

Legal System of Lebanon: Summary and Bibliography[†]

Lebanon is a small, but commercially important country lying along the eastern shore of the Mediterranean Sea, constituting part of the western border of the Arabic Middle East. Its area does not exceed 3,500 square miles, or about the size of Puerto Rico. It is bordered on the north and east by Syria, and on the south by Israel.

Strategically located on the cross-roads of three continents—Europe, Asia and Africa—Lebanon is primarily a country of trade and transit. Beirut, the capital city, is the headquarters of virtually all foreign banks and corporations, especially American and European, doing business in the Middle East.

The population is estimated at two million, and is composed of a nearly balanced community of Christians and Moslems. The official language is Arabic, but French and English are the principal business languages.

The civil law prevails in Lebanon, and its historical evolution derives from the legal systems of continental Europe, particularly France. After its severance from the Ottoman Empire, Lebanon was under the French Mandate from 1920 until 1943, when it obtained its freedom as an independent country. At that point, the French laws pertaining to business operations (through the use of the Ottoman Commercial Code which was a complete reproduction of the French Commercial Code of 1807) were so deeply rooted in Lebanon that, even now, French doctrine and jurisprudence are very often used and quoted by Lebanese judges and lawyers.

The civil law of Lebanon is primarily based on the Civil Code (Code of Obligations and Contracts) adopted in 1932. Commercial acts, however,

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are governed by the Commercial Code (Legislative Decree No. 304 of December 24, 1942), which contains the general rules of all associations, including corporations and limited partnerships. Should the Commercial Code contain no provisions on any given issue, provisions of the Civil Code will be applicable, but only to the extent of their compatibility with the principles laid down in the Commercial Code. In case no such provision in the Civil Code exists, the judge may refer to judicial precedents, rules of equity and commercial ethics.

Lebanon has also enacted a number of other specific codes: penal, labor, civil procedure, social security, admiralty and money and credit. Personal-status law and domestic-relations matters, such as succession and marriage, are still governed by the canon law, each community having its own canon courts and codes. In addition to the various codes and laws, there are many decrees (issued by the Council of Ministers), regulations and so-called circulars issued by various ministers. These are published in the Official Gazette which appears twice a week, and in which new laws are also published.

Lebanon is a Republic under a Constitution, with the powers in the State constituted by the Legislative, Executive and Judicial branches. The Legislative power is vested in the Parliament, which enacts the laws on the proposal of the representatives or the President of the Republic. The Parliament is composed of ninety-nine representatives elected in the five districts of Lebanon by universal suffrage for four years. Representation in Parliament is based on religious affiliation, with various communities sending deputies to Parliament in proportion to their numbers. Ministers and civil servants are also appointed according to their religious affiliations.

The Executive power is vested in the President of the Republic, assisted by a Council of Ministers. The President of the Republic is elected by the Parliament for a period of six years, and may not be re-elected until the expiration of six years after the end of his term. The Ministers can be chosen from among the deputies or from outside the Parliament. Under the custom (but not by law) the President of the Republic is a Christian Maronite, the Prime Minister is a Moslem Sunni, and the Speaker of the House of Representatives is a Moslem Shia. The other portfolios in the Government are divided among the various religious communities.

The Judicial power is vested in the Courts. There are three levels of courts: (1) the Trial Court (primary jurisdiction), (2) the Appellate Court, and (3) the Cassation Court (equivalent to Supreme Court). It should be noted that trial by jury does not exist in Lebanon.

1. The Trial courts are of two kinds: a. Single judge courts, having jurisdiction over all civil, real and personal actions involving less than

15,000 Lebanese pounds (approximately US \$4,600) with the exception of bankruptcies. b. Trial courts, one in each of the five districts of Lebanon, composed of a chief judge and two assistant judges called counsellors, and having general jurisdiction over all civil matters not specifically reserved to the single-judge courts.

2. Appealable cases are submitted to the appellate court, which is also composed of three judges. All actions involving less than one thousand Lebanese pounds are final and not subject to appeal. Each District has an appellate court, with authority to pass on questions of fact and questions of law.

3. There is only one Court of Cassation, which is located in the capital, Beirut. It is composed of five chambers, each with one chief justice and two counsellors. The Court of Cassation passes only on questions of law.

In addition to the above courts, there are several specialized tribunals: the *Conseil d'Etat* (equivalent to Court of Claims) reviews, as an appellate court or as a cassation court, in administrative actions where the law has created a special court, its jurisdiction extending to all claims against the Government and the administrative departments; the Arbitration Labor Council is a special court (consisting of a judge who presides, a representative of the workers and a representative of the employers) in which disputes between employers and employees are finally settled, and not open to any appeal; the Special Administrative Court settles administrative actions relating to contracts or purchases or obligations incurred by public administrations, and other cases relating to public works.

Decisions of foreign courts are enforced in Lebanon, without re-examination of the case on the merits, through a procedure called *Exequatur*, under certain conditions as follows:

1. That the judgment has been rendered by a court having personal and subject-matter jurisdiction.
2. That the judgment has become *res adjudicata* and executory in the country where rendered.
3. That the parties against whom execution is sought have been served with process.
4. That reciprocity is admitted by the law of the country where the judgment was rendered.
5. That the judgment is examined by the local court as to its compliance with the public policy of Lebanon.
6. That the judgment has not been obtained by fraud, and has been rendered in a civil or commercial matter.

Certain features of the Lebanese legal system are of particular interest to

foreign companies, such as the laws relating to bank secrecy, commercial representation and registration of foreign companies.

According to the law of September 1956 governing bank secrecy, all bank institutions, whether established in Lebanon in the form of corporations, or branches of foreign banks, are compelled to observe bank secrecy. The directors and all employees of these bank institutions, who, in the performance of their duties, know about the accounts, operations or correspondence of the bank, are held to absolute secrecy in the interest of their depositors. They cannot disclose the names of these depositors, their debits and credits nor anything else regarding the accounts to anybody, whether private persons or civil, military or judicial authorities, unless they receive prior written authorization from the party concerned, his heirs or legatees, or in the case of bankruptcy of the concerned party, or of a suit pending between the bank and its client relating to bank operations. No attachment can be exercised on property held by banks unless a written authorization is given by its owner.

The purpose of the law governing bank secrecy was to attract funds into Lebanon from surrounding countries whose political situations have not always been stable. The law has been very successful, and Lebanon, with seventy-one banks whose guarantees are accepted by the Government, has become the financial center of the entire Middle East.

Another noteworthy law is Decree Law No. 34 of August 5, 1967, governing commercial representation. Its stated purpose is to protect Lebanon representatives against breach of a representation contract. Termination of a representation contract by the mandator, if no fault has been committed by the representative, entitles the latter, despite any agreement to the contrary, to claim indemnification for any damages and loss of profit suffered.

Similarly, even in the event that the contract is terminated through the lapse of its effective term, and despite agreement to the contrary, the commercial representative will be entitled to claim indemnification, to be assessed by the courts, if, during the period of the contract, his efforts have led to an apparent success in the distribution of the product of his mandator and the increase of its customers.

In the assessment of such indemnification, only loss of profit in the Lebanese market will be considered. Article 5 of the law stipulates that the Lebanese courts have sole jurisdiction to settle any litigation arising from a contract of representation in Lebanon.

In order to open a branch or a representative office in Lebanon, a foreign corporation (*société anonyme*) must prepare the following documents: 1. A

copy of its Certificate of Incorporation; 2. A copy of its Memorandum of Association; 3. A copy of its Articles of Association (By Laws); 4. A copy of the minutes of the meeting of its shareholders at which the members of the board of directors were elected; 5. A copy of minutes of the meeting of its board of directors at which it was decided to establish a branch or representative office in Lebanon, and appointing the person to be in charge of the office in Lebanon; and 6. Power of attorney to the manager of the Lebanon branch or representative office.

All of the above documents must be attested by the Lebanese consulate in the place of incorporation of the company, and, once received in Lebanon, translated into Arabic by a sworn translator, then again attested by a notary public prior to submission to the Ministry of National Economy for registration.

The branch or representation must also be registered in the Commercial Register upon receipt from the Ministry of National Economy of the certificate of registration, and notice must be given to the Ministry of Finance (Income Tax Section). Foreign corporations complying with these requirements are treated in all respects equally with domestic corporations. Any subsequent modification in the by-laws or charter, and any change of the manager should be notified to the Ministry of National Economy.

A foreign corporation may also consider establishing a subsidiary, rather than a branch, in Lebanon. The principal forms of commercial organization for this purpose are the *société anonyme* (S.A.) and the *société à responsabilité limitée* (S.A.R.L.). The latter form was first authorized by Legislative Decree No. 35 dated August 5, 1967, and it is becoming increasingly popular due to the simplicity of organization and operation.

While the S.A. corresponds directly to the corporation, or share company, of the United States, the S.A.R.L. combines the features of a corporation and a partnership. Liability of the owners is limited to the amount of their capital contribution, but the number of owners may not exceed twenty. The minimum capital permitted is 50,000 L.L. (approximately \$15,000), compared with the minimum permitted capital of 300,000 L.L. for an S.A. Formation of an S.A.R.L. can be completed much more quickly because fewer legal requirements must be met.

Attorneys in Lebanon have two bar associations, one in Beirut and the other in Tripoli, the second largest city of Lebanon. The Beirut Bar Association includes registered attorneys having offices in all Lebanese districts with the exception of the district of Northern Lebanon. There are approximately 1,500 attorneys registered in Lebanon, most of whom are French-speaking and educated in the French and Lebanese systems; only a very few have studied or received training in the United States or England.

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