BDL CIRCULARS 158 AND 166: BEYOND THE NUMBERS

JULY 2026

In June 2026, Banque du Liban (BDL) formally adopted Intermediate Circulars 768 and 769 extending Circulars 158 and 166 for an additional year, while introducing several technical amendments aimed at increasing depositor access and flexibility. Earlier in May, BDL issued a press release reviewing the implementation of Circulars 158 and 166 - a notable effort towards transparency. However, a closer look at the circulars reveals that they are disproportionately funded by taxpayers relative to bank shareholders and, in the absence of a comprehensive bank restructuring law, are leading to an unfair allocation of losses.

1. HEADLINE FIGURES

According to BDL, Circulars 158 and 166 inject $2.5 billion in foreign exchange (FX) liquidity annually through direct payouts to depositors.

- **The Scope:** As of late March 2026, 578,770 depositors have benefited from these circulars, with 266,166 having recovered the full amount they are entitled to under Circular 158.
- **The Payouts:** A total of $6.1 billion has been disbursed since 2021.
- **The Burden Sharing:** BDL has covered 69 % ($4.2 billion) of the payouts, while commercial banks only 31% ($1.9 billion).

2. THREE MECHANISMS, THREE CIRCULARS

To understand the full scope of BDL's policy, these numbers must be looked at through the lens of three distinct regulatory mechanisms:

- **Circular 151 (Issued in 2020):** Not mentioned in the BDL communiqué as it expired in December 2023. It facilitated withdrawals from USD accounts in LBP at exchange rates significantly lower than the market rate (3,900 LL/$ then 8,000 LL/$ then 15,000 LL/$), with monthly withdrawal caps being progressively reduced over time ($5,000, then $3,000, then $1,600).
- **Circular 158 (Issued in 2021):** Applies to USD accounts opened prior to October 2019, withdrawal cap of $50,000. Previously: Monthly withdrawals partially in "fresh dollars" and partially at below market rates (at different rates). Current terms allow for up to $1,000/month ($800 in cash + $200 via card).
- **Circular 166 (Issued in 2024):** Applies to USD accounts opened prior to June 30, 2023 with exclusions. Current terms allow for up to $500/month ($400 in cash + $100 via card) with a current annual cap at $5,500. Intermediate Circular 769/2026 increased the maximum eligible balance to $15,200 per depositor per bank,

3. WHAT THE FIGURES FAIL TO DISCLOSE

Behind these aggregates lies a strategy that has led small depositors into accepting a single option with steep and implicit haircuts and delayed recovery, bearing the brunt of the financial crisis.

A. THE DISCRETIONARY APPLICATION OF IMPLICIT HAIRCUTS

Prior to December 2023, BDL systematically applied exchange rates for withdrawals that were significantly lower than the actual market rate. This resulted in staggering, unacknowledged losses for depositors:

- Up to 67–87% under the now-expired Circular 151.
- 12–40% under Circular 158 due to withdrawals below the market exchange rate.

B. CUMULATIVE RECOVERY REMAINS LOW

Cumulative payouts under these circulars do not correspond to an adequate implementation of a deposit safety net, which is a key international standard. In comparison, a blanket protection mechanism would have secured - as early as October 2019 - significantly higher payouts for more than 90% of depositors.

- **Circular 166:** Has only yielded a maximum cumulative recovery of $5,450 to date ($1,950 from March 2024 to February 2025 at $150/month, and $3,500 from March 2025 to May 2026 at $250/month).
- **Circular 158:** Has allowed for a maximum of $35,000 in fresh USD since its inception in June 2021.

Combined, these totals fall drastically short of the $100,000 threshold proposed in the draft Gap Law adopted by the government, and are nowhere near the $500,000 threshold originally stipulated in the 2020 Lazard Plan.

C. MEASURES ARE INEQUITABLE

In an orderly bank resolution, depositors are protected first, with a specific guarantee for the smaller accounts. In Lebanon, the hierarchy has been inverted:

- Depositors in LBP, including social funds, have lost almost all their savings while an early restructuring would have prevented the disorderly freefall of the lira.
- Small depositors in USD have incurred progressive losses and restricted access for over six years.
- Bank shareholders have yet to absorb the first money at loss, as the principle of hierarchy of claims dictates.
- Concurrently, selected large depositors and some insiders benefited from preferential treatment in transferring funds abroad. Also, USD borrowers benefited from the repayment of loans at arbitrary depreciated rates. This has severely depleted the value of bank assets attributable to depositors.

4. MISALLOCATION OF RESERVES & THE SILENT BAILOUT

The execution of these circulars raises fundamental governance and macroeconomic questions.

WHERE DID THE $35 BILLION GO?

In 2019, BDL held $35 billion in FX reserves. Despite the principle of the hierarchy of claims, which dictates that remaining assets should have been allocated with priority to depositor recovery, only $6.1 billion has been directed toward them via Circulars 158 and 166 since 2021, in addition to an uncommunicated amount in fresh USD related to Circular 151. Today, BDL has around $11.55 billion* in reserves.

The vast majority of BDL's reserves were depleted to fund regressive import subsidies and other discretionary, non-transparent transfers.

THE MECHANISM OF THE "SILENT BAILOUT"

Since 2023, BDL has stabilized the exchange rate and funded these circulars through an implicit fiscal subsidy. Budget surpluses and other public funds (such as the NSSF) are used by the BDL to purchase USD on the market which are then allocated to repay depositors.

As a result, taxpayers are contributing to funding the liabilities of private commercial banks towards depositors, while the delay of a bank sector resolution continues to impede a fair loss allocation, including a fair contribution from bank shareholders.

CONCLUSION

BDL's temporary, ad hoc circulars should not reinforce complacency nor be a substitute for a comprehensive bank restructuring strategy. By delaying the implementation of a long-overdue resolution framework, the authorities continue to institutionalize a policy that perpetuates inequitable treatment. The real solution remains a comprehensive bank restructuring and resolution framework that protects depositors fairly, and ensures economic recovery.

* *Based on the latest figures available as of end-June 2026.*