

Law No. 2 of 1997
on the Palestinian Monetary Authority

The Chairman of the Executive Committee of the Palestine Liberation Organization and President of the Palestinian National Authority, having reviewed:

- Money-Changing Law No. 26 of 1941, implemented in the governates of Gaza;
- Banking Law No. 94 of 1996, implemented in the Governorates of the West Bank;
- Decree No. 184 of 1994 establishing the Palestinian Monetary Authority;
- The draft law submitted by the Council of Ministers;
- Upon the approval of the Legislative Council;

Hereby issues the following law:

Chapter One
Definitions and General Provisions

Article 1

In application of the provisions of this law, the following terms and expressions shall have the meanings indicated below, unless the context should require another meaning:

National Authority:	The Palestinian National Authority.
Cabinet:	The National Authority Cabinet [Council of Ministers]
Legislative Council:	The Palestinian Legislative Council
Monetary Authority:	The Palestinian Monetary Authority
Board:	The Monetary Authority's Board of Directors
Governor:	The Governor of the Monetary Authority
Deputy Governor:	The Deputy Governor of the Monetary Authority
Member:	A member of the Monetary Authority's Board of Directors
Spouse:	Husband or Wife
Bank:	Any bank licensed to carry out banking transactions in Palestine according to the provisions of the Banking Law.
Specialized lending institution:	Any institution or legal entity established in Palestine whose main objective is to grant loans for special purposes to be determined by the Cabinet and considered for the purposes of this law a specialized lending institution.
Public institution:	Any authority, agency, or other public entity in Palestine with the status of a legal entity.
Finance companies:	Any company whose articles of association and deed of incorporation state that its objectives include carrying out financial transactions related to the financing of development and investment projects, managing investment portfolios, and financial brokerage, in accordance with the provisions of the Banking Law.

Exchange activities:	Dealing in foreign currencies and precious metals, in accordance with the provisions of the Exchange Activities Law.
Money-changer:	Anyone licensed to engage in money-changing activities in accordance with the provisions of the Money-Changing Law.
Negotiable currency:	Any currency that can be traded in local and international money markets and freely negotiated at rates commensurate with the provisions of the International Monetary Fund Articles of Agreement.
Currency and Credit Law:	The law concerned with the issue, regulation, and control of currency and credit.

Article 2

An authority called the Palestinian Monetary Authority shall hereby be established with the status of an independent legal entity and full legal capacity to engage in all the activities and actions necessary to achieve the objectives for which it was established, including acquisition of the real estate and movable property necessary to carry out its work, in accordance with the provisions of the law.

Article 3

The Monetary Authority and its transactions shall be exempt from all taxes and government duties, including revenue stamp duties.

Article 4

The head office of the Monetary Authority shall be in the city of Jerusalem and its temporary office shall be at any other place to be determined by the National Authority. The Monetary Authority may open or close branches in the governorates of Palestine and may appoint agents or correspondents locally and abroad in accordance with the requirements of its work.

Article 5 - Objectives, Duties, and Powers of The Monetary Authority

The objectives of the Monetary Authority are ensuring the soundness of banking operations, maintaining monetary stability, and encouraging economic growth in Palestine, in accordance with the general policy of the National Authority. To achieve these objectives, it shall have the following duties and powers, in accordance with the provisions of the law:

1. Issue the national currency and coins in due course, in accordance with the terms and conditions to be determined by the law on issuing currency and securing the required cash reserve.
2. Regulate banking activities, issue and cancel bank licenses, control and supervise banks, and impose penalties on them.
3. Prepare, regulate, and publish the balance of payments.
4. Provide liquidity to banks within the legally established limits.

5. Develop, regulate, and implement monetary and credit policies and policies on dealing in foreign currencies, in accordance with the provisions of the Currency and Credit Law.
6. Maintain and manage the National Authority's reserve of gold and foreign currencies.
7. Provide financial and economic advice to the National Authority, carry out economic and monetary analyses on a regular basis, and publish the results.
8. Serve as financial agent to the National Authority and Palestinian public institutions inside and outside Palestine.
9. Develop and implement regulations, decrees, and instructions to ensure maintenance of an effective, secure, and sound banking system.
10. Regulate the quantity, quality, and cost of credit in order to meet the requirements of economic growth and monetary stability, in accordance with the provisions of the Currency and Credit Law.
11. Serve as the bank for licensed banks, specialized lending institutions, and finance companies and supervise them to ensure the soundness of their financial position and the protection of depositors' rights.
12. Regulate activities of money-changers, finance companies, and development and investment funds; issue them the relevant licenses, and control and supervise them.
13. Carry out any other tasks assigned to it by any relevant legislation, law, or agreement, provided that they do not conflict with the provisions of this law.

Article 6

The Monetary Authority may engage in the following activities, provided that they do not conflict with the provisions of this law:

1. Issue, manage, and maintain bonds on behalf of the National Authority, buy them from or sell them to individuals, banks and other entities, in order to achieve the goals its monetary policy.
2. Carry out transfers related to its activities.
3. Grant licenses to banks or their branches, approve their merger, closure, the opening of offices, or revoke their licenses.
4. Sell movable property or real estate transferred to it in settlement of due debts.
5. Buy, lease, sell, and maintain its own buildings and equipment.
6. Regulate, control, protect, and manage paper currency and metal coins in circulation, in accordance with the Currency and Credit Law.
7. Impose appropriate fees on any type of services it provides.
8. Terminate all operations and activities engaged in before this law was issued, which conflict with the provisions of this law.

Article 7

a. The Monetary Authority may not:

1. Provide financial assistance, whether in direct form, grant, emergency commitment, purchase of debt instruments, or in any other form, except within the provisions of this law.

2. Engage in commercial activities or buy shares in companies or finance institutions.
3. Buy or rent real estate, except as necessary or suitable for the exercise of its activities and discharge of its functions.

b. As an exception from the above provisions, the Monetary Authority may:

1. Hold a share in the ownership of any establishment or participation in an establishment that engages in other activities considered by the Monetary Authority as necessary for the discharge of its functions or responsibilities in a sound manner, including international monetary and finance establishments.
2. Invest its financial resources in liquid debt instruments issued by entities with credit capacity and collect the debts owed to it.
3. Obtain, for the purpose of collecting the debts owed to it, the interests and rights referred to in this article, provided that it disposes of these interests or rights at the earliest possible date.
4. Establish pension and savings funds and provide advances and loans to its employees, in accordance with the provisions of the law.

Chapter Two Financial Provisions

Article 8

- a. The authorized capital of the Monetary Authority shall be \$15 million or its equivalent in circulating currencies, to be paid by the National Authority. The capital may be increased by a decision taken by the Chairman of the National Authority upon the recommendation of the Board.
- b. The capital is not transferable or mortgageable and may not be reduced except by means of a law.

Article 9

If the budget for any fiscal year indicates that the assets of the Monetary Authority are less than the sum of its capital and liabilities, the deficit shall be covered by the special reserve for this purpose. If this reserve is not sufficient, the National Authority shall pay the difference in cash or issue negotiable debt instruments at the interest rates prevailing in Palestine, and transfer them to the Monetary Authority.

Article 10

The net profits for each fiscal year shall be determined after settlement of the debt instruments issued in accordance with the preceding article, after deducting all liabilities and expenditures, in particular the following:

1. the reserve for bad and doubtful debts;
2. depreciation of assets and operating costs for the fiscal year;

3. retirement and savings funds;
4. any special reserves for other anticipated expenses or for covering any deficiency in the assets of the Monetary Authority.

Article 11

- a) At the end of each fiscal year, the net profits shall be transferred to the capital account until the authorized capital is covered in full.
- b) Upon covering the capital in full, an amount equivalent to 25 percent of net profits shall be credited to the general reserve until the balance in this account becomes twice as much the capital. The general reserve may not be used excepts for the purposes of reducing the loss sustained by the Monetary Authority.

Article 12

After deduction of all liabilities and expenditures and completion of transfers to the general reserve account, the net profits shall be transferred to the treasury of the National Authority.

Article 13

Distribution of the profits mentioned in the preceding articles shall not be obligatory if the Monetary Authority considers, based on its budget and subject to approval by the Chairman of the National Authority, that its financial position will be adversely affected as a result.

Chapter Three Management

Article 14

- a) The Monetary Authority shall be managed by a Board of Directors comprising nine members, presided over by the Governor and with the following members:
 1. the Deputy Governor;
 2. a representative of the Ministry of Finance;
 3. six senior specialists in banking, financial, economic, and legal affairs capable of contributing to achieving the objectives of the Monetary Authority, none of whom may be employed in the banking sector.
- b) All members of the Board must be impartial and highly qualified in banking, financial, or economic affairs.

Article 15

- a) The Governor and Deputy Governor shall be appointed by a decision to be taken by the Chairman of the National Authority upon the recommendation of the Cabinet.

- b) The representative of the Ministry of Financial shall be appointed by a decision to be taken by the Chairman of the National Authority upon the recommendation of the Minister of Finance.
- c) The remaining Board members shall be appointed as follows:
 - 1. two members by a decision to be taken by the Chairman of the National Authority;
 - 2. three members recommended by the Cabinet and by a decision to be taken by the Chairman of the National Authority;
 - 3. one member proposed by the Governor and by a decision to be taken by the Chairman of the National Authority.
- d) The term of membership of the Governor and his deputy shall be four years and the term of membership of the Board members shall be three years.
- e) The Governor, Deputy Governor, or members may be reappointed once.
- f) If the position of the Governor, his deputy, or any member becomes vacant before expiration of his term, a replacement shall be appointed in accordance with the provisions of Article 14 of this law and paragraph (a) of this article to complete the remaining period.

Article 16

No one except a Palestinian national shall be appointed as Governor, Deputy Governor, or member, each of whom must swear the following legal oath before the Chairman of the National Authority:

“I swear in the name of God Almighty that I will be loyal to my country Palestine and that I will devote all my capabilities to the performance of the duties assigned to me as a Governor/Deputy Governor/member of the Board of the Monetary Authority, with all honesty, impartiality and sincerity, and that I will observe the law and confidentiality of all decisions and transactions to which I have access with respect to the activities of the Monetary Authority, unless the law should require otherwise.”

Article 17

- a) The Board of Directors is the highest authority for issuing decisions at the Monetary Authority; it is entrusted with approving the policies of the Monetary Authority and supervising the management of its operations in a manner that serves the established economic policy of the National Authority; and it enjoys full powers to achieve its objectives in accordance with the provisions of this law.
- b) The Board shall be responsible to the Chairman of the Palestinian National Authority.

Article 18 – Powers of the Board

Under the provisions of this law, the powers of the Board shall include the following:

1. Determining the monetary, credit, and investment policies of the Monetary Authority and supervising the performance of its duties.
2. Deciding on matters related to issuing currency and withdrawing it from circulation, in accordance with the provisions of the Currency and Credit Law.
3. Licensing banks operating in Palestine, revoking their licenses, imposing penalties on them, and approving their mergers and the opening of new branches.
4. Licensing the opening of branches of foreign banks and their representative offices and revoking the licenses of these branches and offices.
5. Licensing specialized lending institutions and finance companies.
6. Determining the percentage of compulsory reserve that banks must maintain with the Monetary Authority, determining of the rate of discount, interest, and commissions charged by the Monetary Authority and the limits of market operations opened by it.
7. Approving the Monetary Authority rules and regulations and endorsing the internal policies governing its management and operations.
8. Approving regulations concerning employees and workers at the Monetary Authority and determining its organization structures.
9. Establishing or canceling Monetary Authority branches, offices, and agencies.
10. Approving the amount, terms, and conditions required for the issue and circulation of the securities.
11. Approving and implementing policies related to foreign currency trading activities and determining the bond discount system.
12. Establishing reserves for bad and doubtful debts after completion of the relevant legal procedures.
13. Recommending any increases in the capital of the Monetary Authority.
14. Developing guidelines for the Monetary Authority's dealing with banks.
15. Approving the annual budget of the Monetary Authority.
16. Approving the annual report, final audit, and the profit and loss account.
17. Approving the appointment of banks' general and regional managers and advisers.
18. Developing regulations governing the rules for granting housing loans provided by the Monetary Authority to its employees.
19. Appointing advisers to assist the Monetary Authority for a specified period of time, in accordance with the conditions established by the Board.
20. Appointing the general and executive managers at the Monetary Authority, upon the recommendation of the Governor.
21. Appointing an external auditor, who shall submit his report to the Board with copies to be made available to the Chairman of the National Authority and the Cabinet.
22. Carrying out all other tasks falling within its jurisdiction.

Article 19

- a) The salary and other financial rights of the Governor and Deputy Governor, as well as the remuneration of Board members, shall be determined by a decision to be taken by the Chairman of the National Authority.

- b) The salaries, remuneration, and allowances of Board members or employees of the Monetary Authority shall not be paid on the basis of the profits realized by it.

Article 20

- a) The Board shall meet at the invitation of the Governor or his Deputy, and it may also meet at the written request submitted by at least one-third of the Board members to the Governor or in his absence, his deputy. The call for a meeting must indicate the date, place, and agenda of the meeting at least five days before the date determined for holding the meeting, although in case of necessity a meeting may be held upon shorter notice.
- b) The Board shall hold an ordinary meeting at least once every month.
- c) The Governor shall preside over the meetings of the Board of Directors and in the event of his absence, the Board shall be presided over by the Deputy Governor.

Article 21

- a) At least two-thirds of the Board's members must be present to constitute a quorum, and either the Governor or the Deputy Governor must be present.
- b) The Board shall take its decisions by majority vote of the Board members [present], unless otherwise stated, and in case of a tie vote the side of the person presiding over the meeting shall prevail.

Article 22

- a) Deliberations at the meetings of the Board shall be confidential. However, the Board may, subject to the approval of all its members, make some of its deliberations public.
- b) In cases where approval of all Board members is required, the decision of the Board shall be considered valid even in the event of vacancy of one of the Board of Directors' seats.

Article 23

- a) The Governor, Deputy Governor and members shall, after their appointment and in every subsequent year, submit to the Board regular and complete information concerning the commercial and financial interests pertaining directly or indirectly to them or to their spouse and minor children.
- b) Any member having an interest in a subject presented for discussion by the Board shall declare his interest and withdraw from the meeting before the discussion starts, in which case he will not participate in the decision-making and will not be counted for purposes of discussion as part of the quorum required for Board meetings.

Article 24 - Powers of the Governor

According to the provisions of the law, the Governor is considered the first executive responsible for management of the Monetary Authority activities and is responsible before the Board for implementing the decisions taken by the Board. The Governor also represents the Monetary Authority in its relationships with the National Authority, local and foreign bodies, third parties, and before courts of law.

The particular duties and responsibilities of the Governor are as follows:

1. Advising the Board of the decisions and actions taken with respect to important matters and issues.
2. Signing banknotes together with the Minister of Finance, according to the provisions of the Currency and Credit Law.
3. Signing contracts that impose financial commitments on the Monetary Authority.
4. The Governor shall be responsible for ordering payments at the Monetary Authority, in accordance with established regulations and instructions or as determined by the Board of Directors.
5. Signing, individually or collectively with others at the Monetary Authority, accounting reports and data, financial statements, and important correspondence and documents, in accordance with established regulations and instructions or as determined by the Board of Directors.
6. Representing the Monetary Authority before the competent committees of the Legislative Council that are responsible for researching affairs related to the Monetary Authority or the laws concerning its activities, unless a decision is taken assigning this responsibility to another person.
7. Publishing any data or announcements related to the policy and procedures of the Monetary Authority.
8. The Governor may, subject to the Board's approval, delegate in writing his Deputy or other employee of the Monetary Authority to exercise some of his powers, but he remains responsible for such powers before the Board.

Article 25

The Governor shall submit to the Board a periodic report, every three months and as necessary, on the management and operations of the Monetary Authority, the status of the banking system, conditions of monetary and financial markets as well as foreign currency markets, and all events and circumstances that influenced or are expected to influence the Monetary Authority.

Article 26

In accordance with the provisions of the law and in cases of utmost necessity and impossibility of the Board's meeting, a three-person committee formed of the Governor, Deputy Governor, and a third member to be nominated by the Board as an exception from the provisions of Article 18, may take a decision related to the duties of the Board of Directors, in which case [it] shall call the Board to meet within a maximum period of five

days from the date of the decision to notify the Board, which may cancel the decision of the committee.

Article 27

- a) The Deputy Governor shall assist the Governor in the performance of his duties and functions and shall exercise all the power and responsibilities of the Governor during his absence from work for any reason.
- b) In case of the absence of the Governor and his Deputy, the Chairman of the National Authority shall request a member of the committee to carry out the duties of the Governor temporarily until either of the two return to work, for a period not to exceed three months.

Article 28

- a) The Governor and his Deputy shall serve full-time at the Monetary Authority and neither of them, while assuming his position, may do any work or hold any position or employment with or without remuneration, nor be employed in the service of any banking or financial institution for a period of one year after leaving service with the Monetary Authority.
- b) No Board member or employee of the Monetary Authority may accept any gifts, assistance, or credit for himself or for any other person with whom he has a family, commercial, or financial relationship, if such acceptance would lead to or give the impression of leading to a decrease in his devotion to his work.
- c) No employee at the Monetary Authority may perform any other work with or without remuneration.

Article 29

- a) The Board may seek the assistance of experts as needed and determine their remuneration, and it may invite persons to its meetings to address the Board on a particular subject, without having a vote in the deliberations.
- b) Subject to approval by the Board, the Governor may appoint an advisory committee from outside Monetary Authority employees and may determine its functions, work methods, and remuneration.

Article 30 - Resignation

The Governor, Deputy Governor, or member may tender his resignation to the Chairman of the National Authority, in which case another person shall be appointed in his place within a period not exceeding three months from the date of accepting the resignation.

Article 31 - Termination of Service

- a) The services of the Governor, his Deputy, or any Board member shall be considered terminated in any of the following cases:
 - 1. if he is convicted of a crime or misdemeanor involving moral turpitude or dishonesty;
 - 2. if he declares bankruptcy;
 - 3. if he loses his capacity or is banned from exercising his duties by a court decision.

- b) The services of the Governor, his Deputy, or any member shall be terminated by a decision to be issued by the Chairman of the National Authority in any of the following cases:
 - 1. if he absents himself from attending three consecutive meetings of the Board without good reason;
 - 2. if he grossly neglects or causes serious damage to the interests of the Monetary Authority;
 - 3. if he violates the provisions of this or any other law relevant to banking activities.

Article 32

By a decision to be issued by the Chairman of the National Authority upon the recommendation of the Cabinet, an independent auditor shall be appointed to audit the accounts of the Monetary Authority and certify the annual budget, profit and loss accounts, and other financial lists issued by it. He shall submit his report to the Chairman of the National Authority and the Cabinet. The Monetary Authority shall put at the disposal of the auditor any of its records, books, and documents which he considers necessary and suitable for the performance of his work.

Article 33

No member, employee, agent, auditor, or correspondent may disclose, declare in any form, use, or enable another person to have access to any data or information related to the affairs of the Monetary Authority or its customers that he obtains *ex officio*, unless it is required for the performance of his duties, in accordance with specific official instructions or in execution of the law or a court order.

Chapter Four Relationship with the National Authority

Article 34

Insofar as it does not conflict with the provisions of this law:

- 1. The Monetary Authority may accept deposits from the National Authority and public institutions. In its capacity as a depository, it shall receive monies from the National

Authority, open accounts for it, and carry out the banking services and operations associated with it. The Monetary Authority shall pay monies within the limits of the deposited amounts pursuant to payment orders. The Monetary Authority may agree on payment of interest on these deposits.

2. The Monetary Authority may authorize other financial institutions to accept such deposits, in accordance with the conditions it determines in this regard.

Article 35

In accordance with the provisions of this law:

- a) The Monetary Authority shall serve as a financial agent to the National Authority in the following areas:
 1. Marketing, management, and transfer of debt instruments issued by the National Authority and public institutions, and registering these securities.
 2. Carrying out payment transactions related to accounts of the National Authority and public institutions opened with the Monetary Authority.
 3. Any tasks assigned to it by the National Authority in accordance with the objectives and duties of the Monetary Authority.
- b) The Monetary Authority, upon reaching an agreement with the Ministry of Finance, may perform all the duties related to the registration, control, and management of foreign debt of the National Authority and public institutions, in accordance with the conditions to be determined by the National Authority in conformity with the laws and regulations of the Monetary Authority.

Article 36

- a) At the request of the Minister of Finance, the Monetary Authority may provide the treasury with an interest-free advance to cover any seasonal deficit resulting from the National Authority's expenses exceeding its revenues, provided that the advance submitted under the provisions of this article does not exceed 10 percent of domestic revenues as estimated in the budget law in force at the time the request for advance is submitted.
- b) This advance shall be for a period of three months, renewable for another three months and so on, and must be paid within a maximum of 12 months from the date on which it was provided.
- c) The terms of this advance shall be determined by an agreement between the Ministry of Finance and the Monetary Authority, according to the cash and credit conditions prevailing at the time it is provided.

Article 37

- a) The Chairman of the National Authority and the Cabinet shall seek the opinion of the Governor when matters associated with monetary or credit policy are discussed or when any foreign loan or credit granted to the National Authority or public institutions is negotiated, in order to demonstrate its effect on monetary stability and the status of payments in Palestine.
- b) The Cabinet and the Minister of Finance shall seek the opinion of the Governor when matters associated with financial policies affecting the monetary and credit situation in Palestine are discussed.

Article 38

The Monetary Authority may buy or sell debt instruments issued by the National Authority in the secondary market, directly or indirectly, by means of repurchase agreements.

Article 39

The Monetary Authority shall submit to the Chairman of the National Authority and Cabinet once every three months a detailed report on its activities and the monetary situation in Palestine. The Monetary Authority also shall submit within three months of the end of each year a summary report on its activities during that year, in addition to the annual budget, the profit and loss account, and other financial statements audited by the independent auditor.

**Chapter Five
Relationship With Banks**

Article 40

- a) Subject to the Provisions of this law, banking activities may be practiced engaged in only after obtaining a license from the Monetary Authority. Licensed banks shall be recorded in the register designated for this purpose at the Monetary Authority, and the decision to grant a license shall be published in the official gazette.
- b) The Monetary Authority shall develop the regulations and instructions necessary for this purpose. Such regulations and instructions shall be issued by a decision from the Chairman of the National Authority upon the recommendation of the Board, and shall be published in the official gazette.
- c) Banks in existence on the effective date of the regulations and instructions described in the preceding paragraph shall comply with these regulations and instructions within the prescribed period, which shall not be less than three years, and the Monetary Authority shall determine the relevant procedures.

Articles 41

The Board shall develop regulations and instructions governing the secrecy of bank accounts and the exchange by banks of information and data relative to the indebtedness of their clients and the facilities to be granted to them as determined by the Monetary Authority and the Board, in accordance with the provisions of the Banking Law.

Article 42

- a) No bank other than those licensed and registered in accordance with the provisions of this law may use in its commercial address or publicity the expression “bank,” “banker,” or any other similar expression which may in any way mislead the public regarding the nature of its activity.
- b) Anyone violating the provisions of the preceding paragraph shall be penalized by imprisonment for a period not exceeding three months or a fine not exceeding \$250,000 or its equivalent in the circulating currency, or both, unless another law provides for a more severe penalty.

Article 43

Licensed banks shall request the approval of the Monetary Authority for the amendments they wish to make in their charters or by-laws and such amendments will not be effective until they are recorded in the margin of the register of the concerned bank.

Article 44

- a) No licensed bank discontinue its operations or be merged into any other bank except after obtaining a license from the Monetary Authority.
- b) The license referred to in the preceding paragraph may not be issued until the Monetary Authority verifies the bank’s fulfillment of all its commitments towards its clients and creditors or settlement thereof in a manner acceptable to the Monetary Authority.

Article 45

- a) The Monetary Authority may remove a licensed bank from the register in any of the following cases:
 - 1. at the request of the concerned bank;
 - 2. if the bank does not commence its activities within a year from the date of having been notified of the decision to register it;
 - 3. if it declares bankruptcy or if a decision is issued to liquidate it;
 - 4. if it is merged into another bank without the Monetary Authority’s approval;
 - 5. if it repeatedly violates the provisions of this law or any other legislation in a manner that threatens to harm the interest of the depositors.

- b) Before removing a bank from the register, the Monetary Authority shall request the concerned bank to submit its comments on the relevant facts within two weeks from the date of its receiving notice from the Monetary Authority.
- c) The deletion shall result in revocation of the license automatically, and the decision shall be considered effective as of the date of its being published in the official gazette, unless another effective date is specified.
- d) The bank may appeal the decision to remove it from the register, in accordance with the law.

Article 46

- a) The Monetary Authority shall exercise control over banks and in the course of doing so may carry out an inspection of any bank to ensure the soundness of its financial standing and to what extent it observes the provisions of the law and the regulations, decisions, and instructions issued by the Monetary Authority. The bank shall provide the person appointed by the Monetary Authority to carry out the inspection access to all its books, documents, instruments, accounts, funds and safes, and shall provide him with all the information he requires.
- b) The international accounting standards (IAS) issued by the International Accounting Standards Committee (IASC) shall be used in the evaluation, analysis, and registration of all banking operations and in the preparation of all their final audits and financial statements.

Article 47

- a) If a licensed bank violates the provisions of this law, its charter, or any measure imposed by the Monetary Authority, or if it fails to submit the data and information required or submits deficient or false information, the Monetary Authority may impose on the violating bank one of the following penalties:
 - 1. a warning;
 - 2. reducing or suspending of the credit facilities granted to it;
 - 3. preventing it from carrying out certain operations or imposing any other penalties on the bank in violation in the exercise of its activities;
 - 4. appointing a temporary controller to supervise the progress of its activities;
 - 5. dissolving the Board of Directors of the violating bank and appointing an authorized person to manage the bank for a period not to exceed six months; during the term of his appointment the authorized person shall submit the matter to the bank's general assembly to select a new Board of Directors;
 - 6. removing it from the bank register.
- b) In all cases, no penalty may be imposed except after hearing the explanations of the concerned bank.

Article 48

If the Monetary Authority discovers, upon inspection of the activities of any bank, that it has violated the laws, regulations, or instructions or failed to observe the terms of the license granted to it, the Monetary Authority may ask it to take corrective measures or impose on such bank any of the established penalties.

Article 49

- a) No licensed bank whose main office is in Palestine may open a new branch inside Palestine nor may it change the location of the branch or close a branch without obtaining the prior approval of the Monetary Authority.
- b) No licensed branch of a foreign bank may open a new branch inside Palestine nor may it change the location of the branch or close a branch without obtaining the prior approval of the Monetary Authority.

Article 50

The Monetary Authority shall cooperate on the basis of reciprocity with any foreign entity responsible for supervising banks and may exchange information with such entity, provided that it agrees to respect the confidentiality of information.

Article 51

- a) The Monetary Authority shall have the power to determine banks' compulsory reserve requirements in accordance with the regulations and instructions determining the reserve ratio and the method of computing it as a certain percentage or percentages of their various deposits, not less than 5 percent nor more than 35 percent, as well as the penalties it imposes on banks for failure to comply with either of the two percentages and any earnings the Monetary Authority deems fit to pay them.
- b) The compulsory reserve shall be deposited with the Monetary Authority according to the regulations to be issued for this purpose determining the percentages of the compulsory reserve based on the volume of deposits, borrowed funds, and any other liabilities of banks. The percentages of the compulsory reserve shall be the same for each category of liabilities a single currency for all banks of the same category.

Article 52

The Monetary Authority may open any bank accounts it considers necessary for the discharge of its functions, open accounts in its books for banks, and accept deposits from these banks in accordance with the terms and conditions to be determined by the Monetary Authority.

Article 53

The Monetary Authority shall create, singly or in cooperation with banks, a central information service for the banking system and shall updating this service on a continual basis.

Article 54

The Monetary Authority shall provide banks with services for settlements and repayments.

Article 55

The Monetary Authority, in coordination with the Ministry of Finance, may act as a mediator to transfer funds provided by international financing institutions and foreign governments to the beneficiaries, in accordance with the provisions of the budget law.

Article 56

- a) The Monetary Authority may buy, sell, discount or rediscount various credit instruments to banks to finance commercial, industrial, and agricultural activities.
- b) The maturity date of these instruments may not exceed 90 days from the date of their acquisition by the Monetary Authority, and may not be extended under any circumstances.

Article 57

The Monetary Authority may provide banks with loans or advances for a period not exceeding 120 days to cover their cash flow requirements, the collateral for which may be from any of the following assets:

1. international reserves instruments;
2. other public debt securities issued or guaranteed by the National Authority which constitute a part of a public subscription;
3. deposits with the Monetary Authority or another depository acceptable to the Monetary Authority in the form or assets which, in accordance with this law, the Monetary Authority is permitted to buy, sell, or deal in, them including gold.

Article 58

- a) If a bank requests an extension of the credit provided or amendment of the surety conditions for the credit as established in the preceding article, it must submit a financial reform program to the Monetary Authority.

- b) After approval by the Board of this program, the Monetary Authority may grant the requested extension and accept amendment of the surety conditions, provided that the total value of the loan does not exceed 20 percent of the total amount of the bank's recoverable assets.

Article 59

- a) The Board shall determine the maximum percentage of the value of the surety deposited to guarantee each of the credit operations set forth in the preceding articles.
- b) During the term of the facilities referred to in Articles 57 and 58 of this law, the Monetary Authority shall maintain special supervision over any bank granted such facilities, and for this purpose may take all measures permitted under the law.
- c) If the Monetary Authority discovers that the concerned bank was unable to carry out the approved program, the Monetary Authority shall take appropriate legal measures, and in all cases the total period of the loans and facilities granted may not exceed 180 days, including the original period referred to in Article 57 of this law.

Article 60

The Monetary Authority shall determine the interest rates or fees imposed on banks against discount or credit operations or other direct or indirect facilities, and it may set interest rates or fees for the various categories and kinds of operations or transactions, at its discretion.

Chapter Six Organization of Foreign Exchange and Foreign Relationships

Article 61

- a) Except for the national currency, all other currencies are considered to be foreign exchange.
- b) In accordance with the Foreign Exchange Control Law and the Exchange Activities Law, the Monetary Authority shall be responsible for:
 - 1. Developing the regulations and instructions governing dealing in foreign exchange.
 - 2. Granting and revoking licenses of foreign exchange dealers.

Article 62

Without prejudice to the provisions of the law, the Monetary Authority may carry out the following activities:

- 1. Buying, selling, transferring, or accepting as trust checks, bonds, securities, gold, silver, and foreign currencies.

2. Buying and selling shares and securities in any financial or banking institution established in Palestine, provided that the Cabinet approves these procedures and that the total investment of the Monetary Authority in such shares and securities does not exceed 25 percent of the total capital account and general reserve.
3. In accordance with special agreements to which the National Authority is a party and by a decision to be issued by the Chairman of the National Authority, the Monetary Authority may subscribe to the capital of any banking or financial institution established outside Palestine, provided that the total subscriptions of the Monetary Authority do not exceed 25 percent of the capital account and general reserve.
4. Opening and maintaining accounts with central banks and foreign or international financial institutions, subject to approval by the Cabinet.
5. Acting as agent or correspondent bank for central banks, foreign or international financial institutions, and their agents, in the areas falling within their jurisdiction.
6. Providing advice to the National Authority on all loan contracts and securing sureties and guarantees for these loans.
7. Conducting negotiations and concluding payment and repayment agreements and any other contracts for these purposes with the public or private central repayment institutions existing abroad.

Article 63

- a) The Monetary Authority shall be responsible for the international reserves of the National Authority and all Palestinian public institutions pursuant to the terms and conditions to be determined by the Board, in coordination with the Ministry of Finance, taking into consideration the liquidity and profitability standards when selecting reserve assets.
- b) International reserves comprise all or some of the following assets:
 1. gold;
 2. foreign currency kept with the Monetary Authority or in accounts abroad with first class financial and banking institutions;
 3. any other assets internationally recognized (as international reserve);
 4. promissory notes and bills of exchange drawn up in foreign currencies that are generally accepted in international transaction and payable abroad;
 5. government bonds issued by foreign governments in their own currency, provided that the Cabinet classifies them as qualified bonds;
 6. other negotiable securities issued by international agencies or first class foreign financial institutions, provided that they are classified by the Board as qualified securities.

Article 64

The Monetary Authority shall create an account called “Valuation Reserve Account” and shall manage this account in the following manner:

1. This account includes any profits which may be realized as a result of a change in the value of the assets or liabilities of the Monetary Authority in gold and local or international currencies which the Monetary Authority does not use as an accounting unit.
2. If a change in currency or gold prices results in a loss affecting the value of the assets and liabilities of the Monetary Authority and causes a deficit in the Valuation Reserve Account, the National Authority shall issue interest-free negotiable securities to cover the deficit.
3. If a surplus in the Valuation Reserve Account is realized at the end of any fiscal year, it shall be allocated for payment of the value of the securities indicated in the preceding paragraph.
4. If an additional surplus develops as a result of changes in the values of currencies or gold after payment of the value of the securities indicated in paragraph 2 of this article, it may not be used for other purposes and shall remain in the Valuation Reserve Account to be used for covering any future losses, in accordance with the provisions of this article.
5. Any profits or losses resulting from fluctuations in currencies or gold prices that are not the accounting unit used by the Monetary Authority shall remain in the Valuation Reserve Account” and shall appear in the profit and loss account.

Chapter Seven Accounts, Financial Data, Reports and Audit

Article 65

- a) The fiscal year of the Monetary Authority shall begin on the first day of January and end on the last day of December of each year.
- b) The Monetary Authority shall maintain complete accounts and records accurately reflecting its operations and financial position, in accordance with the International Accounting Standards (IIS) issued by the International Accounting Standards Committee (IASC).
- c) The Monetary Authority shall prepare data for each fiscal year and include them in its budget, profit and loss accounts, and related reports, in accordance with the International Accounting Standards issued by the International Accounting Standards Committee.

Article 66

- a) The Monetary Authority shall submit the following to the Chairman of the National Authority and the Cabinet within three months following the end of each fiscal year:
 1. a copy of its financial statements certified by the approved independent auditors;
 2. a report on its operations and activities during that year.
- b) The Monetary Authority shall publish a summary of the data and reports referred to in paragraph (a) of this article and may also publish any reports and financial and economic studies it considers relevant.
- c) The Monetary Authority shall, within 15 days following the end of each quarter, prepare and publish summary financial data covering that period.

Article 67

The Monetary Authority shall submit to the Chairman of the National Authority and Cabinet an annual report within one month following the end of each fiscal year, including at least:

1. A projection and explanation of the policies and programs to be adopted by the Monetary Authority in the semi-annual and annual range for achievement of its purposes.
2. A projection of the principles and guidelines to be followed by the Monetary Authority in determining and executing its policies over the next two years or over a longer period, as determined by the Monetary Authority.
3. A review and evaluation of the activities and achievements of the Monetary Authority during the period subsequent to [the period covered by] the last report.

Chapter Eight - Final Provisions

Article 68

- a) The Monetary Authority shall have unconditional priority in honoring all claims upon it from any cash balances and other assets in its possession, for its own account or for the account of the concerned debtor, whether as a surety to secure its claims or otherwise at the time such claims become due and payable, with the exception of banking assets held by the Monetary Authority as compulsory reserves.
- b) The Monetary Authority may exercise its preferential right only through maintenance of cash balances and selling of other assets at a reasonable price, and may pay to itself from the proceeds of sales, after deducting the costs associated with such sales. Issue of a judicial order is not necessary for the Monetary Authority to exercise its preferential right, and any competing claims shall not be permitted to delay the exercise of this right, in accordance with the provisions of this article.

Article 69

- a) The Monetary Authority shall collect from the competent entities and economic agents the information and statistics required to meet its objectives and carry out its duties.
- b) The Monetary Authority shall determine by means of a special regulation the type of information and statistics required, the form in which this information should be submitted, and the entities responsible for providing its, and the confidentiality of the information submitted to it.

Article 70

The Monetary Authority shall have regulatory authority for the performance of its duties, and all regulations and instructions shall be published in the relevant media, and shall be valid as of the date determined for their enforcement. The Monetary Authority shall maintain a general register for these regulations and instructions.

Article 71

The Monetary Authority may not be cancelled or liquidated except by means of a law, which shall determine the procedures and dates of its liquidation.

Article 73

Decree No. 184 of 1994 establishing the Palestinian Monetary Authority and appointing a director general for it is hereby revoked, as well as any other legislation that is inconsistent with the provisions of this law.

Article 73

The Board shall develop the regulations and decrees required to implement the provisions of this law, which shall be issued by decree of the Chairman of the National Authority and shall be published in the official Gazette.

Article 74

All competent agencies shall implement this law as applicable, and the law shall take effect 30 days following the date of its publication in the Official Gazette.

Issued on December 16, 1997

Yasser Arafat

Chairman of the Executive Committee of the Palestine Liberation Organization

President of the Palestinian National Authority