



A Comprehensive Solution Has Become More Urgent Than Ever

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As the systemic crisis enters its sixth year, the absence of comprehensive and decisive solutions remains the greatest threat to the future of Lebanon's national economy and financial sector. The Association of Banks in Lebanon has consistently emphasized, through its previous statements, the need to urgently adopt a banking restructuring law and address the financial gap based on a fair and balanced vision. This vision must clearly define responsibilities among the State, the Central Bank, and the banking sector, within a transparent legal and judicial framework.

Although the Central Bank continues to issue regulatory circulars that fall within the limits of what is currently feasible, such temporary measures cannot substitute for a comprehensive plan that would safeguard the financial system, protect depositors' rights, and rebuild trust both domestically and internationally.

In this context, the recent amendments to Circulars 158 and 166, initiated by His Excellency Mr. Karim Souaid, Governor of the Central Bank of Lebanon, align with a key request the banks have long advocated since the beginning of the crisis.

Banks have repeatedly stressed that the depletion of their remaining reserves at the Central Bank—whether through improper support for the Lebanese pound, financing commodities from which only specific entities benefitted, or covering the State's foreign currency needs—was a grave error. Meanwhile, depositors—the rightful owners—were excluded from accessing these funds, which had originally been held in their name.

Thus, the decision to increase monthly withdrawal limits represents a correction of previous course. It is unacceptable that depositors continue to be denied access to their funds at the Central Bank, especially when a significant portion of those reserves has already been depleted through programs that failed to achieve their objectives.

Ironically, some now criticize this move under the pretext of “deposit erosion,” while the actual erosion took place when reserves were consumed for purposes unrelated to their rightful beneficiaries. Today, those funds are finally, although gradually, being returned to their legitimate owners: the depositors.

In summary:

- Redistributing the remaining reserves to depositors is a corrective step addressing prior mismanagement of those funds.
- Increasing monthly payments partially restores depositors' purchasing power as they await a comprehensive solution.
- Advancing this course requires enacting the necessary legislation as part of a broader, integrated plan that reestablishes the value of depositors' and banks' funds and equitably distributes responsibilities among the State, the Central Bank, and the banking sector.

Since the beginning of the crisis, the banks have remained steadfast in their commitment to safeguarding depositors' rights and ensuring the continuity of the financial sector—two objectives that are inherently interconnected.

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.