



**Will 550,000 Bank Accounts Worth \$29 Billion
Be Sent into Liquidation?**

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The Bank Restructuring Law has been enacted and the debate has therefore moved to the law that will truly determine the fate of deposits: the Financial Regularization and Deposit Recovery Law.

The question is no longer theoretical. It was never whether deposits should be returned. Everyone agrees that they should. The real questions are: how will these deposits be repaid? Who will pay? Over what period of time? And with which resources?

The dilemma was summarized by the Chairman of the Finance and Budget Parliamentary Committee, Mr. Ibrahim Kanaan, when he questioned, in his media statement of 11 June 2026, how the funds needed to repay the first \$100,000 would be secured, warning that Lebanon could otherwise find itself, years from now, facing a new default.

That is the core of the matter.

A law that promises repayment to depositors without clearly identifying the sources of liquidity and the mechanisms required for implementation does not solve the crisis. It may simply transform the promise of deposit recovery into an inevitable new crisis.

Therefore, practical questions must be raised before schedules and deadlines are determined.

First, if a large number of banks are sent into liquidation, who will repay their depositors?

Technical studies prepared by international advisers indicate that applying the draft law sent by the Government to Parliament, without a substantial adjustment in the allocation of burdens and sources of funding, could lead to the liquidation of a significant number of banks. These banks hold around 550,000 accounts and more than \$29 billion in deposits.

Who will repay these deposits in the event of liquidation? And is there any entity truly capable of taking the place of the bank that would be liquidated?

Second, can the National Deposit Insurance Corporation carry such a burden?

The realistic answer is that the Corporation's current capacity does not allow it to cover deposits of this magnitude. Anyone who believes that liquidating bank assets will quickly generate sufficient liquidity for depositors must take into account not only the value of those assets, but also the time required for liquidation, the cost of liquidation, and the likely decline in assets value when they are sold under pressure.

Liquidation is a long and complex process that may leave depositors waiting for years, only to recover, in many cases, a limited portion of their rights.

Third, what about the banks that will remain?

Even viable banks will not be able to fulfill their role if their liquidity is depleted during the early years. A bank that is asked to contribute to deposit repayment, rebuild its capital, help finance the economy and meet long-term obligations should not be burdened beyond its capacity.

The issue, therefore, is not only which banks may be liquidated, but it's also about defining the conditions that will enable the remaining banks to resume their natural role, attract new capital, and restore the confidence of depositors and investors.

Fourth, are the announced timeframes sufficient if liquidity is lacking?

Any law can set out an attractive repayment schedule. But the real issue is not the schedule itself; it is the ability to adhere to it.

If depositors are told that their deposits will be repaid within a specific timeframe, then halfway through, it turned out that liquidity was insufficient, Lebanon will be facing a new default rather than a resolution. Therefore, any timeframes must be preceded by an in-depth assessment of the actual liquidity held by the State, the Central Bank of Lebanon and the banks, so that the law does not become yet another promise that cannot be fulfilled.

Fifth, losses must not be counted twice.

If certain deposits will later be subject to review, whether because of unusually high interest, cheque-trading operations, or other elements that may be reassessed, then this review must take place before final losses and capital requirements are determined.

The loss cannot be counted once against the deposit and then again against the bank's capital. Fairness does not mean multiplying burdens. It means defining them accurately before allocating them.

Sixth, how will the Central Bank of Lebanon finance its contribution?

It is not enough to say that the Central Bank of Lebanon will contribute. The resources to be used for that contribution must be clearly identified. Will they come from assets that can be liquidated? From funds resulting from the State's contribution to addressing the losses? Or will they come, directly or indirectly, from the mandatory reserves placed by banks with the Central Bank?

If part of the contribution is to come from those reserves, the question becomes even more sensitive: what will remain after they are depleted?

Seventh, where is the State's contribution?

The Financial Regularization Law cannot succeed if it merely allocates losses to banks and depositors, or if the State's contribution remains vague or postponed. A crisis rooted in public finances, borrowing and spending policies, and the relationship between the State and the Central Bank cannot be resolved without a clear contribution from the State.

Such a contribution cannot consist of general slogans, but of real resources, clear mechanisms and an implementable timetable.

In Conclusion

What is needed today is not a law that promises what it cannot deliver, nor a repayment schedule unsupported by actual resources, nor a wave of liquidations after which no one knows how deposits will be repaid. The Lebanese have already paid a heavy price for the delay in decision-making. What is required now is not to compensate for that delay through haste, but to move from delayed decisions to sound decisions.

There can be no real repayment of deposits without real sources of liquidity.

There can be no economic recovery without a banking sector capable of lending.

And there can be no trust without clarity on responsibilities and implementation mechanisms.

Otherwise, Lebanon will have moved not from crisis to recovery, but from an attempt to solve the crisis to the creation of a new default affecting everyone.

Beware of false calculations, so that depositors and the banking sector don't fall victim to the same mistake twice.

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 and does not bind ABL.
