



Hezbollah expands its banking services due to US pressure on the Lebanese banking system

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Overview

- ▶ Hezbollah maintains an **extensive network of social foundations** in the Shiite community in Lebanon. These foundations deal with **healthcare, education, finance, welfare, and communications**. They also support Hezbollah's military infrastructure and serve as a means of disseminating Hezbollah's ideology and strengthening its position among the **Shiite community and in the internal Lebanese arena**. They provide the Shiite community with the type of services that are generally provided by the state, while exploiting the weakness of the Lebanese administration. Thus, these foundations enable Hezbollah to **maintain a "state within a state" in large parts of Lebanon inhabited by the Shiite population and to place its military infrastructure among the residents**.
- ▶ One of the important social foundations is the **Al-Qard al-Hasan Association** (the name literally means "the benevolent loan"¹), which is subordinate to Hezbollah's Executive Council. The Association is engaged in **quasi-banking activity, consisting primarily of providing loans and operating charitable community funds in accordance with Islamic religious law** (which forbids charging interest). The Association specializes in extending loans in relatively small amounts to members of the Shiite community (catering for day-to-day expenses, repayment of debts, housing expenses, hospitalization, studies, marriage, and furnishing the home). **The Association's activity is popular and it is common among the public of Hezbollah supporters and members of the Shiite community in general.**

¹ See the ITIC's Information Bulletin from May 23, 2019, "Hezbollah's socioeconomic foundations: The Al-Qard al-Hasan Association, a quasi-bank that provides interest-free loans, mainly to members of the Shiite community." The religious foundation of this Association is the term "**Al-Qard al-Hasan,**" which appears many times in the Quran. The term literally means "**a benevolent loan,**" i.e., **funds loaned by the believers for an exalted cause such as jihad or charity**. In return, the believers will be better rewarded in the future. The modern Islamic meaning of the term "Al-Qard al-Hasan" is **lending a certain amount and repaying the very same amount, i.e., an interest-free loan**. The Al-Qard al-Hasan Association adheres to this principle, in view of the strict ban on charging interest in Islam. **However, it finds other creative ways to finance its activity and, in the ITIC's assessment, even profit from it.**

Like other social foundations, the Association also **supports Hezbollah’s military infrastructure and helps in spreading Hezbollah’s ideological messages.**



Pictures from one of the branches of the Al-Qard al-Hasan Association, from an Al-Jadid TV report about the Association’s activity. A poster advertising the Islamic Jihadist’s Equipment Project of the Islamic Resistance Support Association is visible in the background on the right². Photos of Iranian leader Ali Khamenei and Qods Force Commander Qassem Soleimani at the same branch are visible on the left (Al-Qard al-Hasan’s Facebook page, June 3, 2020)

► **In recent years, the US has increased its pressure on the Lebanese banking system with the aim of preventing collaboration between it and Hezbollah.** To this end, the Americans imposed sanctions on Lebanese banks, which in turn blocked accounts of entities and individuals in Hezbollah. **Hezbollah responded with a propaganda campaign which condemned the banks’ conduct** and was accompanied by violent “Lebanese-style” warnings. It seems that in view of the lack of practical results from this campaign, Hezbollah **decided to adopt a more practical modus operandi of expanding the Al-Qard al-Hasan Association’s quasi-banking services with the aim of turning it into a Lebanese bank for all intents and purposes.**

Beginning in late October 2020, the Al-Qard al-Hasan Association began offering a range of new services: the Association equipped its three branches in the Shiite southern suburb of Beirut **with ATMs and intends to do so at all its branches;** The Association **offered to buy and sell gold for dollars,** thus becoming involved in an activity similar to **money changing;** The Association also began **providing a gold storage service for a small fee,** in light of the lack of personal security and the increase in crime in southern Lebanon and the Beqaa Valley. Moreover, over the past year, which has been characterized by political, economic and medical crises (the extensive spread of COVID-19), **the Al-Qard al-Hasan Association has taken care to maintain the high quality of its services compared to banks:** the Association’s branches remained open even during demonstrations, the

² See the ITIC’s document from February 12, 2019: “Hezbollah Launched a Campaign to Raise Money for Military Purposes Using the Islamic Resistance Support Association”

Association accommodated borrowers who found themselves in difficulties, refrained from withholding funds (unlike the Lebanese banks) and incurred security-related costs as a result of leaving the branches open during the fragile security situation.



**New ATMs at branches of the Al-Qard al-Hasan Association
(Sour Press website, November 7, 2020)**

► Encouragement for withdrawing money from Lebanese banks and depositing it with the Al-Qard al-Hasan Association can be found in the latest speech of Hezbollah leader Hassan Nasrallah on the occasion of Shaheed Day (November 11, 2020). Hassan Nasrallah claims that **Hezbollah’s operatives and supporters who withdrew their deposits from banks managed to keep their money during the current banking crisis**, when the banks claimed that they were unable to pay their depositors in dollars. According to Nasrallah, the money that was withdrawn from the banks **“is either in houses [i.e., the homes of Hezbollah operatives who have been sanctioned]; or [they] have put them in all sorts of places, for example in the Al-Qard al-Hasan Association.”** Nasrallah mentions the **depositors who left their money in banks** and were happy not to be on the [US] terror list, claiming that **“now their money and deposits [are] in danger.”** To support his argument, Nasrallah repeatedly cites a verse from the Quran [2: 216]: “Perhaps you dislike something which is good for you and like something which is bad for you. Allah knows and you do not know” (translation from The Clear Quran, by Dr. Mustafa Khattab), i.e., every cloud has a silver lining.



Hezbollah Secretary General Sayyid Hassan Nasrallah during his speech on Shaheed Day: Encouraging the withdrawal of money from Lebanese banks (Al-Manar TV, November 11, 2020)

Tension between Hezbollah and the Lebanese banking system

- ▶ In recent years, the US has increased its pressure on the Lebanese banking system with the aim of **preventing collaboration between it and Hezbollah**. As part of this, sanctions were imposed on Lebanese banks that enabled Hezbollah to carry out its financial activity. This pressure is in light of the **Hezbollah International Financing Prevention Act of 2015**, which was approved by the Senate and signed by the US president in December 2015. **In the wake of the act, businesses, companies, Associations and individuals affiliated with Hezbollah in Lebanon were placed on the sanctions list.**
- ▶ As part of the implementation of the act, the US Department of the Treasury imposed sanctions on **a Lebanese bank called Jammal Trust Bank S.A.L** and its affiliates, claiming that the bank enabled **Hezbollah to carry out financial activity**. Among other things, the US administration said that **organizations belonging to the Hezbollah Martyrs Foundation³** had had accounts at this bank until 2018. **Following the imposition of sanctions**, the Bank of Lebanon began to **close every suspicious account at the bank**. **In September 2019, Jammal Trust Bank announced that it was forced to close due to the US sanctions** (Reuters, August 29, 2019; Al-Arabiya TV, September 1, 2019; The Independent Arabic-language newspaper, September 19, 2019).

³For details see the ITIC's Information document from March 14, 2019: "Hezbollah's Martyrs Foundation: purpose, mode of operation, and funding methods"



Logo of Jammal Trust Bank, which closed due to US sanctions
(Khabarna website, August 31, 2019)

► **The US sanctions created tension between Hezbollah and the Lebanese banking system.** The reason is that in order to prevent harm to the Lebanese banking system, the Central Bank (June 2016) blocked accounts of Hezbollah-affiliated entities and individuals (albeit not hermetically). **Hezbollah responded with a propaganda campaign condemning the “irresponsible and aggressive” conduct of the Lebanese banks,** claiming that it violates Lebanese sovereignty and destroys the Lebanese economy and banking system. Hezbollah also claimed that the pressure exerted by the United States would not affect it **because its entire budget comes from Iran⁴ in any case, and that its operatives did not have money abroad⁵.** At the same time, Hezbollah sent a violent **“Lebanese-style”** message to the Lebanese banking system, warning it of what awaited it if it continued to yield to US pressure⁶.

⁴ See the ITIC’s Information Bulletin from July 10, 2016: “Nasrallah’s Speech: Hezbollah’s Budget is Entirely Funded by Iran, Including Weapons and Operatives’ Salaries Analysis of Significance and Implications.”

⁵ A claim made by Hassan Nasrallah in his speech on Shaheed Day (November 11, 2020): “[...] Regarding Hezbollah – impose whatever sanctions you want. It makes no difference [...] **In practice we do not have money in banks abroad, we do not travel abroad for visits and pleasure and studies abroad [...].**”

⁶ **Two days after the Hezbollah-affiliated bank accounts were blocked in 2016, the Lebanese banking system received a violent “Lebanese-style” message about what would happen to it if it continued to yield to US pressure.** On June 12, 2016, an IED exploded near **BLOM Bank (Banque du Liban et D’Outre Mer)**. Two people were wounded and the building was damaged. BLOM Bank is reportedly **one of the first banks in Lebanon that intended to close dozens of Hezbollah-affiliated bank accounts following the imposition of US sanctions** (Al-Arabiya, June 12, 2016).

Expansion of the banking services of the Al-Qard al-Hasan Association

In retrospect, Hezbollah seems to have realized that the effectiveness of the propaganda campaign and the violent messages against the banks is limited, and therefore may have considered other alternatives as to how to deal with the US pressure⁷. In the end, Hezbollah **decided to adopt a practical alternative, which was to expand the banking services of the Association, a quasi-banking body that is controlled by Hezbollah in any case, with the aim of turning it into a Lebanese bank for all intents and purposes.**

► **Hezbollah's sense of urgency** regarding the need to address the challenge of the US sanctions may have increased following reports in the Arab media that **US Congressmen are working on a law bill intended to isolate areas that belong to Hezbollah's social environment (i.e., Shiite areas) from the Lebanese banking system.** The intention is **to divide Lebanon into regions and close branches of Lebanese banks operating in these regions,** and subsequently to **impose sanctions on banks that continue to operate branches in regions which the United States deems controlled by Hezbollah.** However, the law bill is reportedly still in its initial stage and it is not at all certain that it will indeed be tabled (Al-Arabiya TV, October 8, 2020).

► In any case, beginning in the last week of October 2020, **the Al-Qard al-Hasan Association began to expand its services.** The Association began **to offer three new services that have the potential to promote its transformation into a Lebanese bank for all intents and purposes:**

- ◆ **ATMs:** The Association has set up ATMs at **three branches in Dahieh**, the Shiite southern suburb of Beirut (Al-Ruwais, Al-Mreije and Bir al-Abd). **The intention is to eventually set up such devices in all branches.** As a result, the Association began **distributing ATM cards to subscribers, allowing those who have a dollar account with the Association to withdraw dollars in cash** (Ya Sour website, November 7, 2020; Muhammad Samaha's Twitter account, November 7, 2020).

⁷ The alternative of the establishment of a Lebanese bank by Hezbollah is impractical. This is due to a long list of stringent conditions for obtaining a license to establish a new Lebanese bank (see Basic Circular No. 79 to Banks, December 21, 2000, Bank of Lebanon website). Moreover, a Hezbollah-owned bank would be in the crosshairs of the United States and would also be naturally exposed to American sanctions.



**New ATMs at the branches of the Al-Qard al-Hasan Association in Dahieh
(Sour Press website, November 7, 2020)**

◆ **Buying and selling gold for dollars:** In view of the major fluctuations in the exchange rate, and due to occasional shortages of dollars, the Association **offers to buy gold for dollars in cash and to sell gold ingots and gold coins for dollars** (Al-Qard al-Hasan's Facebook page, October 29, 2020). **In doing so, the Association involves itself for the first time in money changing, an activity that it had steered clear of until recently** (Sada Sour website, December 1, 2019).



Posters advertising the new services: gold storage on the right, gold for dollar exchange on the left (Al-Qard al-Hasan's Facebook page, October 23 and 29, 2020)

◆ **Gold storage:** this is only storage, not the use of gold as collateral for a loan. The service enables **gold to be stored in a safe place**, for a period of time to be agreed between the client and the Association. **The storage service is offered for a low fee**

intended to cover security and insurance costs (Al-Qard al-Hasan’s Facebook page, October 23, 2020). Possible reasons behind the provision of this new service are **claims of a growing sense of lack of personal security in southern Lebanon and the Beqaa Valley, following the increase in crime since mid-September 2020, as well as a wave of break-ins throughout Lebanon and the flourishing market for safes, alarm systems and security cameras since mid-October 2020** (Janoubia, September 10 and October 28, 2020; the Al-Akhbar newspaper, October 16, 2020).

Expanding Al-Qard al-Hasan’s banking services is **one further step in strengthening Hezbollah’s social and economic foundations as part of the mini-state** that it nurtures within the regions of Shiite population. The establishment of a local bank that will mainly serve the Shiite population **is in line with the concept of autarkic economy mentioned by Nasrallah in his statements**⁸. This step is also in line with **the Iranian concept of relying on its internal resources as a way of coping with the American sanctions** (the Iranians refer to this concept as “resistance economy”⁹).

Improving the quality of services of the Al-Qard al-Hasan Association

► During the past year, Lebanon has been witnessing a large wave of protests due to widespread corruption and the escalating economic crisis. The protests took the form of mass demonstrations calling for **toppling all the dominant elites of all sects, including the Shiites**. The demonstrations focused on Beirut and spread to cities and towns throughout Lebanon. In Shiite regions, however, they were less intense than in Sunni or Christian regions. During the protests, demonstrators also explicitly accused Hezbollah of responsibility for the economic and social crisis. **One of Hezbollah’s foundations that were**

⁸ In his speech on July 7, 2020, Nasrallah called for an “agricultural and industrial jihad,” striving to turn Lebanon’s economy (in fact, the mini-state established by Hezbollah) into an economy of production. As an implementation of this call, during recent months Hezbollah promoted many projects **encouraging local agriculture and industry** (distributing plants, guidance, and providing loans for small businesses). All this was in addition to Nasrallah’s call to open Lebanon’s economy to non-Western influence (China, Iran, and Russia).

⁹ **Iranian leader Ali Khamenei said on March 20, 2020, on the occasion of the Iranian New Year’s eve**, “If we succeed in streamlining production, the economic problems will surely come to an end and this boycott [i.e., the American boycott] will have benefitted us. The boycott was very useful for us as it **encouraged us to consider meeting our needs based on our internal resources, which is a tremendous treasure**. Therefore, we are still in need of production. The slogan of the current year is “a leap in production” (Imam Khamenei’s Twitter account in Arabic, February 8 and March 20, 2020).

criticized was the Al-Qard al-Hasan Association. The Association was accused of **requiring those who took loans from it to repay them in US dollars in spite of the major fluctuations in the rate of exchange** (see for example the Janoubia website, January 11, 2020).



**Protesters in Beirut hanging Hezbollah leader Hassan Nasrallah in effigy
(Al-Khaleej Post, August 8, 2020)**

► In response to the allegations against it, the Al-Qard al-Hasan Association published clarifications, claiming that **the quality of its activity during the protests was higher than the quality of services provided by the Lebanese banking system.** Following are the main arguments made by the Association (Al-Qard al-Hasan’s Facebook page, October 18, 2020; Sada Sour website, December 1, 2019; local news website of the village of Al-Siksakiya, February 27, 2020):

- ◆ Unlike Lebanese banks, which closed their branches for two weeks due the beginning of the wave of protests, **the branches of the Association remained open** (with the exclusion of one single case where the security situation did not allow the continuation of their activity).
- ◆ Unlike Lebanese banks, which required borrowers to pay interest for the delay in repaying their loans due to the banks’ decision to close their branches for two weeks, **the Association chose to make it easier for borrowers who ran into difficulties due to the situation and allowed them to spread out their payments.**
- ◆ Unlike Lebanese banks, which withheld depositors’ funds and imposed a withdrawal restriction of up to \$1,000, **the Association did not freeze any accounts nor did it set a ceiling for withdrawing or depositing money.**
- ◆ The Association has been included in the list of US sanctions for years, and therefore **it buys dollars on the free market rather than from the Lebanese banking system.**

- ◆ Responding to allegations on **selling gold which borrowers mortgaged as collateral for loans that they took**, the Association claimed that this had been done **in individual cases, in accordance with the contract between the borrower and the Association and with the borrower’s consent.**
- ◆ The Association alluded that **it had voluntarily incurred higher security expenses as a result of keeping its branches open** in spite of the security situation; **and as a result of its persistence in moving around mortgaged gold between the branches despite the roads being largely blocked due to the protest**, so as not to cause damage to any of the borrowers.

While coping with the protest, the Association published (as it does every year) figures on its activity **during 2019**. The data reveals that **the Association has 31 branches** (meaning no new branches have been opened since mid-2019). **During 2019, the Association extended 200,000 loans in the total amount of \$480 million** (Al-Qard al-Hasan’s Facebook page, February 13 and March 10, 2020). This data indicates **the continuation of the trend of moderate increase in the Association’s activity since the early 2000s**. The expansion of banking services and the improvement of its competitiveness compared with other Lebanese banks **may accelerate the growth rate in the scope of the Association’s activity in the next few years.**

The Association’s activity during the spread of COVID-19

- ▶ In the beginning of the spread of COVID-19 in Lebanon, the **Al-Qard al-Hasan Association tried to continue its routine activity and keep the branches open as usual**. Subsequently, **opening hours were somewhat reduced**, and **branches were occasionally closed, in accordance with the lockdowns imposed by the Lebanese government** (Al-Qard al-Hasan’s Facebook page, March 12 and 26 and May 13, 2020).
- ▶ As part of **Hezbollah’s program to fight against COVID-19**, a program declared by the head of Hezbollah’s Executive Council on March 25, 2020¹⁰, **Al-Qard al-Hasan Association’s Collaboration and Social Guarantee Committees opened a dedicated account for receiving donations for needy families** whose livelihood suffered because of the spread of

¹⁰ See the ITIC’s Information Bulletin from April 14, 2020, “Hezbollah’s coping with COVID-19: A test case of the conduct of the mini-state established by Hezbollah in Lebanon”

the virus (Al-Qard al-Hasan’s Facebook page, March 26, 2020). In addition, the Association introduced **further concessions** for borrowers. Among other things, **it allowed anyone who already finished repaying a loan to continue making use of their account with the Association** (Al-Qard al-Hasan’s Facebook page, June 3, 2020).



Right: Safi al-Din during the interview in which he announced Hezbollah’s program to fight COVID-19. Left: The front page of the program. The name reads, “Hezbollah program to stop COVID-19: Social resistance for a homeland free of the COVID-19 pandemic” (Al-Manar TV, March 25, 2020)