



When Truth is Written Out of the Law

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The monetary and fiscal authorities have both acknowledged that what Lebanon is experiencing is a systemic crisis, one that affects the structure of the State and its financial system. Yet the striking paradox today lies in the removal of the expression “systemic crisis” from recent draft laws, without any justification or logical explanation, as if erasing the term could conceal a reality witnessed by all.

If the crisis is indeed systemic, as recognized by the authorities themselves, how can it be addressed through laws that ignore its very nature? And how can official statements express daily the “need to preserve the banking sector” as the only pillar capable of pulling Lebanon out of a cash-based economy, while the draft laws undermine what remains of this sector’s viability?

It is therefore necessary to recall a number of fundamental principles dictated by logic that should constitute the minimum acceptable basis for any serious discussion of the proposed solutions, mainly:

- Acknowledgement of the systemic nature of the crisis and rejection of attempts to assign its responsibility to the banks, given that the causes of the financial collapse clearly extend far beyond their role.
- Adherence to the decision of the State Council issued in February 2024, which affirmed the principle of non-infringement on depositors’ rights.
- Commitment to Article 113 of the Code of Money and Credit, which obliges the State to cover the losses of the Central Bank, and on the basis of which commercial banks deposited their funds with it.
- Affirmation of the commercial relationship between the banks and the Central Bank, with all resulting rights and obligations, hence the demand for the full recovery of banks’ deposits held at the Central Bank.
- Rejection of the full write-down of bank assets advocated as a means to restore public debt sustainability.
- Recognizing the Fresh funds provided by banks to increase their capital during the crisis as part of the future recapitalization.
- Equal treatment between local and foreign Eurobond holders, rejecting any discriminatory approach in the distribution of losses.

These logical principles form the foundation for protecting what remains of the banking sector and of depositors’ funds and they are prerequisites for any future economic recovery.

In conclusion

Despite the heavy burdens and the crisis consequences it bears, the banking sector remains convinced that constructive cooperation with the relevant authorities is the only path toward implementable solutions that preserve depositors’ rights and ensure the sector’s continuity.

However, such cooperation cannot materialize unless it is built upon a full acknowledgment of the crisis systemic nature, and on respect for institutional partnership, which requires involving all stakeholders, foremost among them the banks, in shaping the solutions. Sustainable recovery paths cannot emerge from frameworks that ignore the rulings of the

Constitutional Council and the State Council, or that exclude the key pillar of the Lebanese economy.

It is time for the State, before any other party, to acknowledge that the path to recovery does not lie in writing off both deposits and banks, but rather in recognizing its primary responsibility for the crisis and taking concrete action on that basis.

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.
