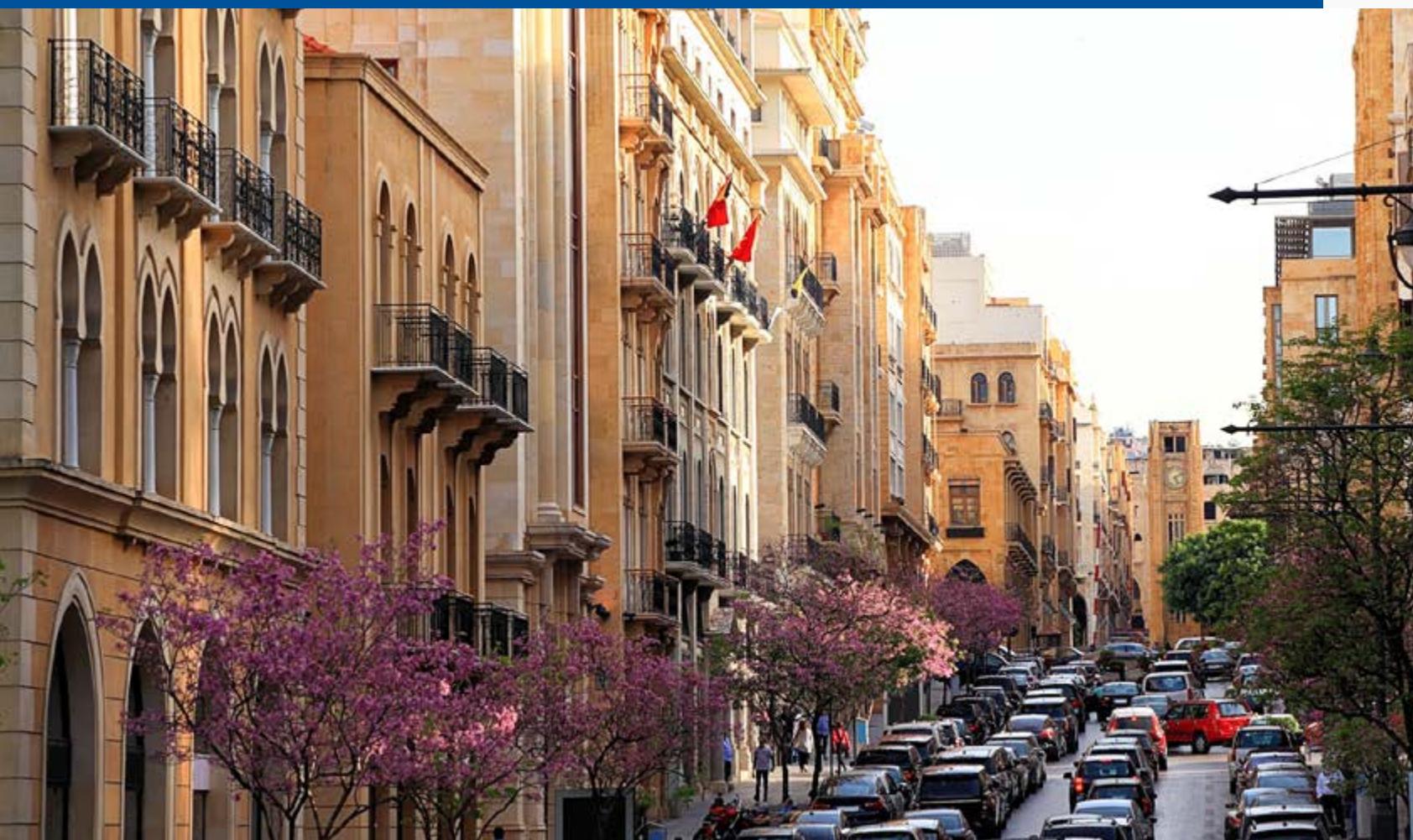


# Business Reorganisation Assessment

📍 Lebanon



**European Bank  
for Reconstruction and Development**



**Special thanks to:**

Abousleiman & Partners

NSP Legal

## Part A

# General Information

## Macro Data

6.825	-20.3%	US\$ 2,800	J.J. Lebanese pound – LBP	17%	84.864%	6.61%
Population (million) <sup>1</sup>	GDP growth rate <sup>1</sup>	GDP per capita <sup>1</sup>	Currency	Corporate tax rate <sup>2</sup>	Inflation rate <sup>1</sup>	Unemployment rate <sup>1</sup>

## Insolvency Legislation

The general rules of the insolvency of non-bank traders (including legal entities and entrepreneurs) are set out in Book V of the Lebanese Code of Commerce (the Insolvency Law) (Legislative Decree No. 304 dated 24 December 1942, Official Gazette No. 4075 dated 7 April 1943, as amended by Law No. 126 dated 1 April 2019 which entered into force on 1 July 2019, Official Gazette No. 18 dated 1 April 2019). The official versions of the legislation are available at: [jo.pcm.gov.lb/types](http://jo.pcm.gov.lb/types) and can only be accessed by subscribers. Relevant secondary legislation with respect to the framework governing the appointment of insolvency practitioners includes the Legislative Decree No. 79 of 24 March 1933 (published in Official Gazette No. 2794 dated 31 March 1933) and the Law No. 65 dated 9 September 1983 (published in Official Gazette No. 38 dated 22 September 1983).



## Insolvency Data

Insolvency data is not publicly available and may only be accessed upon official request to the relevant authorities.

## Company Information

The main legislative framework for companies in Lebanon is the Code of Commerce and its amendment Law No. 126/2019, Law No. 85/2018 amending the Legislative Decree No. 46/1983 regulating the Lebanese Offshore Companies and Legislative Decree No. 35/1967 regulating Limited Liability Companies. Information about companies in Lebanon is contained in a central register, which is overseen by the Ministry of Justice and is available at: [cr.justice.gov.lb/](http://cr.justice.gov.lb/).

## Insolvency Courts, Regulatory Authorities and Practitioners

Courts of first instance act as insolvency courts. Their jurisdiction is established based on the debtor's primary place of business. In Lebanon, the profession of insolvency practitioners, also known as trustees or receivers, is regulated under the Insolvency Law.

The main government authority responsible for insolvency legislation is the Ministry of Justice. Insolvency practitioners are registered in a special court roster which is maintained by the General Assembly of the Commercial Courts of Beirut. Individuals need to be lawyers with at least ten years of professional experience, of Lebanese nationality and without a criminal record. No official link to the court roster of insolvency practitioners is available online. It should be noted that courts may on an exceptional basis appoint trustees or receivers not listed on the roster, where such need is justified for the specific case that the court is considering.

<sup>1</sup> IMF – source as of August 2021:  
[www.imf.org/en/Countries/LBN](http://www.imf.org/en/Countries/LBN)

<sup>2</sup> PWC – Source as of August 2021: [taxsummaries.pwc.com/lebanon/corporate/taxes-on-corporate-income](http://taxsummaries.pwc.com/lebanon/corporate/taxes-on-corporate-income)

<sup>3</sup> World Bank – Source as of August 2021:  
[data.worldbank.org/country/lebanon](http://data.worldbank.org/country/lebanon) (IMF data unavailable)

## Part B

# Business Reorganisation

## Are there any incentives for extrajudicial voluntary agreements (workouts)?

No, there are no incentives for concluding an extrajudicial voluntary agreement outside of formal reorganisation procedures.

## What is the nature and purpose of the reorganisation procedure?

Under the Code of Commerce, there are two different reorganisation procedures: the preventive composition procedure (**الصلح الاحتياطي**) and the reorganisation procedure (**اصول المحاكمة في الافلاس**) within main insolvency proceedings. [Click here](#) for an overview of these procedures.

The purpose of the preventive composition procedure is to enable a debtor which is not yet insolvent to propose a composition or an arrangement with its creditors. Similarly, the aim of the reorganisation procedure (within main insolvency proceedings) is to provide an insolvent debtor with a means of reaching an arrangement with its creditors for restructuring and rescue of the debtor's business.

## Who can commence the process and what entry conditions apply?

### **Preventive composition procedure**

This procedure can be proposed by a debtor either before cash-flow insolvency (suspension of payments), or within 10 days of the suspension of payments. It is only available by petition of the debtor requesting the court to summon all its creditors to propose to them a scheme of arrangement (Article 459).

The court may reject the debtor's petition if the debtor has been previously convicted of fraudulent insolvency (Article 461).

In support of the petition, the debtor is required to propose a plan which foresees the repayment of at least 50 per cent of unsecured claims within a year, 75 per cent of the debt within 18 months, or 100 per cent within three years (Article 460). Subsequently, the court calls a creditors' meeting to discuss the debtor's petition and appoints an insolvency practitioner (trustee) whose duty is to supervise the debtor's business.

### **Reorganisation procedure**

This procedure, referred to as a 'simple scheme of arrangement', is available during main insolvency proceedings, following adjudication by the court of the debtor as insolvent. Main insolvency proceedings may be initiated by any debtor or any creditor if the debtor is in a state of insolvency and can result in either reorganisation or liquidation of the debtor.

The procedure can be proposed within three days from the closing of the registration of creditors' claims or, in the event of dispute about claims, within three days from the court judgment provisionally accepting creditors' claims for deliberation under Article 553. Insolvent liquidation may result from failure of the reorganisation plan, including where the debtor fails to adhere to an agreed reorganisation or preventive composition plan.

### **Is there any court involvement?**

Yes, both reorganisation procedures are fully court-supervised.

### **Are there any hybrid reorganisation procedures?**

No, there are no hybrid reorganisation procedures.



References to Articles are to Articles of the Insolvency Law, unless specified otherwise. For an explanation of technical terms, please see the [Glossary of the Main Assessment Report](#)

## Does the debtor remain in possession of and continue to manage its business?

### **Preventive composition procedure**

Yes, the debtor remains in possession and continues its operations under the supervision of the insolvency practitioner, known as the trustee, and under the directions of the supervising judge (Articles 462 and 465).

### **Reorganisation procedure**

No, during main insolvency proceedings, an insolvency practitioner, known as a receiver, is appointed to manage the debtor's assets and the insolvency estate (Articles 501 and 512).

## Is there a need to appoint an insolvency practitioner?

### **Preventive composition procedure**

Yes, the court appoints an insolvency practitioner, known as a trustee. The duty of the trustee includes supervision of the management of the business, auditing the business' liabilities and assets, examining how the debtor has acted and submitting a report to the creditors' meeting (Article 462). Both the trustee and the judge are entitled at all times to examine the debtor's books (Article 465).

### **Reorganisation procedure**

Yes, the court appoints an insolvency practitioner, who is a salaried proxy known as a receiver. The management of the debtor's assets is entrusted to the receiver. One or several receivers (up to three) may be appointed by the court in its adjudication of the debtor's insolvency (Article 512).

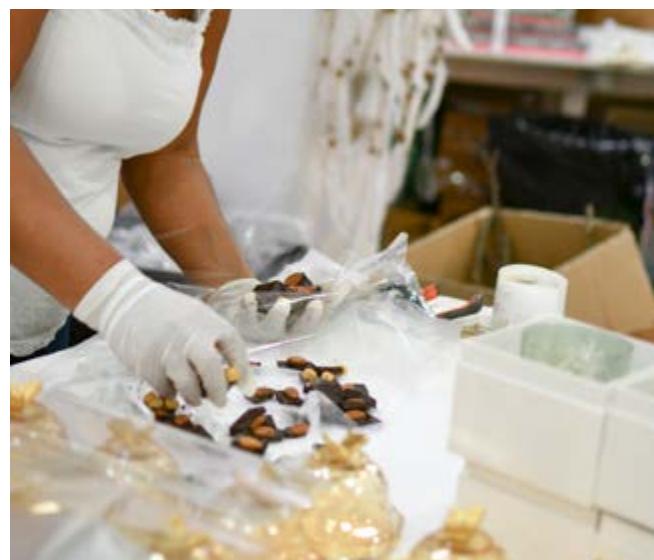
## Is there any applicable stay or moratorium?

### **Preventive composition procedure**

Yes, from the filing of the debtor's petition until the ruling confirming the arrangement, all creditors (secured and unsecured) are prevented from initiating or continuing enforcement actions against the debtor's property, acquiring any preferential claim against the debtor's property and registering a mortgage against the debtor's property (Article 464).

### **Reorganisation procedure**

Yes, on adjudication of the debtor as insolvent in main insolvency proceedings, an automatic moratorium applies (Articles 503 and 504). This results in the suspension of proceedings on all creditors (secured and unsecured) and the accrual of interest on debts not secured by a preference, a pledge or a mortgage. However, secured creditors and creditors with special privileges maintain their claims against the debtor and secured creditors are entitled to the proceeds of the secured assets up to the value of their secured claims.



## Is there any protection for essential contracts and to prevent termination of contracts by third parties?

No, the law does not provide any protection against termination of contracts that are essential for the day-to-day operations of the debtor and does not provide for protection against third-party termination of contracts due to the debtor entering into either the preventive composition procedure or insolvency proceedings (including reorganisation) if the contract contained such terms.

## Is new financing protected by law?

No. However, with respect to the reorganisation procedure conducted in main insolvency proceedings, creditors will be consulted on whether the insolvent debtor may access some of the assets of the insolvency estate (Article 585). If the majority of the attending creditors have so consented, a sum may be granted to the insolvent debtor by way of assistance out of the available assets.

## Does the law recognise separate classes of creditors for voting purposes?

### **Preventive composition procedure**

No, the Code of Commerce does not expressly prescribe any division of creditors into classes for voting purposes. Creditors vote as one group. Secured creditors can only vote on the plan if they surrender their security (Article 471). Such waiver may be partial but should not be less than one-third of the value of the debt (Article 471).

### **Reorganisation procedure**

No, the procedure does not provide a division in classes for voting purposes and creditors vote as one group. Similarly, secured creditors can only vote on the plan if they surrender their security.



## What are the majorities required to approve a reorganisation plan?

### **Preventive composition procedure**

The preventive composition plan is approved by a majority by number of creditors which represent at least three-quarters of all unsecured claims (Article 471).

If the debtor has issued debt securities amounting to more than 20 per cent of total liabilities, the preventive composition plan may be confirmed only if the proposal has been approved by the meeting of the bondholders in accordance with the majority set forth in the rules of joint stock companies (Article 483). If such confirmation is not granted, the court will order the commencement of main insolvency proceedings (Article 477).

### **Reorganisation procedure**

The reorganisation plan must be approved by a majority by number of creditors representing two-thirds by value of claims definitively admitted or provisionally admitted to the distribution of proceeds in the main insolvency proceedings (Article 560).

## Who does the reorganisation plan bind?

### **Preventive composition procedure**

Approval of the preventive composition plan makes it enforceable against all creditors (Article 481), including secured creditors. Secured creditors are entitled (at their own discretion) to vote on the preventive composition plan, provided that they waive their right to their security. Such waiver may be partial but should not be less than one-third of the debt value (Article 471).

### **Reorganisation procedure**

The reorganisation procedure binds all creditors, whether listed or not listed on the balance sheet, checked or not checked, and even creditors domiciled outside the Lebanese territory, as well as on those which had provisionally been admitted to vote, whatever the amount at which the court may subsequently value their claim (Article 570).

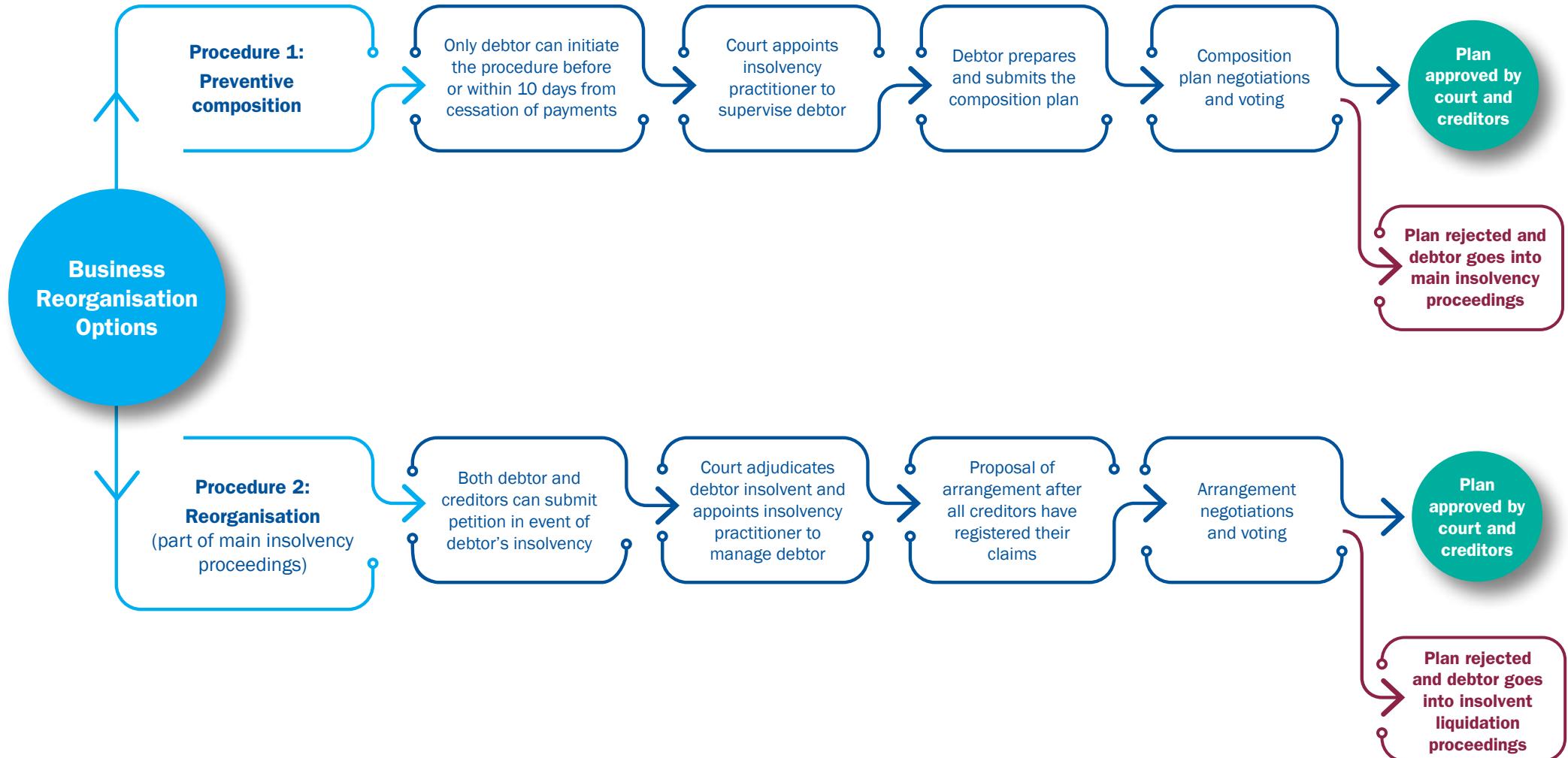
## What is the timeframe for the reorganisation procedure and any moratorium?

There is no specific timeframe for either the preventive composition procedure or the reorganisation procedure. The moratorium lasts as long as each procedure lasts. In the case of preventive composition, if the court accepts the petition to initiate a preventive composition, it will order the convocation of creditors in advance to discuss and debate the proposal, designating the place, the day and the hour of the meeting, within a maximum of 30 days dating from the ruling accepting the petition (Article 462). If the arrangement fails, the court will order the commencement of insolvent liquidation (bankruptcy) proceedings against the debtor.

## Has the UNCITRAL Model Law on Cross Border Insolvency been adopted?

No, the UNCITRAL Model Law has not been adopted and there are no provisions in the legislation for the recognition of foreign insolvency proceedings or for cooperation with courts or insolvency practitioners from other jurisdictions.

# Overview of Lebanese Business Reorganisation Procedures\*



\* This provides a high-level overview of business reorganisation procedures in Lebanon. See the commentary in this profile and the Insolvency Law (Commercial Code) for further details, including with respect to any applicable moratoria and creditor voting thresholds.

## Contact

### **Catherine Bridge Zoller**

Senior Counsel  
Legal Transition Team  
European Bank for Reconstruction & Development

 [LTTRestructuring@ebrd.com](mailto:LTTRestructuring@ebrd.com)

---

© European Bank for Reconstruction and Development, 2022

All rights reserved. Reproduction and dissemination of material contained in this publication for educational or other non-commercial purposes are authorised without any prior written permission from the copyright holders, provided the source is fully acknowledged and a notification is sent to:  
[LTTRestructuring@ebrd.com](mailto:LTTRestructuring@ebrd.com).

The contents of this publication reflect the opinions of individual authors and do not necessarily reflect the views of the EBRD.

Terms and names used in this report to refer to geographical or other territories, political and economic groupings and units, do not constitute and should not be construed as constituting an express or implied position, endorsement, acceptance or expression of opinion by the European Bank for Reconstruction and Development or its members concerning the status of any country, territory, grouping and unit, or delimitation of its borders, or sovereignty.