



The Biggest Challenge: Maintaining Exchange Rate Stability and Financial Communication in Times of War

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Amid the ongoing war between Lebanon and Israel, the Lebanese banking sector is facing a new trial of its resilience and ability to continue providing the required financial services. One of the key pillars of this resilience has been the ability of the Central Bank of Lebanon to maintain the exchange rate stability so far, despite the growing economic and financial pressures caused by the war.

However, the biggest challenge remains in sustaining this stability in light of the current complex situation. Internal and external challenges are mounting, and the strain on foreign currency reserves during this critical period could threaten the exchange rate stability, which makes maintaining such stability a top priority for the Central Bank at this moment.

Maintaining banks' liquidity and providing services in targeted areas

In the meantime, Lebanese banks continue to work on securing the minimum liquidity necessary to abide by the Central Bank's circulars. These circulars ensure the required liquidity at correspondent banks as well as the banks' liquidity to comply with circulars 158 and 166. Additionally, banks are striving to maintain essential services as much as possible in areas directly affected by bombardments or suffering from infrastructure disruptions.

Communication with correspondent banks: the essential financial lifeline

In these difficult circumstances, communication with correspondent banks is a vital factor to maintain liquidity flow and to meet Lebanon's financial needs. This communication serves as the main artery linking the Lebanese banking sector to the global financial system. It ensures the continuation of financial services and transfers, especially given the increasing restrictions on international money transfers and the worsening security situation.

Without continuous communication with correspondent banks, Lebanon could face financial isolation, which threatens to disrupt essential services and cut the financial lifeline the country relies on for importing basic goods and meeting the daily needs of its population.

Looking ahead: preparing for reconstruction after the conflict ends

Despite the current challenges, the Lebanese banking sector remains optimistic and looks forward to the future. The reconstruction phase will be critical, requiring substantial international support and active participation from both local and international banks. Preserving the banking sector will be essential during the reconstruction phase, where the focus should be on restoring confidence in the Lebanese financial sector and developing it to meet future demands.

In conclusion, the banking sector, under the supervision of the Central Bank of Lebanon, will remain the backbone of the Lebanese economy during this critical time, with the focus on maintaining exchange rate stability, ensuring continued communication with correspondent banks, and providing services to citizens in the most challenging circumstances.

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.
