Interview with BBC World Business report on Lebanon’s banking crisis, 7 Oct 2022

As part of the BBC World Business report aired on 7th Oct 2022, Dr. Nasser Saidi was interviewed on the continuing banking crisis in Lebanon where bank branches are to close indefinitely.

Listen to the interview via the weblink https://www.bbc.co.uk/programmes/w172yk3547rglyp

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Interview with CNBC Arabia on Lebanon’s recent banking, exchange rate developments & negotiations with IMF, 17 Jan 2022

Dr. Nasser Saidi was interviewed on the recent banking and exchange rate developments in Lebanon as well as the negotiations with IMF. The CNBC Arabia TV interview, aired on 17th of January 2022, was titled “في لبنان الأزمات تلد أزمات.. تبدأ بجفاف الدولار ولا تنتهي عند الظلام! ” can be viewed directly here.

لبنان.. وكأن هذا البلد على موعد مع الأزمات والرهان .. ومن كل

شكل ولون!

فما أن يحتوي أزمة إلا وتظهر ً أخرى اكثر تعقيدا وظنون، حتى أصبح التفريق بينها صعبا ً وعسيرا ً مع تضاؤل الآمال في العثورعلى تأمين.

تتقاطع السياسة والاقتصاد وتتعثر الدروب والمعطيات، دولار غائب عن الحضور وكهرباء متقطعة ولا نور.

ديون متراكمة تنتظر الدور ومصارف لا تكفي المودعين والحضور، وليرة تتوارى وتراجع منظور.

وسلع في الأرفف إلا لمن استطاع، عصية على الوصول، وبلد غارق في أزماته ينتظر الفرج وتقديم حلول!

Comments on Lebanon's links to Syria's economy in Gulf News, 16 Jul 2020

Dr. Nasser Saidi’s comments appeared in the Gulf News article titled “Syria’s collapse compounded by COVID-19“, published 16th July 2020.
Comments are posted below:
“Economic collapse in Lebanon lowers the demand for imports from Syria and leads to the firing and rising unemployment of Syrian workers in Lebanon,” said Nasser Saidi, a Lebanese economist and former minister. Speaking to Gulf News, he added: “This results in a decreased flow of remittances to Syria. The freezing of the deposits of Syrians (individuals and businesses) in Lebanese banks results in an inability to finance Syrian imports and trade through Lebanon.”
He added: “The financial, banking and fiscal crisis in Lebanon

means increasing pressure in supplying/smuggling of fuel, wheat and other subsidised commodities into Syria."

Interview with CNBC Arabia on restructuring of Lebanon's banks, 4 May 2020

Dr. Nasser Saidi was interviewed on the restructuring of Lebanese banks under the government's reform plan. The CNBC Arabia TV interview can be viewed via [this tweet] or directly at https://www.pscp.tv/w/1vAxRBrjOzPxl?t=34

Bloomberg Daybreak Middle East Interview, 27 Oct 2019

In the October 27th, 2019 edition of Bloomberg Daybreak: Middle East, Dr. Nasser Saidi speaks about the "phase one" US-China trade pact, answers questions about Lebanon's potential for debt restructuring amidst anti-government protests, and also touches upon the UK elections, possibilities of a 2nd referendum and the pound sterling

Watch the interview below.

The original link to the full episode (Dr. Nasser Saidi joins from

57:00): https://www.bloomberg.com/news/videos/2019-10-27/bloomberg-daybreak-middle-east-full-show-10-27-2019-video

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Comments on the protests in Lebanon & closure of banks in Asia Times, 25 Oct 2019

Dr. Nasser Saidi's comments on the Lebanese protests and closure of banks appeared in the article "Lebanon's shuttered banks bracing for dollar run" published by Asia Times on 25th Oct 2019.
The full article can be accessed at: *https://www.asiatimes.com/2019/10/article/lebanons-shuttered-banks-bracing-for-dollar-run/*
Comment are posted below:
"It was a mistake to close the banks," Dubai-based economist Nasser Saidi told Asia Times by phone.
"When you shut down the banks, you create a crisis of confidence because people feel they can no longer access their deposits, so when it opens they will want to access their deposits."
"What you can expect is a rush on the banks, if not a run on the banks" when they finally re-open, Saidi added.
Already, "people are worried about capital controls. You are already seeing a black market or parallel market for Lebanese pounds, and it is increasingly difficult to convert pounds to dollars, if not impossible."
Economist Saidi says he does not believe Lebanon is at "imminent" risk of default.
"The Central Bank and Lebanese banks own something like 90% of the debt … they have a lot of skin in the game," he said.

For Saidi, confidence in the ruling elite is beyond repair, and a new musical chairs of political faces would most certainly deepen the crisis amidst already depleted confidence in the system.

“They need to have a new government in place as quickly as possible with the main portfolios in the hands of technocrats – not political appointees – and they need to put together as quickly as possible a macro financial fiscal plan to rescue Lebanon. That is the priority right now to avoid the meltdown,” he said.

“You cannot expect the people who are source and origin of the problem to reform. You need fresh blood. Besides that, I don’t think they have the technical expertise to deal with Lebanon’s fiscal and debt problems,” Saidi added.

The key word, besides technocrat, will be independent, as past technocrats appointed by political movements were still beholden to those superiors.
Lebanon’s political elites control vast chunks of equity in the banks, 50% of whose deposits are owned by the top 1%.
“Any default will wipe out the equity of the banks, and their own deposits are at risk, so it is in their own self-interest that a government of technocrats comes in and helps solve the problem they created,” said Saidi.

“Building Blocks For Effective Corporate Debt

Management”, Keynote Address at the Corporate Restructuring Summit 2018, 5 Sep 2018

Dr. Nasser Saidi was one of the opening keynote speakers at Corporate Restructuring Summit 2018 held in Dubai on September 5th,2018. The presentation titled “Building Blocks For Effective Corporate Debt Management″ started with an overview of the global debt market and the risks of monetary policy normalisation, with a more focused look at the MENA/ GCCdebt levels, before highlighting what the necessary building blocks and reforms were for creating an active, deep and liquid local currency debt market.

Click here to download the presentation; a synopsis of Dr. Saidi’s presentation and talk was published on Zawya and can be accessed here (excerpt below):

The development of securitisation laws to allow for banks to package and trade distressed debts is one of a number of capital market reforms that could help to improve both the credit position of banks and the ability of Gulf governments to withstand economic shocks, a leading regional economist has said.

He argued that local currency-denominated capital markets were needed both as an alternative source of financing, and as a useful policy tool.

“It’s important both for governments as well as for corporates. For governments, they could then use debt markets for infrastructure projects instead of tapping the banks.”

The fact that many GCC governments peg their currencies to the

U.S. dollar means that they have few monetary policy levers in times of a crisis, he said, but local currency debt markets allow central banks to conduct open market operations (e.g. quantitative easing).

The MENA Bond Market: Meeting the Challenge of the Coming Disintermediation

The global economic meltdown has demonstrated that pan-regional financial systems that are heavily reliant on commercial banks for corporate funding are either potentially crisis prone or seriously impaired. This is particularly true if banks must suffer the pains of recapitalization, deleveraging, restructuring and de-risking, as is happening in most European countries.

By contrast, financial systems that are dependent on bond markets are enjoying more reliable and cheaper access to new funding resources. In the US, for instance, the average yields on junk-rated debt fell to a record low of below 6% in the first week of 2013.

Beyond the short-term and often volatile opportunities, recent economic history has shown that bond markets are naturally fungible as a leading channel of liquidity for governments, as well as public and private companies. Even those regions (both mature and emerging) whose banking systems are still sound display a structural trend towards strong bond market development.

The name of the game is capital market disintermediation, which will occur, sooner or later, either in a vicious or virtuous way.

It may be a case of the former for continental Europe, where the combined effects of the required accelerated deleveraging (as mandated by global capital standards) along with forthcoming “mark-to-market” of non-performing loans (NPLs), could drive to a strong and rapid contraction in banks’ commercial lending supply.

It may, more optimistically, be the latter for the MENA region, where banks enjoy a relatively better funding structure with more reasonable loan-to-deposit ratios, coupled with higher interest margins, nominally stronger capital base and higher profitability ratios.

Still, the case for the disintermediation of traditional banks’ funding channel is laid out due to a number of fundamentally safe and sound reasons:

- The regulatory case for deleveraging, and the effect of the forthcoming mark-to-market of NPLs on real estate lending (with particular reference to the UAE and Kuwait), will also hurt MENA commercial banks’ lending capacity;
- The high interest margin charged on corporate lending appears less attractive when compared with the true cost of credit. It is startling that a top-rated company in the MENA region borrows at an interest of 10-12%, while a subpar firm in the US at half the rate through junk bonds. Self-financing, other pockets of “shadow financing” and the international capital markets will start competing more aggressively as regional banks threaten the direct funding business. In particular, “shadow financing” and capital markets benefit from the comparative advantage of softer regulation, lower cost of funding and larger economies since these provide a variety of financing options.

Addressing the issue

The solution is to push for the development of local currency fixed income markets (both conventional and Islamic) in order to ensure stable access to new funds. This move not only creates a yield curve that will price all kinds of financial assets transparently, but also provides monetary policy tools and enables the development of risk management techniques.

Deeper bond markets in local currencies will likewise allow open economies to better absorb volatile capital flows. As well as provide institutional investors with instruments that satisfy their demand for safe and stable long-term yields, locally denominated debts can guarantee a stable source of capital and reduce financial instability associated with asset price .

Considering the heavy investments needed in MENA's infrastructure projects, it is ideal to raise financing through securities backed by future cash flows from the infrastructure services, as is typical of project-financing schemes.

On macro-economic terms, the development of a strong, liquid and transparent local currency bond market would be highly beneficial for the economies of MENA. This will improve the optimal allocation of financial resources in the overall system.

As it stands now, the MENA nations lack the important ingredients of a well-functioning debt capital market. These elements include a credit rating culture, market transparency, benchmarks, long maturities, a broad spectrum of institutional investors and a derivatives market for managing interest rate and credit risk.

Disintermediation to benefit banks

Only recently, a credit default swap (CDS) OTC market has gained prominence, but it is still in its infancy. On micro-economic terms, the disintermediation to come could also benefit the banking system in at least two ways:

Firstly, the proactively controlled re-composition of MENA banks’ balance sheets, profit and loss accounts would prevent abrupt and negative impacts on their financial stability and value creation capacity. The loss in net interest margin from direct loans could be gradually replaced -at least partially – by the higher fees coming from debt capital market structuring and placing activities.

The deleveraging and de-risking of the banking system would liberate financial and commercial resources for redeployment in more innovative and value adding activities (from asset management to bank-assurance; from private banking to corporate advisory). It will also reduce credit charges as well as the formation of NPLs.

In order to achieve this, regional banks should consider the opportunity of building some smart investment banking capabilities: focusing internally on the product design and risk management activities while considering third party alliances for the more standardized ones.

Secondly, MENA banks could benefit directly from the development of an efficient bond market that could help them pursue a longer term and cheaper liability structure – therefore reducing the currently high asset-liability management (ALM) imbalance.

We feel that a medium-term notes (MTNs) market for domestic banks that are active in the region could be an achievable target for the short term and a first step in the right direction. Such initiative should be considered a high priority project for policy makers, central banks and regulatory bodies.

In order to strengthen MENA’s local bond market, governments must express strong commitment to implementing a proactive debt management program (DMP). Part of this scheme should include extensive marketing and communication effort aimed at institutional global investors.

The DMP aimed at the development of an MTN market for domestic banks should start identifying and supporting focused issuance programs for local banking champions, thereby helping them access international investors.

It could also consider the creation of a “bond of bonds”, which can pool together the issuance needs of mid to small banking players, thus creating diversification in terms of names, countries and sub-sector of activities.

Eventually, some form of credit enhancement through credit protection on the first loss or on specific senior and super senior tranches, could be considered and provided by government-owned financial guarantees and credit insurance entities.

Last, but not the least, money markets and financial derivative markets should be developed alongside the debt capital markets to facilitate liquidity management by both central banks and investors.

[This article was co-authored with Claudio Scardovi of AlixPartners and published by Zawya]