



A Systemic Crisis: From Recognition to Action

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Since the beginning of Lebanon's financial crisis, banks have been at the center of public debate, frequently perceived as either the cause of the problem or as its primary victim, or even both. However, recent official statements are steering the narrative in a new direction, one that is more transparent and realistic.

During a session of the Lebanese Parliament dedicated to the 2025 budget discussions, Banque du Liban (BDL) Governor Mr. Karim Souaid made a particularly significant declaration:

“The crisis is a systemic crisis, not merely a banking sector crisis.”

This clear and unequivocal statement, coming from the country's highest monetary authority, is a turning point. It reframes the nature of the crisis as one that touches the entire financial and economic system, implying the need for a holistic solution that extends beyond simply targeting banks.

Reinforcing this same outlook, Minister of Finance Mr. Yassine Jaber addressed the Union of Arab Banks Conference on Thursday, September 18, 2025, stating:

“The recent crisis differs from previous ones in that it has impacted the entire banking system. The Central Bank itself has become part of the crisis, and the situation turned into a systemic financial crisis when, in April 2020, the Lebanese Government defaulted on its foreign-currency Eurobond obligations.”

These statements, emanating from the heads of both the monetary and financial authorities, effectively close the long-standing debate about the identity and nature of the crisis. After years of finger-pointing and conflicting interpretations, a shared understanding has finally emerged: Lebanon is facing a multifaceted systemic crisis. And such a crisis requires comprehensive solutions with the participation of all stakeholders, particularly the State, the Central Bank, and the commercial banks.

But recognition alone is not enough. Several urgent questions remain unresolved.

- **Who bears responsibility – and in what order?**

Acknowledging the systemic nature of the crisis must be followed by action. And action begins by defining a hierarchy of responsibility. The order of accountability starts from the top: the State first, then the Central Bank, and only then the commercial banks.

- **What is the fate of the USD 16.5 billion that BDL considers to be owed to it by the State?**

This amount plays a pivotal role in the financial equation. It directly affects the Central Bank's balance sheet and its capacity to support any future recovery plan.

- **Will Article 113 of the Code of Money and Credit be applied?**

This article legally obliges the State to recapitalize the Central Bank in the event of negative equity. Will the upcoming legislative process respect this legal provision?

- **Where do banks stand in the draft “Gap Law”?**

Banks that have endured six long years under extreme conditions have proven their resilience. They can recover if met with genuine political will and a credible roadmap for resolution. Yet today, these same banks find themselves excluded from the most critical parts of the discussion.

The “Financial Gap Law,” currently being drafted by the Ministry of Finance and the Ministry of Economy in coordination with BDL, is progressing without any meaningful involvement from the Association of Banks. Banks are not consulted on the content or wording of the draft. They only become aware of the ongoing work through leaks to the media.

How can banks be expected to contribute to national recovery if they are excluded from shaping the very law that will define their future?

2026 could mark a turning point: the year where real solutions begin to materialize, and the banking sector is relaunched on more solid foundations, while depositors finally regain their rights, within the framework of a State committed to rebuilding trust and institutions. But to make this possible, the current trajectory must continue, through transparency, coordination, and genuine dialogue with both local and international stakeholders. Only then can we avoid missing this opportunity... and avoid falling into a new version of the same crisis.

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.
