



The Palestinian Authority takes practical steps to set up a government bank to handle payments to prisoners and families of shaheeds

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Overview

- ▶ On June 1, 2020, the Palestinian Authority (PA) approved the establishment of a **government bank which will serve as a channel for transferring funds to prisoners (that is, terrorist operatives imprisoned in Israel) and families of shaheeds**. The establishment of the new bank was intended to bypass the order issued by the **Commander of the IDF Central Command** prohibiting banks from providing banking services to prisoners and families of shaheeds in Judea and Samaria. In the wake of the order, several Palestinian and Arab banks announced a freeze on the bank accounts of prisoners and families of shaheeds. **On the other hand, Mahmoud Abbas and PA officials again pledged to transfer the funds to the prisoners and families of shaheeds**, calling them a “red line” and “sacred salaries.”¹
- ▶ Immediately after approval of the PA government’s decision, the PA **began taking practical steps to establish the new bank**. On June 22, 2020, the PA government decided to set up a committee to select the director general of the new bank (Wafa News Agency, June 22, 2020). During a demonstration against the Israeli annexation plans held in the Jordan Valley on June 24, 2020, **PA Prime Minister Mohammad Shtayyeh announced the granting of an aid package to the Jordan Valley, which includes opening post offices in Al-Auja and Al-Jiftlik. According to him, in the future these branches will become branches of the new government bank to be established** (Wafa News Agency, June 24, 2020).

¹ See the ITIC’s Information Bulletin from June 4, 2020, “The Palestinian Authority plans to establish a bank to enable it to transfer payments to Palestinian prisoners and the families of shaheeds.”

Qadri Abu Bakr, head of the PA Commission of Detainees and Ex-Detainees Affairs, and Commission Spokesman **Hassan Abed Rabbo**, recently made statements regarding the practical steps being taken to establish the new bank. According to them, the Palestinian Finance Ministry is working on formulating the bank's structure and setting up its board of directors. **The bank's capital will amount to JOD 100 million**, which will be transferred to it over a period of five years. It will have branches throughout the Palestinian territories **and will provide services to all PA employees and the Palestinian public, and not just to prisoners and families of shaheeds**. According to a report from June 1, 2020, **its establishment will take between four and six months. The new banking institution will not be in contact with Israel, it will be protected by the PA from lawsuits, and its cash transfers will be carried out in dinars and not in dollars or shekels.**



Qadri Abu Bakr, head of the PA Commission of Detainees and Ex-Detainees Affairs, in an interview about the new bank (Watan TV YouTube channel, June 1, 2020)

The new financial institution: Overview

► On several occasions, Qadri Abu Bakr, head of the Commission of Detainees and Ex-Detainees Affairs, and Commission Spokesman Hassan Abed Rabbo mentioned the activity currently underway to establish the bank, which will transfer funds to prisoners and families of shaheeds. The remarks were as follows:

- ◆ **The decision to set up an independent financial institution:** The idea to set up an independent institution arose after Mahmoud Abbas said that the PA was prepared to buy one of the banks operating in Palestine. In the end, **it was decided to establish a new banking institution, which would have branches in all Palestinian districts** (Al-Araby Al-Jadeed, June 1, 2020).
- ◆ **Rejecting the possibility of using the postal bank as an alternative to banks:** According to Qadri Abu Bakr, following the entry into force of the IDF Central

Command's order and the closure of the bank accounts of prisoners and families of shaheeds by Palestinian and Arab banks, **several suggestions about how to pay the families were made**. Abu Bakr noted that the Palestinian organizations and institutions dealing with Palestinian prisoners **rejected the proposal to transfer payments to prisoners and families of shaheeds through post offices**. The proposal was rejected because **the post office operates differently**, i.e., it does not provide loans and financial services and has no investment program (Nawa website, June 15, 2020).

◆ **Duration of the establishment of the new financial institution:** Qadri Abu Bakr noted that the Finance Ministry **had been working for about two weeks to formulate the structure and appoint members of the board of directors of the planned banking institution**. In his estimation, **the establishment of the institution will take between four to six months**. The official name of the institution has not yet been approved (Al-Araby Al-Jadeed, June 1, 2020).

◆ **The banking institution's capital:** **The bank's capital will amount to JOD 100 million, which will be transferred to it over a period of five years, JOD 20 million per year**. The Palestinian government and Finance Ministry are working to complete this. **Money transfers in the banking institution will be carried out in Jordanian dinars and not in Israeli shekels or US dollars, so as not to link the new institution to these currencies** (Dunya al-Watan, June 24, 2020).

◆ **The bank's activity:** The banking institution's activity **will not be carried out under Israeli supervision** (Dunya al-Watan, June 24, 2020). According to Abed Rabbo, **the government bank will act in accordance with internal Palestinian regulations**, unlike the mechanism of all banks in the PA which are linked to Israel's central banking system and have regional and international branches. Abed Rabbo noted that there are still no answers regarding the bank's supervision mechanism, which is supposed to secure the funds of prisoners and families of shaheeds. **However, he estimated that the PA's monetary authority would be in charge of supervision** (Nawa website, June 15, 2020).

◆ **The provision of additional services:** According to Abu Bakr, **in the future, the institution will be able to expand and not be limited to serving the families of prisoners and shaheeds exclusively, and will serve all the PA's employees**.

According to Hassan Abed Rabbo, it will provide services to prisoners, released prisoners, families of shaheeds and casualties, and to any PA employees and members of the Palestinian public who wish to enjoy its services. **Its services will not be limited to paying salaries**, and it will also provide **additional services such as loans and investment plans**.

◆ **Guaranteeing the bank's activity against lawsuits:** When asked how to ensure that the new bank is not threatened, Abu Bakr noted that **the existing banks are afraid of lawsuits against them** because they have transactions with the Israeli central bank, they have branches abroad, and they handle money transfers from abroad. **Therefore, the financial institution to be established will be local, without any connection with Israel, and will be protected by the PA** (Al-Araby Al-Jadeed, June 1, 2020). Regarding the possibility that **Israel will confiscate the money** deposited in the new government institution which is due to open, Abed Rabbo noted that **all the options are being taken into account** (Nawa website, June 15, 2020).