

WORLD MEDITERRANEAN MBA 

A Management Odyssey

The Lebanese Banking Sector Analysis

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CONFERENCE AVAILABLE ON DVD UPON REQUEST

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International programme experience 7 economies

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The Lebanese Banking Sector

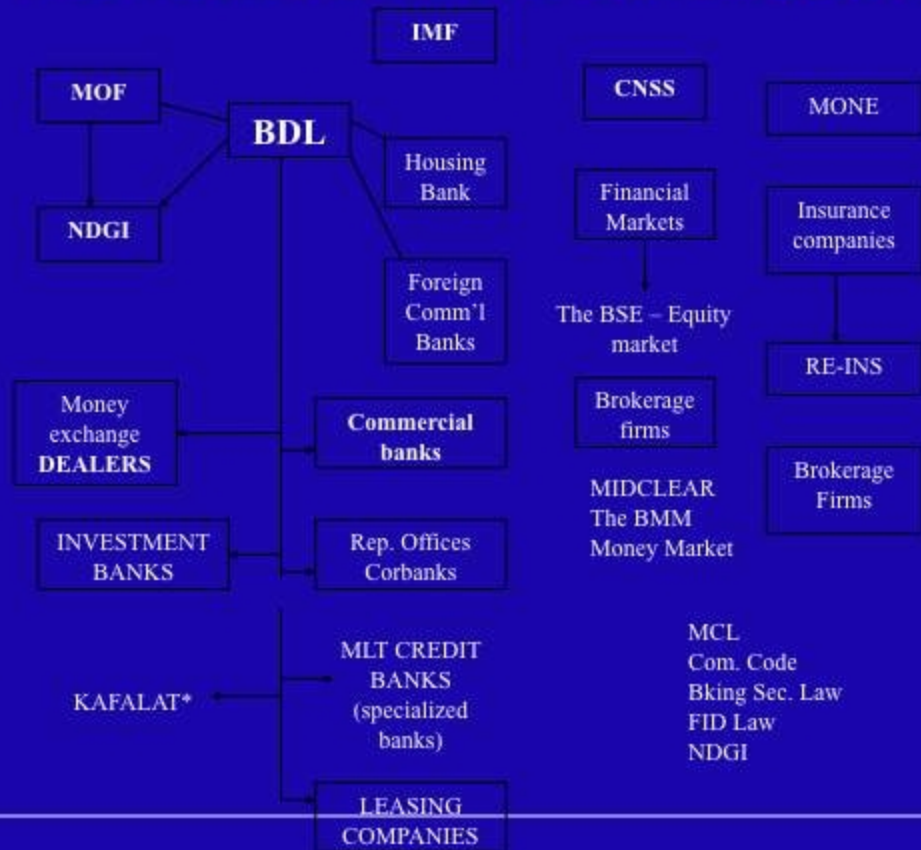
- History & aspects
 - Legal framework & new structures
 - Sector's overview
 - Main stakes, actors & development strategy
 - Managerial aspects & practices
 - SWOT analysis of the Sector
 - Extension analysis
-



History & aspects

- 1850 to 1920
 - French Banques d'Affaires had 75% of their investments in Northern Africa, Egypt Lebanon & Syria.
 - 1920 to 1943 – the French mandate
 - 1943 to 1963 – the early days of independence
 - 1963 to 1968
 - Creation of BDL – Banque du Liban
 - Intra Bank crisis October 1966
 - Reforms in 1967 & 1968
 - 1968 to 1974 – the golden period
 - 1975 to 1992 – the war period
 - 1993 to 2004 – consolidation, mergers & acquisitions
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The financial & the banking system



* Fin. Ins Taxation

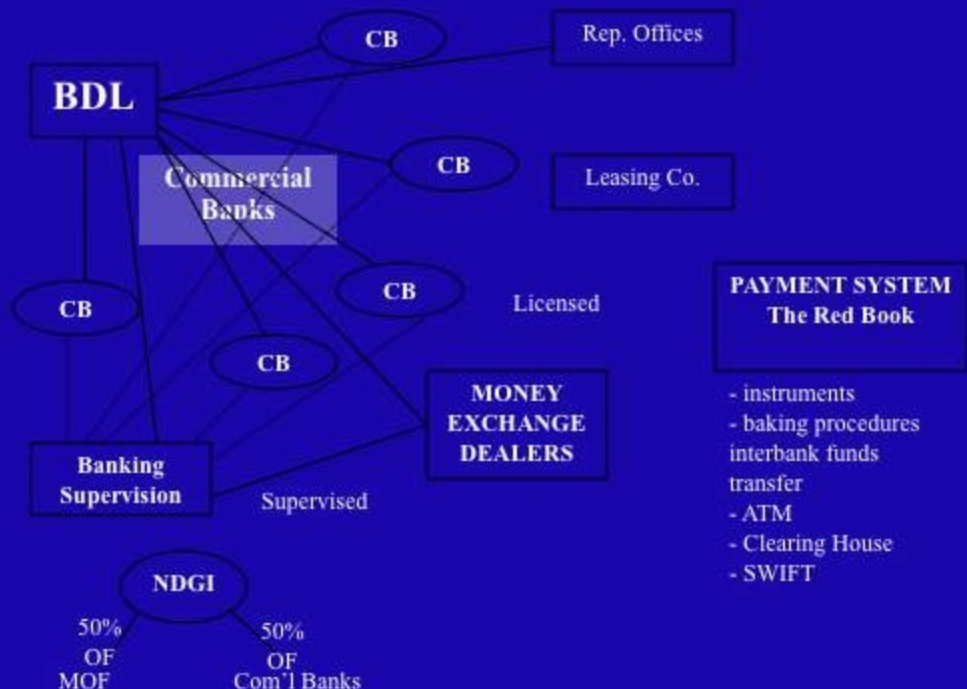
*Red Books

*SWIFT

*Payment System

MCL	1963
Com. Code	1943
Bking Sec. Law	1956
FID Law	1996
NDGI	1967

Organization of the banking system





Aspects

- Competition of 2 great powers of the 19th century and early 20th to dominate the Mediterranean basin
 - Changes in the political landscapes in the MENA countries
 - The influence of USA and its competition with USSR in the region
 - Politically unstable countries in the middle east
 - Banking sector – engine of economical growth in Lebanon
 - New challenges, IT, Money Laundering, FATF, Universal Banking, Compliance, Risk Management ...
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Legal framework & new structures

- o Before 1964
 - n no central banking rules & regulations
 - n BSL, mixed ownership; currency-issuing bank & commercial bank
 - n No minimal capital requirement to establish a bank
 - o 1950's
 - n Commercial Law 50.000 – the capital of a bank
 - o 1963
 - n New Central Bank – BDL
 - n Code de la Monnaie et du Credit
 - p Rules & regulations
 - p Licensing, branching & mergers
 - p New institutions created
 - p LT Banks, Specialized Banks, Investment Bank...
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Sector's overview

- The role of banks in the financing of Lebanon's reconstruction
 - The importance of this sector to the Lebanese economy
 - n Private sector (household, business)
 - n Public sector (government)
 - n Foreign sector (foreign relations)
 - Statistical data
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Main stakes, main actors, & development strategy

- Globalization
 - Basel II
 - Mergers and acquisitions
 - Corporate governance
 - Financial transparency
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Managerial aspects & practices

- Concentration of decision making authority
 - Paternalistic
 - Institutional approach & the HR
 - n Recruitment
 - n Selection
 - n Training & development
 - n Promotion
 - n Retirement plan
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SWOT Analysis



Strengths

- Liberal economic system
 - Mature central banking authority
 - Widespread developed banking culture
 - Relatively stable political environment
 - Support from CBL (BDL) in case of a crisis
 - Enhanced BDL regulations & supervisions
 - A healthy banking system
 - Banking secrecy law
 - Sound bank management
 - Improved risk management
 - Diversity in bank funding activities, core deposits, CD, Pref. Shares, IFC syndicated loans...
 - High systemic liquidity
 - Overall confidence in Lebanese banks
 - Safety of depositor's funds comes in priority
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Weaknesses

- Government financing by banks out of acceptable standards
 - Very weak corporate governance
 - The gradual disappearance of the bill of exchange in trade financing
 - Economic recovery fundamentals – lacking
 - Annual reports of many banks need more transparency, information & analysis
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Opportunities

- Privatization will create ample opportunities for economic growth
 - Banking over borders – extension to regional countries
 - Securitization of government assets will create new assets for banks
 - A change in CB legislation to own equity shares in subsidiaries other than insurance & financial sector
 - The reestablishment of discount houses
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Challenges

- The burden of the public debt – a potential threat in case financial reforms are not introduced
 - Basel II requirements might challenge the viability of several smaller banks in the system
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Extension analysis

- o Four fundamental forces of change
 - n Deregulation
 - n Financial innovation
 - n Securitization
 - n Globalization
 - o Four forces of enhancement
 - n Competition
 - n Consolidation
 - n Increased capital requirement
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