# ABL: From Anticipation of Reform to Recognition of Systemic Crisis

**October 6, 2025**

**Contact Information**

Jana Boumatar

jana.boumatar@blominvestbank.com

In the August 2025 opening article of ABL's monthly Bulletin, titled "Toward Real Solutions in 2026", Dr. Fadi Khalaf adopted a notably forward-looking tone, suggesting that Lebanon had entered a phase of practical preparation for genuine financial reform after years of paralysis. The report framed the situation as one of cautious optimism, where national efforts were finally converging toward a comprehensive resolution to a crisis unparalleled in Lebanon's modern financial history. Khalaf highlighted ongoing coordination between the state, Banque du Liban (BDL), and other official bodies to draft the Financial Gap Law, described as a foundational legislative step to distribute losses fairly, protect depositors, and restore balance to the sector. According to the report, this law was expected to be finalized by the end of 2025, potentially paving the way for the beginning of real implementation in 2026.

The August article placed particular emphasis on BDL's position and priorities under its new leadership. The central bank's focus, as relayed by the Association, was to re-establish equilibrium in its balance sheet while gradually rebuilding monetary credibility. The Governor firmly rejected any notion of "writing off" BDL's liabilities, arguing that such a measure would devastate confidence in the monetary institution and undermine the credibility of Lebanon's reform trajectory. Instead, the article advocated for a transparent reassessment of BDL's financial standing, a modernization of monetary tools, and a phased restoration of trust. Within this framework, the Association of Banks in Lebanon (ABL) reaffirmed its readiness to cooperate constructively, stressing that the solution must rest on fairness, clarity, and respect for international standards, especially regarding the protection of depositors' rights.

A pivotal development discussed in the August article was the engagement of Ankura, an international financial consultancy tasked with supporting the reform roadmap. Ankura's role, as described, was to conduct analytical studies on the banking sector's current condition, propose realistic loss-distribution scenarios, and develop restructuring blueprints in full coordination with the government and BDL. Khalaf characterized this step not merely as a technical move but as a sign of the sector's commitment to participating in the reform process and facilitating the search for viable, long-term solutions. The report underscored that Lebanese banks had shown remarkable endurance throughout six extremely difficult years, maintaining basic services and operations despite economic contraction, legislative vacuum, and intense social pressure. This endurance, though painful, was portrayed as proof that the sector remains capable of revival – if provided with a sound policy environment and credible recovery plan.

Yet, beneath the cautious optimism of August lay an awareness that success depended on consistent implementation and international credibility. Khalaf predicted that 2026 could mark the start of tangible progress, provided Lebanon adhered to its commitments and respected international oversight from the IMF, the World Bank, and donor institutions. The overarching message was one of conditional hope: recovery was possible, but only through accountability, technical rigor, and cooperation among all stakeholders.

By contrast, the September 2025 article in the same publication, titled "A Systemic Crisis: From Recognition to Implementation", marked a turning point in tone and perspective. Moving away from August's tentative optimism, Khalaf shifted toward a more critical and introspective analysis, asserting that Lebanon is facing not a mere banking crisis but a systemic crisis that transcends the confines of the financial sector. This distinction – defining the situation as a Systemic Crisis rather than a Banking Crisis – signaled an important evolution in official rhetoric: the state, the central bank, and the financial community were now acknowledging that the problem stems from the entire economic and governance system rather than one component alone. Such recognition, Khalaf argued, is a necessary first step toward genuine recovery, but acknowledgment alone is insufficient unless accompanied by responsibility and execution.

The September article critically examined the implications of this recognition. Khalaf posed fundamental questions that exposed the gap between diagnosis and action: Who will bear the cost of the crisis? How will accountability be enforced? He called attention to the unresolved issue of $16.5 billion in BDL's external deposits, questioning whether these funds would be treated as a sovereign liability and how their repayment would be prioritized. Moreover, he raised the question of Article 113 of the Code of Money and Credit, which mandates that the government recapitalize BDL if its balance sheet becomes impaired. Would this legal clause finally be applied? And if so, through what mechanism? These pointed inquiries reflected a growing frustration within the financial community and a demand for clarity on how theoretical reforms will translate into practical measures.

In shifting from optimism to realism, the September analysis also challenged the complacency that had followed years of crisis management without reform. Khalaf noted that the real challenge no longer lies in recognizing the problem – since nearly all parties now agree on the gravity of Lebanon's systemic failure – but rather in defining a fair and executable framework for assigning responsibilities. The report implicitly warned that without such clarity, even the best-designed laws or technical blueprints would remain ineffective. It emphasized that reform requires not only legislative precision but political courage: a collective willingness from the government, BDL, and the banking sector to assume their respective burdens rather than displace them onto depositors.

Ultimately, both the August and September articles form a chronological and thematic continuum capturing Lebanon's fragile transition from planning to accountability. The August narrative radiated a degree of institutional confidence, portraying the drafting of the Financial Gap Law and the cooperation with Ankura as signs of progress. The September reflection, however, served as a sober reminder that reform is measured not by promises but by implementation. Together, the two articles encapsulate the evolving mindset of Lebanon's banking establishment: from cautious hope in systemic coordination to critical realism about the state's capacity and will to act.

**For your Queries:**
**BLOMINVEST BANK s.a.l.**

Research Department

Zaituna Bay

POBOX 11-1540 Riad El Soloh

Beirut 1107 2080 Lebanon

**Jana Boumatar**

jana.boumatar@blominvestbank.com

**Research Department**

Tel: +961 1 991 784

research@blominvestbank.com

***Disclaimer***

*This report is published for information purposes only. The information herein has been compiled from, or based upon sources we believe to be reliable, but we do not guarantee or accept responsibility for its completeness or accuracy. This document should not be construed as a solicitation to take part in any investment, or as constituting any representation or warranty on our part. The consequences of any action taken on the basis of information contained herein are solely the responsibility of the recipient.*