



Towards Realistic Solutions in 2026

*By Dr. Fadi Khalaf
Secretary General
Association of Banks in Lebanon*

All efforts are moving rapidly towards a comprehensive resolution of an unprecedented crisis in Lebanon's financial history. Threads of hope now appear to be converging, in practical terms, around the Financial Gap Law currently being prepared in coordination between the official authorities and the Central Bank of Lebanon.

Roadmap in progress

- According to available information, the Financial Gap Law is expected to be ready before the end of this year, provided this serious pace of work continues.
- This realistic timing may open the door, for the first time since the beginning of the crisis, to actual solutions starting in 2026. These would include a comprehensive plan for the distribution of losses that can be equitable to depositors, restores order to the sector, respects the rules of financial fairness, and meets international requirements.

The position and tendencies of the Central Bank of Lebanon

- The priority today, according to His Excellency the Governor of the Central Bank of Lebanon, is to restore equilibrium to the Central Bank's balance sheet, a fundamental step toward rebuilding trust and monetary stability. Such step cannot be achieved without an objective treatment of deposits, the gradual use of modern monetary policy tools, and a transparent reassessment of the Central Bank's balance sheet.
- The Governor had previously expressed, in meetings with the Association of Banks, a clear stance rejecting outright the idea of writing off obligations from BDL's balance sheet, given its devastating impact on confidence in the monetary institution and the credibility of the reform path. This position intersects with the Association's approach, which rejects arbitrarily placing the burden of the crisis on depositors and banks.
- The Governor also stressed that any treatment of the financial gap must be conducted through a transparent law that respects the rights of all depositors according to priorities, encourages the return of investment, and ensures a fair distribution of losses. This is the same approach the Association adopts and seeks to elaborate in coordination with its international financial advisor.

Banks' participation: from endurance to solution

- Lebanese banks are determined to participate actively in this critical phase through the international financial advisor ANKURA, which has been contracted to accompany this reform effort and negotiate with the financial advisors of the State and the Central Bank of Lebanon.
- ANKURA's tasks include:
 - Preparing studies and financial proposals based on the current status of banks;

- Realistic analysis of loss-distribution scenarios;
 - Developing proposals for restructuring the banking sector;
 - Full coordination with all relevant stakeholders.
- Thus, the step taken by the Association is not merely technical, but also represents a direct commitment to contributing to the facilitation of solutions.

Banks' resilience: a doorway for optimism

- Over the past six years, among the toughest phases Lebanon has ever endured, banks continued to provide services to the possible extent, facing populist and political campaigns, and operating in the absence of a clear plan from the State.
- This painful resilience was achieved despite economic contraction, a lack of legislation, and both internal and external pressures. It confirms that this sector remains capable of regaining its natural role, provided it is given a sound environment and a realistic, comprehensive plan.

International oversight and engagement

- The coming phase will be closely monitored by the international community, particularly the IMF, the World Bank, and donor institutions, as the conviction grows that no financial or economic stability is possible in Lebanon without reforming the banking sector.
- This international oversight provides an opportunity to strengthen the credibility of solutions, secure the necessary funding for their implementation, and achieve balance between rights and capabilities.

Hope for implementation in 2026

- If things progress as hoped, the year 2026 will witness the gradual implementation of solutions within a clear roadmap. This would allow confidence to return gradually to the sector and restore depositors' rights fairly, systematically, and progressively.
- The emerging new atmosphere aligns with the Association of Banks' efforts, which views current initiatives as the beginning of a genuine path out of the crisis and not merely postponed wishes.

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.
