



War is No Excuse: No Financing of the State from Depositors' Funds

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In light of the ongoing war and the exceptional pressures it imposes on the State and its institutions, a critical question resurfaces, one that must not be taken lightly: will the State once again seek to finance its needs from the Central Bank? And if so, where will this financing come from? From the State's own funds held at the Central Bank – most of which are in Lebanese pounds – or from depositors' dollar funds through the reserves belonging to banks? The latter option is categorically unacceptable. No matter how severe the war, it does not justify reverting to the same choices that contributed to the erosion of rights and the collapse of trust. The banking sector, along with depositors, rely on the sense of responsibility and transparency upheld by His Excellency the Governor of the Central Bank to stand firmly against any pressure that could lead to the misuse of depositors' funds.

Based on this, a number of fundamental facts must be reaffirmed:

- **First**, depositors' funds are not an alternative resource for financing the State. Under no circumstances should they be used to cover public needs or emergency expenditures.
- **Second**, depositors' funds remain private property belonging to their owners. The distinction between public funds and private property rights must not be mixed again.
- **Third**, the use of banks' reserves at the Central Bank will undermine any serious possibility of repaying deposits in the future.
- **Fourth**, returning to this option would destroy what remains of trust in the banking sector, the Central Bank, and the Lebanese State alike.
- **Fifth**, Lebanese banks can no longer bear delays in establishing a legal framework that ensures their continuity and protects them from the State's use of their funds and those of depositors.
- **Sixth**, the postponement of parliamentary elections should provide Parliament with broader space to focus on major reform files, foremost among them the "Financial Stabilization and Deposit Repayment" law.
- **Seventh**, accelerating the adoption of laws is essential, provided they are practical and enforceable.
- **Eighth**, protecting depositors and ensuring the continuity of banks are not conflicting objectives, but rather complementary ones. Liquidating banks does not protect deposits, it puts them at greater risk.

Accordingly, the current phase requires firm adherence to two non-negotiable principles:

- **No financing of the State from depositors' funds,**
- **No real recovery without fair and enforceable laws.**

Any alternative to this will not lead to genuine recovery, but rather to a new cycle of defaulting, reproducing the same crisis within a few years, at even greater cost.

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, without binding ABL to its content, which remains the sole responsibility of the Secretary General.
