The President

Decision in regards to Law number () for year 2010
For Banks

The President of Palestine
The Chairman for Palestine Liberation Organization
The President of Palestinian Authorities

After review the original improved law for 2003 and the its Article (43)
And the law for Palestine Monetary Authority (PMA) number (2) for year 2003 and its
amendments,
And based on Banks Law number (2) for 2002,
And based on approvals from ministries meeting dated on 22/3/2010
And based on public protection,
And our authorities,
And in the name of the Arabic Palestinian people

We decide the following Law:

Chapter One
Glossary and generic rules

Article (1)
The terms used in this Law has the following meaning unless indicated otherwise.

Monetary Authority: The Palestine Monetary Authority (PMA)
Governor: Governor of Palestine Monetary Authority (PMA)
Council: Council of Palestine Monetary Authority (PMA)
Person: a person from the public
Banking Business: the activities in which the licensed Banks are accepting deposits from the public or from other financial areas for the purpose of investments, this includes specialized Banks and the activities for Islamic Banks or any other business allowed by this Law
**Bank**: a shareholding company has a license to operate in Banking Business in Palestine according to this Law.

**Local Banks**: the bank which its main office is in Palestine

**Islamic Bank**: The bank which is licensed to operate in Banking Business according to Islamic Law and any other business which don’t contradict with this Law

Specialized Bank: is the Bank which provides specialized Banking services according to what the Palestine Monetary Authority (PMA) decides

**Branch or Office**: a place of work, which consider as a part of a Bank from legal point of view and it provide all or part of Banking activities according to Palestine Monetary Authority (PMA) regulation.

**Representative Office**: a place of work which is licensed by the Palestine Monetary Authority (PMA) to operate and their services are limited to provide information and activities related to the market and investments, but no Banking Business activities

**Lending institutions**: every agency from the privet sector licensed and registered in Palestine and its main activity is to provide loans for privet use according to regulation in this regards

**Mother country**: The country where the main office of a Bank exist

**The Auditing Authority**: any responsible authority outside the Palestine Monetary Authority (PMA) responsible for licensing and auditing Banking organizations inside Palestine.

**The Auditing Authority in Mother country**: is the authority directly responsible for auditing the main offices and the branch Banks in the Banks homeland.

**Important Portion**: for a person or a group who have common interest or related to second cousin who own direct or indirect a %10 shareholding or voting power.

**Control**: is the relation in which a person or a group belongs to any of the following:

1. A person or a group who work together or have a common interest or related to second cousins who own directly or indirectly %20 or more from the company stock or voting power.
2. The power to chose most management in the company
3. The person or the group can directly or indirectly put pressure on the company or the Board or the management or decisions of the company.
**The Affiliate Company:** is the company in which a Bank or a person or a group of people own an important portion of a Bank, they work together or have common interest or related to second cousins who own more than %50 from the stocks or voting power, or any percentage which allow a person or a group to control the company managements and its general planning

**Sister company (Allied):** is the company in which a Bank owns from (%20 to %50) of its stocks or the voting power in the event of that no unified money lists is submitted on behalf of the controller party

**Budget Base:** is the value of the items which the Palestine Monetary Authority (PMA) specify for the purpose of auditing

**Depositary:** is the cash money or payable item which will be deposited to a Banks by any party or person, in which the Bank has the full control of this depository and the commitments to from the Bank to return it back unless agreed otherwise, based on a written agreement between the Bank and the person which specify the nature of the Depositary and the interest if any.

**Credit:** all kind of financing direct and indirect which the Islamic Banks provides, and all kind of financial leniencies provided by all kind of Banks, and loans which provided by specialized lending institutions, bonds and loan buying by Banks and the acceptance bonds or the guaranteed ones of those ponds, with Banks rights to get back its money back including interests.

**Exposure:** all kind of direct or indirect credits which provided for a single person and the bonds which provided by the same person which is bought by the Bank, in addition to investments of the Bank with that person wither its property rights or other investments.

**Credit concentration:** is the full or partial exposure for a single person or a group of people working together or have a common relation or related to second cousins according to what is specified by the Palestine Monetary Authority (PMA)
**Related Parties:** is the person or object which has any relation with a Bank specified by the Palestine Monetary Authority (PMA) by instructions specifically in these areas:

1. Has to be a chair person or a manager in the Bank, and the auditing committee in the Islamic Banks
2. To have a big share direct or indirect

3. To be a member of a board or a main supervisor in a company which fit the descriptions of (2), (6) and (7)
4. To be a consultant for the Bank
5. A partner or a relative to second cousin toward points (1,2)
6. Any company controlled solely by the Bank or with other parties direct or indirect
7. Any company controlled directly or indirectly by a company controls the Bank

Primary Officials: general manager or district manager and their counterparts, departments’ manager and their counterparts, branch manager and their counterparts, internal auditor, the controller and those who carry the same responsibilities regardless or their title and other in charge managers and those specified by the Palestine Monetary Authority (PMA).

**Outsource:** A Bank assign a person or an object to provide services for the Bank which is usually provided by internal departments this exclude buying contracts, exports, or contracts which related to Banks services.

**Stakeholders:** everyone who has direct or indirect interest of the Bank and who can affect or get affected by the Banks regulations and practices, with respect to the degree of interest between them.

**Electronic Banking:** is the use of electronic ways for banking services, which adheres to same laws as regular banking services using papers.

Obligatory Cash reserves: is the percentage set by the Palestine Monetary Authority (PMA) based on the overall depository value of the Bank customers

**Article (2)**
The objectives of the Law and its implementation

1. The law objective is to implement the following:
   a. to keep stability of the local prices
   b. to keep stability of a financial system, strong, based on fair competition
   c. To keep stability of a safe banking system, and to keep the public faith of the banks and lending institutions.

2. The provisions of this law are to be adhered by all banks, lending institutions and special banks that are licensed to operate in Palestine.

Article 3

Palestine Monetary Authority (PMA)

The Palestine Monetary Authority (PMA) is the only authorized area in charge of monetary planning and oversees the executions of plans, and by this it could do the following:

1. Provide needed licenses to banks and Lending institutions according to this law.
2. Monitoring and overseeing banks and lending institutions operations
3. Come up with a national payment system or other or other systems and control its operations and monitoring it.
4. Issue any lending tools, permits, debt instruments or any Islamic financial tools, issuing deposit certificates and Islamic debt instruments to manage and control the liquidity and to achieve its goals within its area of expertise and to manage all procedures of these editions including issuing conditions, entitlements, benefits, profits, circulation according to the Palestinian Monetary Authority instructions.
5. Take all actions needed to achieve goals mentioned in Article 2 according to this law.

Article 4

The use of the term “Bank”
1. It’s prohibited for anyone to use the term “Bank” or a similar term like it in any language in their documents, printouts, business address, name, marketing material as long as a license is not provided by the Palestinian Monetary Authority unless the use is according to a legislative or part of an international agreement in which the Palestinian Authority is part of it.

2. It’s permitted for international bank representative offices to use the term “Bank” if the term is part of its name at the same time the term “branch” is included in its name.

**Article (5)**

Central Record

1. The Palestinian Monetary Authority keeps a central record in which it records all related information about Banks, banks representative offices, registered Lending institutions, money exchange shops.

2. The Palestinian Monetary Authority advertise at the beginning of each year at the formal news paper at the expenses of the registration acquirers in addition to three daily news papers a list of all registered banks authorized to operate in Palestine and all registered Lending institutions, all registered money exchange, as well as all approved registrations applications in the formal news paper in addition to any changes that might take place in the list periodically.

**Chapter Two**

Licensing

**Article (6)**

1. It’s prohibited for anybody to operate in banking business in Palestine without a written approval by the Palestinian Monetary Authority.

2. It’s prohibited to register any company part of objectives is to work in banking business in Palestine unless it has the initial written agreements from the Palestinian Monetary Authority.
3. It’s obligatory for anyone wants to operate in Banking Business in Palestine to submit an application to acquire the needed registration from the Palestinian Monetary Authority.

4. It’s obligatory for anyone wants to operate as a lending institution in Palestine to submit an application to acquire the needed registration from the Palestinian Monetary Authority.

5. The Palestinian Monetary Authority provides instructions describing the needed documents which should be included in an application for licensing, branching, moving of business, closing down, and the permitted provided activities.

6. Bank Licensing is provided according to the Palestinian Monetary Authority regulation and its provided for unlimited duration and its not allowed to be transferred.

7. Licensing is provided for banking business in particular for a public shareholding company according to Palestinian laws, as for the international banks which likes to be licensed as a branch, it will be licensed according to this law. The Palestinian Monetary Authority can exempt any specialized bank from these conditions.

8. The shareholding percentage value of the bank’s owners’ shouldn’t be less than %20 of the capital and no more than %50, and the rest of the capital should be public offering shares.

9. In case of insufficient subscription of shares, the Palestinian Monetary Authority the right to allow the owners to cover the rest of the capital or to extend the subscription of shares period or decrees the capital or cancel the license.

10. The Palestinian Monetary Authority has the full right to request from anyone to submit his records, credentials, accounts information in case of suspicion of operating a banking business or as a lending institutions without a license, the PMA is permitted by the Attorney General or his representative to enter anyplace suspicious o operating banking business without a license to check on its accounts, documents, credentials and any other documents.

11. The Palestinian Monetary Authority can ask the Attorney General or his representative to shutdown any place if proved to operate in banking business or as a lending institutions without acquiring a license from the Palestinian Monetary Authority, this closure would be temporary or permanent if proved contrary to this law.
Article (7)
Applications and conditions to get licensing

1. The founders comity of a bank applies in writing for license from the PMA according to the application form set by the PMA for this regards, attached to the application the documents specified by the PMA.

2. The Articles of Association and the Statute has to adhere to this law and its roles and regulations, and to acquire a written approval from the PMA prior to registrations, and its not allowed to conduct any amendments without a prior written approval form the PMA

3. The PMA decides to provide licenses based on the following conditions:
   a. Compliance of the Articles of Association to this law and its rules, regulations, related legislatives in Palestine
   b. None condemn any of the Articles of Association or the application submitters of any crimes mentioned in Article (28) paragraph (4) point (e) of this law
   c. The suggested capital is appropriate for the nature, size and type of business, and the capital not to be under any circumstances less than the minimum amount set by the PMA
   d. The feasibility study and the financial future of the application submitter should be documented in a good way and the financial assets are enough to cover the business activities and enough liquidity at all times for safe transactions.
   e. The Organizational & management chart and all suggested policies and procedures for risk management and internal audits suitable for all the different activities
   f. The ownership structure, the organization and management chart not to prevent audits.
   g. The accounting policies and procedures suitable for the financial activity and enough to submit financial documents according to this law
h. Verify the additional conditions seen forward according to what PMA decided in case if the application submitter is an organization belongs to a foreign bank or a foreign holding company or a newcomer bank welling to operate in Palestine as branches:
1. It should be under appropriate supervision from a supervision authority in its homeland.
2. Agreements of the supervision authority in its homeland to founding a company or a branch.
3. the mother bank to submit a written pledge to guarantee its responsibilities towards its branches in Palestine
4. Adopt the mother land a similar treatment towards opening branches and companies belongs to local banks, and for the PMA to request agreements with the supervision authority in the motherland about exchange of financial information and risk management in the mother land and other areas of similar interest.
5. To be registered according to requirements of the licensing law for foreign companies
4. Providing a license not to have a negative affect on the stability of the banking system according to PMA, if this oppose to policies of the PMA towards licensing new banks.

5. The PMA has the right to set any conditions it see it as necessary to implement this law and to make sure that the applicant adheres to this law and its rules and regulations.
6. In case of submitting a branching application for bank operate in Palestine, the PMA has the right to implement any of the points in this Article and Article (8) of this law as it see appropriate.

Article (8)
Licensing Procedures

1. The PMA replies to applicants in writing within a month of receiving an application, the reply indicates whether the application is complete or not and what’s missing to be provided to the PMA to take a decision on the application, the missing documents have to be provided within three months from the date of the PMA reply, if no reply from applicant after this period, PMA assumes that the applicant canceled the application.

2. PMA takes a decision on an application within three months as of its completeness, and it provide an initial written approval to applicant, or disapproval by registered mail or any other way it see appropriate, PMA indicates the reasons for disapproval in case of disapproval.

3. In case of initial approval, the PMA provides the applicant a six months period to complete operation readiness procedures, by the end of this period an evaluation will take place to provide final approval.

4. The PMA has the right to extend the duration of the operation readiness if needed for a period of six months or less for one time, if operation readiness procedures are not completed during this period then the initial approval get cancelled.

5. When providing final approval for a bank, it has to start operation within thirty days from approval date; it’s allowed to extend for another thirty days if the PMA think its necessary to extend.

6. If the Bank which has granted final approval does not start operating during the period set in point (5) of this article including the extend then PMA has the right to cancel its license.

7. It’s the right of the institutional committee of the bank which has been disapproved to take its case to court.

Article (9)

Branching and representative offices for local Banks

It’s prohibited for any local bank to open, move, stop operating, close a branch or an office inside or outside of Palestine, or to open, move, stop operating, and closes a
representative office outside of Palestine or to convert a branch to office or vice versa without written approval from PMA.

Article (10)

Branching & representative offices for international Banks

1. It's not allowed for any international bank operates in the Palestine as a branch, to open a branch or additional office, move, suspend operations, close a branch or office in Palestine, or convert a branch to office or vice versa without a written approval from PMA.
2. The PMA is allowed to approve a non-registered bank in Palestine to open a representative office in Palestine according to special instructions set by PMA.
3. When the term “Bank” is used to refer to an international bank operate as a branch, it should adhere to Article (7) of this law, and the case of the international bank has more than a branch in Palestine then all branches are treated as a single unit to implement this law.

Article (11)

Fees & service fees

1. The PMA obtains from those who meet this law the following fees, which will have system implemented for this purpose:
   a. Application fees
   b. Licensing set fees
   c. The annual fees for the main branch and other branches and offices belong to the bank for every year the licensing is valid for
2. The PMA obtain a fee for its services from those under its surveillance according to this law which will be set according to instructions for this purpose.
3. The PMA will exempt branches and bank offices which are closed temporarily or suspend its services from paying annual licensing fees for the period of closing or suspension of services.

Article (12)
Bank service Suspension

It is not allowed for any bank to stop or suspend its services in Palestine, or to suspend part or all of its services allowed by this law without a prior written approval from PMA, the PMA has the right to put the necessary conditions to suspend operations in order to protect the rights of the bank customers and to protect the banking system in Palestine.

Chapter Three

Banking Business Practices

Article (13)

1. It is allowed for banks to practice the following banking service according to PMA:
   a. Accept deposits of all types with interests or without
   b. Provide credits of all types
   c. Finance leasing
   d. Purchasing & selling money market instruments (current and Futures), and debt securities for the bank own accounts or for the bank customers
   e. Purchasing and selling debts
   f. Provide services of “Maqasa”, Settlement and collection, transfer of funds, bond and paying tools
   g. Buying and selling of foreign currency
   h. Generate and manage payment method including credit & debt cards and Cheque of all types
   i. Discount bills and other financial papers
   j. Provide banking services according to Islamic laws after granting written approval from the PMA
   k. Provide safe keeper services, and manage precious items including currency
   l. Provide services by acting as a manager of investment unit, a guide, a consultant.
   m. Provide banking consultant services to clients
   n. Provide financial insurance services as an agent.
o. Provide financial information services
p. Provide electronic Banking services
q. Lending between banks
r. Manage holdings services for others on the condition of prior written agreement from PMA
s. Investment in Property rights according to Article (18) of this law
t. Any other activities mentioned above or activities get approved by PMA and don’t intervene with this law.

2. It’s allowed for Islamic Banks to provide the following additional services according to the ruling by the PMA:
   a. Banking activities which agree with the Islamic laws
   b. Acting as an honest deputy for social services and provide loans and manage Funds for social purposes.
   c. Acting as guardian to manage inheritance according to Islamic laws
   d. Establish companies in different fields and specially Islamic banking services by acquiring prior written agreements from PMA
   e. Possess of Real estate, selling, investment, renting and leasing including farms on conditions of prior written approval from PMA
   f. Establish special funds for Islamic bank risk protection or its customers on conditions of prior written approval from PMA
   g. Issuing and trading instruments or other Islamic financial tools on conditions of prior written approval from PMA
   h. Other services agrees with instructions and rules of the PMA which doesn’t interfere with Islamic laws
   i.

3. The PMA decides by setting instructions what is allowed or disallowed toward lending agencies practices
**Article (14)**

Prohibited Activities

It’s prohibited for banks to do the following:

1. Get into activities of any kind which award the bank, alone or with agreements with other areas, a controlling position on the financial market or foreign currency
2. Involve in merchant or industrial or other areas except of what’s allowed in Articles (13) & (15) of this law
3. Poses of or dealing with real estate by buying or selling or trading except:
   a. The Real estate for managing the bank business or its clients, on the condition that the real estate percentage set a certain value of the bank’s capital set by PMA
   b. Real estate owned by the bank according to Article (15) of this law
   c. The Bank owning of real estate according to Article (13) section (1) point (c)
   d. The Islamic Banks owning of real estate for the purpose of its banking activities according to Article (13) section (2) point (E) of this law
4. Provide credit of any type for anyone who is residing outside of Palestine against PMA ruling in this regards
5. Provide credits of any type for anyone for the purpose of using it outside of Palestine without a written permission from PMA
6. Buying of shares, bonds, or any currency originated in an organization outside of Palestine without a written permission from PMA

**Article (15)**

Acquisition of movable or unmovable money for the purpose of debt clearing

Exception to rules of Article (14), it is allowed for banks to acquire portions of shares or other movable or unmovable money it gets acquired by provided credit or a bought out credit which was not paid off, even if its value is more of what’s been set by the PMA, and the bank has to deal with this shares or money according to PMA rules
**Article (16)**

Credit focus risks

1. It’s prohibited for any bank to provide credit for anyone if it cause the following:
   a. Reaching the share holder value of %10 or more of the base capital of the bank without a written permission from the PMA
   b. Exceeding the shareholder value or total credit values according to point (A) of this article the values set by the PMA
2. Pay attentions to credits risks when calculating the risks percentage value for this article or other instructions related to it.
3. Apply the limits set in this article separately and also together when instructed by the PMA
4. The PMA can oblige the bank for special guarantees or increasing it in the cases mentioned in this article

**Article (17)**

Credits provided of relevant

1. Credits provided to those of relevant according to set instructions by the PMA
2. Credits provided to those of relevant should adhere to credits policies agreed upon by the bank’s board members, and those of relevant should not have special conditions differ than what is set to bank’s clients except for the special lending to bank’s employee after a written agreement from the PMA
3. Under any circumstances its not allowed for the total concentration percentage of those of relevant than the percentage set by the PMA, with respect to concentrations percentage set in Article (16) of this law
4. The PMA can ask the bank for guarantees for any credits provided to those of relevant

**Article (18)**

Investment in property rights
1. It is not allowed for any bank to possess, acting alone or with agreements with a person or a group of people, property rights of a person or a project in the cases mentioned below without a prior written permission of the PMA

   a. If the shareholding percentage value for a person or a project is higher than %10 of the bank base capital

   b. If the property rights percentage value for a person or a project is higher than %10 of shareholding value

   c. If the shareholding investment is higher of %5 of a person or a project capital.

2. It is not allowed for the bank to increase its property investment beyond %50 of its base capital.

3. A prior written approval from the PMA should provided for any shareholding investments for Non-traded shares, according to PMA’s instructions

4. It allowed for the bank to acquire portions or invest in a project or create a company according to conditions set by the PMA

**Article (19)**

External bond agreements

1. The PMA sets the conditions which permits any bank to establish external bonds with a person who is provided this service, on the conditions that the bank puts full procedures to manage and monitor the external bond, a prior written approval from the PMA on any potential external bond and any renewable, extendable and updatable one.

2. The chairman board of the bank holds its responsibility towards any third party activity provided the external bond service.

**Chapter Four**

Islamic Banks

**Article (20)**
1. The Islamic banks practices all of its activities according to the Islamic laws and to what is set by the control authority in the bank, and what agrees to this law and its rules, regulations and PMA’s decisions

2. Its prohibited for Islamic banks to deal in the following:
   a. Pay or get an interest on credits of all kinds, lending or borrowing, including any fees paid to the lender not associated with effort which deserve the compensations
   b. Interest of the business of financial in the locked exchange transactions

   **Article (21)**
   Special rules for Islamic Banks
   The PMA sets instructions and decision to regulate the Islamic banks activities according to this law

   **Article (22)**
   Disclosure requirements for bank’s clients
   The Islamic banks should disclose information to its investment accounts clients about how investments are done according to what PMA rules

   **Article (23)**
   Supreme Body of Islamic legitimacy
   1. The PMA sets an independent supreme body called the Supreme Islamic body to audit the Islamic banks and lending Islamic agencies to be hired by the board
2. The body consist of at least five and more than nine Islamic scholars and those of experience in the Islamic economy and banking laws, most of members are Islamic scholars

3. The Board sets the Body duties, specialty, authority, and its member’s membership period and rewards for its president and its members.

Article (24)

Body of Islamic legitimacy

1. Its obligatory for all Islamic banks to set a Body of Islamic legitimacy before it starts operations, its members shouldn’t be less than three members specialized in Islamic laws and experienced in Islamic financial organization, its decision should be followed for all bank’s transactions, and it shouldn’t contradict with the rules of this law.

2. The Islamic legitimacy Board is hired by the Banks public assembly according to the Banks management after approval of the PMA, it is not allowed to dismiss any of its members except by a prior written agreement from PMA

3. The Islamic legitimacy Board responsibility is to make sure that all bank’s transaction and activities agree with the Islamic rules before the bank initiates these transactions, during and after its completion.

4. The Islamic legitimacy Board reports are signed according to PMA rules

5. The PMA has the right to request that a bank replace any member of its Islamic legitimacy Board or to hire a new Islamic legitimacy Board based on a valid reason

6. The PMA has the right to use the help of consultants specialized in Islamic laws to prepare reports requested by the PMA during a certain time to be paid by the bank.

7. It’s the obligation of all Islamic banks to hire a full time specialized Islamic auditor or more who is connected to the Islamic Legitimacy Board according to instructions set by the PMA

Chapter Five

Bank’s Management
**Article (25)**

Establishment committee and Public Assembly for local Banks

1. The Banks committed to get a prior written agreement from the PMA on the dates of its establishment committee meetings and its meeting agenda before the meeting date by giving enough time set by the PMA, a representative of the PMA should attend the establishment committee meetings and any public assemble meeting, it’s the right of the representative to provide any notes or recommendations to shareholders if he see applicable and doesn’t contradict with this law and its rules and regulations or any rules of its relations.

2. The PMA has the right to audit any activities of the establishment committee which has been elected by the bank’s management.

3. The PAM and the companies auditor has the right to call for a Public Assembly meeting for the bank’s shareholders in the case of no commitment from the president and members the bank management.

To call for a meeting according to establishment’s contract and the bank’s internal system, that’s for the purpose of implementation of Article (53) of this law, the bank pays all related expenses.

4. The PMA approves all decisions took at the public assembly meeting and it became valid as of approval date.

**Article (26)**

Bank management Board

1. In all banks a board of directors is to guide the executive management of the bank according to Palestinian laws and internal system of the bank.

2. The board of directors has the following responsibilities:
   a. Sets the objectives, needed strategies for the bank to operate, adopt the organizational structure of the bank and internal auditing structures and other structures which organize the work.
   b. Adopt an overall risk structure in which a bank could face and hire a specialized team in risk management, and making sure that the executive management practices these system to full capacity.
c. Monitor and follow up on banks different activities, according to law, rules and instructions, internal bank system

d. Elect a board director president and a deputy or two deputies

e. Assign a general manager, a deputy for the bank, and other main leaders who can manage the bank according to the bank’s internal system

f. Assign committees to oversee and plan the bank activities and set its responsibilities and its limitations

g. Any responsibilities set by this law or its instructions or company laws or the bank internal law.

3. The Chairman and members of the Board perform duties faithfully and confidentiality of any bank service providers personal considerations when making decisions and bear responsibility as individuals and collectively for any neglect or default damages the Bank

**Article (27)**

General Manager and Regional manager

The general manager for the local bank or his representative or the regional manager for the nonlocal bank or his representative or the main in-charge person in either kind of banks is responsible for the bank’s or the branches management and daily operations and implementation of the bank’s board of directors decisions or the decisions of the management of the nonlocal bank all of which should be according to PMA’s law, regulations and instructions

**Article (28)**

General conditions and qualifications

The following rules of this Article should be followed by the president and board members of the local banks and lending agencies, and main responsible staff in the local banks, lending agencies, and nonlocal banks.
1. Most of bank’s board members and key officials for local and nonlocal banks should be residents in Palestine, except if there is a necessity otherwise and a prior written approval from PMA

2. It is not allowed for the bank’s president or its board members to act as a board members of other bank or lending agency operates in Palestine, without a prior written agreement from PMA

3. The age of a board member should not be less than the minimum age set by the PMA

4. It is not allowed for a person to hold a board member position or a position in a lending agency unless he match the following conditions:
   a. Has a good reputation
   b. Has the right education and experience to operate the bank according to PMA’s rules
   c. He has not caused a ruin or loss of a bank or lending agency or any other organization he has worked at as a president or a member or its board.
   d. Has not filed for bankruptcy or couldn’t pay his depts.
   e. Has a judgment against him in court due to stealing, fraud, forgery, bribery, slander, bad credit, honor crimes, money laundering, as long as he is not acquitted
   f. Has to satisfy the conditions set by the PMA

5. Suspension of any person who is a board member, a key official in a bank or a lending agency from work during investigation of any crime mentioned in point (4) sub point (e) of this Article

6. Dismissal of any person who is a board member, a key official in a bank or a lending agency from his position in the following cases
   a. If charged with any crime mentioned in point (4) sub point (e) of this Article
b. If the executive board request to discharge the president or a board member for valid reasons to protect the interests of depositors and shareholders

c. If he was terminated by a responsible auditing authority according to PMA’s estimates

d. If he defies this law or its instructions if this defying cause a big damage to the bank

7. The PMA has the right to dismiss a board member or key official in banks or lending agencies in the cases of point (4) sub pint (e) of this Article in the case of absence of resolution from the competent authority and in the cases mentioned in point (6) of this Article

8. Its prohibited for any employee to hold two different positions in different banks or lending agencies at the same time

**Article (29)**

Review of candidate

1. Its obligatory for all local banks and lending agencies to provide the PMA the names of establishing committee, candidates for executive members board and key officials names

2. Its obligatory for all nonlocal banks to provide the PMA the names of its key officials

3. All candidates mentioned in points (1,2) should satisfy the conditions of Article (28)

4. The PMA has the right to object on any candidate if proven to PMA that he doesn’t satisfy requirements in this law, or if it sees the hiring the candidate could hurt the depositors and shareholders

**Article (30)**
Financial disclosure and special interests

1. Its obligatory for all executive members or any key official in a local bank to disclose his financial and special interests directly or indirectly affecting him or a key official or any member of his family according rules set by the PMA.

2. The previously mentioned disclosure should happen directly after hiring or electing and on annual bases.

3. In the case of absence of disclosure mentioned in point (1) of this article, the following will take place:
   
   a. The bank executive board should suspend the executive member or the key official from work temporarily or permanently, other than that, the PMA has the right to take those steps.
   
   b. The shareholders have the right to dispute to courts the decisions taken by the bank if it conflict of interest in the case of nondisclosure, if proven a special interest to any member of executive board or key officials associated with these decisions.

4. When discussing a matter has to do with private interest by the executive board or other committee or a group in the bank has a decision making validity, it’s obligatory for the member or key official who has such interest to disclose it prior to discussions, and he is not allowed to participate in the discussions or voting, including decisions associated to relatives of the executive member or the key official up to second cousin.

Article (31)
Committees of the board of Directors

1. Its obligatory for the bank board of directors to formulate special committees to perform tasks and responsibility assigned to the board professionally and according to rules set by the PMA, and the board of directors has to assign part of its responsibility and empower those committees to a degree to permit them to do their responsibilities while the board responsibilities are still standing on the work and the decisions of the committees.

2. The PMA has the right to ask the branch of nonlocal banks to establish committees at the level of Palestine branches; set by instructions from the PMA its establishments and responsibilities.
Article (32)

Confidentiality requirements

1. The PMA sets the instructions to secure banks accounts confidentiality, exchange of information regarding indebtedness of banks clients and lending agencies, to assure its confidentiality and availability of needed information to manage credits and risks

2. All current and previous bank executive board members, key officials, staff, auditors, consultants, in banks and lending agencies have protect the confidentiality of information for their clients which they look at by the nature of their jobs, and its not allowed for any of them to reveal this information or to allow anyone outside the bank or lending agency to see such information, this confidentiality is valid to anyone who by the nature of his/her job directly or indirectly can view such information, except if its according to the following:
   a. A written approval from client
   b. A judgment by a Palestinian court

3. The following cases are exceptions to point (2) of this Article with the commitment of confidentiality to information:
   a. Disclosure for legal duties to an external auditor according to this law
   b. Disclosure of information and documentation requested by the PMA or its assigned staff
   c. Issuing a certificate or reveal reason for refusal to cash any Cheques upon the request of client
   d. Limited disclosure of information according to money laundering law and its instructions
   e. Disclosure and exchange of information about clients and their sponsors for the use of credit office at PMA, with banks, companies or other areas agreed by the PMA to ease the exchange of this information
f. Disclosure of information associated with a client to deposit insurance corporations or associated organizations according to instructions provided by PMA

g. Banks disclosing partial or complete information regarding a client's transactions to provide evidence to support a case between the bank and the client in court.

h. It’s the right of the banks' chairmen of executive board who’s interested in merger or acquisition according to this law or their delegation to these actions to exchange the necessary information to complete their study of merger or acquisitions on the condition of getting a prior written agreement from PMA, and those chairmen or their delegates are legally responsible for the confidentiality of the information.

Chapter Six
Capital, reserves, and other bank accounts

Article (33)
Banks capital requirements

1. The PMA has the right to adopt international standards set by the Basel commission for bank auditing and other international associations regarding bank auditing which match the local banking environment, in addition to other international standards which helps the auditing process to be accurate and effective to make the banking system safe and effective.

2. The PMA sets the needed capital to be reserved by banks which fits its transactions and its branches and the companies belongs to the bank, according to PMA’s evaluation of its risks.

3. It is not allowed for any bank to lower the paid capital than the minimum amount set by the PMA, its allowed for a bank to raise its capital with a prior written agreement from the PMA.

4. It's obligatory for every bank to keep the minimum amount of capital adequacy ratio which is calculated by instructions from the PMA.
5. The PMA has the right to issue information to define the capital and the capital adequacy ratio for nonlocal banks operating in Palestine
6. The PMA has the right to collect a capital deposit from nonlocal banks according to instructions set by it.

**Article (34)**

Additional capital requirements

1. If it appears to the PMA that the bank’s capital is not enough to face risks, it has the right to request the bank to raise its capital to a level more than the set minimum value to a value set by the PMA
2. In case of dropping the bank capital adequacy ratio to less than the set minimum value by the PMA, the PMA has the right to request the bank to raise its capital to a value set by the PMA
3. The PMA and for the purpose of this Article has the right to request a bank to provide a plan to raise its capital, the plan would include steps to increase capital and timeframe.
4. If the bank doesn’t commit to raising its capital according to PMA’s instructions, the PMA has the right to take the necessary steps to resolve this issue while protecting the bank financial level and lower the risks associated with its transactions

**Article (35)**

Authorized reserve and other reserves

1. Its obligatory for every bank to cut a %10 of its annual net profit after tax to be saved in the authorized reserve until this reserve is equal to the local bank’s capital, and the capital set for the branches of nonlocal banks
2. Its prohibited for a bank to use its authorized reserve capital without a prior written agreement from the PMA
3. The PMA has the right to request from any bank additional reserves, at the current conditions, and that’s to protect the financial status of the bank, and its not allowed for the bank to use these reserves without a prior written agreement form the PMA

**Article (36)**

Restrictions on profit sharing

1. It’s obligatory for local banks to get a prior written approval from the PMA to distribute any profits to shareholders

2. Its not allowed for the public assembly of any bank to decide to distribute profits to shareholders beyond the value or percentage set by the PMA for distributions

3. It is not allowed for nonlocal banks to transfer its profits to it’s headquarter or main branches in their homeland or to any of its branches outside of Palestine prior to written approval from the PMA.

**Article (37)**

Shares ownership

1. The PMA sets instructions to be followed toward possessing a shareholding value of more than %10 from a bank or power to vote by anyone or a group of people working directly or indirectly, this require a prior written approval from PMA, an application get submitted to be approved including supported documents according to application set by the PMA, in the case of increasing the possessing value to %20 from bank’s shares or voting power, a separate application for approval has to be submitted with enough time according to PMA’s instructions

2. The PMA review and evaluate the effect of this increase on the financial status of the bank in addition to review the reputations of suggested new owners. The PMA has the right to reject the application if it appears as this increase would weaken the competition, or endanger the financial status of the bank and its clients, or it leads to centralize the shareholding values against PMA instructions
3. For PMA to protect public interest and to keep a healthy banking system it can cancel or suspend any subscription of any bank’s capital shareholders

4. In case of bank’s management awareness of any potential possession as mentioned in Point (1) of this Article has to tell the PMA directly

5. It’s the obligation of the chairman and members of the executive committee if it is clear to them collectively that any member of main shareholders in the bank has committed any wrongdoing toward this law or any point of Article (28) of this law has to inform the PMA.

6. If a prior written approval is not granted by the PMA in regards to what in this Article, the PMA has the right to suspend the voting rights to this individual or group or cancel or put restrictions on these ownerships

7. The disposal of holdings mentioned of point (1) of this Article is subject to a prior written approval form PMA

**Article (38)**
Restrictions on the bank’s shares and credit tools

Forbidden for a bank to do the following:

1. To reduce its capital, by repurchasing of its shares or otherwise, regardless if directly or though its companies or sister companies, without a prior written approval from PMA

2. Provide credits to any person by ensuring the banks own shares or credit tools generated by the bank

3. Provide credits for the purpose of buying the banks shares, or credit tools generated by the bank or its companies or sister companies

4. To buy from those of relevant any goods or shares subscribed to them or it has provided to them in previous years

5. Generating of credits tools without a prior written approval from PMA

**Article (39)**
Restrictions on foreign currency risks

Determined by the PMA to issue instructions to risk dealing in foreign currencies and imbalance centers covered

Article (40)
Credits and rating & classification of assets

The PMA has the rights to define the following:

1. Types and forms of credit and finance
2. Bases of authenticating credits, its limits, conditions associated with
3. High and low limits of interest rates and commissions which a bank receives on all types of credits or financing, commissions, fees on all provided services by the bank
4. Size of credit and financing granted in Palestine from the Bank as a proportion of bank customers' deposits
5. Requirements for the classification and valuation of assets and configure the decline in value, allocations and suspend benefits, commissions, and address allocation calculation uses accepted guarantees

Article (41)
Liquidity

The PMA issues instructions for liquidity ratios and associated fines

Article (42)
Compulsory cash reserve

1. The PMA sets the requirements of compulsory cash reserve for the overall deposits total at the bank
2. The compulsory cash reserve is deposited at the PMA according to instructions in this regards.
Article (43)
Other requirements

The PMA sets the following instructions:

1. Agreed maturities of assets and liabilities
2. Extra budgetary processing mechanism
3. Acceptance requirements and manage deposits and account opening
4. Restrictions and requirements concerning foreign investments
5. Requirements for accuracy of information provided to bank’s clients, ensuring inaccuracies and non-transparent information, taking into account rules of banking secrecy
6. Conditions for interbank transactions
7. Organize and use credit information for database managed by the Office of credit information
8. needed instructions to organize the work and define some functions in the banks, such compliance and risk management
9. Follow-up and handling complaints from clients
10. Any other risk centers

Article (44)
Anti money laundering

1. With respect to the current anti money laundering law, its prohibited for any bank to hid money transfer transactions or other properties while knowing that this money or property involve in unlawful transactions for the purpose of hiding its sources, or help anyone involve in this activities for the purpose of legal protection
2. The meaning of Knowing in the previous point, Knowledge can be inferred from the circumstances surrounding the sober and theme
3. Subject to confidentiality requirements in article (32) of this law, banks and on their own Should inform the financial follow-up unit and provide them with reports of suspicion or evidence that they exist and that these funds or assets derived from illicit activities, in
addition to requesting additional information on these activities, and in conformity to the requirements of anti-money laundering

Chapter Seven
Accounts and reports
Financial year
Article (45)

The financial year for all banks starts on January 1st and ends on December 31st every year, with a prior agreement, the PMA has the right to allow a different financial year for nonlocal banks to match their headquarters in their homeland.

Article (46)
Financial data

1. All banks have to work according to automated financial system authentic and fulfills the auditing requirements, all financial data has to be according to PMA’s instruction.

2. All banks have to register their transactions and prepare their financial data according to international standards such as international standards for financial reporting and accounting international standards and accounting standards for reviewable process for Islamic financial agencies according to PMA’s rules.

3. All banks have to prepare financial data to reflect its transactions and financial position at mid and end of the financial year according to PMA’s and other specialized authorities instructions, the PMA has the right to request form banks to prepare its financial data on quarterly bases.

4. The PMA has the right to request financial data on individual or group bases for good auditing practices.

5. The bank’s management is responsible for the correctness of its financial data and it should represent the correct financial status of the bank.
6. For the purposes of evidence its allowed to use any for of data including electronic or data issued by a teller machine for the bank

**Article (47)**

Internal and external auditing

1. Hiring of external auditor:
   a. All banks have to hire an external auditor on annual bases licensed to practice by official authority, his qualifications has to fit the requirements set by the PMA
   b. The auditor gets hired by the public assembly of the bank or its representatives
   c. If the bank is delayed to hire an auditor for more than three months from date of previous auditor quieting, the PMA hires a new auditor and set his salary and the bank has to pay it.

2. Responsibilities of the external auditor:
   a. Audit financial data and accounting files of the bank according to international auditing verifications, (IFRS) international financial reporting, (IAS) international accounting standards, accounting and review standards for Islamic financial agencies according to what PMA decides
   b. Auditing compliance with the instructions and rules of the PMA such as configure allocations and low losses and reserves
   c. Compliance with the international standards for the practice of auditing and rules of professional ethics, and professionalism according to the law requirements of the law profession in force
   d. Committing to full confidentiality on all information he had access to by the nature of his job, even after finishing his assignment at the bank
   e. Investigating the accuracy of data provided to him by the bank through out the auditing process
   f. Notify the PMA in writing immediately and after discussion with the management of banks upon finding any irregularities committed by the Board of directors or Board of Directors of any subsidiaries of the Bank and any of the principals or any member of the Bank or any of its subsidiaries
g. Provide annual report for the bank public assembly, after approval of the PMA on the final financial data, indicating that the bank auditing process went according to PMA’s instructions and auditing international standards.

h. Provide a special report to PMA and copy to the executive board of the bank, including the following:

1. Any contraries to this law, rules and decisions set by the PMA, or any other authorities, the bank has committed during the financial year which been reviewed and auditing.

2. The adequacy of supervision systems and internal control systems at the bank, pointing to weaknesses in the accounting system and automated system or any other areas which caught his attention during the auditing process.

3. Adequacy of allocation to offset the risk assets and obligations of the Bank, based on the instructions of the PMA, and include his opinion in the adequacy (required to meet any allocations in low value assets such as credit or credit savings allocations or the potential to unrecovered the value of an asset, and allocations required to meet any potential claims such as tax allocations, and court cases allocations, and termination allocations and other allocations).

i. Provide the PMA with copies of any report provided to the bank in the auditing process.

j. The PMA has the right to request from the external auditor to get any data or explanations sees necessary including paper work, the PMA has the right to assign him or another person to do any tasks sees necessary and the bank pays the fees, the auditor has the right to consult the PMA if necessary.

k. The PMA has the right, based on its instructions, to hire, contract, terminate the external auditor.

l. The PMA has the right, based on special circumstances, to replace or hire an external auditor if it sees necessary, the opinion of the new auditor is valuable more than the previous auditor, the bank has to pay the expenses of the new auditor.

3. Internal auditor:
a. Every bank has to establish an independent internal auditing department to be managed by the auditing authority set by the executive committee of the bank according to Articles (26) and (31) or this law

b. The PMA sets the rules for the banks internal auditing to guarantee its sufficiency and independency

**Article (48)**

Shareholders reports and meeting minutes

It’s obligatory for all banks to submit to the PMA a copy of all reports provided to shareholder about its activities and its financial situation prior to releases it to shareholders in a time window set by the PMA, it also has to submit to the PMA a signed copies of minutes of meeting for regular and irregular meetings of the public assembly of the bank in thirty days of the meeting date.

**Article (49)**

Reports submitted to PMA

1. All banks has to submit reports and financial data to the PMA, and other information of its activities in regular bases according to instructions set by the PMA
2. All banks has to submit copies of its auditing financial data, and external auditor opinion and his letter to the bank’s management, according to PMA’s instructions
3. The PMA has the right to request reports about any partner companies or sister company to the bank for the purpose of supervision
4. The PMA has the right to request from the bank answers on any issue or topic during the report date

**Article (50)**

Financial data publications
1. All banks have to publish its financial publications (annually) and progress (semi annually) with the external auditor report in at least two daily news papers published in Palestine after a prior written approval from the PMA according to specified publications standards by the PMA.

2. The financial data of the Islamic banks should include a report by the shari`a authority and signed from members of shari`a authority according to PMA’s instructions.

3. The PMA has right to request from the banks to publish their quarterly financial data, according to instructions in this regards.

**Chapter Eight**

Inspection and handling difficulties

**Article (51)**

Inspections

1. The PMA has the right to hire an inspector or a team of inspectors to inspect any bank any time, to inspect its records, files, automated systems, financial data and this includes all banks and their branches, their offices, representative offices, lending agencies and its branches, their offices operating in Palestine, the inspections has to include the following:
   a. Verify the integrity of the financial position, and capital adequacy, asset quality, and effectiveness of business and management, quality assessment, and insufficient liquidity profits of legal and operational requirements
   b. Performance evaluation of internal control, and corrective and preventive action, and financial control, and compatibility of internal policies with the provisions of laws and regulations concerning the management of different activities
   c. Verification of the safety and efficiency of automated systems used and the availability of bilateral monitor and separations of authority, and the adequacy and accuracy of the outputs and the needs and requirements of the PMA
d. Verification on the availabilities of policies, standards and work procedure to ensure the best practices of banking and lending are followed and the commitment of using it and improving it according to work environment improvements

e. Verifications of the management’s capabilities to handle risk management, monitoring and controlling, and the use of money in the correct investments for the benefits of the bank

2. All banks and lending agencies has to provide for the PMA’s inspectors assigned to test and inspect all files, records, accounts, requested documents, and any other facilities to complete their assignment in testing and inspecting

3. The PMA has the right to inspect local bank’s branches registered to operate outside of Palestine, and to accompany the inspections authority in the homeland on inspections for nonlocal bank’s branches operating in Palestine according to signed agreements with inspections authorities in those countries

4. The PMA staff assigned to control and inspect have judicial authority

5. The PMA has the right to inspect companies belonging to banks in Palestine when needed to ensure monitoring bank’s transactions, in case if the company belonging to the bank is subject to other inspection authority then its inspections is done according to agreements signed between the PMA and other inspections authority.

6. The PMA has the right to consult with specialized consultants to help in inspecting some areas of banks’ and lending agencies transactions

Article (52)

Coordination with inspection authorities

The PMA has the right to sign memoranda of understanding with other inspections authorities in Palestine or with banks inspections authorities in other countries for coordination and assistant and exchange of information between the PMA and other inspection authorities.
Article (53)
Corrective actions

1. If proven to PMA that a bank didn’t adhere to the orders of this law, regulations, instructions and policies, or its transactions or the transactions of its belonging companies committed or it affects or cause damage to depositors money or danger the banking system, or if proven to PMA that any of its executive board member or key official or a staff member didn’t adhere to this law, regulations, instructions, decisions or took a part in unsafe banking transactions or incorrect, the PMA has the right to take an action or actions from the following depending on the irregularities:

   a. Send a warning letter requesting the need to correct the irregularity
   b. Resolution for the bank to immediately stop the continuity of the irregularity and take corrective action
   c. Oblige the bank to provide a corrective action timeline for the procedures to be corrected or a detailed description of the procedures to correct the irregularities
   d. Cancel or lower the amenities provided to the bank by the PMA or update its conditions
   e. Suspend the bank’s participations in the (Maqasa) clearing rooms, or settlement payments system, or credit information service, or e-banking
   f. Forbid the bank from branching or undertake certain activities or operations. Or restrictions on the expansion of credit activity of the Bank or other assets owned
   g. Oblige the offending bank to deposit additional cash balances at the PMA with interest or without interest for a period of time as the PMA sees appropriate
   h. Call for the executive board to meet to discuss the irregularities practices by the bank’s management and to take the needed actions to correct it, the PMA has to provide an explanation about the irregularities and the recommendations in this regards, the executive board has to the appropriate decision for that
   i. Request from the executive board to suspend or terminate the general manager or district manager of the bank or any key officials or staff, in the absence of commitment, the PMA implement the decision.
j. Request form the executive board chairman if the faults committed by the executive board to hold an irregular meeting for the executive board with a representative or more from the PMA to take corrective actions including:
   1. Identifying offenders and take the necessary action to excluded them from membership of the Governing Council
   2. Call the Bank's General Assembly to convene an extraordinary meeting of the Governing Council to reselect its members or elected a new Board, to take part in this meeting one or more representatives of PMA and he or them can provide any reviews or recommendations to the shareholders with respect to compliance with the Act and regulations and instructions issued pursuant thereto and any other relevant legislation
k. Hire a temporarily observer to overlook the bank’s business for a period set by the PMA, and him the needed authority to do his job and invite the Public Assembly for irregular meeting to be held by PMA
l. Suspend or terminate the Public Assembly or its president or any of its members
m. Appoint an authorized official and a special committee to manage the bank headed by the authorized official according to Article (56) of this law for a period of six months extendable and provide them the needed authority to practice their job, including hiring consultants and experts to manage the bank and invite the Public Assembly for irregular meeting to be held by PMA
n. Merge the bank or sell
o. Any other procedures as the PMA sees necessary to correct the bank status
p. Cancel the bank registration and delete it from the registered banking systems according to Article (55)
2. The PMA has the right to apply any of the above steps on the lending agencies if offended any of any part of this law or its procedures
3. The PMA has the right to set duties and salary of the officials or staff that has been hired on the bank’s expenses
4. Its not allowed for a president or members of the Governing Council or key officials or staff members suspended from his work according to this law to practice any activity on behalf of the bank, this suspension is enforced by the PMA, this person will not be compensated by the bank during that time if proven guilty

5. Taking any of the actions mentioned in this article, does not drop the civilian and penal responsibilities and its permitted to the PMA or the bank or any other affected to go to court

6. If its decided to merger or sell the bank and one of parties would like to appeal the decision, the appealer has to submit a banking guarantee no less than %75 of the bank’s capital to be paid in the circulated currency in Palestine

7. If the submitted appeal is on a base other than that mentioned in point (6) of this Article then the appealer has to provide a guarantee no less than one million dollar or its equivalent in the circulated currency in Palestine

8. The PMA can proceed in the corrective actions mentioned in this article of this law and if there is a danger by the bank’s continuing operation on the depositors money or the banking system then the decisions of the PMA in this regards are final and the appealer right is to go to court ask for compensations

Chapter Nine

Offences, penalties license cancelation

Article (54)

Offences and penalties

1. Any offender to the rules mentioned in the following articles (4, 6,9, 10, (1/11), (2/11), 12, 14, 15, 16, 16, 17, 18, 19, 20, 22, 24, (1/25), 26, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 45, 46, 47, 48, 49, 50, 51) of this law, will be fined of less than (5,000) five thousands US dollars and no more than (250,000) two hundreds and fifty thousands US dollars or its equivalents in circulated currency in Palestine, and what follows that from civilian responsibilities according other regulations.

2. In case of non –compliance to Article (53) of this law, the PMA has the right to impose the following:
a. A fine on the non complaint bank, the PMA decides what value of the fine according to its evaluations of the damage for non compliance
b. Fine on the president or members of the Governing Council or key officials or any staff member of the non compliant bank of no more than (100,000) hundreds thousands US dollar or

Its equivalents of the circulated currency in Palestine, the PMA has the right to freeze their account to get the fine paid, and to inform them of that in writing

3. With respect to the previous rules of this article, it’s punishable for anyone who disobey this law to be fined no less than five thousands US dollars ($5,000) and no more than two hundreds and fifty thousands US dollar ($250,000) or its equivalent of the circulated currency in Palestine

4. The PMA is entitle to sue the president or any member of board of directors or a key official or any member staff of the bank on privately or legally, if proven their responsibility of waste bank’s money or their direct offence to the bank reputation or its stability

Article (55)
License cancelation

1. The PMA has the right to cancel the license of the bank in the following cases:
   a. If the license is issued based on a wrong information provided on the application or to its supportive documents
   b. If the bank didn’t start operation within the time set in Article (8) of this law
   c. If it appears to the PMA through checking and monitoring that the bank’s assets are not enough to meet its liability
   d. If the bank stops accepting deposits or provide credits or lending of all its kinds for more than three months
e. If the bank changes the nature of its operations to differ from the set conditions of the provided license

f. If the bank does not have the minimum required capital set by the PMA or incapable to obligations towards its creditors

g. If the bank repeatedly offended the rule of this law, and if it threatens the interests of its clients or the stability of the banking system in Palestine

h. If the bank is merged, transfer of ownership or sold a part of its positions to another bank without a prior written approval form the PMA

i. If a cancellation of license of another bank which owns %50 or more or this bank

j. If the bank files for bankruptcy or decided to be liquidated

k. Upon the request of the general council of the bank by majority of voting

2. By a court ruling, the PMA has the right freeze the money of the executive board president, any executive board member, key officials, or bank staff member if proven responsible for the loses of the bank

3. The PMA has the right to cancel the licensing of the branches of nonlocal banks according to what mentioned in point (1) and the following cases:

   a. If decided to cancel the licensing of its main offices at their homeland

   b. If proven unable to continue operations

   c. If unable to meet the public’s deposits requirements in Palestine

   d. If its main branch is unable to meet the public’s deposits requirements in Palestine and at its homeland

4. The license cancelations should be reasonable and in writing

5. The PMA specifies in its cancelation decision the date and the time of the implantations of the decision, as of the set date its not allowed for the bank to practice any banking transaction, and by that the bank stays adhering to this law
and its rules and procedures, until it handles all of its responsibilities according to PMA’s instructions

6. All PMA’s decisions in this regards should be advertised in the official newspaper and two additional daily newspapers in Palestine, or any other advertising method decided by the PMA, in case if there is branches of the local bank outside of Palestine then it should inform the monitory authority in that area bout the cancelation decision to take the necessary actions

7. Its not allowed for a bank that its license been cancelled by a decision from the PMA to practice any banking business except by a final court decision

Chapter Ten
Guardianship on banks

Article (56)

Hire an authorized official

The PMA has the right to hire an authorized official on the bank’s expenses for the following purposes:

1. To protect the bank assets for the good of depositors and lenders
2. To evaluate the bank’s financial status, and present it to the general assembly of the bank to recommend the release of the executive board and assign a new board if needed
3. To look for opportunities to sell the bank or parts of its rights or its branches, or merge it with another bank, or restructure it or restructure its capital, with respect to its shareholders
4. Recommendations to the PMA to liquidate the bank or merge it or sell it or sell a part of it or recommends to take any action mentioned in this law to protect the depositor’s money.
Article (57)

Powers and duties of the authorized official

1. The authorized official has all the power which PMA provides him with
2. The authorized official has to operate the bank according to best practices to get back to its safe financial position
3. The authorized official has the same rights as the executive board or key officials or bank staff and he has the same duties
4. The authorized official has the right to suspend rights of the shareholders, the chairman and executive board members and key officials or any bank staff member for duration as he sees applicable if they are not requested to do other tasks.
5. The authorized official has to treat all bank’s depositors and lenders equal
6. The authorized official has to provide reports to PMA on the improved bank status

7. The authorized official has to submit to the PMA procedures suggested to improve the bank status including merger or liquidations

Article (58)

End of guardianship

The guardianship ends in the following cases:

1. At the end of the specified time as long as not renewed by the PMA
2. If the PMA decides based on evaluations and recommendations of the authorized official, that the bank can operate safely
3. If the PMA decides to liquidate the bank
4. If the bank is merged or sold to another bank
Chapter Eleven

Article (59)

Liquidations

The PMA decides to liquidate a bank in the following two cases:

1. If decided to cancel the registrations of the bank and remove its name from the files according to Article (53) point (1) sub-point (p), or Article (55) or Article (56) point (4) of this law.
2. If the extraordinary general assembly of the bank with more than %75 of the shares recommends to the PMA to liquidate the bank.

Article (60)

Provisions for liquidation

1. The PMA hires an experienced liquidator for the bank and advertise the decision of his hiring after the cancelation of the bank’s license and after advertisement in the official newspaper and three other local newspapers that the bank is liquidated.
2. The liquidator can take any necessary actions to suspend the bank’s transactions and pay all its debts and collect all its account’s receivables and any other action to protect its valuables and rights.
3. Keep personal moral of the Bank to existent to the extent necessary for the liquidation and liquidation proceedings pending.
4. The bank is sued during its liquidation facing the liquidator only.
5. Its not allowed to any bank shareholder to request the pay off of any debts belong to the bank, this task is for the liquidator only.
6. The liquidator can demand form the bank’s manager, executive board members, any bank staff member, internal auditor, to pay off for any lose, damages, exchange of the bank’s assets that they have caused to the bank by wrong practices or offending the law which affected the bank to lose its licensing.
7. The liquidator has the right to sell the bank’s assets, movable and immovable, or any part of it or any other needed action for the purpose of liquidations to allow him to give back to depositors and lenders.
8. The liquidator is the legal representative of the bank during the liquidation process who has the right to take any legal actions to protect the rights of the bank and complete the
liquidation process and can sue or his representative on the bank’s behalf and represents the bank in courts in any court or type of case on all levels.

**Article (61)**

Deposit guarantee

1. Its allowable for the PMA and until the creation of deposits guarantee authority, and for the purpose of protecting the banking business to decide at a bank liquidation to pay off for the depositors through the liquidator a percentage of the value of their lose according to its capabilities, in this case the PMA takes the place of the depositors according to its payments and the liquidator should document all what the PMA has paid to depositors as debts on the bank, and this debt has a higher significance over other shareholder and lenders.

2. When the deposits guarantee authority is created and starts its operations, it will be coordinating with the PMA all of its responsibilities including bank’s liquidations according to its law.

**Article (62)**

Restrictions on assets transfer

In case of liquidations of a non-local bank in its homeland and its licensed to operate in Palestine as branches, it’s not allowed for the branches to take actions on of their assets or liabilities or move its properties outside of Palestine until all of its commitments are covered in Palestine and the liquidation process has ended and the getting a prior written approval from the PMA.
Distribution priority

The distribution of liquidation money according to the following:

1. The rights of PMA in the case if it took the depositors place
2. The rights of depositors
3. Special lenders
4. Regular lenders
5. Shareholders

Chapter Twelve
Banks merger
Article (64)
Enforced mergers

1. The PMA has the right to decide the merger or a bank or a portion of it with another bank or more, with the agreement of the general assembly of the bank which being merged with and the agreement of its public body regardless of the agreement of the bank which being forced to merge and its public body, in any of the following cases:

   a. Lack of commitment from the bank to meet the PMA requirements of the minimum capital and reserves, or incapable of meeting its obligations
   b. Lack of commitments by the bank’s executive board committee or its operation management to this law or its rules and procedures, after exhausting the procedures of Article (53) of this law
   c. Repetitions of the bank offences to this law which cause a loss and negatively affected the financial position

   Of the bank and threatened the interests of the depositors or threatened the banking system in Palestine

   d. Exploitation or waste of the bank’s money by those of relevant or noncompliance in corrective actions, by getting access to amenities without a prior written approval from the PMA, or by getting special conditions on lending not provided to other clients of the bank, or bypassing the limits set by the PMA for those of relevant, or by not paying off the nonpaid amenities provided to those of relevant

   e. Misuse of the bank’s money through high risks investments which caused the bank to high loss at the bank’s portfolio affected the bank financial status.
f. Violation of Bank ownership ratios of the set capital according to this law and its rules without a prior written approval from the PMA

g. If the bank suspends accepting deposits or stops providing credits or lending of all types

h. Per the recommendations of the authorized official

i. If the PMA sees it as a necessity for the public interest and safety of banking system

2. The PMA sets the necessary procedures to complete the merge

3. The PMA has the right to chose the consultants to evaluate the merged bank

Article (65)

Optional Merge

1. Its obligatory to get a prior written approval from the PMA on any banks mergers

2. Its obligatory to get the approval of the general assembly of the merged banks

3. The approval of the general assemblies mentioned in point (2) of this article is obligated to all shareholders of the merged banks

4. All decisions of the general assemblies of the merged banks has to be legally documented with the Corporate monitor until its publicized in the official news paper

Article (66)

Purchase (acquisitions and consolidation)

1. Its allowable for any bank after a prior written approval form the PMA, to purchase some or all of the bank’s assets, rights and obligations including:
a. Any credit the bank provided to its clients or pledges made by his beneficiaries and all guarantees personal and material, without approval by any shareholder, sponsor, or beneficiary or any other person

b. Any other rights or obligations regardless of its kind

2. The Purchase according to this article is treated as a merge to benefit from the merger exemptions mentioned in this law, and the selling bank has to adhere to the merged bank rules and the purchasing bank has to adhere to the merger bank or the outcome of the merger.

3. This purchasing has to adhere to article (65) points (2, 3, 4) of this law

**Article (67)**

Transfer rights and obligations

1. With respect to other rules of the same interests, the following is transferred to the new bank after the merge:

   a. All accounts, deposits, existing facilities of the merged banks and all of its personal guarantees, without a written approval from any client, sponsor, beneficiary or any other person

   b. All rights and obligations of merged banks including employment contracts or other contacts

2. The new bank after the merger will take place of the merged banks in all procedures including court cases for the bank or against it

3. The executive board of the outcome of the merged bank is responsible for the bank’s business and its results

**Article (68)**

Merge incentives
It’s allowable for the PMA for the purpose of encouraging banks to merge to provide some or all of the following incentives:

1. Quotas and mandatory cash reserve determinants, investments, credit, liquidity, concentrations, and share ownership, and other delimiters, and other delimiters as the PMA sees suitable
2. Provide tax exemptions for the new merged bank with coordination with the cabinet ministers to the duration and value of the exemption
3. Exempt the bank from a portion of the licensing and annual fees for a year able extendable by a decision from the PMA
4. Provide the Bank with a loan or loans for set durations and an interest rate set by PMA’s instructions

Chapter Thirteen
Transitional and final provisions

Article (69)
Scope of compliance of companies’ law

It’s obligatory for all banks to comply with the companies’ law or any act to take its place, on the condition of no contradictions with this law or its rules and regulations or instructions.

Article (70)
Designate all of fines and other expenses on banking accounts

The PMA has the right to designate all fines on banks and any other commissions or interests or other expenses to the banks’ accounts without banks’ agreements but has to be informed

Article (71)
Establishments of associations and organizations

1. The PMA in cooperation with persons subject to the provisions of this law has the following rights:
   a. Establishing associations to guarantee deposits and provide banking services
b. Establishing institutes and organizations for training

c. Organize the work and conditions of membership in the loan guarantee organizations and training institutes

2. For the banks operates in Palestine, lending agencies and money exchangers according to this law and the nonprofit organizations and private bodies to establish organizations have the benefit of legal personality

**Article (72)**

**Issuance of regulations and directives, resolutions and instructions**

1. Issue regulations to implement the provisions of this Law by the Council after the ratification of Palestinian Authority President

2. The PMA issues the instructions and decisions needed to implement this law by the PMA governor or his representative

**Article (73)**

**Work hours and official holidays**

The PMA has the right according to this law to set the working days and hours, holidays and vacations for banks and lending agencies complying with the labor law, it’s allowable to extend working hours with prior approval from the PMA and compliance with the current labor law.

**Article (74)**

**Regularization**

1. Its obligatory for every bank which comes across a conflicting operations with this law to inform the PMA in writing and to regularize it in three months as of the enforcement of this law otherwise its considered violator and punishable by this law

2. It’s obligatory to all lending agencies registered in Palestine when this law is enforced to submit an application for licensing to the PMA in order to practice its lending activities according to this law and its regulations.
3. When this law is enforced, the Banks which currently operates in Palestine is considered licensed to practice banking business as if it registrations is issued according to this law

The Palestinian Liberation Organization

The President

The Palestinian Authorities

Article (75)

Inconsistency Cancelation

1. Repeals the Banking law No. (2) of 2002 and remain regulations and directives, resolutions and instructions of the PMA enforced to the extent not contrary to the provisions of this law until its cancelation and issuance of instructions and guidance under this law

2. Repeals all contrary provisions of this law

Article (76)

Submission to legislative

The present Decree Legislative Council in first meeting for adoption

Article (77)

Execute and force

The respective competent authorities have to implement this law from the date of its publication in the official news paper.

Released from Ramallah on date: November, 8th, 2010
Mahmoud Abbas
President of Palestine
Chairman of the Palestinian Liberation Organization
Palestinian Authority President