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A BALANCE SHEET ANALYSIS OF THE BANQUE DE SYRIE ET DU LIBAN

Ivy Wang

Johns Hopkins Institute for Applied Economics,
Global Health, and the Study of Business Enterprise



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By Ivy Wang

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The *Studies in Applied Economics* series is under the general direction of Professor Steve H. Hanke, Founder and Co-Director of the Institute for Applied Economics, Global Health and the Study of Business Enterprise (hanke@jhu.edu).

About the Author

Ivy Wang is a sophomore at the Johns Hopkins University in Baltimore, Maryland. She is double majoring in Economics and International Studies and wrote this paper while working as a researcher at the Institute for Applied Economics, Global Health, and the Study of Business Enterprise. She expects to graduate in May 2022.

Abstract

The Banque de Syrie et du Liban was established through the French mandate of Syria and Lebanon. The institution was a combination of a commercial and central bank for the region and provided economic stability. By studying the bank's balance sheets, this paper provides an analysis of its assets and liabilities. An accompanying spreadsheet workbook provides all the balance sheet data from the bank's annual reports as most of this data has never been digitized or analyzed in English. Using historical analysis of the financial situations of Syria and Lebanon at the time, several observations are made about the bank's influence from 1919 to 1963, as well as about how it evolved into Lebanon's central bank.

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Link to primary currency board data digitized by the author: tinyurl.com/qnyog4x

Keywords: Syria, Lebanon, banking, colonialism, French mandate, Bank of Syria and Lebanon

JEL codes: E58, N15

Introduction

Lebanon's current economic problems allow us to question whether or not the country's past economic institutions would have performed better. In the monetary sphere, the predecessor to the current Banque du Liban was the Banque de Syrie et du Liban (BSL). This paper is itself not an answer to the above stated question but does provide data that was previously not readily available and may be used in conjunction with previous narrative work to formulate an answer.

For four centuries, both Syria and Lebanon were under the rule of the Ottoman Empire. During that period, the currency was the Ottoman lira (also called the Ottoman pound). Paper money was issued by the Ottoman Imperial Bank, whose shareholders, from 1846 onward, were mainly British and French. However, the lira was mainly circulated around Istanbul and uncommon elsewhere. During World War I, the Ottoman government began to issue paper money, but both its and the Ottoman Imperial Bank's notes depreciated against gold.

The Sykes-Picot agreement of 1916 set the stage for the Ottoman Empire's dismemberment. The secret arrangement, made between France and Britain during World War I, split Syria, Iraq, Lebanon, and Palestine between the two nations.¹ British authorities wanted to stabilize the economies in these territories as well as recover expenses, and thus established the Egyptian pound as the new note currency for Lebanon and Syria upon military occupation. Egyptian paper currency was issued by the primarily British-owned National Bank of Egypt, and the Egyptian pound was linked to the pound sterling and was coverable to sterling securities starting in October 1916.²

Ottoman rule of Lebanon officially ended on October 6, 1918, when the French Levant Marine Division landed in Beirut.³ Initially, the French coexisted with British forces, which had conquered neighboring Palestine during World War I. The French intended to establish a new local currency, directed from Paris. Then, following an Anglo-French agreement of September 1919, French soldiers replaced British troops and General Henri Gouraud was appointed as "High-Commissioner of the French Republic in Syria and Cilicia, and Commander-in-Chief of the Levant Army."⁴ With French rule came a desire by the French to replace the British Egyptian pound with a currency linked to the French franc.

At the start of 1919, the management of the Ottoman Imperial Bank in Paris initially set up the Banque de Syrie in Beirut as a subsidiary to prepare for changes under French rule. But, the new bank eventually grew and took over all the offices of the Ottoman Imperial Bank in Syria and Lebanon. On April 25, 1920, the League of Nations officially declared a French mandate in Syria and Lebanon. France was to prepare Syria and Lebanon for eventual independence. Politically, there was one main executive officer appointed by the French Government in Syria and Lebanon, known as the High Commissioner. The French representative had a political cabinet (in which he served) as well as a civil cabinet which held authority over the intelligence service.⁵

¹ Encyclopedia Britannica, "Sykes-Picot Agreement."

² Banque du Liban, "Lebanon Under the French Mandate."

³ Aix-Marseille Université (1924-1941).

⁴ Banque du Liban, "Lebanon Under the French Mandate."

⁵ Safieddine (2019: 23).

After the mandate was established, Syria and Lebanon's new currency became the Syrian pound, anchored to the French franc at 1 pound to 20 francs.⁶ The prewar exchange rate had been approximately 22.79 French francs per Ottoman lira. The new central bank, the Banque de Syrie, as it was first called, later changed its name to the Banque de Syrie et du Grand Liban in 1924 and then to the Banque de Syrie et du Liban in 1939.

Main features of the bank's structure

On January 2, 1919, an assembly of shareholders created the bank's first constitution in Paris. The constitution seems never to have been published in the bank's annual report or in a government gazette and no copies of it appear to exist today outside of the French archives, hence I was unable to consult it. Some of the features of the bank are however mentioned in the bank's annual report and in Oughourlian (1982: 67-68). At the establishment of the bank, there were 20,000 shares of 500 francs each, a total of 10 million francs in share capital.⁷ Each charter shareholder was required to pay in one-quarter of the face value amount of shares, or 125 francs per share. The duration of the bank's initial charter was 20 years.

The main features of the bank included the following:⁸

1. The Banque de Syrie was to include an issuing department, made up of an independent service responsible for all operations relating to the circulation and withdrawal of banknotes. The bank would also have a commercial department which would act like a regular deposit bank.
2. The issuing department was only to deliver notes to the bank for its commercial transactions in exchange for foreign currencies or securities abroad. The bank could therefore discount commercial paper in local currency only by means of its own funds and deposits in that currency.
3. Foreign currencies and foreign securities exchanged for banknotes issued constituted—together with credit extended to the Treasury—the coverage of the circulation.
4. The amount remaining in the provisional account on December 31 of each year was paid to the bank within five years after that date if it had not been used for the reimbursement of notes.
5. The provisional account and a special account would be used by the bank to cover its expenses and remunerate its services.
6. The French Treasury made no claim on the value corresponding to lost or destroyed banknotes.
7. Control of the bank: The involvement of the French Treasury only related to requests for notes and the payment of their countervalue in francs to the credit of the bank.
 - a. It was agreed that the latter would provide the Ministry of Finance with the requested statements of account and would put the officials appointed by the Ministry in a position to take cognizance of the corresponding justifications.
8. Finally, the French Government agreed to "induce the present or future local governments not to create or to create by other banks banknotes or paper money, and to confirm in favor of the BSL the exclusive privilege of issuing banknotes in countries subject to French influence."

The bank had its charter renewed in both 1924 and 1937.⁹ Changes in the 1924 renewal are explained in more detail below, but the principal differences included a change of name—from the *Banque de Syrie* to *Banque de Syrie et du Grand-Liban*—and a limit of 25 million pounds was placed on the overall value of banknotes in circulation. The bank would also have to pay a royalty on the sums collected during the

⁶ Banque du Liban, "The Historical Development of the Lebanese Pound."

⁷ Banque de Syrie, *Assemblée générale ordinaire* (1919: 4).

⁸ Oughourlian (1982: 67-8).

⁹ Oughourlian (1982: 71-87).

previous year to the states of Syria, Djebel-Druze and Greater Lebanon, because the Syrian pound was the only legal currency in those territories. The BSL was also declared to act as the financial agent of the government.

The 1937 charter made several more adjustments. The name was once again changed, from the *Banque de Syrie et du Grand-Liban* to the *Banque de Syrie et du Liban (BSL)*, the last such change. The currency, which the public authorities will maintain at the parity of French currency, was changed to be the only legal currency of Lebanon. It was also made clear that the note issuance service was distinct and fully independent of any other service of the bank. The monopoly of the BSL was yet again extended for another 25 years. Terms of concession improved for the Lebanese state, as the gold reserve was decreased from 5 percent to 1 percent of the money supply. Also, the limit to the maximum amount of paper money issued was removed, allowing the BSL to print more bank notes. While profitable for the bank, the latter provision increased risks. The paper notes were also physically changed, as they now included the word “Lebanon.” However, the 1937 charter failed to change the institutional relationship between the bank and the government to accommodate increasing domestic political pressure for greater autonomy from France and for a Lebanese national entity independent of Syria.

Data sources

The annual balance sheet data of the Banque de Syrie et tu Liban are compiled from its annual reports (*Banque de Syrie et du Liban, Assemblée générale ordinaire, rapport du Conseil d'administration*). The reports, collected from 1919 to 1962, were all obtained from the Library of Congress with the exception of the years 1957 and 1963. The annual balance sheet for the year 1957 was collected from the New York Public Library and only the data for June in the closing year of 1963 was available. Thus, the closing year analysis is based off 1962 balance sheet data. Bi-weekly data for the note issues of the bank are available in the *Bulletin mensuel des actes administratifs du Haut-Commissariat de la République française en Syrie et au Liban*. These issues are available via Gallica, the digital service of the French national library. Biweekly data was not digitized due to time constraints.

Much of the information in this paper on monetary legislation and on the general historical narrative is sourced from *Une monnaie, un État: histoire de la monnaie libanaise*, by Joseph Oughourlian and also the newly released book: *Banking on the State: The Financial Foundations of Lebanon*, by Hicham Safieddinne.

Table: First annual balance sheet of BSL, Dec 31, 1919 (French francs)

Assets		Liabilities	
Shareholders	7,500,000.00	Capital	10,000,000.0
Cash on hand and in other banks	2,504,321.11	Current accounts (demand deposits)	4,867,188.34
French war loan bonds and loans	2,774,832.47	Bills of exchange and promissory notes payable	1,544,467.17
Collateralized loans	1,656,206.62	Suspense accounts, etc.	229,154.16
Current accounts receivable	1,467,806.73		
Suspense accounts, etc.	494,846.52		
Furniture and installation [of offices]	80,880.40		
Fees for establishing the bank	117,834.55		
Profit and loss	44,081.27		
Total Assets	16,640,809.67	Total Liabilities	16,640,809.67

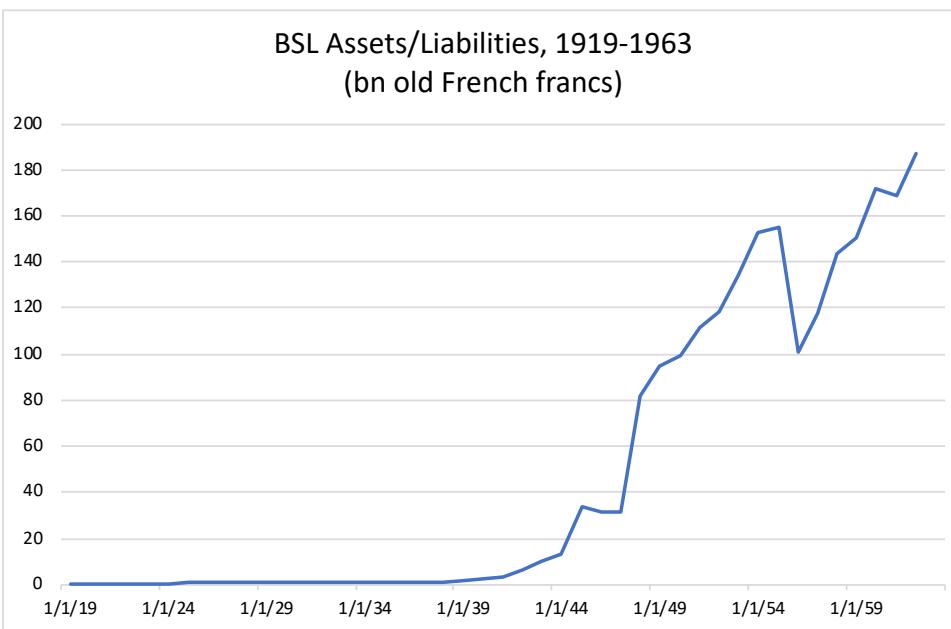
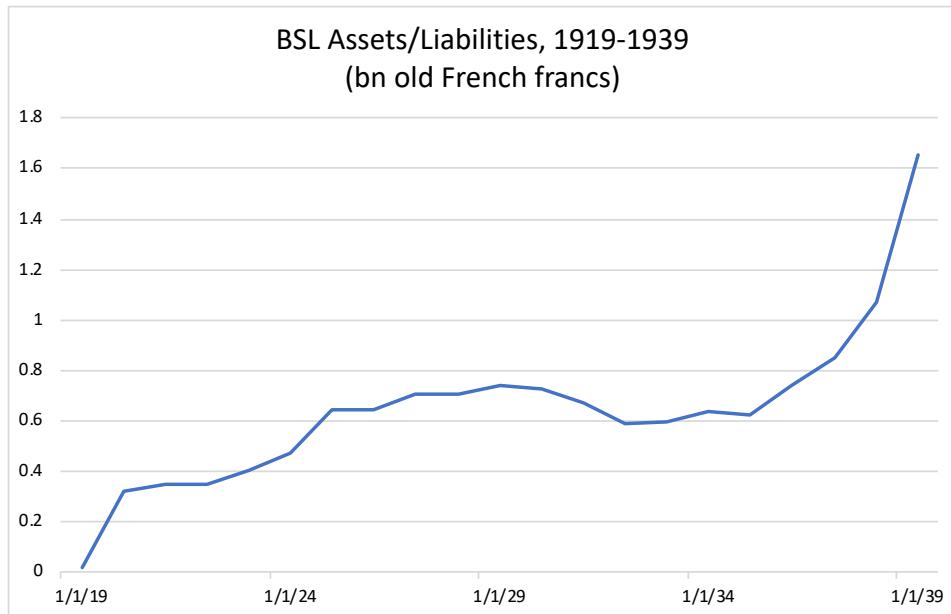
The BSL's Asset and Liability Composition

Above is the BSL's first annual balance sheet. Throughout the 45 years that the bank operated, there were many different categories of assets and liabilities. The account names would even change from year to year in some cases. To better analyze the overall composition of assets and liabilities, all accounts were classified into several standardized categories of assets and liabilities, as shown below. The method through which the different assets and liabilities were sorted is explained in Appendix B. Readers should be aware that some of the classifications are subject to discussion.

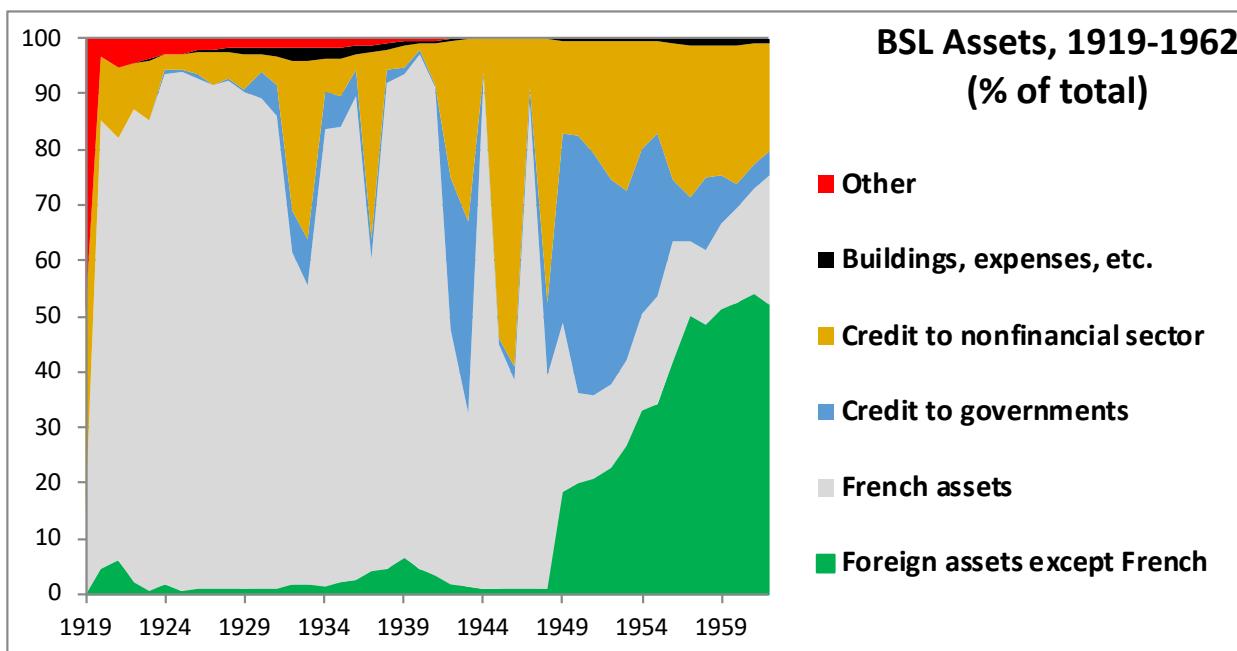
Standardized assets	Standardized liabilities
Foreign assets except those in France or colonies	Foreign liabilities
French assets	Notes in circulation
Local assets: credit to governments	Deposits other than of government
Local assets: credit to financial sector	Deposits of Syrian and Lebanese governments
Local assets: credit to nonfinancial sector	Capital and reserves
Buildings, furniture, note printing, office expenses	Other or unclassified liabilities
Other or unclassified assets	

Scales Graph

Beginning in 1919 with assets totaling 16 million francs, the BSL slowly increased its assets each year and in 1938, total assets rose above 1 billion francs. Note that in 1960, a currency change occurred such that one new French franc was now worth 100 old francs. For ease of comparison, the accompanying Excel workbook expresses balance sheet magnitudes in old francs throughout. In 1962, the last balance sheet available, the bank possessed 187 billion francs in assets. Notably, between 1919 and 1963 the French franc depreciated from one franc to 0.2903225 grams of gold (the pre-World War I rate, still on the books in 1919 but not in effect) to one franc to 0.0018 grams, a factor of approximately 161. Therefore, if expressed in terms of gold, the BSL's balance sheet grew about 72-fold during its lifetime.



BSL's Asset Composition



Most of the BSL's assets in its first few decades were made up of two major categories: French assets (in gray) and credit to the Syrian and Lebanese nonfinancial private sectors (in yellow). Whenever French assets decreased, credit to the nonfinancial private sector increased, reflecting an inverse relationship. For most of the Bank's existence, French assets were dominant. Not until 1945 – the end of World War II – did credit to nonfinancial private sectors overcome French assets.

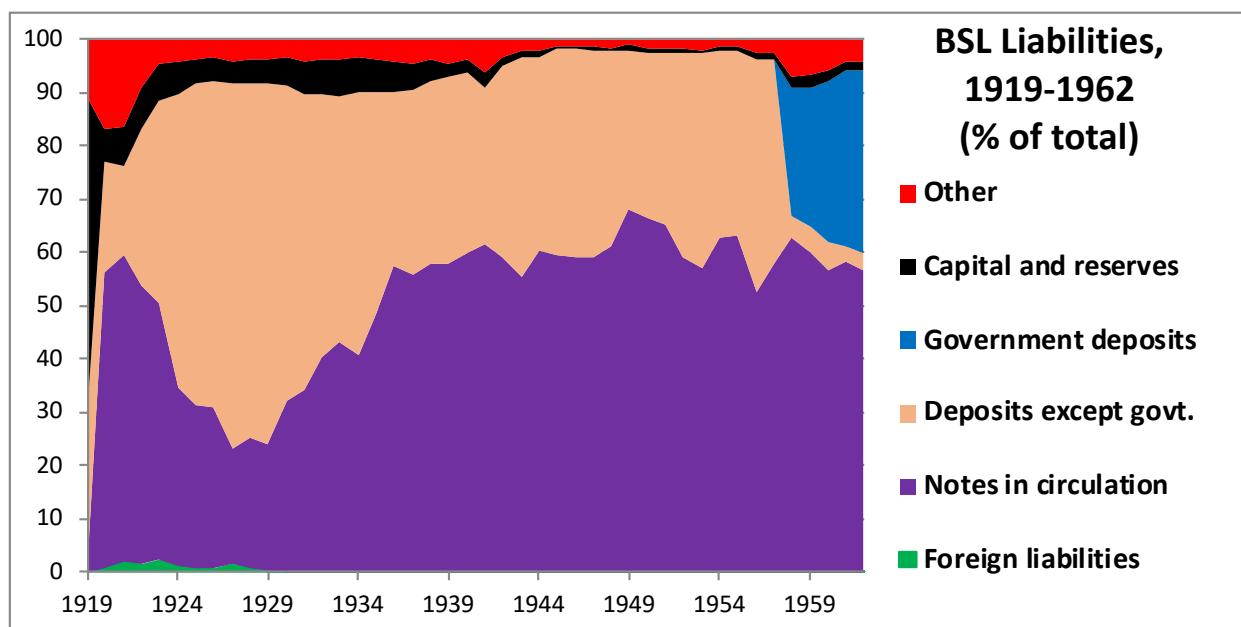
Because Syria and Lebanon were under a French mandate, there were substantial financial ties to France. Three major assets that made up the bulk of the BSL's French assets were French Treasury deposits; securities; and loan bills, bonds, Treasury bonds and war loans. Deposits at banks and other financial institutions (cash) also made up a significant portion of French assets. At their peak in 1940, French assets were nearly 93 percent of all assets. Until the 1950s, when French assets were not the leading asset category, credit to the nonfinancial private sector was. Credit to the Syrian and Lebanese governments fluctuated in line with changes in French assets.

Foreign assets (in blue) surged in 1921 (at 6 percent), then dwindled to around 1 percent, and started increasing yet again in 1926, conceivably an indication of the worldwide depression that would start in 1929. Foreign assets were primarily made up of metallic reserves (gold and silver). The category peaked in 1939 – at 6.6 percent of assets – coinciding with the end of the depression. Thereafter, the category returned to below 1 percent of the asset composition, eventually decreasing to zero in 1949.

The BSL did not act as a lender of last resort, as reflected by the absence of both credit to the financial sector and credit to the nonfinancial private sector in the BSL's lending history. The two missing categories of assets were in the standardized balance sheet, but not included in the Composition of Major Assets graph above because their balances were zero. Instead, credit to the nonfinancial private sector was its largest lending account.

Beginning in 1936 when the effects of the worldwide depression hit France, nonfinancial private sector lending increased dramatically. Guarantees for third parties, securities and equity holdings, and loans and debts accounts all quickly jumped from near-zero to hundreds of millions of francs. From 1945, the end of World War II, until 1950, there were also three “special debit accounts,” whose account balances were in the billions of francs. These accounts were related to the partly blocked balances of Syria and Lebanon in France, which were not liquid due to French exchange controls. After World War II, credit to the nonfinancial private sector surpassed French assets as the largest category of assets and remained atop until the bank’s closing. The category peaked in 1957, making up 65 percent of total assets.

BSL's Liability Composition



Over the lifetime of the bank, the dominant liability was notes in circulation (in purple), followed by non-government deposits (tan), and then fluctuated between other (red) and later, government deposits (blue).

Notes in circulation is made up of a single liability: bearer notes in circulation. This liability category fluctuated widely between 1922 and 1939, decreasing for a period from 1922 until 1927, reaching a drastic low of 22 percent. At the same time, non-government deposits increased to 68 percent the same year, again reflecting an inverse relationship. Notes in circulation continued to increase until 1941 and thereafter remained a relatively stable percentage of total liabilities. The BSL's focus on issuing notes and its central bank characteristics are clearly represented by “notes in circulation” being the leading liability.

Non-government deposits were the second major liability category, having increased significantly between 1922 and 1930, peaking at 68 percent in 1927, and then remaining relatively constant until 1958 when it decreased to 4%.

In 1958, government deposits astonishingly increased from zero to 30 percent of liabilities. Government deposits consisted of the liabilities: accounts of government bodies and current accounts.

While the BSL held many French securities, it barely held any other foreign liabilities.

Foreign liabilities (green), reserves (black), and other (red) remained small throughout the BSL's lifetime. Capital was significant in early years but began decreasing before WWII. The category "liabilities in France (other than rediscounts of loans)" was not included in the graph above because its balance was near zero throughout the history of the BSL.

Overview of the Lebanese and Syrian Economies

A prime market in the Middle East, throughout much of the 20th century, Lebanon was characterized by a healthy and growing private enterprise sector with minimal state intervention. Lebanon transformed itself into a major banking center as the country avoided restrictions on foreign exchange and capital movement, while also keeping tight regulations over secrecy. However, this seemingly sturdy infrastructure would soon be brought to shambles by the end of the Lebanese civil war in 1990.¹⁰

Syria, on the other hand, has always been more dependent on agriculture. Cotton, corn (maize), barley, wheat, and other crops make up a significant proportion of national income. In the late 1950s, petroleum was discovered and slowly became an integral export for the country.¹¹

Period 1: 1919-1939 (French Great Depression starting 1931)

The history of the bank falls into three periods: before, during, and after World War II. The balance sheet reveals patterns among the periods.

When established in 1920, the Banque de Syrie was permitted to issue paper money by local Decree no. 129. As a result of lasting effects from World War I and subsequent exchange controls, the export of gold from Syria and Lebanon was banned by Decree No. 844 in 1921. The exchange of gold remained under tight control until 1928.

In 1924, the French-Lebanese-Syrian Agreement established a new role for the Banque de Syrie et du Grand Liban, as it was then renamed. Most notably, the bank was given a monopoly over the issuance of the local currency.¹² The currency was changed from the Syrian pound to the Lebanese-Syrian pound, although its value remained equal to 20 French francs. The BSL was granted the sole right of issuing the pound for a period of 15 years and a limit of 25 million pounds was placed on the overall value of banknotes in circulation. The 1924 agreement also included a provision charging the bank "to promote the economic development of Syria and the Greater Lebanon."¹³ As a result, Interest-free loans to the governments of Syria and Greater Lebanon, bills of exchange/promissory notes, and metallic reserves all entered as asset-side items on the balance sheet in 1924.

However, with the bank's new roles, new regulations were also enforced. Banknotes in circulation had to be backed by monetized gold, ingot gold, foreign government bonds payable in gold, or a mandatory deposit of French francs at the Central Treasury in Paris which paid an annual interest of 1.5 percent. Also, securities issued or guaranteed by the French government and held by the bank had to be redeemable

¹⁰ Nations Encyclopedia, "Lebanon - Overview of Economy."

¹¹ Commins (2019).

¹² Banque du Liban, "History of Lebanon Under the French Mandate."

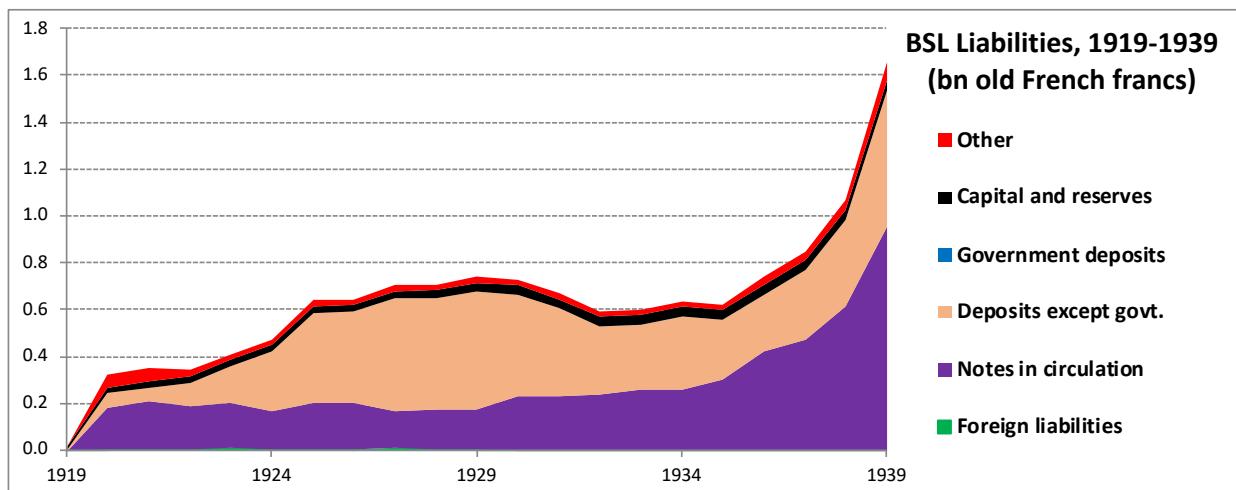
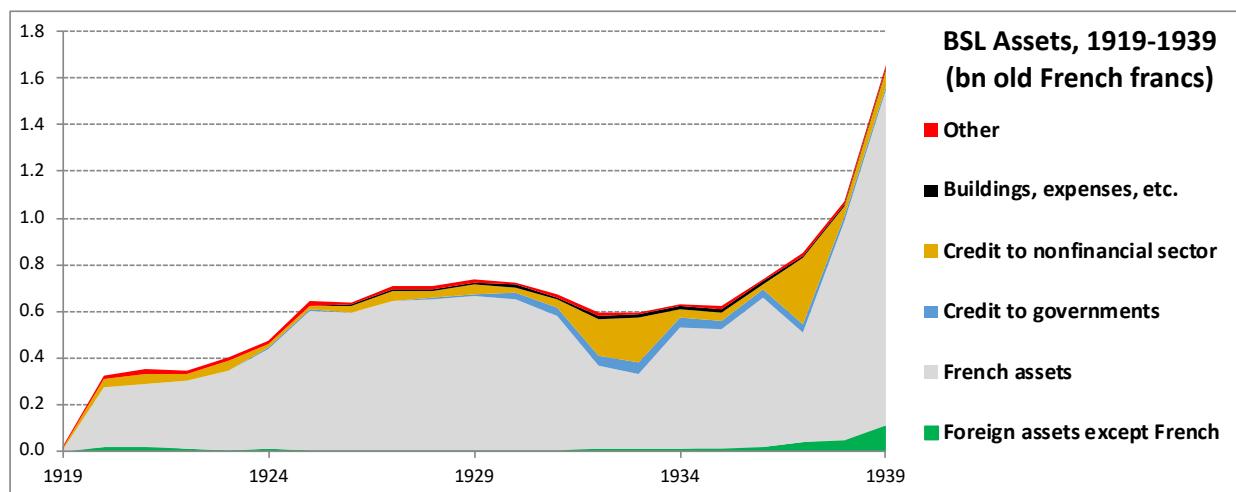
¹³ Saffiedine (2019: 26).

within two-years. Lastly, the bank was required to pay royalties to Lebanon and Syria based on the previous year's net profits from note issues in the proportions of 48 percent and 52 percent, respectively.

The 1924 agreement granted the bank the right to hold deposits of public funds and the ability to float public loans by third parties. It also, at the time, was established as an important lender to the Lebanese and Syrian governments.⁹ These characteristics added to its unofficial status of a state bank. On the asset side of its balance sheet, 1924 marks the first appearance of credit to the Syrian and Lebanese governments, in the form of interest-free loans.

In 1937 – two years before the 15-year period as sole note issuer specified in 1924 was to expire – the right was extended for another 25 years, this time, accommodating the right to issue a separate Lebanese note.¹⁴ The same regulations for mandatory backing applied, and the Lebanese-Syrian pound was still linked directly to the franc.

In December 1939, three months after World War II had begun, Syria and Lebanon formed a joint exchange-control zone.¹⁵



¹⁴ Banque du Liban, "The Historical Development of the Lebanese Pound."

¹⁵ Haut-Commissariat de la République Française en Syrie et au Liban (1950: 141)

Period 2: 1939-1945 (World War II)

As seen through the financial sector, World War II had numerous effects on French mandates.

The Foreign Exchange Office was established by French authorities at the BSL to control foreign trade and exchange system modifications between 1939 and 1943. In June 1940, Lebanon utilized the Foreign Exchange Office to impose specific foreign exchange controls.¹⁶ Deposits were made to the account: Loans to Syrian-Lebanese Exchange Office, in 1942 and 1943. The Office became an important institution and acted as a replacement for the mostly absent French authority throughout the War.

From mid-1941 to 1944, communications between France and the Middle East ceased. German forces began occupying Paris on June 14, 1940, and in late 1941, Allied forces occupied Syria and Lebanon. Eventually, the pound sterling replaced the French franc as the mandate's anchor currency at a rate of £1 sterling to £8.125831 Syrian-Lebanese, with a high degree of convertibility.¹⁷ Notes in circulation also skyrocketed over the course of World War II, reaching 20 billion francs in 1945. It is important to note, however, that the balance sheet did not distinguish among assets in German-occupied France, Vichy France, and Free France. Presumably, the head office invested only in French government securities, and offices in Syria and Lebanon only invested in assets of the Free French. At the end of the war, when France reunified, government finances did the same.

Additionally, because of the halted communications, several annual balance sheet data and general assembly reports were not published until 1943.

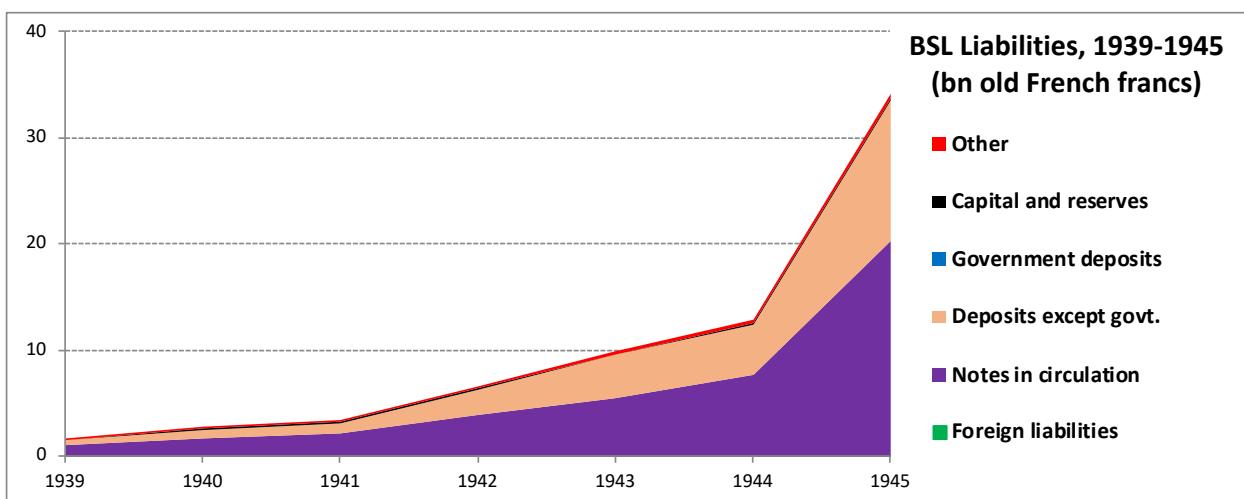
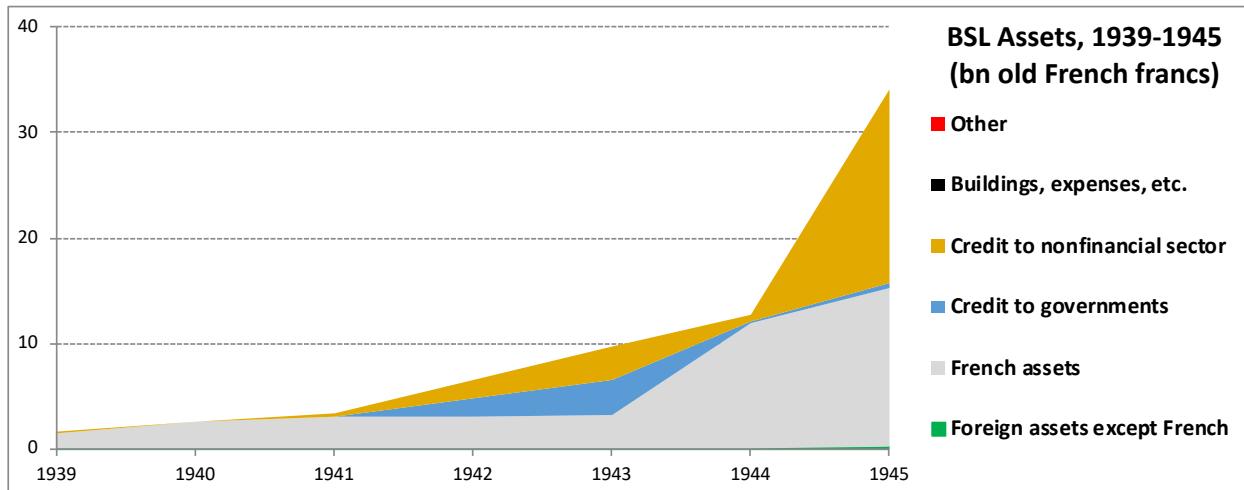
Analysis of the switch to sterling as the anchor indicates that it was the right decision, as the franc was fluctuating sharply at the time. Since 1920 until the sterling peg, the Syrian and Lebanese pounds had lost nearly 70 percent¹⁸ of their value against the U.S. dollar due to the franc's decline.

In 1943, Lebanon and Syria gained political independence from France, emerging as two individual countries. In effect, they took advantage of the weakness of the French government to end the mandate sooner than would have otherwise been the case. Loans guaranteed by the Syrian and Lebanese governments sharply decreased from 1943 to 1944 as the account fell from over 3 billion francs down to 0.6 billion. The franc also began depreciating against the sterling in 1944. To avoid the devaluation of the Syrian and Lebanese pounds as well, the French-English-Lebanese-Syrian Protocol was put into effect. It set the parity of the Lebanese pound at a rate that could not be changed without the consent of the respective governments. At the start of 1944, the French franc noticeably appreciated and both credit to the nonfinancial private sector and the Lebanese and Syrian governments decreased. At the start of 1944, Syria and Lebanon rejoined the French franc zone and consequently the free convertibility of the Syrian-Lebanese pound into the pound sterling officially ended in 1946.

¹⁶ Banque Du Liban. "Lebanon under the French Mandate."

¹⁷ Ibid.

¹⁸ Banque Du Liban. "Lebanon under the French Mandate."



Period 3: 1945 – 1963

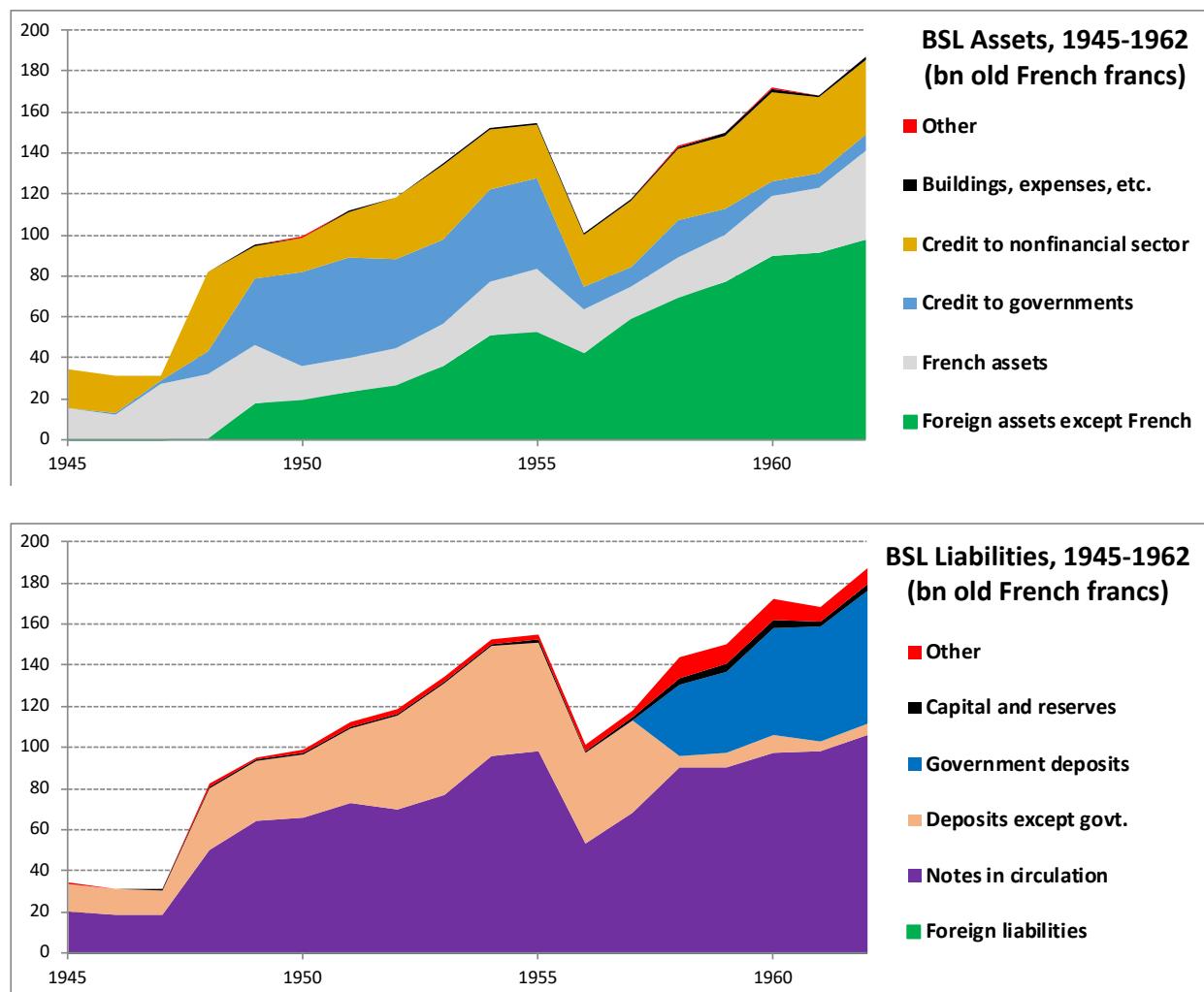
In 1948 the French franc was devalued under the Bretton Woods System, yet the BSL's assets and liabilities jumped from 31 billion to 82 billion as the Syrian and Lebanese governments underwent changes.

In January of 1948, the Lebanese and French governments signed a monetary agreement declaring the official rate of the Lebanese pound to the IMF. However, Syria refused to participate. As a result, in 1950 Lebanon and Syria ended their customs union which had existed since the Ottoman Empire. The Lebanese pound then became independent of the Syrian pound, and economic unity between the two countries ended.¹⁹ At the heart of the breakup was the fact that as a result of the signing, the Lebanese pound was then worth more than the Syrian pound in terms of market rates. Interestingly, the day before France devalued, Lebanon backed out of the agreement. Therefore, Lebanese and Syrian assets and liabilities rose in relative value to French assets and liabilities.

¹⁹ Safieddine (2019: 30).

After becoming independent, Lebanon experienced a period of liberalization. The Ministry of Finance created the Foreign Exchange Office, which controlled exchange operations in hard foreign currencies, and gradually the government removed restrictions. By 1952, regulatory measures put in place during World War II had been abolished and the successful deregulation turned Lebanon into a merchant republic.

Beginning in 1956, the BSL's note issued were isolated to Lebanon as Syria rejected the 25-year extension of the BSL's note issue monopoly and established its own central bank.



Concern over the BSL's monopoly of note issue had been apparent since the agreement of 1937 (which had extended the monopoly for 25 years). In 1963, Lebanon established the Banque du Liban, which among other functions took over note issues from the BSL. The Code of Money and Credit promulgated by a Legislative decree officially appointed the Banque du Liban as Lebanon's central bank; a "moral person of public law, bestowed with the privilege of issuing the national currency."²⁰ The portion of the BSL not concerned with issuing notes was then renamed the Société Nouvelle of the Bank of Syria and Lebanon, and remains operational today as a commercial bank.

²⁰ Banque du Liban, "Lebanon under the French Mandate."

BSL's Closing Balance Sheet on Dec 31, 1962 (francs)

As previously mentioned, the balance sheet of 1963—the year the bank officially shut down—is not available and thus the balance sheet of 1962 is used instead. Data was obtained for June 1963 on the note issue and its backing. However, the remaining data—comprising roughly half the total—could not be found.

Assets		Liabilities	
Buildings, installation and furniture	1,672,597,232	Capital	300,000,000
Equities	482,306,761	Legal reserves	30,000,000
Deposits at banks and other financial institutions [including the French Treasury]	36,272,351,895	Issue premium [unclear whether for notes or equity shares]	14,100,000
[French] Treasury bills, notes, and securities	6,008,394,641	General reserves	1,089,340,492
Securities other than [French] Treasury bills and securities	1,146,598,190	Reserve for currency and price fluctuation	300,000,000
Loans and debits	33,786,860,211	Reserve for redemption of old notes	1,142,182,351
Suspense accounts, etc.	120,101,963	Lebanon building reserves	314,626,579
Guarantees for third parties	1,630,223,667	Profit and loss, previous year, carried forward	12,969,546
Assets of the Provident and Retirement Funds for Syrian and Lebanese staff	150,286,699	Reserve for redemption of old notes	18,925,134
Note issue in Syria and Lebanon	105,881,600,000	Checking accounts	6,005,900,986
		Accounts of government bodies and current accounts	64,366,099,750
		Sundry creditors	533,9848,871
		Bills of exchange and promissory notes payable	250,576,684
		Dividends payable	8,852,228
		Rediscounts	141,012,186
		Suspense accounts, etc.	40,620,648
		[Owed by] foreign correspondent banks	1,630,223,667
		Profit or loss of previous [financial] year carried forward	114,155,438
		Staff provident fund and pension fund Syria and Lebanon	150,286,699
		Note issue in Syria and Lebanon	105,881,600,000
Total Assets	187,151,321,259	Total Liabilities	187,151,321,259

Conclusion

Over the course of the BSL's existence as a currency issuer, the Syrian-Lebanese pound appreciated considerably against its anchor currency, the French franc. Over the entire period, the French franc was a volatile currency when compared to the pound sterling or the U.S. dollar. When Lebanon broke from tradition and established a central bank in 1964, the official exchange rate was 2.19 Lebanese pounds per U.S. dollar, the anchor currency. Today, astonishingly, the official rate is 1507.50 Lebanese pounds per dollar, and the black-market rate is roughly 2,000 Lebanese pounds per dollar. Syria has seen a similar but

less severe scenario as the official exchange rate has risen from 2.19 Syrian pounds per dollar when its central bank began operations in 1956 to 515 today. Because it was a foreign institution, the BSL was less subject to pressures to finance the Syrian and Lebanese governments than their current central banks have been. Now, Syria is engaged in a civil war, and as long as it continues the government is increasingly unlikely to give up a potent financing channel. In Lebanon, contrarily, official dollarization has been proposed on occasion due to the already present unofficial dollarization.

The Banque de Syrie et du Liban was a combination of a central and commercial bank for the French territories of Syria and Lebanon between 1919 and 1963. Acting as the main note issuer with franc-backed policies, the bank arguably provided financial stability for the region, notwithstanding economic disturbances including the French Great Depression and World War II in Europe. Syria and Lebanon were left at strong starting points in 1956 and 1963 and have since seen their currencies depreciate severely.

Appendix A: Legislation

France, Ministry of Finance, and Banque de Syrie, agreements of 2 and 28 April 1919 – Allowed the Banque de Syrie to issue notes denominated in Syrian currency.

France, Haut Commissaire de la République Française en Syrie et en Cilicie, Arrêté No. 129, 31 March 1920 – Made the Banque de Syrie the note issuer in the French mandate territory.

Agreement between the Governments of Syria and the Lebanon and the Banque de Syrie et du Grand Liban, 23 January 1924 – The Syrian pound became the Lebanese-Syrian pound to recognize Lebanon explicitly; however, the note issues of the two countries were separated from 1 April 1924. BSL gained a 15-year concession to operate.

France, Lebanon, and Syria, agreement of 29 May 1937 – Renewed the concession of BSL for 25 years.

Anglo-Free French financial agreement of 19 March 1941, summarized in *Journal Officiel de la France Libre*, 29 April 1941: 20; General Delegate of Free France in the Levant, Arrêté No. 381, 12 November 1941 – Attached the Lebanese-Syrian pound to the pound sterling during World War II, when France was under German occupation..

Délégué Générale et Plénipotentiaire de la France Combattante, Arrêté No. 497/FD, 2 October 1942 – The Banque de Syrie et du Liban, as it was called by this time, was placed under a temporary Free French surveillance body, given that Paris, the headquarters of the bank, was under German occupation.

United Kingdom, Free French government (Comité National de la France Libre), Lebanon, and Syria, Catroux Accord, 25 January 1944 – Revalued the Lebanese-Syrian pound from 20 French francs to 22.65 French francs; the exchange rate of 8.83125 per pound sterling did not change.

France, Ministry of Finance and Economic Affairs, Avis de l'Office des Changes et de la Caisse Centrale de la France d'Outre-Mer, 26 December 1945 – Lebanon and Syria did not follow the devaluation of the French franc, instead maintaining the rate with the pound sterling. The Lebanese-Syrian pound therefore became worth 54.35 French francs.

22 April 1947 – Lebanon registered a gold parity with the IMF of 0.4055512 grams per Lebanese pound. Lebanon and Syria did not follow French devaluations in 1948 and 1949, so the gold parity remained unchanged.

France, Law No. 47/1563, 21 August 1947 – France agreed to compensate the bank for losses inflicted by the devaluation on the pound sterling value of certain French franc assets held officially or quasi officially for the Lebanese and Syrian governments.

Lebanon and France, monetary agreement of 24 January 1948 — Agreement for liquidation of certain blocked balances in French francs. Syria did not participate in the agreement.

Lebanon, Ministry of Finance, communiqué of 2 February 1948 — Lebanon separated its own note issue from that of Syria by making Lebanese-marked note issues of the Banque de Syrie et du Liban sole legal tender, so by this point the Lebanese and Syrian pounds were distinct currencies.

Lebanon, Monetary Law of May 24, 1949 — Stipulated that assets held against the note issue must consist at least 50 percent in gold and foreign currency. As a result of this law, BSL's annual balance sheet began showing the note issue and the assets held to back it separately from other items.

Syria, Decree-Law No. 87, 28 March 1953; Syria and Banque de Syrie et du Liban, agreement of 1 September 1955, ratified by Syria as Law No. 164, 1 January 1956 — Established a central bank in Syria, which began operations on 1 August 1956.

Lebanon, Code of Money and Credit, Decree No. 13513, 1 August 1963 — Established a central bank in Lebanon, which began operations on 1 April 1964.

Sources: France, *Journal officiel de la France libre*; *Journal officiel de la République française*; *Bulletin officiel des actes administratifs du Haut commissariat de la République française en Syrie et au Liban*; Oughourlian (1982); Banque du Liban Web site, "History."

Appendix B: Mapping of standard asset and liability categories to original categories

Assets

- Foreign assets: [Owed by] foreign correspondent banks; Metallic reserves [gold and silver]
- French assets (French government securities and deposits): French Treasury; French government financial institution; Securities of the French government; Securities issued by the French government deposited at the Bank of France; Securities issued or guaranteed by the French government deposited at the Banque de France; Securities guaranteed by the French government and deposits at the French treasury; Securities other than [French] Treasury bills and securities; French war loan bills and bonds; French Treasury and war loan bills and notes; [French] Treasury bills and notes; Treasury bills and notes; Loan bills, bonds, and treasury bonds and war loans; [French] Treasury bills, notes, and securities; French war loan bonds deposited at the Bank of France; Government funds; Government funds and securities guaranteed by the French government
- French assets (other, including "cash"): Deposits at banks and other financial institutions; Cash on hand and in other banks; Securities of the Provident Fund and the Staff Provident Fund; Securities of the Staff Provident Fund for Syrian and Lebanese staff; Assets of the Provident Funds for Syrian and Lebanese staff
- Local assets (credit to governments): Interest-free loans to the governments of Syria and Greater Lebanon; Interest-free loans to the government of Lebanon; Interest-free loans to the Lebanese and Syrian Governments; Loans to Syrian-Lebanese Exchange Office; Loans to the Syrian government or guaranteed to it; Loans to the Lebanese government or guaranteed to it; Loans guaranteed by the governments of the mandate [Syria and Lebanon]; Loans and notes guaranteed by the governments of the mandate [Syria and Lebanon]; Loans guaranteed by the Syrian and Lebanese governments; Claim on Central Bank of Syria as compensation for loss of the right to issue notes in Syria
- Local assets (credit to financial sector)
- Local assets (credit to non-financial private sector): Guarantees for third parties; Securities held; French war loan bonds and loans; Securities and equity holdings; Equities; Equity holdings; Collateralized loans; Collateralized loans and current accounts receivables; Collateralized loans and accounts receivable; Loans and debits; Loans and repurchase agreements; Bills of exchange/promissory notes; Current accounts receivable; Special debit account; Special debit account number 1; Special debit account number 2; Assets: Beirut agency
- Local assets (credit to public non-financial enterprises)
- Buildings, furniture, note printing, office expenses: Buildings, installation and furniture; Buildings; Furniture and installation [of offices]
- Uncalled capital: Shareholder (shares not paid in)
- Other or unclassified assets: Suspense accounts, etc.; Syrian branches (account for initial set-up costs); Fees for establishing the bank; Costs of initial set-up, installation, and furniture, branches in Syria and Greater Lebanon; Profit and loss; Syrian agencies nationalized on July 20, 1961

Liabilities

- Foreign liabilities (including Bank of France gold coin deposit): Foreign bank correspondents
- Liabilities in France (other than rediscounts of loans)
- Notes in circulation: Notes payable on demand in circulation
- Deposits other than of government: Current accounts (demand deposits); Current and deposit accounts; Deposit Accounts, Current Accounts and Miscellaneous Accounts Payable; Checking accounts

- Government deposits (Syrian and Lebanese governments): Accounts of government bodies and current accounts
- Dividends and other payments owed to shareholders: Dividends payable
- Capital: Capital
- Statutory and other reserves: Legal reserves; Extraordinary reserves; Real estate reserves; Syria building reserves; Lebanon building reserves; Reserve for currency and price fluctuation; General reserves; Various reserves; Reserve for redemption of old notes; Reserve for redemption of old notes
- Other or unclassified liabilities: Pension funds for Syria and Lebanon staff; Staff provident fund and pension fund Syria and Lebanon; Pension fund for employees; Pension fund for Syrian branches and provident fund [for employees]; Pension Fund (Syrian staff) and Provident Fund (French staff); Issue premium [unclear whether for notes or equity shares]; Bills of exchange and promissory notes payable; Sundry creditors; [Owed by] foreign correspondent banks; Suspense accounts, etc.; Rediscounts; Compensation for loss of right to issue notes in Syria; Syrian agencies nationalized on July 20, 1961
- Amortization, profit and loss: Profit and loss; Surplus; Profit or loss of previous [financial] year

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