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In the opening statement of the December 2025 Monthly Report of the Association of Banks in Lebanon (ABL), written by Dr. Fadi Khalaf, Secretary General of ABL, titled “Banks and Depositors: Filling the Gap”, presents a strong critique of the proposed Financial Regularization and Deposit Recovery Law, arguing that its underlying approach unfairly shifts responsibility for Lebanon’s financial collapse onto banks and depositors, while absolving the state of its primary role in creating and deepening the crisis.

The article emphasizes that, following the referral of the draft law to Parliament, it is essential to highlight a fundamental flaw in its logic: the adoption of a single, fixed principle that treats banks’ and depositors’ funds as the main tool to bridge the financial gap, while the state avoids making any meaningful contribution to resolving the crisis. According to Dr. Khalaf, this approach ignores the reality that the liquidity held or managed by Banque du Liban (BDL) largely consists of depositors’ money placed with commercial banks, not independent state-owned resources. Meanwhile, the state – identified as the main party responsible for generating the financial gap – has failed to offer concrete fiscal measures or direct contributions to recover public funds that were misused or lost.

Khalaf argues that the total cost of deposits exceeding \$100,000, which is being debated as part of the restructuring process, would be borne primarily by banks, either directly or indirectly. This burden is compounded by the expectation that banks will participate heavily

in servicing public debt over the coming twenty years. The article raises critical questions: How many banks will realistically be able to survive under such conditions? How many can continue operating if forced to absorb losses without fair burden-sharing? And most importantly, what will be the fate of depositors if banks collapse under the weight of these obligations? The author warns that compelling any economic sector to bear such a burden without shared responsibility amounts to an outcome that would effectively result in the destruction of the banking sector.

The article further criticizes the proposal for forcing current shareholders to absorb obligations without a clear legal horizon or guarantees, effectively dismantling the capital base of Lebanese banks. Moreover, the article claims that stripping banks of their capital, confiscating shareholders' equity, and using or committing profits in advance, before they are actually generated over the next twenty years does not constitute reform. Instead, it would eliminate the banking sector altogether. Such an outcome would not merely collapse the financial system but would also push the Lebanese economy further into informality and cash-based transactions, directly contradicting international efforts aimed at increasing transparency and combating money laundering and corruption .

A key concern highlighted is the preferential treatment of Eurobond holders, particularly foreign creditors, at the expense of local depositors. The article notes that Eurobond prices rose in international markets immediately after the draft law was approved by the Council of Ministers – an indication that the proposed framework prioritizes external debt holders. The author questions the logic of granting foreign creditors priority over Lebanese depositors, especially when many Eurobonds were purchased abroad. He argues that, if depositors are to be asked to sacrifice, it should at least be done transparently and as part of a broader economic strategy, rather than indirectly under the pretext of protecting the national currency or facilitating external debt repayment.

In addressing claims about a massive financial gap at BDL, the article presents a detailed breakdown of Banque du Liban's assets, which are estimated to exceed \$80 billion. These include:

- \$41 billion in gold reserves.
- \$16.5 billion in proven claims on the state.

- \$11.9 billion in banks' reserves.
- \$7 billion in real estate and corporate holdings.
- \$5 billion in Eurobonds.

Based on these figures, Khalaf concludes that there is NO genuine or unavoidable financial gap at BDL. Any attempt to frame the situation as such is described as a form of illegitimate enrichment by the state and the central bank at the expense of banks and depositors.

In its concluding remarks, the article stresses a moral and generational argument: the assets of BDL and the Lebanese state are often described as belonging to future generations, yet those future generations are, in reality, the children of today's depositors. Denying fairness to the current generation under the guise of protecting the next undermines social justice and economic continuity. The author calls for fairness, accountability, and shared responsibility, warning that sacrificing today's families will only result in a Lebanon without future generations at all.

Building on the concerns that are raised above, the debate is further advanced through an official statement issued on January 5th, 2026, by the Association of Banks in Lebanon (ABL), which shifts the discussion from individual critique to an institutional position. The statement addresses the draft Financial Regularization and Deposit Recovery Law currently under parliamentary review, and reflects the collective assessment of the banking sector regarding the risks embedded in the proposed framework.

The statement argues that the draft law was prepared without sufficient technical, financial, or legal grounding, and that it fails to offer a realistic or balanced roadmap for financial recovery. It maintains that the proposed measures continue to place a disproportionate burden on banks and depositors, while deferring the state's responsibility to confront its own liabilities. Thus, such an approach risks further weakening the banking sector, undermining depositor confidence, and prolonging economic instability.

The article also raises broader concerns about the potential economic and institutional consequences of the proposed law. It warns that continued erosion of the banking system would discourage investment, deepen uncertainty, and delay recovery efforts. Overall, the

statement reinforces the earlier analysis by emphasizing that sustainable financial reform cannot be achieved through unilateral sacrifice, but requires a coherent strategy grounded in shared responsibility, legal clarity, and institutional accountability.

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