



The Palestinian Authority plans to establish a bank to enable it to transfer payments to Palestinian prisoners and the families of shaheeds.

June 4, 2020

Overview

► **The Commander of the IDF's Central Command issued an order on May 9, 2020, banning the provision of banking services in Judea and Samaria to Palestinian terrorist prisoners and the families of shaheeds. A number of Palestinian and Arab banks announced they were freezing the activity of the accounts of the prisoners and the families of shaheeds.** Their announcement led to a wave of violent protests against several bank branches in Judea and Samaria. Pressured by the Palestinian Authority (PA), the banks agreed to reverse the freeze until the matter could be regulated legally. To that end **the PA appointed a committee to examine solutions that would protect both the payments of the salaries and the banks, and ensure the continued transfer of funds by the PA.**



Right: The window of the Cairo Amman bank in Jenin, shattered by gunfire in a violent protest against the banks (QudsN Twitter account, May 8, 2020). Left: Notices pasted on the window of the Cairo Amman bank in Ramallah calling the freezing of the prisoners' accounts "a disgrace" (QudsN Twitter account, May 7, 2020).

Following the order and the freezing of the activity of the accounts, **the PA looked for a mechanism to circumvent it in order to continue transferring payments to the families of prisoners and shaheeds.** On June 1, 2020, **Qudri Abu Baker, head of the PA authority for prisoners' and liberated prisoners' affairs ["the prisoners' authority"],** announced they had decided **to establish a bank to deal with the frozen accounts and payments.** The bank will not be connected to Israeli or international institutions. On June 1, 2020, its

establishment was authorized by the PA government but it still needs Mahmoud Abbas' approval. Until the new bank has been established, the banks will continue paying the salaries of the prisoners and families of shaheeds as usual (Facebook page of the authority for prisoners, June 1, 2020). According to Abu Baker, **Israel transferred the full amount of the March and April 2020 tax revenues to the PA without deductions¹**, as opposed to the year and a half. He said that the PA did not yet know if Israel would transfer the funds for May (Facebook page of the friends of Qudri Abu Baker, June 2, 2020).

► On June 3, 2020, **Israel told the PA that Israeli Minister of Defense Benny Ganz had decided to postpone the enforcement of the Commander's order for 45 days**. That was confirmed by Israeli security sources. The sources said the decision was made following the recommendation of Israeli security agencies to **reexamine the issue, given the tension and sensitivity of the issue on the ground**. The security agencies were asked to examine the order's effectiveness and find other possible ways to prevent the transfer of funds used to finance terrorism. The sources added that the order might be enforced again after 45 days (Israeli TV channel Kan 11, June 3, 2020).

► The PA's financial support for imprisoned terrorists and the families of **shaheeds is a function the Palestinian ethos, whose main component is the concept of an armed popular "struggle" against Israel**. The PA financial support is provided for terrorists from all the organizations, and is anchored in a PA law. It accounts for a substantial portion of the PA's annual budget. **The demands of Israel and the United States to stop the payments and the PA's reduced tax revenues have had no effect whatsoever**. Even during financial crises the PA transfers the funds every month without fail.

► PA chairman Mahmoud Abbas, speaking at the opening session of the PLO's Central Council conference on October 28, 2018, said "**the salaries of [the families of] the shaheeds and the prisoners are a red line and sacred. Even if all we have left is one penny it will be for the families and the shaheeds and not for [daily] life**" (al-Araby TV, October 28, 2018). He repeatedly mentions the PA's obligation to pay the prisoners and families of shaheeds. **Speaking on May 19, 2020**, when he announced the PA regarded itself as released from all agreements and understandings with Israel, he said, "we have the obligation to our most

¹ On February 17, 2019, Israel's Security Cabinet decided to enforce the law for deducting the funds paid to Palestinian terrorist prisoners and the families of shaheeds. The law was passed in July 2018 and not enforced. To enforce the law Israel began deducting the amount paid by the PA from the tax revenues Israel transferred (Israeli media).

respected shaheeds and brave prisoners, and our heroic wounded, to remain loyal to our commitment and pledge until [we achieve] **victory, freedom, independence and [the right of] return,**" to be able, together with them, to wave the flag of Palestine over al-Aqsa mosque and the Church of the Nativity..." (Wafa, May 19, 2020).

The amendment makes banks (and their employees) complicit in an illegal activity if they continue to manage terrorist accounts

- ▶ In February 2020 Major-General Nadav Padan, Commander of the IDF's Central Command, issued Amendment No. 67 to the original order. According to the amendment, banks transferring payments to Palestinian prisoners and the families of shaheeds are breaking the anti-terrorism law. If they continue, they and their employees **will be considered complicit in an illegal activity, for which there is punishment of up to ten years in prison** and economic sanctions (Israeli media, May 9, 2020).
- ▶ The amendment was supposed to go into effect on May 9, 2020. A number of days beforehand, the legal department of the Israeli NGO Palestine Media Watch (PMW) sent the managers of PA banks a letter. It warned them that according to the amendment, **if the managers and other officials continue managing the accounts of the Palestinian prisoners and released prisoners, they will be considered complicit in an illegal activity and be subject to prosecution.**
- ▶ **A number of Palestinian and Arab banks operating in the PA territories actively obeyed the order.** Some **closed** the accounts of prisoners while other **froze** them. Sources in the PA reported that all the banks announced that beginning the following month [i.e., June] they would be unable to deposit the funds the PA transferred to prisoners' accounts. **According to the PA, the current number of prisoners receiving salaries from the PA stands at about 12,000** (report by Gal Berger, Hadashot Kan, May 8, 2020).
- ▶ Senior PA figures reacted angrily. **The PA announced that compliance on the part of the banks to Israel's threats would be considered breaking Palestinian law** and violating the conditions of the registration given to the banks by the PA's monetary authority (Wafa, May 7, 2020). Qudri Abu Baker, head of the PA prisoners' authority, said the funds **would be paid every month with no consideration for Israel's position or the banks' activity** (Facebook page of the PA prisoners' authority, May 8, 2020).

► The order also led to enraged reactions from the Palestinian public, **including violence against bank branches**: in **Jenin** shots were fired at the Cairo Amman Bank branch, and in **Qabatiya** shots were fired at the branch of the Jordan Bank (Shehab Twitter account, May 10, 2020). Dozens of released prisoners organized **protest rallies** (Safa, May 11, 2020). The social media launched campaigns with the hashtags #bankcrimes and #bankswithoutnationality, demanding the banks not surrender to Israeli pressure.

Establishing a mechanism to circumvent the difficulties of transferring payments

► **The PA looked for a way to resolve the crisis.** PA Prime Minister Muhammad Shtayyeh, after deliberating with bank directorates and the Palestinian monetary authority, announced they had reached an agreement regarding the freezing of the prisoners' bank accounts. He said **the families of the prisoners could reactivate their bank accounts** (Wafa, May 8, 2020). At the beginning of the weekly government meeting, Shtayyeh said **a committee had been appointed to make recommendations** (Palestinian TV, May 11, 2020).

► The **PA monetary authority** issued a statement stressing that the rights of the families of prisoners and liberated prisoners were being preserved by the banks. The statement added that the authority would coordinate arrangements with the government to ensure the families would continue receiving the money they were entitled to. It also said that the newly-appointed committee had begun operating in collaboration with the PA prisoners' authority, the bank union, the ministry of the treasury and the monetary authority. The objective of the committee is to examine the possible dangers to the families' funds and see what the consequences of Israel's military order could be for the banks (website of the Palestinian monetary authority, May 8, 2020).

► In the wake of the aforementioned developments, **the PA began looking for a new mechanism to enable them to pay the salaries.** There were a number of options, for example, **the money could be paid in cash or checks could be issued that could be cashed without transferring funds to the accounts.** On June 1, 2020, **Qudri Abu Baker** said they had held a number of meetings which had been attended by **Muhammad Shtayyeh**, PA prime minister; **Ali Muhanna**, Mahmoud Abbas' legal advisor; **Shukri Bshara**, PA minister of the treasury; **Azzam al-Shawwa**, chairman of the Palestinian monetary authority; and representatives from the banks. **They had decided to establish a designated financial**

institution for paying salaries to prisoners, which within four months would be turned into a bank. It would have no links to any Israeli or international institution. Abu Baker said the institution would deal with the accounts of the prisoners because, he claimed, "stopping the payments harms the history of the [Palestinian] struggle and the sacrifice of [the Palestinian] prisoners and shaheeds." Abu Baker added that **until the designated financial institution had been created, the banks would continue to pay salaries as usual** (Facebook page of the PA authority for prisoners, June 1, 2020).

► In an interview Qudri Abu Baker gave additional information about the planned financial institution. He said it would not only serve prisoners and the families of shaheeds, but all the PA officials as well. He said it would be established within four months and be part of **the Palestinian monetary authority. It will open branches, he said, in the various West Bank districts. It will have no connection to Israel or banks abroad, which will remove pressures from Israel's Central Bank. Funds will be transferred to it directly from the Palestinian ministry of the treasury.** [He did not elaborate how that would be done.] He added that establishing the institution would **resolve the crisis** and **remove the threat of legal action**, like the actions lodged against the Arab Bank (Watan TV YouTube channel, June 1, 2020).



Qudri Abu Baker, head of the PA authority for prisoners' affairs, in a telephone interview dealing with the new bank (Watan TV YouTube channel, June 1, 2020).

The establishment of the bank was authorized at the Palestinian government's weekly meeting on June 1, 2020. It will provide financial and banking services to all sectors, including the granting of small loans to individuals and businesses. The recommendations will be transmitted to Mahmoud Abbas, who is expected to formally announce the bank's establishment (Wafa, June 1, 2020). The government's official announcement did not mention that the bank **would function as a pipeline for transferring funds to prisoners and the families of shaheeds. That was, in ITIC assessment, because the PA does not**

want to draw fire and wants to prevent Israel from taking measures to undermine the bank's establishment.