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Introduction

Since the inception of the banking system crisis, late 2019, legislators failed to issue a bank restructuring and deposit recovery laws until recently. Entering the sixth year of the crisis, Dr. Salam' s government might be the only government that was really determined to pass these laws to the Parliament. In August 2025, the law #23 related to banks' restructuring was approved by the government and sent to the Parliament for approval and issuance. The law was recently amended (and passed) due to International Monetary Fund (IMF)' s remarks on the original law (law #23 of August 2025). In this article, we will recall the main remarks of IMF in addition to the main amendments recently done by the Parliament, and then will present the main features of the law.

IMF Remarks on the August 2025 Law

The IMF' s assessment of law #23 issued of August 2025 is that issuing the law is considered a progress. However, they stated that some refinement needed to align with the international standards and assure efficient restructuring: first, additional protection for small and vulnerable depositors; second, conflict-of-interest safeguards; and third, public debt sustainability by avoiding adding unsustainable liabilities for the State.

Amendments Done by Parliament in 2026

The amendments fine-tuned the original law to ensure that the weaknesses in implementing the law are addressed. As such, these adjustments recalibrated the law instead of substituting it and reduced the gap with IMF recommendations. Hence, we can consider it as a compromise with the IMF.

As such, several major amendments were done to the bank restructuring law (BRL).

The first one related to the restructuring framework. This amendment emphasized the powers of the Higher Banking Commission (HBC), granting it a well-defined operational role in assessing troubled banks. Assessment includes determining whether these banks must be restructured or liquidated, and control measures necessary for the recovery. It also adjusted the Commission's composition and governance arrangements, addressing the concerns about conflicts of interest and strengthening its dependence in the decision-making process. This amendment is seen as a compromise between IMF recommendation and BDL's concerns related to institutional independence.

The second main modification related to governance and institutional independence. This modification aims to clarify the corresponding functions of the resolution authority and BDL, to decrease the possible overlaps in bank supervision, recovery, and monetary policy roles. This should improve the architecture of bank restructuring and recapitalization as it presents bigger range for recovering viable banks rather than liquidating banks as the default option. It will also aid in economic recovery as restoring the banking system will return the banks' main function as a financial intermediary between depositors and businesses that needs financing.

The Third amendment, worth noting and ethically highly sensitive, concerns deposit recovery and loss sharing. The revised structure places greater emphasis on protecting deposits during resolution, while the treatment and wider financial losses remains firmly allied with the upcoming Financial Regulatory and Deposit Recovery Law (known as financial gap law). Such distinction is essential as the BRL governs how individual banks can be resolved and financial gap law how Lebanon's accumulated financial losses are shared between all stakeholders (State, BDL, banks, shareholders, creditors, and depositors).

A Fourth amendment dealt with the explicit power of the HBC as far as the issuing of circulars is concerned. Under the new format, HBC provides recommendation to BDL to issue circulars instead of requesting circulars issuance.

Fifth and last amendment focused on decreasing the objections or appeal period by banks on valuation results from 30 days down to 10 days. This is viewed as a faster and more effective resolution procedure and allows authorities to interfere quicker when a bank is deemed non-viable.

BRL Main Features After Amendments

As a result of the amendments, below are the main features of the law (Governance; Resolution & Liquidation Mechanisms; Hierarchy of Claims & Loss Absorption; Accountability, Clawback & Asset Recovery; and Judicial Review & Safeguards) after amendments as summarized by Lebanon Opportunities (LO)¹:

❖ Governance Architecture & Regulatory Structures:

Higher Banking Commission (HBC) Architecture (Article 4):

The first chamber is the disciplinary and supervisory chamber composed of BDL Governor as a Chairman, with the membership of:

- First-vice governor
- Finance Minister Director General
- Senior Judge (with 10+ years of commercial/financial experience)
- Chairman of Banking Control Commission (BCC)
- Chairman of the National Deposit Guarantee Institution (NDGI)

The second chamber is the resolution and liquidation chamber that acts as the basic decision-making body for recovering and liquidating banks. It comprises of BDL as a Chairman and the membership of:

- Two vice-governors
- Independent financial expert with 10+ years in bank mergers & restructuring (appointed by government)
- Independent economic expert experienced in restructuring (appointed by government)
- Senior judge
- Finance Minister Director General

BCCL Chair attends the meeting with no voting-right.

¹ Reference: Bank Restructuring Law - Summary and Analysis of Law No. 23 as amended

Conflict of Interest & Ethics Standard (Article 5):

The commission members should be independent and must report asset declarations as per Illegal Enrichment Law. Firm criteria apply as preventing members from voting if they or their family members have deposits or loans exceeding \$100,000 or if they held senior positions or worked as advisors for targeted banks within last five years.

❖ ***Resolution & Liquidation Means:***

Key Resolution Tools (Article 11):

- Bail-in: Writing down equity, capital instruments, and non-exempt liabilities or transforming liabilities to capital instruments as per hierarchy of claims summarized thereafter
- Recapitalization: Issuing new equity shares
- Asset & Liability Handover: Transferring specific assets, rights or liabilities to other operating financial institutions
- Merger: Aiding in merger of insolvent bank with another solvent one

Orderly Liquidation (Articles 19 & 20):

HBC issues a decision to remove any bank that is unrecoverable from bank list and start the liquidation process. Liquidation is managed by the liquidation committee that is formed of six members that include representatives of depositors, shareholders, creditors, NDGI Chairman in addition to legal and banking experts.

❖ ***Hierarchy of Claims and Loss Absorption:***

Losses are first absorbed by shareholders and ending with depositors while exempting taxes dues, fresh funds that are deposited after October 2019 in addition to LBP deposits

❖ ***Accountability, Clawback & Asset Recovery:***

Accountability Measures (Articles 13 & 19):

Strict measures are applied to banks' officials (main shareholders, board members, senior management and signatory right holders and auditors if serious actions were executed that are suspect to civil or criminal faults. These measures include travel ban, properties freezing and custody to name a few.

Clawback Rules (Articles 13 & 19):

Liquidators and temporary administrators are empowered to annual or return funds that were transferred in a discriminatory way at the expense of creditors, including those who transferred money after October 2019 from old deposits (deposited before October 17, 2029).

❖ ***Judicial Review & Safeguards:***

Decisions taken by the HBC could be appealed in front of a special court within 10 days of notification or publication as per article 15. Additionally, Article 27 offers personal liability protection for people implementing this law (BDL, BCCL, HBC, temporary managers and liquidators) for actions taken in good faith while exercising their official obligations.

Conclusion

The 2025 law created the architecture and 2026 adjustments made that architecture credible and operational. The crucial test is whether Lebanon will implement it in a way that restore confidence, protect depositors, and distribute losses as per a trustworthy hierarchy.

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