



## **Addressing the Financial Gap: Preserving the Banking Sector and Protecting Depositors' Rights**

*By Dr. Fadi Khalaf  
Secretary General  
Association of Banks in Lebanon*

## 1- The New Phase and Banking Challenges

As Lebanon enters a new phase of political and economic change, addressing the financial gap emerges as one of the most critical challenges facing the government. This gap has resulted from years of unsustainable economic policies and mismanagement of resources by the state and the Central Bank of Lebanon.

Prime Minister Nawaf Salam emphasized in his speech: **"The state is only as strong as its ability to regain the trust of its citizens. Without restoring the strength of the banking sector, there will be no investments, and consequently, no deposits."** This vision aligns with the stance of banks, which believe that restructuring the sector and restoring confidence in it are fundamental pillars of economic growth in the country.

## 2- Rejection of the "Deposit Write-Off" Principle

Any proposed solutions must be based on the rejection of deposit write-offs, whether at the Central Bank or commercial banks, as this is neither acceptable nor fair. Holding banks and depositors accountable for the accumulated losses caused by inappropriate financial policies implemented by the state and the Central Bank is unjust. Therefore, proposed solutions should include:

- Holding the state and the Central Bank accountable for the majority of the losses and making use of their assets.
- Restructuring sovereign debt in a fair manner that maintains financial stability.
- Restructuring the financial and banking sector in a way that preserves depositors' funds and ensures that banks continue to play their role in financing the productive economy.

## 3- The Required Recovery Plan

Any recovery plan must include:

- **Utilizing public assets:** the value of underutilized public assets is estimated in tens of billions of dollars, including state-owned properties and public utilities.
- **Using the Central Bank's assets:** no solution can be considered viable without taking into account the Central Bank's current resources and assets.
- **Restructuring public debt:** this should be done through negotiations with Eurobond holders, including banks, depositors, and international financial institutions.
- **Attracting international investments:** this requires redirecting the economy toward growth-stimulating sectors and implementing reforms in both the public and financial sectors.

- **Revitalizing banking operations within a clear reform framework:** banks cannot resume their normal role without a stable legal and regulatory environment that restores trust among depositors and investors.

#### **4- Transparency and Accountability as a Path to Solutions**

The private sector cannot be held responsible for the financial gap caused by the public sector. Therefore, all concerned parties—the state, the central bank, commercial banks, depositors, and economic bodies—must be involved in finding solutions through an accountable and transparent process.

#### **5- Restoring Confidence**

Any recovery plan must be built on the **principle of restoring confidence** and should take into account the perspectives of all stakeholders. Confidence can only be reestablished through clear and fair future outcomes.

#### **6- Toward a Fair and Sustainable Rescue Plan**

There can be no economic recovery without a strong banking sector, and no banking system without safeguarding depositors' rights. This principle must form the foundation of any future solution. The opportunity still exists to implement fair solutions that restore depositor's confidence and preserve the banking sector. The solutions exist and the path is clear: **fundamental reforms, fair distribution of responsibilities within the systemic crisis framework, and rebuilding trust in the banking sector as a cornerstone of Lebanon's economic growth.**

*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.*

---