

## Some see Bitcoin as haven in crisis-hit Lebanon

[Mehr Nadeem](#)

BEIRUT: Since the outbreak of anti-government protests, Lebanon's national currency has plummeted and banks have imposed strict limits on withdrawals and transfers. This has left many residents unable to access their money and created deep concerns that their life savings could evaporate.

Against this backdrop, a small but growing number of Lebanese are turning away from traditional banks and toward the unregulated world of cryptocurrencies.

Bitcoin is the most popular type of cryptocurrency. Unlike dollars and pounds, it is not printed. Instead, it exists as a code on a network of computers all around the world. Bitcoins are obtained, or "mined," by lending processing power to solve complex problems.

Once a bitcoin has been successfully mined, it is available for sale, transfer and distribution between people across the network.

Bitcoin is distinct from regular money in that no central authority controls it. Transactions inside the network also occur with a high level of anonymity. Lebanon has not approved or regulated digital currencies like Bitcoin, and for this reason Lebanese banks cannot be involved in their transaction.

But the Central Bank Gov. Riad Salameh said in 2019 that BDL may consider the launching of its own digital currencies in the near future.

Cryptocurrencies mean that credit and debit cards cannot be used to purchase them. However, individuals still have the right to buy and sell them. The crypto world in Lebanon, therefore, is not only cash dependent, but exists somewhere on the boundaries of legality.

The growing number of Lebanese residents adopting cryptocurrencies "are seeking financial freedom and an alternative to the banking system, because trust has been completely lost. If people had the chance to withdraw everything from their accounts today and keep it with them, I believe they would," a man identified himself as Riad told The Daily Star.

Three years ago, this person worked in the auditing department of a large multinational company. During the "Bitcoin boom" of 2017, he decided to learn all that there was to know about cryptocurrencies. Now, at 26-years-old, he is one of very few people selling and exchanging large amounts of Bitcoin for cash in Lebanon.

His business functions primarily across encrypted private WhatsApp and Telegram groups, where customers are linked with people like him. Since the protests began, the number of people in these chat groups has expanded.

Only a handful of companies currently accept digital currencies as a payment method, which means that Bitcoin is unlikely to replace regular means of exchange just yet.

"It's super hard for you to go out and buy your groceries with Bitcoin, not only in Lebanon but also in China and the United States. Bitcoin is not a solution for the current crisis ... It is highly volatile in price [and] not a great payment unit - but it has proven itself to be an excellent store of value," says Mahmoud Dgheim, a cryptocurrency enthusiast.

Bitcoin is often referred to as "digital gold." Shortly after the news broke that the Iranian military leader Qasem Soleimani had been assassinated in a United States airstrike, raising fears of a new global conflict, both gold and Bitcoin shot up in value. According to Bloomberg News, gold reached a seven-year high at \$1,600 per ounce and its digital counterpart clocked a 20 percent increase.

As people's ability to move their money from Lebanese accounts has been restricted, crypto market makers have noticed an increasing demand for their services from individuals looking to transfer cash outside of the country.

However, the fact that Bitcoin transactions in Lebanon must be initiated in cash means that the currency remains the preserve of a select group of people. Anonymous sources told The Daily Star that during the first few weeks of the protests, large sums were transferred outside of the country via cryptocurrencies.

"It appears that nearly \$800 million have left the country between Oct. 15 and Nov. 7, a period during much of which the banking system was officially closed," a Carnegie Middle East Center report stated.

Sources also stated that some individual transactions were as large as \$1 million. At a time when banks were, supposedly, imposing restrictions whereby the maximum customers could withdraw from their accounts was \$1,000 a week, the fact that these initial Bitcoin purchases would have to have been made in cash raises serious suspicions.

Customers would have needed access to large amounts of hard currency and market makers an equivalent amount of Bitcoin.

"In Lebanon, there are five or six dealers here who have good volumes of Bitcoin who can buy or sell in \$100,000 or \$200,000 transactions regularly," Riad explained.

Another obstacle also exists for cryptocurrency users in Lebanon. In July 2019, the U.S. Treasury placed Hezbollah members on a sanctions list and, alongside the U.K., has clamped down on the organization's financial activities. As such, many online crypto dealers refuse digital transactions originating in Lebanon.

However, Dgheim notes that cryptocurrency remains "an excellent means ... to escape international sanctions, as once you're able to transform your money into crypto, you can float around the network without the risk of being exposed."

Rather than seeing Lebanon's restricted access to online crypto exchanges as a hindrance, Riad argues that the clear relationship between cash and Bitcoin allows more users to understand its value.

"I think Lebanon is actually on the top of the list for crypto dealing," he said.

However, while recent months have sparked increased interest in cryptocurrencies, times of financial panic can make people vulnerable to scams. The Lebanese crypto industry's gray-market status makes this problem particularly relevant. Recently, there have been reports of people making payments for Bitcoins that never materialized, being lured into bad deals or extorted.

Some market makers told The Daily Star that many individuals they do regular business with are Venezuelan-Lebanese expats. When the Venezuelan economy and national currency collapsed, the country's residents ditched both banks and cash and opted en masse into the unregulated world of cryptocurrency.

While Bitcoin - a new, high-risk currency - does not offer a complete solution to Lebanon's economic problems, its ability to provide alternatives when traditional financial institutions fail speaks to an increased digital currency presence in Lebanon in the future.