



Don't Spend Depositors' Money to "Buy" Stability

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Stability cannot be achieved by depleting reserves

Lebanon keeps repeating the same mistake and calls it a strategy.

Every time pressure rises – war, uncertainty, political paralysis – someone proposes a “quick fix” to calm the market. It’s always marketed as stability. And too often, it’s financed the same way: by reaching for what is left of depositors’ money.

The Lebanese experience has taught us one lesson that must not be ignored: stability that is achieved by draining reserves is not stability. It’s a temporary calm funded by permanent damage.

Foreign-currency reserves that effectively safeguard depositors’ and banks’ rights are not a convenient policy tool. They are a last line of defense. And once you burn the last line of defense, you don’t stabilize a country, you deprive it of its final safety net.

First: Defining the framework... to avoid any confusion

There are two separate files. Lebanon keeps mixing them, and the result is always the same.

- The State and the Central Bank have their own relationship: debts, claims, budgets... this is a sovereign matter that must be handled by the State and the Central Bank.
- Depositors and banks, however, are not an emergency funding source. Banks’ funds held at the Central Bank – including mandatory reserves – are private rights. They are not “available liquidity” for discretionary spending just because the situation is urgent.

When these categories are blurred, it becomes easy to justify the unjustifiable: solving public-sector problems by consuming private rights.

Second: Three key facts that should end the argument

- 1- Reserves are not an open public fund. They are the last remaining buffer that makes future deposit recovery even in the least possible.
- 2- Exceptional circumstances do not eliminate rights. War increases risk, but it does not transform people’s money into a resource to be freely used. The duty is to protect what remains, not to restart depletion under a new slogan.
- 3- Depleting reserves does not create stability. At best, it creates a calm surface. The cost is delayed, until it isn’t. If the “price of stability” becomes burning what remains of depositors’ rights, then the country is not stabilizing. It is postponing the shock and multiplying its cost.

To avoid any misunderstanding or misuse, two complementary issues must also be emphasized:

- The remaining reserves, effectively belonging to depositors, must be excluded from any monetary or financial policy use. This is not a technical detail but a condition for social persistence, as these funds support, through circulars, the minimum monthly needs of hundreds of thousands of families.

- A detailed breakdown of reserve components must be disclosed: what portion of reserves is actually usable? what portion is allocated to banks and depositors' rights? and what belongs to the State? Transparency is not optional but a safeguard against confusion and misuse.

Third: Why this is especially dangerous right now

The danger begins the moment reserves are presented as the “easy solution” to finance emergencies during wartime, as if an economy can be protected by sacrificing the last assets that still anchor confidence.

International experience is clear: a Central Bank that spends reserves to create calm eventually loses both – its reserves and its credibility. And in a confidence-driven economy, once credibility is gone, nothing stays stable for long.

Fourth: The real practical alternative starts with politics and security

Here is the uncomfortable truth: you do not get economic stability without political and security stability. Markets cannot function on rumors and battlefield updates. Investors do not fund recovery when expectations change every day. Reforms do not advance when institutions are paralyzed.

So, if the real goal is to stabilize the economy and the currency, the starting point is not to spend reserves. The starting point is to secure the political and security conditions that make policy credible and recovery possible.

In that sense, protecting reserves is not merely a financial stance. It is a rational sovereign choice: it prevents depletion, safeguards what remains of depositors' rights, and preserves the narrow path to genuine recovery when conditions allow.

In conclusion

Lebanon is not choosing between “stability” and depositors' rights. That is a false choice, and it has been used too often to justify the same old shortcut.

Stability built on depositors' money is not stability. It is a blueprint for a delayed economic and social rupture.

The State has its deposits at the Central Bank and banks have their reserves. Do not mix the two. And do not pretend that burning reserves is “policy.” We tried that path. We know exactly where it leads.

Note: This editorial 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 published by ABL. It reflects his personal opinion and analysis of the developments and does not bind ABL.
