



Deposits Between Sanctity and Available Means

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Einstein once said, "Insanity is doing the same thing over and over again and expecting different results." Numerous plans to address the financial crisis have been proposed, leading to confusion among depositors, to the extent that we only distinguish among related legislative projects by their titles rather than their content. After five years, all these plans have proven to be ineffective, leaving depositors without any real solutions. Meanwhile, reserves have continued to evaporate through dubious subsidies, ineffective interventions, ambiguous financing, and unfair loan repayments, reducing the available funds and diminishing the chances of repaying amounts that could have been repaid at the beginning of the crisis.

Subsequently, the recently initiated strategy of the monetary authorities has been based on two main points:

1. Stopping the depletion of foreign currency reserves and reconstituting them.
2. Seeking new solutions outside the vicious cycle that government plans have been stuck in for the past five years.

The question remains: will the government and parliament seize this opportunity to break the status quo?

There is no doubt that constructive discussions between the Central Bank of Lebanon and the Association of Banks (without denying the presence of differing viewpoints) open a new horizon that might lead to a solution balancing the sanctity of deposits with the available means.

The Sanctity of Deposits

The sanctity of deposits at the banks inherently means the sanctity of the banks' deposits at the Central Bank. The sanctity of deposits is a matter agreed upon by all, and the banks are the first to claim it, as it represents the right of depositors with commercial banks (about USD 90 billion) just as it represents the right of banks in their deposits with the Central Bank (USD 80 billion). Sanctity is indivisible and cannot be subject to double standards.

Realism in Proposed Solutions

Undoubtedly, any new proposals must consider what is feasible in the near term and what needs to be addressed gradually according to the available liquidity, whether with the state, the Central Bank, or the banks. Any plans that require the state to pay all its obligations immediately, or demand the Central Bank to pay all its dues to the banks instantly, or obligate the banks to repay all deposits in cash without considering their available liquidity would be like throwing dust in the eyes and hiding an intent to lean towards populism rather than realism.

Criteria for Deposits' Payment

The points currently proposed by the monetary authorities for repaying deposits include:

- The necessity to verify and prove the source of funds.
- Returning funds to their rightful owners after deducting profits earned through irrational means.

- Distinguishing between depositors and investors.
- Providing immediate liquidity to the neediest depositors, allowing them to meet daily and essential needs.

Other issues are to be discussed, provided they consider implementation possibilities and are carefully studied with the banks, which are on the ground and the closest to the real world.

In Conclusion

The issue of bank deposits in Lebanon requires balanced solutions that take into consideration the rights of depositors and the difficult economic situation. Between sanctity and reality, solutions must be well-considered, ensuring justice for depositors and the sustainability of the banking sector. Any plan should include clear conditions that respect the available liquidity within the banking sector and the state's capacity to meet its obligations. Establishing a deposit recovery fund could be an effective step in this direction, contributing to resolving the crisis in a fair and sustainable manner. Cooperation between political, monetary, and banking authorities could open a new horizon to achieve a balance between the sanctity of deposits and the available means, ensuring a better future for Lebanon and the Lebanese people.

Note: This article is part of a series written by the Secretary General of the Association of Banks in Lebanon as part of his introductory articles to a number of periodicals issued by ABL. It represents his own opinion and personal analysis of the developments, without committing ABL to its content, which remains the sole responsibility of the Secretary General.
