



The Palestinian Authority continues preparations for founding a bank which will enable it to transfer funds to terrorist prisoners and the families of shaheeds

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Overview

On June 1, 2020, the Palestinian Authority (PA) government authorized **the founding of a government bank** to channel funds to Palestinian terrorist prisoners and the families of shaheeds. That came after the commercial banks in Judea and Samaria froze the accounts of the prisoners and shaheed families and refused to transfer the monthly payment from the PA to their accounts. The future bank will be called the **Bank of Independence for Development and Investment**. The date the bank will open has yet to be announced. Its designated CEO is **Bayan Qasem**, a Palestinian with banking and investment experience (See below).¹ Its initial working capital will be **at least \$20 million**, received from the PA treasury.



Bayan Qasem, the designated CEO of the bank
(al-Iqtisadi website, July 21, 2020).

- ▶ An interview with Bayan Qasem shed light on the bank's proposed activities:
 - ◆ **The bank will be owned by the PA.** That means that in addition to private clients, the bank will provide services to the PA government.
 - ◆ **The bank will not compete with private banks.** Its objective will be to serve and protect the private sector, and to lessen the dangers facing it.
 - ◆ **Initially, the bank will not grant loans, provide financing or open accounts,** which form the basis of the work of the private banking sector.

¹ This document updates the June 28, 2020 bulletin, "The Palestinian Authority takes practical steps to set up a government bank to handle payments to prisoners and families of shaheeds."

- ◆ **The bank will not be subordinate to the PA's monetary authority because it will not be an ordinary bank operating according to customary standards.**
- ▶ **The monthly financial support for Palestinian terrorist prisoners and the families of shaheeds is an important facet of Palestinian ideology, where the concept of "armed struggle" [i.e., terrorism] against Israel is a main tenet.** The repeated Israel and American demands to stop the payments, which make up a large part of the PA's budget, **have so far been stubbornly rejected by Mahmoud Abbas and the rest of the Palestinian leadership.** They regard the payments to the terrorist prisoners and the families of shaheeds as a red line they are not prepared to cross. **The founding of a government bank is a creative solution which will allow them to continue making the payments while circumventing Israel's sanctions against the commercial banks operating in the PA territories.**

The PA Establishes a Government Bank

- ▶ Following the order issued by the IDF Commander of the Central Command, which went into force on May 9, 2020, banning the provision of banking services to the families of prisoners and shaheeds, **a number of Palestinian and Arab banks operating in Judea and Samaria announced they were freezing the families' accounts.** To circumvent the order and continue paying the funds, Mahmoud Abbas and other senior PA figures promised they would be paid. The PA then began making preparations for **founding a new government banking institution. The institution would serve as a channel for payments to Palestinian prisoners in Israel and to the families of shaheeds.** On June 1, 2020, the PA government authorized the founding of the banking institution and immediately afterwards began practical steps (which have not yet been completed) for its operations.



Right: A demonstration in front of the Arab Bank in al-E'izaria (al-Hayat al-Jadeeda, September 15, 2020). Left: Graffiti sprayed on the front windows of the Arab Bank in al-Bireh. The Arabic reads, "The prisoners are a red line" (Facebook page of RamallahMix, September 19, 2020).

When the founding of the bank was announced, Reuters reported it was in possession of a document which informed that **the bank's initial working capital would be no less than \$20 million, which it would receive from the PA treasury or some other source, but would not be part of the general PA budget.** According to the document, the bank's leveraging capability for its first five years would be **twenty times the initial working capital.** One of its missions would be to grant loans and provide financial services with special terms to the families of shaheeds and prisoners, and to released prisoners. The bank would provide services for the transfer of salaries and issue debit cards (Reuters in Arabic, June 1, 2020).

- ▶ On July 20, 2020, the weekly PA government meeting chose **Bayan Qasem as the CEO of the new bank** (Wafa, July 20, 2020). **He has an Executive Master's degree in business administration from the American University in Beirut** and an advanced degree in systems analysis from a German university. For years he worked for Arthur Andersen, a global investment company, and provided consulting services to large companies in the Persian Gulf. He was also an advisor to the board of directors of the Palestinian Islamic Bank. At the beginning of April 2014 he was appointed director-general of the Palestinian Islamic Bank, **a position he held until he resigned in June 2020** (Economic Portal of Palestine, July 20, 2020; al-Iqtisadi, July 21, 2020).
- ▶ On July 27, 2020, the weekly PA government meeting authorized the name of the new bank, which will reportedly be the first digital Palestinian bank. It will be **the Bank of Independence for Development and Investment** (Wafa, July 27, 2020). At the weekly meeting on September 28, 2020, the government decided that the bank's logo would be

inspired by the walls of Jerusalem and the gates of al-Aqsa mosque (Wafa, September 28, 2020).

Interview with the bank CEO

Bayan Qasem, the designated CEO of the new bank, was interviewed on August 11, 2020, by the Palestine Economy Portal. **He said the bank would provide a response to the need for transferring the salaries of the prisoners and the families of the shaheeds because of Israel's threats to impose sanctions on the Palestinian banks providing the service.** That, he said, forced the government to **intervene to protect the banking sector.** As to when the bank would open, he said he had only been given the position a few days previously and therefore could not commit himself to a date when the bank would begin its operations. He elaborated on a number of banking functions distinguishing it from commercial banks, stressing that it would not compete with the private sector.



Bayan Qasem, the CEO of the new bank, during the interview (Palestine Economy Portal, August 11, 2020).

- ▶ The following are some of the points Qasem discussed in the interview:
 - ◆ **The bank will be owned by the state.** Therefore, it cannot be compared to commercial banks because in addition to managing the accounts of its clients **it will provide services to the government-related individuals** (such as civil servants, the retired, people receiving funds from the government, prisoners, the wounded, etc.).
 - ◆ **Initially the bank will not grant loans or financing, or open accounts,** which are the basis for the work of the private banking sector.
 - ◆ **Despite the important functions of the PA's monetary authority, the bank will not be subordinate to it.** That is because it is not a usual bank and its standards will be slightly different. However, the bank will need the foundation of the monetary authority and will have reciprocal relations with it.

► Asked about the **measures Israel might take against the bank**, Qasem replied that that **had been taken into account**, because the bank was one of the PA's institutions. He added that **the response to the sanctions Israel could impose on the bank would be for the political leadership to decide**, which knows how to defend its institutions (Palestine Economy Portal, August 11, 2020).