



After Sayrafa... Why wouldn't the Beirut Stock Exchange be the solution?

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Reading between the lines, one can see that the acting Governor of the Central Bank, Dr. Wassim Manssour, has decided to change the course, at least in terms of transparency and openness to the public, after everyone realized that managing the monetary policy cannot continue through accounting methods, manipulations, or platforms as it used to be. With the decision not to continue distributing depositors' funds to beneficiaries of Sayrafa, the idea of trading the dollar as it should have been from the beginning of the crisis is now being raised, through a free market that is not subject to artificial methods that have dissipated savings without achieving the desired result. On the contrary, these methods have worsened the dollar crisis, causing it to rise 60-fold in 42 months, while during the same period of war, it only increased by 11-fold. Despite the war and its challenges, the dollar was traded naturally, bought and sold through banks, and the role of money dealers was limited to afternoons and closure days. The Central Bank intervened as a seller and buyer through banks (not through money dealers) as a key player without touching the depositors' funds, not even by one dollar. Today, there's talk about returning to traditional means, even after a delay of four years, as the unusual methods of recent years have proven to be futile and disastrous in their outcomes.

Among the platforms currently proposed are various global platforms that have proven their effectiveness over the years. I had the honor of dealing with them in my previous positions as the head of the Beirut Stock Exchange and later as the Secretary General of the Arab Federation of Exchanges. It's striking that the public impression tended to believe that dealing with the exchange market is limited to the former Central Bank governor, and that dealing with global platforms requires a long period of time to be implemented in Lebanon. However, people forgot or overlook that Lebanon is equipped with a platform operating with a global trading system called "the Beirut Stock Exchange".

Due to my tenure leading this exchange for ten years, I can confirm that this platform is capable of facilitating normal dollar trading through transparent and easy methods in a very short period of time. What are the advantages of the proposal to the Central Bank to benefit from cooperating with the Beirut Stock Exchange and the banks in this field?

1- Currently, trading is taking place on the Beirut Stock Exchange with a number of stocks, including Solidere. There is nothing that prevents the listing of the dollar in order to be traded against the Lebanese pound like any other financial instrument (this is also confirmed by the listing and trading technicians of the Beirut Stock Exchange).

2- The peculiarities of the dollar market in Lebanon require significant adjustments to global platforms, which may take a considerable amount of time, along with a period of testing and training that could be lengthy. In contrast, the Beirut Stock Exchange is linked to a decent number of banks that have trained their employees for decades in using its technologies without any issues. There's no need to waste time on training and testing periods.

3- Transparency in pricing and actual trading displayed on the screens of the Beirut Stock Exchange and its website, as well as on the linked global platforms (Reuters, Bloomberg, etc.), significantly reduces the role of private websites that manipulate market information.

4- Shifting the pricing centrality and manipulation away from the hands of major licensed and unlicensed exchange dealers to an official market supervised by the Central Bank of Lebanon and the Capital Markets Authority simultaneously.

5- The Beirut Stock Exchange is connected through direct communication channels with banks and brokerage firms, thus remaining unaffected by sudden internet outages and disruptions, which might be hard to avoid when relying on other global platforms.

6- Any licensed bank or financial institution can be added to the list of brokers on the stock exchange within a short period of time and a reasonable cost.

7- The Beirut Stock Exchange is bound by confidentiality regarding traders' accounts, and transaction settlements are made through the Central Bank of Lebanon and its owned clearing company. As a result, local operations remain solely under the control of Lebanese authorities.

8- Completing transactions through the banking sector reintroduces a significant portion of the "cash" economy to internationally required compliance conditions and helps reduce the circulating money supply in Lebanese pounds.

9- The Beirut Stock Exchange can operate trading under either a Continuous Trading system or a Fixing Trading system.

10- The European Exchange "Euronext" ensures the maintenance of this system manufactured by it and used by many exchanges worldwide.

11- Currently, the Beirut Stock Exchange, as a public institution, is responsible for covering the maintenance costs after having paid for the entire trading system in previous periods. Consequently, when trading the dollar, the Lebanese government will not bear any additional costs.

These are some of the features that can be considered to reprice and trade the dollar in official markets. Could the solution lie in the cooperation between the Central Bank of Lebanon, the Beirut Stock Exchange, and the banks? It's worth noting that officially trading and pricing the dollar doesn't mean fixing its rate or altering its course that should reflect the economic reality. Instead, it's about regulating price manipulation to a much greater extent than before, with hope resting on the transparency demonstrated by Dr. Wassim Manssouri since assuming his duties recently.

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.