

# Libya



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## Brief history of the country:

Libya declared its independence from Italy in 1951 as a constitutional monarchy. After the discovery of oil in 1959 and the subsequent increase in the country's economic fortune, popular discontent grew as a result of the high degree of wealth concentration among the country's elite. In 1969, a military coup led by Muamar ElQadafi, who still rules the country, overthrew the monarchy and declared the country a people's republic. The regime was strongly influenced by the Egyptian socialist Nasserite ideologies and was very friendly with the USSR.

Following several state sponsored acts of terrorism against Western targets abroad, the UN imposed sanctions on Libya in 1992. As a result, the country was largely isolated from the world, economically and politically all throughout the nineties. Between 1999 and 2003, the Libyan government took steps to lift the sanctions, including handing over Libyan suspects for international trial and paying compensation to the victims. UN sanctions were consequently removed in 2003 and the country has since been gradually opening up to the outside world.

## Population, GDP and GDP growth information

	2004	2005	2006	2007	2008f	2009f	2010f	2011f	2012f	2013f
Nominal GDP LYDbn	41.5	56	61.8	69.4	80	89.5	98.7	108.7	119.2	128.2
Nominal GDP US\$bn	33.19	41.46	48.18	56.78	64.02	68.91	73.53	80.96	88.82	95.49
Real GDP growth, % change y-o-y	5.3	5.5	6.8	5.2	5.7	5.5	7.1	6.9	6.5	4.4
GDP per capita US\$	5,722	7,003	7,976	9,218	10,198	10,774	11,282	12,189	13,123	13,860
Population, MM	5.8	5.92	6.04	6.16	6.28	6.4	6.52	6.64	6.77	6.89

Source BMI The North Africa Business Forecast Report Q1 2009

## Most important industries:

The Libyan economy is dominated by the oil and related industries which consist of 97% of export earnings, 75% of government receipts, and 54% of the gross domestic product. Agriculture is the second largest industry. The government is now gradually trying to encourage the development of a free market to diversify the economy and stimulate growth.

## Macro data

	2003	2004	2005	2006	2007	2008
Annual rates of inflation - % growth	-2.1	-2.2	2	3.4	6.2	12
Current account balance - US\$ mn	5264	7410	17444	25232	23786	39570
Unemployed population - '000	n/a	n/a	n/a	n/a	n/a	n/a

Source Euromonitor International

## **Bank Overview:**

Libya's banking system is dominated by four banks which are owned in full or in the majority by the Libyan Central Bank (Jamahiriya Bank, Wahda Bank, Sahara Bank, Umma Bank and the National Commercial Bank). These banks constitute almost ninety percent of Libya's banking sector assets. All of these banks have capital of at least 100 million Libyan Dinars, and two of them (Wahda Bank and Sahara Bank), were in the process of being privatized in 2006. France's BNP Paribas acquired 19% of Libya's Sahara Bank in July 2007, and took operational control of the bank. The deal also includes an option allowing BNP Paribas to purchase additional shares up to 51% of Sahara's capital over the next three to five years. In November 2007, five foreign banks were short listed for the privatization of Wahda Bank, including French, Italian, Jordanian, Bahraini and Moroccan institutions; Arab Bank (of Jordan) was selected. They bid on a 19% of the share of Wahda Bank, with the option to increase their ownership to 51% in three to five years. The Central Bank announced in October 2007 that it would merge Umma Bank and Jamahiriya bank into a single entity; that process was completed in 2008 although there are still branches open under the banner of each bank.

The Central Bank also owns the Libyan Foreign Bank, which operates as an offshore bank, with responsibility for satisfying Libya's international banking needs (apart from foreign investment). In addition, there are four specialized banks owned by the General People's Committee for Finance: the Agricultural Bank, Real Estate Investment Bank, Development Bank and Reefi Bank. There are also four substantial private banks (Bank of Commerce and Development, Amen Bank, Al-Jimaa al-Arabi Bank and Wafa Bank) and forty-eight smaller regional banks.

The availability of financing on the local market is weak. Libyan banks offer limited financial products, loans are often made on the basis of personal connections (rather than business plans), and public bank managers lack clear incentives to expand their portfolios. Lack of financing acts as a brake on Libya's development, hampering both the completion of existing projects and the start of new ones. This has been particularly damaging in the housing sector, where particularly small-scale projects often languish for lack of steady funding streams.

The Libyan banking system is currently undergoing a substantial modernization program to upgrade available services/products, deal with large numbers of non-performing loans, establish a functioning national payments system, facilitate the use of non-cash payment instruments and institute new standards of accounting and training. While foreign banks are technically able to enter the Libyan market under the Banking Law of 2005, the Central Bank has sought to delay their entry until the reform process has taken hold.

**Banks and Size of Banks:**

According to the Central Bank of Libya, there are sixteen banks in Libya. They are: Gumhouria Bank, National Commercial Bank, Sahara Bank, AL Umma Bank, Wahda Bank, Commerce & Development Bank, Aman Bank For commerce & Investment, Al-Wafa Bank, Alejmaa Alarabi Bank, Mediterranean Bank, National Banking Corporation, Saving and Real-Estate Investment Bank, Agricultural Bank, Development Bank, Libyan Foreign Bank, and Alsaraya Trading & Devolpment Bank.

**Privatizations:**

Bank privatization started in 2007. BNP Paribas acquired 19 percent of Sahara Bank in August 2007, with immediate management control and option to purchase additional share of up to 51 percent within 3 to 5 years. Wahda Bank was acquired by Arab Bank in February 2008 under similar terms.

Since 1970, the Libyan financial sector has been dominated by highly centralized and state-controlled bank ownership. However, the government has recently introduced laws enabling more financial liberalization and banking privatization, albeit in a cautious fashion. To date, this initiative has been very slow to take effect. The foreign banks that have opened representative offices in Libya include the Arab Banking Corporation (ABC), Bank Valetta of Malta, and Suez Bank of Egypt.

**Specialized Credit Institutions (SCIs):**

As of 2008, SCI's were subject to less stringent supervision than commercial banks which could lead to more risky lending practices. SCIs have been aggressively expanding soft loans and their very low cost of funding have contributed to the depressed lending and deposit rates in the financial system. As part of improving the banking system, this will have to be addressed.

**Investment of Funds:**

**Commercial Banks Credit to Various Sectors**

	<b>Loans to Economic &amp; Services</b>	<b>Housing Loans</b>	<b>GMR Loans*</b>	<b>Social Loans</b>	<b>Total</b>
1998	2290.8	1360.4	373	506	4530.2
1999	2647.9	1459.7	373	723	5203.6
2000	2802.9	1468.9	373	939.2	5584
2001	3156	1436.9	373	1091.7	6057.6
2002	3269.8	1398.1	373	1316.9	6357.8
2003	3549	1472.1	373	1381	6775.1
2004	3194.2	1456.2	373	1486.9	6510.3
2005	2701.6	1426.3	373	1665.7	6166.6
2006	3589.9	1394.4	373	1709.9	7067.2
2007	4544	1419.4	328	1899.9	8191.3

\*GMR is the Great Man Made River.

Source: Central Bank of Libya

**Bank Credit:**

**Money and Credit**

	2004	2005	2006
Money and Quasi Money	13.3	30.6	15.3
Net Credit to the Government	-106.5	-115.6	-115.9
Credit to the Economy	-0.8	4.9	5.7
Of which: Credit to Private Sector	1.2	0.9	0.9
Deposit Rates (1 yr deposits in %)	4.5	4.5	4.5

\*Changes as a percent of beginning of the year money stock.

\*\*Central Bank of Libya

## Libya: Monetary Survey

	2004	2005	2006	2007	2008 March
	(In millions of Libyan dinars)				
Net foreign assets	34,237	56,422	79,433	100,516	105972
Central bank	33,066	54,448	77,241	98,309	103404
Foreign assets	33,073	54,460	77,253	98,326	103418
Foreign liabilities	7	12	13	17	14
Deposit money banks	1,171	1,974	2,193	2,206	2568
Foreign assets	1,312	2,046	2,297	2,457	2860
Foreign liabilities	141	72	105	250	293
Net domestic assets	-17,402	-38,149	-58,374	-70,835	-75946
Domestic credit	-9,762	-25,237	-45,362	-54,927	-60670
Net claims on government	-17,973	-34,137	-55,308	-66,316	-72804
Central bank claims	828	828	2,560	3,163	9182
Government deposits with central bank	18,028	34,112	56,329	68,940	81487
Commercial banks' claims	373	373	373	328	328
Governments' deposits with commercial banks	1,147	1,227	1,912	868	826
Claims on the rest of the economy	8,212	8,900	9,946	11,389	12134
Claims on nonfinancial public enterprise	3,477	4,271	5,128	6,019	6589
Claims on the private sector	4,452	4,576	4,742	5,286	5463
Claims on specialized banking institutions	67	45	68	76	70
Claims on nonbank financial institutions	215	7	7	8	12
Other items (net)	-7,640	-12,912	-13,012	-15,908	-15276
Broad money	13,992	18,273	21,059	29,659	30026
Money	10,537	14,028	16,343	22,837	23187
Currency in circulation	2,613	3,309	3,933	4,581	4969
Demand deposits	7,924	10,719	12,410	18,256	18218
Quasi-money	3,455	4,245	4,716	6,821	6840

\*Source: Central Bank of Libya

### Source and uses of funds:

Total Banking Sector Liabilities											
	Deposits				Borrowing From Banks						
	Savings	Time	Demand	Total	Foreign Banks	Libyan Banks	CBL	Other Liabs	Reserves	Capital	Contra-Liab
1/31/2007	618.8	4,171.2	12,522.8	17,312.8	85.5	22.8	1.3	3,512.4	522.9	683.0	4,527.8
2/28/2007	617.3	4,265.1	12,011.3	16,893.7	72.7	22.8	1.4	3,713.9	495.7	683.0	4,887.5
3/31/2007	615.8	4,267.7	12,941.9	17,825.4	67.1	22.8	1.5	3,604.1	516.5	688.9	4,865.1
4/30/2007	616.2	4,313.0	13,000.0	17,929.2	65.9	22.8	53.7	3,602.2	531.3	689.8	5,440.6
5/31/2007	610.2	4,570.9	13,032.1	18,213.2	67.8	22.2	53.5	3,613.6	558.3	689.9	5,579.3
6/30/2007	607.7	4,637.6	13,290.6	18,535.9	62.8	22.2	53.3	4,017.4	582.9	695.3	5,783.4
7/31/2007	612.6	4,612.3	14,073.6	19,298.5	90.8	22.2	53.3	3,963.6	594.7	822.0	6,193.5
8/31/2007	614.8	4,995.4	15,538.5	21,148.7	107.6	22.2	53.3	3,962.0	623.8	822.1	6,755.8
9/30/2007	611.2	5,056.5	15,967.7	21,635.4	206.4	22.2	53.3	3,784.6	654.2	822.3	7,269.7
10/31/2007	622.1	5,085.0	16,837.4	22,544.5	70.6	22.2	53.1	3,795.5	688.1	822.3	7,684.2
11/30/2007	642.0	5,706.1	17,512.3	23,860.4	22.5	21.6	53.0	3,850.7	711.4	919.5	8,033.0
12/31/2007	649.3	6,642.4	18,330.1	25,621.8	19.0	51.5	53.0	3,772.7	707.0	960.2	8,945.6
1/31/2008	648.2	6,284.9	18,511.1	25,444.2	5.3	51.5	71.1	3,809.4	679.2	967.5	10,528.9
2/29/2008	642.0	6,665.3	18,080.9	25,388.2	25.2	51.5	52.9	3,666.6	700.8	968.9	10,167.6
3/31/2008	645.2	6,678.2	18,306.6	25,630.0	42.0	51.5	52.6	3,828.2	763.1	983.4	11,669.4
4/30/2008	656.1	8,068.3	21,634.3	30,358.7	150.5	52.6	52.6	3,973.5	793.5	984.0	14,224.3
5/31/2008	657.4	7,449.6	23,474.5	31,581.5	360.7	50.9	52.3	4,159.9	829.1	984.3	15,256.2
6/30/2008	666.2	7,603.4	27,380.5	35,650.1	39.2	50.9	52.3	4,360.3	855.3	1,007.0	16,204.7
7/31/2008	674.2	7,876.2	28,441.2	36,991.6	179.5	59.5	52.4	7,357.7	855.2	1,012.2	16,702.2
8/31/2008	675.1	8,241.9	28,914.7	37,831.7	189.5	59.5	52.4	4,646.6	932.0	1,047.3	18,165.2
9/30/2008	680.4	9,042.4	30,693.4	40,416.2	230.3	61.4	52.4	3,838.8	963.6	1,078.2	19,589.1
10/31/2008	669.7	9,474.5	30,040.3	40,184.5	154.1	60.3	52.4	5,396.9	1,009.7	1,078.3	20,542.9
11/30/2008	675.5	10,612.1	30,484.4	41,772.0	373.6	57.1	52.4	5,713.0	1,104.9	1,078.3	21,511.4

Source Central Bank of Libya

	Assets													
	Cash in Vault	Time Deposits		Demand Deposits		Foreign Currency	Balances w Banks	Other Loans and	Loans + Overdrafts	Total Credit	Other Assets	Fixed Assets	Total Assets	Contra-Assets
		w/banks	w/ Central Bank	w/banks	w/ Central Bank									
1/31/2007	317.5	34.0	7,395.7	112.9	2,988.0	85.8	2,188.0	2.1	7,030.3	7,032.4	1,565.7	420.7	15,108.3	4,527.8
2/28/2007	303.4	34.0	7,048.7	64.2	3,250.0	92.6	2,098.2	2.1	7,065.0	7,067.1	1,499.5	425.5	14,816.1	4,887.5
3/31/2007	290.8	4.0	7,645.7	77.0	3,282.7	102.8	2,226.7	2.0	7,110.3	7,112.3	1,553.5	430.8	15,614.0	4,865.1
4/30/2007	315.4	5.0	8,178.7	85.3	3,112.9	84.5	2,017.3	1.8	7,212.1	7,213.9	1,439.3	441.5	15,679.9	5,440.6
5/31/2007	323.9	5.0	8,271.7	58.5	3,071.8	94.4	2,171.7	1.8	7,461.1	7,462.9	1,311.4	447.2	15,755.6	5,579.3
6/30/2007	323.4	3.0	8,663.7	82.0	3,751.4	83.6	2,184.3	1.8	7,591.8	7,593.6	828.2	456.6	16,376.2	5,783.4
7/31/2007	360.3	3.0	10,045.7	104.6	3,225.1	103.2	1,855.3	1.8	7,477.6	7,479.4	1,209.0	459.5	17,365.7	6,193.5
8/31/2007	396.4	2.0	10,532.7	89.0	4,049.7	97.2	2,329.0	1.8	7,563.2	7,565.0	1,216.3	462.4	19,174.7	6,755.8
9/30/2007	359.6	2.0	10,579.7	100.1	4,310.1	91.2	2,388.2	1.8	7,737.3	7,739.1	1,140.8	467.4	19,439.1	7,269.7
10/31/2007	422.8	2.0	11,674.7	101.0	4,190.9	91.0	2,244.4	1.8	7,844.3	7,846.1	950.9	472.5	20,150.2	7,684.2
11/30/2007	429.8	25.0	12,045.7	128.2	4,556.6	72.5	2,485.4	1.8	8,111.1	8,112.9	1,088.9	494.1	21,326.2	8,033.0
12/31/2007	365.4	24.0	13,177.7	203.1	4,970.7	36.5	2,420.0	593.4	7,597.9	8,191.3	1,260.4	536.1	22,993.9	8,945.6
1/31/2008	473.0	24.0	12,870.7	179.7	4,847.3	91.0	2,729.1	110.5	8,261.8	8,372.3	901.0	540.2	22,656.0	10,528.9
2/29/2008	382.3	19.0	11,956.7	151.2	5,498.1	83.0	2,562.2	109.0	8,504.9	8,613.9	1,044.3	543.4	22,240.2	10,167.6
3/31/2008	415.5	19.0	12,398.7	117.2	4,953.8	81.5	2,779.1	93.9	8,735.6	8,829.5	1,193.2	563.3	22,521.3	11,669.4
4/30/2008	473.5	19.0	14,955.7	243.2	6,939.9	79.4	2,663.7	100.1	8,719.9	8,820.0	1,605.9	565.1	27,545.4	14,224.3
5/31/2008	474.3	19.5	15,576.3	136.8	8,086.6	90.1	2,693.2	103.9	8,511.7	8,615.6	1,761.8	569.4	29,408.0	15,256.2
6/30/2008	489.8	66.4	16,679.0	140.6	7,634.8	80.8	3,439.0	277.7	9,127.9	9,405.6	3,475.5	603.6	32,609.5	16,204.7
7/31/2008	531.1	46.4	16,319.5	150.0	11,296.5	59.5	3,659.7	273.7	9,092.4	9,366.1	4,469.8	609.6	37,142.1	16,702.2
8/31/2008	502.6	46.4	17,002.0	231.8	12,088.7	77.9	3,183.2	230.4	9,325.6	9,556.0	7,582.4	637.4	41,352.4	18,165.2
9/30/2008	484.3	66.4	17,886.4	129.8	10,274.2	79.5	4,436.3	236.3	9,638.8	9,875.1	2,833.2	575.7	36,765.8	19,589.1
10/31/2008	599.3	16.4	18,890.5	144.6	11,252.8	97.2	4,889.8	738.6	8,667.3	9,405.9	2,020.6	619.1	38,530.3	20,542.9
11/30/2008	682.6	104.4	17,939.2	129.3	14,311.1	77.7	3,765.3	749.4	9,587.0	10,336.4	2,165.8	639.5	39,814.9	21,511.4

Source Central Bank of Libya

Libyan Banks get most of their funding from customer deposits, which were 83% of their liability base as of Nov. 30 2008. They reinvest most of these funds with the Central Bank of Libya in the form of demand and time deposits. Also, loan/deposits ratio has been consistently decreasing going from 41% on Jan 31 2007 to 23% on Nov. 30 2008 implying that

## Interest Rates:

Interest Rates on Deposits with Commercial Banks

	Time Deposits for Medium Term	Time Deposits for Short Term			Deposits Less than 1 Month		Savings Accounts
	For 1 Yr or More	From 6 months to less than a year	From 3 months to less than 6 months	For 1 month to less than 3 months	More than 10 days and less than one month	10 Days or Less	
		1998	5.5	5	4	3.5	
1999	5.5	5	4	3.5	3	2.5	5
2000	5.5	5	4	3.5	3	2.5	5
2001	5.5	5	4	3.5	3	2.5	5
2002	5.5	5	4	3.5	3	2.5	5
2003	5.5	5	4	3.5	3	2.5	5
2004	5.5	5	4	3.5	3	2.5	5
*2005	4	4	3	2.5	2	1.5	5

\*Interest rates on commercial banks were liberalized October 2005.

Source: Central Bank of Libya

## Bank Supervision

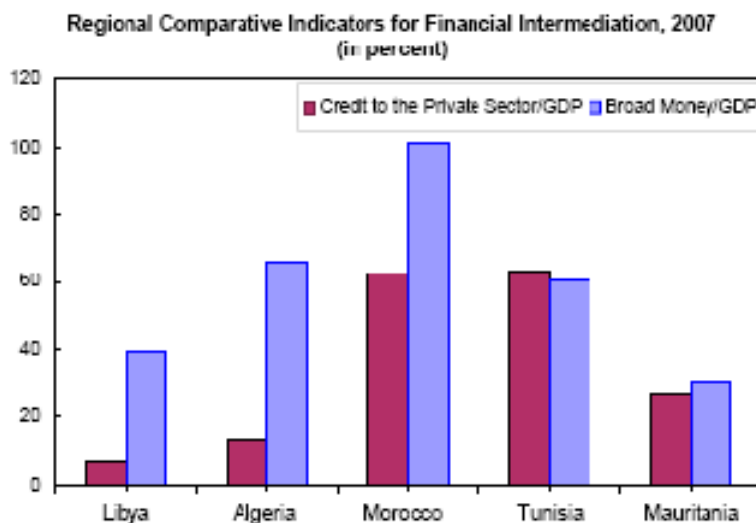
According to the IMF, Libya needs to strengthen its licensing procedures, the reporting of banks' financial statements, and on site supervision.

## Deposit Insurance:

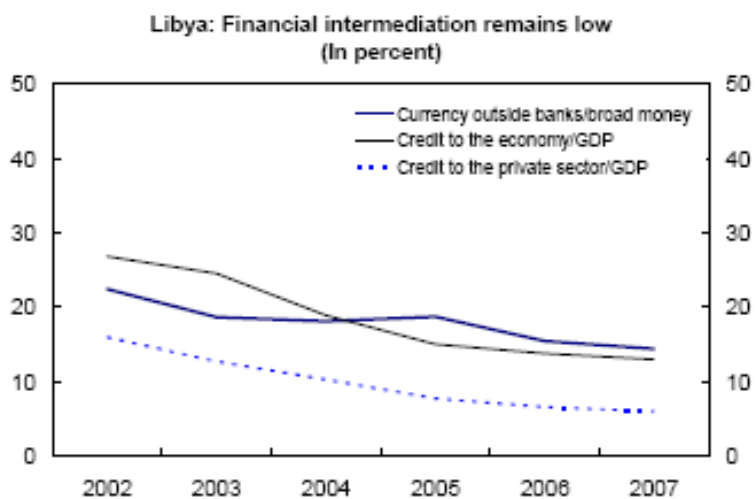
None

## Commercial Bank Credit

According to the World Bank, financial intermediation continues to be low in Libya compare to other comparable countries. Commercial banks' credit has been decreasing over the past few years because it's being crowded out by credit from specialized credit institutions. In 2007, it reached 13 percent of GDP.



\*Source: IMF Country Report No. 08/302



\*Source: IMF Country Report No. 08/302

## Insurance companies and other financial institutions<sup>12</sup>

### *Insurance Companies*

<sup>1</sup> BMI

<sup>2</sup> IMF

Long the object of international trade embargoes, Libya is the latest North African country to deregulate its insurance sector. Life insurance is practically nonexistent. Libya Insurance Company – the state-owned former monopoly – still accounts for about 40% of the market. The other insurers are all owned by, or have very strong commercial links to, state-owned enterprises. Libyan law still requires that locals hold a majority of the shareholding of Libyan insurers.

**Table: Libya – Companies Operating In The Non-Life And Life Segments, 2006**

	Gross written premiums, US\$m	% of total
Libya Insurance Company (government)	83	44
African Insurance Company	39	21
Four other groups	70	37
Libo Insurance Company		
Sahara Insurance Company		
United Insurance Company		
Trust Insurance		
<b>Total</b>	<b>188</b>	<b>100</b>

Sources: Middle East Insurance Review. 1 July 2007: ARIG

### *Sovereign Wealth Funds*

Foreign investment was performed by the Libyan Arab Foreign Investment Company (LAFICO), with 90% of its foreign holdings of USD 7 bn based in Europe while its subsidiary, the Libyan Arab African Investment Company (LAAICO), was set up for investment in African projects.

The LIA started operations in June 2007 to manage the financial assets allocated to it by the State, including the Oil Reserve Fund. The intention is to build a high quality and well-diversified investment portfolio in order to create a high and sustainable source of revenue, with a view to reducing oil dependency. The LIA consolidated pre-existing funds such as the Libya Foreign Investment Company and the Libyan African Investment Portfolio.

The LIA invests its assets on a commercial basis mostly abroad through reputable international managers. It may, however, make direct investments domestically or internationally with strategic partners. Its organizational structure is being developed with assistance from international consultants. Its Board of Trustees is headed by the prime minister and its Board of Directors is advised by a committee of international financial experts. An international consulting firm is also helping the LIA develop a

process for selecting and evaluating reputable investment managers for the different asset classes. The LIA intends to meet high transparency standards.

### **Central bank and its role in the economy<sup>345</sup>:**

The Central Bank of Libya supervises the banking system, and regulates credit and interest.

Bahrain-based Arab Banking Corporation (ABC), an offshore bank, has the Central Bank of Libya as one of its major shareholders and an overseas arm (LAFB) to handle international banking activity.

The Libyan Dinar (LYD) underwent two major devaluations, in January 2002 (51%) and in June 2003 (15%). Since 2003, the LYD has been pegged to the IMF's Special Drawing Rights (SDR), a basket of currencies consisting of USD, EUR, JPY and GBP.

The peg is LYD 2.80 / 1 SDR, allowing maximum margins of +/- 7.5% around the peg rate. The LYD has been generally stable within a range of LYD 1.22 – 1.42 / 1 SDR. The central bank uses its considerable foreign exchange reserves to ensure exchange rate stability versus the USD. Commercial banks are allowed to sell foreign currencies at the official rate for transactions related to imports of essential goods or medical treatment abroad, but fees are levied on outward foreign exchange transfers. The LYD is extremely illiquid. In order to conduct FX transactions, presentation of commercial papers and/or the purpose or the source of funds will have to be provided.

In February 1999, the Central Bank of Libya introduced a dual exchange rate regime by establishing a "special" rate close to the prevailing parallel market rate, to be used for transaction related to personal imports, travel, medical treatment abroad and pilgrimage. Since then, the exchange rate policy intended to narrow the spread between the official and the special rates through depreciations of the former and appreciation of the latter. In January 2002, the authorities unified the exchange rate system through a one-step devaluation of the official rate.

The Central Bank of Libya (CBL) is 100% state owned and represents the monetary authority in The Great Socialist People's Libyan Arab Jamahiriya and enjoys the status of autonomous corporate body. The law establishing the CBL stipulates that the objectives of the Central Bank shall be to maintain monetary stability in Libya, and to promote the sustained growth of the economy in accordance with the general economic policy of the state.

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<sup>3</sup> IMF

<sup>4</sup> World Bank

<sup>5</sup> CBL

Management of the general affairs of the Bank within the policies of the country is entrusted to a Board of Directors consisting of the Governor as chairman, Deputy Governor as Vice-Chairman, and Six other members, who usually represent other financial and economic interests. The Governor is the chief executive officer responsible for the implementation of the policy of the Bank and the management of its affairs; he also represents the Bank in all its relations with other parties.

The CBL started its operations on April 1, 1956 to replace the Libyan Currency committee which was established in 1951 and whose functions were confined to maintaining sterling assets against the issue of local currency, thus having no role in controlling money supply or credit or in supervising banks.

The functions of the CBL have grown since its establishment, and now include the following:

1. Issuing and regulating banknotes and coins in Libya.
2. Maintaining and stabilizing the Libyan currency internal and external.
3. Maintaining and managing the official reserves of gold and foreign exchange.
4. Regulating the quantity, quality and cost of credit to meet the requirements of economic growth and monetary ability.
5. Taking appropriate measures to deal with foreign or local economic and financial problems.
6. Acting as a banker to the Commercial banks.
7. Supervising Commercial banks to ensure the soundness of their financial position and protection of the rights of depositors and shareholders.
8. Acting as a banker and fiscal agent to the state and public entities.
9. Advising the state on the formulation and implementation of financial and economic policy.
10. Supervising foreign exchange.
11. Carrying out any other functions or transactions normally performed by central banks, as well as any tasks charged to it under the Law of banking and currency and credit or any international convention to which the state is a party .
12. Managing and issuing all state loans.

Year	2007	2006	2005	2004
Total Assets	106409.9	83682.1	58416.9	36216.8
International reserves	97270.1	75480.5	52711.3	31336.1

*Issuing and regulating the currency*

The unit of currency in Libya is the Libyan Dinar (LD), which for the sake of exchange rate stability was pegged to SDR'S basket since March 18, 1986 to reflect the relative importance of each currency in Libya's international economic relations.

Currency Issued (LD Million)

Year	2007	2006	2005	2004
Currency issued	4952.4	4134.5	3482.1	2794.7

The CBL is the sole issuer of Libyan currency (banknotes and coins). Currency in circulation is backed by gold and foreign exchange in convertible currencies, as well as the foreign treasury bonds and Libyan treasury bonds of 15 Years maturity.

*Management of Reserves and Control of Foreign Exchange*

The CBL keeps and manages the Jamahiriya's gold and foreign exchange reserves .Thus the Bank is responsible for selecting suitable investments and amounts to be invested in each currency, taking into consideration developments in foreign exchange and money and capital markets to ensure safety and profitability. The Bank allows Commercial banks to keep foreign assets in accordance with regulations it issues from time to time in conformity with the general economic interests of the country.

The CBL has gradually dismantled foreign exchange controls in light of the stable economic that Libyan has enjoyed and in order to make encourage foreign investors.

*Acting as a Banker to the state*

The CBL is the fiscal agent for the state and, as such, it keeps the accounts of revenues and expenditures for general secretariats. The CBL also disburses transfers and collects funds domestically and abroad, as well as administers letters of credit transactions on behalf of its clients. These banking services are also offered to public institutions. The CBL is also charged with the management of public debt, consisting of treasury bills and treasury bonds. The Bank sells and buys these bills and bonds to and from the licensed banks. It also pays interest due on public debt.

On behalf of the government, the Bank manages the state's subscriptions to regional and international institutions, and undertakes to manage and execute payments on agreements concluded between Libya and other countries.

*Acting as a Banker to Commercial Banks*

The CBL keeps the legal cash reserves required from commercial banks as a percentage of their clients deposits. In addition, it accepts interest-bearing time deposits from these banks. Naturally, the CBL is the lender of last resort for the commercial banks and can

provide them with extraordinary loans in any critical exceptional circumstances it deems threatening to monetary or banking stability in the Jamahiriya.

### *Supervision and Regulation of Banking Activities*

The CBL examines and analyzes the financial positions of Commercial banks and ensures that they keep within the main stipulated ratios such as the cash reserve and legal liquidity. The Bank also issues directives to the Commercial banks regarding the volume and direction of credit extended by the banking sector, especially credit for the more productive sectors of the economy

The CBL officials inspect Commercial banks and their branches and examine their books and records to ensure the soundness of their financial positions and accuracy of statistics which they furnish to the Bank and finally, the suitability of their services. The CBL provides the Commercial banks with check clearing services as well as the services of a centralized credit risk office.

### *The CBL'S Role in Economic Development*

The role of the CBL in economic development is manifested directly in creating monetary and financial institutions capable of mobilizing and channeling savings for development projects. The Bank also contributes to strengthening the State financial position through managing the public debt as its holdings of gold and foreign exchange. The Bank's indirect role in the economic development of Libya is embodied in its influence over the activities of commercial banks, especially by controlling the volume, direction and cost of credit. The other aspect of the Bank's indirect role lies in the adoption of monetary policies capable of reinforcing internal and external confidence in the strength and stability of the Libyan currency and economy and, consequently, encouraging savings by citizens and promoting incentives for the utilization of these savings in productive and safe investment, as well as attracting foreign investments, and alleviating any causes for the national capital flee abroad.

#### **Government bond market:**

Libya does not have a government bond market

#### **Other types of financial market:**

Libya does not have a corporate bond market or derivatives market.