



Partners for Change



مؤتمر فلسطين للاستثمار  
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# The Banking System in Palestine

## Background

Following the 1994 signing of the Paris Protocol on Economic Relations between the PNA and Israel, the Palestinian Monetary Authority (PMA) was established to implement and regulate monetary policies in Palestine.

The number of banks in Palestine reached 22 with 162 branches at the end of 2007, divided into 11 national banks (3 of them Islamic) and 11 foreign banks, including HSBC.

## Currencies Used

**Palestine doesn't have its own currency. Palestinians use:**

- Israeli currency (New Israeli Shekel NIS) for daily exchanges.
- USD Dollars (\$), Jordanian Dinars (JD) and Euros (€) for savings and commercial exchanges. Salaries, especially in the private sector, are often quoted in Dollars, while transactions involving land (renting or buying) are usually denominated in Dinars.

## Corporate Banking

The banks in Palestine provide a variety of corporate services: Opening and Closing an Account, Current Accounts, Overdrafts, Commercial loans, Money Transfers and Other Services.

## Opening an Account

**Required Documents:**

- Company's by-laws.
- The Articles of Incorporation.
- The Registration Certificate.
- Recent Financial Statements.
- Official letter from the company signed by authorized signatories.

**Time taken:** one working day.

## Closing an Account

**Procedures:**

- Official letter from the company telling the bank of its decision to close the account.
- The company can withdraw the balance or make a transfer.

**Time taken:** during the working day.





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### Current Accounts

Offered without any commissions, except where interest is charged on unauthorized overdrafts. Interest rates tends to range between 12% and 16% annually on the dollar, computed on a daily basis but charged on a monthly basis.

### Overdraft Accounts

Drawing funds beyond the credited balance up to a certain ceiling depends on an agreement between the company and the bank.

**There are two kinds of interest rates:**

- Fixed interest is around 11% annually on the dollar, computed on a daily basis while charged on monthly basis.
- Interest may depend on the London Interbank Offered Rate (LIBOR), and is calculated by adding a fixed rate (2%-3% annually) to the LIBOR. The interest is computed on a daily basis but charged monthly.

### Commercial loans:

- The value of loan offered depends on various criteria, such as the nature of company's activity, its capital, and its profits.
- The bank requests collateral guarantees, either in money or real estate.
- Interest rate varies depending on the kind of loan and the currency it is denominated in, but usually ranges between 7% - 9% on the dollar, 8% - 10% on the Dinar and 8.5% - 14.5% on the Shekel. Alternatively, it may be calculated based on the LIBOR plus a fixed rate (usually 3.5%).

**Time taken:** one working week.

### Money Transfers

There are two procedures to transfer and receive money through the banks.

**For those who have a bank account:**

**Transfer:** charges range from \$20 to \$60 on amounts less than \$100,000. But for the amounts higher than \$100,000, the charge is \$20 to \$30 plus 0.1% on every additional dollar.

**Receipt:** for free.

**Time Taken:** two working days.

**For those who don't have a bank account:**

Western Union and Money Gram are available.

### Other Services

- Letters of Credit.
- Letters of Warranty.
- Syndicated Loans.
- Bonds.

### Money laundering Regulations

- The money laundering phenomenon has been in the spotlight for some time, and accordingly the PMA has devoted a lot of effort on developing regulations and procedures tackling this issue.
- The 2007 Money Laundering Law emphasizes transparency, management control, and verifying the identity of parties to any transfer.
- Banks will advise customers how to avoid falling foul of money-laundering regulations, but the PMA emphasizes that legitimate business activities have nothing to fear.

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