

True||Lebanonâ€™s cherished Banking Secrecy law will be put to the test when New York based Alvarez & Marsal Company conducts forensic auditing of the Central Bankâ€™s account.||

BEIRUT: Lebanon’s cherished Banking Secrecy law will be put to the test when New York-based Alvarez & Marsal Company conducts forensic auditing of the Central Bank’s accounts.

President Michel Aoun and the caretaker government of Prime Minister Hassan Diab have pressed hard to carry out the forensic auditing of BDL to demonstrate to the world and the International Monetary Fund that Lebanon is determined to implement reforms across the board.

"Today the first phase of the forensic audit started," caretaker Finance Minister Ghazi Wazni said in a statement Wednesday, adding that the first step included a preliminary list of information required from Banque du Liban which Alvarez will deliver to him within the next 24 hours, provided that KPMG, Oliver Wyman and Alvarez organize the teams that will start work in the near future and will undertake the criminal, financial and accounting auditing.

Wazni told The Daily Star last week that banking secrecy would not complicate the work of the American firm.

“Banking secrecy law does not apply to the assets of the Central Bank, the Eurobonds, foreign currency reserves, gold reserves, financial engineering and the money transferred outside Lebanon. The banking secrecy only applies to the accounts of depositors. For this reason, Alvarez & Marsal Company will not have any problems in completing its work,” Wazni said.

The minister explained that the only thing he modified in the contract was the clause concerning Egmont Group of Financial Intelligence Units as this would complicate the work of Alvarez & Marsal Company. “I wanted to give the company more freedom to do their work without the need to return to the conditions set by Egmont Group.”

But some legal experts expressed concern that the Money and Credit law and banking secrecy may hinder Alvarez's mission.

“How can forensic auditing reach the desired results amid the banking secrecy law which was issued on Sept. 3, 1956? This law prohibits any party from accessing the bank accounts. Even the Banking Control Commission is not allowed to obtain this information. How can a private company, even if it was designated by the Cabinet, have access to all these accounts?” said Paul Morcos, a renowned legal expert.

A forensic audit is an examination and evaluation of a firm's or individual's financial records to derive evidence that can be used in a court of law or legal proceeding.

Morcos wondered how the U.S. company could operate if the Central Bank, for example, denied it the chance to examine and assess certain bank accounts under the pretext of banking secrecy law and Money and Credit law.

“Alvarez may stumble into a number of legal issues during its forensic auditing. Will BDL cooperate fully with Alvarez? Will the forensic auditing be applied to the Banking Control Commission? Is there a will to sacrifice political groups and individuals if the firm manages to obtain materials that can be used for prosecution?” Morcos asked.

Dan Azzi, a financial expert and former CEO of a bank, told The Daily Star that the success of the forensic audit depended on the scope of the contract, as well as the level of cooperation from the data providers, including the local supervisory authority to whom Alvarez reports.

“How cooperative will people be? Will local secrecy laws stand in the way of providing data? The good news is that the requirement of a forensic audit is a prerequisite insisted upon by all the major organizations and most important countries, such as IMF, President [Emmanuel] Macron of France, and the United States,” Azzi said.

Nassib Ghobril, the head of the Economic Research at Byblos Bank, said the financial and forensic audit of Banque du Liban should be accompanied by a full forensic audit of all ministries, public agencies, independent authorities and government funds, among others, in order to raise the transparency of the public sector.

“In fact, there are dozens of public agencies whose budgets and spending are totally opaque and that are not held accountable for spending decisions they take. A forensic audit of these agencies and authorities will reveal the sources of wasteful spending in the public sector, especially that public expenditures rose by 150 percent between 2005 and 2019, with spending during most of these years taking place without budgets voted by Parliament and, therefore, without proper oversight,” Ghobril said.

He stressed that for this process to be credible, the forensic audit needed to start in the electricity sector, as recurring deficits at Eléctricité du Liban have contributed to about 50 percent of the public debt, and to cover at a later stage all ministries and public agencies.

||null||<https://www.dailystar.com.lb/PaymentRequest.aspx?username=&guid=00000000-0000-0000-0000-000000000000>||

<http://www.dailystar.com.lb/GetArticleBody.aspx?id=511445&fromgoogle=1>