



Statement by the Association of Banks in Lebanon Beirut, 5 January 2026

The banks operating in Lebanon convened on 5 January 2026 to examine and discuss the draft law on Financial Stabilization and Deposit Repayment, referred to Parliament pursuant to Decree No. 2224 dated 29 December 2025. While the banks welcome the fact that a draft law has finally been submitted more than six years after the outbreak of the crisis, they wish to record the following fundamental remarks:

1. The draft law was issued without any credible, comprehensive, or substantive study of the figures required for its implementation. Had the process been serious, the submission of the draft should have been preceded by a clear determination of the size of the financial gap, its impact on Banque du Liban (BDL) and the banking sector, a precise identification of anomalies, an accurate assessment of the amounts required to repay the different categories of deposits, and a verification of the availability of the liquidity necessary to do so. The argument that the draft merely provides a “framework” for a solution is untenable, because whoever sets the framework for a solution must not offer guarantees to depositors that may ultimately prove impossible to honor.

2. The draft comes at a time when the Lebanese state continues to evade—despite being the primary beneficiary of the waste that generated the financial gap—clearly acknowledging its debts to BDL, even though such debts are established, nor does it commit to repaying them or to covering the accumulated deficits in BDL’s successive balance sheets, as required under Article 113 of the Code of Money and Credit. Compliance with these obligations would significantly reduce, if not eliminate, the gap to the benefit of depositors.

This is notwithstanding the fact that the Lebanese state is also one of the main beneficiaries of the crisis, as the sharp deterioration of the exchange rate reduced the public debt it owes from more than USD 92 billion to a market value of less than USD 10 billion—one of the lowest ratios globally when measured against GDP. No one is calling upon the state to bail out BDL or the banks; rather, it is simply being asked to repay its debts and fulfill its legal obligations, which would enable the repayment of depositors’ funds.

3. The draft adopts a fundamentally incorrect approach by immediately charging banks with so-called “anomalies” instead of first deducting such amounts from the overall financial gap, as if its primary objective were the elimination of banks’ capital. In doing so, it selectively adopts what suits it from International Monetary Fund instructions while disregarding both accounting standards (IFRS 9) and basic financial logic, which require the opposite treatment. Indeed, if this portion of deposits is deemed irrecoverable and classified as anomalies, there is no justification for charging it to the banks.

4. The draft law contradicts its stated objectives and flagrantly violates several constitutional principles, including:

(1) the right of ownership, whether of depositors’ funds held in banks or of banks’ deposits placed with BDL; (2) the principle of equality in bearing public burdens, by imposing a substantial share of a gap caused by BDL and the state on a single segment of society—namely, the banking sector; (3) the principle of equality among depositors; (4) the principle of non-retroactivity of laws, thereby undermining legal certainty, completed legal situations, and vested rights, and retroactively penalizing lawful actions by reclassifying the fines as “compensation”; (5) the principle of separation of powers, by granting administrative bodies discretionary authority to take decisions of a judicial nature, often arbitrarily and without due process or respect for rights of defense; and (6) the requirement of legislative clarity, in light of the ambiguity surrounding the interpretation of several of its provisions.

5. The draft also contains other no less serious legal defects, including violations of the principle prohibiting unjust enrichment, whereby BDL and the state would unjustifiably benefit at the expense of the banks. This is evident, for example, in the capitalization of BDL through anomalies, and in allocating compensation for irregular burdens to the deposit repayment account—of which BDL benefits by 80%—instead of allocating such compensation, if it is to be considered as such, to the banks that are burdened with these anomalies.

Furthermore, the draft inaccurately labels certain instruments as Asset-Backed Securities (ABS), even though they are not backed by assets, but merely by revenues derived from assets that are manifestly insufficient to guarantee the categories of deposits they purport to cover. This is compounded by the unjust sacrifice of large depositors, who are treated less favorably than Eurobonds holders, unless this is truly the objective of the draft.

Conclusion

In essence, this draft—purportedly justified on grounds of public interest necessity—undermines what remains of that very interest. It sacrifices large depositors, upon whom the Lebanese economy depends, destroys confidence in the banking sector, wipes out

banks' capital, jeopardizes correspondent banking relationships, and condemns the economy to spend the next twenty years focused solely on deposit recovery, with no prospect of attracting new investments. Any potential investor will inevitably draw lessons from what has befallen their predecessors.

Thus, whether intentionally or not, the draft adopts a logic that amounts to the liquidation of the banking sector and the erosion of the fundamental pillars of the national economy. In light of the above, the banks operating in Lebanon call upon all Lebanese—foremost among them the esteemed Parliament—to adopt an independent, courageous, and responsible stance that prioritizes the protection of depositors first and the preservation of the banking sector second. There can be no viable economy without a sound banking sector, and no one should delude themselves into believing that it can be replaced with ease.

Association of Banks in Lebanon

(Statement issued unanimously)