Sunday by Hezbollah-affiliated Al-Manar TV channel as expressing concerns over what he called an “agenda” prepared by U.S. Assistant Secretary of State Jeffrey Feltman, including new allegations to target banks in which Mikati has shares as part of U.S. pressure on him. Last month, the U.S. Treasury Department blacklisted the Lebanese-Canadian Bank for involvement in money laundering activities, in addition to links with Hezbollah. “I have nothing to do with such remarks, and I stress my trust in the Lebanese banking sector, which lies in trustworthy hands under the supervision of the Central Bank Governor and bank owners,” Jumblatt told PSP’s Al-Anbaa weekly newspaper.
2011	The Daily Star	Lebanon's banking sector is not being targeted by Washington, Central Bank Governor Riad Salameh said in a statement published Monday. "Our banking sector is not being targeted and talk about a list of banks being subject to restrictions is not true," Salameh said in response to comments made by Druze leader Walid Jumblatt, who accused the United States of specifically targeting Lebanese banks that have ties with Prime Minister-designate Najib Mikati.
2012	ABL Annual Report	Monetary and supervisory authorities continued during the last few years, in cooperation with the Association and bank administrations, to monitor closely the serious and real involvement of banks in fighting money laundering, especially after the crisis of the Lebanese Canadian Bank. They insisted on the introduction of “best practices” in this field and endeavored to strengthen the laws of the profession, charters and ethics of the banking activity and identify the existing gaps in order to treat them by taking the appropriate internal measures and procedures to fight financial crimes. They also focused on setting and developing systems and training human cadres qualified to undertake tasks in this field.
2014	Executive Magazine	In 2011 the Treasury Department designated the Lebanese Canadian Bank also as a ‘primary money laundering concern’. The bank was subsequently shuttered and sold off to a competitor in a deal arranged by BDL. The specter of another such fiasco has put pressure on Lebanon’s banking sector to hew closely to US Treasury rules. “Lebanese banks comply fully with international sanctions, especially US sanctions
2015	Executive Magazine	Financial institutions need to abide by anti-money laundering (AML) and combating the finance of terrorism (CFT) rules, and have had to learn their lessons in this regard as even top international banks changed their processes only after being hit with multi-billion dollar fines for having facilitated financial transactions with sanctioned countries such as Sudan, Iran, and Cuba, says the secretary general of the Union of Arab Banks (UAB), Wissam Fattouh.
2015	Le Commerce du Levant	Quelle que soit la performance de leur activité, les banques libanaises ont désormais une nouvelle préoccupation fondamentale : éviter de rééditer l’expérience de la Lebanese Canadian Bank qui a été rayée de la carte en raison d’une accusation de blanchiment émanant du Trésor américain. « Il est absolument nécessaire pour chacune des banques d’instaurer une culture de conformité conciliant les impératifs de développement des activités et l’application stricte des réglementations internationales. Sur ce plan, la Banque du Liban, à travers la circulaire 126 datée d’avril 2012, recommande le respect des lois internationales et leur application, y compris d’éventuelles sanctions »
2016	Le Commerce du Levant	Depuis que la Lebanese Canadian Bank a été rayée de la carte en 2011, les banques libanaises sont résolues à éviter de rééditer l’expérience. La banque avait été accusée par le Trésor américain de blanchir l’argent de personnes proches du Hezbollah.
2016	Executive Magazine	Lebanon’s biggest case in money laundering – the forced closure of the Lebanese Canadian Bank (LCB) in 2011, settled for \$102 million in 2013 – pales in comparison to bank penalties in Europe or New York.

Year	Magazine/Newspaper	Quotes
2016	Executive Magazine	I read the Simpson designation which said they had reason to believe that Lebanese Canadian Bank was a primary money laundering concern. To me, I would differentiate between the fact (and I don't know exactly the facts) and the lesson you learn out of stuff like this. In the Lebanese Canadian Bank case they raised two issues: one being management complicity – and of course I'm not saying there was management complicity – but in terms of what I need to pay attention to as a prudent banker; and then they spoke of insufficient controls.
2016	Executive Magazine	You thought it was over, didn't you? Assuming you remember the rise and demise of Lebanese Canadian Bank, from its ascendance in the 1990s until it was struck by US allegations of terrorism finance and money laundering (for Hezbollah) in 2011. Executive trusts that you also know of the subsequent investigations and negotiations. They resulted in the exoneration of the bank's senior government from American wrath by 2013, but the price was steep. All of the bank's assets were sold to Societe Generale de Banque au Liban (SGBL), some LCB employees were "made redundant," the LCB public identity was dissolved and LCB's board and all shareholders agreed to a settlement of over \$100 million on condition of no admission of guilt. The settlement itself clearly states that the US and all concerned parties agreed to the settlement simply so that the sales and purchase agreement of LCB could be finalized. And that was supposed to be the end of this anti-Lebanese affair, at least with regards to LCB.
2016	Executive Magazine	The reputation and integrity of the Lebanese banking sector and of Banque du Liban (BDL) are under attack when allegations of misconduct are replicated without basic scrutiny.
2016	Executive Magazine	While parliament did pass legislation to patch up anti-money laundering and counter-terrorism financing rules to meet international standards and safeguard Lebanon's banking sector, it had virtually no leverage to soften the impact of American rules. Remembering the forced closure of the Lebanese Canadian Bank in 2011, local officials earlier this year were concerned that HIFPA would disrupt Lebanon's banking sector, blowing up the Lebanese economy in the process.
2017	Executive Magazine	The Americans seem to be ratcheting up the pressure on Hezbollah through law enforcement actions and vis-à-vis Iran. But it is Lebanon's banking sector, and thus its economy, that has local government and banking officials concerned. The forced closure of the Lebanese Canadian Bank in 2011 is a not so distant memory and the question now is what will President Trump, whose behavior is viewed as erratic and impulsive, do with regard to this "menace"?

## Appendix 10

### “Pressure of US Regulations” Quotes from Archival Data

Year	Magazine/Newspaper/ABL	Quotes
2001	The Daily Star	He cited Lebanese efforts to help the US track down financial resources of the suspected attackers and played down fears over the nature and scope of the American response. “The Lebanese people have nothing to fear from America, and anything to be done with the Lebanese government will be for the benefit of the Lebanese people.”
2001	The Daily Star	He said that “spreading such news” was part of an attempt to put pressure on Lebanon and on banking secrecy. “Whoever is writing such articles wants to promote the idea that Lebanon is a pioneer in money-laundering,” he said. He stressed, however, that the government was dedicated to fighting drugs and money-laundering and would not be “lenient on the matter.”
2001	The Daily Star	“Such a military threat has never prevailed,” Berri said, adding that the problem between the US and Lebanon was a financial one, related to the US request to freeze Hizbullah’s assets. Although the US State Department has long included Hizbullah on its annual listing of terrorist organizations, the US earlier this month urged foreign banks to freeze the party’s financial assets as part of the US-led campaign against international terrorism.
2001	The Daily Star	Prime Minister Rafik Hariri on Monday played down a row between Beirut and Washington over Hizbullah’s recent inclusion on a US administration’s blacklist, insisting that fears of possible political and economic pressures were unjustified. “We are not in confrontation with the United States. We are exchanging information and points of view and our bilateral relations are good,”. The United States has placed Hizbullah on a list of suspected terrorist organizations whose finances should be frozen. The move was part of the US-led onslaught on terrorist networks following the Sept. 11 attacks on New York and Washington.
2001	The Daily Star	As for President George W. Bush’s weekend warning that all countries were required to crack down on those regarded by Washington as terrorists, Hariri said the message was aimed at the world at large, because several countries were involved in terrorism, money-laundering and the drug trade. “Of course we have taken Bush’s remarks into consideration,” he said. “But we should not get the impression that the US president’s remarks were aimed solely at Lebanon and the Lebanese government. This is simply not true.”
2001	The Daily Star	Elsewhere, an informed source expressed astonishment regarding Sunday’s remarks made by National Security Adviser, Condoleezza Rice during a television interview. The adviser said that Hizbullah was currently the object of dialogue between the US and the Lebanese government for the purpose of freezing Hizbullah’s assets. The source condemned Rice’s warning during which she said that Lebanon would not succeed in its attempt to secure international financial assistance unless Beirut met Washington’s demands. Rice said that “Lebanon’s very survival depended on such compliance.”
2001	The Daily Star	US State Department spokesman Richard Boucher said that adding the extra 22 groups to the list “brings all foreign terrorist organizations under one uniform set of rules.” “The new executive order (in September) gave us more authority to act against individuals, against organizations that are associated with these terrorist groups, and against banks that facilitate the flow of funds for them,” he said.

<b>Year</b>	<b>Magazine/Newspaper/ABL</b>	<b>Quotes</b>
2001	The Daily Star	The US State Department already designates Hizbullah as a “terrorist organization” which subjects the party to certain financial restrictions. But under the September rules the United States can exclude from the US market and block the assets of foreign banks which do not comply with its requests.
2001	The Daily Star	The talks centered on Hizbullah’s addition earlier this month to a US list of terrorist groups subject to an assets freeze. Lebanon has refused to freeze Hizbullah’s bank accounts and other financial assets and, accordingly, faces the possibility of US-imposed sanctions.
2001	The Daily Star	But President Emile Lahoud and Prime Minister Rafik Hariri pledged separately on Wednesday they would never allow Lebanon to be tainted again by links to terrorism, promising unconditional cooperation with Washington in its onslaught against those responsible for history’s bloodiest spell of terror.
2001	The Daily Star	The US Department of the Treasury webpage, Office of Foreign Assets Control, leads to 19 pages entitled Terrorism. Page two provides the names of the 27 organizations and individuals issued in the Sept. 23 list by executive order from US President George W. Bush. The people included are to have their bank accounts and other assets frozen. Names from Lebanon-based Esbat al-Ansar, a shadowy Palestinian extremist faction holed up in the Ain al-Hilweh refugee camp, were listed.
2001	The Daily Star	The United States brought its campaign against terrorism to Lebanon on Monday, demanding that the Central Bank freeze assets of clandestine individuals and groups that have figured on Washington’s wanted lists after the Sept. 11 calamity.
2001	The Daily Star	The Bush administration has incessantly highlighted the significance of closing down the money trail of alleged terrorist organizations. But, a judicial source told The Daily Star that freezing assets here could only be executed under the Money-Laundering Law, which was endorsed by Parliament in April. “The law stipulates that money-laundering results from either drug trafficking, the arms trade, or counterfeiting,” the source said. “However, the Lebanese judiciary can ask the Central Bank governor to freeze the assets of individuals believed to be involved in such crimes,” the source continued, adding “that such preventive measures could be implemented even if such individuals have been accused and not proven guilty.
2002	The Daily Star	The source predicted that Lebanon would have no other alternative but to comply with the anti-terrorist measures required following the Sept. 11 terrorist attacks in New York and Washington.
2003	The Daily Star	Parliament passed the money laundering law in 2001 and the financial action task force, part of the Organization for Economic Cooperation and Development, removed Lebanon’s name from the list of countries not cooperating in the fight against money laundering. Implementing the law and working with transparency to preserve the “integrity and regularity” of the banking system are bound to maintain this confidence ... making it possible to “overcome the current delicate phase,” the president said.
2003	The Daily Star	The Central Bank tried to escape a wave of outraged criticism Tuesday by denying claims it had issued a request to freeze the assets of Hamas and other Palestinian groups. The bank had earlier launched an inquiry into possible Hamas accounts in the country, but the ensuing controversy prompted the bank’s governor, Riyadh Salameh, to deny the issuance of the request. US President George W. Bush announced in August that his country had frozen the assets of these leaders, charities and “terrorist groups.” However, Salameh’s denial of the request, which comes in compliance with US demands, did not ease the tension and fury surrounding the issue.

Year	Magazine/Newspaper/ABL	Quotes
2004	The Daily Star	The White House and the U.S. Treasury's Counter-Terrorism Office are studying legal means to freeze the assets of some U.S.-based Lebanese investors, according to diplomatic sources on Thursday. Due to the U.S. view that Lebanon has failed to implement UN Security Council Resolution 1559 - which calls for the withdrawal of all Syrian forces from Lebanon and the disarming of all militias - the U.S. administration and the office have compiled data on the Lebanese investors and divided them into categories. "But this is not likely to be the only sanction targeting Lebanon; other sanctions are under study," the sources said.
2006	Executive Magazine	A second problem is that Americans will find it increasingly difficult to do business in so-called risk countries.
2008	Executive Magazine	Financial institutions subjected to the bank secrecy law are required to monitor their clients' operations, for example by screening for unusual activity. "They are also subject to regular visits by the SIC whose mandate is to investigate money laundering operations, and to monitor compliance with rules and procedures
2010	Executive Magazine	On top of this, US regulatory watchdog, the Treasury Department's Financial Crimes Enforcement Network (FinCen), is widening its offensive on the global financial system, from the now well-established anti-money laundering and counter terrorist financing regulations all banks operating with the US have to comply with, to a heightened focus on corruption – the Foreign Corrupt Practices Act (FCPA). This onslaught by Washington and US-based ratings agencies is making life hard for Middle Eastern financial institutions and foreign firms that work in the region, and in particular for raising capital in an already tight lending environment.
2010	Executive Magazine	Since the creation of the US Patriot Act in 2001, doing business with the "wrong sort" has been taken increasingly seriously. Early last year, British bank Lloyds TSB was slapped with a \$400 million fine by a New York court for illegally transferring funds on behalf of clients in Iran and Sudan, both of which are under US sanctions.
2011	Executive Magazine	Immediately blacklisted the world over and unable to deal in US dollars, LCB was "crippled," in the words of a source close to Banque du Liban (BDL), Lebanon's central bank. The Lebanese banking sector went into damage control mode, concerned it could be part of a wider targeting of the industry, with the designation the worst blow to the sector's reputation since 2000, when Lebanon was placed on the Non-Cooperative Countries and Territories list of the Financial Action Task Force (FATF), a Paris-based inter-governmental body set up to promote the adoption of anti-money laundering and counter-terrorist financing regulations (it was taken off the list in 2002).
2011	Executive Magazine	The designation of LCB made people scared," said the source close to BDL. "The Treasury assured BDL that they didn't target the Lebanese banking sector and said Lebanon is a friendly nation. The US says it is not a political act but the timing of the designation is a bit precarious. I personally believe politics was involved. [But] I'm not saying the evidence is unfounded — the US has promised to provide information — as there is no smoke without fire.
2011	Executive Magazine	But the damage has already been done; to stave off a crippling run on the bank, LCB had to act fast. LCB's shareholders decided to sell, as they couldn't deal in US dollars, which killed the bank.
2011	Executive Magazine	"Why wasn't LCB fined? They wanted the bank closed. It's a wake up call for the Lebanese banking sector and the threat posed by Hezbollah,

Year	Magazine/Newspaper/ABL	Quotes
2011	Executive Magazine	The US has the power to sanction a bank anytime and put anyone away. We're helpless here and need to be very careful to protect the banking sector. I'd give up a suspicious customer, even if it lost millions to protect the bank.
2011	Executive Magazine	LCB is not the only financial institution to have been shaken by FinCEN's designation; all Lebanese banks and foreign exchange houses' relations with the US have been affected.
2011	Executive Magazine	The effect from American banks was bad, by two banks in particular; we were not allowed to send from a Lebanese exchange house to an exchange house anywhere via the US. They don't want any payments from banks related to the exchange dealers. It has created panic and is putting exchange dealers out of business.
2011	Executive Magazine	The US banks also don't want us to deal with used car dealers. But they cannot penalize other banks for what happened or consider all transfers as suspicious.
2011	Executive Magazine	This ought to have set off warning bells at LCB's compliance department, at exchange houses and with Lebanese regulators. If the FinCEN report is to be believed and Joumaa has links to LCB that stretch back to 2006, what it would suggest is that there are certain weaknesses in Lebanon's anti-money laundering (AML) regime.
2011	Executive Magazine	The designation of LCB has certainly been a wake-up call for Lebanese banks and how the sector is regulated. "Banks have learned a lesson, for example closing exchange bureaus because they believe, [as do I], that it has a lot of risk.
2011	Executive Magazine	Whether or not the accusations against Lebanese Canadian Bank are true, whether or not there is substance to the rumors that there is a list of banks yet to be targeted, we have to assume that doing business in Lebanon is now fundamentally different than it was just months ago. And not only is the timing of the attack no mistake, but the cause is unmistakable.
2011	Executive Magazine	What is happening is an external response to our internal politics. It is the price we pay for Hezbollah and company taking over at the helm of government. The surging growth in business and commerce — the economic hiatus from reality we proudly took for granted over the last several year seven while the rest of the world was thrashing in crisis — is over. Now, with our heads out of the clouds, we are only just beginning to realize that we may not have a parachute.
2011	Executive Magazine	No amount of honest dealing can make up for the Western perception of our new government and the repercussions of such. The private sector has gone through a blissful period of disassociation from political turmoil, but that period is ending and without conscious acceptance of this and efforts to counter it, we will all suffer the consequences.
2011	Executive Magazine	What has presented unusual concern this year is the black cloud lingering over the sector following the listing in February of Lebanese Canadian Bank (LCB) by the United States Department of the Treasury as a "financial institution of prime money laundering concern."
2011	Executive Magazine	For the banking sector, the LCB designation was a well-aimed kick to the nether regions. Banks are still "paranoid" 10 months later.

Year	Magazine/Newspaper/ABL	Quotes
2011	Executive Magazine	Rumors of further LCB-style designations have persisted, while additional pressure has been heaped on Lebanon following multiple rounds of US and European Union sanctions on Syria in response to Damascus' crackdown on protestors. For the sanctions to have bite, Lebanon cannot be a financial conduit for the Syrian regime; Lebanon is not required to abide by US and EU sanctions — only United Nations resolutions are binding — but it has pledged to cooperate.
2011	Executive Magazine	Beirut is in a form of “partnership” with Washington, and BDL is under pressure to deliver by making sure no money laundering or terrorist financing (by American definitions at least) is occurring within the banking sector. If another bank is in the firing line, the US may point its finger, and BDL will investigate rather than merely getting a day's warning from Washington — as happened with LCB.
2011	Executive Magazine	Lebanese banks are right to be paranoid and to keep in line with US regulations in order to avoid the devastating blow to the sector's credibility that an LCB redux would mean.
2011	Executive Magazine	Adding to the weight on the lira and rattling the banking sector earlier this year was the debacle involving the United States Treasury Department and Lebanese Canadian Bank, when the treasury proposed banning US financial institutions from opening or maintaining certain accounts at the bank, in effect forbidding it from using the US dollar.
2011	Executive Magazine	At a time when government was at a standstill, this had reverberating effects on economic confidence due to the suggestion (still unproven) that the bank was working with Hezbollah — which the US has labeled as a terrorist organization — setting off speculation over possible banking sanctions. There are still widespread reports of investigations being carried out by the US treasury into a list of banks, although Lebanese authorities have refuted these.
2011	Executive Magazine	Sales also dropped due to restrictions imposed by the central bank and the US government on money transfers following the taking down of Lebanese Canadian Bank in February on accusations of money laundering, allegedly carried out in part via used car dealerships in the US.
2011	Executive Magazine	Lebanese banks had to prove their resilience once again in 2011, though instead of dodging a global financial crisis, this time around they had to navigate a five-month government stalemate, the undoing of Lebanese Canadian Bank (LCB) and the continuing Arab revolutions.
2011	Executive Magazine	In February, the United States Department of the Treasury designated LCB as a “financial institution of prime money laundering concern,” accusing the bank of laundering hundreds of millions of dollars for a Lebanese-Colombian drug baron with links to Hezbollah, which Washington has designated as a terrorist group.
2011	Executive Magazine	The ordeal shook Lebanon's banking sector, but several leading industry officials with whom Executive spoke said they were optimistic that there would be no recurrence of incidents of this sort. “Definitely LCB was a big event, which was a concern for the market, but it was handled and now hopefully it is behind us,” says Walid Raphael, general manager of Banque Libano-Française (BLF).
2011	Executive Magazine	Indeed, the general consensus is that the LCB debacle has nurtured, by necessity, a new culture of accountability on the road to transparency. “I think it was an individual case, and I think most banks have learnt a lesson,” says Jean Riachi, chairman of FFA Private Bank. According to Freddie Baz, chief financial officer at Bank Audi, “Important banks in Lebanon know their responsibilities and duties in terms of compliance.”

Year	Magazine/Newspaper/ABL	Quotes
2011	Executive Magazine	“LCB is an event that triggered some kind of extra focus,” he adds. “These crises can happen and they can quickly be resolved without collateral damage.”
2011	Executive Magazine	The US is also monitoring the Lebanese banking sector’s cooperation with Syria, and its official warning came during the visit in November of Daniel Glaser, the treasury department’s assistant secretary focused on illicit financing. He cautioned the Lebanese monetary authorities that banks in Lebanon were at risk of being blacklisted if they helped Syria dodge international sanctions.
2011	Executive Magazine	The issue is you never know what might happen tomorrow in terms of sanctions.
2011	Executive Magazine	When we cannot have a proper assessment of the origin of the funds and when [they] could put the bank at risk, we have to turn down some business and I believe most of the banks in Lebanon are very careful and are doing the same.
2011	Le Commerce du Levant	Le département du Trésor américain a annoncé avoir ajouté dix Libanais et dix-neuf entreprises à sa liste noire des personnes physiques ou morales accusées de trafic de drogue. Parmi ces sociétés, figure le Caesar's Park Hotel, situé à Hamra. Le Trésor précise dans un communiqué qu'il est désormais interdit aux ressortissants américains de réaliser la moindre transaction financière avec les personnes et sociétés figurant sur sa liste noire. Les avoirs que celles-ci détiendraient aux Etats-Unis sont de plus gelés, ajoute le texte.
2011	Le Commerce du Levant	Le gouverneur de la Banque du Liban, Riad Salamé, a assuré vendredi que les accusations de blanchiment du Trésor américain ciblent certaines activités de la Lebanese Canadian Bank et non pas le secteur bancaire libanais en général.
2011	Le Commerce du Levant	L'Association des banques du Liban a formellement démenti vendredi les informations parues deux jours auparavant dans le quotidien libanais Al-Liwaa selon lequel pas moins de quatre banques libanaises étaient sous surveillance des autorités monétaires américaines, trois pour détention de comptes servant à du blanchiment d'argent, et une pour des comptes servant d'évasion fiscale à leur détenteur. Selon Al-Liwaa, les autorités américaines seraient en passe d'appliquer des sanctions contre les banques en question en cas de non-coopération.
2011	Le Commerce du Levant	Le Trésor américain a imposé des sanctions contre la Syrian Lebanese Commercial Bank (SLCB), filiale de la Commercial Bank of Syria (CBS), la plus grande banque commerciale de Syrie elle-même sous le coup de sanctions américaines, pour soutien financier à des entités iraniennes et nord-coréennes. Ces sanctions gèlent les actifs que la SLCB pourrait détenir aux Etats-Unis et interdisent aux entreprises et ressortissants américains toute transaction avec elle.
2011	Le Commerce du Levant	Selon l'agence Al Markazia, le gouverneur de la Banque du Liban, Riad Salamé, est actuellement à Washington pour évoquer l'affaire de la Lebanese Canadian Bank que les autorités américaines accusent de blanchiment d'argent. Le gouverneur devrait rencontrer des hauts responsables du département du Trésor pour savoir si les accusations américaines constituent un message politique, lié à la composition du prochain gouvernement. Salamé devrait également défendre la réputation du secteur bancaire et assurer à ses interlocuteurs que les normes internationales en matière de lutte contre le blanchiment d'argent sont strictement appliquées au Liban.
2011	Le Commerce du Levant	Le département du Trésor américain a accusé la Lebanese Canadian Bank (LCB) de blanchiment d'argent pour le compte d'un groupe de trafiquant libanais, qui serait apparenté au Hezbollah.

Year	Magazine/Newspaper/ABL	Quotes
2011	Le Commerce du Levant	Accusée par l'administration américaine de blanchiment d'argent, notamment au profit du Hezbollah, la Lebanese Canadian Bank a démenti avoir eu la moindre connaissance de l'implication directe ou indirecte de la banque dans des opérations illégales ou des malversations. La LCB est réglementée par la Banque du Liban et elle respecte toutes les régulations, ainsi que celles de la Commission d'investigation spéciale dans les affaires de blanchiment d'argent, souligne un communiqué publié jeudi soir. La banque affirme qu'à travers l'un des systèmes les plus efficaces du monde, elle applique des règlements très stricts et respecte la liste noire émise par le Liban, celle de l'OFAC (Office of Foreign Assets Control), celle émise par les États-Unis et, enfin, la liste européenne contre le blanchiment d'argent.
2011	Le Commerce du Levant	L'Association des banques au Liban a publié mercredi un communiqué dans lequel elle affiche sa « solidarité » avec la Lebanese Canadian Bank (LCB) face aux accusations américaines de blanchiment d'argent. Elle a appelé les banques à se serrer les coudes pour « contenir les répercussions négatives de la résolution américaine et préserver la réputation du secteur et son avenir
2011	Le Commerce du Levant	Dans une allocution, le président de l'Association, Josph Torbey, a souligné que le secteur bancaire respecte les normes internationales en matière de lutte contre le blanchiment. « Le cas de la Lebanese Canadian Bank (LCB) est isolé, a-t-il affirmé. Nous ne savons pas exactement ce qui s'est passé puisque l'affaire est encore aux mains des autorités compétentes ». Il a toutefois évoqué « la campagne menée récemment dans la presse et dans certains milieux politiques » faisant croire qu'il existe une liste de banques dans collimateur du Trésor US.
2011	Le Commerce du Levant	En réaction à l'affaire de la Lebanese Canadian Bank, accusée de blanchiment par le Trésor américain, les autorités monétaires et l'industrie bancaire sont en train de revoir les systèmes en place pour mieux se protéger. Une série de mesures sont envisagées pour préserver l'épargne des Libanais et éviter que « la mauvaise monnaie ne chasse la bonne », selon le dicton français.
2011	Le Commerce du Levant	Le département du Trésor américain a créé un précédent : c'est la première fois dans l'histoire moderne du secteur bancaire libanais qu'une banque libanaise est l'objet de telles accusations. Au cours des deux dernières décennies, 47 banques sont sorties du marché, sans que la réputation du secteur ait été affectée : la suppression de licence étant due soit à la décision des propriétaires de quitter le secteur bancaire, soit à la fermeture de filiales étrangères au Liban, soit à une mauvaise gestion, soit à des difficultés liées aux conditions économiques ou sécuritaires ayant prévalu au Liban entre 1975 et 1990.
2011	The Daily Star	Federal authorities blamed Lebanese financial institutions Thursday for wiring more than \$300 million into the United States in a money-laundering scheme they said used the U.S. financial system to benefit Hezbollah. The U.S. government said in the lawsuit filed in a Manhattan federal court that it seeks nearly a half-billion dollars in money-laundering penalties from some Lebanese financial entities, 30 U.S. car buyers and a U.S. shipping company. It also said it's entitled to claim their assets as forfeitable under U.S. money-laundering laws.
2011	The Daily Star	The U.S. Treasury accused a Beirut-based bank of involvement in an international money-laundering and drug-trafficking operation with ties to Hezbollah Thursday. The Treasury designated Lebanese Canadian Bank a “primary money laundering concern,” saying this might eventually force U.S. financial institutions to cut off ties with the bank. “Several individuals ... hold or utilize cash deposit accounts at LCB to move hundreds of millions of dollars monthly in cash proceeds from illicit drug sales,” the Treasury said. The bank issued a statement denying any knowledge of involvement in illicit activities.

Year	Magazine/Newspaper/ABL	Quotes
2011	The Daily Star	On Feb. 10 the U.S. Treasury said LCB, through management complicity and a failure of internal controls, was used “extensively” to move as much as \$200 million a month in proceeds from illicit drug deals.
2011	The Daily Star	He added that the Central Bank intends to strengthen measures to improve banking supervision and ensure that all banks are complying with these directives. Salameh said that the Central Bank will organize the cash which flows to the country and its banks and most notably the cash which is being carried and deposited by combos and exchange dealers.
2011	The Daily Star	Jumblatt was quoted Sunday by Hezbollah-affiliated Al-Manar TV channel as expressing concerns over what he called an “agenda” prepared by U.S. Assistant Secretary of State Jeffrey Feltman, including new allegations to target banks in which Mikati has shares as part of U.S. pressure on him.
2011	The Daily Star	Lebanon's banking sector is not being targeted by Washington, Central Bank Governor Riad Salameh said in a statement published Monday. "Our banking sector is not being targeted and talk about a list of banks being subject to restrictions is not true," Salameh said in response to comments made by Druze leader Walid Jumblatt, who accused the United States of specifically targeting Lebanese banks that have ties with Prime Minister-designate Najib Mikati.
		He reiterated the U.S. view that it is important to ensure that the current instability in Syria does not undermine the Lebanese financial sector. There have been fears that sanctions imposed on Syria may impact Lebanon, due to the close relationship between the two countries, and Glaser is not the first official to warn about such dangers. Last week, U.K. ambassador to Lebanon Tom Fletcher said he hoped the Lebanese economy could distance itself from the Syrian sanctions. Labor Minister Charbel Nahhas assured Lebanese Thursday that they need not worry over the possibility of sanctions hitting the banking sector. “There are banking controls and regulations in place that must be adhered to by all banks including the Central Bank,” Charbel told a local radio station. “Lebanese bankers are aware of these rules and they cannot breach them,” he said, adding that if “sanctions are imposed they would be political.”
2011	The Daily Star	With the United States and its allies tightening economic sanctions on Syria, the international community is keeping a closer eye on Lebanon, which has traditionally been a refuge for Syrian money laundering. Today, Lebanese banks are under more pressure than ever to scrutinize Syrian accounts. Treasury Assistant Secretary for Terrorism Financing Daniel Glaser visited Lebanon in November and warned that Lebanon must work to avoid attempts by Syria to use its financial sector as a means to evade sanctions.
2011	ABL Annual Report	Following the crisis one Lebanese bank suffered from in February 2011 due to its designation by the U.S. Department of the Treasury as a suspected cover for money laundering transactions, cooperation (through meetings and sessions) between the Banque Du Liban and the Association was intensified in order to fill the gaps in the regulations, laws and practices The BDL handled this situation promptly by dealing directly with the U.S. Treasury in order to dissipate any potential impact on the Lebanese banking and financial system.
2011	ABL Annual Report	Monetary and supervisory authorities in cooperation with the Association continued during the last few years, to monitor closely the serious and real involvement of banks in fighting money laundering [...]. The banks have made an intensive and expanded training workshop to raise their employees’ awareness regarding suspected transactions and their risks, in order to avoid being at reputation risks, following the problem one Lebanese bank suffered from in February 2011 due to its designation by the U.S. Department of the Treasury as a suspected cover for money laundering transactions.

Year	Magazine/Newspaper/ABL	Quotes
2011	ABL Annual Report	They also found necessary to take strict measures about the accounts and the accounts activity of personalities and companies figuring on the American and European lists. The main purpose remains to protect the Lebanese banks and the money of their depositors and contributors since it is in no one's interest to expose the banking sector to risk for the sake of an account or a transaction.
2011	ABL Annual Report	On May 5, 2012, the BDL issued the crucial circular no 126 related to the commitment of banks to sanctions not issued by the United Nations, in which it imposed on banks to commit to sanctions, rules and regulations that their correspondent foreign banks are in conformity with. This circular constitutes a strong legal support for the procedures willingly adopted by banks.
2011	Lebanon Opportunities	The banking system has been rocked by the accusation from the US Treasury Department that the Lebanese Canadian Bank (LCB) has been laundering drug money as much as \$200 million per month, on behalf of an international drug ring run by a Lebanese trafficker, with proceeds going to Hizbullah.
2012	ABL Annual Report	due to the satisfaction among U.S. authorities regarding the Lebanese banks efforts and their course of action during hard circumstances, the visit contributed in enhancing the comfort of international correspondent banks, particularly Americans, towards Lebanese banks.
2012	The Daily Star	The U.S. Treasury's Under Secretary for Terrorism and Financial Intelligence David Cohen warned Lebanon Tuesday against international financial sanctions on Syria. "He [Cohen] also stressed the need for authorities to protect the Lebanese financial sector from potential attempts to evade U.S. and international financial sanctions," the U.S. Embassy quoted Cohen as saying.
2012	The Daily Star	In his meetings, Cohen discussed the steps Lebanon should take to ensure a transparent and well-regulated financial sector for Lebanon's continued prosperity. According to the embassy, the U.S. official reiterated his country's view that it was important to ensure that the current instability in Syria not undermine the Lebanese financial sector.
2012	The Daily Star	Central Bank Governor Riad Salameh defended Lebanon's banking sector Monday, dismissing reports of money smuggling from Syria to Lebanese banks. The Central Bank chief added that Syrian deposits in Lebanese banks have recently decreased. "What is being said about smuggling of money from Syria to Lebanese banks is false,
2012	The Daily Star	The U.S. Treasury has intensified its scrutiny of Lebanon's banks over the past few years in a bid to crack down on Syrian and Iranian attempts to evade Western sanctions.
2012	The Daily Star	"As a result of the actions and omissions of [Lebanon's Central Bank] and the [Lebanese banking system], Lebanon has become a sovereign money laundering jurisdiction that receives massive inflows of illicit deposits ... from Hezbollah's terror and criminal activities, and the illicit symbiotic relationships among Iran, Syria and Hezbollah," said a press release issued by the New York-based group United against Nuclear Iran.
2012	Executive Magazine	As the economic migration takes place, Lebanon is finding itself under increasing international pressure to abide by Western sanctions. A visit by US Treasury Assistant Secretary for Terrorism Financing Daniel Glaser in November set off a renewed wave of fears in the banking sector, especially after "concern" over the dealings of Lebanese Canadian Bank (LCB) threw the sector into crisis mode earlier in the year.

Year	Magazine/Newspaper/ABL	Quotes
2012	Executive Magazine	While the case of LCB and Syrian sanctions are not directly related, the fear that further action could be taken by the US over assistance to the Syrian regime is ever-present, even though “US sanctions do not directly obligate Lebanese financial institutions,” according to a US Treasury department official who spoke to Executive. “Lebanese financial institutions may be choosing to perform their own enhanced due diligence on transactions associated with Syria due to the heightened risk associated with that jurisdiction,” the official said.
2012	Executive Magazine	“Now we are afraid of another LCB issue,” said Paul Morcos, founder of the Justicia law firm that provides legal consulting for the banking sector. “They need a new scapegoat so that the new procedures they are asking for can be implemented. Since our banks have accounts with correspondent banks in the US, they should be afraid.”
2012	Executive Magazine	Sanctions are based on what those in the business of complying with them call ‘the lists’. The most infamous of all is the US’s Office of Foreign Assets Control (OFAC) list. Companies placed on this list, or those who have dealings with persons on them, are effectively banned from dealing in US dollars and any banks that carry out transactions for such a person could potentially be sanctioned themselves. Banks have relationships with other intermediary American banks to deal in US dollars, which would act as the initial trigger for any US-imposed sanctioning of transactions.
2012	Executive Magazine	“The banks have to do their due diligence and not have accounts with people who are on the lists, because they have relations with US banks,” said the manager of a compliance unit at one of Lebanon’s major banks, speaking on condition of anonymity.
2012	Executive Magazine	Given the uncertainty, many banks are taking measures that go beyond the text of the law by refusing to bank with those on the OFAC list as well as their relatives, close friends, business associates and so on, according to Morcos. And, according to Yazigi, many Syrians can no longer open up accounts in Lebanon and find it very difficult to conduct financial transactions even if they do not have ties with the regime. “I would not open a [Syrian national’s] account. I would advise other banks not to give themselves a headache and just not take the account,”
2012	Executive Magazine	Indeed, the compliance officer agreed: “Every bank is responsible for their accounts but we don’t have a crystal ball to see other accounts. It’s not your business to ask the nationality or the source of money of the other [third] party. The client is responsible. We flag it if there is much more cash than a real estate transaction would normally be.”
2012	Executive Magazine	The US move was a harsh wake up call for the banks, with due diligence quickly becoming a top priority, while the Treasury pushed Banque du Liban (BDL), Lebanon’s central bank, to address AML and CTF shortcomings. BDL has stepped up to the plate, issuing circulars regulating foreign exchange bureaus – which were a link in the chain in the LCB case – limiting bureaus to one major bank account, and not allowing transfers to third parties.
2012	Executive Magazine	The major move this year was issuing Circular 126 on May 24, requiring banks and financial institutions to “implement strictly” AML and CTF regulations. The circular extends to the US sanctions on Syria as well as Iran, with the financial sector having to be in “conformity with the laws, regulations, procedures, sanctions and restrictions adopted by international legal organizations or by the sovereign authorities in the correspondents’ home countries.”

Year	Magazine/Newspaper/ABL	Quotes
2012	Executive Magazine	Lebanon really has no choice in these matters, unless it wants to decouple from the greenback and de-dollarize the economy, something that is not impossible, but is certainly problematic, and it is definitely not the right time when banks' bottom lines are under pressure and the Lebanese economy itself is flat-lining, with the source saying BDL is internally forecasting zero to 1 percent growth. So, tied to the US Lebanon will remain. It is a good thing then that BDL and the US Treasury get along "beautifully", as the BDL source put it.
2012	Executive Magazine	Lebanese banks had their fair share of challenges to deal with in 2012 : a stagnant economy; the ongoing turmoil in neighboring Syria; increased scrutiny from the United States; increased regulatory requirements; America's upcoming Foreign Account Tax Compliance Act (FATCA); the anti-Iranian lobby urging foreign institutions to drop their holdings of Lebanese debt; cyber attacks on Lebanese bank accounts, and the list goes on.
2012	Executive Magazine	But the impact of Syria's ongoing chaos on Lebanese banks goes beyond their presence inside Syria. With international sanctions placed on Syria, US regulators have kept a close eye on Lebanese banks to ensure they don't become a funnel for Syrian cash. Officials from the US treasury have visited Lebanon on numerous occasions in 2012.
2012	Executive Magazine	David Cohen, the Treasury's undersecretary for terrorism and financial intelligence, warned banks back in May to be extra cautious when dealing with Syrian transactions.
2012	Executive Magazine	Legitimate businesses may be the victims of a slew of bad press brought on by a minority of exchanges taking part in money laundering activities that eventually caught the eye of international regulators and tarnished the banking sector's image.
2012	Executive Magazine	"We are facing demands from the international community to enhance the system. Lately many exchange industries have been mentioned in American reports and that's why the banking authorities are taking these measures; in order to show they are controlling the exchange," he says. "The capital increase will massively restrict the establishment of exchange and negatively affect exchange business."
2012	Executive Magazine	In addition to a rise in capital, the new rules will force money changers to have at least one compliance officer and invest in anti-fraud software. More significantly still, they will be legally obliged to report suspicious transactions.
2012	Executive Magazine	Recent events, both in Lebanon and internationally, suggest those countries will look the other way no more and Lebanon's secretive system is under threat.
2012	Executive Magazine	"After the LCB it has become much more important for banks to have the backing of the international community. It has made all the Lebanese banks more concerned"
2012	Executive Magazine	The crisis in confidence comes amid increasingly tough attitudes towards banking secrecy globally. In particular, the US has indicated that it going to go tough on those countries that act as havens for tax avoidance through the new Foreign Account Tax Compliance Act (FATCA).
2012	Executive Magazine	More worryingly for the banks, they could be deemed 'non-compliant,' making it difficult for US institutions to continue working with them, or for them to continue to trade in dollars — the same issue that saw the closure of LCB.

Year	Magazine/Newspaper/ABL	Quotes
2012	Executive Magazine	However, it appears attitudes have softened in the past year, with banks coming to the conclusion that they can no longer fight the tide of pressure from the US Treasury. Asked if his bank would abide by the FATCA law, the compliance officer said: "We are forced to. We live in a world where the US is the dominant force and the dollar is the global currency, we can't just ignore that." He admitted that this could mean an end to banking secrecy, for Americans at least.
2012	Executive Magazine	However, the current legal framework in Lebanon may prevent banks from complying with FATCA even if they want to. Lebanese anti-money laundering legislation revolves around Law 318, which explicitly does not mention tax avoidance. The most common way to lift banking secrecy currently is through raising suspicion under Law 318; therefore, for the banks to supply the IRS with the information without a waiver from the customer could be a breach of the law.
2012	Executive Magazine	If such a deal is not stuck, the omens are not good. Without the correct planning the Lebanese banking system faces an unenviable choice: between opening up and potentially scaring away remittances that fuel the economy, or staying secretive but risking American censure. Whatever changes the government makes, the decision will be weighty, and the financial sector and remittances are too important to the economy to get it wrong.
2012	Executive Magazine	Mansour has the task of rebuilding confidence in the Lebanese banking sector's ability to deal with money laundering, following the Lebanese Canadian Bank (LCB) crisis in early 2011. Along the way he has faced constant pressure from American authorities, including new legislation that could undermine Lebanon's banking secrecy, and a slow-moving Lebanese legislature that has stalled implementation of laws conforming to international banking standards.
2012	Executive Magazine	While it is still too early to assess the wider repercussions of the government-mandated wage increase this year, it is already irking Lebanese banks, coming at a time when banks are also compelled to increase spending to comply with mounting regulations both locally and internationally.
2012	Le Commerce du Levant	Le chef des programmes de sanctions du Trésor américain, David Cohen, en visite au Liban, a appelé les banques libanaises au respect des sanctions occidentales à l'encontre de la Syrie.
2012	Le Commerce du Levant	Les responsables libanais ont assuré à leur interlocuteur que les banques libanaises avaient gelé toutes les transactions avec la Banque centrale syrienne conformément aux sanctions imposées par Washington et l'Union européenne.
2012	Le Commerce du Levant	Une nouvelle loi américaine contre l'évasion fiscale hors du territoire américain va obliger les banques libanaises à des efforts de mise en conformité sous peine de sanctions douloureuses.
2012	Le Commerce du Levant	Le secrétaire d'Etat adjoint américain au Trésor Neil Wolin a mis en garde mardi les banques libanaises contre toute tentative de contourner les sanctions prises à l'encontre de la Syrie et de l'Iran, selon un communiqué de l'ambassade américaine à Beyrouth.
2012	Le Commerce du Levant	"Neal Wolin a souligné la nécessité pour le Liban d'empêcher que son secteur financier soit abusé par des acteurs illégaux et a insisté pour que les banques libanaises et les autorités de régulation restent vigilantes contre le contournement des sanctions prises contre l'Iran et la Syrie", a indiqué l'ambassade.

Year	Magazine/Newspaper/ABL	Quotes
2014	Executive Magazine	The Lebanese banking sector has been preparing for FATCA like the teacher's pet not because it is a major advocate of reining in tax havens — Lebanese law explicitly allows companies set up with offshore tax status — or greater taxation transparency and new tax laws in the country. Rather, the sector is exceedingly wary of international regulators, specifically of falling foul of the US Treasury. This is due to Lebanon's immense exposure to American leverage: some 70 percent of local deposits are held in US dollars; banks need to keep good relations
2014	Executive Magazine	Compliance has become a major concern for the sector, pushed by the central bank, Banque du Liban (BDL), which issued two circulars — 126 and 128 — in 2012 and 2013 for banks to abide by international regulations and establish compliance departments, respectively. Indeed, compliance with anti-money laundering and counterterrorism financing regulations — with FATCA the latest such addition — is being taken so seriously that Sader conceded that he has spent about 20 percent of his time over the past two years on compliance issues alone.
2014	Executive Magazine	However, that the banking sector has prepared for FATCA so early can be read as a further indication of the country's inability to defy US demands. Indeed, as one compliance officer put it off the record, "It is ridiculous that it takes a foreigner to come here and say you have to apply regulations, and we do it, but not because we are afraid of the Lebanese regulator."
2014	Executive Magazine	Another bit of relevant news is the fact that FATCA, the US tax administration's tentacle reaching out to American citizens around the world to ensure that they pay their dues back home, is scheduled to affect Lebanese banks beginning next month
2014	Executive Magazine	Being placed on the SDN list blocks designees from the American financial system — the reach of which is far and wide. The US is the world's dominant financial and payments center, with a huge share of payments and financing routed through the country.
2014	Executive Magazine	When banks do not comply with US sanctions, the punishment can be huge. BNP Paribas, a major French bank, admitted guilt in June for evading American sanctions against entities in Iran, Cuba and Sudan. The bank will pay nearly \$9 billion in fines to the US government — a judgment that sent a clear message to financial institutions around the world.
2014	Executive Magazine	In mid-July FBME, a Lebanese-owned bank chartered in Tanzania but operating primarily in Cyprus, was accused by the Treasury Department of facilitating financial activity for transnational organized crime and for Hezbollah, receiving the label 'primary money laundering concern'. Cyprus' central bank swiftly seized control of the bank's operations.
2014	Executive Magazine	In 2011 the Treasury Department designated the Lebanese Canadian Bank also as a 'primary money laundering concern'. The bank was subsequently shuttered and sold off to a competitor in a deal arranged by BDL. The specter of another such fiasco has put pressure on Lebanon's banking sector to hew closely to US Treasury rules. "Lebanese banks comply fully with international sanctions, especially US sanctions
2014	Executive Magazine	OFAC designates entities to the SDN list without a court ruling and it does not publish evidence to justify its decisions. "We don't know what they're talking about; we're double checking everything. Where is the proof? Show us the proof

Year	Magazine/Newspaper/ABL	Quotes
2014	Le Commerce du Levant	Les sanctions ont également poussé à une méfiance accrue à travers le monde vis-à-vis de tous les individus et entreprises syriennes. Ainsi, des banques libanaises et jordaniennes se refusent à ouvrir des comptes à des citoyens syriens, des banques internationales refusent d'effectuer des transferts bancaires non seulement en Syrie mais aussi au bénéfice de tout particulier syrien quel que soit son lieu de résidence, alors que des virements bancaires sont rejetés parce qu'il est fait mention dans l'ordre de virement du mot "Syrie".
2014	Le Commerce du Levant	Un projet de loi ciblant le Hezbollah, sa chaîne télévisée, et l'ensemble des banques commerciales et centrales « engagées volontairement » avec le parti libanais serait bientôt soumis à la chambre des représentants américaine.
2014	Le Commerce du Levant	Les banques libanaises respectent à la lettre les sanctions internationales et coopèrent entièrement avec les pays concernés dans leur lutte contre le terrorisme et le blanchiment d'argent (...) Elles n'ont aucune raison d'être inquiétées », avait-il dit à L'Orient-Le Jour. « L'économie libanaise étant fortement dollarisée, elle a tout intérêt à maintenir de bonnes relations avec les États-Unis, et donc à coopérer. »
2014	Le Commerce du Levant	La Banque centrale de Chypre a pris le contrôle de la Banque FBME détenue par des Libanais, au lendemain de son classement par le Trésor américain sur sa liste noire pour des liens présumés avec le Hezbollah et des activités de blanchiment d'argent.
2014	Le Commerce du Levant	Le Trésor a proposé l'application de la « Cinquième mesure spéciale » en vertu du US Patriot Act, qui empêche les institutions financières américaines de mener des transactions avec la banque sanctionnée.
2014	Le Commerce du Levant	Une dernière source d'inquiétude potentielle aurait pu résider dans l'adoption, en juillet, d'un renforcement de la loi de prévention du financement international du Hezbollah par le Congrès américain et notamment de son dispositif de surveillance et de sanction des institutions financières en lien avec le parti. Encore en discussion au Sénat, ce dispositif n'effraie pas particulièrement le secteur qui se déclare à l'unanimité prémuni contre tout risque de sanctions par la réglementation interne existante, notamment la circulaire n° 126 émise par la BDL pour encadrer les activités des banques avec leurs correspondants à l'étranger.
2015	Le Commerce du Levant	Dans le viseur des autorités américaines, le président du conseil d'administration de la Middle East Africa Bank (MEAB), Kassem Hjeij, a démissionné le 16 juin de son poste en faveur de son fils, Ali Hjeij.[...]. Le 10 juin, le département du Trésor des États-Unis a annoncé avoir pris des sanctions financières à l'encontre de trois personnalités libanaises soupçonnées d'appartenir au Hezbollah ou de traiter avec lui.
2015	Le Commerce du Levant	Quelle que soit la performance de leur activité, les banques libanaises ont désormais une nouvelle préoccupation fondamentale : éviter de rééditer l'expérience de la Lebanese Canadian Bank qui a été rayée de la carte en raison d'une accusation de blanchiment émanant du Trésor américain.
2015	Le Commerce du Levant	« Il est absolument nécessaire pour chacune des banques d'instaurer une culture de conformité conciliant les impératifs de développement des activités et l'application stricte des réglementations internationales. Sur ce plan, la Banque du Liban, à travers la circulaire 126 datée d'avril 2012, recommande le respect des lois internationales et leur application, y compris d'éventuelles sanctions »

Year	Magazine/Newspaper/ABL	Quotes
2015	Executive Magazine	It has never been easier to be branded a financial pariah. You wake up one morning and when you check your correspondence you find that you have been given the ominous title of “specially designated national” (SDN) by the Office of Foreign Assets Control (OFAC) at the United States Department of the Treasury.
2015	Executive Magazine	This designation means that, according to “evidence” which can range from classified information of US intelligence services to reports in your local newspaper, you have been found to be a perpetrator of terror, narcotics, weapons of mass destruction or other threats to the national security, foreign policy or economy of the United States. As of this moment, you are a financial outcast with whom no US citizen or corporation with American interests will do any business. If you have assets in the US, these will be frozen.
2015	Executive Magazine	In one such recent case, Lebanese magnate Kassem Hejeij (Middle East and Africa Bank) was listed by OFAC on the grounds of “direct ties to Hezbollah organizational elements”. His alleged misdeeds also included investing “in infrastructure that Hezbollah uses in both Lebanon and Iraq.”
2015	Executive Magazine	In the LCB case, the bank was sold and its identity dissolved to control the damage. According to Morcos if MEAB itself had been accused, it would also in the Hejeij case have led to “catastrophic results” beginning with a total shutdown of all correspondent banking relationships. “This distinction is to differentiate between listing the juristic person of the bank, which was not the case, versus listing the natural person. This is why I think that there was a chance to handle the situation differently than other cases when banks are listed,” he says.
2015	Executive Magazine	Also, a counter-intuitive result of the study was the situation of regional de-risking. Whilst the study did not directly identify the countries whose banks undertook regional de-risking, it said that about 10 percent of the survey respondents had closed some correspondent banking relationships with banks in sanctioned countries and/or weak AML/CFT policies – meaning that “de-risking of regional correspondent banking relations by MENA banks”, as the study termed it, is a subject which warrants attention.
2015	Executive Magazine	Whatever the hidden sticks-and-carrots in the current American strategy may be, it remains possible that the last word has not yet been spoken on whether the potential threat to MEAB has been solved with the intra-familial transfer of chairmanship at the bank. In more general terms, however, all signals suggest that Lebanese and Arab banks cannot relax their attention when it comes to compliance with the US agenda.
2015	Executive Magazine	“From the point of view of the regulator and the treasury, banks have to continue to understand risk and manage it, not talk about de-risking, and I agree with them. But we are witnessing some international banks cutting their relationships with Arab banks,”
2015	Executive Magazine	“My impression is that law enforcement is changing the hearts and minds of bankers, which is very dangerous,” he says. “Banks are by themselves conservative. When they feel the pressure of law enforcement upon them, it changes the spirit and this is my worry, as it could impact the role of banking negatively.”
2015	Executive Magazine	In the meanwhile, the American crusade against the financing of terrorism will continue and implicated persons will have to struggle if they want to contest their pariah status. Comments shared by US law firms suggest that even proving one’s innocence has not been the most successful approach for removal from the SDN list – delisting was more often achieved by offenders for admissions of guilt rather than protestations of innocence.

<b>Year</b>	<b>Magazine/Newspaper/ABL</b>	<b>Quotes</b>
2015	The Daily Star	Holding a legislative session is essential to preserving Lebanon's financial status, Governor of Central Bank Riad Salameh told Al-Mustaqbal newspaper Saturday. "Lebanon should remain engaged in financial globalization, or it would be seen as uncooperative in terms of combating money laundering," Salameh said, expressing dismay.
2015	The Daily Star	The new rules direct the president to prescribe punishing regulations against financial institutions that conduct transactions with Hezbollah or otherwise launder funds for the organization.
2016	The Daily Star	"The Lebanese banking system is closely and fatefully linked to the international monetary systems so Central Bank Governor [Riad Salameh] had no escape from implementing the international laws," Geagea said in a statement. He defended the measures taken by the Central Bank, saying "they came after [Salameh] took maximum measures to prevent the random application of the U.S. sanctions."
2016	The Daily Star	Lebanon's banking sector has been under pressure over the U.S. sanctions law targeting Hezbollah's finances, which went into effect in March. Some banks, including BLOM, froze accounts linked to Hezbollah after U.S. sanctions began targeting the group's finances.
2016	The Daily Star	Hariri accused Hezbollah of verbally attacking the last sector that is protecting the national economy, the banking sector. He said Lebanese banks are applying international regulations approved unanimously by Parliament.
2016	The Daily Star	Many in Lebanon are worried that the U.S. legislation will have negative effects on the Lebanese banking sector, which is one of the most active industries in the tiny Arab country.
2016	The Daily Star	Salameh warned Tuesday that failing to comply with U.S. law targeting Hezbollah's finances could isolate Lebanese banks from international markets.
2016	ABL Annual Report	After the passage of the US law on 18/12/2015 and its implementing regulations regarding the prevention of access by Hizballah to international financial and other institutions, and in order to safeguard the high national interest, the BDL issued on 3/5/2016 Basic circular no.137 on the implementation mechanism with a view to prevent any arbitrary procedure that could extend beyond the scope of the above-mentioned US Act and its implementing regulations, and which could cause harm to depositors and clients' interests, in particular cases of closure of, or the refraining from, opening accounts, or dealing with such depositors and clients, in an unjustified manner or to avoid risks (de-risking).
2016	ABL Annual Report	The compliance with the US law is a must, however, it is necessary for the implementation to be fair. The rules of work respected by our banks are the same ones respected by all banks in the world, including US banks and in regard to US citizens and institutions. Those who examine the OFAC, the United Nations and the European lists will observe the huge amount of people, organizations, and companies included. The mechanism relies on some important standards such as the refraining from dealing in any currency with the names included on the OFAC list. Banks are to coordinate with the Banking Control Commission regarding the debit accounts that are subject to liquidation and close them. Whereas the suspicious accounts are to be reported to the Special Investigation Commission that conducts its work and informs the bank of its decision.

Year	Magazine/Newspaper/ABL	Quotes
2016	Executive Magazine	<p>Troubles with US politically-motivated interference in Arab banking have been impacting the operations of regional banks in varied ways since the 9/11 terror attacks against America. More important in 2015 than sanctions against individual businessmen and bankers have been the indirect effects of US policies where international banks tended to cut correspondent banking relationships with Arab banks. This problem had been highlighted by the Union of Arab Banks in several statements and contributions to the international conference in 2015. However, de-risking is a concern for all banks and could even lead to a new banking crisis, comments Bank Audi's Baz. "By definition, a bank cannot survive if it's not being provided correspondent banking services. All the global banks have been reducing their number of relationships, leaving medium to small banks without any correspondent relationships; [this] is no prospect for the future. We are talking about thousands of those banks globally," he explains.</p>
2016	Executive Magazine	<p>Lebanon is in a sticky situation. The Hezbollah International Financing Prevention Act (HIFPA), a United States law targeting Hezbollah, places Lebanon between Hezbollah and a loaded gun. It is the latest fire encroaching on the Lebanese economic house and comes on top of domestic catastrophes, such as the garbage and political crises, as well as the turmoil roiling throughout the region. All of these are troubles that are, in theory, throwing our national economy back to the stone age that Israel wanted to send us to nearly ten years ago. The worst thing about HIFPA is that Lebanese leaders could have done much to protect the house from the political fire starters across the Atlantic.</p>
2016	Executive Magazine	<p>The banking sector has complied with central bank regulations for anti-money laundering and counter terrorism financing, and the government has adopted laws to satisfy international standards. But that won't be enough to completely shield the country's financial system. The Americans look to label Hezbollah a criminal organization because of its alleged key role in international drug trafficking and money laundering networks, using local and foreign banks to move its money. American pressure aimed at Hezbollah is a warning to financial institutions not to deal with Hezbollah lest they become the focus of American investigations.</p>
2016	Executive Magazine	<p>So the idea of America treating Hezbollah as a criminal organization doesn't sit well for Lebanon. In that context, the label of criminal organization is a matter of definition and Hezbollah, from the Lebanese perspective, cannot be declared an enemy of the state. That in turn means Lebanon has to make a choice on what is in the best interest of the Lebanese. On the one hand it is of vital Lebanese interest to have America as a friend for business and trade relations, not to mention being cut off from the international financial system led by the United States would effectively kill our economy. But on the other hand we cannot ignore Hezbollah and the Shiite constituency it in large part represents – nor can we declare them to be enemies of the state or secessionists.</p>
2016	Executive Magazine	<p>With the mid-April implementation of the Hezbollah International Financing Prevention Act (HIFPA), signed into United States law in December 2015, Executive inquires whether Lebanese financial institutions face an increased level of American scrutiny. The new law places liability on any financial institution, not just Lebanese banks, if they were to knowingly facilitate financial transactions connected to Hezbollah. In the lead up to HIFPA's ratification and immediately after, Lebanese banks took notice. De-risking ensued, accounts were closed and, according to local media reports, the opening of new accounts were denied for some politically exposed persons.</p>

Year	Magazine/Newspaper/ABL	Quotes
2016	Executive Magazine	To the latter the response is one of confidence – Lebanon has put in place the necessary compliance measures to shield its financial system. But to the former, in the face of American pressure, uncertainty persists as to the consequences for local banks should the Americans accuse them of servicing accounts linked to Hezbollah – the outcome of which will be answerable only through testing actual conflict scenarios,
2016	Executive Magazine	After the LCB case, banks heightened their awareness to the risks – whether they are local or international [banks], it is now much clearer. When I compare what [Lebanon’s] banks are doing, I think we’re doing well by regional and international standards. Our set of laws and regulations are pretty much complete now. The new laws and regulations passed last November complete our legislative [framework], and on the regulatory front the central bank has issued the necessary regulations. So what we need from the regulatory and legislative perspectives we [have], it’s quite complete and is one of the best set of [rules] in the region. I would say the situation is quite acceptable – is it perfect? No, we’re never perfect.
2016	Executive Magazine	The FATF is a different setup. We have to distinguish between the FATF’s work and the United States’ work. The United States passes designations and enforces its own laws and regulations on US soil but sometimes these laws have long arms and are far-reaching.
2016	Executive Magazine	This is a US law that [might] affect nationals in this country and now we are in a position to see what measures will be taken as a result of this law. It’s a matter of concern to them because if Lebanese banks and the banking sector want to remain part of the international financial system they need to play by the rules of the game.
2016	Executive Magazine	So if a law is passed in the United States that would prohibit US banks from dealing directly or indirectly in certain types of transactions, or with certain individuals, then Lebanese banks cannot deal with such individuals – otherwise they will expose their correspondents, themselves and the sector to the measures that may be taken. This is pretty clear. Banks have to KYC – know your client.
2016	Executive Magazine	So the correspondent banks in the United States, which deal with a large number of banks all over the world, have to know exactly how their clients, i.e. banks, in Lebanon and elsewhere operate – and what degree of compliance is observed, what is the professionalism of their compliance officers – in order to feel comfortable dealing with them. This is a connected kind of system and in this respect, you have to understand this kind of relationship in order to stay in business and stay connected: first as a bank to your correspondent and second as a country to the community worldwide.
2016	Executive Magazine	It is the banks that are responsible for complying with the Hezbollah International Financing Prevention Act, Lebanon’s central bank circular 137 stipulates, and in so doing must carry out client due diligence when opening accounts or facilitating transactions. To the banks this is just another chapter in the book of risk management, where compliance with the laws of foreign jurisdictions in which they do business is not a choice, because the banks must comply and have long invested in the tools to do so.
2016	Executive Magazine	Referring to investments in compliance infrastructures to satisfy reporting requirements, he tells Executive that rules first started to surface following the terrorist attacks on the United States on September 11, 2001, with harsher rules introduced in the aftermath of the global financial crisis. In the years since, the costs of compliance have increasingly become a topic of boardroom conversations, not only of local banks but those worldwide as well.

Year	Magazine/Newspaper/ABL	Quotes
2016	Executive Magazine	Were a correspondent bank to cut relations with an accused financial institution, the ability to conduct transactions in US dollars would no longer be possible, affecting not only the bank but its clients too – local businesses trading internationally and Lebanese abroad transferring dollar-denominated remittances back home. What’s more, the mere hint of non-compliance may cost the bank – damaging its reputation, an accusation might push clients to migrate to a competitor for any number of reasons.
2016	Executive Magazine	By size of infractions, Lebanon, in the years since 2002, has not really been on the radar of anti-money laundering concerns. But when terrorism finance is factored, where very small amounts can actually finance a bomb, then Lebanon is on the map.
2016	Executive Magazine	To say that Lebanese banks are panicked that their compliance investments might not satisfy American standards may be an overstatement, but it certainly is an issue that compliance executives and banks’ management are following closely. “I’m not trying to minimize the [issue] but I’m saying it is important to the US, it’s important to us and it’s important to our clients,” Jebeyli says.
2016	Executive Magazine	Lebanese banking officials and executives are acutely aware of the seriousness of the American legislation, a notion that Jebeyli and others that Executive spoke with pointed out. And the lessons learned from the case of LCB – of alleged management complicity in money laundering and that of insufficient controls – are now core considerations in assessing compliance programs.
2016	Executive Magazine	Smaller banks, perhaps in acknowledgement of the high investment threshold of compliance, do recognize that client due diligence, coined KYC for “know your client,” is a challenge. “It’s not written on their face and you don’t ask them to fill a document asking ‘Are you Hezbollah? – click yes or no.’ We investigate and do our homework on due diligence but at the end of the day we cannot do anything if someone is Hezbollah and we don’t know that. There is an element of uncertainty that we are worried about, definitely,” says Raed Houry, chairman and general manager of Cedrus Invest Bank.
2016	Executive Magazine	We are living in a dollarized economy – the bulk of our transactions are in US dollars and cleared through the United States. When a transaction crosses a border and [is transacted in] the US, we become subject to their laws. This is the reality because the dollar is a key currency and because transactions in the world are in US dollars and they touch US correspondent banks. So because we are keen to maintain a position as a sophisticated and fair player in the global financial market, we respect the applicable laws. The key applicable laws, because of these reasons, are US laws – we are not talking about politics, this is a business and legal reality.
2016	Executive Magazine	[...] continue to strengthen our compliance program, that we continue to give assurances to ourselves – our boards, our management, to our shareholders, our employees – that we are managing our compliance program efficiently and prudently so we can continue to maintain partnership with our correspondent bank. Not only do I need to pay attention to my standards but to comply with the standards of the correspondent bank. That means a successful continuation of correspondent banking relationships, which in turn means that we’ll continue to exist and prosper and continue to support our clients in their dealings with the world.
2016	Executive Magazine	Of course there are protests about [complying with the US law], but our concern is to protect the interests of Lebanon and to keep the integrity of our dealings with external banks.

Year	Magazine/Newspaper/ABL	Quotes
2016	Executive Magazine	a threat in the home country driven by concerns over the regulatory regime, the best example of which is a flare up between the US authorities and the Lebanese banking system in relation to compliance with HIFPA, the law concerning Hezbollah.
2016	Executive Magazine	You thought it was over, didn't you? Assuming you remember the rise and demise of Lebanese Canadian Bank, from its ascendance in the 1990s until it was struck by US allegations of terrorism finance and money laundering (for Hezbollah) in 2011. Executive trusts that you also know of the subsequent investigations and negotiations. They resulted in the exoneration of the bank's senior government from American wrath by 2013.
2016	Executive Magazine	The West increasingly views this part of the world with suspicion. Correspondent banking is more problematic for Arab banks than others. We Lebanese will make the only choice we think we have: adapt.
2016	Executive Magazine	Banking and the free flow of capital are rights we have to fight for. We play by the rules, we should be treated with fairness, dignity and respect. When a father's attempt to send his son in Canada life support money is thwarted by some clown in New York who doesn't even give a reason for refusing a transfer, we're all in trouble. Remittances – inbound or outbound – are the oxygen of our country. We can't let ourselves be suffocated.
2016	Executive Magazine	One of the biggest stories of the year was the implementation in May of an American law targeting Hezbollah – the Hezbollah International Financing Prevention Act (HIFPA). Once again, BDL stepped in to fill the void of foreign policy, financial and economic leadership vacated by an impotent government – issuing circular 137 for Lebanese banks to comply with the US law.
2016	Executive Magazine	While parliament did pass legislation to patch up anti-money laundering and counter-terrorism financing rules to meet international standards and safeguard Lebanon's banking sector, it had virtually no leverage to soften the impact of American rules. Remembering the forced closure of the Lebanese Canadian Bank in 2011, local officials earlier this year were concerned that HIFPA would disrupt Lebanon's banking sector, blowing up the Lebanese economy in the process.
2016	Executive Magazine	American legislation has had a significant psychological effect on Lebanon's banking sector and among the political elite, but the actual impact in terms of the number of bank accounts affected is not clear but probably limited. Of the more than 100 individuals and entities sanctioned due to that law, one might presume the number of accounts and assets frozen are not significant.
2016	Executive Magazine	While the American legislation did not blow up the Lebanese economy (the main office of Blom Bank, however, was bombed), it did further emphasize BDL's role in the absence of real governance and policymaking. The government and parliament have largely reduced their activity to reactionary decision-making and emergency legislation, rather than proactively addressing the many systemic challenges that the country faces.
2016	Executive Magazine	likens steps to control comptoirs to central bank moves to crack down on then-unregulated money exchange offices in the wake of US Treasury Department accusations in 2013 of money laundering against the Lebanese Canadian Bank, which supposedly involved exchange offices. "Exchange bureaus in this country were operating [with no regulation beyond registering their names at the central bank prior to 2013], but nowadays with anti-money laundering laws, [the central bank] had to intervene, and now they are very heavily regulated."

Year	Magazine/Newspaper/ABL	Quotes
2016	Executive Magazine	The sanctioning of individuals with close ties to Lebanese financial institutions is concerning, but protecting the integrity of Lebanon's financial system has been at the center of the Banque du Liban, Lebanon's central bank, agenda for some time, driven more by financial rather than political concerns. In early 2015, a new law to strengthen anti-money laundering (AML) and counter-terrorism financing (CTF) rules was submitted to Lebanon's Parliament, but an impasse in the legislature delayed the law's ratification until November 2015.
2016	Executive Magazine	The focus of Lebanon's central bank, in conjunction with the Association of Banks in Lebanon (ABL), has been to assert that the local banking environment and framework are compliant with international standards and that Lebanon can be a safe and attractive banking location. ABL has allocated resources toward the implementation of AML/CTF compliance in terms of training Lebanese banks employees.
2016	Executive Magazine	What Americans and the FATF are doing are not exactly the same, so what Salameh may be referring to is the general relations with the FATF as opposed to the consensus in the United States. FATF is political, but in an institutional way, while in the US the issue is political in the sense that representatives and senators jockeying for position have legislated the issue, driven by the sentiment of revenge and to placate political rivals that object to rapprochement with Iran.
2016	Executive Magazine	A flurry of activity and travel to the United States in the opening months of 2016 by Lebanese government and banking officials indicates Lebanon's mounting concern over the implementation of terrorism financing legislation by the United States, specifically the Hezbollah International Financing Prevention Act (HIFPA), ratified into US law in December 2015.
		The position that Lebanese officials might put forth can be summarized thusly: that Lebanon is in full compliance with international banking standards and that the legislative framework and central bank AML/CTF rules are being implemented to curb money laundering activity. But implementation of HIFPA will further pressure Lebanon's financial institutions because the law places responsibility on banks to not knowingly facilitate financial transactions for Hezbollah. Because American financial intelligence – and to what extent information is shared with Lebanese counterparts is not clear to Executive – indicates that front companies are often used to open accounts, identifying connections to Hezbollah is difficult. What the impact of the HIFPA legislation will have on Lebanon's financial system is opaque. It will depend on testing in actual conflict scenarios that hopefully never come. This is an issue that Executive will continue to monitor.
2016	Executive Magazine	Already designated as a terrorist organization by the United States, Hezbollah could soon be listed under the Kingpin Act as an international trafficker of narcotics. If that comes about, the Treasury Department's power to sanction the assets of Hezbollah and its affiliates will be expanded with unknown but potentially significant consequences.
2016	Executive Magazine	New legislation in the United States targeting Hezbollah has Lebanese government and banking officials shuttling between Beirut and Washington, not to rush to its defense but to assess the level of damage heading this way. Remembering the forced closure of the Lebanese Canadian Bank in 2011, local officials are more than a little concerned at the prospect of not just one bank as a victim but the entire sector.

Year	Magazine/Newspaper/ABL	Quotes
2016	Executive Magazine	Shielding Lebanon's financial institutions, banking sector and economy has been the key point reiterated by Lebanese government and banking officials in trips to Washington. Amal Movement MP Yassine Jaber, another Hezbollah ally, told Executive in early March that the Americans were puzzled by all the meetings Lebanese officials were taking in DC. "Their reaction was to ask why [is Lebanon] panicking? We told them, well, the perception in Lebanon is that it's going to be crazy,
2016	Executive Magazine	Lebanese concern regarding HIFPA implementation is that the law will disrupt the country's banking sector, blowing up the Lebanese economy in the process, with individuals and businesses that come into contact with Hezbollah, even if not facilitating financial transactions or involved in alleged illicit activities, as collateral casualties.
2016	Executive Magazine	The advice presented to Congress during that subcommittee hearing was to go hard at Hezbollah, whatever the cost. Tony Badran of the Foundation for Defense of Democracies recommended that "Congress should push the Administration on the implementation of H.R. 2297 [HIFPA], targeting Hezbollah's criminal and financial activities. It's important not to be dissuaded by the argument that pushing too hard would break Lebanon's economy.
2016	Executive Magazine	The conundrum for Lebanon in all this is its perception in Washington as a problem country because of Hezbollah, an image it has little latitude to alter. Lebanon is underrepresented diplomatically and is outspent in its lobbying efforts. Ultimately, Lebanon has little ability to articulate its position, drowned out by America's Arab allies plus Israel, on American policy in the Middle East, leaving its national concerns to go virtually unheard.
2016	Le Commerce du Levant	Le gouverneur de la Banque du Liban, Riad Salamé, a déclaré fin avril que le Liban allait se conformer à la loi votée par le Congrès américain en décembre, qui vise à sanctionner les banques coopérant sciemment avec le Hezbollah, considéré comme une organisation terroriste par les États-Unis. Le gouverneur s'exprimait trois jours après la publication des modalités d'application de la loi par le Bureau de contrôle des avoirs étrangers du département du Trésor américain.
2016	Le Commerce du Levant	La Banque du Liban a émis le 3 mai une circulaire (n° 317) qui régit l'application par le secteur bancaire libanais du Hezbollah International Financing Prevention Act of 2015 (Hifpa 2015), voté en décembre dernier par le Congrès américain. L'objectif est d'éviter qu'en respectant trop strictement les injonctions américains, afin de réduire les risques qu'elles encourent, les banques en viennent à exclure tout ou partie de la population libanaise, à savoir la communauté chiite.
2016	Le Commerce du Levant	Depuis que la Lebanese Canadian Bank a été rayée de la carte en 2011, les banques libanaises sont résolues à éviter de rééditer l'expérience. La banque avait été accusée par le Trésor américain de blanchir l'argent de personnes proches du Hezbollah. « Il est absolument nécessaire pour chacune des banques d'instaurer une culture de conformité conciliant les impératifs de développement des activités et l'application stricte des réglementations internationales. Sur ce plan, la Banque du Liban, à travers la circulaire 126 datée d'avril 2012, recommande le respect des lois internationales et leur application, y compris d'éventuelles sanctions.
2016	Le Commerce du Levant	L'épisode de la Middle East African Bank (MEAB) de juin 2015 est un bon exemple de cette nouvelle approche. Le président du conseil d'administration Kassem Hjeij, soupçonné de traiter avec le Hezbollah par le Trésor américain, a démissionné illico et cédé la place à son fils.

Year	Magazine/Newspaper/ABL	Quotes
2016	Le Commerce du Levant	De même, les banques libanaises ont beaucoup investi pour renforcer leur département de "Compliance" qui s'assure de la conformité de chaque transaction avec ses nouvelles normes. Chaque nouveau client fait l'objet au préalable de vérifications détaillées sur son identité et ses sources de financement avec le formulaire Know Your Customer (KYC). Plusieurs sources bancaires libanaises affirment au Commerce du Levant que les autorités américaines ont récemment exprimé leur satisfaction concernant les mesures prises par le secteur pour être dans les règles. Le sentiment général est cependant que cette pression accrue devient de plus en plus compliquée à gérer.
2016	Le Commerce du Levant	Quelques points restent en suspens notamment en ce qui concerne le traitement des fonctionnaires affiliés au Hezbollah. Sous le couvert de l'anonymat, une source proche du gouvernement affirme que le gouverneur de la BDL Riad Salamé a assuré que les salaires des députés et des ministres du Hezbollah payés par le ministère des Finances en livres libanaises ne seront pas touchés. Mais quid de l'ouverture d'un nouveau compte en banque par l'un deux, même en devise locale ? À l'instar de sources bancaires qui préfèrent l'anonymat, Wissam Fattouh s'inquiète également du fait que la décision du Congrès affecte directement les opérations bancaires d'une bonne partie de la population libanaise sur la base de leurs affiliations politiques.
2016	Le Commerce du Levant	La Commission d'enquête spéciale (CSI) a émis 26 mai dernier une décision détaillant la procédure de clôture de comptes bancaires dans le cadre de l'application des sanctions américaines contre le Hezbollah et ses soutiens financiers. Seule autorité habilitée à accéder aux comptes créditeurs et débiteurs dans le cadre du secret bancaire, la CSI a émis cette décision afin de « clarifier et implémenter » les règles déjà énoncées par la Banque du Liban, et éviter « toute procédure ou mesure arbitraire » contre les clients, indiquent ses considérants.
2016	Le Commerce du Levant	Soumis à une forte pression, de la part des États-Unis notamment, les députés ont alors accepté, pour la première fois, d'introduire une dérogation au sacro-saint secret bancaire en votant la loi sur la lutte contre le blanchiment, portant le numéro 318. Ce texte a créé une entité à caractère judiciaire au sein de la Banque du Liban, la Commission d'enquête spéciale (CES), et obligé les banques à lui signaler les opérations suspectes. Cette commission, qui peut également être saisie par les autorités judiciaires libanaises ou étrangères, peut décider, après enquête, de lever ou non le secret bancaire sur les comptes suspectés d'être utilisés à des fins de blanchiment, considéré dans la loi comme tout acte destiné à acquérir, détenir, investir ou dissimuler des capitaux illicites.
2016	Lebanon Opportunities	The banking sector, led by the Central Bank (BDL), is deploying efforts to avert any undesirable fallout from the recently ratified United States' Hezbollah International Financing Prevention Act (HIFPA). It is not the first time that the new international compliance rules have been adapted and applied locally. The latest move occurred in November 2015 when Parliament adopted numerous laws pertaining to money laundering, terrorism financing, and tax evasion. This new US law will only add to the banks' prudence, since it tightens the cord on one local political party. The local banking sector is renowned for its resilience and has withstood many perilous storms during the past few decades. It is this resilience that instills confidence in the banking sector's ability to eventually overcome this present challenge.

Year	Magazine/Newspaper/ABL	Quotes
2016	Lebanon Opportunities	<p>Is HIFPA already being applied?</p> <p>HIFPA became applicable by law in December 2015, By April 2016, the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury had issued regulations that saw the implementation of HIFPA. It also updated its list of Specially Designated Nationals and Blocked Persons (SDN), which includes people and organizations with whom American citizens and institutions are prohibited from doing business. It recently issued a new list of 99 names related to Hezbollah. Soon after, BDL closed approximately 100 bank accounts in compliance to the US law.</p> <p>Is this a final list?</p> <p>US authorities can publish a list of blacklisted names at any time, adding additional names to them at a later date, or even removing names from the list as it sees fit.</p>
2017	Le Commerce du Levant	<p>Le congrès américain s’apprête à durcir les sanctions imposées au Liban dans le cadre de la loi « Hezbollah International Financing Prevention Act of 2015 », votée fin décembre 2015. L’information, révélée par les quotidiens An-Nahar et Al Akhbar début avril, a été confirmée le 24 avril par le Président de la république, Michel Aoun. « Le projet de loi en préparation actuellement au Congrès américain, et qui vise à imposer de nouvelles sanctions à des partis libanais, des institutions et des particuliers, va faire beaucoup de tort au Liban et à ses citoyens. Nous sommes en train d’entreprendre des contacts pour éviter que cette loi soit votée.</p>
2017	Le Commerce du Levant	<p>« Hizballah International Financing Prevention Amendments Act of 2017 » mais dont la source n’est pas attestée, les sanctions qui visaient les cadres du Hezbollah en 2015 seraient élargies à toutes les personnes et entreprises ayant un lien avec le parti chiite, ou des institutions affiliées.</p>
2017	Le Commerce du Levant	<p>Ces sanctions étaient une épée de Damoclès sur la tête du Liban depuis avril dernier. A l’époque, le Président de la république, Michel Aoun, avait notamment déclaré devant une délégation de l’association American Task Force for Lebanon, qui œuvre pour le développement de la coopération libano-américaine que « Le projet de loi en préparation actuellement au Congrès américain, et qui vise à imposer de nouvelles sanctions à des partis libanais, des institutions et des particuliers, va faire beaucoup de tort au Liban et à ses citoyens. ».</p>
2017	Executive Magazine	<p>After weeks of media speculation, in May Lebanese officials moved to downplay the possibility that new American legislation would expand the scope of sanctions targeting Hezbollah’s finances. Rumors circulating in the Lebanese press since mid-April alleged that the US Congress was quickly drafting a new law that would tighten the noose on Hezbollah and its affiliates’ ability to use banks.</p>
2017	Executive Magazine	<p>Around 100 individuals and entities were sanctioned by the United States following the April 2016 implementation of HIFPA. The SIC, which acts as Lebanon’s financial intelligence unit (FIU), would not disclose the aggregate number of accounts that were closed, citing banking secrecy. But a senior international monetary official told Executive in December that the legislation probably had little effect on Hezbollah’s finances but had a large impact on confidence in the banking sector. Regarding media reports about new American legislation, the head of compliance at one of Lebanon’s Alpha banks said that if the rumors of new sanctions were true, the “impact would not be good, because we are talking about psychological effects.”</p>
2017	Executive Magazine	<p>a consequence of a new law could be de-risking, a unilateral severing of banking relations. “That’s the worst, the de-risking potential. And what really scares me is banks and central banks chickening out. When you’re hit with sanction after sanction they begin to ask, ‘Why should we do business with Lebanese banks?’”</p>

Year	Magazine/Newspaper/ABL	Quotes
2017	Executive Magazine	Following last year's local implementation of HIFPA the number of accounts that local banks closed was not significant, but confidence was affected, adding that rumors of fresh legislation have reminded the banking community of this uncertainty. "There is conscientiousness from everybody because of the rumors, but it has not culminated into something like de-risking actions."
2017	Executive Magazine	Confidence in Lebanon's banking system is a delicate thing. Mansour describes Lebanon's anti-money laundering (AML) and counter-terrorism financing (CTF) framework as robust and says that local banks are in full compliance with international standards, foreign legislation and national regulations. However, to outside observers, it might be hard to recognize the integrity of Lebanon's financial system and the rules that govern it. To them the core may be intact, but the rest of the apple looks rotten.
2017	Executive Magazine	According to the US State Department's 2016 International Narcotics Control Strategy Report, Lebanon is among 65 nations considered a "jurisdiction of primary concern" for money laundering and financial crimes. In explaining this designation, the department noted, "Lebanon faces money laundering and terrorism financing challenges.
2017	Executive Magazine	There does seem to have been an acceptance on the Americans' part that they should not disrupt the Lebanese economy by cutting off local banks from the global financial system. And the banking community's message to US lawmakers, when related to Hezbollah, seems to be that if you cut off Lebanese banks, you give the country to Hezbollah and Iran. But there are different tactics at play.
2017	Executive Magazine	The United States is applying the bullying strategy: Do as we say, or else. Lebanon's part is to roll over like a good little doggy: We know you don't mean what you say, you're nice and we're nice so don't confront us. But the notion that the Americans are not contemplating something serious is hard to buy, and the worry with Trump is that he seems willing to push the envelope further than previous administrations, and in unpredictable ways. Where does that leave Lebanon? The banking system is the pillar of the economy, and so it begs the question of Lebanon's political class: Is blowing up the country's banking sector worth the price of resistance?
2017	Executive Magazine	Local media outlets have been reporting since mid-April that the United States was close to expanding its legislative efforts to target Hezbollah's finances, a rumor that the Secretary General of the SIC, Abdul Hafiz Mansour, says has been blown out of proportion. But while new legislation or amendments to HIFPA remain at the draft stage, media speculation alone has caused a spike of uncertainty and forced a rush to Washington by Lebanese officials in an effort to water down any expansion of regulations.
2017	Executive Magazine	We're always following up on any new developments and requirements, and we're passing the necessary regulations and enforcing them as needed. We believe we're doing all it takes to be in compliance to protect the Lebanese banking sector, Lebanese individuals, and [the] national interest at large. This has been the stated policy all along, and I think that nobody contests that the country's interests come first. All our efforts and compliance enforcement fall under this banner.
2017	Executive Magazine	The Americans seem to be ratcheting up the pressure on Hezbollah through law enforcement actions and vis-à-vis Iran. But it is Lebanon's banking sector, and thus its economy, that has local government and banking officials concerned. The forced closure of the Lebanese Canadian Bank in 2011 is a not so distant memory and the question now is what will President Trump, whose behavior is viewed as erratic and impulsive, do with regard to this "menace"?

Year	Magazine/Newspaper/ABL	Quotes
2017	Executive Magazine	The new legislation arrived on Capitol Hill as an amendment to 2015's Hizballah International Financing Prevention Act (HIFPA). HIFPA was aimed at curbing Hezbollah's ability to access the international financial system and disrupt foreign financing to Hezbollah, that the Americans believe flows through Lebanese banks.
2017	Executive Magazine	The notion stokes fear of past American actions, as one vice president of investment banking at a local bank, who spoke on condition of anonymity because he was not authorized to comment publicly, wrote to Executive in an email. "Other than the effect of lower confidence in the banking system, which would probably be external rather than internal, will we have more cases like the Lebanese Canadian Bank which was closed following similar sanctions?" A senior official at Lebanon's central bank (Banque du Liban), who also insisted on anonymity, told Executive in June that he feared a unilateral severing of banking relations. "What really scares me is banks and central banks chickening out. When you're hit with sanction after sanction they begin to ask, 'Why should we do business with Lebanese banks?'"
2017	Executive Magazine	These developments came as Hariri arrived in Washington for his meeting with Trump. Following their meeting, Hariri said Lebanon and its central bank had always cooperated with American sanctions imposed on the country's banks, and always would. The US president, for his part, said he would be deciding on his anti-Hezbollah strategy very soon. And so we wait for the law and for the President's answer.
2017	The Daily Star	He nevertheless warned that any mistake made in the implementation of the sanctions – or any noncompliance – could harm Lebanon.
2017	The Daily Star	The United States opened the door to imposing sanctions on the Lebanese government Wednesday night with bills targeting both Hezbollah and Iran. The U.S. House of Representatives voted late Wednesday night on two bills specifically authorizing sanctions against government bodies complicit with Hezbollah. The first, a dramatic tightening of sanctions introduced under the Hezbollah International Financing Prevention Act of 2015, passed with overwhelming support, with co-sponsor signatures from over a quarter
2017	The Daily Star	A senior Lebanese banking official said Monday that recent financial delegations that had traveled to the U.S. to negotiate proposed sanctions on Hezbollah had stressed the need not to impact the wider local economy. Following a visit to the U.S. to meet officials, Head of the Association of Banks in Lebanon Joseph Torbey said: "The association told the U.S. administration and correspondent banks that new legislation should not be harmful or cause collateral damage to Lebanon, its economy, its banks or the savings of the people."
2017	The Daily Star	The head of the Association of Banks in Lebanon Joseph Torbey Thursday assured President Michel Aoun that Lebanon's banking sector would not be affected by tightened U.S. sanctions against Hezbollah.
2017	The Daily Star	Torbey told Aoun that "we received assurances from the Americans that the banking sector will not be targeted by the Hezbollah sanctions as long as it is committing to international measures for banking."
2017	The Daily Star	A week after a Saudi minister alleged that Hezbollah was using Lebanese banks to launder money, Prime Minister Saad Hariri has assured that there is no reason to fear for Lebanon's banking sector, and that the banks are complying with U.S. laws. At the premier's Downtown residence Tuesday night, he told a business and economic delegation from north Lebanon that Lebanon was among the few countries that apply U.S. laws to its banks, "especially in regards to transparency," according to statement from Hariri's office released Wednesday.

Year	Magazine/Newspaper/ABL	Quotes
2017	The Daily Star	The [implementation] of the bill will be harsh on Lebanon," he added. However, he said that the Lebanese could work with the U.S. to "change it."
2017	The Daily Star	A number of members of the U.S. House of Representatives have prepared a draft for a bill entitled "Hezbollah International Financing Prevention Amendments Act of 2017" that is mainly aimed at cutting off all forms of financial support to the party, which Washington labeled as a terrorist organization. The new draft, which has not yet been introduced in the House, has reportedly added new entities such as the Amal Movement to the list of sanctioned parties. A similar draft is said to be making the rounds in the Senate. The proposed amendments have caused alarm in Lebanon among both politicians and the banking sector.
2017	The Daily Star	A current bill in the U.S. Congress is expected to increase sanctions on Lebanese businesses and entities suspected of financially assisting Hezbollah. Lebanese Central Bank Governor Riad Salameh had said that, if asked to do so, he would head a delegation to Washington to mitigate the effects of the expected sanctions and prevent shockwaves through the country's financial service sector
2017	The Daily Star	Four security experts were summoned to advise members of Congress on possible legal actions to undermine Hezbollah's financial network at a hearing held at the United States House Committee on Foreign Affairs in Washington. The hearing followed recent U.S. moves to widen financial sanctions on the Shiite group, which left Lebanon worried about potential repercussions on the country's economic stability.
2017	The Daily Star	While the panel favored the idea of economic sanctions, questions over whether Lebanese banks were definitively playing a role in financing terrorism remained unanswered.
2017	The Daily Star	The issue of the anti-Hezbollah sanctions and its repercussions on the Lebanese economy and the banking sector also figured high
2017	The Daily Star	"Talks focused on the importance of the stability of the banking sector in Lebanon and of the IMF following up on the legislation that will be enacted by the U.S. Congress to make sure it does not lead to the instability of the Lebanese banking sector," according to a statement released by Hariri's media office Friday.
2017	The Daily Star	Hariri said Thursday that his talks with U.S. lawmakers and senators centered on ways to shield Lebanon from the negative effects of the sanctions on Hezbollah. His remarks came after Republican and Democratic U.S. lawmakers introduced legislation on July 20 seeking to bolster sanctions against Hezbollah, accusing the Iranian-backed group of violence in Syria and amassing rockets along Israel's border. A number of members of the U.S. House of Representatives have prepared the draft "Hezbollah International Financing Prevention Amendments Act of 2017," which aims to cut off all forms of financial support to the party.
2017	The Daily Star	Politicians and bankers in Lebanon are worried that U.S. efforts to widen sanctions on Hezbollah could damage the country's banking industry because of the group's widespread influence in the country.
2017	The Daily Star	Proposed tighter U.S. sanctions on Hezbollah have been altered enough to allay fears of major damage to Lebanon's economy, a sign Washington is taking concerns about Lebanese stability seriously, banking and political sources said. But banking figures told Reuters Lebanese authorities should not be complacent as U.S. President Donald Trump's future stance on Iran and its allies cannot be predicted, and the bill won't be discussed and voted on until autumn when Congress reconvenes.

Year	Magazine/Newspaper/ABL	Quotes
2017	The Daily Star	When drafts said to be U.S. plans for extended anti-Hezbollah legislation circulated in Lebanon earlier this year, local media warned of dire consequences for Lebanon's fragile economy and fractious sectarian politics. The main concern for the Lebanese authorities is that U.S. correspondent banks, which face huge fines if found to be dealing with sanctioned people or companies, might deem Lebanese banks too risky to do business with. This would undermine the economy, which relies on dollar deposits transferred from expatriate Lebanese.
2017	The Daily Star	Deposits could dry up if correspondent banks deem Lebanon too risky and stop clearing dollar transactions for local banks. Financial sources say confidence in the Central Bank's ability to apply regulation is strong. But Lebanon remains a politically risky country and correspondent banks have in recent years become more risk-averse globally as United States anti-terrorism and anti-money laundering regulation has increased.
2018	Executive Magazine	We also do not yet know what sanctions targeting senior officials connected to Hezbollah will do to Lebanon, its banking sector, or the local economy.
2018	Executive Magazine	Yes, there are sanctions on Lebanese individuals and companies and that does pile on political pressure on the country, but the standard answer from Lebanon's central bank is that it complies with international standards and foreign and local legislation, while the banking community is in compliance with global anti-money laundering and counterterrorism financing requirements.
2018	The Daily Star	Berri told the delegation that money laundering laws passed by the Lebanese Parliament have made Lebanon "a country that meets the highest international legal standards regarding money transfer financial movement and combatting money laundering and terrorist financing," a statement from the Speaker's media office said. Berri's remark referred to the passing of several draft laws in 2016 on combatting Terrorist Financing that had been pending for years, amending the outdated 2001 Law No 318. Despite efforts carried out by various official bodies, the U.S. still regards Lebanon's efforts as insufficient.
2018	The Daily Star	Despite Billingslea's reassuring words that there were no new sanctions planned against banks, he made no such promises about general sanctions. "We'll never take that off the table. This is a constant campaign."

## Appendix 11

### “Pragmatic” Quotes from Archival Data

Year	Magazine/Newspaper	Quotes
2007	Le Commerce du Levant	La Banque du Liban a été récompensée pour ses efforts en matière de lutte contre le blanchiment d'argent. Le Liban et l'Australie se sont ainsi partagé une somme d'un million de dollars saisie dans le cadre d'une affaire d'évasion fiscale. Le gouverneur de la Banque du Liban, Riad Salamé, a reçu un chèque de 683 500 dollars en guise de récompense pour les efforts menés par la Commission spéciale d'investigation dans le cadre de sa coopération avec la police fédérale australienne.
2009	ABL Annual Report	Within this regard, the monetary authorities successfully praised Lebanon in the evaluation of the MENAFATF, where it appeared that Lebanon is the best Arab country to abide by the international standards to fight money laundering and finance terrorism. This evaluation is increasingly taken into consideration when the countries deal with the banking sectors in the world, thus keeping Lebanon at the shelter of surprises on this level. This happened thanks to the serious and professional efforts of the negotiating Lebanese team.
2010	ABL Annual Report	The Lebanese banking sector is seriously and professionally integrated into the international anti-money laundering efforts. Several international bodies have recognized the progress made by the country in the laws and implementation mechanisms in this field. Moreover, the Lebanese experience became the role model for many countries of the region. In addition, the “Special Investigation Commission SIC” proved its competence and has become a member of the international group “EGMOND” since 2003.
2011	ABL Annual Report	Following to the international sanctions on Iran and Syria followed by the Arabic sanctions, the specialized commission at the Association intensified its meetings in order for banks to reach the proper arrangements and unified stand concerning this crucial situation. Banks found necessary not to be indulgent with sanctions, especially the ones imposed by the Arab countries. They also found necessary to take strict measures about the accounts and the accounts activity of personalities and companies figuring on the American and European lists. The main purpose remains to protect the Lebanese banks and the money of their depositors and contributors since it is in no one's interest to expose the banking sector to risk for the sake of an account or a transaction.
2011	Executive Magazine	Whether or not the accusations against Lebanese Canadian Bank are true, whether or not there is substance to the rumors that there is a list of banks yet to be targeted, we have to assume that doing business in Lebanon is now fundamentally different than it was just months ago. And not only is the timing of the attack no mistake, but the cause is unmistakable.
2011	Executive Magazine	Lebanese banks had to prove their resilience once again in 2011, though instead of dodging a global financial crisis, this time around they had to navigate a five-month government stalemate, the undoing of Lebanese Canadian Bank (LCB) and the continuing Arab revolutions.
2011	Executive Magazine	Indeed, the general consensus is that the LCB debacle has nurtured, by necessity, a new culture of accountability on the road to transparency. “I think it was an individual case, and I think most banks have learnt a lesson,” says Jean Riachi, chairman of FFA Private Bank. According to Freddie Baz, chief financial officer at Bank Audi, “Important banks in Lebanon know their responsibilities and duties in terms of compliance.”

Year	Magazine/Newspaper	Quotes
2011	Executive Magazine	When we cannot have a proper assessment of the origin of the funds and when [they] could put the bank at risk, we have to turn down some business and I believe most of the banks in Lebanon are very careful and are doing the same.
2012	ABL Annual Report	After over 20 years of long continuous efforts, the Lebanese banking sector gained the respect of the International Community, despite the hard working conditions we are surrounded with locally and regionally. Lebanon has not been included in the February 2012 report of the FATF on the list of the 40 non-cooperative countries with AML/CFT deficiencies. Furthermore, the American FINCEN agency, equivalent to our Special Investigation Commission, did not include Lebanon in its July 19, 2012 report, on any of the three lists related first to countries not effectively cooperating in fighting terrorist financing and money laundering, second those with strategic gaps in these fields, and finally those recommended by the FATF to apply the right measures that prevent masters of the organized crime from accomplishing their target through their financial systems.
2012	ABL Annual Report	On the basis of its worldwide expansion, the Lebanese banking sector commits to the international sanctions issued by the United Nations, the United States of America, the European Community and the Arab League, preventing any violation or escape attempt from these sanctions. Lebanese banks, in Lebanon and abroad, insist to maintain their good reputation and their place among Arab and foreign countries. Their main purpose remains to protect their shareholders, depositors and clients from any exposure to risk and to keep a good clear relationship with correspondent banks. Therefore, banks in Lebanon and abroad, make sure not to risk their accomplishments for the sake of any endangering activity.
2012	ABL Annual Report	The delegation insisted on the strategic role of the Lebanese banking sector in strengthening stability in Lebanon and the region, considering that banks are Lebanon's and the private sector's main financier. Banks are strong contributors to the continuity of state institutions providing resources for Lebanon during hard events the country witnessed. Banks continue to play that role as they are trying to maintain the good reputation they gained due to their good performance regarding compliance with international banking rules and standards, especially with respect to money laundering and terrorist financing. The meeting concluded with an emphasis that the Lebanese banking sector deserves the support of the U.S and the International Community for the crucial role it plays in the economic and national life in Lebanon.
2012	ABL Annual Report	due to the satisfaction among U.S. authorities regarding the Lebanese banks efforts and their course of action during hard circumstances, the visit contributed in enhancing the comfort of international correspondent banks, particularly Americans, towards Lebanese banks. That is a vital point for the Lebanese banking sector on the international scale. The positive results of the visit protect and strengthen the position of the Lebanese banking sector. Moreover, they serve the interest of the Lebanese economy and the country in general viewing the role of banks in the financing of the state and the maintenance of savings of Lebanese residents and immigrants.
2012	Executive Magazine	Banks have relationships with other intermediary American banks to deal in US dollars, which would act as the initial trigger for any US-imposed sanctioning of transactions. "The banks have to do their due diligence and not have accounts with people who are on the lists, because they have relations with US banks," said the manager of a compliance unit at one of Lebanon's major banks, speaking on condition of anonymity.

Year	Magazine/Newspaper	Quotes
2012	Executive Magazine	Given the uncertainty, many banks are taking measures that go beyond the text of the law by refusing to bank with those on the OFAC list as well as their relatives, close friends, business associates and so on, according to Morcos. And, according to Yazigi, many Syrians can no longer open up accounts in Lebanon and find it very difficult to conduct financial transactions even if they do not have ties with the regime. “I would not open a [Syrian national’s] account. I would advise other banks not to give themselves a headache and just not take the account,”
2012	Executive Magazine	There are however legitimate concerns about the industry that are also being addressed. A larger exchange dealer also in Hamra, who did not wish to be named, claimed he was glad the regulations were to be introduced as it could help rebuild the confidence of the international community.
2012	Executive Magazine	Near the beginning of 2011 it emerged that the United States Department of the Treasury had designated Lebanese Canadian Bank as a money laundering concern, claiming it was acting as a washing machine for Hezbollah cash. To prevent a catastrophic collapse in confidence in the sector, Bank du Liban (BDL), Lebanon’s central bank, intervened, eventually facilitating LCB — minus the suspect accounts — being bought out by Société Générale de Banque au Liban. The LCB crisis proved seminal for the industry, with a December article in The New York Times alleging pervasive cooperation between LCB and Hezbollah in laundering money, bringing the crisis back into the international consciousness. While the banking sector tried hard to regain confidence some of the mud stuck, and it has struggled to regain its international reputation. A compliance officer of a major Lebanese bank, talking on condition of anonymity because he was not officially permitted to speak to the press, admitted it signalled change in the industry. “After the LCB it has become much more important for banks to have the backing of the international community. It has made all the Lebanese banks more concerned,” he said.
2012	Executive Magazine	However it appears attitudes have softened in the past year, with banks coming to the conclusion that they can no longer fight the tide of pressure from the US Treasury. Asked if his bank would abide by the FATCA law, the compliance officer said: “We are forced to. We live in a world where the US is the dominant force and the dollar is the global currency, we can’t just ignore that.” He admitted that this could mean an end to banking secrecy, for Americans at least.
2012	Executive Magazine	Mansour has the task of rebuilding confidence in the Lebanese banking sector’s ability to deal with money laundering, following the Lebanese Canadian Bank (LCB) crisis in early 2011. Along the way he has faced constant pressure from American authorities, including new legislation that could undermine Lebanon’s banking secrecy, and a slow-moving Lebanese legislature that has stalled implementation of laws conforming to international banking standards.
2012	Le Commerce du Levant	Les responsables libanais ont assuré à leur interlocuteur que les banques libanaises avaient gelé toutes les transactions avec la Banque centrale syrienne conformément aux sanctions imposées par Washington et l’Union européenne.
2013	ABL Annual Report	Lebanese banks whether in Lebanon or abroad are keen on keeping their sound reputation and Arab and international positions, and on preserving the interests of their shareholders, depositors and agents and on their good and clear relationship with correspondent banks. Thus, they are adamant whether in Lebanon or abroad on avoiding any of the activities that would endanger all of the above.

Year	Magazine/Newspaper	Quotes
2013	ABL Annual Report	Based on all of these efforts, the Banking sector in Lebanon has earned the respect of the international community despite the difficult national and regional framework of operation. To underscore this point, Lebanon has not been placed on the US FinCEN list (the equivalent of the Special Investigation Commission in Lebanon) in its latest report of 2014 (nor in its previous reports) of countries with strategic AML/CFT deficiencies.
2014	Le Commerce du Levant	Les banques libanaises respectent à la lettre les sanctions internationales et coopèrent entièrement avec les pays concernés dans leur lutte contre le terrorisme et le blanchiment d'argent (...) Elles n'ont aucune raison d'être inquiétées », avait-il dit à L'Orient-Le Jour. « L'économie libanaise étant fortement dollarisée, elle a tout intérêt à maintenir de bonnes relations avec les États-Unis, et donc à coopérer. »
2014	Le Commerce du Levant	Nous avons pris les dispositions juridiques nécessaires pour que le secteur bancaire reste intégré au système financier international : le secret bancaire n'a pas vocation à abriter des opérations illégales. Sur le plan réglementaire, nous avons déjà pris toutes les mesures nécessaires pour obliger les établissements locaux à se conformer aux lois internationales et pris des initiatives pour encadrer plus strictement certaines activités comme celle des hawalas
2016	ABL Annual Report	The commitment of the financial and monetary authorities and banks' administrations to the standards of the international banking industry and the international demands including sanctions is one of the necessary requirements to protect the interests of Lebanon and preserve the wealth of all of its nationals and the benefit of all citizens and bank clients, depositors and lenders guaranteeing the integrity and continuity of business through the international financial system. The sector has close to 6.9 million credit and debit accounts distributed over all the districts, cities and towns of Lebanon. The share of sects out of these accounts is consistent with the economic and demographic weight of each.
2016	Executive Magazine	So the idea of America treating Hezbollah as a criminal organization doesn't sit well for Lebanon. In that context, the label of criminal organization is a matter of definition and Hezbollah, from the Lebanese perspective, cannot be declared an enemy of the state. That in turn means Lebanon has to make a choice on what is in the best interest of the Lebanese. On the one hand it is of vital Lebanese interest to have America as a friend for business and trade relations, not to mention being cut off from the international financial system led by the United States would effectively kill our economy. But on the other hand we cannot ignore Hezbollah and the Shiite constituency it in large part represents – nor can we declare them to be enemies of the state or secessionists. While we're capable of adapting to the challenges we face, it's impossible to satisfy opposing interests at the same time. But we need to take care of our national interests, however difficult that may be.
2016	Executive Magazine	To the latter the response is one of confidence – Lebanon has put in place the necessary compliance measures to shield its financial system. But to the former, in the face of American pressure, uncertainty persists as to the consequences for local banks should the Americans accuse them of servicing accounts linked to Hezbollah – the outcome of which will be answerable only through testing actual conflict scenarios,

Year	Magazine/Newspaper	Quotes
2016	Executive Magazine	After the LCB case, banks heightened their awareness to the risks – whether they are local or international [banks], it is now much clearer. When I compare what [Lebanon’s] banks are doing, I think we’re doing well by regional and international standards. Our set of laws and regulations are pretty much complete now. The new laws and regulations passed last November complete our legislative [framework], and on the regulatory front the central bank has issued the necessary regulations. So what we need from the regulatory and legislative perspectives we [have], it’s quite complete and is one of the best set of [rules] in the region. I would say the situation is quite acceptable – is it perfect? No, we’re never perfect.
2016	Executive Magazine	How did it go at FATF’s February plenary meeting? It went pretty well. The new laws were reviewed and Lebanon was found to be in compliance and that there was no further action to be taken in this regard.
2016	Executive Magazine	We, as Audi and we as banks, have committed to following international standards. We are living in a dollarized economy – the bulk of our transactions are in US dollars and cleared through the United States. When a transaction crosses a border and [is transacted in] the US, we become subject to their laws. This is the reality because the dollar is a key currency and because transactions in the world are in US dollars and they touch US correspondent banks. So because we are keen to maintain a position as a sophisticated and fair player in the global financial market, we respect the applicable laws. The key applicable laws, because of these reasons, are US laws – we are not talking about politics, this is a business and legal reality.
2016	Executive Magazine	I’m not trying to minimize the [issue] but I’m saying it is important to the US, it’s important to us, and it’s important to our clients.
2016	Executive Magazine	continue to strengthen our compliance program, that we continue to give assurances to ourselves – our boards, our management, to our shareholders, our employees – that we are managing our compliance program efficiently and prudently so we can continue to maintain partnership with our correspondent bank. Not only do I need to pay attention to my standards but to comply with the standards of the correspondent bank. That means a successful continuation of correspondent banking relationships, which in turn means that we’ll continue to exist and prosper and continue to support our clients in their dealings with the world.
2016	Executive Magazine	Banking and the free flow of capital are rights we have to fight for. We play by the rules, we should be treated with fairness, dignity and respect. When a father’s attempt to send his son in Canada life support money is thwarted by some clown in New York who doesn’t even give a reason for refusing a transfer, we’re all in trouble. Remittances – inbound or outbound – are the oxygen of our country. We can’t let ourselves be suffocated.
2016	Executive Magazine	The government and parliament have largely reduced their activity to reactionary decision-making and emergency legislation
2016	Executive Magazine	With no fiscal policy in place, Banque du Liban (BDL), Lebanon’s central bank, has stepped in to shore up Lebanon’s sputtering economy. BDL claims that its stimulus packages (\$1.46 billion in 2013, increased by \$920 million in 2014, an additional \$990 million in 2015 and another \$1 billion more announced this November), whose primary role has been to spur job creation, have made a “sizeable contribution to GDP.” BDL says that “the stimulus packages of 2013 and 2014 proved to be successful, contributing around 50 percent of real gross domestic product growth,”

Year	Magazine/Newspaper	Quotes
2016	Executive Magazine	One of the biggest stories of the year was the implementation in May of an American law targeting Hezbollah – the Hezbollah International Financing Prevention Act (HIFPA). Once again, BDL stepped in to fill the void of foreign policy, financial and economic leadership vacated by an impotent government – issuing circular 137 for Lebanese banks to comply with the US law.
2016	Executive Magazine	Yet in important ways, private banking has changed more in the few years of this century than in the 700 years before. The three main components of this change were the redrawing of regulations, the impact of technology and the globalization of markets. Regulations moved away from selective laissez-faire regimes and from being accommodative to the private greed of the upper 20 percent, to the intense scrutiny and punishment of financial rule-breaking by banks, of complicity in money laundering and individuals’ tax evasion, of sanctions breaking and so forth
2016	Executive Magazine	The sanctioning of individuals with close ties to Lebanese financial institutions is concerning, but protecting the integrity of Lebanon’s financial system has been at the center of the Banque du Liban, Lebanon’s central bank, agenda for some time, driven more by financial rather than political concerns. In early 2015, a new law to strengthen anti-money laundering (AML) and counter-terrorism financing (CTF) rules was submitted to Lebanon’s Parliament, but an impasse in the legislature delayed the law’s ratification until November 2015.
2016	Executive Magazine	The focus of Lebanon’s central bank, in conjunction with the Association of Banks in Lebanon (ABL), has been to assert that the local banking environment and framework are compliant with international standards and that Lebanon can be a safe and attractive banking location. ABL has allocated resources toward the implementation of AML/CTF compliance in terms of training Lebanese banks employees. According to its 2014 annual report, the latest available, ABL organized a conference on money laundering compliance that attracted 117 bank representatives. The ABL says it also organized 13 intensive workshops and 19 in-house sessions on the issue, training 263 and 453 participants respectively. ABL did not disclose the amount of money it spent training and educating Lebanese bankers on AML/CTF compliance that year.
2016	Executive Magazine	The position that Lebanese officials might put forth can be summarized thusly: that Lebanon is in full compliance with international banking standards and that the legislative framework and central bank AML/CTF rules are being implemented to curb money laundering activity. But implementation of HIFPA will further pressure Lebanon’s financial institutions because the law places responsibility on banks to not knowingly facilitate financial transactions for Hezbollah. Because American financial intelligence – and to what extent information is shared with Lebanese counterparts is not clear to Executive – indicates that front companies are often used to open accounts, identifying connections to Hezbollah is difficult. What the impact of the HIFPA legislation will have on Lebanon’s financial system is opaque. It will depend on testing in actual conflict scenarios that hopefully never come. This is an issue that Executive will continue to monitor.

Year	Magazine/Newspaper	Quotes
2016	Lebanon Opportunities	The banking sector, led by the Central Bank (BDL), is deploying efforts to avert any undesirable fallout from the recently ratified United States' Hezbollah International Financing Prevention Act (HIFPA). It is not the first time that the new international compliance rules have been adapted and applied locally. The latest move occurred in November 2015 when Parliament adopted numerous laws pertaining to money laundering, terrorism financing, and tax evasion. This new US law will only add to the banks' prudence, since it tightens the cord on one local political party. The local banking sector is renowned for its resilience and has withstood many perilous storms during the past few decades. It is this resilience that instills confidence in the banking sector's ability to eventually overcome this present challenge.
2017	ABL Annual Report	The BDL also issued several circulars guaranteeing the transparent practice in the banking sector, which protects our relationship with the correspondent banks abroad. This is a principle matter, as any banking sector fails from surviving whether in Lebanon or the world, if it is not committed to the transparent dealings or in contact with the international correspondent banks. This subject is also of utmost importance to Lebanon as the dollarization rate in it is high. This commitment facilitated the issue of financing in Lebanon as the Lebanese banking sector was able to finance the private and public sectors in a very natural way, despite classifying Lebanon by moderate grades, and the high political and security challenges it faces, and despite bearing the consequences of the regional disturbances and tensions. Thus, FATF considered Lebanon to have met all international requirements.
2017	Executive Magazine	Confidence in Lebanon's banking system is a delicate thing. Mansour describes Lebanon's anti-money laundering (AML) and counter-terrorism financing (CTF) framework as robust, and says that local banks are in full compliance with international standards, foreign legislation and national regulations. However, to outside observers, it might be hard to recognize the integrity of Lebanon's financial system and the rules that govern it. To them the core may be intact, but the rest of the apple looks rotten.
2017	Executive Magazine	We're always following up on any new developments and requirements, and we're passing the necessary regulations and enforcing them as needed. We believe we're doing all it takes to be in compliance to protect the Lebanese banking sector, Lebanese individuals, and [the] national interest at large. This has been the stated policy all along, and I think that nobody contests that the country's interests come first. All our efforts and compliance enforcement fall under this banner.
2017	Executive Magazine	These developments came as Hariri arrived in Washington for his meeting with Trump. Following their meeting, Hariri said Lebanon and its central bank had always cooperated with American sanctions imposed on the country's banks, and always would. The US president, for his part, said he would be deciding on his anti-Hezbollah strategy very soon. And so we wait for the law and for the President's answer.
2017	The Daily Star	The resignation of Prime Minister Saad al-Hariri demonstrates the unpredictable nature of Lebanese politics. But banks have further challenges: persisting imbalances in the public finances, the lack of political will to implement structural reforms, a lack of lending opportunities in the private sector, and increasing compliance requirements. Still, the sector remains profitable, liquid and able to meet the financing needs of the private and public sectors. The key to the success of the banking sector lies in the trust that stakeholders have in the banks. The continuing ability of banks to attract deposits, regardless of domestic and regional political conditions, has been the cornerstone of monetary, fiscal, economic and – most importantly – social stability in Lebanon.

Year	Magazine/Newspaper	Quotes
2017	The Daily Star	The sector has invested in human resources, technology, and legal requirements, and worked with the central bank to meet all compliance aspects. The list is long but has proven to be manageable, including anti-money laundering practices, implementing sanctions, and meeting Basel III requirements and international accounting standards and tax regulations.
2017	The Daily Star	A week after a Saudi minister alleged that Hezbollah was using Lebanese banks to launder money, Prime Minister Saad Hariri has assured that there is no reason to fear for Lebanon’s banking sector, and that the banks are complying with U.S. laws. At the premier’s Downtown residence Tuesday night, he told a business and economic delegation from north Lebanon that Lebanon was among the few countries that apply U.S. laws to its banks, “especially in regards to transparency,” according to statement from Hariri’s office released Wednesday.
2017	The Daily Star	Hariri also “pointed to huge cooperation between the U.S. Department of the Treasury and Lebanon’s Central Bank, and that all the laws that were imposed by the United States Congress are being implemented in Lebanon,”
2017	The Daily Star	Lebanon’s security agencies and the Central Bank are working closely to prevent the use of Lebanese banks to channel money to terrorist groups
2017	The Daily Star	Salameh also underscored that the Lebanese banking system has international legitimacy.
2018	The Daily Star	Berri told the delegation that money laundering laws passed by the Lebanese Parliament have made Lebanon "a country that meets the highest international legal standards regarding money transfer financial movement and combatting money laundering and terrorist financing," a statement from the Speaker’s media office said. Berri’s remark referred to the passing of several draft laws in 2016 on combatting Terrorist Financing that had been pending for years, amending the outdated 2001 Law No 318. Despite efforts carried out by various official bodies, the U.S. still regards Lebanon’s efforts as insufficient.

## Appendix 12

### “Coercive Pressure” Quotes from Archival Data

Year	Magazine/Newspaper/ABL	Quotes
2001-2002	ABL Annual Report	En effet, cette nouvelle législation américaine impose un mécanisme qui ne correspond pas nécessairement au mécanisme de la loi sur la lutte contre le blanchiment d’argent. Ainsi il est possible que la partie américaine réclame des informations sur des personnes, comptes ou opérations pour des raisons que la Commission d’enquête spéciale pourrait juger insuffisantes pour lever le secret bancaire. La non-coopération de la banque libanaise concernée aboutirait alors à la fermeture de son compte près son correspondant américain.
2007	Executive Magazine	The issue is of major significance for banks, as even allegations of being a channel for criminal activity could have long-lasting effects on a bank’s reputation and brand equity. Equally, Arab banks with branches in the US have to be proactive in countering money laundering and terrorist financing to comply with the USA Patriot Act’s International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001.
2010	Executive Magazine	On top of this, US regulatory watchdog, the Treasury Department’s Financial Crimes Enforcement Network (FinCen), is widening its offensive on the global financial system, from the now well-established anti-money laundering and counter terrorist financing regulations all banks operating with the US have to comply with, to a heightened focus on corruption – the Foreign Corrupt Practices Act (FCPA). This onslaught by Washington and US-based ratings agencies is making life hard for Middle Eastern financial institutions and foreign firms that work in the region, and in particular for raising capital in an already tight lending environment.
2011	ABL Annual Report	The banks have made an intensive and expanded training workshop to raise their employees’ awareness regarding suspected transactions and their risks, in order to avoid being at reputation risks, following the problem one Lebanese bank suffered from in February 2011 due to its designation by the U.S. Department of the Treasury as a suspected cover for money laundering transactions.
2011	Executive Magazine	Deal with us or not, period. The banking sector is not loose and American banks shouldn’t be scared of Lebanese banks; banks are cooperating and closing accounts with exchange dealers, even good exchange dealers.
2011	Executive Magazine	This ought to have set off warning bells at LCB’s compliance department, at exchange houses and with Lebanese regulators. If the FinCEN report is to be believed and Joumaa has links to LCB that stretch back to 2006, what it would suggest is that there are certain weaknesses in Lebanon’s anti-money laundering (AML) regime.
2011	Executive Magazine	The BDL has said that, in line with recent US requests and following a mutual evaluation of the country’s AML regulations in 2009 by FATF’s regional body, MENA-FATF, it will upgrade procedures. Current proposed laws include cross-border cash regulations, declarations and disclosures, and the addition of another 10 predicate offenses to the current seven.
2011	Executive Magazine	Whether or not the accusations against Lebanese Canadian Bank are true, whether or not there is substance to the rumors that there is a list of banks yet to be targeted, we have to assume that doing business in Lebanon is now fundamentally different than it was just months ago. And not only is the timing of the attack no mistake, but the cause is unmistakable.

Year	Magazine/Newspaper/ABL	Quotes
2011	Executive Magazine	Rumors of further LCB-style designations have persisted, while additional pressure has been heaped on Lebanon following multiple rounds of US and European Union sanctions on Syria in response to Damascus' crackdown on protestors. For the sanctions to have bite, Lebanon cannot be a financial conduit for the Syrian regime; Lebanon is not required to abide by US and EU sanctions — only United Nations resolutions are binding — but it has pledged to cooperate. With around 60 percent of Lebanese banks' deposits in American dollars, and the lira pegged to the greenback, Lebanon, as the BDL source put it, is effectively part of the US financial system — Beirut must respect US decisions whether it likes them or not.
2011	Executive Magazine	Beirut is in a form of “partnership” with Washington, and BDL is under pressure to deliver by making sure no money laundering or terrorist financing (by American definitions at least) is occurring within the banking sector. If another bank is in the firing line, the US may point its finger, and BDL will investigate rather than merely getting a day's warning from Washington — as happened with LCB.
2011	Executive Magazine	Lebanese banks are right to be paranoid and to keep in line with US regulations in order to avoid the devastating blow to the sector's credibility that an LCB redux would mean.
2011	Executive Magazine	Indeed, the general consensus is that the LCB debacle has nurtured, by necessity, a new culture of accountability on the road to transparency. “I think it was an individual case, and I think most banks have learnt a lesson,” says Jean Riachi, chairman of FFA Private Bank. According to Freddie Baz, chief financial officer at Bank Audi, “Important banks in Lebanon know their responsibilities and duties in terms of compliance.” But the Lebanese banking sector remains on the fence with regards to Syria, where the outcome of the uprising is still far from certain. While most in the industry say the impact on Lebanese banks has been contained thus far, they remain concerned going into 2012.
2012	Executive Magazine	As the economic migration takes place, Lebanon is finding itself under increasing international pressure to abide by Western sanctions. A visit by US Treasury Assistant Secretary for Terrorism Financing Daniel Glaser in November set off a renewed wave of fears in the banking sector, especially after “concern” over the dealings of Lebanese Canadian Bank (LCB) threw the sector into crisis mode earlier in the year.
2012	Executive Magazine	While the case of LCB and Syrian sanctions are not directly related, the fear that further action could be taken by the US over assistance to the Syrian regime is ever-present, even though “US sanctions do not directly obligate Lebanese financial institutions,” according to a US Treasury department official who spoke to Executive. “Lebanese financial institutions may be choosing to perform their own enhanced due diligence on transactions associated with Syria due to the heightened risk associated with that jurisdiction,” the official said.
2012	Executive Magazine	“Now we are afraid of another LCB issue,” said Paul Morcos, founder of the Justicia law firm that provides legal consulting for the banking sector. “They need a new scapegoat so that the new procedures they are asking for can be implemented. Since our banks have accounts with correspondent banks in the US, they should be afraid.”
2012	Executive Magazine	The most infamous of all is the US's Office of Foreign Assets Control (OFAC) list. Companies placed on this list, or those who have dealings with persons on them, are effectively banned from dealing in US dollars and any banks that carry out transactions for such a person could potentially be sanctioned themselves.

Year	Magazine/Newspaper/ABL	Quotes
2012	Executive Magazine	Banks have relationships with other intermediary American banks to deal in US dollars, which would act as the initial trigger for any US-imposed sanctioning of transactions. “The banks have to do their due diligence and not have accounts with people who are on the lists, because they have relations with US banks,” said the manager of a compliance unit at one of Lebanon’s major banks, speaking on condition of anonymity.
2012	Executive Magazine	He stressed that in principle the OFAC list targets money laundering, terrorist financing and other financial crimes and not sanctions, which come under a wider US legal principle called a country ruling. Even so, banks still use the lists as the basis for compliance.
2012	Executive Magazine	Given the uncertainty, many banks are taking measures that go beyond the text of the law by refusing to bank with those on the OFAC list as well as their relatives, close friends, business associates and so on, according to Morcos. And, according to Yazigi, many Syrians can no longer open up accounts in Lebanon and find it very difficult to conduct financial transactions even if they do not have ties with the regime. “I would not open a [Syrian national’s] account. I would advise other banks not to give themselves a headache and just not take the account”.
2012	Executive Magazine	Lebanese private bankers, like Swiss bankers, are facing pressure to comply with new transparency and disclosure requirements such as FATCA but, says Saussure, “what is of course more difficult is that they are in a country that does not have the same rating as Switzerland.”
2012	Executive Magazine	Lebanon first fell into the crosshairs of the United States Department of the Treasury’s Office of Foreign Assets Control (OFAC) in 2011. Pressure from OFAC — effectively the world’s anti-money laundering (AML) and counterterrorist financing (CTF) enforcer — saw one Lebanese bank go under for money laundering charges in the first quarter of 2011, and by the second quarter, Lebanese banks were having to deal with US-imposed sanctions on Syria. The heat did not let up in 2012, with the banking sector continuing to deal with the aftershocks and new regulations.
2012	Executive Magazine	The first shoe fell in February 2011, when OFAC labelled the Lebanese Canadian Bank (LCB) a “financial institution of prime money laundering concern” over transactions involving Hezbollah and drug dealers, with LCB’s assets later taken over by Société Générale de Banque au Liban. The US move was a harsh wake up call for the banks, with due diligence quickly becoming a top priority, while the Treasury pushed Banque du Liban (BDL), Lebanon’s central bank, to address AML and CTF shortcomings. BDL has stepped up to the plate, issuing circulars regulating foreign exchange bureaus — which were a link in the chain in the LCB case — limiting bureaus to one major bank account, and not allowing transfers to third parties.
2012	Executive Magazine	The major move this year was issuing Circular 126 on May 24, requiring banks and financial institutions to “implement strictly” AML and CTF regulations. The circular extends to the US sanctions on Syria as well as Iran, with the financial sector having to be in “conformity with the laws, regulations, procedures, sanctions and restrictions adopted by international legal organizations or by the sovereign authorities in the correspondents’ home countries.” This means that banks are not allowed to have any dealings with, for instance, Syrian individuals and entities sanctioned by the US and European Union, while Syrians are not allowed to open accounts (those opened prior to the 2011 sanctions are still operational).

Year	Magazine/Newspaper/ABL	Quotes
2012	Executive Magazine	A question then is why should Lebanese banks be so paranoid and rigidly follow OFAC's diktats? The answer is surprisingly straightforward and follows the investigative practice of "follow the money" — Lebanon's fiscal tie to the US. Two thirds of the money in Lebanon is in US dollars, 85 percent of loans are in dollars and significant amounts of the banks' money, in dollars, is sitting in New York bank accounts. As the BDL source put it, "by default Lebanese banks are part of the US banking system. Therefore, our banks must comply with US regulations."
2012	Executive Magazine	Lebanon really has no choice in these matters, unless it wants to decouple from the greenback and de-dollarize the economy, something that is not impossible, but is certainly problematic, and it is definitely not the right time when banks' bottom lines are under pressure and the Lebanese economy itself is flat-lining, with the source saying BDL is internally forecasting zero to 1 percent growth. So, tied to the US Lebanon will remain. It is a good thing then that BDL and the US Treasury get along "beautifully", as the BDL source put it.
2012	Executive Magazine	Lebanese banks had their fair share of challenges to deal with in 2012 : a stagnant economy; the ongoing turmoil in neighboring Syria; increased scrutiny from the United States; increased regulatory requirements; America's upcoming Foreign Account Tax Compliance Act (FATCA); the anti-Iranian lobby urging foreign institutions to drop their holdings of Lebanese debt; cyber-attacks on Lebanese bank accounts, and the list goes on.
2012	Executive Magazine	With international sanctions placed on Syria, US regulators have kept a close eye on Lebanese banks to ensure they don't become a funnel for Syrian cash. Officials from the US treasury have visited Lebanon on numerous occasions in 2012: US Deputy Secretary of the Treasury Neal Wolin met with Lebanese government officials in September and David Cohen, the Treasury's undersecretary for terrorism and financial intelligence, warned banks back in May to be extra cautious when dealing with Syrian transactions, saying, "We want to be as careful as possible that the regime, its cronies and its allies that may be trying to shield their assets might not be able to do so." Several experts Executive spoke to said they believe that the international scrutiny imposed on the banks is excessive. "I believe the business of banking is changing dramatically; we investigate deposits rigorously as if in a police state,
2012	Executive Magazine	The upcoming FATCA requires all foreign institutions to disclose the holdings of their clients with a US nationality, or face paying hefty penalties; this has already led several local banks to lose business. "We have already lost some clients but we have to deal with FATCA and Lebanese banks have to deal with it too," says Jean Riachi, chairman of FFA Private Bank.
2012	Executive Magazine	A sigh of relief came in October when the implementation of FATCA was delayed by a year, until January 2014, giving foreign banks additional time to set up the software and teams necessary to comply. And comply they must. With two thirds of the sector's balance sheet in dollar deposits, "the US rule is 'my dollar, my rule'; you want to deal with the US dollar, you have to abide by my rule," says Bank Audi's Baz.
2012	Executive Magazine	"We are facing demands from the international community to enhance the system. Lately many exchange industries have been mentioned in American reports and that's why the banking authorities are taking these measures; in order to show they are controlling the exchange," he says. "The capital increase will massively restrict the establishment of exchange and negatively affect exchange business."

Year	Magazine/Newspaper/ABL	Quotes
2012	Executive Magazine	In addition to a rise in capital, the new rules will force money changers to have at least one compliance officer and invest in anti-fraud software. More significantly still, they will be legally obliged to report suspicious transactions.
2012	Executive Magazine	Near the beginning of 2011 it emerged that the United States Department of the Treasury had designated Lebanese Canadian Bank as a money laundering concern, claiming it was acting as a washing machine for Hezbollah cash. To prevent a catastrophic collapse in confidence in the sector, Bank du Liban (BDL), Lebanon's central bank, intervened, eventually facilitating LCB — minus the suspect accounts — being bought out by Société Générale de Banque au Liban. The LCB crisis proved seminal for the industry, with a December article in The New York Times alleging pervasive cooperation between LCB and Hezbollah in laundering money, bringing the crisis back into the international consciousness. While the banking sector tried hard to regain confidence some of the mud stuck, and it has struggled to regain its international reputation. A compliance officer of a major Lebanese bank, talking on condition of anonymity because he was not officially permitted to speak to the press, admitted it signalled change in the industry. "After the LCB it has become much more important for banks to have the backing of the international community. It has made all the Lebanese banks more concerned," he said.
2012	Executive Magazine	The crisis in confidence comes amid increasingly tough attitudes towards banking secrecy globally. In particular, the US has indicated that it going to go tough on those countries that act as havens for tax avoidance through the new Foreign Account Tax Compliance Act (FATCA). Under the law, which comes into force in July 2013, non-US banking institutions will have to provide transaction details of all customers with American citizenship and a balance of more than \$50,000 in their accounts, to the US Internal Revenue Service (IRS) annually. If they fail to do so they will have to pay 30 percent of the interest, dividend and investment payments due to those clients to the IRS. More worryingly for the banks, they could be deemed 'non-compliant,' making it difficult for US institutions to continue working with them, or for them to continue to trade in dollars — the same issue that saw the closure of LCB.
2012	Executive Magazine	FATCA changes the rules so that foreign banks have to take part in identifying US citizens, assessing who is eligible to be investigated and reporting it to the IRS." This is clearly incompatible with the banking secrecy rules in the country, based around the 1956 law which was amended in 2001 in the form of Law 318.
2012	Executive Magazine	However, it appears attitudes have softened in the past year, with banks coming to the conclusion that they can no longer fight the tide of pressure from the US Treasury. Asked if his bank would abide by the FATCA law, the compliance officer said: "We are forced to. We live in a world where the US is the dominant force and the dollar is the global currency, we can't just ignore that." He admitted that this could mean an end to banking secrecy, for Americans at least.
2012	Executive Magazine	If such a deal is not struck, the omens are not good. Without the correct planning the Lebanese banking system faces an unenviable choice: between opening up and potentially scaring away remittances that fuel the economy or staying secretive but risking American censure. Whatever changes the government makes, the decision will be weighty, and the financial sector and remittances are too important to the economy to get it wrong.
2012	Executive Magazine	Mansour has the task of rebuilding confidence in the Lebanese banking sector's ability to deal with money laundering, following the Lebanese Canadian Bank (LCB) crisis in early 2011. Along the way he has faced constant pressure from American authorities, including new legislation that could undermine Lebanon's banking secrecy, and a slow-moving Lebanese legislature that has stalled implementation of laws conforming to international banking standards.

Year	Magazine/Newspaper/ABL	Quotes
2012	Executive Magazine	Last month Executive revealed that adapting to the US FATCA declarations on tax evasion could require a change to Lebanese banking secrecy laws, with Law 318 that created the SIC having to be amended to include tax evasion as a money laundering crime. The government and the central bank have yet to confirm this, but Mansour admitted it would be necessary to remain compliant.
2012	Executive Magazine	Syria and Lebanon naturally have shared business interests, but in an era of American and European sanctions against the Syrian regime and individuals associated with it, Lebanese businesses have been forced to try and insulate themselves from risk.
2012	Executive Magazine	The US Treasury's Office of Foreign Assets Control (OFAC), responsible for enforcing sanctions, has been "repeatedly engaged with the Lebanese banking sector to stress the importance that it not become an outlet for the Syrian regime and its proxies to evade sanctions," in the words of a spokesman.
2012	Executive Magazine	Also, a US Treasury official visiting Beirut stated banks have to refuse banking relationships not only with OFAC sanctioned individuals, but also family members and affiliates. "How can a Lebanese bank know those surrounding an OFAC-listed individual to avoid them? It is really weird and beyond banks' capacity," said Paul Morcos, founder of the Justicia law firm that provides legal consulting for the banking sector. "Legally, it is a grey area, and it is as if bankers are no longer responsible for best efforts but have to achieve the best results.
2012	ABL Annual Report	On May 5, 2012, the BDL issued the crucial circular no 126 related to the commitment of banks to sanctions not issued by the United Nations, in which it imposed on banks to commit to sanctions, rules and regulations that their correspondent foreign banks are in conformity with. This circular constitutes a strong legal support for the procedures willingly adopted by banks.
2012	ABL Annual Report	The American Congress issued the new "Foreign Account Tax Compliance Act" (FATCA) legislation which included new standards that will be effective as of 2013, to prevent appointed Americans from conducting fiscal evasion abroad. Moreover, the FATCA required financial and non-financial institutions all over the world to follow the instructions, where they must report directly to the IRS information about financial accounts held by U.S. taxpayers.
2014	Executive Magazine	Such an extraterritorial law puts the onus on foreign financial institutions (FFIs) to act, in essence, as unpaid agents for the US Internal Revenue System (IRS), or face a 30 percent withholding tax on US account holders. Further impetus to comply is the possibility of being cut-off from the US financial system and not being able to deal with FATCA compliant institutions. "If a country is not FATCA compliant it will be financially sanctioned in a new way, 'the FATCA way'.
2014	Executive Magazine	The sector is exceedingly wary of international regulators, specifically of falling foul of the US Treasury. This is due to Lebanon's immense exposure to American leverage: some 70 percent of local deposits are held in US dollars; banks need to keep good relations with correspondent banks in the US and elsewhere; and no one wants a repeat of the 2011 Lebanese Canadian Bank fiasco, when the bank was accused by the US of money laundering and subsequently closed its doors.
2014	Executive Magazine	"Banks want to avoid the danger of having another [Lebanese Canadian Bank] right now, as it would affect the sector as a whole, so all banks are being careful that FATCA will be properly applied," said Malek Costa, head of compliance at BLOM Bank. "In substance, the threat is to be cut off from the US financial system." "I don't believe any Lebanese bank will not be compliant, and if there are mistakes, it will be in the details not the general direction.

Year	Magazine/Newspaper/ABL	Quotes
2014	Executive Magazine	However, that the banking sector has prepared for FATCA so early can be read as a further indication of the country's inability to defy US demands. Indeed, as one compliance officer put it off the record, "It is ridiculous that it takes a foreigner to come here and say you have to apply regulations, and we do it, but not because we are afraid of the Lebanese regulator."
2014	Executive Magazine	Yet while many jurisdictions have not yet signed up to FATCA, and some are unlikely to at all — Russia is a prime example — and certain MENA countries lag behind, the Lebanese banks are more than ready. "We are working as if FATCA already exists," said Abdul Razzak Achour, chair and general manager of Fenicia Bank. "We are contacting all FFIs that we do business with and checking if [they are] FATCA compliant; if not, we will act accordingly."
2014	Executive Magazine	When banks do not comply with US sanctions, the punishment can be huge. BNP Paribas, a major French bank, admitted guilt in June for evading American sanctions against entities in Iran, Cuba and Sudan. The bank will pay nearly \$9 billion in fines to the US government — a judgment that sent a clear message to financial institutions around the world. OFAC designates entities to the SDN list without a court ruling and it does not publish evidence to justify its decisions.
2014	Executive Magazine	In 2011 the Treasury Department designated the Lebanese Canadian Bank also as a 'primary money laundering concern'. The bank was subsequently shuttered and sold off to a competitor in a deal arranged by BDL. The specter of another such fiasco has put pressure on Lebanon's banking sector to hew closely to US Treasury rules. "Lebanese banks comply fully with international sanctions, especially US sanctions.
2014	Executive Magazine	OFAC designates entities to the SDN list without a court ruling and it does not publish evidence to justify its decisions. "We don't know what they're talking about; we're double checking everything. Where is the proof? Show us the proof.
2014	Executive Magazine	Right now things are stable in the sense that authorities have put the rules in place and are auditing you to see if you are implementing the regulations. But everything is still evolving. I would expect even tighter controls in the area of compliance and anti-money laundering, and more costs associated with that.
2014	Executive Magazine	Ongoing international regulations in the wake of the financial crisis have also put more pressure on wealth management businesses across the globe, with Lebanon being no exception. Habis explains that while she welcomes the regulations, internally it places more of a burden as they have to increase their payroll and hire a compliance officer, legal officer and anti-money-laundering compliance officer, with the increased costs placing a strain on revenue, especially for the smaller firms.
2014	ABL Annual Report	At the beginning of 2015, the Association invited all heads of compliance and anti-money laundering units in member banks to a meeting in its premises to discuss the "Sanctions and Embargoes Program-Generic Policy and Procedures Manual" that was previously sent to them. Deloitte prepared the manual with the close participation of some members of the compliance and anti-money laundering committee in the Association.
2015	Executive Magazine	It has never been easier to be branded a financial pariah. You wake up one morning and when you check your correspondence you find that you have been given the ominous title of "specially designated national" (SDN) by the Office of Foreign Assets Control (OFAC) at the United States Department of the Treasury.

Year	Magazine/Newspaper/ABL	Quotes
2015	Executive Magazine	This designation means that, according to “evidence” which can range from classified information of US intelligence services to reports in your local newspaper, you have been found to be a perpetrator of terror, narcotics, weapons of mass destruction or other threats to the national security, foreign policy or economy of the United States. As of this moment, you are a financial outcast with whom no US citizen or corporation with American interests will do any business. If you have assets in the US, these will be frozen.
2015	Executive Magazine	Whatever the hidden sticks-and-carrots in the current American strategy may be, it remains possible that the last word has not yet been spoken on whether the potential threat to MEAB has been solved with the intra-familial transfer of chairmanship at the bank. In more general terms, however, all signals suggest that Lebanese and Arab banks cannot relax their attention when it comes to compliance with the US agenda.
2015	Executive Magazine	Financial institutions need to abide by anti-money laundering (AML) and combating the finance of terrorism (CFT) rules, and have had to learn their lessons in this regard as even top international banks changed their processes only after being hit with multi-billion dollar fines for having facilitated financial transactions with sanctioned countries such as Sudan, Iran, and Cuba, says the secretary general of the Union of Arab Banks (UAB), Wissam Fattouh.
2015	Executive Magazine	Fattouh is concerned that the region’s bankers could lose something much more precious than correspondent banking relations or even licenses: their risk cultures. “My impression is that law enforcement is changing the hearts and minds of bankers, which is very dangerous,” he says. “Banks are by themselves conservative. When they feel the pressure of law enforcement upon them, it changes the spirit and this is my worry, as it could impact the role of banking negatively.”
2015	Executive Magazine	In the meanwhile, the American crusade against the financing of terrorism will continue and implicated persons will have to struggle if they want to contest their pariah status. Comments shared by US law firms suggest that even proving one’s innocence has not been the most successful approach for removal from the SDN list – delisting was more often achieved by offenders for admissions of guilt rather than protestations of innocence.
2016	ABL Annual Report	The compliance with the US law is a must, however, it is necessary for the implementation to be fair [...]. The mechanism relies on some important standards such as the refraining from dealing in any currency with the names included on the OFAC list. Banks are to coordinate with the Banking Control Commission regarding the debit accounts that are subject to liquidation and close them.
2016	Executive Magazine	Troubles with US politically-motivated interference in Arab banking have been impacting the operations of regional banks in varied ways since the 9/11 terror attacks against America. More important in 2015 than sanctions against individual businessmen and bankers have been the indirect effects of US policies where international banks tended to cut correspondent banking relationships with Arab banks.
2016	Executive Magazine	To the latter the response is one of confidence – Lebanon has put in place the necessary compliance measures to shield its financial system. But to the former, in the face of American pressure, uncertainty persists as to the consequences for local banks should the Americans accuse them of servicing accounts linked to Hezbollah – the outcome of which will be answerable only through testing actual conflict scenarios.

Year	Magazine/Newspaper/ABL	Quotes
2016	Executive Magazine	After the LCB case, banks heightened their awareness to the risks – whether they are local or international [banks], it is now much clearer. When I compare what [Lebanon’s] banks are doing, I think we’re doing well by regional and international standards. Our set of laws and regulations are pretty much complete now.
2016	Executive Magazine	This is a US law that [might] affect nationals in this country and now we are in a position to see what measures will be taken as a result of this law. It’s a matter of concern to them because if Lebanese banks and the banking sector want to remain part of the international financial system they need to play by the rules of the game. So if a law is passed in the United States that would prohibit US banks from dealing directly or indirectly in certain types of transactions, or with certain individuals, then Lebanese banks cannot deal with such individuals – otherwise they will expose their correspondents, themselves and the sector to the measures that may be taken.
2016	Executive Magazine	It is the banks that are responsible for complying with the Hezbollah International Financing Prevention Act, Lebanon’s central bank circular 137 stipulates, and in so doing must carry out client due diligence when opening accounts or facilitating transactions. To the banks this is just another chapter in the book of risk management, where compliance with the laws of foreign jurisdictions in which they do business is not a choice, because the banks must comply and have long invested in the tools to do so.
2016	Executive Magazine	Non-compliance with the US law, or Lebanon’s central bank failure to regulate compliance, would jeopardize partnerships, cutting Lebanese banks off from correspondent banks in the United States. That Lebanon is a dollarized economy, and that the bulk of transactions are in US dollars, also fuel the existential necessity of complying.
2016	Executive Magazine	the cost of a cut off can be far greater than the investment. When a bank is accused of being non-compliant a number of cost factors come into play: the difficult to quantify losses in opportunity resulting from suspended relations with a correspondent bank, and the more easily measurable financial penalties from regulatory action or litigation. Were a correspondent bank to cut relations with an accused financial institution, the ability to conduct transactions in US dollars would no longer be possible, affecting not only the bank but its clients too – local businesses trading internationally and Lebanese abroad transferring dollar-denominated remittances back home. What’s more, the mere hint of non-compliance may cost the bank – damaging its reputation, an accusation might push clients to migrate to a competitor for any number of reasons.
2016	Executive Magazine	To say that Lebanese banks are panicked that their compliance investments might not satisfy American standards may be an overstatement, but it certainly is an issue that compliance executives and banks’ management are following closely. “I’m not trying to minimize the [issue] but I’m saying it is important to the US, it’s important to us and it’s important to our clients,” Jebeyli says. Lebanese banking officials and executives are acutely aware of the seriousness of the American legislation, a notion that Jebeyli and others that Executive spoke with pointed out. And the lessons learned from the case of LCB – of alleged management complicity in money laundering and that of insufficient controls – are now core considerations in assessing compliance programs.

## Appendix 13

### “Revolutionary Compliance” Quotes from Archival Data

Year	Magazine/Newspaper/ABL	Quotes
2003	ABL Annual Report	La participation effective des banques de manière plus vaste et plus profonde dans la lutte contre le blanchiment d’argent à travers le strict respect des circulaires de la BDL, des normes « Know Your Customer » (KYC), l’organisation de sessions intensives et la participation à des initiatives à l’intérieur et à l’extérieur du pays. Selon les statistiques publiées dans le rapport annuel de 2003 de la Commission d’Enquête Spéciale pour la lutte contre le blanchiment d’argent, le secret bancaire a été levé dans 135 cas, constituant ainsi 58% des cas provenant de parties locales et de l’étranger. De même, les banques commerciales ont notifié 57 cas parmi 272, soit 21%, alors que le nombre de ses notifications concernant des activités suspectes a atteint 77 de 333, soit 23%.
2005	ABL Annual Report	La BDL a soulevé avec l’Association la question de l’application de certains aspects de la loi n°318/2001 relative à la lutte contre le blanchiment de capitaux, pour ce qui est du devoir des banques de s’assurer de l’identité des véritables ayant droit économiques des dépôts ou ce qui est connu par "KYC" ou "connaître son client" et dont l’application pratique impose aux banques de communiquer à la Commission spéciale d’investigation (Special Investigation Commission) toute suspicion concernant la provenance de certains dépôts. Or durant toute la période passée depuis la mise en vigueur de la loi n°318, les banques se sont plutôt contentées de répondre aux demandes d’informations envoyées par la Commission elle-même. Ainsi la loi semble avoir fonctionné dans un seul sens, ce qui est grave et nuisible pour la réputation du secteur bancaire.
2009	ABL Annual Report	The BDL issued on May 9, 2009 Intermediary Circular No 190 by virtue of which it asked the banks to adopt a new risk-based approach to classify clients and transactions, according to the level of risks of the client and the risks of the country (strictness of laws in the country pertaining to fighting money laundering) and the risks of services. Banks are called upon to set up monitoring measures and procedures based on risks and resorting to specialized IT programs to perform necessary controls according to the adopted classification.
2009	Le Commerce du Levant	L’ACAMS, l’association de lutte contre le blanchiment d’argent basée aux États-Unis, a attribué au secrétaire général de la Commission spéciale d’investigation au sein de la Banque du Liban, Mohammad Baassiri, le prix d’homme de l’année 2009 pour la région du Moyen-Orient et d’Afrique du Nord. Ce prix récompense ses efforts en matière de lutte contre le blanchiment d’argent et le financement du terrorisme.
2010	ABL Annual Report	They insisted on the introduction of “best practices” in this field and called for the appointment of a qualified and experimented person to undertake the task of the “Compliance Officer”. They also endeavored to strengthen the laws of the profession, charters and ethics of the banking activity and identify the existing gaps in order to treat them by taking the appropriate internal measures and procedures to fight financial crimes. They insisted too on the preparation of confidential reports within the bank on fraud and suspected transactions.
2011	ABL Annual Report	The banks have made an intensive and expanded training workshop to raise their employees’ awareness regarding suspected transactions and their risks, in order to avoid being at reputation risks, following the problem one Lebanese bank suffered from in February 2011 due to its designation by the U.S. Department of the Treasury as a suspected cover for money laundering transactions.

Year	Magazine/Newspaper/ABL	Quotes
2011	ABL Annual Report	Banks found necessary not to be indulgent with sanctions, especially the ones imposed by the Arab countries. They also found necessary to take strict measures about the accounts and the accounts activity of personalities and companies figuring on the American and European lists. The main purpose remains to protect the Lebanese banks and the money of their depositors and contributors since it is in no one's interest to expose the banking sector to risk for the sake of an account or a transaction.
2011	ABL Annual Report	On May 5, 2012, the BDL issued the crucial circular no 126 related to the commitment of banks to sanctions not issued by the United Nations, in which it imposed on banks to commit to sanctions, rules and regulations that their correspondent foreign banks are in conformity with. This circular constitutes a strong legal support for the procedures willingly adopted by banks.
2011	ABL Annual Report	The American Congress issued the new "Foreign Account Tax Compliance Act" (FATCA) legislation which included new standards that will be effective as of 2013, to prevent appointed Americans from conducting fiscal evasion abroad. Moreover, the FATCA required financial and non-financial institutions all over the world to follow the instructions, where they must report directly to the IRS information about financial accounts held by U.S. taxpayers.
2011	ABL Annual Report	In the same context, banks will also need in the near future instructions and a practical guideline common to all, to guide them through the implementation process. The guideline will include the declaration rotation, the additional information and the amendments related to the "know your client" (KYC) system, the information and the indicators adopted to make the clients in conformity with the FATCA law such as the possession of the U.S. nationality, place of birth, P.O Box.
2011	Executive Magazine	This ought to have set off warning bells at LCB's compliance department, at exchange houses and with Lebanese regulators. If the FinCEN report is to be believed and Joumaa has links to LCB that stretch back to 2006, what it would suggest is that there are certain weaknesses in Lebanon's anti-money laundering (AML) regime.
2011	Executive Magazine	There was an upside from a regulatory point of view, however, to the taking down of LCB. Due diligence has suddenly taken on special importance, compliance officers' voices are better heard in the board rooms and those in need of screening software to detect suspicious transactions have quickly placed orders.
2011	Executive Magazine	Indeed, the general consensus is that the LCB debacle has nurtured, by necessity, a new culture of accountability on the road to transparency. "I think it was an individual case, and I think most banks have learnt a lesson," says Jean Riachi, chairman of FFA Private Bank. According to Freddie Baz, chief financial officer at Bank Audi, "Important banks in Lebanon know their responsibilities and duties in terms of compliance."
2011	Executive Magazine	When we cannot have a proper assessment of the origin of the funds and when [they] could put the bank at risk, we have to turn down some business and I believe most of the banks in Lebanon are very careful and are doing the same.
2011	Le Commerce du Levant	Salamé a ajouté que la Banque Centrale avait récemment publié un amendement de la loi 318 sur le blanchiment d'argent. Désormais : <ul style="list-style-type: none"> <li>• Le financement du terrorisme est ajouté sur la liste des infractions</li> <li>• Le blanchiment d'argent est un crime en tant que tel ; d'autres infractions n'étant pas nécessaires pour prendre des mesures judiciaires contre l'accusé</li> </ul>

Year	Magazine/Newspaper/ABL	Quotes
		<ul style="list-style-type: none"> <li>• Les responsabilités de la Commission spéciale de lutte contre le blanchiment d'argent doivent être clarifiées</li> <li>• Les avocats et les comptables ont l'obligation de rendre compte de transactions suspectes à la Commission.</li> </ul>
2011	Le Commerce du Levant	Accusée par l'administration américaine de blanchiment d'argent, notamment au profit du Hezbollah, la Lebanese Canadian Bank a démenti avoir eu la moindre connaissance de l'implication directe ou indirecte de la banque dans des opérations illégales ou des malversations. La LCB est réglementée par la Banque du Liban et elle respecte toutes les régulations, ainsi que celles de la Commission d'investigation spéciale dans les affaires de blanchiment d'argent, souligne un communiqué publié jeudi soir. La banque affirme qu'à travers l'un des systèmes les plus efficaces du monde, elle applique des règlements très stricts et respecte la liste noire émise par le Liban, celle de l'OFAC (Office of Foreign Assets Control), celle émise par les États-Unis et, enfin, la liste européenne contre le blanchiment d'argent.
2011	Le Commerce du Levant	<p>Aujourd'hui, il faut continuer de préserver la réputation du secteur, pas seulement à travers des mots, mais aussi à travers l'action dans la direction suivante :</p> <ol style="list-style-type: none"> <li>1. Connaître son client</li> <li>2. Assurer l'indépendance des dispositifs de vérification</li> <li>3. Revoir les règles de lutte contre le blanchiment</li> </ol>
2012	ABL Annual Report	Monetary and supervisory authorities continued during the last few years, in cooperation with the Association and bank administrations, to monitor closely the serious and real involvement of banks in fighting money laundering, especially after the crisis of the Lebanese Canadian Bank.
2012	ABL Annual Report	It also issued main circular no. 128 in which it expanded the line of work of the "compliance unit" established at the present inside every bank and specialized in fighting money laundering, by adding to it a legal unit that anticipates legal risks. Together, these units constitute a Department of Compliance with large authority and totally independent from other bank departments and units. A communication mechanism must be required between the Head of this department, the Board of Directors and the senior executive administration.
2012	Executive Magazine	While the case of LCB and Syrian sanctions are not directly related, the fear that further action could be taken by the US over assistance to the Syrian regime is ever-present, even though "US sanctions do not directly obligate Lebanese financial institutions," according to a US Treasury department official who spoke to Executive. "Lebanese financial institutions may be choosing to perform their own enhanced due diligence on transactions associated with Syria due to the heightened risk associated with that jurisdiction," the official said.
2012	Executive Magazine	Sanctions are based on what those in the business of complying with them call 'the lists'. The most infamous of all is the US's Office of Foreign Assets Control (OFAC) list. Companies placed on this list, or those who have dealings with persons on them, are effectively banned from dealing in US dollars and any banks that carry out transactions for such a person could potentially be sanctioned themselves. Banks have relationships with other intermediary American banks to deal in US dollars, which would act as the initial trigger for any US-imposed sanctioning of transactions.
2012	Executive Magazine	"The banks have to do their due diligence and not have accounts with people who are on the lists, because they have relations with US banks," said the manager of a compliance unit at one of Lebanon's major banks, speaking on condition of anonymity.

Year	Magazine/Newspaper/ABL	Quotes
2012	Executive Magazine	“Banks don’t hold any accounts for people listed on the OFAC lists or other lists,” said Morcos. But those who deal with or front for sanctioned individuals is another issue: “We don’t know if we have [sanctioned accounts] or not,” Morcos added.
2012	Executive Magazine	He stressed that in principle the OFAC list targets money laundering, terrorist financing and other financial crimes and not sanctions, which come under a wider US legal principle called a country ruling. Even so, banks still use the lists as the basis for compliance.
2012	Executive Magazine	Given the uncertainty, many banks are taking measures that go beyond the text of the law by refusing to bank with those on the OFAC list as well as their relatives, close friends, business associates and so on, according to Morcos. And, according to Yazigi, many Syrians can no longer open up accounts in Lebanon and find it very difficult to conduct financial transactions even if they do not have ties with the regime. “I would not open a [Syrian national’s] account. I would advise other banks not to give themselves a headache and just not take the account,”
2012	Executive Magazine	Lebanese private bankers, like Swiss bankers, are facing pressure to comply with new transparency and disclosure requirements such as FATCA but, says Saussure, “what is of course more difficult is that they are in a country that does not have the same rating as Switzerland.”
2012	Executive Magazine	Lebanon first fell into the crosshairs of the United States Department of the Treasury’s Office of Foreign Assets Control (OFAC) in 2011. Pressure from OFAC - effectively the world’s anti-money laundering (AML) and counterterrorist financing (CTF) enforcer — saw one Lebanese bank go under for money laundering charges in the first quarter of 2011, and by the second quarter, Lebanese banks were having to deal with US-imposed sanctions on Syria. The heat did not let up in 2012, with the banking sector continuing to deal with the aftershocks and new regulations.
2012	Executive Magazine	The major move this year was issuing Circular 126 on May 24, requiring banks and financial institutions to “implement strictly” AML and CTF regulations. The circular extends to the US sanctions on Syria as well as Iran, with the financial sector having to be in “conformity with the laws, regulations, procedures, sanctions and restrictions adopted by international legal organizations or by the sovereign authorities in the correspondents’ home countries.” This means that banks are not allowed to have any dealings with, for instance, Syrian individuals and entities sanctioned by the US and European Union, while Syrians are not allowed to open accounts (those opened prior to the 2011 sanctions are still operational).
2012	Executive Magazine	The upcoming FATCA requires all foreign institutions to disclose the holdings of their clients with a US nationality, or face paying hefty penalties; this has already led several local banks to lose business. “We have already lost some clients but we have to deal with FATCA and Lebanese banks have to deal with it too,” says Jean Riachi, chairman of FFA Private Bank.
2012	Executive Magazine	A sigh of relief came in October when the implementation of FATCA was delayed by a year, until January 2014, giving foreign banks additional time to set up the software and teams necessary to comply. And comply they must. With two thirds of the sector’s balance sheet in dollar deposits, “the US rule is ‘my dollar, my rule’; you want to deal with the US dollar, you have to abide by my rule,” says Bank Audi’s Baz.

Year	Magazine/Newspaper/ABL	Quotes
2012	Executive Magazine	In addition to a rise in capital, the new rules will force money changers to have at least one compliance officer and invest in anti-fraud software. More significantly still, they will be legally obliged to report suspicious transactions.
2012	Executive Magazine	The international pressure to act is so great that these changes may prove to be the first of many. There has also been chatter in the financial world that the government is planning to table an amendment to strengthen Law 318 later this year, with increased powers for the SIC and tougher penalties for offenders among the possible proposals. Under the current laws the SIC is only allowed to point out where institutions are failing to comply with the legislation but can do little to punish them for doing so.
2012	Executive Magazine	While the banking sector tried hard to regain confidence some of the mud stuck, and it has struggled to regain its international reputation. A compliance officer of a major Lebanese bank, talking on condition of anonymity because he was not officially permitted to speak to the press, admitted it signaled change in the industry. "After the LCB it has become much more important for banks to have the backing of the international community. It has made all the Lebanese banks more concerned," he said.
2012	Executive Magazine	Under the law, which comes into force in July 2013, non-US banking institutions will have to provide transaction details of all customers with American citizenship and a balance of more than \$50,000 in their accounts, to the US Internal Revenue Service (IRS) annually. If they fail to do so they will have to pay 30 percent of the interest, dividend and investment payments due to those clients to the IRS. More worryingly for the banks, they could be deemed 'non-compliant,' making it difficult for US institutions to continue working with them, or for them to continue to trade in dollars — the same issue that saw the closure of LCB.
2012	Executive Magazine	"FATCA changes the rules so that foreign banks have to take part in identifying US citizens, assessing who is eligible to be investigated and reporting it to the IRS."
		However, it appears attitudes have softened in the past year, with banks coming to the conclusion that they can no longer fight the tide of pressure from the US Treasury. Asked if his bank would abide by the FATCA law, the compliance officer said: "We are forced to. We live in a world where the US is the dominant force and the dollar is the global currency, we can't just ignore that." He admitted that this could mean an end to banking secrecy, for Americans at least.
2012	Executive Magazine	The central bank will ask the banks to respect the FATCA law to preserve their correspondent bank relationships and not to expose these banks to questions from the Internal Revenue Service (IRS) or penalties from the IRS.
2012	Executive Magazine	The increase in salaries has been accompanied with an increase in costs for complying with additional international and domestic regulations — more software and staff needed. Those new regulations include Basel III and the United State's Foreign Accounts Tax Compliance Act, while domestically Lebanon's central bank has introduced new regulation aimed at curbing money laundering.
2012	Executive Magazine	Also, a US Treasury official visiting Beirut stated banks have to refuse banking relationships not only with OFAC sanctioned individuals, but also family members and affiliates. "How can a Lebanese bank know those surrounding an OFAC-listed individual to avoid them? It is really weird and beyond banks' capacity," said Paul Morcos, founder of the Justicia law firm that provides legal consulting for the banking sector. "Legally, it is a grey area, and it is as if bankers are no longer responsible for best efforts but have to achieve the best results.

Year	Magazine/Newspaper/ABL	Quotes
2012	Le Commerce du Levant	Une nouvelle loi américaine contre l'évasion fiscale hors du territoire américain va obliger les banques libanaises à des efforts de mise en conformité sous peine de sanctions douloureuses.
2012	Le Commerce du Levant	L'enjeu de Fatca pour les banques libanaises est de taille, tant en termes de lourdeur et de temps d'exécution que de coûts de mise en œuvre. Étant donné la règle de présomption négative en vertu de laquelle tout compte est américain jusqu'à preuve du contraire, les banques libanaises devront s'aligner avec les exigences du IRS tout en tenant compte des règles et des lois libanaises, et instaurer des systèmes internes complexes pour accomplir les trois grandes mesures exigées par l'IRS américain.
2012	Le Commerce du Levant	Les institutions financières libanaises prennent sérieusement la loi Fatca et certaines ont déjà commencé à s'organiser pour intégrer la loi dans leurs systèmes. Les banques libanaises ont l'avantage d'être très à jour en termes de procédures relatives aux exigences de la lutte anti-blanchiment et "Know your client". L'intégration des nouvelles dispositions n'est pas insurmontable, même si la mise à niveau des systèmes devant permettre l'exécution de la déclaration et de la retenue au IRS doit être minutieusement étudiée.
2013	ABL Annual Report	The Association of Banks continued as part of its primary functions the training programs to help member banks remain ready to deal with international standards including the rules of the US Treasury especially concerning the AML/CFT and Know your Customers (KYC) currently used in Lebanon and also to respect and implement all sanctions imposed by the US Treasury and other international bodies. The banks continue their commitment of not dealing with any person or institution placed on international lists especially the one of the Office of Foreign Assets Control (OFAC) in the USA.
2013	Executive Magazine	Obviously, our focus is to comply with all the sanctions and all the regulatory requirements wherever we operate. It applies to us here in Lebanon as it will apply to any entity in the group anywhere in the world. In Lebanon, we do have geographic proximity [to sanctioned countries] and there might be more of an opportunity to come across this sort of business, but we are extremely diligent to make sure that we meet all the regulatory requirements. We are conscious of the fact that we haven't always been perfect, and we definitely made mistakes. We need to make sure that we don't make any more mistakes.
2013	Executive Magazine	We have our own compliance department in Lebanon, and we invested hugely in our governance structure around the world. Investment in risk and compliance clearly reduces operational risk.
2013	Executive Magazine	We have increased compliance staff to more than 3,500 globally and spent over \$290 million on remedial measures in the US as of the year-end of 2012.
2014	ABL Annual Report	At the beginning of 2015, the Association invited all heads of compliance and anti-money laundering units in member banks to a meeting in its premises to discuss the "Sanctions and Embargoes Program-Generic Policy and Procedures Manual" that was previously sent to them. Deloitte prepared the manual with the close participation of some members of the compliance and anti-money laundering committee in the Association.
2014	ABL Annual Report	The BDL issued intermediate circular no. 371 on 11/9/2014 requesting banks to appoint in each of the bank branches a person in charge of observing the financial and banking operations with the purpose of combatting money laundering and terrorist financing (AML/CFT Branch Officer). The circular also mentions the creation of at least two departments in the "compliance unit" with the first overseeing the head office and Beirut branches and the second various other branches in Lebanon.

Year	Magazine/Newspaper/ABL	Quotes
2014	Executive Magazine	Such an extraterritorial law puts the onus on foreign financial institutions (FFIs) to act, in essence, as unpaid agents for the US Internal Revenue System (IRS), or face a 30 percent withholding tax on US account holders. Further impetus to comply is the possibility of being cut-off from the US financial system and not being able to deal with FATCA compliant institutions. “If a country is not FATCA compliant it will be financially sanctioned in a new way, ‘the FATCA way’
2014	Executive Magazine	Understanding FATCA at an institutional level has been one of the main stumbling blocks to compliance.
2014	Executive Magazine	“There are not sufficient IRS platforms to assist FFIs in better understanding the regulations. Recently the IRS released the ‘Temporary and Final Regulations,’ but how to go live with something ‘temporary’? And the W8 form was released in March, and other documents released this month. How can you prepare for an exam if the teacher doesn’t provide enough course material?
2014	Executive Magazine	As a result, FFIs — primarily banks — are scrambling to be ready to report to central banks or directly to the US’s International Revenue Service (IRS), depending on governmental agreements. “In substance, the threat is to be cut off from the US financial system.
2014	Executive Magazine	“Banks want to avoid the danger of having another [Lebanese Canadian Bank] right now, as it would affect the sector as a whole, so all banks are being careful that FATCA will be properly applied.
2014	Executive Magazine	Compliance has become a major concern for the sector, pushed by the central bank, Banque du Liban (BDL), which issued two circulars — 126 and 128 — in 2012 and 2013 for banks to abide by international regulations and establish compliance departments, respectively. Indeed, compliance with anti-money laundering and counterterrorism financing regulations — with FATCA the latest such addition — is being taken so seriously that Sader conceded that he has spent about 20 percent of his time over the past two years on compliance issues alone.
2014	Executive Magazine	However, that the banking sector has prepared for FATCA so early can be read as a further indication of the country’s inability to defy US demands. Indeed, as one compliance officer put it off the record, “It is ridiculous that it takes a foreigner to come here and say you have to apply regulations, and we do it, but not because we are afraid of the Lebanese regulator.”
2014	Executive Magazine	Yet while many jurisdictions have not yet signed up to FATCA, and some are unlikely to at all — Russia is a prime example — and certain MENA countries lag behind, the Lebanese banks are more than ready. “We are working as if FATCA already exists,” said Abdul Razzak Achour, chair and general manager of Fenicia Bank. “We are contacting all FFIs that we do business with and checking if [they are] FATCA compliant; if not, we will act accordingly.”
2014	Executive Magazine	If clients are not cooperative, banks will have to decide whether to close an account or withhold 30 percent of interest returns in tax, as stipulated by FATCA. “The main issue banks will face is confronting pre-existing customers to make them fill out the necessary documents,”
2014	Executive Magazine	In terms of profit outlooks, compliance with an ever-increasing number of international demands will cost banks a pretty penny, which comes on top of the taxation challenge which bankers perceive as discriminatory.

Year	Magazine/Newspaper/ABL	Quotes
2014	Le Commerce du Levant	Les sanctions ont également poussé à une méfiance accrue à travers le monde vis-à-vis de tous les individus et entreprises syriennes. Ainsi, des banques libanaises et jordaniennes se refusent à ouvrir des comptes à des citoyens syriens, des banques internationales refusent d'effectuer des transferts bancaires non seulement en Syrie mais aussi au bénéfice de tout particulier syrien quel que soit son lieu de résidence, alors que des virements bancaires sont rejetés parce qu'il est fait mention dans l'ordre de virement du mot "Syrie".
2014	Le Commerce du Levant	« Le système bancaire est prémuni contre toute éventuelle sanction, grâce aux mesures prises il y a deux ans par la Banque centrale, notamment la circulaire no. 126 relative aux activités des banques avec leurs correspondants à l'étranger », dit-il au Commerce du Levant.
2014	Le Commerce du Levant	L'article 1 de cette circulaire, datant du 5 avril 2012, enjoint les institutions opérant au Liban « d'appliquer strictement le règlement relatif au contrôle des opérations financières et bancaires pour la lutte contre le blanchiment de capitaux et le financement du terrorisme, notamment avec les clients qui requièrent l'exécution d'opérations transfrontalières en passant par des banques ou institutions financières correspondantes ».
2014	Le Commerce du Levant	Quant à l'article 2 de la circulaire, il exhorte les établissements locaux à « traiter avec ces derniers (banques correspondantes, NDLR) conformément aux lois, réglementations, procédures, sanctions et restrictions adoptées par les organisations légales internationales ou les autorités souveraines des pays de ces correspondants ».
2014	Le Commerce du Levant	Les banques libanaises respectent à la lettre les sanctions internationales et coopèrent entièrement avec les pays concernés dans leur lutte contre le terrorisme et le blanchiment d'argent (...) Elles n'ont aucune raison d'être inquiétées », avait-il dit à L'Orient-Le Jour. « L'économie libanaise étant fortement dollarisée, elle a tout intérêt à maintenir de bonnes relations avec les États-Unis, et donc à coopérer. »
2015	Executive Magazine	It must further be noted that the Lebanese bankers recently have had a lot on their plates. Firstly, requiring substantial investments and organizational adjustments, the internationally imposed new compliance regime was a major disruption. Banks and the Association of Banks in Lebanon (ABL) thus in the past three or four years were greatly preoccupied with training for and implementing the new rules.
2015	Executive Magazine	"Most branch managers are becoming younger, because the older ones are leaving or being relocated [since] they are no longer able to handle the stress or the requirements of compliance, of how to receive the client, or how to talk to the client.
2015	Executive Magazine	Financial institutions need to abide by anti money-laundering (AML) and combating the finance of terrorism (CFT) rules, and have had to learn their lessons in this regard as even top international banks changed their processes only after being hit with multi-billion dollar fines for having facilitated financial transactions with sanctioned countries such as Sudan, Iran, and Cuba, says the secretary general of the Union of Arab Banks (UAB), Wissam Fattouh.
2015	Le Commerce du Levant	Quelle que soit la performance de leur activité, les banques libanaises ont désormais une nouvelle préoccupation fondamentale : éviter de rééditer l'expérience de la Lebanese Canadian Bank qui a été rayée de la carte en raison d'une accusation de blanchiment émanant du Trésor américain. « Il est absolument nécessaire pour chacune des banques d'instaurer une culture de conformité conciliant les impératifs de développement des activités et l'application stricte des réglementations internationales.

Year	Magazine/Newspaper/ABL	Quotes
2015	The Daily Star	The profits to the average equity and assets have dived over the past few years, mainly as a result of the rising operating expenses and most notably the growing allocations to the compliance departments that oversee most or all overseas transactions to ensure that they are in line with international regulations.
2015	The Daily Star	“The administrative demands that are requested by the Central Bank to make banks more transparent and to combat money laundering and terrorism funding have prompted banks to increase spending,” Francois Bassil, the chairman of Byblos Bank Group, told The Daily Star. “The salaries of these qualified staff manning these departments are quite high and let us not forget the cost of technology. These factors could induce some of the banks to mull mergers with other banks to cut the growing operational expenses.”
2015	The Daily Star	“The cost of compliance these days is extremely high and Americans banks prefer not to deal with smaller banks because this will cost them a lot of money just to carry out due diligence,
2016	ABL Annual Report	After the passage of the US law on 18/12/2015 and its implementing regulations regarding the prevention of access by Hizballah to international financial and other institutions, and in order to safeguard the high national interest, the BDL issued on 3/5/2016 Basic circular no.137 on the implementation mechanism with a view to prevent any arbitrary procedure that could extend beyond the scope of the above-mentioned US Act and its implementing regulations, and which could cause harm to depositors and clients’ interests, in particular cases of closure of, or the refraining from, opening accounts, or dealing with such depositors and clients, in an unjustified manner or to avoid risks (de-risking). The compliance with the US law is a must, however, it is necessary for the implementation to be fair.
2016	Executive Magazine	Regarding the cost of corporate governance and increasing compliance regulations, he cites the issuance of a circular by Banque du Liban that required banks to employ a compliance officer in each branch. “We have 82 or 83 branches in Lebanon, [so] we have to have 83 compliance officers, one for each branch, in addition to which a lot of [information technology] systems are required. There is a cost, obviously, and all banks are incurring an additional cost for compliance,” he points out and argues that compliance needs to produce a good balance between certain compliance-induced reductions in the volume of business and improvements in business quality.
2016	Executive Magazine	This is a US law that [might] affect nationals in this country and now we are in a position to see what measures will be taken as a result of this law. It’s a matter of concern to them because if Lebanese banks and the banking sector want to remain part of the international financial system they need to play by the rules of the game. So if a law is passed in the United States that would prohibit US banks from dealing directly or indirectly in certain types of transactions, or with certain individuals, then Lebanese banks cannot deal with such individuals – otherwise they will expose their correspondents, themselves and the sector to the measures that may be taken. This is pretty clear.
2016	Executive Magazine	Banks have to KYC – know your client. So the correspondent banks in the United States, which deal with a large number of banks all over the world, have to know exactly how their clients, i.e. banks, in Lebanon and elsewhere operate – and what degree of compliance is observed, what is the professionalism of their compliance officers – in order to feel comfortable dealing with them. This is a connected kind of system and in this respect you have to understand this kind of relationship in order to stay in business and stay connected: first as a bank to your correspondent and second as a country to the community worldwide.

Year	Magazine/Newspaper/ABL	Quotes
2016	Executive Magazine	A Lebanese bank should not operate as a front. When they deal recklessly with clients not observing international regulations then this is, in a way, almost fronting. And they're saying 'no we're dealing with normal clients', when in fact they're not – this is the general case all over the world. Lebanese banks or banks anywhere in the world could be, if they don't apply the appropriate compliance measures, in effect, covering for illegitimate clients.
2016	Executive Magazine	What is not a reason for any worry about the banking sector's viability, by the way, is compliance. Lebanon's commercial banks are prepared for whatever compliance mandates are thrown at them and the latest updates on the compliance front only confirm this.
2016	Executive Magazine	Referring to investments in compliance infrastructures to satisfy reporting requirements, he tells Executive that rules first started to surface following the terrorist attacks on the United States on September 11, 2001, with harsher rules introduced in the aftermath of the global financial crisis. In the years since, the costs of compliance have increasingly become a topic of boardroom conversations, not only of local banks but those worldwide as well.
2016	Executive Magazine	Compliance costs have certainly increased and are significant, Jebeyli says, noting that its rise has become increasingly more challenging for smaller banks to meet, but one that is still manageable. "You cannot really compromise on [compliance] requirements for the purpose of saving money because you may end up paying a more expensive price. Compliance failure, if it is serious enough, could affect the franchise. That's why this is essential spending," he adds.
2016	Executive Magazine	The structure of a bank's compliance department has varied looks, says chief economist at Byblos Bank, Nassib Ghobril. Foremost, it is a mesh of human resources and technology, a combination of interfacing with the client plus sophisticated software tracking transactions and managing clients' identities.
2016	Executive Magazine	That the cost of compliance is looked at as an institutional investment is telling: it is an intangible deposit in the bank's reputation, lending credibility and assurance to correspondent banks – those banks that facilitate a local bank's transactions in the former's jurisdiction. Non-compliance with the US law, or Lebanon's central bank failure to regulate compliance, would jeopardize partnerships, cutting Lebanese banks off from correspondent banks in the United States. That Lebanon is a dollarized economy, and that the bulk of transactions are in US dollars, also fuel the existential necessity of complying.
2016	Executive Magazine	The cost of a cut off can be far greater than the investment. When a bank is accused of being non-compliant a number of cost factors come into play: the difficult to quantify losses in opportunity resulting from suspended relations with a correspondent bank, and the more easily measurable financial penalties from regulatory action or litigation.
2016	Executive Magazine	Were a correspondent bank to cut relations with an accused financial institution, the ability to conduct transactions in US dollars would no longer be possible, affecting not only the bank but its clients too – local businesses trading internationally and Lebanese abroad transferring dollar-denominated remittances back home. What's more, the mere hint of non-compliance may cost the bank – damaging its reputation, an accusation might push clients to migrate to a competitor for any number of reasons.
2016	Executive Magazine	To say that Lebanese banks are panicked that their compliance investments might not satisfy American standards may be an overstatement, but it certainly is an issue that compliance executives and banks' management are following closely. "I'm not trying to minimize the [issue] but I'm saying it is important to the US, it's important to us and it's important to our clients," Jebeyli says.

Year	Magazine/Newspaper/ABL	Quotes
2016	Executive Magazine	Lebanese banking officials and executives are acutely aware of the seriousness of the American legislation, a notion that Jebeyli and others that Executive spoke with pointed out. And the lessons learned from the case of LCB – of alleged management complicity in money laundering and that of insufficient controls – are now core considerations in assessing compliance programs.
2016	Executive Magazine	smaller banks, perhaps in acknowledgement of the high investment threshold of compliance, do recognize that client due diligence, coined KYC for “know your client,” is a challenge. “It’s not written on their face and you don’t ask them to fill a document asking ‘Are you Hezbollah? – click yes or no.’ We investigate and do our homework on due diligence but at the end of the day we cannot do anything if someone is Hezbollah and we don’t know that. There is an element of uncertainty that we are worried about, definitely,” says Raed Khoury, chairman and general manager of Cedrus Invest Bank.
2016	Executive Magazine	Bank Audi may be less concerned than smaller financial institutions because it can more easily absorb the costs and may be able to incorporate more sophisticated compliance solutions. That continued availability of its banking products or services in parts of the country where clients may come into contact with, may be linked to or directly connected to Hezbollah, is a non-issue for the bank, Jebeyli says. “It is clear which individuals are listed or designated [sanctioned by the Americans], and there are the proper diligence rules that are driven by risk classification,” he says before confidently telling Executive, “We treat our clients fairly and properly. At the same time we’ll apply the law as and when we should and to the extent that we need to.”
2016	Executive Magazine	Yes there are some questions and requests for clarification of some aspects of the implementation and because of the importance of the law and its implications, yes there is an increased focus on the subject – not at the level of the compliance officer but at the level of the banks’ management. This is a very important piece of legislation in the US with an important impact on us and on our customers and we care to preserve our image with the rest of the world and we care about protecting our customers without compromising our obligation to comply with the laws [and] do it in a way that is systematic with our local rules.
2016	Executive Magazine	continue to strengthen our compliance program, that we continue to give assurances to ourselves – our boards, our management, to our shareholders, our employees – that we are managing our compliance program efficiently and prudently so we can continue to maintain partnership with our correspondent bank. Not only do I need to pay attention to my standards but to comply with the standards of the correspondent bank. That means a successful continuation of correspondent banking relationships, which in turn means that we’ll continue to exist and prosper and continue to support our clients in their dealings with the world.
2016	Executive Magazine	They are dealing with our client, who they don’t know, and they rely on us to make sure that the transaction passing through their channel is in compliance with our rules and with their own. That’s why our central bank issued circular 126 [in 2012] which says that we need to respect the foreign laws of the countries where we do business or have transactions. And actually circular 137 refers to [circular 126]. So it means that if I’m doing business with a European client, I have to clear with a European bank paying attention to European laws. If I’m doing a business transaction in dollars, because those clear through the US, they touch the US and become, consequently, subject to US laws and I have to comply with and observe those laws.

Year	Magazine/Newspaper/ABL	Quotes
2016	Executive Magazine	There has been an important cost increase but we never question if we should or should not spend. We spend as much as we need for the purpose of continuing to preserve our standing as a compliant banking industry. In compliance there are two risks. There is the risk of making a mistake and there is the other risk in missing legitimate opportunities because of being too conservative or because of insufficient knowledge. I don't have exact numbers to give you, but is [investment in compliance] significant? I think so, and necessary.
2016	Executive Magazine	The central board [of the central bank] dictates the policies that the banks have to follow based on [its] prerogative as determined by law. The board cannot ask to look at names because of the bank secrecy law, so the SIC will complement that circular by asking the banks prior to closing accounts to submit a file to the SIC – which has the right to look at names and cannot be opposed by banking secrecy. That file has to be documented by the activity in the account and the [know your client (KYC), due diligence] of the account. The SIC will look into that matter – there is a time span of 30 days. If there is no answer [from the SIC], the bank will act on its own responsibility.
2016	Executive Magazine	One of the biggest stories of the year was the implementation in May of an American law targeting Hezbollah – the Hezbollah International Financing Prevention Act (HIFPA). Once again, BDL stepped in to fill the void of foreign policy, financial and economic leadership vacated by an impotent government – issuing circular 137 for Lebanese banks to comply with the US law.
2016	Le Commerce du Levant	La Banque du Liban a émis le 3 mai une circulaire (n° 317) qui régit l'application par le secteur bancaire libanais du Hezbollah International Financing Prevention Act of 2015 (Hifpa 2015), voté en décembre dernier par le Congrès américain. L'objectif est d'éviter qu'en respectant trop strictement les injonctions américaines, afin de réduire les risques qu'elles encourent, les banques en viennent à exclure tout ou partie de la population libanaise, à savoir la communauté chiite.
2016	Le Commerce du Levant	Depuis que la Lebanese Canadian Bank a été rayée de la carte en 2011, les banques libanaises sont résolues à éviter de rééditer l'expérience. La banque avait été accusée par le Trésor américain de blanchir l'argent de personnes proches du Hezbollah. « Il est absolument nécessaire pour chacune des banques d'instaurer une culture de conformité conciliant les impératifs de développement des activités et l'application stricte des réglementations internationales. Sur ce plan, la Banque du Liban, à travers la circulaire 126 datée d'avril 2012, recommande le respect des lois internationales et leur application, y compris d'éventuelles sanctions
2016	Le Commerce du Levant	De même, les banques libanaises ont beaucoup investi pour renforcer leur département de "Compliance" qui s'assure de la conformité de chaque transaction avec ses nouvelles normes. Chaque nouveau client fait l'objet au préalable de vérifications détaillées sur son identité et ses sources de financement avec le formulaire Know Your Customer (KYC).  Plusieurs sources bancaires libanaises affirment au Commerce du Levant que les autorités américaines ont récemment exprimé leur satisfaction concernant les mesures prises par le secteur pour être dans les règles. Le sentiment général est cependant que cette pression accrue devient de plus en plus compliquée à gérer.
2016	Le Commerce du Levant	La Commission d'enquête spéciale (CSI) a émis 26 mai dernier une décision détaillant la procédure de clôture de comptes bancaires dans le cadre de l'application des sanctions américaines contre le Hezbollah et ses soutiens financiers.

Year	Magazine/Newspaper/ABL	Quotes
		Seule autorité habilitée à accéder aux comptes créditeurs et débiteurs dans le cadre du secret bancaire, la CSI a émis cette décision afin de « clarifier et implémenter » les règles déjà énoncées par la Banque du Liban, et éviter « toute procédure ou mesure arbitraire » contre les clients, indiquent ses considérants.
2016	Lebanon Opportunities	The compliance of banks to the new international regulations pertaining to anti-money laundering (AM), countering the financing of terrorism wim, and tax crimes is becoming more challenging. As regulations mushroom and become even more demanding, local banks and financial institutions have no choice but to quickly adapt. to an increasingly complex landscape. With penalties for non-compliance exorbitant, financial institutions are vigilantly monitoring the decisions of international regulators and learning how to apply them.
2016	Lebanon Opportunities	Banks have to manage compliance risks and cope with the specific requirements of multiple global regulatory enforcement agencies. Chip Poncy, President and Co-Founder of US-based Financial Integrity Network (RN), said that one of the challenges is that there is not enough consistency between the enforcement rules of the US, Europe, and other enforcement systems. Chandan Jebeyli, Group Head of the Legal and Compliance Department at Bank Audi Group, said that the global compliance landscape is becoming both more complex and more demanding due to the emergence of cross-border risks derived from terrorist and money laundering activities, as well as tax crimes, among other reasons. There is also an international trend toward deploying greater efforts in fighting corruption, especially the initiatives launched by the Organization for Economic Co-operation and Development (OECD), he said. Regulators are imposing higher standards. Banks worldwide are being subjected to exorbitant fines and severe penalties.
2016	The Daily Star	Central Bank Governor Riad Salameh said Wednesday that 100 accounts linked to Hezbollah so far have been frozen, in accordance with a U.S. law targeting the group’s finances. In an interview with CNBC, Salameh said that the Central Bank is doing its part to implement the U.S. law. “The priority is to keep Lebanon on the international financial map, so we have resolved to implement that U.S. law in Lebanon,” he said. "We have put in place a structure to satisfy the objectives of that law and at the same time preserve the rights of the Shiites."
2016	The Daily Star	All Lebanese and international banks are obliged to freeze or suspend the accounts of all names listed by OFAC or face sanctions if they fail to do so. "If have a person or institution that is listed on the OFAC list, then banks have to close the accounts immediately. There is no need for any formality," Salameh told his interviewer.
2016	The Daily Star	[...] were in reference to Lebanese banks which have affirmed that they will abide by the U.S. law, which calls for the closure of bank accounts of individuals and organizations suspected of being affiliated to Hezbollah.
2016	The Daily Star	“The association confirms that [Lebanese] banks are working in compliance with the highest professional standards and according to the prevailing policies in global markets as it abides by Lebanese laws to preserve the interests of all Lebanese
2016	The Daily Star	The U.S. law has sparked an unprecedented crisis between the Central Bank and Hezbollah, which views it as a breach of sovereignty. The banks say they have no choice. When the law first came into effect, Lebanese banks began closing accounts, including of Hezbollah officials. The Central Bank subsequently issued a directive requiring the banks to refer accounts considered linked to Hezbollah to an investigative unit before any measure is taken.

Year	Magazine/Newspaper/ABL	Quotes
2016	The Daily Star	After the issuing of the U.S. law, we have a new formula for dealing with customer's bank accounts, whereby the banks no longer have the authority to open or close any account, nor overlook the transactions or transfers of some suspicious [customers],
2016	The Daily Star	If anyone is suspicious, there can be no leniency, even if the customers have millions of dollars, because the negative repercussions in not abiding by the [U.S.] law will be catastrophic on the bank," the source said.
2016	The Daily Star	He pointed out the strong cooperation the U.S. has had with Lebanon's Central Bank, saying: "After the HIFPA lists were released, Banque Du Liban ordered all Lebanese financial institutions to comply with the legislation, and that is what we have been seeing." All Lebanese and international banks are obliged to freeze or suspend the accounts of all names listed by OFAC or face sanctions if they fail to do so.
2016	The Daily Star	"Our departments are studying the regulations so that there will be commitment by the banking sector to the law in accordance with the regulations," Salameh said. Asked whether banks dealing with Hezbollah Cabinet ministers or legislators who get paid from the state will be affected, Salameh said that the law covers "significant transactions" and does not mention salaries.
2017	Executive Magazine	The regulation doesn't go to that extent. The banks either appoint someone from within the branch to do the job or they assign a new person or staff member to perform the duties. But this is a very advanced kind of arrangement that we have imposed, and it's a very important step to make sure that with the clients there is always someone watching and making sure the procedures are applied. Of course, there are other layers within the banks, such as the central compliance office and internal audit, as well as external audit and the SIC, that all have different procedures of ensuring compliance. I think our system is quite rigorous in this regard.
2017	Executive Magazine	The smaller banks may find it advantageous sometimes to merge with one another, and the compliance requirements are an added reason. Because compliance is not a small cost of operation in any bank. You can see that the compliance function — the compliance staff and officers — at some of the larger banks, four or five years back, numbered less than 10, and now it has multiplied, perhaps many fold; that suggests to you the costs associated with compliance.
2017	Le Commerce du Levant	L'entrée en vigueur de la loi américaine en 2016 et son application par le secteur financier libanais avait conduit à une crise sans précédent entre la communauté bancaire et le Hezbollah. Par crainte des représailles américaines, les banques avaient fermées ou gelés des centaines de comptes liés à des institutions ou des personnes proches du parti, allant parfois même au-delà de la liste de noms publiée par le Trésor américain.
2017	The Daily Star	Lebanese banks have become increasingly cautious about which clients they take on board – especially with a new sanctions bill pending in the U.S. Congress on all Hezbollah-affiliated bank accounts. The Association of Banks in Lebanon told The Daily Star that there is no common framework for how to handle accounts connected to Syria and that the matter is left to the discretion of each bank.
2017	The Daily Star	This new version directly provides for sanctions on agencies and instrumentalities of foreign states." The sanctions on offer are also much stricter. "The main provision in the 2015 bill imposed correspondent account sanctions on foreign financial institutions that facilitated significant transactions on behalf of Hezbollah and related entities. These bills go further by allowing for full blocking sanctions on entities providing support to Hezbollah and certain related entities"

## Appendix 14

### “Dollarized Economy” Quotes from Archival Data

Year	Magazine/Newspaper/ABL	Quotes
2011	Executive Magazine	With around 60 percent of Lebanese banks’ deposits in American dollars, and the lira pegged to the greenback, Lebanon, as the BDL source put it, is effectively part of the US financial system — Beirut must respect US decisions whether it likes them or not.
2011	Executive Magazine	The dollarization rate is still high but there is no panic or rush to the dollar,” said Ghobril. “There was obviously in the first half of the year, especially during the first few months, but now that is not the case; it’s a stable market. As long as there is no outflow from deposits the [currency] situation will remain stable.”
2012	Executive Magazine	Sanctions are based on what those in the business of complying with them call ‘the lists’. The most infamous of all is the US’s Office of Foreign Assets Control (OFAC) list. Companies placed on this list, or those who have dealings with persons on them, are effectively banned from dealing in US dollars and any banks that carry out transactions for such a person could potentially be sanctioned themselves. Banks have relationships with other intermediary American banks to deal in US dollars, which would act as the initial trigger for any US-imposed sanctioning of transactions. “The banks have to do their due diligence and not have accounts with people who are on the lists, because they have relations with US banks,” said the manager of a compliance unit at one of Lebanon’s major banks, speaking on condition of anonymity.
2012	Executive Magazine	A question then is why should Lebanese banks be so paranoid and rigidly follow OFAC’s diktats? The answer is surprisingly straightforward, and follows the investigative practice of “follow the money” — Lebanon’s fiscal tie to the US. Two thirds of the money in Lebanon is in US dollars, 85 percent of loans are in dollars and significant amounts of the banks’ money, in dollars, is sitting in New York bank accounts. As the BDL source put it, “by default Lebanese banks are part of the US banking system. Therefore our banks must comply with US regulations.”
2012	Executive Magazine	A sigh of relief came in October when the implementation of FATCA was delayed by a year, until January 2014, giving foreign banks additional time to set up the software and teams necessary to comply. And comply they must. With two thirds of the sector’s balance sheet in dollar deposits, “the US rule is ‘my dollar, my rule’; you want to deal with the US dollar, you have to abide by my rule,” says Bank Audi’s Baz.
2012	Executive Magazine	Under the law, which comes into force in July 2013, non-US banking institutions will have to provide transaction details of all customers with American citizenship and a balance of more than \$50,000 in their accounts, to the US Internal Revenue Service (IRS) annually. If they fail to do so they will have to pay 30 percent of the interest, dividend and investment payments due to those clients to the IRS. More worryingly for the banks, they could be deemed ‘non-compliant,’ making it difficult for US institutions to continue working with them, or for them to continue to trade in dollars — the same issue that saw the closure of LCB.
2012	Executive Magazine	However it appears attitudes have softened in the past year, with banks coming to the conclusion that they can no longer fight the tide of pressure from the US Treasury. Asked if his bank would abide by the FATCA law, the compliance officer said: “We are forced to. We live in a world where the US is the dominant force and the dollar is the global currency, we can’t just ignore that.”

Year	Magazine/Newspaper/ABL	Quotes
2014	Executive Magazine	Being placed on the SDN list blocks designees from the American financial system — the reach of which is far and wide. The US is the world’s dominant financial and payments center, with a huge share of payments and financing routed through the country. “It’s difficult to stay out of the American financial radar and, consequently, [SDN listing] cuts companies from global financial markets.
2014	Le Commerce du Levant	Les banques libanaises respectent à la lettre les sanctions internationales et coopèrent entièrement avec les pays concernés dans leur lutte contre le terrorisme et le blanchiment d'argent (...) Elles n'ont aucune raison d'être inquiétées », avait-il dit à L'Orient-Le Jour. « L'économie libanaise étant fortement dollarisée, elle a tout intérêt à maintenir de bonnes relations avec les États-Unis, et donc à coopérer. »
2016	Executive Magazine	That the cost of compliance is looked at as an institutional investment is telling: it is an intangible deposit in the bank’s reputation, lending credibility and assurance to correspondent banks – those banks that facilitate a local bank’s transactions in the former’s jurisdiction. Non-compliance with the US law, or Lebanon’s central bank failure to regulate compliance, would jeopardize partnerships, cutting Lebanese banks off from correspondent banks in the United States. That Lebanon is a dollarized economy, and that the bulk of transactions are in US dollars, also fuel the existential necessity of complying.
2016	Executive Magazine	Were a correspondent bank to cut relations with an accused financial institution, the ability to conduct transactions in US dollars would no longer be possible, affecting not only the bank but its clients too – local businesses trading internationally and Lebanese abroad transferring dollar-denominated remittances back home. What’s more, the mere hint of non-compliance may cost the bank – damaging its reputation, an accusation might push clients to migrate to a competitor for any number of reasons.
2016	Executive Magazine	We are living in a dollarized economy – the bulk of our transactions are in US dollars and cleared through the United States. When a transaction crosses a border and [is transacted in] the US, we become subject to their laws. This is the reality because the dollar is a key currency and because transactions in the world are in US dollars and they touch US correspondent banks. So because we are keen to maintain a position as a sophisticated and fair player in the global financial market, we respect the applicable laws. The key applicable laws, because of these reasons, are US laws – we are not talking about politics, this is a business and legal reality.
2016	Le Commerce du Levant	Un dispositif législatif qui « reflète l'engagement de l'État et du secteur bancaire libanais à respecter les normes financières et bancaires internationales. Et particulièrement les lois américaines, les transactions bancaires relatives au commerce extérieur libanais ainsi que les transferts de la diaspora vers le Liban, étant libellés en dollar et traités par les banques correspondantes à New York.
2016	Le Commerce du Levant	Le gouverneur de la BDL, Riad Salamé, justifie ces mesures en déclarant « qu'il n'y a pas d'autre alternative (...) puisqu'il faut protéger le système bancaire, qui vit grâce aux échanges avec les banques (américaines) correspondantes ».
2016	Le Commerce du Levant	Le secteur bancaire libanais n'a d'autre choix que de respecter cette décision à l'instar des normes internationales contre le blanchiment d'argent et le financement du terrorisme, comme l'a rappelé le secrétaire général de l'Union des banques arabes Wissam Fattouh. L'économie libanaise étant fortement dollarisée, le Liban a de fait tout intérêt à maintenir de bonnes relations avec les États-Unis, et donc à coopérer.

Year	Magazine/Newspaper/ABL	Quotes
2016	Lebanon Opportunities	<p>Why should local banks abide by a US law in the first place?</p> <p>The law has become applicable to local banks because all of them deal with correspondent banks in the US. Not complying with the ruling, or even if suspected of non-compliance, could see banks lose this relationship, along with all their business dealings.</p>
2017	ABL Annual Report	<p>The BDL also issued several circulars guaranteeing the transparent practice in the banking sector, which protects our relationship with the correspondent banks abroad. This is a principle matter, as any banking sector fails from surviving whether in Lebanon or the world, if it is not committed to the transparent dealings or in contact with the international correspondent banks. This subject is also of utmost importance to Lebanon as the dollarization rate in it is high.</p>

## Appendix 15

### “Fear of De-Risking” Quotes from Archival Data

Year	Magazine/Newspaper/ABL	Quotes
2012	Executive Magazine	As part of this campaign, UANI is pressuring Wall Street and European financial firms to divest of their holdings in Lebanese sovereign debt, requesting that credit rating agencies re-rate Lebanese debt to “no-rating,” and calling for Lebanon to be cut off from the US financial system, which would cripple the country’s highly dollarized economy.
2014	Executive Magazine	Such an extraterritorial law puts the onus on foreign financial institutions (FFIs) to act, in essence, as unpaid agents for the US Internal Revenue System (IRS), or face a 30 percent withholding tax on US account holders. Further impetus to comply is the possibility of being cut-off from the US financial system and not being able to deal with FATCA compliant institutions. “If a country is not FATCA compliant it will be financially sanctioned in a new way, ‘the FATCA way’.
2014	Executive Magazine	Aimed at curbing tax evasion by American citizens, an estimated 26,000 foreign financial institutions (FFIs) around the world will have to be FATCA compliant or be shut out of the US financial system. As a result, FFIs — primarily banks — are scrambling to be ready to report to central banks or directly to the US’s International Revenue Service (IRS), depending on governmental agreements. In substance, the threat is to be cut off from the US financial system.
2014	Executive Magazine	The Lebanese banking sector has been preparing for FATCA like the teacher’s pet not because it is a major advocate of reining in tax havens [...]. Rather, the sector is exceedingly wary of international regulators, specifically of falling foul of the US Treasury. This is due to Lebanon’s immense exposure to American leverage: some 70 percent of local deposits are held in US dollars; banks need to keep good relations with correspondent banks in the US and elsewhere; and no one wants a repeat of the 2011 Lebanese Canadian Bank fiasco, when the bank was accused by the US of money laundering and subsequently closed its doors.
2015	ABL Annual Report	The delegation of the Association stressed during these meetings on the concern of the Lebanese banking sector to continue complying with the international banking standards especially the American ones given that more than 80% of the external operations of this sector is conducted in US dollars and through correspondent accounts with US banks.
2015	Executive Magazine	In the LCB case, the bank was sold and its identity dissolved to control the damage. According to Morcos if MEAB itself had been accused, it would also in the Hejeij case have led to “catastrophic results” beginning with a total shutdown of all correspondent banking relationships.
2015	Executive Magazine	The highest impact was perceived in the area of correspondent banking where 40 percent of responding banks indicated that these relationships were becoming “more demanding, more time-consuming, more complex, and expensive to maintain.” Impacts on remittance flows were seen as minor, and so were business impediments related to FATCA and Basel 3.
2015	The Daily Star	The cost of compliance these days is extremely high and Americans banks prefer not to deal with smaller banks because this will cost them a lot of money just to carry out due diligence.

Year	Magazine/Newspaper/ABL	Quotes
2015	Executive Magazine	Also, a counter-intuitive result of the study was the situation of regional de-risking. Whilst the study did not directly identify the countries whose banks undertook regional de-risking, it said that about 10 percent of the survey respondents had closed some correspondent banking relationships with banks in sanctioned countries and/or weak AML/CFT policies – meaning that “de-risking of regional correspondent banking relations by MENA banks”, as the study termed it, is a subject which warrants attention.
2015	The Daily Star	“Now we have a phenomenon called de-risking. We had a combined study with the International Monetary Fund on this subject. In other words, banks are not willing to take any risk from another smaller bank,” Fattouh said. De-risking is a situation where financial institutions terminate or restrict business relationships with categories of customers due to suspicions of money laundering or terrorist financing, for instance. Fattouh added that American correspondent banks may not be too keen to deal with some small Arab banks and on some occasions, they end all relations with them.
2016	Executive Magazine	Troubles with US politically motivated interference in Arab banking have been impacting the operations of regional banks in varied ways since the 9/11 terror attacks against America. More important in 2015 than sanctions against individual businessmen and bankers have been the indirect effects of US policies where international banks tended to cut correspondent banking relationships with Arab banks. [...] However, de-risking is a concern for all banks and could even lead to a new banking crisis, comments Bank Audi’s Baz. “By definition, a bank cannot survive if it’s not being provided correspondent banking services. All the global banks have been reducing their number of relationships, leaving medium to small banks without any correspondent relationships; [this] is no prospect for the future.
2016	Executive Magazine	This is a US law that [might] affect nationals in this country and now we are in a position to see what measures will be taken as a result of this law. It’s a matter of concern to them because if Lebanese banks and the banking sector want to remain part of the international financial system they need to play by the rules of the game. So if a law is passed in the United States that would prohibit US banks from dealing directly or indirectly in certain types of transactions, or with certain individuals, then Lebanese banks cannot deal with such individuals – otherwise they will expose their correspondents, themselves and the sector to the measures that may be taken. This is pretty clear.
2016	Executive Magazine	The cost of a cut off can be far greater than the investment. When a bank is accused of being non-compliant a number of cost factors come into play: the difficult to quantify losses in opportunity resulting from suspended relations with a correspondent bank, and the more easily measurable financial penalties from regulatory action or litigation.
2016	Executive Magazine	The West increasingly views this part of the world with suspicion. Correspondent banking is more problematic for Arab banks than others. We Lebanese will make the only choice we think we have: adapt.
2016	Le Commerce du Levant	« Alors que plusieurs banques américaines se dirigent vers une réduction de leurs relations avec leurs banques correspondantes ("de-risking"), de nombreux banquiers américains ont vanté le professionnalisme des banques libanaises, et la durabilité de leurs relations de correspondance. Ils ont également insisté sur la continuité de ces dernières et leur volonté de les renforcer », a affirmé l'ABL.
2016	The Daily Star	The central bank has said the U.S. law must be applied to avoid the international isolation of Lebanon's banking sector.

Year	Magazine/Newspaper/ABL	Quotes
2016	The Daily Star	In an interview with CNBC, Salameh said that the Central Bank is doing its part to implement the U.S. law. "The priority is to keep Lebanon on the international financial map, so we have resolved to implement that U.S. law in Lebanon," he said.
2016	The Daily Star	Salameh warned Tuesday that failing to comply with U.S. law targeting Hezbollah's finances could isolate Lebanese banks from international markets.
2017	The Daily Star	The main concern for the Lebanese authorities is that U.S. correspondent banks, which face huge fines if found to be dealing with sanctioned people or companies, might deem Lebanese banks too risky to do business with. This would undermine the economy, which relies on dollar deposits transferred from expatriate Lebanese. Deposits could dry up if correspondent banks deem Lebanon too risky and stop clearing dollar transactions for local banks. Financial sources say confidence in the Central Bank's ability to apply regulation is strong. But Lebanon remains a politically risky country and correspondent banks have in recent years become more risk-averse globally as United States anti-terrorism and anti-money laundering regulation has increased.
2017	Executive Magazine	A consequence of a new law could be de-risking, a unilateral severing of banking relations. "That's the worst, the de-risking potential. And what really scares me is banks and central banks chickening out. When you're hit with sanction after sanction they begin to ask, 'Why should we do business with Lebanese banks?'"
2017	Executive Magazine	Other reasons could be for compliance purposes, [whereby] the correspondent banks are visiting their corresponding banks in the countries in which they operate, and they are doing their own due diligence, examination and assessment of the compliance with anti-money laundering and counter-terrorism financing regimes in a certain jurisdiction. And, if they are not satisfied, they might consider it as a source of trouble and would start pulling out, or de-risking such businesses from their portfolios.

## Appendix 16

### “Fear of Sanctions” Quotes from Archival Data

Year	Magazine/Newspaper	Quotes
2011	Executive Magazine	Rumors of further LCB-style designations have persisted, while additional pressure has been heaped on Lebanon following multiple rounds of US and European Union sanctions on Syria in response to Damascus’ crackdown on protestors. For the sanctions to have bite, Lebanon cannot be a financial conduit for the Syrian regime; Lebanon is not required to abide by US and EU sanctions — only United Nations resolutions are binding — but it has pledged to cooperate.
2011	Executive Magazine	Lebanese banks are right to be paranoid and to keep in line with US regulations in order to avoid the devastating blow to the sector’s credibility that an LCB redux would mean.
2011	Executive Magazine	At a time when government was at a standstill, this had reverberating effects on economic confidence due to the suggestion (still unproven) that the bank was working with Hezbollah — which the US has labeled as a terrorist organization — setting off speculation over possible banking sanctions. There are still widespread reports of investigations being carried out by the US treasury into a list of banks.
2011	Executive Magazine	When we cannot have a proper assessment of the origin of the funds and when [they] could put the bank at risk, we have to turn down some business and I believe most of the banks in Lebanon are very careful and are doing the same.
2011	Executive Magazine	The US is also monitoring the Lebanese banking sector’s cooperation with Syria, and its official warning came during the visit in November of Daniel Glaser, the treasury department’s assistant secretary focused on illicit financing. He cautioned the Lebanese monetary authorities that banks in Lebanon were at risk of being blacklisted if they helped Syria dodge international sanctions.
2012	Executive Magazine	As the economic migration takes place, Lebanon is finding itself under increasing international pressure to abide by Western sanctions. A visit by US Treasury Assistant Secretary for Terrorism Financing Daniel Glaser in November set off a renewed wave of fears in the banking sector, especially after “concern” over the dealings of Lebanese Canadian Bank (LCB) threw the sector into crisis mode earlier in the year.
2012	Executive Magazine	While the case of LCB and Syrian sanctions are not directly related, the fear that further action could be taken by the US over assistance to the Syrian regime is ever-present.
2012	Executive Magazine	“Now we are afraid of another LCB issue,” said Paul Morcos, founder of the Justicia law firm that provides legal consulting for the banking sector. “They need a new scapegoat so that the new procedures they are asking for can be implemented. Since our banks have accounts with correspondent banks in the US, they should be afraid.”
2012	Executive Magazine	If such a deal is not stuck, the omens are not good. Without the correct planning the Lebanese banking system faces an unenviable choice: between opening up and potentially scaring away remittances that fuel the economy or staying secretive but risking American censure. Whatever changes the government makes, the decision will be weighty, and the financial sector and remittances are too important to the economy to get it wrong.

Year	Magazine/Newspaper	Quotes
2012	Executive Magazine	Syria and Lebanon naturally have shared business interests, but in an era of American and European sanctions against the Syrian regime and individuals associated with it, Lebanese businesses have been forced to try and insulate themselves from risk.
2014	The Daily Star	“A while ago, without warning, these banks closed the accounts of the hospital with the excuse that they feared American threats to sanction banks that deal with institutions in the orbit of the resistance and Hezbollah”
2014	Executive Magazine	The potential sanctioning of the Lebanese banking sector is a grave concern in Beirut, given the high degree of the economy’s reliance on banking.
2014	Executive Magazine	However, that the banking sector has prepared for FATCA so early can be read as a further indication of the country’s inability to defy US demands. Indeed, as one compliance officer put it off the record, “It is ridiculous that it takes a foreigner to come here and say you have to apply regulations, and we do it, but not because we are afraid of the Lebanese regulator.”
2014	Executive Magazine	When banks do not comply with US sanctions, the punishment can be huge. BNP Paribas, a major French bank, admitted guilt in June for evading American sanctions against entities in Iran, Cuba and Sudan. The bank will pay nearly \$9 billion in fines to the US government — a judgment that sent a clear message to financial institutions around the world. “OFAC designates entities to the SDN list without a court ruling and it does not publish evidence to justify its decisions”.
2015	The Daily Star	The new rules direct the president to prescribe punishing regulations against financial institutions that conduct transactions with Hezbollah or otherwise launder funds for the organization.
2015	Executive Magazine	In the meanwhile, the American crusade against the financing of terrorism will continue and implicated persons will have to struggle if they want to contest their pariah status. Comments shared by US law firms suggest that even proving one’s innocence has not been the most successful approach for removal from the SDN list – delisting was more often achieved by offenders for admissions of guilt rather than protestations of innocence.
2016	Le Commerce du Levant	La Fatca exige des banques et de l’ensemble de ce qu’elle définit comme des institutions financières étrangères – compagnies d’assurances et fonds d’investissement compris – de lever le voile sur les comptes des clients de nationalité américaine ou qualifiés de US Persons, et de les signaler au fisc américain, l’IRS (Internal Revenue Service), sous peine de pénalités. La primauté du dollar et de la place financière américaine dans le système international offre en effet aux États-Unis des possibilités de sanctions très lourdes, comme les retenues à la source d’impôts de 30 %, l’interdiction de transiter par des institutions financières américaines ou de détenir des actifs américains.
2016	The Daily Star	“After the HIFPA lists were released, Banque Du Liban ordered all Lebanese financial institutions to comply with the legislation, and that is what we have been seeing.” All Lebanese and international banks are obliged to freeze or suspend the accounts of all names listed by OFAC or face sanctions if they fail to do so.
2017	The Daily Star	This new version directly provides for sanctions on agencies and instrumentalities of foreign states.” The sanctions on offer are also much stricter. “The main provision in the 2015 bill imposed correspondent account sanctions on foreign financial institutions that facilitated significant transactions on behalf of Hezbollah and related entities. These bills go further by allowing for full blocking sanctions on entities [not just FFIs] providing support to Hezbollah and certain related entities. “So the bill is broader in scope [by targeting more types of third parties] and imposes much stricter sanctions.”

## Appendix 17

### “Ambiguous Regulations & Conflicting Demands” Quotes from Archival Data

Year	Magazine/Newspaper/ABL	Quotes
2011	Executive Magazine	FinCEN then laid out LCB’s connection in rather unclear language and dubious math.
2011	Executive Magazine	The details are still vague regarding the accusations of LCB’s possible money laundering activity or knowingly acting as a financial conduit for Hezbollah. The language within the designation (“may have”, “believed to be” or “probably”) is an indication of its ambiguity.
2011	Executive Magazine	Beirut is in a form of “partnership” with Washington, and BDL is under pressure to deliver by making sure no money laundering or terrorist financing (by American definitions at least) is occurring within the banking sector.
2012	Executive Magazine	Lebanon’s legal texts do not actually cover sanctions per se, given that banking secrecy can only be lifted on accounts under Law 318, which, like the OFAC list, covers financial crime and not sanctions. Under that law, the Special Investigations Committee at Lebanon’s central bank can remove secrecy and look into the account after the banks raise the alert. Even then, very few of these cases actually make it to court.
2012	Executive Magazine	Given the uncertainty, many banks are taking measures that go beyond the text of the law by refusing to bank with those on the OFAC list as well as their relatives, close friends, business associates and so on.
2012	Executive Magazine	Also, a US Treasury official visiting Beirut stated banks have to refuse banking relationships not only with OFAC sanctioned individuals, but also family members and affiliates. “How can a Lebanese bank know those surrounding an OFAC-listed individual to avoid them? It is really weird and beyond banks’ capacity,” said Paul Morcos, founder of the Justicia law firm that provides legal consulting for the banking sector. “Legally, it is a grey area, and it is as if bankers are no longer responsible for best efforts but have to achieve the best results.
2012	Executive Magazine	Banks like sanctions regulations to be specific about targets in order to avoid unexpected fines and to avoid excluding people from the banking system unnecessarily.
2012	Executive Magazine	How to sanction the salaries of state officials and public employees from Hezbollah, or those loyal to it, would be difficult to determine.
2012	Executive Magazine	However, the current legal framework in Lebanon may prevent banks from complying with FATCA even if they want to. Lebanese anti-money laundering legislation revolves around Law 318, which explicitly does not mention tax avoidance. The most common way to lift banking secrecy currently is through raising suspicion under Law 318; therefore, for the banks to supply the IRS with the information without a waiver from the customer could be a breach of the law.
2012	Executive Magazine	“Money laundering is an issue that is of concern to us and the central bank and the government,” he said. “It should be dealt with by different measures but these measures could be decisions taken, initiatives to control the cash flow, to try to see any way regulations could be more effective. I don’t know if it needs an amendment to the law.”

Year	Magazine/Newspaper/ABL	Quotes
2012	Executive Magazine	Adding tax evasion in foreign countries to the items recognized under Law 318 would mean that all remittances would have to have been taxed before they entered the country. If, for example, a dual British-Lebanese citizen brings money into Lebanon without paying tax in the UK and puts it in a Lebanese bank, currently there is no legislation under which he can be prosecuted. If the amendment were passed then these accounts would be open to scrutiny under Law 318, not just for Americans but all remittances.
2012	Executive Magazine	The central bank will ask the banks to respect the FATCA law to preserve their correspondent bank relationships and not to expose these banks to questions from the Internal Revenue Service (IRS) or penalties from the IRS. The central bank will make sure that the banking secrecy law will not be hurt and will take a position to cover implementation of FATCA without breaching our banking secrecy by involving the Special Investigation Committee (SIC) in this issue.
2012	Le Commerce du Levant	La loi Fatca entre en conflit direct avec la loi sur le secret bancaire du 3 septembre 1956 puisqu'elle impose de divulguer des informations spécifiques aux comptes américains. La Banque du Liban n'a pas émis de circulaire précise en relation avec Fatca, mais elle a insinué que le secret bancaire ne sera levé que sur certains comptes détenus par des citoyens américains. Les clients américains concernés signent pour cela une lettre de levée du secret bancaire spécifique. À défaut, la BDL semble vouloir impliquer la Commission spéciale d'investigation (anti-blanchiment) qui, à la demande des banques libanaises, pourra lever le secret bancaire uniquement sur les clients américains ou détenteurs de la Green Card récalcitrants.
2014	Executive Magazine	FATCA has been a problematic law to apply globally, with governments having to amend domestic legislation — in Lebanon's case to allow for US clients to waive banking secrecy.
2014	Executive Magazine	Understanding FATCA at an institutional level has been one of the main stumbling blocks to compliance. "There are not sufficient IRS platforms to assist FFIs in better understanding the regulations. Recently the IRS released the 'Temporary and Final Regulations,' but how to go live with something 'temporary'? And the W8 form was released in March, and other documents released this month. How can you prepare for an exam if the teacher doesn't provide enough course material?"
2014	Executive Magazine	But herein lies the primary problem with the law. How will FATCA compliant Lebanese banks deal with what the IRS calls "recalcitrant" FFIs?
2015	Executive Magazine	In the meanwhile, the American crusade against the financing of terrorism will continue and implicated persons will have to struggle if they want to contest their pariah status. Comments shared by US law firms suggest that even proving one's innocence has not been the most successful approach for removal from the SDN list – delisting was more often achieved by offenders for admissions of guilt rather than protestations of innocence.
2016	Executive Magazine	So, the idea of America treating Hezbollah as a criminal organization doesn't sit well for Lebanon. In that context, the label of criminal organization is a matter of definition and Hezbollah, from the Lebanese perspective, cannot be declared an enemy of the state.

Year	Magazine/Newspaper/ABL	Quotes
2016	Executive Magazine	Yes there are some questions and requests for clarification of some aspects of the implementation and because of the importance of the law and its implications, yes there is an increased focus on the subject – not at the level of the compliance officer but at the level of the banks’ management. This is a very important piece of legislation in the US with an important impact on us and on our customers and we care to preserve our image with the rest of the world and we care about protecting our customers without compromising our obligation to comply with the laws [and] do it in a way that is systematic with our local rules.
2016	Le Commerce du Levant	Quelques points restent en suspens notamment en ce qui concerne le traitement des fonctionnaires affiliés au Hezbollah. Sous le couvert de l’anonymat, une source proche du gouvernement affirme que le gouverneur de la BDL Riad Salamé a assuré que les salaires des députés et des ministres du Hezbollah payés par le ministère des Finances en livres libanaises ne seront pas touchés. Mais quid de l’ouverture d’un nouveau compte en banque par l’un deux, même en devise locale?
2016	Le Commerce du Levant	La Commission d'enquête spéciale (CSI) a émis 26 mai dernier une décision détaillant la procédure de clôture de comptes bancaires dans le cadre de l'application des sanctions américaines contre le Hezbollah et ses soutiens financiers. Seule autorité habilitée à accéder aux comptes créditeurs et débiteurs dans le cadre du secret bancaire, la CSI a émis cette décision afin de « clarifier et implémenter » les règles déjà énoncées par la Banque du Liban, et éviter « toute procédure ou mesure arbitraire » contre les clients, indiquent ses considérants.
2016	Le Commerce du Levant	Un décret adopté fin juin en Conseil des ministres permet de lever les ambiguïtés qui prévalaient jusque-là à propos de la notion fiscale de non-résidence. Le problème venait du fait que, jusque cette année, aucun texte ne définissait d’une manière claire et précise la notion de résidence fiscale au Liban ni, a fortiori, celle de non-résidence. Publié le 30 juin 2016 au Journal officiel, ce décret complète un effort de clarification entamé dans le cadre de la mise en conformité de la législation libanaise avec les normes fiscales internationales.
2016	The Daily Star	"Our departments are studying the regulations so that there will be commitment by the banking sector to the law in accordance with the regulations," Salameh said. Asked whether banks dealing with Hezbollah Cabinet ministers or legislators who get paid from the state will be affected, Salameh said that the law covers "significant transactions" and does not mention salaries.
2017	The Daily Star	Lebanese banks have become increasingly cautious about which clients they take on board – especially with a new sanctions bill pending in the U.S. Congress on all Hezbollah-affiliated bank accounts. The Association of Banks in Lebanon told The Daily Star that there is no common framework for how to handle accounts connected to Syria and that the matter is left to the discretion of each bank.
2017	The Daily Star	The recent indictment of Kassem Tajeddine, a Lebanese businessman accused of violating U.S. sanctions laws, represents part of an increasing – and potentially questionable – trend in terrorism prosecutions, experts say. “I’m unsure whether the U.S. has jurisdiction to prosecute cases like this,” Tyler Cullis, an attorney at Washington D.C. based Ferrari and Associates – a law firm specializing in sanctions imposed by the Office of Foreign Assets Control – told The Daily Star. “Essentially, what you have is a case where the Department of Justice is targeting a foreign national for allowing a U.S. citizen to conduct illegal transactions.”
2017	The Daily Star	The government’s allegation, and potential innovation in how these cases are tried, Cullis explained, is that the wire transfers caused U.S. institutions to engage in activities prohibited under American sanctions. “This is a rather new theory of jurisdiction, and it hasn’t necessarily been tried in court yet.”

## Appendix 18

### “Conscious Compliance” Quotes from Archival Data

Year	Magazine/Newspaper/ABL	Quotes
2011	ABL Annual Report	The Lebanese banking sector is seriously and professionally integrated into the international anti-money laundering efforts. Several international bodies have recognized the progress made by the country in the laws and implementation mechanisms in this field. Moreover, the Lebanese experience became the role model for many countries of the region.
2011	ABL Annual Report	Following the crisis one Lebanese bank suffered from in February 2011 due to its designation by the U.S. Department of the Treasury as a suspected cover for money laundering transactions, cooperation (through meetings and sessions) between the Banque Du Liban and the Association was intensified in order to fill the gaps in the regulations, laws and practices The BDL handled this situation promptly by dealing directly with the U.S. Treasury in order to dissipate any potential impact on the Lebanese banking and financial system.
2012	ABL Annual Report	Monetary and supervisory authorities continued during the last few years, in cooperation with the Association and bank administrations, to monitor closely the serious and real involvement of banks in fighting money laundering, especially after the crisis of the Lebanese Canadian Bank. They insisted on the introduction of “best practices” in this field and endeavored to strengthen the laws of the profession, charters and ethics of the banking activity and identify the existing gaps in order to treat them by taking the appropriate internal measures and procedures to fight financial crimes.
2012	Executive Magazine	A sigh of relief came in October when the implementation of FATCA was delayed by a year, until January 2014, giving foreign banks additional time to set up the software and teams necessary to comply. And comply they must. With two thirds of the sector’s balance sheet in dollar deposits,
2012	Executive Magazine	It appears attitudes have softened in the past year, with banks coming to the conclusion that they can no longer fight the tide of pressure from the US Treasury. Asked if his bank would abide by the FATCA law, the compliance officer said: “We are forced to. We live in a world where the US is the dominant force and the dollar is the global currency, we can’t just ignore that.” He admitted that this could mean an end to banking secrecy, for Americans at least.
2012	Le Commerce du Levant	« Le secteur bancaire libanais se soumettra aux sanctions internationales prises contre la Syrie », a affirmé le gouverneur de la Banque du Liban (BDL), Riad Salamé. « Les banques libanaises, à la fois au Liban et à l'étranger, n'entreprendront aucune action, en particulier concernant la Syrie, qui risquerait de poser problème à leurs partenaires bancaires ou de les mettre dans la position de violer des lois dans leur propre pays », a déclaré M. Salamé. Il a souligné que la BDL était attachée à l'application des règles internationales en matière de transparence bancaire. « La Banque centrale enquêtera sérieusement sur toutes les plaintes et n'hésitera pas à prendre les mesures nécessaires », a-t-il averti.
2012	Le Commerce du Levant	Les responsables libanais ont assuré à leur interlocuteur que les banques libanaises avaient gelé toutes les transactions avec la Banque centrale syrienne conformément aux sanctions imposées par Washington et l'Union européenne.
2012	The Daily Star	Lebanon has said that it will abide by international sanctions against its neighbor which includes freezing government assets and suspending cooperation with Syria's central bank.

Year	Magazine/Newspaper/ABL	Quotes
2013	ABL Annual Report	Given that compliance falls under bank cooperation instead of competition, the Association asked in July 2013 one of the largest auditing firms “Deloitte” to prepare with the close cooperation of the members of the committee on compliance and anti-money laundering in the Association the necessary material for issuing the Manual for Policies and Procedures on fighting money laundering and countering the financing of terrorism.
2013	ABL Annual Report	We also note in this framework to BDL circular no. 128 concerning the creation of a compliance department in every bank taking its principles from the Basel Accord. Thus, the Association held a working meeting in July 2013 to the responsible heads of compliance departments in banks operating in Lebanon in which it was decided on the necessity for banks to develop an effective compliance program with the interest being in the content of circular 128 and not in the form only.
2013	ABL Annual Report	The Association of Banks continued as part of its primary functions the training programs to help member banks remain ready to deal with international standards including the rules of the US Treasury especially concerning the AML/CFT and Know your Customers (KYC) currently used in Lebanon and also to respect and implement all sanctions imposed by the US Treasury and other international bodies. The banks continue their commitment of not dealing with any person or institution placed on international lists especially the one of the Office of Foreign Assets Control (OFAC) in the USA.
2014	Le Commerce du Levant	« Le système bancaire est prémuni contre toute éventuelle sanction, grâce aux mesures prises il y a deux ans par la Banque centrale, notamment la circulaire no. 126 relative aux activités des banques avec leurs correspondants à l'étranger », dit-il au Commerce du Levant. L'article 1 de cette circulaire, datant du 5 avril 2012, enjoint les institutions opérant au Liban « d'appliquer strictement le règlement relatif au contrôle des opérations financières et bancaires pour la lutte contre le blanchiment de capitaux et le financement du terrorisme, notamment avec les clients qui requièrent l'exécution d'opérations transfrontalières en passant par des banques ou institutions financières correspondantes ».
2014	Le Commerce du Levant	Les banques libanaises respectent à la lettre les sanctions internationales et coopèrent entièrement avec les pays concernés dans leur lutte contre le terrorisme et le blanchiment d'argent (...) Elles n'ont aucune raison d'être inquiétées », avait-il dit à L'Orient-Le Jour. « L'économie libanaise étant fortement dollarisée, elle a tout intérêt à maintenir de bonnes relations avec les États-Unis, et donc à coopérer. »
2014	Le Commerce du Levant	Nous avons pris les dispositions juridiques nécessaires pour que le secteur bancaire reste intégré au système financier international : le secret bancaire n'a pas vocation à abriter des opérations illégales. Sur le plan réglementaire, nous avons déjà pris toutes les mesures nécessaires pour obliger les établissements locaux à se conformer aux lois internationales et pris des initiatives pour encadrer plus strictement certaines activités comme celle des hawalas.
2014	Le Commerce du Levant	La Foreign Account Tax Compliance Act (Fatca) mise en place par les États-Unis pour s'assurer de la contribution fiscale de l'ensemble de leurs citoyens demeure sans doute la plus radicale à cet égard. Bien avant son entrée en vigueur, en juillet 2014, « toutes les banques libanaises avaient signé directement avec Internal Revenue Service (NDLR : le fisc américain) qui a cité le Liban parmi les pays les plus à la page en la matière.

Year	Magazine/Newspaper/ABL	Quotes
2014	Le Commerce du Levant	Face à cette pression, la Banque du Liban (BDL) a mis en place il y a deux ans une circulaire (no. 126), obligeant les banques locales à se conformer totalement aux lois et réglementations qui régissent leurs correspondants à l'étranger.
2014	Le Commerce du Levant	Une dernière source d'inquiétude potentielle aurait pu résider dans l'adoption, en juillet, d'un renforcement de la loi de prévention du financement international du Hezbollah par le Congrès américain et notamment de son dispositif de surveillance et de sanction des institutions financières en lien avec le parti. Encore en discussion au Sénat, ce dispositif n'effraie pas particulièrement le secteur qui se déclare à l'unanimité prémuni contre tout risque de sanctions par la réglementation interne existante, notamment la circulaire n° 126 émise par la BDL pour encadrer les activités des banques avec leurs correspondants à l'étranger.
2014	ABL Annual Report	The BDL issued intermediate circular no. 371 on 11/9/2014 requesting banks to appoint in each of the bank branches a person in charge of observing the financial and banking operations with the purpose of combatting money laundering and terrorist financing (AML/CFT Branch Officer). The circular also mentions the creation of at least two departments in the "compliance unit" with the first overseeing the head office and Beirut branches and the second various other branches in Lebanon.
2014	Executive Magazine	The biggest stumbling block is the lack of agreement between governments and Washington. To provide information to the IRS, inter-governmental agreements (IGAs) are needed, or alternatively central banks can allow FFIs to file directly to the IRS, which is what Lebanon is doing.
2014	Executive Magazine	We're really well prepared to meet FATCA, and I think with all modesty, the most prepared in the MENA today, because we started at the beginning — some three years ago — and have carried out intensive training.
2014	Executive Magazine	What is expected is that the financial sector will essentially police itself by dealing with only compliant FFIs. "You will see banks across the world asking other banks if [they are] FATCA compliant, asking about the Global Intermediary Identification Number [GIIN — to be registered with the IRS] and it will be a main factor in evaluating the continuing relationship," said Jebeyli. "I don't believe any Lebanese bank will not be compliant, and if there are mistakes, it will be in the details not the general direction."
2014	Executive Magazine	In 2012 Banque du Liban, Lebanon's central bank, issued Circular 126 to "ask Lebanese banks to respect all sanctions applied by their correspondent banks.
2015	Le Commerce du Levant	Quelle que soit la performance de leur activité, les banques libanaises ont désormais une nouvelle préoccupation fondamentale : éviter de rééditer l'expérience de la Lebanese Canadian Bank qui a été rayée de la carte en raison d'une accusation de blanchiment émanant du Trésor américain. « Il est absolument nécessaire pour chacune des banques d'instaurer une culture de conformité conciliant les impératifs de développement des activités et l'application stricte des réglementations internationales. Sur ce plan, la Banque du Liban, à travers la circulaire 126 datée d'avril 2012, recommande le respect des lois internationales et leur application, y compris d'éventuelles sanctions »
2015	ABL Annual Report	On 24/11/2015, four laws were passed. These were Law no. 42 on declaring the cross-border transportation of money, Law no. 43 on exchanging of tax information, Law no.44 on major amendments to Law no. 318 on combatting money laundering and Law no. 53 on allowing Lebanon to join the United Nations Convention on combatting terrorist financing signed in 1999.

Year	Magazine/Newspaper/ABL	Quotes
2015	Executive Magazine	Financial institutions need to abide by anti-money laundering (AML) and combating the finance of terrorism (CFT) rules, and have had to learn their lessons in this regard as even top international banks changed their processes only after being hit with multi-billion dollar fines for having facilitated financial transactions with sanctioned countries.
2016	ABL Annual Report	After the passage of the US law on 18/12/2015 and its implementing regulations regarding the prevention of access by Hizballah to international financial and other institutions, and in order to safeguard the high national interest, the BDL issued on 3/5/2016 Basic circular no.137 on the implementation mechanism with a view to prevent any arbitrary procedure that could extend beyond the scope of the above-mentioned US Act and its implementing regulations, and which could cause harm to depositors and clients' interests, in particular cases of closure of, or the refraining from, opening accounts, or dealing with such depositors and clients, in an unjustified manner or to avoid risks (de-risking). The compliance with the US law is a must, however, it is necessary for the implementation to be fair. The rules of work respected by our banks are the same ones respected by all banks in the world, including US banks and in regard to US citizens and institutions.
2016	The Daily Star	Central Bank Governor Riad Salameh has issued a decree that would make U.S. laws affecting Hezbollah's finances applicable in national courts.
2016	The Daily Star	In an interview with CNBC, Salameh said that the Central Bank is doing its part to implement the U.S. law. "The priority is to keep Lebanon on the international financial map, so we have resolved to implement that U.S. law in Lebanon," he said. "We have put in place a structure to satisfy the objectives of that law and at the same time preserve the rights of the Shiites."
2016	The Daily Star	All Lebanese and international banks are obliged to freeze or suspend the accounts of all names listed by OFAC or face sanctions if they fail to do so. "If have a person or institution that is listed on the OFAC list, then banks have to close the accounts immediately. There is no need for any formality," Salameh told his interviewer. [...] "We are keen to make sure that Lebanon is compliant with all the new regulations worldwide in the financial sector in order to remain completely integrated in the financial community."
2016	The Daily Star	The Lebanese banking system is closely and fatefully linked to the international monetary systems so Central Bank Governor [Riad Salameh] had no escape from implementing the international laws," Geagea said in a statement. He defended the measures taken by the Central Bank, saying "they came after [Salameh] took maximum measures to prevent the random application of the U.S. sanctions."
2016	The Daily Star	[...] were in reference to Lebanese banks which have affirmed that they will abide by the U.S. law, which calls for the closure of bank accounts of individuals and organizations suspected of being affiliated to Hezbollah.
2016	The Daily Star	The attendees reaffirmed their "confidence in the measures being taken by the Central Bank locally and internationally to protect the Lebanese financial system, bolster its immunity and reassert Lebanon's financial reputation.
2016	The Daily Star	They underlined the need for "all those concerned with this file to show the highest degree of wisdom and responsibility and to adopt a calm and rational dialogue in dealing with this delicate issue, away from the uproar of platforms in order to preserve the interests of all the Lebanese and protect Lebanon's advanced position in the international financial system".

Year	Magazine/Newspaper/ABL	Quotes
2016	The Daily Star	The association confirms that [Lebanese] banks are working in compliance with the highest professional standards and according to the prevailing policies in global markets as it abides by Lebanese laws to preserve the interests of all Lebanese.
2016	The Daily Star	After the issuing of the U.S. law, we have a new formula for dealing with customer's bank accounts, whereby the banks no longer have the authority to open or close any account, nor overlook the transactions or transfers of some suspicious [customers], [...]. If anyone is suspicious, there can be no leniency, even if the customers have millions of dollars, because the negative repercussions in not abiding by the [U.S.] law will be catastrophic on the bank.
2016	The Daily Star	He pointed out the strong cooperation the U.S. has had with Lebanon's Central Bank, saying: "After the HIFPA lists were released, Banque Du Liban ordered all Lebanese financial institutions to comply with the legislation, and that is what we have been seeing."
2016	The Daily Star	Beirut will abide by a U.S. law that imposes sanctions on banks that knowingly do business with Hezbollah, Lebanon's central bank governor said Monday. Riad Salameh told The Associated Press in an interview that bank officials are now studying regulations issued on Friday in Washington by the U.S. Department of the Treasury.
2016	The Daily Star	Salameh said that he was discussing with Lebanese banks how to implement the law in "a way that does not harm the Lebanese people."
2016	The Daily Star	Central Bank Governor Riad Salameh called on banks Tuesday to offer justification within a 30-day period if they want to suspend the accounts affiliated to Hezbollah. However, this measure will exclude those individuals or companies blacklisted by the U.S. Treasury Department.
2016	Executive Magazine	The banking sector has complied with central bank regulations for anti-money laundering and counter terrorism financing, and the government has adopted laws to satisfy international standards.
2016	Executive Magazine	Lebanon was in danger of being cut off from the international financial system due to out of date anti-money laundering rules. After many months of complacency, and despite urging from Banque du Liban (BDL), Lebanon's central bank, Lebanese politicians rushed to Parliament to pass anti-money laundering (AML) and counter terrorism financing (CTF) legislation to comply with international standards.
2016	Executive Magazine	To the latter the response is one of confidence – Lebanon has put in place the necessary compliance measures to shield its financial system. But to the former, in the face of American pressure, uncertainty persists as to the consequences for local banks should the Americans accuse them of servicing accounts linked to Hezbollah – the outcome of which will be answerable only through testing actual conflict scenarios.
2016	Executive Magazine	After the LCB case, banks heightened their awareness to the risks – whether they are local or international [banks], it is now much clearer. When I compare what [Lebanon's] banks are doing, I think we're doing well by regional and international standards. Our set of laws and regulations are pretty much complete now. The new laws and regulations passed last November complete our legislative [framework], and on the regulatory front the central bank has issued the necessary regulations.

Year	Magazine/Newspaper/ABL	Quotes
2016	Executive Magazine	What is not a reason for any worry about the banking sector’s viability, by the way, is compliance. Lebanon’s commercial banks are prepared for whatever compliance mandates are thrown at them and the latest updates on the compliance front only confirm this.
2016	Executive Magazine	It is the banks that are responsible for complying with the Hezbollah International Financing Prevention Act, Lebanon’s central bank circular 137 stipulates, and in so doing must carry out client due diligence when opening accounts or facilitating transactions. To the banks this is just another chapter in the book of risk management, where compliance with the laws of foreign jurisdictions in which they do business is not a choice, because the banks must comply and have long invested in the tools to do so.
2016	Executive Magazine	For risk managers the question has never been whether to comply or not, but rather how much investment is necessary to satisfy regulators.
2016	Executive Magazine	To say that Lebanese banks are panicked that their compliance investments might not satisfy American standards may be an overstatement, but it certainly is an issue that compliance executives and banks’ management are following closely. “I’m not trying to minimize the [issue] but I’m saying it is important to the US, it’s important to us and it’s important to our clients,” Jebeyli says. Lebanese banking officials and executives are acutely aware of the seriousness of the American legislation, a notion that Jebeyli and others that Executive spoke with pointed out. And the lessons learned from the case of LCB – of alleged management complicity in money laundering and that of insufficient controls – are now core considerations in assessing compliance programs.
2016	Executive Magazine	So, because we are keen to maintain a position as a sophisticated and fair player in the global financial market, we respect the applicable laws. The key applicable laws, because of these reasons, are US laws – we are not talking about politics, this is a business and legal reality.
2016	Executive Magazine	[...] continue to strengthen our compliance program, that we continue to give assurances to ourselves – our boards, our management, to our shareholders, our employees – that we are managing our compliance program efficiently and prudently so we can continue to maintain partnership with our correspondent bank. Not only do I need to pay attention to my standards but to comply with the standards of the correspondent bank. That means a successful continuation of correspondent banking relationships, which in turn means that we’ll continue to exist and prosper and continue to support our clients in their dealings with the world.
2016	Executive Magazine	If I’m doing a business transaction in dollars, because those clear through the US, they touch the US and become, consequently, subject to US laws and I have to comply with and observe those laws.
2016	Executive Magazine	We apply the law to the extent that is needed for the purpose of meeting our commitment to ourselves, our shareholders, our regulators, and to the global community.
2016	Executive Magazine	Providing compliance services is just not doable. This is a commitment of the management of each bank, and also there are regulations that prohibit banks from outsourcing main functions. [...] You cannot really compromise on [compliance] requirements for the purpose of saving money because you may end up paying a more expensive price. Compliance failure, if it is serious enough, could affect the franchise – it depends on the situation.

Year	Magazine/Newspaper/ABL	Quotes
2016	Executive Magazine	There has been an important cost increase, but we never question if we should or should not spend. We spend as much as we need for the purpose of continuing to preserve our standing as a compliant banking industry. In compliance there are two risks. There is the risk of making a mistake and there is the other risk in missing legitimate opportunities because of being too conservative or because of insufficient knowledge.
2016	Executive Magazine	The central bank will issue two new circulars to complement its May 2016 decision compelling local banks to comply with a US law meant to isolate Hezbollah from the global financial system. The Special Investigations Commission (SIC) will issue a circular requiring banks to detail justifications for the closure of any account.
2016	Executive Magazine	Of course, there are protests about [complying with the US law], but our concern is to protect the interests of Lebanon and to keep the integrity of our dealings with external banks.
2016	Executive Magazine	The West increasingly views this part of the world with suspicion. Correspondent banking is more problematic for Arab banks than others. We Lebanese will make the only choice we think we have: adapt.
2016	Executive Magazine	One of the biggest stories of the year was the implementation in May of an American law targeting Hezbollah – the Hezbollah International Financing Prevention Act (HIFPA). Once again, BDL stepped in to fill the void of foreign policy, financial and economic leadership vacated by an impotent government – issuing circular 137 for Lebanese banks to comply with the US law.
2016	Executive Magazine	The focus of Lebanon’s central bank, in conjunction with the Association of Banks in Lebanon (ABL), has been to assert that the local banking environment and framework are compliant with international standards and that Lebanon can be a safe and attractive banking location.
2016	Le Commerce du Levant	Un dispositif législatif qui « reflète l'engagement de l'État et du secteur bancaire libanais à respecter les normes financières et bancaires internationales. Et particulièrement les lois américaines, les transactions bancaires relatives au commerce extérieur libanais ainsi que les transferts de la diaspora vers le Liban, étant libellés en dollar et traités par les banques correspondantes à New York.
2016	Le Commerce du Levant	Le gouverneur de la BDL, Riad Salamé, justifie ces mesures en déclarant « qu'il n'y a pas d'autre alternative (...) puisqu'il faut protéger le système bancaire, qui vit grâce aux échanges avec les banques (américaines) correspondantes ».
2016	Le Commerce du Levant	Le gouverneur de la Banque du Liban, Riad Salamé, a déclaré fin avril que le Liban allait se conformer à la loi votée par le Congrès américain en décembre, qui vise à sanctionner les banques coopérant sciemment avec le Hezbollah, considéré comme une organisation terroriste par les États-Unis. Le gouverneur s'exprimait trois jours après la publication des modalités d'application de la loi par le Bureau de contrôle des avoirs étrangers du département du Trésor américain.
2016	Le Commerce du Levant	La Banque du Liban a émis le 3 mai une circulaire (n° 317) qui régit l'application par le secteur bancaire libanais du Hezbollah International Financing Prevention Act of 2015 (Hifpa 2015), voté en décembre dernier par le Congrès américain. L'objectif est d'éviter qu'en respectant trop strictement les injonctions américaines, afin de réduire les risques qu'elles encourent, les banques en viennent à exclure tout ou partie de la population libanaise, à savoir la communauté chiite.

Year	Magazine/Newspaper/ABL	Quotes
2016	Le Commerce du Levant	Plusieurs sources bancaires libanaises affirment au Commerce du Levant que les autorités américaines ont récemment exprimé leur satisfaction concernant les mesures prises par le secteur pour être dans les règles. Le sentiment général est cependant que cette pression accrue devient de plus en plus compliquée à gérer.
2016	Le Commerce du Levant	La Commission d'enquête spéciale (CSI) a émis 26 mai dernier une décision détaillant la procédure de clôture de comptes bancaires dans le cadre de l'application des sanctions américaines contre le Hezbollah et ses soutiens financiers. Seule autorité habilitée à accéder aux comptes créditeurs et débiteurs dans le cadre du secret bancaire, la CSI a émis cette décision afin de « clarifier et implémenter » les règles déjà énoncées par la Banque du Liban, et éviter « toute procédure ou mesure arbitraire » contre les clients, indiquent ses considérants.
2016	Le Commerce du Levant	Le président de l'Association des banques du Liban (ABL) a réaffirmé que la lutte contre le blanchiment d'argent et le financement du terrorisme était au cœur des préoccupations des banques libanaises.
2016	Le Commerce du Levant	Le président de l'Association des banques du Liban a par ailleurs démenti que la campagne de lutte contre le blanchiment et le financement du terrorisme visait une communauté ou un parti politique en particulier. « L'action des banques en la matière ne vise aucune catégorie spécifique et la majorité de nos clients possèdent des comptes tout à fait légaux. Nous ne faisons qu'appliquer les lois aux comptes qui figurent sur les listes noires établies au niveau international.
2016	Lebanon Opportunities	The banking sector, led by the Central Bank (BDL), is deploying efforts to avert any undesirable fallout from the recently ratified United States' Hezbollah International Financing Prevention Act (HIFPA). It is not the first time that the new international compliance rules have been adapted and applied locally. The latest move occurred in November 2015 when Parliament adopted numerous laws pertaining to money laundering, terrorism financing, and tax evasion. This new US law will only add to the banks' prudence, since it tightens the cord on one local political party. The local banking sector is renowned for its resilience and has withstood many perilous storms during the past few decades. It is this resilience that instills confidence in the banking sector's ability to eventually overcome this present challenge.
2016	Lebanon Opportunities	Why should local banks abide by a US law in the first place? The law has become applicable to local banks because all of them deal with correspondent banks in the US. Not complying with the ruling, or even if suspected of non-compliance, could see banks lose this relationship, along with all their business dealings.
2017	The Daily Star	A week after a Saudi minister alleged that Hezbollah was using Lebanese banks to launder money, Prime Minister Saad Hariri has assured that there is no reason to fear for Lebanon's banking sector, and that the banks are complying with U.S. laws. At the premier's Downtown residence Tuesday night, he told a business and economic delegation from north Lebanon that Lebanon was among the few countries that apply U.S. laws to its banks, "especially in regard to transparency," according to statement from Hariri's office released Wednesday.
2017	The Daily Star	Hariri also "pointed to huge cooperation between the U.S. Department of the Treasury and Lebanon's Central Bank, and that all the laws that were imposed by the United States Congress are being implemented in Lebanon,"
2017	The Daily Star	Lebanon's security agencies and the Central Bank are working closely to prevent the use of Lebanese banks to channel money to terrorist groups.

<b>Year</b>	<b>Magazine/Newspaper/ABL</b>	<b>Quotes</b>
2017	Executive Magazine	Confidence in Lebanon's banking system is a delicate thing. Mansour describes Lebanon's anti-money laundering (AML) and counter-terrorism financing (CTF) framework as robust and says that local banks are in full compliance with international standards, foreign legislation and national regulations.
2017	Executive Magazine	We're always following up on any new developments and requirements, and we're passing the necessary regulations and enforcing them as needed. We believe we're doing all it takes to be in compliance to protect the Lebanese banking sector, Lebanese individuals, and [the] national interest at large. This has been the stated policy all along, and I think that nobody contests that the country's interests come first. All our efforts and compliance enforcement fall under this banner.
2017	Executive Magazine	The regulation doesn't go to that extent. The banks either appoint someone from within the branch to do the job or they assign a new person or staff member to perform the duties. But this is a very advanced kind of arrangement that we have imposed, and it's a very important step to make sure that with the clients there is always someone watching and making sure the procedures are applied. Of course, there are other layers within the banks, such as the central compliance office and internal audit, as well as external audit and the SIC, that all have different procedures of ensuring compliance. I think our system is quite rigorous in this regard.
2017	Executive Magazine	The central bank has a regulation that requires banks to notify the SIC before closing an account along with the justifying reasons. We want to make sure that an action taken by a bank is proper and ensures the rights of its customers. I'm not worried that this is happening because if so [we would've heard about it]. We didn't receive an exceptionally large number of [notifications of] accounts to be closed for whatever reason. It's just business as usual. There is conscientiousness from everybody because of the rumors, but it has not culminated in to something like de-risking actions.
2018	Executive Magazine	Yes, there are sanctions on Lebanese individuals and companies and that does pile on political pressure on the country, but the standard answer from Lebanon's central bank is that it complies with international standards and foreign and local legislation, while the banking community is in compliance with global anti-money laundering and counterterrorism financing requirements.
2018	The Daily Star	Berri told the delegation that money laundering laws passed by the Lebanese Parliament have made Lebanon "a country that meets the highest international legal standards regarding money transfer financial movement and combatting money laundering and terrorist financing," a statement from the Speaker's media office said. Berri's remark referred to the passing of several draft laws in 2016 on combatting Terrorist Financing that had been pending for years, amending the outdated 2001 Law No 318.

## Appendix 19

### “Overcompliance” Quotes from Archival Data

Year	Magazine/Newspaper/ABL	Quotes
2011	Executive Magazine	Deal with us or not, period. The banking sector is not loose and American banks shouldn't be scared of Lebanese banks; banks are cooperating and closing accounts with exchange dealers, even good exchange dealers.
2012	Executive Magazine	Given the uncertainty, many banks are taking measures that go beyond the text of the law by refusing to bank with those on the OFAC list as well as their relatives, close friends, business associates and so on, according to Morcos. And, according to Yazigi, many Syrians can no longer open up accounts in Lebanon and find it very difficult to conduct financial transactions even if they do not have ties with the regime. “I would not open a [Syrian national's] account. I would advise other banks not to give themselves a headache and just not take the account”.
2012	Executive Magazine	Legitimate businesses may be the victims of a slew of bad press brought on by a minority of exchanges taking part in money laundering activities that eventually caught the eye of international regulators and tarnished the banking sector's image.
2014	Executive Magazine	Yet while many jurisdictions have not yet signed up to FATCA, and some are unlikely to at all — Russia is a prime example — and certain MENA countries lag behind, the Lebanese banks are more than ready. “We are working as if FATCA already exists,” said Abdul Razzak Achour, chair and general manager of Fenicia Bank. “We are contacting all FFIs that we do business with and checking if [they are] FATCA compliant; if not, we will act accordingly.”
2014	The Daily Star	The hospital was having trouble securing cash. After borrowing from local Lebanese banks to finance various operations, the hospital found its accounts suddenly closed down. “A while ago, without warning, these banks closed the accounts of the hospital with the excuse that they feared American threats to sanction banks that deal with institutions in the orbit of the resistance and Hezbollah.”
2015	Executive Magazine	Banks are by themselves conservative. When they feel the pressure of law enforcement upon them, it changes the spirit and this is my worry, as it could impact the role of banking negatively.
2016	Executive Magazine	With respect to governance, banking leaders are rather confident that they have not only come a long way in applying corporate governance standards but also are doing more than complying with the legal minimums that are being raised every now and then by the central bank via new circulars imposing stricter standards.
2016	The Daily Star	The U.S. law has sparked an unprecedented crisis between the Central Bank and Hezbollah, which views it as a breach of sovereignty. The banks say they have no choice. When the law first came into effect, Lebanese banks began closing accounts, including of Hezbollah officials. The Central Bank subsequently issued a directive requiring the banks to refer accounts considered linked to Hezbollah to an investigative unit before any measure is taken.
2016	The Daily Star	After the issuing of the U.S. law, we have a new formula for dealing with customer's bank accounts, whereby the banks no longer have the authority to open or close any account, nor overlook the transactions or transfers of some suspicious [customers].

Year	Magazine/Newspaper/ABL	Quotes
2016	The Daily Star	Al-Akhbar said Salameh also believed Lebanon's banks went too far in closing the accounts of holders with alleged ties to Hezbollah, prompting him to adopt a harsher approach to bring about a settlement between financial institutions and the party.
2016	The Daily Star	Some banks in Lebanon went too far and they became more American than the Americans themselves. They even did something that the Americans did not ask for. They targeted people and charitable foundations that were not mentioned in the U.S. list,
2016	The Daily Star	Hezbollah ministers urged Prime Minister Tammam Salam during a Cabinet session Thursday to resist U.S. pressure to implement financial sanctions against the group after banks closed the accounts of two party MPs. "We have crossed the red line,"
2016	Le Commerce du Levant	L'hôpital Bahman, construit avec l'aide du gouvernement iranien, appartient à l'association Mabarât fondée par Sayyed Mohammad Hussein Fadlallah. « Ces deux institutions emploient des centaines de personnes de différentes professions. Il n'y a aucune raison de les punir si leurs noms ne sont pas mentionnés dans la liste de l'OFAC »
2017	Le Commerce du Levant	L'entrée en vigueur de la loi américaine en 2016 et son application par le secteur financier libanais avait conduit à une crise sans précédent entre la communauté bancaire et le Hezbollah. Par crainte des représailles américaines, les banques avaient fermé ou gelé des centaines de comptes liés à des institutions ou des personnes proches du parti, allant parfois même au-delà de la liste de noms publiée par le Trésor américain.

## Appendix 20

### “De-Risking” Quotes from Archival Data

Year	Magazine/Newspaper/ABL	Quotes
2011	Executive Magazine	The effect from American banks was bad, by two banks in particular; we were not allowed to send from a Lebanese exchange house to an exchange house anywhere via the US. They don't want any payments from banks related to the exchange dealers. It has created panic and is putting exchange dealers out of business.
2011	Executive Magazine	The US banks also don't want us to deal with used car dealers. But they cannot penalize other banks for what happened or consider all transfers as suspicious.
2011	Executive Magazine	Deal with us or not, period. The banking sector is not loose and American banks shouldn't be scared of Lebanese banks; banks are cooperating and closing accounts with exchange dealers, even good exchange dealers.
2011	Executive Magazine	Sales also dropped due to restrictions imposed by the central bank and the US government on money transfers following the taking down of Lebanese Canadian Bank in February on accusations of money laundering, allegedly carried out in part via used car dealerships in the US.
2011	Executive Magazine	When we cannot have a proper assessment of the origin of the funds and when [they] could put the bank at risk, we have to turn down some business and I believe most of the banks in Lebanon are very careful and are doing the same.
2012	Executive Magazine	Some banks are simply saying “no” to Syrian traders. “But it's institution by institution and it also depends on the sect the bank belongs to. For one sect it's okay and for another it's not.” He stressed that in principle the OFAC list targets money laundering, terrorist financing and other financial crimes and not sanctions, which come under a wider US legal principle called a country ruling. Even so, banks still use the lists as the basis for compliance.
2012	Executive Magazine	Given the uncertainty, many banks are taking measures that go beyond the text of the law by refusing to bank with those on the OFAC list as well as their relatives, close friends, business associates and so on, according to Morcos. And, according to Yazigi, many Syrians can no longer open up accounts in Lebanon and find it very difficult to conduct financial transactions even if they do not have ties with the regime. “I would not open a [Syrian national's] account. I would advise other banks not to give themselves a headache and just not take the account,”
2012	Executive Magazine	Halawi claims that the hike is aimed at forcing out smaller companies, but believes it would hurt the industry as a whole. “Even the remaining changers will not benefit because the big exchangers cannot spread out as much as small ones, so in the end we will not be covering the whole market.”
2012	Executive Magazine	Legitimate businesses may be the victims of a slew of bad press brought on by a minority of exchanges taking part in money laundering activities that eventually caught the eye of international regulators and tarnished the banking sector's image.
2012	Executive Magazine	“We are facing demands from the international community to enhance the system. Lately many exchange industries have been mentioned in American reports and that's why the banking authorities are taking these measures; in order to show they are controlling the exchange”.

Year	Magazine/Newspaper/ABL	Quotes
2014	The Daily Star	The hospital was having trouble securing cash. After borrowing from local Lebanese banks to finance various operations, the hospital found its accounts suddenly closed down. "A while ago, without warning, these banks closed the accounts of the hospital with the excuse that they feared American threats to sanction banks that deal with institutions in the orbit of the resistance and Hezbollah,"
2014	Executive Magazine	"Most companies will stop working with them, and I would not be surprised if local banks stopped dealing with them," explained Ibrahim Warde, an expert in underground financing at Tufts University.
2014	Executive Magazine	Intermediary companies might limit their exposure by cutting ties with the company. "It could affect insurance and transportation," explains Warde. "Quite simply anyone doing business with them might be sanctioned; they normally will stop doing business right away."
2015	Executive Magazine	Risk mitigation, or rather risk deflection, is another AML-CFT induced challenge for the relationships between Arab banks and international banks, as well as among Arab banks themselves. This is because of a temptation for banks to sever correspondent banking ties when compliance requirements make these relationships too cumbersome. Called de-risking, the practice potentially impedes international finance for smaller partners and according to Fattouh is generally ill-advised and not the intention of US stakeholders. "From the point of view of the regulator and the treasury, banks have to continue to understand risk and manage it, not talk about de-risking, and I agree with them. But we are witnessing some international banks cutting their relationships with Arab banks," Fattouh explains.
2015	Executive Magazine	De-risking is an economy 101 decision; banks compare the rewards of doing business with individuals and institutions with the cost of compliance attached to having those relationships.
2016	Executive Magazine	More important in 2015 than sanctions against individual businessmen and bankers have been the indirect effects of US policies where international banks tended to cut correspondent banking relationships with Arab banks. This problem had been highlighted by the Union of Arab Banks in several statements and contributions to the international conference in 2015. However, de-risking is a concern for all banks and could even lead to a new banking crisis.
2016	Executive Magazine	So if a law is passed in the United States that would prohibit US banks from dealing directly or indirectly in certain types of transactions, or with certain individuals, then Lebanese banks cannot deal with such individuals – otherwise they will expose their correspondents, themselves and the sector to the measures that may be taken.

## Appendix 21

### “Lobbying” Quotes from Archival Data

Year	Magazine/Newspaper/ABL	Quotes
2012	ABL Annual Report	A delegation of the Association of banks in Lebanon took an important business trip to Washington- New York, from March 4, till March 8, 2013 and had a very busy schedule. [...] Then, the delegation held a business meeting with officials at the Federal Reserve Bank of New York, in which it discussed thoroughly the relationship of Lebanese banks and American correspondent banks in New York. Furthermore, it received recognition for the efforts done by banks since the Lebanese Canadian bank case and was encouraged to follow with these efforts.
2012	ABL Annual Report	The BDL praised the professionalism reflected through this visit and its importance regarding the sector’s interest in particular and the country in general. It also stressed on the need to repeat this activity, because it is important for the decision-makers in the U.S. to meet with Lebanese bankers familiar with all the aspects and the details of the banking field. It is also very important for those decision-makers to listen to other perspectives, very different in most cases than the ones included in reports formulated by unprofessional parties.
2014	ABL Annual Report	The Association continued in 2014 on developing its link with US banks and US administration by conducting two visits to the USA on May 18-21 and October 7-17. The meetings with the US administration especially the US Treasury, members of Congress committees concerned with the banking profession, the Federal Reserve Bank, in addition with the meetings of correspondent banks, stressed on the importance of the continuation of banks to abide by the rules of combatting money laundering adopted by the US banks due to the dollarization of the Lebanese economy and banking activities.
2015	ABL Annual Report	During 2015, a delegation of the Association conducted a major business visit to New York City and Washington D.C. from 27 April to 2 May. [...] The main purpose of the visit was to review and strengthen the correspondent relationship between the Lebanese and the US banks. [...] The delegation of the Association stressed during these meetings on the concern of the Lebanese banking sector to continue complying with the international banking standards especially the American ones given that more than 80% of the external operations of this sector is conducted in US dollars and through correspondent accounts with US banks. The US executives highlighted the necessity for banks to keep working along the same lines as far as risk management is concerned to preserve the existing correspondent relationship as a service to the benefit of the customers, the banking sector and the Lebanese economy.
2016	ABL Annual Report	In the framework of the regular visits that the Association organizes to the financial capitals in Europe and the USA in order to strengthen the relationship with correspondent banks of Lebanese banks, and the communication with the official powers and the foreign financial and monetary authorities, a delegation of the Board of Directors of the Association along with the Secretary General visited in April 2016 New York city and Washington D.C. [...]. It was noticeable the intense presence of the Lebanese banking system from the BDL, the BCC and banks compared to the attendance of bankers from various Arab countries. The Lebanese bankers had an effective and noticeable participation which contributed to the reaffirmation of the poised standing of Lebanon and its leading and continuous banking role in promoting and solidifying the international standards of the banking profession. [...] The Lebanese banking delegation held meetings with executives and directors of compliance in US correspondent banks: Bank of New York, Citibank, J.P. Morgan, and Standard Chartered Bank.

Year	Magazine/Newspaper/ABL	Quotes
2016	Executive Magazine	Taking anti-Hezbollah legislation up with US lawmakers is a particularly difficult quagmire because representing the interest of the Lebanese government – in which Hezbollah is a stakeholder – is not in the interest of the Lebanese government.
2016	Executive Magazine	Recently Lebanese government and banking officials have been rushing to the US to assess the level of damage heading its way. If Lebanon had an effective diplomatic presence in Washington, then this problem could have been dealt with sooner. Lebanese officials tell Executive that the country has negligible bilateral relations with the United States and that the embassy has had virtually no role in communicating Lebanon’s concerns to the Americans regarding HIFPA (see Damage control). Yet scaling up our diplomatic presence in DC would only be treating the symptom rather than addressing the root cause of the problem.
2016	Executive Magazine	Were the laws ratified because of lobbying by the central bank? Absolutely – it was public lobbying. We were out in front of the media – the governor of the central bank, myself, the bankers’ association – we were all working to raise the awareness of the possible risks of Lebanon being blacklisted and the need to comply with international standards. That helped to a good extent in putting the necessary momentum for these laws to be issued.
2016	Executive Magazine	A flurry of activity and travel to the United States in the opening months of 2016 by Lebanese government and banking officials indicates Lebanon’s mounting concern over the implementation of terrorism financing legislation by the United States, specifically the Hezbollah International Financing Prevention Act (HIFPA), ratified into US law in December 2015. The law may be driven more by American politics rather than regulatory need, says Ibrahim Warde, an expert on terrorism financing at Tufts University. He tells Executive that “because the deal with Iran was succeeding, I think [HIFPA] was a way of silencing those critics of the Iran deal. They [US legislators] were saying that once sanctions against Iran are removed, they’ll be flush with cash that [Iran] might give to terrorists.”
2016	Executive Magazine	Lebanese officials have sought to curb the impact of such legislation on Lebanon’s financial system. ABL leaders are rushing to the US, as well as leaders at the Union of Arab Banks (UAB), because there is a regional risk for Arab banks, including those in Lebanon. UAB, along with ABL, have been very concerned since 2002 about US anti-terrorism finance regulations that have targeted Arab banks. Through 2015, ABL spent a tidy sum lobbying the US government. ABL does not publish its budget, but according to <a href="http://opensecrets.org">opensecrets.org</a> , a website that compiles lobbying reports from the US Senate’s Office of Public Records, ABL has spent over \$2 million since 2012 lobbying the US Government on bank regulatory issues, international banking issues and, specifically, on the HIFPA.
2016	Executive Magazine	According to a report by Lebanese television channel LBC, the delegation traveled to the US in late February to meet with officials from the White House, the Treasury Department, the National Security Agency and members of Congress to discuss American financial sanctions legislation.
2016	Executive Magazine	New legislation in the United States targeting Hezbollah has Lebanese government and banking officials shuttling between Beirut and Washington, not to rush to its defense but to assess the level of damage heading this way. Remembering the forced closure of the Lebanese Canadian Bank in 2011, local officials are more than a little concerned at the prospect of not just one bank as a victim but the entire sector.

Year	Magazine/Newspaper/ABL	Quotes
2016	Executive Magazine	Shielding Lebanon's financial institutions, banking sector and economy has been the key point reiterated by Lebanese government and banking officials in trips to Washington. Amal Movement MP Yassine Jaber, another Hezbollah ally, told Executive in early March that the Americans were puzzled by all the meetings Lebanese officials were taking in DC. "Their reaction was to ask why [is Lebanon] panicking? We told them, well, the perception in Lebanon is that it's going to be crazy.
2016	Executive Magazine	The Obama Administration has been quick to point out that it is only Hezbollah that the Americans are interested in. Following meetings with US officials, Jaber told Executive that "[The Americans] have no intention of neither hurting the Lebanese economy nor the Lebanese banking sector, nor of targeting any community or religious group. This is about [specific] individuals, entities and companies." Following his mid-March visit to Washington, Minister of Finance Ali Hassan Khalil stated that Assistant Secretary for Terrorism Financing at the Treasury Department, Daniel Glaser, clearly confirmed "that the regulations will not target the Shiite community or any groups in general."
2016	Executive Magazine	Lebanon had one organization, the Association of Banks in Lebanon, that lobbied on its behalf both years.
2016	Executive Magazine	The conundrum for Lebanon in all this is its perception in Washington as a problem country because of Hezbollah, an image it has little latitude to alter. Lebanon is underrepresented diplomatically and is outspent in its lobbying efforts. Ultimately, Lebanon has little ability to articulate its position, drowned out by America's Arab allies plus Israel, on American policy in the Middle East, leaving its national concerns to go virtually unheard.
2016	Le Commerce du Levant	Une délégation de l'Association des banques libanaises menée par son président Joseph Torbey, a rencontré, fin avril, à Washington, des responsables du Trésor et du département d'État américain afin de discuter des questions relatives à la transposition au Liban des normes internationales de lutte contre le blanchiment d'argent et le financement du terrorisme.
2016	Le Commerce du Levant	Une délégation de l'Union des banques arabes qui se rend incessamment à Washington devrait s'entretenir de cette décision avec les autorités concernées et éclaircir les points obscurs quant à ses conséquences pour le secteur. Le dossier était également au menu des discussions de la délégation de l'Association des banques libanais en visite aux États-Unis du 25 au 29 janvier.
2016	Le Commerce du Levant	Joseph Torbey a enfin indiqué qu'une délégation de dirigeants de banques libanaises se rendrait aux États-Unis courant avril afin de participer à une conférence internationale sur l'harmonisation des procédures bancaires dans le cadre du renforcement de la lutte contre le blanchiment et le financement du terrorisme.
2016	The Daily Star	Finance Minister Ali Hasan Khalil headed to Washington over the weekend where he will discuss matters related to combating terrorism financing with U.S. officials. "I am traveling to the U.S. to discuss with the relevant U.S. authorities financial and banking matters,"
2016	The Daily Star	His visit was aimed at strengthening assurances that the Lebanese banking sector would not be targeted by the recent congressional measure to tighten the noose around the finances of Hezbollah.

Year	Magazine/Newspaper/ABL	Quotes
2016	The Daily Star	A parliamentary delegation visited Washington at the end of February to tackle U.S. sanctions against Hezbollah. MP Yassin Jaber, a member of the delegation, said that the delegation received assurances from U.S. Treasury officials that the Lebanese banking sector was not being targeted by the congressional measure to tighten the noose around the finances of Hezbollah, viewed by the Americans as a terrorist group. The U.S. has sanctioned more than 100 individuals and entities associated with the group.
2016	The Daily Star	A parliamentary delegation visited Washington at the end of February to tackle U.S. sanctions against Hezbollah. [...] Jaber had said that the delegation received assurances from U.S. Treasury officials that the Lebanese banking sector is not being targeted by the congressional measure to tighten the noose around the finances of Hezbollah, viewed by the Americans as a terrorist group.
2016	The Daily Star	Finance Minister Ali Hasan Khalil has held his first set of meetings since arriving to Washington over the weekend to discuss combating terrorism financing with U.S. officials. Khalil told U.S. Treasury officials that it was important for Washington to take into consideration “Lebanon’s special political makeup” when making decisions concerning the country, according to a statement posted to the National News Agency.
2017	Executive Magazine	Returning from their trip to the United States, the ABL confirmed the existence of a draft bill and their opposition to it. In meetings with US officials from Congress, the State Department, the Treasury and the National Security Council, the ABL “made observations on the text of the proposed law and on the negative effects that may ensue and join Lebanon and banking activities in it. The delegation insisted that the current legislation in force is sufficient, thus eliminating the need for any new provisions that may leave inappropriate interpretations.
2017	Executive Magazine	The ABL has lobbied US officials and its American banking counterparts for years. According to disclosure documents compiled by opensecrets.org, a research group tracking money in US politics, from 2013 through April 2017 the ABL spent just over \$3 million lobbying US officials on Lebanese banking concerns, including \$1.8 million attempting to water down last year’s Hezbollah International Financing Prevention Act (HIFPA).
2017	Executive Magazine	Local media outlets have been reporting since mid-April that the United States was close to expanding its legislative efforts to target Hezbollah’s finances, a rumor that the Secretary General of the SIC, Abdul Hafiz Mansour, says has been blown out of proportion. But while new legislation or amendments to HIFPA remain at the draft stage, media speculation alone has caused a spike of uncertainty and forced a rush to Washington by Lebanese officials in an effort to water down any expansion of regulations.
2017	Executive Magazine	There were two teams that went to the United States recently: the Association of Lebanese Banks and the parliamentarians. Both arrived at the same point — there was nothing new. [On May 23] MP Yassin Jaber told al-Joumhouria that there was no new legislation, neither final nor at a serious stage of drafting. Mainly, the media was [reporting] the news as if it were a fact that the United States was expanding the radius of its sanctions, or targeting individuals or parties, while actually there was nothing.

Year	Magazine/Newspaper/ABL	Quotes
2017	ABL Annual Report	The delegation held over the period 10-13 October a series of meetings prepared by the international law office of DLA PIPER which has been in charge of the interests of the Association for the last five years. The visit included first, the key concerned members of the House of Representatives and Senate, especially the involved executives of the committees in charge of the draft law related to Hizbullah, HIFPA 2017. The visit also included the high concerned executives in charge of Lebanon in the Department of State and the National Security Council/White House. The delegation of the Association also held an important business meeting at the US Treasury with the new Deputy Secretary of State for fighting money laundering and combatting terrorist financing. The Association aimed from these meetings to isolate the Lebanese economy from the negative repercussions of the new legislations, on one hand, and to fortify the banking sector against the possible complications that may result from the new legal formulations. The delegation of the Association stressed repetitively that the current legislations are sufficient, which negates the need of an additional legislation especially that the banks succeeded in applying the compliance rules through the mechanism developed by the BDL and accepted by the international authorities, including the US Treasury.
2017	Le Commerce du Levant	Une délégation de banquiers et d'hommes politiques libanais s'était rendue à Washington afin de persuader le congrès américain de « l'effet contreproductif » de ces nouvelles sanctions. Un cabinet de lobbyiste avait même été appointé en ce sens.
2017	The Daily Star	A senior Lebanese banking official said Monday that recent financial delegations that had traveled to the U.S. to negotiate proposed sanctions on Hezbollah had stressed the need not to impact the wider local economy. Following a visit to the U.S. to meet officials, Head of the Association of Banks in Lebanon Joseph Torbey said: "The association told the U.S. administration and correspondent banks that new legislation should not be harmful or cause collateral damage to Lebanon, its economy, its banks or the savings of the people."
2017	The Daily Star	Lebanon is capable of working with U.S. authorities to minimize the impact of new sanctions targeting Hezbollah and its affiliates, Prime Minister Saad Hariri said Thursday. "There's a new bill being prepared by the U.S. Congress and we should have a team working on explaining our (Lebanon's) efforts in combatting money laundering and other [illicit activities]," Hariri told reporters.
2017	The Daily Star	The [implementation] of the bill will be harsh on Lebanon," he added. However, he said that the Lebanese could work with the U.S. to "change it."
2017	The Daily Star	A current bill in the U.S. Congress is expected to increase sanctions on Lebanese businesses and entities suspected of financially assisting Hezbollah. Lebanese Central Bank Governor Riad Salameh had said that, if asked to do so, he would head a delegation to Washington to mitigate the effects of the expected sanctions and prevent shockwaves through the country's financial service sector.
2017	The Daily Star	Prime Minister Saad Hariri wound up a five-day official visit to Washington Friday by calling on U.S. authorities to spare Lebanese banks from new tough sanctions on Hezbollah planned by Congress.
2017	The Daily Star	During his official visit, which he began Monday, Hariri has met with U.S. President Donald Trump and other senior officials with talks focusing on combating terrorism, the Syrian refugee crisis, military aid to the Lebanese Army and sanctions against Hezbollah, which Washington brands a "terrorist organization."

Year	Magazine/Newspaper/ABL	Quotes
2017	The Daily Star	Hariri said Thursday that his talks with U.S. lawmakers and senators centered on ways to shield Lebanon from the negative effects of the sanctions on Hezbollah. His remarks came after Republican and Democratic U.S. lawmakers introduced legislation on July 20 seeking to bolster sanctions against Hezbollah, accusing the Iranian-backed group of violence in Syria and amassing rockets along Israel's border. A number of members of the U.S. House of Representatives have prepared the draft "Hezbollah International Financing Prevention Amendments Act of 2017," which aims to cut off all forms of financial support to the party.
2017	The Daily Star	Lebanon's government, the Central Bank and private banks have lobbied U.S. politicians and banks hard this year – and continue to do so – to persuade Washington to balance its tough anti-Hezbollah stance with the need to preserve stability.
2017	The Daily Star	"So far Lebanese authorities have been successful in limiting the fallout of U.S. sanctions on Lebanese banks," said Mathias Angonin, an analyst at Moody's rating agency. The amendments differ in key ways from draft plans believed to have originated with U.S. lawmakers earlier this year. Banking and political sources attribute this to Beirut's lobbying. "It is definitely toned down compared to the one we saw when we were there, so obviously our arguments have been taken into consideration ... It is more targeted," Yassin Jaber, a member of Parliament who led a political delegation to Washington in mid-May after the drafts appeared, told Reuters.
2018	The Daily Star	Speaker Nabih Berri met the Assistant Secretary for Terrorist Financing in the U.S. Department of the Treasury Marshal Billingslea Tuesday in light of U.S. investigations relating to Hezbollah, in order to discuss Lebanon's stance on combatting money laundering and funding terrorism. The visit of the delegation - which included U.S. ambassador to Lebanon Elizabeth Richard - at the speaker's Ain al-Tineh residence in Beirut, is part of Billingslea's official visits in Lebanon to investigate individuals and organizations providing support to Hezbollah.
2018	The Daily Star	The original HIFPA in 2015 was narrow and only targeted foreign financial institutions with sanctions, but the 2017 draft version called for sanctions on "agencies and instrumentalities of foreign states." There was fear that the original version would have a negative impact on Lebanon and its fragile economy, which led to a group of Lebanese lawmakers flying out to D.C. to lobby against it. "This final version takes into account the worries of Lebanese banks, as well as the fears of President Michel Aoun, Speaker Nabih Berri and Prime Minister[-designate] Saad Hariri," Maksad noted.

# Contents

<b>1. Chapter One: General Introduction.....</b>	<b>9</b>
1.1. Banking Regulations .....	12
1.2. Extraterritoriality of US Regulations .....	18
1.3. Compliance with Regulations .....	21
1.4. The Risk of De-Risking.....	25
1.5. Lebanese Context .....	28
1.5.1. Overview of the Lebanese Banking Sector .....	29
1.5.2. Why Are US Regulations Important for Lebanon? .....	32
1.5.3. Impact on Lebanese Laws & Regulations .....	34
1.6. Research Problem.....	35
1.7. Research Project Outline .....	41
<b>2. Chapter Two: Literature Review &amp; Theoretical Framework.....</b>	<b>42</b>
2.1. Neo Institutional Perspective.....	43
2.1.1. Neo Institutional Key Tenets .....	44
2.1.2. Vital Ingredients of Institutions.....	47
2.1.3. Neo Institutional Key Concepts.....	51
2.2. Isomorphism.....	54
2.2.1. Coercive Isomorphism.....	55
2.2.2. Mimetic Isomorphism.....	55
2.2.3. Normative Isomorphism .....	56
2.3. Conceptual Bases of Legitimacy .....	58
2.3.1. What is Legitimacy? .....	58
2.3.2. Why is Legitimacy Important for an Organization?.....	61
2.3.3. Sources of Legitimacy .....	64
2.3.4. Types of Legitimacy .....	67
2.3.5. Legitimacy Challenges .....	69

2.4.	Perspectives on Legitimacy .....	72
2.4.1.	Legitimacy-as-Property .....	72
2.4.2.	Legitimacy-as-Process .....	73
2.4.3.	Legitimacy-as-Perception .....	75
2.5.	Legitimacy Following Crises .....	77
2.6.	Legitimacy of Banks in General.....	78
2.7.	Empirical Researches on Legitimacy of Banks.....	82
2.8.	Strategic Responses to Institutional Pressures .....	87
2.8.1.	Strategic Responses to Maintain Legitimacy .....	88
2.8.2.	Strategic Responses in the Banking Context.....	90
2.8.3.	Factors Affecting Strategic Responses .....	93
2.9.	“Compliance” and Institutional Complexity .....	97
2.10.	Motivations for Compliance.....	101
2.11.	Summary of the Literature Review .....	105
<b>3.</b>	<b>Chapter Three: Methodology.....</b>	<b>106</b>
3.1.	Processual/Retrospective Longitudinal Analysis .....	106
3.2.	Research Design.....	108
3.2.1.	The Use of an Interpretive Epistemology .....	109
3.2.2.	Organizational Field: the Lebanese Banking Sector .....	109
3.2.3.	Qualitative Research.....	110
3.2.4.	Abductive/Exploratory Approach.....	112
3.3.	Data Collection.....	115
3.3.1.	Archival Data Collection .....	115
3.3.2.	Data Collection Through Interviews .....	120
3.3.2.1.	Research Participants.....	121
3.3.2.2.	The Choice of Participants .....	122
3.3.2.3.	The Choice of Banks .....	125

3.3.2.4.	Sample Size .....	127
3.3.2.5.	Interview Guide .....	129
3.3.2.6.	Summary: Data Sources and Use in the Analysis .....	138
3.3.2.7.	Preliminary Interviews .....	139
3.4.	Data Analysis .....	140
3.4.1.	Transcription of Data.....	142
3.4.2.	Coding Data.....	143
3.4.3.	Choice of NVivo Software for Data Analysis .....	152
3.4.4.	Reliability, Validity and Triangulation.....	156
<b>4.</b>	<b>Chapter Four: Research Results.....</b>	<b>158</b>
4.1.	Introduction .....	158
4.2.	First Order Findings .....	159
4.2.1.	Period (1997 – 2010): Before the Lebanese Canadian Bank Scandal .....	161
4.2.2.	Period (2011): The Collapse of the LCB – The Turning Point .....	169
4.2.3.	Period (2012 – 2018): After the Collapse of the LCB.....	174
4.2.4.	Summary.....	186
4.3.	Second Order Findings.....	187
4.3.1.	Perception of the Sector’s Legitimacy.....	188
4.3.1.1.	Introduction .....	189
4.3.1.2.	Pillar of the Lebanese Economy .....	190
4.3.1.3.	Crucial for the Society .....	193
4.3.1.4.	Challenges of the Sector .....	196
4.3.1.5.	“Taken-for-Granted” Status.....	205
4.3.1.6.	“Cliff” in the Perception of Legitimacy .....	208
4.3.1.7.	“Pragmatic” Legitimacy .....	214
4.3.1.8.	Summary.....	218
4.3.2.	Influence of US Regulations on Compliance .....	219

4.3.2.1. Introduction .....	221
4.3.2.2. Isomorphic Change in Compliance .....	222
4.3.2.3. Evolvement of Compliance .....	232
4.3.2.4. Motivation for Compliance .....	241
4.3.2.5. Compliance Challenges .....	253
4.3.2.6. Summary .....	262
4.3.3. Strategic Responses to the Institutional Pressure .....	264
4.3.3.1. Introduction .....	266
4.3.3.2. Conscious Compliance .....	270
4.3.3.3. Overcompliance .....	272
4.3.3.4. “De-Risking” Phenomenon .....	275
4.3.3.5. “Lobbying” with the US Regulators .....	280
4.3.3.6. Non-Resistant Strategic Responses .....	287
4.3.3.7. Summary .....	288
4.4. Results Summary .....	289
<b>5. Chapter Five: Discussion .....</b>	<b>292</b>
5.1. Reiteration of the Research Problem, Methodology, and Findings .....	293
5.2. Contributions .....	296
5.2.1. Contribution to the Literature and Theory .....	296
5.2.2. Managerial Contribution .....	302
5.3. Limitations and Opportunities for Future Researches .....	305
5.4. Conclusion .....	308
<b>List of Illustrations .....</b>	<b>310</b>
<b>Bibliography .....</b>	<b>312</b>
<b>Appendices .....</b>	<b>328</b>