

ACCOUNTABILITY FOR THOSE RESPONSIBLE FOR THE FINANCIAL CRISIS



January, 2023

IT IS TIME TO PUT AN END TO THE PATH OF IMPUNITY

Three years into the largest economic and social crisis in Lebanese society's modern history, a crime for which no one has been held accountable so far, we meet today to announce five reforms that we believe form an essential entry point towards holding those responsible for this collapse accountable. We pledge to keep pace with the legislative work required to approve these reforms, press for their implementation, and monitor their proper application.

We meet here today after three years of relentless and devastating economic and financial deterioration that has resulted in more poverty, unemployment, and emigration, placing the country in an almost insurmountable position, as a result of wrong and unfair political, economic, and financial choices that led to the distribution of losses incurred by the banking sector in a way that serves the interests of very few in Lebanese society and in light of continuous impunity from any accountability.

The key to any serious and effective reform in the financial sector, i.e. the restructuring of banks, is accountability, even if long overdue. This is a crucial first step to oblige the political class to acknowledge its responsibility for the mismanagement of public and private funds, and hold it accountable for its many crimes perpetrated in collusion with its financial and banking partners.

As such, decision makers across successive governments, the public sector, the central bank, boards of directors and executive teams of banks, as well as auditors, should all be held accountable and liable for their decisions. As well as the judiciary and regulatory bodies in terms of investigating any possible inaction or collusion. Knowing that the foregoing does not exclude at all the successive parliaments and their members from the political responsibility for the current catastrophic situation.

Any restructuring of the financial system that constitutes but a perpetuation of the status quo is refused. At a time when most losses have already been assumed by depositors and society at large, the financial and political elite are positioned, yet again, to restart on a clean slate. We believe it is our responsibility to stop this.

We have a civic, even patriotic duty to work towards a reformatory process that opens a new page based on integrity, transparency, accountability, the rule of law and no impunity. We are five organizations meeting before you today to invite you to participate in this initiative that includes members of Lebanese civil society and its most representative bodies, including representatives of free trade unions, depositors, the private sector, the academic sector, human rights associations and political initiatives.

The objective is to monitor the proper application of basic reform laws that make accountability a reality, keep pace with the legislative work, and place pressure on the decision-making process in a way that serves the interest of the country and saves it from further corruption and failure.

WE PRESENT THE POINTS BELOW AS KEY ENTRY POINTS TO HOLD ACCOUNTABLE THOSE RESPONSIBLE FOR THE FINANCIAL CRISIS:

1

Auditing bank accounts is the only way to identify eligible deposits

- Eligibility of deposits should be based on a distinction between legal/legitimate and illegal/illegitimate sources of funds. Only legitimate funds should be eligible for recovery within the Bank Resolution Framework.
- Lift banking secrecy in the context of the bank restructuring framework in order to allow audit on all bank accounts and a forensic audit of BDL's accounts and transactions.

2

A Forensic audit should be conducted

- Determine if source of funds complies with existing laws as well as ratified treaties and international standards (CRS and anti-money laundering).
- Investigate suspicious operations linked to or resulting from fraudulent bankruptcy or insider trading or money laundering or the like.
- Investigate transfers -and transactions- that took place after October 17, 2019, including repayment of loans to the private sector and profiteering off of differences in exchange rates.
- Check accounts belonging to public officials against mandatory financial disclosures made under Law No. 189/2020.
- Identify excessive interests, dividends and bonuses as part of a clawback prior to implementing any deposit refund process.

3

The bank restructuring process should be led by an independent bank authority, and a new governance model for the financial sector is needed

- A new leadership should be appointed at the level of the Governorship of the Central Bank of Lebanon and the Special Investigation Commission, in accordance with the provisions of Article 19 of the Code of Money and Credit (violating job duties and/or a fatal error in the conduct of business).
- Members of the Banking Control Commission should also be held accountable for their supervisory, regulatory and punitive role in relation to abuses committed by several banks towards their clients and customers.
- The Higher Banking Authority established under law 28/67 should, first and foremost, be subject to a change at the level of its governance and should include representation from civil society and reputable experts. It should thereafter be granted full power and independence to conduct a fair resolution process. Otherwise, an ad hoc Bank Resolution Authority, composed of competent and credible members, should be appointed to lead on the process.
- Amend the Code of Money and Credit to resolve conflicts of interest between monetary policy and prudential regulations. Currently there is one common chairman - the Governor of the Central Bank of Lebanon - for four different financial bodies (BCC, CMA, SIC and BDL).

4

Pending a comprehensive bank restructuring process, bank leadership shall be suspended and personal assets seized

- Banks are legally in a state of default as per Law No. 2/1967.
- The management, Board of Directors, and supervisory commissioners, are to be replaced by a management committee – where depositors shall also be represented – and which shall be entrusted with the mission of securing the interests of right holders.

- Personal assets of board members, executive directors and auditors are seized pending completion of a forensic audit.

5 Decision makers in the financial sector shall be held accountable

- Expedite the adoption of the proposal of the law on the independence of the judiciary in a way that guarantees the effective sovereignty of judicial bodies in accordance with international standards, as a necessary prerequisite for accountability and the fight against corruption.
- Implement the Anti-Corruption and Money Recovery Plan approved by the Council of Ministers in 2020 (Decisions No.4 and No.17) in order to determine the responsibilities resulting from (a) corruption and willful waste and (b) mismanagement and negligence in the management of public resources and bank deposits.
- Activate tax audit and forensic audit on all contracts and commitments between the administration and individuals/legal entities (tender, commitment, mutual agreement ... etc.) in order to identify fraud or waste. This, in addition to implementing Resolution No. 17 of the Council of Ministers dated 12/5/2020 and the action plan adopted without delay.
- Activate the National Commission to combat corruption created by virtue of Law No. 175/2020, and put it to work studying and auditing financial declarations of public officials, their finances and interests.
- Improve internal controls by strengthening supervisory bodies such as the Audit Office, as well as guaranteeing transparency based on the Right of Access to Information Law No. 28/2017.

SIGNATORIES

(In alphabetical order)



ALDIC



Kulluna Irada



Legal Agenda



The Observatory of Civil Service and Good Governance

**The Observatory
of Depositors'
Rights**

The Observatory of Depositors' Rights



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