



سلطة النقد الفلسطينية

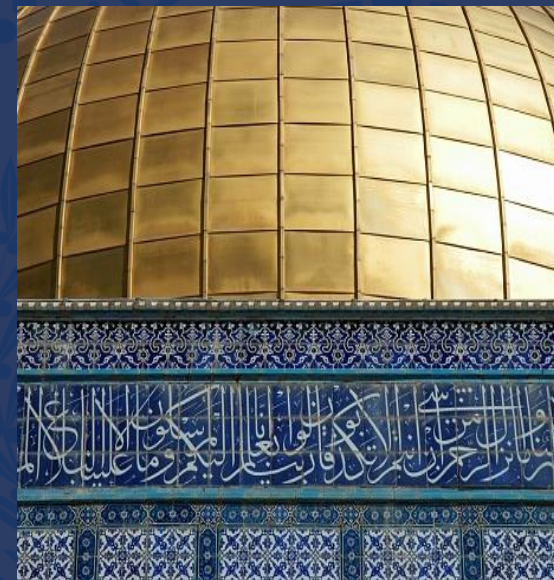
Palestine Monetary Authority - PMA

Palestinian Banking Sector

**4th Meeting of the COMCEC Financial
Cooperation Working Group**

**Improving Supervisory Mechanisms in the
Banking Sector of the OIC Member countries**

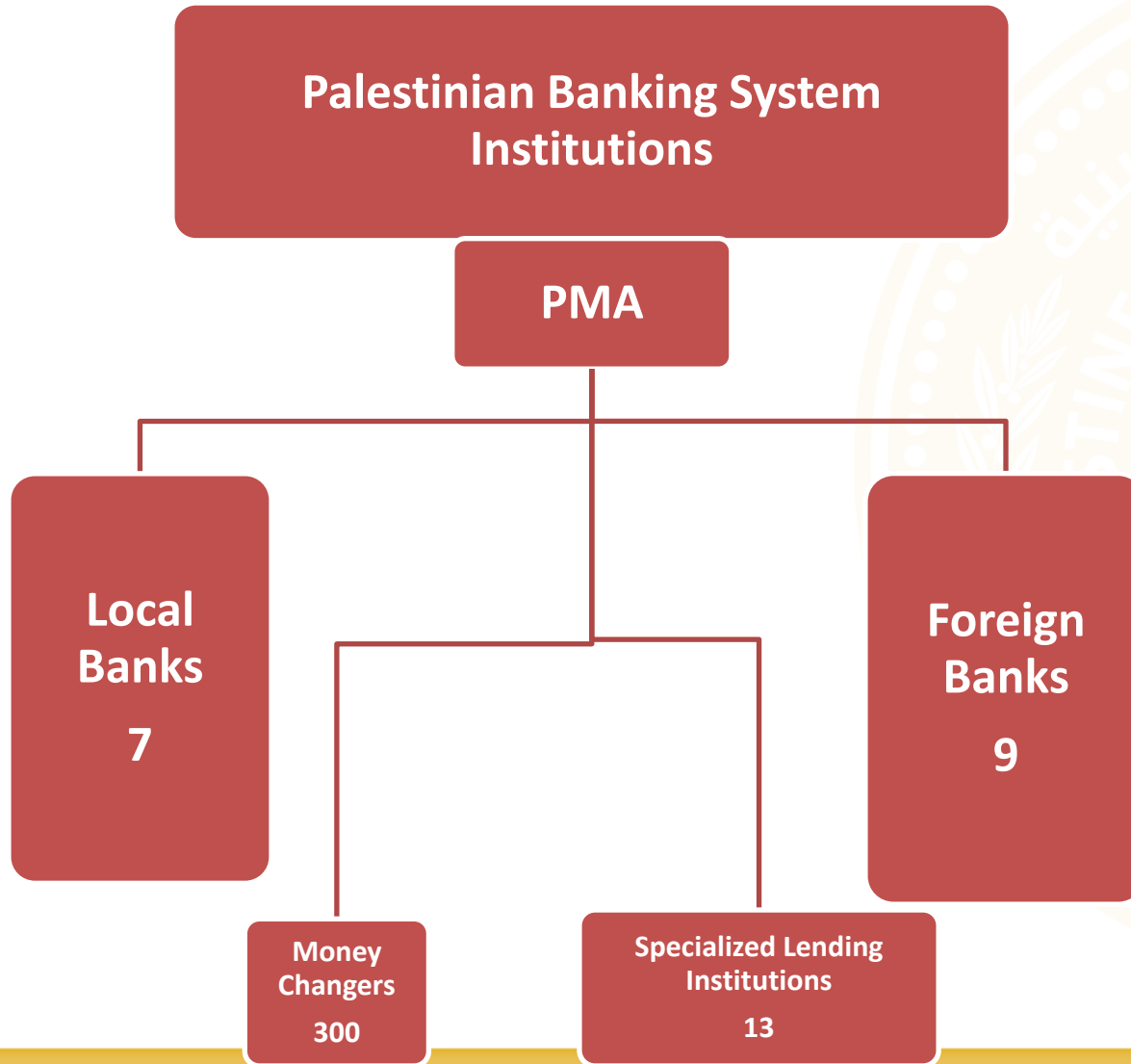
March 19, 2015





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Palestinian Banking System Structure



Banking Sector- Main Indicators

Net Assets

\$11.54 B

Equity

\$1.47 B

**Customer
Deposits**

\$8.94 B

Direct Credit

\$4.9 B

Credit Ratio

54.8%

NPLs

2.5%



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Capital Structure - ratios

- Minimum Capital Requirements:
USD **50** million. Will be raised to \$75 m.
- Minimum CAR: **12%** (consolidated basis)
- Minimum Tier 1 ratio: **8%** (consolidated basis)
- Total banking system CAR: **19%**
- Total banking system Tier 1 ratio: **20%**
- **SIBs** should maintain capital more than the minimum requirement to keep CAR more than 12% (consolidated basis).

Regulatory Framework

- PMA Law.
- Banking Law.
- Regulations and Instructions.
- Basel Committee on banking Supervision (BCBS).
- Financial Stability Board (FSB).
 - As relevant to the Palestinian context.

How PMA Strengthen Banking Sector

- **Legislation Environment.**
- **Developing regulations and instructions.**
- **Risk based Off-site and on-site supervision**
- **Business Continuity.**
- **Market Conduct Department.**
- **Payment System.**
- **Financial Stability.**
- **Deposit Insurance.**
- **Macro prudential analyzes.**
- **Risk and crises management**
- **Implementation of Basel II and its developments.**



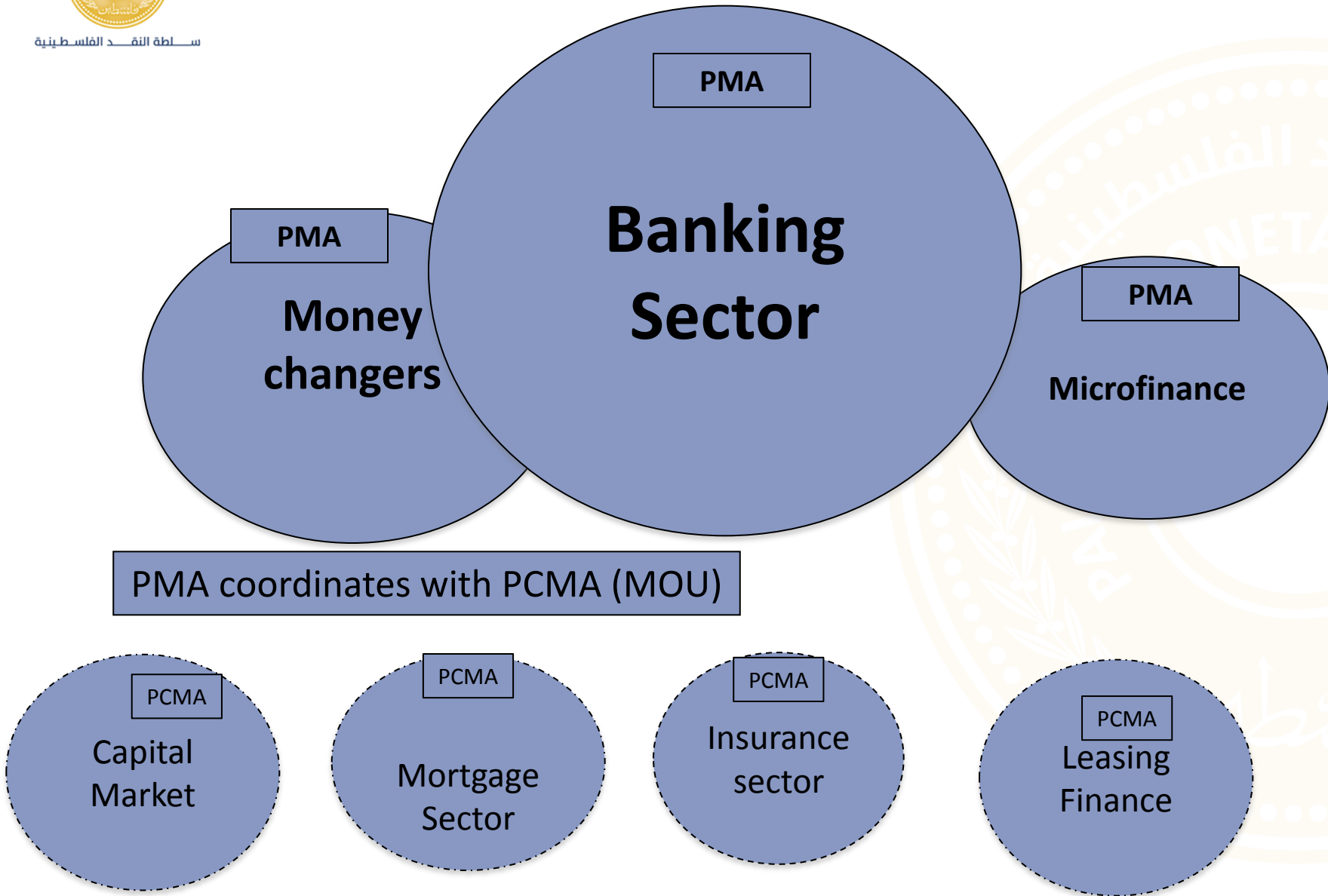
Path to Resilience

- **Consolidation in banking sector:**
 - Liquidated problematic banks
 - Restructured weak banks.
 - Encouraged mergers & acquisitions
 - Increased Bank Capital (\$20M, \$35M, \$50M, \$75)
 - Number of Banks down from 21 to 16 banks



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Multiple Supervisory Authorities





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Main Challenges

1. Israeli Occupation.
 - Geographical separation between the West Bank and Gaza.
 - Lack of control over borders, movement and access (Trade Barriers) and lack of control over large portions of the territory;
 - Complex liquidity management (Physical cash movement between banks and branches due to Military restrictions);
2. High political risk environment with regional and local instability;
3. No domestic currency and Inefficiencies in the use of three currencies: NIS, JD and USD (Imported inflation);
4. Unstable government revenues.
5. Regional instability.



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PALESTINE: WEST BANK & GAZA

Under Israeli Occupation
Since 1967

- 1949 Armistice (Green Line)
-  Palestinian Authority
-  Israeli control
-  Wall/fence
-  Roads

0 10 20 mi
0 10 20 30 km



Characteristic of Banking Sector

- **14 Conventional Banks
(90% of banking assets)**
- **2 Islamic Banks (10% of
banking assets)**

- We apply BCBS recommendations in case of traditional banking.
- Whereas we apply IFSB recommendations for Islamic banking supervision.



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Cross-boarder cooperation

- MOUs with Central Banks that have bank operate in Palestine.
- Cooperation agreements and exchange experience.



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Thank You

For more information

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