

73

# מדינת ישראל

## משרד הממשלה

משרד

כ"א/8

מט לט

הסכם בלוי עם הפלמ"ח (נאום). (התפזרת הסכם עלה ומחו)  
כיתוב הפוליס'  
(סעיף TV)

1-94-12-93

זרמל - 3

מחלקה

ה"ח הוטל

תיק מס'

שט חיק הסכם כללי עם הכלשת ינאים במסגרת הסכם עזה יריחו  
גל-13/57516

0005jk3 : מוזה פריט  
3-305-7-8-2 : מנובת

תאריך הדפסה 28/08/2018



73



20/12/93

לשכת היועץ המשפטי  
1317 M T

Bi-Lateral Agreement - Environmental ~~Clauses~~

protection

X. (a) The parties acknowledge the need to protect the environment and prevent its degradation for the health and well-being of its population, for the conservation of natural and cultural resources, and to attain economic growth based on the principles of sustainable development.

(b) The parties acknowledge the interdependence of their ecosystems and environments, and the need to act and cooperate in order to protect them.

(c) Each <sup>side</sup> party shall take the necessary steps, jointly and severally, to protect the environment and prevent environmental risks, hazards and nuisances.

(d) Therefore the parties agree to act, jointly and severally, by means of planning, legislation, enforcement, education, research and technological development and any other means available, and as furthermore specified in protocol/annex Y.

Protocol on the Protection of the Environment

In order to protect the environment for the present and future generations, to prevent the degradation of resources and to promote sustainable development, the parties agree:

*Both sides will*

1. ~~To~~ adopt and apply internationally recognized:

(a) ambient, emission and performance standards concerning acceptable levels of land, air, water and sea pollution;

(b) standards concerning acceptable levels for the treatment and disposal of solid and liquid wastes;

(c) classifications, standards and criteria for the use and handling of hazardous substances, including pesticides, insecticides and herbicides. Standards will relate inter alia to the import and export of hazardous substances, their manufacture, trade, transport, use, storage and disposal of their wastes;

(d) standards for the prevention of noise, odor, pests and other nuisances.

*Both sides will*

2. ~~To~~ undertake, jointly and severally, appropriate measures to:

(a) prevent the uncontrolled discharge of sewage and effluents to water sources including underground and surface water and rivers, and to promote the proper treatment of sanitary and industrial waste water;

(b) ensure compliance with the agreed standards by all mobile and stationary sources of pollution;

passage

- 3 -

(c) prevent the entry of goods and vehicles by sea, land or air, which do not comply with the aforementioned recognized standards;

(d) prevent damage to common natural resources, which are characterized by dynamic movement over geographic regions, including water, air, sand and fauna.

Both sides will

3. To further and promote efforts for:

(a) the protection of nature and landscape, of rare and protected species of flora and fauna, and of historical, cultural and architectural resources of value to all peoples of the area;

(b) the restoration and reclamation of damaged natural resources, with special emphasis on the rehabilitation of rivers and streams;

(c) the production and use of environmentally sustainable energy, including electricity production, goods and services, and the re-use and recycling of resources.

Each side will

4. To establish operate on its own environmental management frameworks for:

(a) legislation, regulations, licensing and inspection procedures and enforcement tools;

(b) capacity building, research and development for the application of best available technologies;

(c) emergency warning and response to events or accidents likely to generate environmental pollution, damage or hazards;

(d) environmental impact assessment procedures, in accordance with internationally recognized directives;

(e) land-use planning procedures concerning development activities such as: industrial areas, mines and quarries, highways, power plants, and waste disposal sites, with special attention to land uses in neighboring zones.

(f) promotion of supportive activities including -  
- monitoring and data management;  
- education and environmental awareness programs;  
- economic incentives for environmentally sustainable development.

*Both sides will*

5. ~~To~~ abide by the principles and standards of international conventions concerning the protection of the environment, such as conventions for -

- the protection of the Mediterranean;
- the protection of the ozone layer;
- the control of transboundary movements of hazardous wastes and their disposal;
- the conservation of migratory species of wild animals;
- the restriction of trade in endangered species of wild fauna and flora.

*two sides*

6. The parties will establish a joint <sup>sub-</sup> permanent coordinating committee (JEC - Joint Environmental Committee), which will carry out ongoing coordinating and consulting functions necessary for the implementation of this protocol.

*of the  
Joint  
Economic  
Committee*

STATE OF ISRAEL  
MINISTRY OF THE ENVIRONMENT  
THE DIRECTOR GENERAL BUREAU

מדינת ישראל  
המשרד לאיכות הסביבה  
לשכת המנהל הכללי

FAX MESSAGE - הודעת פקס

DATA:	25/1/94	תאריך:
TO:	אפי אריא, אגף התקציבים	לכבוד:
FAX NO:	317496	פקס מס':
FROM:	צביה אורי	מאת:
NO OF PAGES: INCLUDING COVER PAGE	6	סה"כ עמודים: (כול עמוד זה)

IF YOU DO NOT RECEIVE ALL THE PACKS,  
PLEASE LET US KNOW

אם לא קבלתם כל הדפים,  
אנא הודיעונו.

REMARKS:

הערות:

בהמשך לשיחתנו, נציג בנוסף על הקשר ההסכם עם הסביבה  
בניגוד אינו הסכימה, נציג שיתוף יאנו ישיבתנו האחרונה

צביה אורי

בברכה,

Environmental Protection

- X. (a) The parties acknowledge the need to protect the environment and prevent its degradation for the health and well-being of its population, for the conservation of natural and cultural resources, and to attain economic growth based on the principles of sustainable development.
- (b) The parties acknowledge the interdependence of their ecosystems and environments, and the need to act and cooperate in order to protect them.
- (c) Each side shall take the necessary steps, jointly and severally, to protect the environment and prevent environmental risks, hazards and nuisances.
- (d) Therefore the parties agree to act, jointly and severally, by means of planning, legislation, enforcement, education, research and technological development and any other means available, and as furthermore specified in protocol/annex Y.

Protocol on the Protection of the Environment

In order to protect the environment for the present and future generations, to prevent the degradation of resources and to promote sustainable development, the parties agree as set out hereunder.

1. Both sides will adopt and apply internationally recognized:
  - (a) ambient, emission and performance standards concerning acceptable levels of land, air, water and sea pollution;
  - (b) standards concerning acceptable levels for the treatment and disposal of solid and liquid wastes;
  - (c) classifications, standards and criteria for the use and handling of hazardous substances, including pesticides, insecticides and herbicides. Standards will relate inter alia to the import and export of hazardous substances, their manufacture, trade, transport, use, storage and disposal of their wastes;
  - (d) standards for the prevention of noise, odor, pests and other nuisances.
  
2. Both sides will undertake, jointly and severally, appropriate measures to:
  - (a) prevent the uncontrolled discharge of sewage and effluents to water sources including underground and surface water and rivers, and to promote the proper treatment of sanitary and industrial waste water;



- (b) ensure compliance with the agreed standards by all mobile and stationary sources of pollution;
  - (c) prevent the passage of goods and vehicles by sea, land or air, which do not comply with the aforementioned recognized standards;
  - (d) prevent damage to common natural resources, which are characterized by dynamic movement over geographic regions, including water, air, sand and fauna.
3. Both sides will foster and promote efforts for:
- (a) the protection of nature and landscape, of rare and protected species of flora and fauna, and of historical, cultural and architectural resources of value to all peoples of the area;
  - (b) the restoration and reclamation of damaged natural resources, with special emphasis on the rehabilitation of rivers and streams;
  - (c) the production and use of environmentally sustainable energy, including electricity production, goods and services, and the re-use and recycling of resources.
4. Each side will establish and operate its own environmental management frameworks for:
- (a) legislation, regulations, licensing and inspection procedures and enforcement tools;

- (b) capacity building, research and development for the application of best available technologies;
  - (c) emergency warning and response to events or accidents likely to generate environmental pollution, damage or hazards;
  - (d) environmental impact assessment procedures, in accordance with internationally recognized directives;
  - (e) land-use planning procedures concerning development activities such as: industrial areas, mines and quarries, highways, power plants, and waste disposal sites, with special attention to land uses in neighboring zones.
  - (f) promotion of supportive activities including -
    - monitoring and data management;
    - education and environmental awareness programs;
    - economic incentives for environmentally sustainable development.
5. To abide by the principles and standards of international conventions concerning the protection of the environment, such as conventions for -
- the protection of the Mediterranean;
  - the protection of the ozone layer;
  - the control of transboundary movements of hazardous wastes and their disposal;
  - the conservation of migratory species of wild animals;
  - the restriction of trade in endangered species of wild fauna and flora.

6. The parties will establish a joint subcommittee of the economic committee for the Environment, which will carry out ongoing coordinating and consulting functions necessary for the implementation of this protocol.

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אם סיגור הפקס לא נמקבל בצורה יפה וברורה נא לפנות לסל' 316153 - 02

APPENDIX I

JORDAN PETROLEUM REFINERY CO. LTD.

LABORATORY

Certificate No. \_\_\_\_\_  
 Date Issued \_\_\_\_\_  
 Tank No. \_\_\_\_\_  
 Sampling Date \_\_\_\_\_

SPECIFICATION

**Gasoline**  
**Royal**

TESTS		RESULTS		METHODS
Distillation				
Fuel Recovered <i>70%</i>				
10% Vol.	<i>70%</i>			ASTM D-88
50% Vol.	<i>70%</i>	70	MAX.	
90% Vol.	<i>70%</i>	122	MAX.	
200 point	<i>70%</i>	180	MAX.	
Vapor Pressure @ 100 °F	<i>70%</i>	205	MAX.	
Color	<i>70%</i>	0.7	MAX.	ASTM D-723
Total Sulfur	<i>70%</i>	0.2	MAX.	
Corrosion, Copper (3hr @ 50°C)	<i>70%</i>	NO. 1	MAX.	ASTM D-1285
Oxidation Stability	Minutes	360	MAX.	ASTM D-130
Existent Gum	mg/100cc	4.0	MAX.	ASTM D-455
TBL Content	mg/100cc	3.0	MAX.	ASTM D-281
Octane No. R. M.	<i>70%</i>	88	MAX.	ASTM D-1342
				ASTM D-1609
Remarks:				

③ מילי קורט 0/2  
 ④ מילי 9/5  
 ⑤ מילי 5/0  
 ⑥ מילי 2/0  
 ⑦ מילי 1/0

Chief Chemist

ROYAL, SUPER, F-46, REGULAR *מילי קורט 0/2*



A SPHALT

T. (G.M. OFF.) TEL: 962-5-847791

10 Apr '54

13:02 No. 005 P. 03

JORDAN PETROLEUM TRUST CO. LTD.

LAKOFTCHY

Customer's No. \_\_\_\_\_  
 Date Recd \_\_\_\_\_  
 Inv. No. \_\_\_\_\_  
 Receipt Date \_\_\_\_\_

SPECIFICATION:  
 Lic 16 Asphalt  
 PC - 250

TESTS	RESULTS	METHODS
① Viscosity : <i>Alph</i>		
Kinematic @ 140°F. cSt	250 - 500	ASTM D-2170
Saybolt: Furol @ 140°F. Sec	125 - 150	ASTM D-88
② Flash Point (Tag Open-cup), °F	80	ASTM D-1310
Distillation test :		ASTM D-403
③ Distillate, Percent by volume of total distillate to 300 °C		
to 225 °C	35	Min.
to 250 °C	50	Min.
to 315 °C	80	Min.
④ Residue from distillation to 300 °C, Percent volume by difference	20	Min.
Test on residue from distillation :		
⑤ Penetration @ 25 °C 100 gm 5 sec	0.2	Max.
⑥ Ductility @ 25 °C cm	100	Min.
⑦ Solubility in trichloroethylene, Percent	99	Min.
Water, Percent	0.2	Max.
Remarks :		

② נאמן  
 ③ סג'ל, מרצה אל נא  
 ④ מרצה אל נא, סג'ל > 360°C  
 ⑤ נאמן 2.1.194  
 ⑥ נאמן  
 ⑦ נאמן > 98%  
 ⑧ נאמן

(Lab.) Chief Chemist

# ASPHALT

OP1. (G.M. OFF.) TEL: 967-6-6471

10 MAY 54

13:03 NO. 005 P. 07

ASPHALT, 18. 74 13/28

NO. 6 PAGE 1A

KUWAIT PETROLEUM REFINERY CO. LTD.

LABORATORY

Certificate No.:

Date issued:

Test No.:

Sampling Date:

SPECIFICATION

Asphalt  
80/100

TESTS		RESULTS		METHODS
1	Ductility @ 25°C <i>12/23</i> cm	100	Min.	ASTM D-113
2	Penetration @ 25°C <i>12/23</i> 0.1 mm	80	- 100	ASTM D-5
3	Softening Point, <i>7/27 12/23</i> °C	45.8	- 48	ASTM D-36
4	Specific Gravity @ 25/25°C <i>12/23</i>	1.0	Min.	ASTM D-70
5	Loss on Heating to 163°C	1.0	Max.	ASTM D-5
6	Penetration of residue from loss on heating test at 25°C as compared to penetration before heating	75	Min.	ASTM D-5
7	Solubility in Trichloroethylene			
8	Ash Content, <i>20/1</i> %	20.5	Min.	ASTM D-2041
9	Flash point (Cleveland Open Cup), °C	1.0	Max.	ASTM D-482
		225	Min.	ASTM D-92
Remarks:				

*163°C loss on heating (5)*  
*12/23 12/23 (6)*

(Lab.) Chief Chemist

*12/23 12/23 (7) 1/1/54*  
*12/23 12/23 (8)*

*60/70, 80/100 Characteristic for 12/23*



TEL: 962-8-547191

10 HAY 84 1510V NO.005 P.14

**L.P.G.**

JORDAN PETROLEUM REFINERY CO. LTD.

LABORATORY

Certificate No.: \_\_\_\_\_  
 Date Issued: \_\_\_\_\_  
 Tank No.: \_\_\_\_\_  
 Sampling Date: \_\_\_\_\_

SPECIFICATION  
 Liquefied Petroleum  
 Gas

TESTS	RESULTS	METHODS
Vapor Pressure @ 100 °F $\text{kg/cm}^2$	8 MAX.	ASTM D-1227
Volatile residue:		
Evaporated temp, 95% °C	2.2 Max.	ASTM D-1227
Corrosion, copper strip	No. 1	ASTM D-1228
Sulfur $\text{grams/100 Cu. ft.}$	15 Max.	ASTM D-1228C
Free water content	None	

د. 24 من 25  
 (البريد) 95/2/8  
 مرقم 50، ابي جابر  
 مراكش - ليبيا  
 د.ن. ابيان

Remarks: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

*Signature*  
 5/1/84

Chief Chemi

TEL: 963-6-647791

10 APR 1994

13107 No. 005 P. 12

JORDAN PETROLEUM REFINERY CO. LTD.

LABORATORY

Certificate No. \_\_\_\_\_  
 Date Issued : \_\_\_\_\_  
 Tank No. : \_\_\_\_\_  
 Sampling Date : \_\_\_\_\_

SPECIFICATION

Gasoil

	TESTS	RESULTS	METHODS
1	Distillation		ASTM D-86
2	90% recovered at _____ °C	357 Max.	
3	Density @ 15 °C 1.023 g/ml	0.82 - 0.870	ASTM D-1228
4	Color 2.3 ASTM	2.0 Max.	ASTM D-1500
5	Total Sulfur 1.5 %wt	1.5 Max.	ASTM D-1256
6	Flash point 55 °C	55 Min.	ASTM D-93
7	Viscosity Red wood at 100 °F 45 Sec	45 Max.	IP - 70
8	Four point 45 °C	45 Max.	
9	Four point 9 °C	9 Max.	ASTM D-97
10	Corrosion, copper disc	NO. 1 strip	ASTM D-130
11	Carbon residue on 10% residue. 0.1 %wt	0.1 Max.	ASTM D-189
12	Total acid number mg KOH/g	1.0 Max.	ASTM D-974
13	Strong acid number mg KOH/g	nil	ASTM D-974
14	Ash 0.01 %wt	0.01 Max.	ASTM D-482
15	Water by distillation 0.05 %wt	0.05 Max.	ASTM D-95
16	Sediment by extraction 0.01 %wt	0.01 Max.	ASTM D-473
	Diesel Index 30	30 Min.	IP - 21
REMARKS :			

90% 90% (2)  
 1.023 (3)  
 2.3 (4)  
 1.5 (5)  
 55 (6)  
 45 (7)  
 45 (8)  
 9 (9)  
 0.01 (10)  
 0.05 (11)  
 0.01 (12)  
 0.01 (14)  
 0.05 (15)  
 30 (16)

(Lab.) Chief Chemist

# KEROSENE

TEL:962-6-647791

10 Apr '94

13:08 No. 005 P. 13

PETROLEUM REFINERY CO. LTD.

## LABORATORY

Batch No.
Certificate No.
Date issued
Task Number
Sampling Date

AVIATION TURBINE  
KEROSENE  
AVTUR/PX11

TESTS	RESULTS	SPECIFICATIONS		METHODS
		min.	max.	
Appearance		Bright & clear		
Specific Gravity @ 60/60 °F	0.775	0.730		ASTM D-155/JP-100
API Gravity @ 60 °F	72	71		ASTM D-89/JP-121
Distillation				
Initial Boiling Point °C		Report		
Final Boiling Point °C		70		
Final Boiling Point °C				
10% Vol. °C		Report		
50% Vol. °C		Report		
90% Vol. °C		Report		
Residue °C		—	200	
Loss % Vol		—	1.5	
Loss % Vol		—	1.5	
Flash Point °C	36	—		ASTM D-56
Solub. Total % WL	—	0.20		ASTM D-1268/JP-107 JP-30
Docot Test	—	0.002		ASTM D-3227
Sulfur, Mercaptan % WL	—			ASTM D-1307/JP-154
Corrosion, Copper Classification				IP-371
Corrosion, Silver Classification				
Excess Oxid. % (100 ml)	—	7.0		ASTM D-381/JP-131
Aromatics % Vol	—	10		ASTM D-1319/JP-150
Cloud % Vol	—	1		ASTM D-1318/JP-135
Freezing Point °C	—	-20		ASTM D-3388/JP-15
Water Reaction				ASTM D-1094
Interfacial Tension	—	18		
Thermal Stability (ASTM)		1		
Calorific Value, net, Btu/lb	18400	—		ASTM D-1545
Net Gross Heating Value, Btu/lb	3250	—		ASTM D-911 & D-1545
Acidic Gravity Product	—	15		ASTM D-445/JP-71
Viscosity @ 50 °F (15.4 °C) cSt	—	10		ASTM D-1522
Smoke Point mm	—	—		ASTM D-3041/JP-353
Thermal Stability (IOTOT)		70		
Tube Deposition Differential mg Hg	—	0.3		
Tube Deposition Rating		—		
Total Acidity mg KOH/g	—	0.10		ASTM D-976/JP-125
Strong Acid Number mg KOH/g	—	—		ASTM D-976/JP-125
Additives:				
Inhibitor, Oxidation mg/2l	25	21		
Metal Deactivator mg/2l	—	1.0		
Stable 450 Antistatic ppm	—	1.0		
Inhibitor, Corrosion mg/2l	23.6	24.3		
Inhibitor, Icing (FSII) % Vol	0.10	0.15		IP-277
Water Content ppm				
Particulate Matter				ASTM D-2770
POB Organoborates mg/USO				
Electrical Conductivity pS/m	50	300		ASTM D-2624
Water Resonance at 60 °C Index Modified (ASTM)	70	—		ASTM D-2550

1507  
API  
קריטריון התנאים  
היקום  
קריטריון התנאים  
קריטריון התנאים  
קריטריון התנאים

Remarks:

-12- (Lab.) Chief Chemist

TABLE I	
Year	Population
1900	1,000,000
1910	1,500,000
1920	2,000,000
1930	2,500,000
1940	3,000,000
1950	3,500,000
1960	4,000,000
1970	4,500,000
1980	5,000,000
1990	5,500,000
2000	6,000,000
2010	6,500,000
2020	7,000,000

Source: U.S. Census Bureau, 2020

תרשומת מפגישה שהתקיימה ביום 6.2.95 עם מר Ernesto Aguirre - Carrillo מקרן המטבע הבינלאומית ועם מר A W Nicolle Obe מאנגליה, בנוכחות נציג האגף לקשרי חוץ של בנק ישראל.

השניים מהווים חלק מקבוצה אשר נותנת סיוע לרשות הפלשתינית (באמצעות בנק ישראל) בתחום המוניטרי והבנקאות, ובין היתר מכינים שתי הצעות חוק עבור הרשות המוניטרית הפלשתינית, אחת שתטפל בתחום המוניטרי ואחת שתטפל בתחום הפיקוח על הבנקים.

שאלתם הראשונה התייחסה לנושא תיאום החקיקה עם ישראל, על פי הסכם עזה ויריחו. ניתחנו יחדיו את הוראות סעיף VII להסכם, ובאשר ליישום בפועל אמרתי כי העניין טרם הופעל ונבחן הלכה למעשה. על פי ברור טלפוני עם מני מזוז אמרתי להם כי רק לפני כשבועיים נתקבלה בתת-הועדה המשפטית של הועדה האזרחית, מאת נביל שעת', חבילה גדולה של חקיקה שלגביה נטען כי היא כוללת את כל החוקים שאושרו ברשות הפלשתינית מאז חתימת ההסכם. החומר נמצא עתה בתרגום מערבית לעברית, כך שתוכנו טרם נלמד.

שאלתם השנייה התייחסה לנושא המטבע הפלשתיני. הפלשתינים מעוניינים להזכיר נושא זה בין התחומים שבהם יטפל הדירקטוריון או המועצה של הרשות המוניטרית הפלשתינית. לאור נוסחה של פסקה 10 בסעיף IV בפרוטוקול הכלכלי הם חשבו להציע ניסוח האומר שהמועצה תטפל בנושא המטבע הפלשתיני לאחר שהנושא יוסדר בהתאם להסכמים בין ממשלתיים. אמרתי להם שיתכן שנוסח כזה או אחר, שלא תהיה בו התנגשות חזיתית עם ההסכם, יהיה מקובל עלינו, אך יתכן גם שהעמדה הישראלית תתנגד לכל אזכור של הנושא בחקיקה הפלשתינית כל עוד אין הסכם בנושא. תיארת להם את השתלשלות הדיונים בפריז: בתחילה דרשו הפלשתינים כי ייכתב בתחילת הסעיף כי הרשות הפלשתינית תחליט על הוספת מטבעות אחרים כהילך חוקי בנוסף לשקל, כגון דינר ירדני ולירה פלשתינית (גרסת ינואר) או כי הרשות תחליט על ההקשר ומסגרת הזמן להנפקת מטבע פלשתיני (גרסת אפריל). אנו התנגדנו לכך ובסופו של דבר הוסכם כי הנושא לא יוזכר בתחילת המסמך אלא בפסקה 10 שבה נאמר רק כי הצדדים ימשיכו לדון, במסגרת הועדה הכלכלית המשותפת, על האפשרות להכנסת מטבע פלשתינית מוסכמת או הסדרי מטבע זמניים חלופיים.

הסברתי כי הנושא לא נחשב כנושא כלכלי בעיקרו - שכן מטבע פלשתיני לא אמור לפגוע בכלכלת ישראל, אלא כנושא פוליטי בעיקרו, שכן מטבע נחשב כסממן של מדינה. תגובתם היתה שמצד אחד אולי עדיף שהם יציעו נוסח התואם את ההסכם, במקום שהפלשתינים יכניסו לחקיקה נוסח לפי רוחם, ומצד שני אולי עדיף מבחינתם לא להיכנס לנושא הנחשב כפוליטי, שכן הם צוות האמור לתת שירותים טכניים ומשפטיים בלבד. הם אמרו שיתיעצו עם שאר אנשי הקבוצה ויחליטו כיצד לנהוג.

באותו יום אחה"צ קיבלתי מבנק ישראל בפקס מכתב שנשלח זמן קצר אחרי הפגישה לאבי בן בסט ובו בקשה לפגישה לא פורמלית שבה תינתן התייחסות לנוסח סעיף בנושא, שצורף למכתב. מאוחר יותר דיברתי עם אבי בן בסט שהתלבט האם להתנגד לסעיף או להציע בו תיקונים כעצת היועץ המשפטי לבנק. אמרתי שאתייעץ עם דוד ברודט, ויתכן שיהיה צורך להעלות השאלה לדרג הפוליטי. בערב עדכנתי את דוד ברודט בנושא, ועמדתו היא להתנגד לכל איזכור נושא המטבע בחקיקה הפלשתינית כל עוד לא הוסכם במו"מ על הכנסת מטבע פלשתינית. למחרת הודעתי על עמדה זו לבן בסט, שאמר שאין לו כל בעיה עמה.

הנושא השלישי שהעלו נציגי הבנק העולמי היה נושא הסניפים של הבנקים הישראליים שאמורים לקבל רשיון על פי ההסכם. הציגו עמדתם כי זהו נושא מינהלי של דרך השימוש בשיקול הדעת ובסמכויות שיוקנו בחקיקה, ואין מקום להזכירו בחקיקה גופה.

ישראל תוכל להסתמך על ההסכם ולדרוש את פתיחת 5 הסניפים ויחס זהה לבנקים ישראלים כמו לכל בנק זר אחר, אך אין צורך להסדיר זאת בחקיקה.

לא מצאתי מקום להתנגד לעמדה זו, הנראית לי נכונה מבחינה משפטית.

# בנק ישראל BANK OF ISRAEL

קשרי חוץ והסברה

INTERNATIONAL AFFAIRS  
& EXTERNAL RELATIONS

## Facsimile Cover Sheet

Date	תאריך	6/2/95
To:	אל:	גב קצב ביקר, פיוצ'ן באוסטריה של אמריקא פארם
Fax No.	מס' פקס:	514836
From:	מאת:	יונתן גל-רור
Number of Pages (incl. this sheet)	מס' העמודים (כולל עמוד זה)	3

גב ביקר שלום רב.  
 מצדכם הגב אמרנו של אר פייננס, ראש אמנת קרן פאטאץ  
 לסיון בהקמת ב-AMBA, אנני בן בסט, המנכ"ל נוסף פיוצ'ן פארם  
 פאטאץ, ל-statutes של AMBA  
 לפיוצ'ן ולפאטאץ

המזכ"ל,  
 יונתן גל-רור



INTERNATIONAL MONETARY FUND  
WASHINGTON, D. C. 20431

CABLE ADDRESS  
INTERFUND

February 6, 1995

Dear Dr. Ben Bassat,

I would appreciate it if we could informally discuss with the Bank of Israel a section of the draft legislation for the Palestinian Monetary Authority (PMA) that we are currently discussing with Dr. Beseiso, Governor of the PMA. The draft is in general non-controversial. However, the Governor strongly wishes to include a reference to a possible Palestinian currency. Our preference would have been not to refer to a Palestinian currency. But rather than have the Governor draft a sentence that would hold up the approval of the law, we have tried to draft a sentence that we believe is in full conformity with the Protocol agreed between Israel and the PLO and would be acceptable to the Israeli authorities. You should note that the only reference is the last in a listing of the powers of the Board of Directors of the PMA.

Mr. Aguirre and I would be available for a meeting on Tuesday, should you find it useful. We could perhaps also discuss the matter over the telephone.

Sincerely yours,

Arne B. Petersen  
Advisor  
Monetary and Exchange Department  
International Monetary Fund

Attachment

Dr. Ben Bassat  
Senior Director  
Bank of Israel



06/02 '95 12:12

0972 2 283557

AMERICAN COLONY

The Board of Directors of the Palestinian Monetary Authority shall have the following powers:

(a)

(b).....

(m) To discuss and decide on issues pertaining to the issuance of Palestinian currency or the introduction of temporary alternative currency arrangements, after and in accordance with agreements reached within the framework of the applicable intergovernmental agreements.

LEGAL ADVISOR'S

(AUTO)

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בנק ישראל

מקסי מספר  
514836

מאיר בייקר

א

פרק אבי סן. בט

בט

מספר דמי  
1 + 7

המזכיר

77

תאריך

נושאים מו"ל כ"י"מ (פ"א) (ס"י"מ)

(הר"ב)

1. הוטל הבלגיה - גר'ים רגל מו"ל כ"י"מ (פ"א) (ס"י"מ) -  
~~הר"ב~~ ארנה י"ו בסגולה ובאגודת לסכמה  
ו"מ"מ של מדינת מו"ל כ"י"מ - בקסרה בנוקצ'ה הימלאה  
כט"ק ז"ה.

2. הוטב יכרס כיוצא הבלג' והכ"ל'י הוטבי של הר"ב.

3. הר"ב יכרס כסוכן הכ"ל'י הי"ז ~~בט"ק~~ ~~הר"ב~~  
של הר"ב ושל אמסל - הסקאלר היצ"ל'י בט"ק היקו"י  
וכשוקים הי"ז'.



הסקאלר היצ"ל'י הבלג'י"מ יכרסו הר"ב וינאלו א י"ה

~~5. הר"ב גלול מלקב כ"י"מ א הר"ב~~

5. הר"ב יכרס כמלוח קצת מנוקב אחרת אחרת  
בא"צ"מ

6. הר"ב אכרס א וסגולה כמלוח ~~הר"ב~~ (בסגרה וביקוח)  
בין האי"צ"י"מ א"מ ש"ה הי"ז' וכן היא א"מ  
סוכות מנוקב כמלוח

514836

בנק ישראל

חשב

2-3

תאריך

2-3 3-3 8-3

בנק אל  
סיוני 8,7,6  
1-9

א. א. תפקיד הישיבה החדש (ש"ח) יהיה לתת שבטול למוסד  
 באמצעות וועד ועדת המעורבות של המוסד  
 באמצעות, לראש כולל ועדה. כל אלה כמחויבות, כולל ש"ח  
 יתקבלו ה"ח וכל אסא"י, וע"מ לקבל ולקדם  
 באמצעות תפקיד כלל אסא"י כולל ד"ר ש"ח  
 יוצא ל"ח.

ג. שני הדיווחים ימשיכו לרצון באמצעות ה"ח JFC באמצעות  
 אב"מ/000000 מלפני המועצה, או המועצה אב"מ/000000  
 דברי המועצה ה"ח.

א. א. ש"ח שיזמי הוציא א"כ בהקדמת דלקים הכוללים  
 באמצעות 'קדו' איכאנו עם 'כ"י ה"ח

ג. דלקים באמצעות 'קדו' בהקדמת דלקים שיזמי ה"ח  
 א"כ בהקדמת דלקים שיזמי ה"ח (א"כ בהקדמת דלקים שיזמי ה"ח)  
 דלקים הכוללים באמצעות ה"ח י"ח י"ח י"ח י"ח י"ח  
 בה"ח אס"ח בהקדמת דלקים שיזמי ה"ח  
 ה"ח שיזמי הוציא א"כ בהקדמת דלקים שיזמי ה"ח  
 דלקים (ש"ח) שיזמי הוציא א"כ בהקדמת דלקים שיזמי ה"ח  
 וה"ח שיזמי הוציא א"כ בהקדמת דלקים שיזמי ה"ח

ג. דלקים והקדמת דלקים שיזמי הוציא א"כ בהקדמת דלקים שיזמי ה"ח

3. הרצונות והאמצעים הנדרשים להגשמתם של כל אלו יבואו לידי ביטוי  
 בהגדרת המטרות וההתחייבות שיתקבלו על ידי  
 הממשלה וכן על ידי התאגדות המעבידים והמעובדים.

12. היתה אמורה להיות חלוקה של המס בין המעביד והמעובד  
 בהתאם באחוזים.

13. היתה אמורה להיות חלוקה של המס בין המעביד והמעובד  
 בהתאם לחלקי המס. חלוקה זו תבוצע בהתאם  
 להחלטות הממשלה.

14. ככל הנראה יבוצע המס על ידי המעביד  
 והמעובד יישלם את המס ישירות למס הכנסה  
 בהתאם לחלקי המס. חלוקה זו תבוצע בהתאם  
 להחלטות הממשלה.

15. שני הצדדים יאפשרו יחדיו קריסת המס בין המעביד  
 והמעובד.

6 דף

תאריך

בנק ישראל 1

15. הודיע מדינת ישראל - לפי חוק המס הכנסה, שיהיו שיעורי המס על הכנסות  
המסוגלות כמקודמות לעיל, שיש להם מעמד של חוק יסודי, וכל מי שיש לו  
הכנסות מסוגלות כמקודמות לעיל, יחויב לשלם מס על הכנסות אלו לפי  
ההסדרים המפורטים להלן.

~~16. המדינה תהיה בעלת הזכות להעביר את המס על הכנסות מסוגלות כמקודמות לעיל~~

16 א. תרומה מהייה הכלל - תהיה אמצעי לצדו של הנוכחיים  
אשר יש להם הכנסות מסוגלות כמקודמות לעיל:

א. יסודות מהאחרונים

- (1) אמצעי "היכל" ~~למסוגלות כמקודמות לעיל~~ של מסוגלות כמקודמות לעיל, ושיעורו  
במקרה של שוק ממוצע (על פי המס) שיעורו כשהוא, כשהוא  
(א) כשהוא שיעורו של "היכל" הישנה ~~אף על פי שהיא~~  
מהאחרונים של ימי ה"ה" והיא תישאר כשהיא.  
(ב) כשהוא שיעורו של "היכל" הישנה מהאחרונים של ימי ה"ה"  
ועל פי המדינה ~~היא תישאר כשהיא~~ והיא תישאר כשהיא.

ב. חל -

- (2) אמצעים "היכל" הישנה ~~למסוגלות כמקודמות לעיל~~ של מסוגלות כמקודמות לעיל, ושיעורו  
ועל פי המדינה ~~היא תישאר כשהיא~~ והיא תישאר כשהיא  
שיעורו כשהוא:  
(א) כשהוא שיעורו של "היכל" הישנה של ימי ה"ה" והיא תישאר כשהיא  
ועל פי המדינה ~~היא תישאר כשהיא~~ והיא תישאר כשהיא.



(א) דמי שאלוהים של ישראל  
 (ב) דמי שאלוהים של ישראל  
 נשקף עליהם ואלו שאלוהים של ישראל

דמי:

(3) דמי שאלוהים של ישראל  
 דמי שאלוהים של ישראל

דמי שאלוהים של ישראל

דמי 16

(א) דמי שאלוהים של ישראל  
 דמי שאלוהים של ישראל  
 דמי שאלוהים של ישראל

(ב) דמי שאלוהים של ישראל  
 דמי שאלוהים של ישראל  
 דמי שאלוהים של ישראל  
 דמי שאלוהים של ישראל  
 דמי שאלוהים של ישראל  
 דמי שאלוהים של ישראל  
 דמי שאלוהים של ישראל



מדינת ישראל  
STATE OF ISRAEL

MINISTRY OF FINANCE  
OFFICE OF THE LEGAL ADVISOR

משרד האוצר  
לשכת היועץ המשפטי

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4. אזכור קריאת שמע ותפילות

תפילות, שמואל ופסוקים קודם (אמ"נ 87 קריאת שמע).

אזכור, מן המוסד המדינה, ויזכירו שישנו שם משותף מן העבר  
 אשר נחשב שישנו ק"מ"ל, כפי שיש ק"מ"ל, וישנו שם משותף מן המוסד  
 תפילות, שמואל ופסוקים קודם (אמ"נ 87) קודם.  
 שמואל מן שם האזכור, וישנו שם משותף מן המוסד קודם מן השם משותף

5. דברים שיש להם שם משותף

אם נחשב:

קודם, וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד,  
 (אם יש שם משותף מן המוסד, וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד,  
 מן המוסד, וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד,  
 וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד,  
 וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד,  
 וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד,  
 וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד,  
 וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד,  
 וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד,

2. אזכור שם משותף

קודם, וישנו שם משותף מן המוסד,

תפילות, שמואל ופסוקים קודם (אמ"נ 87 קריאת שמע), וישנו שם משותף מן המוסד,  
 וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד,

תפילות,

קודם, וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד,  
 וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד,  
 וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד,

אם נחשב:

קודם, וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד, וישנו שם משותף מן המוסד,

## סעיף IV

נושאים מוניטריים ופיננסיים

1. הרשות הפלשתינאית תקים רשות מוניטרית (PMA) באזורים. ל-PMA יהיו הכוחות והאחריות להסדרה וליישום של מדיניות מוניטרית במסגרת התפקידים המתוארים בסעיף זה.
2. ה-PMA תפעל כיועץ הכלכלי והפיננסי הרשמי של הרשות הפלשתינאית.
3. ה-PMA תפעל כסוכן הפיננסי היחיד, של הרשות הפלשתינאית ושל מוסדות המגזר הציבורי, בשוק הפנימי ובשווקים הבינלאומיים.
4. רזרבות מטבע חוץ (לרבות זהב) של הרשות הפלשתינאית ושל כל מוסדות המגזר הציבורי הפלשתינאיים יופקדו רק בידי ה-PMA ויגוהלו על ידה.
5. ה-PMA תפעל כמלווה לעת מצוקה למערכת הבנקאית באזורים.
6. ה-PMA תסמיך סוחרים במטבע חוץ באזורים ותפעיל פיקוח (הסדרה ובקרה) על עסקאות במטבע חוץ בתוך האזורים ועם שאר העולם.
7. א. ל-PMA תהיה מחלקת פיקוח על הבנקים אשר תהיה אחראית לתפקוד הנאות, ליציבות, לכושר הפרעון ולנוזלות של הבנקים הפועלים באזורים.  
 ב. מחלקת הפיקוח על הבנקים תבסס את פיקוחה על עקרונות ותקנים בינלאומיים הבאים לביטוי באמנות בינלאומיות ובמיוחד על עקרונות "ועדת בזל".  
 ג. מחלקת הפיקוח תופקד על הפיקוח הכללי על כל בנק כאמור, לרבות:
  - הסדרת כל סוגי הפעילויות הבנקאיות, לרבות פעילויות החוץ שלהם;
  - רישוי של בנקים מקומיים ושל סניפים, חברות בנות, מיזמים משותפים ונציגויות של בנקים זרים ואישור בעלי מניות שולטים;
  - הפיקוח והביקורת על בנקים.
8. ה-PMA תרשה מחדש כל אחד מחמשת הסניפים של הבנקים הישראליים הפועלים כיום ברצועת עזה והגדה המערבית, עם כניסת מיקומו של הסניף או הסמכויות הנוגעות אליו לתחום סמכותה של הרשות הפלשתינאית. סניפים אלה יידרשו לפעול בהתאם לכללים ולתקנות הכלליים של ה-PMA לגבי בנקים זרים, המבוססים על "אקונקורט בזל". פסקאות משנה ד, ה ו-ו של פסקה 9 להלן יחולו לגבי סניפים אלה.
9. א. כל בנק ישראלי אחר שירצה לפתוח סניף או חברה-בת באזורים תפנה ל-PMA בבקשה לרשיון ויקבל טיפול זהה לבנקים זרים אחרים, בתנאי שאותו דין יחול לגבי בנקים פלשתינאים שירצו לפתוח סניף או חברה-בת בישראל.  
 ב. הענקת רשיון בידי שתי הרשויות תהיה כפופה להסדרים הבאים המבוססים על "קונקורט בזל" כתקפה בתאריך חתימת ההסכם ולכללים ולתקנות הכלליים של הרשות המארחת שבתוקף לגבי פתיחת סניפים וחברות-בנות של בנקים זרים.

בפסקה 9 זו "רשות מארחת" ו"רשות-הבית" יחולו רק לגבי בנק ישראל (כ"י) וה-PMA.

ג. בנק הרוצה לפתוח סניף או להקים חברה-בת יפנה בבקשה לרשות המארחת, לאחר שהשיג תחילה את הסכמת רשות-הבית שלו. הרשות המארחת תודיע לרשות-הבית על תנאי הרשיון, ותתן את אישורה הסופי זולת אם רשות-הבית מתנגדת.

ד. רשות-הבית תהיה אחראית לפיקוח המאוחד והמקיף על הבנקים, לרבות סניפים וחברות-בת כאזור שכתחום סמכותה של הרשות המארחת. ואולם, חלוקת אחריות הפיקוח בין רשות-הבית והרשות המארחת לגבי חברות-בנות תהיה לפי "קונקורדט בזל".

ה. הרשות המארחת תבדוק באופן סדיר את פעילויותיהם של סניפים וחברות-בנות כאזור שכתחום סמכותה. רשות-הבית תהיה זכאית לקיים ביקורת בסניפים ובחברות-הבנות בשטח המארחת. ואולם, אחריות הפיקוח של רשות-הבית לגבי חברות-בנות תהיה לפי "קונקורדט בזל".

בהתאם לכך, כל רשות תעביר לרשות האחרת העתקים מדוחות הביקורת שלה וכל מידע הנוגע לכושר הפרעון, היציבות והאיתנות של הבנקים, סניפיהם וחברות-הבת שלהם.

ו. כ"י וה-PMA יקימו מנגנון לתיאום ולהחלפת מידע בנושאים בעלי ענין משותף.

10. א. השקל הישראלי החדש (ש"ח) יהיה אחר מן המטבעות במחזור באזורים וישמש שם באופן חוקי כאמצעי תשלום לכל מטרה לרבות פעולות רשמיות. כל מטבע במחזור לרבות הש"ח, יתקבל בידי הרשות הפלשתינאית וכידי כל מוסדותיה, הרשויות המקומיות והבנקים שלה כאשר יוצע כאמצעי תשלום לכל פעולה.

ב. שני הצדדים ימשיכו לדון, באמצעות ה-JEC, באפשרות הנהגה, בהסכמה הדדית, של מטבע פלשתינאי או הסדר מטבע חילופי זמני עבור הרשות הפלשתינאית.

11. א. שיעורי הנזילות על כל הפקדונות בבנקים הפועלים באזורים ייקבעו ויפורסמו בידי ה-PMA.

ב. בנקים באזורים יקבלו פקדונות בש"ח. שיעורי הנזילות על הסוגים השונים של פקדונות בש"ח (או פקדון צמוד לש"ח) בבנקים הפועלים באזורים לא יפחתו מ-4% עד 8%, לפי סוג הפקדונות. שינויים בשיעור שמעל 1% בשיעורי הנזילות על פקדונות בש"ח (או פקדונות צמודים לש"ח) בישראל יחייבו שינויים תואמים בשיעורים הנזכרים לעיל.

ג. הפיקוח והבקרה על יישום כל שיעורי הנזילות יבוצעו בידי ה-PMA.

ד. הרזרבות והנכסים הנזילים הנדרשים לפי פסקה זו יופקדו ב-PMA לפי הכללים וההסדרים שהיא תקבע. קנסות על אי קיום דרישות הנזילות ייקבעו בידי ה-PMA.

12. ה-PMA תסדיר ותנהל שיטת חלון אשראי ומתן מימון זמני לבנקים הפועלים באזורים.

13. א. ה-PMA תקים או תרשה מסלקה כדי לנכות את כל הפקודות הכספיות בין בנקים הפועלים באזורים ועם מסלקות אחרות.

ב. ניכוי פקודות כספיות ועסקאות בין בנקים הפועלים באזורים ובנקים הפועלים בישראל ייעשה בין המסלקה הישראלית והמסלקה הפלשתינאית על בסיס אותו יום עסקים, לפי הסדרים מוסכמים.

14. שני הצדדים יאפשרו יחסים קורספונדטיים בין הבנקים שלהם.

15. ה-PMA תהיה זכאית להמיר בכ"י עודפי ש"ח שהתקבלו מבנקים הפועלים באזורים למטבע חוץ שבו בכ"י סוחר בשוק הבין-בנקאי המקומי, עד לסכומים שייקבעו לכל תקופה, לפי ההסדרים המפורטים בפסקה 16 להלן.

16. א. סכום עודפי הש"ח, הנובעים מזרמי מאזן התשלומים, אשר ה-PMA תהיה זכאית להמיר למטבע חוץ, יהיה שווה ל:

(1) אמדנים של כל "היבוא" הישראלי של טובין ושירותים מן האזורים, שיוערכו לפי מחירי שוק (כולל מסים) אשר תמורתם שולמה בש"ח, פחות:

(i) המסים שהרשות הפלשתינאית גבתה על כל "היבוא" הישראלי מהאזורים ואשר הוחזרו לישראל בש"ח, וכן

(ii) המסים שישראל גבתה על כל "היבוא" הישראלי מהאזורים ואשר נכללו בערך השוק שלהם, ולא הועברו לרשות הפלשתינאית,

#### פחות

(2) אמדנים של כל "היצוא" הישראלי של טובין ושירותים לאזורים, שיוערכו לפי מחירי שוק (כולל מסים) אשר תמורתם שולמה בש"ח, פחות:

(i) המסים שישראל גבתה על "יצוא" כאמור ואשר הועברו לרשות הפלשתינאית, וכן

(ii) המסים שהרשות הפלשתינאית גבתה על "יצוא" כאמור ואשר נכללו בערך השוק שלהם, ולא הועברו לישראל;

#### בתוספת

(3) הסכומים המצטברים נטו של מטבע חוץ שהומר קודם לכן לש"ח בידי ה-PMA, כפי שנרשם בחדר העסקאות של בכ"י.

ב. הזרמים והסכומים האמורים יחושבו החל מיום חתימת ההסכם.

הערות לפסקה 16:

(i) האמדנים של "היבוא והיצוא" האמורים של טובין ושירותים יכללו בין היתר שירותי עבודה, הוצאות בש"ח של תיירים וישראלים באזורים והוצאות בש"ח של פלשתינאים מן האזורים בישראל.

(ii) מסים והפרשות לפנסיה על "יבוא" של שירותי עבודה, ששולמו לצד "המייבא" והוחזרו לצד "המייצא", לא ייכללו באמדנים של הסכומים שיש להמירם, משום שהכנסות "היצוא" של שירותי עבודה נכללים ברישום הסטטיסטי למרות שהם אינם ניתנים ליחידים המספקים אותם.

17. ה-PMA וב"י יוועדו אחת לשנה כדי לדון ולקבוע את הסכום השנתי של ש"ח שיומר במשך שנת הלוח הבאה ויוועדו אחת לחצי שנה כדי לתאם את הסכום האמור. הסכומים שייקבעו אחת לשנה ויתואמו אחת לחצי שנה יתבססו על נתונים ואמדנים המתייחסים לעבר ועל תחזיות לתקופה הבאה, לפי הנוסחה הנזכרת בפסקה 16. הפגישה הראשונה תתקיים בהקדם האפשרי בתוך שלושה חדשים לאחר תאריך חתימת ההסכם.
18. א. החלפת מטבע חוץ לש"ח ולהיפך בידי ה-PMA תבוצע באמצעות חדר העסקות של ב"י, בשערי החליפין של השוק.  
 ב. ב"י לא יהיה חייב להמיר בחודש אחד כלשהו יותר מ-1/5 מהסכום החצי-שנתי, כנזכר בפסקה 17.
19. לא תהיה תקרה להמרות השנתיות של מטבע חוץ בידי ה-PMA לש"ח, ואולם, כדי להימנע מתנודות לא רצויות בשוק מטבע חוץ, יוסכם על תקרות חדשיות של המרות כאלה בפגישות השנתיות והחצי-שנתיות הנזכרות בפסקה 17.
20. בנקים באזורים ימירו ש"ח למטבעות אחרות במחזור ולהיפך.
21. לרשות הפלשתינאית יהיו הסמכויות, הכוחות והאחריות לגבי ההסדרה והפיקוח על פעילויות הון באזורים, לרבות רישוי מוסדות שוק הון, חברות פיננסיות וקרנות השקעה.



#### Article IV

### MONETARY AND FINANCIAL ISSUES

1. The Palestinian Authority will establish a Monetary Authority (PMA) in the Areas. The PMA will have the powers and responsibilities for the regulation and implementation of the monetary policies within the functions described in this Article.
2. The PMA will act as the Palestinian Authority's official economic and financial advisor.
3. The PMA will act as the Palestinian Authority's and the public sector entities' sole financial agent, locally and internationally.
4. The foreign currency reserves (including gold) of the Palestinian Authority and all Palestinian public sector entities will be deposited solely with the PMA and managed by it.
5. The PMA will act as the lender of last resort for the banking system in the Areas.
6. The PMA will authorize foreign exchange dealers in the Areas and will exercise control (regulation and supervision) over foreign exchange transactions within the Areas and with the rest of the world.
7. a. The PMA will have a banking supervision department that will be responsible for the proper functioning, stability, solvency and liquidity of the banks operating in the Areas.  
b. The banking supervision department will predicate its supervision on the international principles and standards reflected in international conventions and especially on the principles of the "Basle Committee".  
c. The supervision department will be charged with the general supervision of every such bank, including:
  - The regulation of all kinds of banking activities, including their foreign activities ;
  - The licensing of banks formed locally and of branches, subsidiaries, joint ventures and representative offices of foreign banks and the approval of controlling shareholders ;
  - The supervision and inspection of banks.
8. The PMA will relicense each of the five branches of the Israeli banks operating at present in the Gaza Strip and the West Bank, as soon as its location or the authorities regarding it come under the jurisdiction of the Palestinian Authority. These branches will be required to comply with the general rules and regulations of the PMA concerning foreign banks, based on the "Basle Concordat". Para 10 d, e, and f below will apply to these branches.

9. a. Any other Israeli bank wishing to open a branch or a subsidiary in the Areas will apply for a license to the PMA and will be treated equally to other foreign banks, provided that the same will apply to the Palestinian banks wishing to open a branch or a subsidiary in Israel.
- b. Granting of a license by both authorities will be subject to the following arrangements based on the "Basle Concordat" valid on the date of signing of the Agreement and to the host authority's prevailing general rules and regulations concerning opening of branches and subsidiaries of foreign banks.

In this para 10 "host authority" and "home authority" apply only to the Bank of Israel (BOI) and the PMA.

- c. A bank wishing to open a branch or establish a subsidiary will apply to the host authority, having first obtained the approval of its home authority. The host authority will notify the home authority of the terms of the license, and will give its final approval unless the home authority objects.
  - d. The home authority will be responsible for the consolidated and comprehensive supervision of banks, inclusive of branches and subsidiaries in the area under the jurisdiction of the host authority. However, the distribution of supervision responsibilities between the home and the host authorities concerning subsidiaries will be according to the "Basle Concordat".
  - e. The host authority will regularly examine the activities of branches and subsidiaries in the area under its jurisdiction. The home authority will have the right to conduct on site examinations in the branches and subsidiaries in the host area. However, the supervision responsibilities of the home authority concerning subsidiaries will be according to the "Basle Concordat".  
Accordingly, each authority will transfer to the other authority copies of its examination reports and any information relevant to the solvency, stability and soundness of the banks, their branches and subsidiaries.
  - f. The BOI and the PMA will establish a mechanism for co-operation and for the exchange of information on issues of mutual interest.
10. a. The New Israeli Sheqel (NIS) will be one of the circulating currencies in the Areas and will legally serve there as means of payment for all purposes including official transactions. Any circulating currency, including the NIS, will be accepted by the Palestinian Authority and by all its institutions, local authorities and banks, when offered as a means of payment for any transaction.
  - b. Both sides will continue to discuss, through the JEC, the possibility of introducing mutually agreed Palestinian currency or temporary alternative currency arrangements for the Palestinian Authority.
11. a. The liquidity requirements on all deposits in banks operating in the Areas will be determined and announced by the PMA.

- b. Banks in the Areas will accept NIS deposits. The liquidity requirements on the various kinds of NIS deposits (or deposit linked to the NIS) in banks operating in the Areas will not be less than 4% to 8%, according to the type of deposits. Changes of over 1% in the liquidity requirements on NIS deposits (or deposits linked to the NIS) in Israel will call for corresponding changes in the above mentioned rates.
- c. The supervision and inspection of the implementation of all liquidity requirements will be carried out by the PMA.
- d. The reserves and the liquid assets required according to this paragraph will be deposited at the PMA according to rules and regulations determined by it. Penalties for non compliance with the liquidity requirements will be determined by the PMA.
12. The PMA will regulate and administer a discount window system and the supply of temporary finance for banks operating in the Areas.
13. a. The PMA will establish or license a clearing house in order to clear money orders between the banks operating in the Areas, and with other clearing houses.
- b. The clearing of money orders and transactions between banks operating in the Areas and banks operating in Israel will be done between the Israeli and the Palestinian clearing houses on same working day basis, according to agreed arrangements.
14. Both sides will allow correspondential relations between each others' banks.
15. The PMA will have the right to convert at the BOI excess NIS received from banks operating in the Areas into foreign currency, in which the BOI trades in the domestic inter-bank market, up to the amounts determined per period, according to the arrangements detailed in para 16 below.
16. a. The excess amount of NIS, due to balance of payments flows, that the PMA will have the right to convert into foreign currency, will be equal to:
- (1) Estimates of all Israeli "imports" of goods and services from the Areas, valued at market prices (inclusive of taxes), which were paid for in NIS, less:
- (i) the taxes collected by the Palestinian Authority on all Israeli "imports" from the Areas and rebated to Israel in NIS, and
- (ii) the taxes collected by Israel on all Israeli "imports" from the Areas and included in their market value, and not rebated to the Palestinian Authority,
- minus
- (2) Estimates of all Israeli "exports" of goods and services to the Areas, valued at market prices (inclusive of taxes), which were paid for in NIS, less :
- (i) the taxes collected by Israel on such "exports" and rebated to the Palestinian Authority, and
- (ii) the taxes collected by the Palestinian Authority on such "exports" and included in their market value, and not rebated to Israel ;

plus

- (3) The accumulated net amounts of foreign currency converted previously into NIS by the PMA, as recorded in the BOI Dealing Room.
- b. The said flows and amounts will be calculated as of the date of the signing of the Agreement.

*Notes to para 16:*

- (i) *The estimates of the said "exports and imports" of goods and services will include inter alia labor services, NIS expenditure of tourists and Israelis in the Areas and NIS expenditure of Palestinians of the Areas in Israel.*
- (ii) *Taxes and pension contributions on "imports" of labor services, paid to the "importing" side and rebated to the "exporting" one, will not be included in the estimates of the sums to be converted, as the "exports" earnings of labor services are recorded in the statistics inclusive of them, although they do not accrue to the individuals supplying them.*
17. The PMA and the BOI will meet annually to discuss and determine the annual amount of convertible NIS during the following calendar year and will meet semi-annually to adjust the said amount. The amounts determined annually and adjusted semi-annually will be based on data and estimates regarding the past and on forecasts for the following period, according to the formula mentioned in para 16. The first meeting will be as soon as possible within three months after the date of the signing of the Agreement.
18. a. The exchange of foreign currency for NIS and vice-versa by the PMA will be carried out through the BOI Dealing Room, at the market exchange rates.
- b. The BOI will not be obliged to convert in any single month more than 1/5 of the semi-annual amount, as mentioned in para 17.
19. There will be no ceiling on the annual foreign currency conversions by the PMA into NIS. However, in order to avoid undesirable fluctuations in the foreign exchange market, monthly ceilings of such conversions will be agreed upon in the annual and semi-annual meetings referred to in para 17.
20. Banks in the Areas will convert NIS into other circulating currencies and vice-versa.
21. The Palestinian Authority will have the authorities, powers and responsibilities regarding the regulation and supervision of capital activities in the Areas, including the licensing of capital market institutions, finance companies and investment funds.

## Article V

### DIRECT TAXATION

1. Israel and the Palestinian Authority will each determine and regulate independently its own tax policy in matters of direct taxation, including income tax on individuals and corporations, property taxes, municipal taxes and fees.
2. Each tax administration will have the right to levy the direct taxes generated by economic activities within its area.
3. Each tax administration may impose additional taxes on residents within its area on (individuals and corporations) who conduct economic activities in the other side's area.
4. Israel will transfer to the Palestinian Authority a sum equal to:
  - a. 75% of the income taxes collected from Palestinians from the Gaza Strip and the Jericho Area employed in Israel.
  - b. The full amount of income taxes collected from Palestinians from the Gaza Strip and Jericho Area employed in the settlements.
5. The two sides will agree on a set of procedures that will address all issues concerning double taxation.

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a. The PNA will be responsible for the administration of the custom points at the entries of the Gaza Strip and the West Bank including the implementation of the agreed upon custom policies.

b. Israeli custom officials will be present and entitled to ask for inspection of both goods and the collection of taxes when due and to receive the related documents according to the relevant provisions of the economic agreement.

c. In case of disagreement on the clearance of any shipment according to the previous article, the shipment will be delayed for inspection for a maximum period of \_\_\_\_\_ hours during which the Joint Economic Committee will resolve the issue on the basis of the relevant provisions of this agreement

**Annex IV  
Article IX**

**MONETARY AND FINANCIAL ISSUES**

1. The Palestinian Authority will establish a Monetary Authority (PMA) in the Areas as defined in the relevant provision of Article \_\_\_ in the Agreement on economic relations (hereinafter - the Areas) . The functions of the PMA will be as described in this Article.
- 2.a. The New Israeli Shekel (NIS) will be a legal circulating currency in the Areas and will serve there as legal means of payment for all purposes of private, commercial and official transactions. Any circulating currency, including the NIS, will have to be accepted by the Palestinian Authority and by all its institutions, local authorities and banks, when offered as a means of payment for any transaction, or for the discharge of debts and obligations, or for the payment of taxes and other compulsory payments. Banks in the Areas will be obliged to accept NIS deposits and to convert NIS into other circulating currencies.
- b. Both sides will continue to discuss, through the JEC, the possibility of introducing mutually agreed alternative currency arrangements for the Palestinian Authority.
3. The PMA will act as the Palestinian Authority's official economic and financial advisor.
4. The PMA will act as the Palestinian Authority's and the public sector entities' sole financial agent, locally and internationally.
5. The foreign currency reserves (including gold) of the Palestinian Authority and all Palestinian public sector entities will be deposited solely with the PMA and managed by it.
6. The PMA will act as the lender of last resort for the banking system in the Areas.
7. The PMA will authorize foreign exchange dealers in the Areas and will exercise control (regulation and supervision) over foreign exchange transactions within the Areas and with the rest of the world.
8. a. The PMA will have a banking supervision department that will be responsible for the proper functioning, stability, solvency and liquidity of the banks operating in the Areas.
- b. The banking supervision department will predicate its supervision on the international principles and standards reflected in international conventions and especially on the principles of the "Basle Committee".

- c. The supervision department will be charged with the general supervision of every bank operating in the Areas, including:
- The regulation of all kinds of banking activities, including their foreign activities ;
  - The licensing of banks formed locally and of branches, subsidiaries, joint ventures and representative offices of foreign banks and the approval of controlling shareholders ;
  - The supervision and inspection of banks.
9. The PMA will relicense each of the five branches of the Israeli banks operating at present in the Gaza Strip and the West Bank, as soon as its location comes under the jurisdiction of the Palestinian Authority. These branches will be required to comply with the general rules and regulations of the PMA concerning foreign banks, based on the "Basle Concordat". Para 10 d, e, and f below will apply to these branches.
10. a. Any other Israeli bank wishing to open a branch or a subsidiary in the Areas will apply for a license to the PMA and will be treated equally to other foreign banks, provided that the same will apply to the Palestinian banks wishing to open a branch or a subsidiary in Israel.
- b. Granting of a license by both authorities will be subject to the following arrangements based on the "Basle Concordat" valid on the date of signing of the Agreement and to the host authority's prevailing general rules and regulations concerning opening of branches and subsidiaries of foreign banks.

In this para 10 "host authority" and "home authority" apply only to the Bank of Israel (BOI) and the PMA.

- c. A bank wishing to open a branch or establish a subsidiary will apply to the host authority, having first obtained the approval of its home authority. The host authority will notify the home authority of the terms of the license, and will give its final approval unless the home authority objects.
- d. The home authority will be responsible for the consolidated and comprehensive supervision of banks, inclusive of branches and subsidiaries in the area under the jurisdiction of the host authority. However, the distribution of supervision responsibilities between the home and the host authorities concerning subsidiaries will be according to the "Basle Concordat".
- e. The host authority will regularly examine the activities of branches and subsidiaries in the area under its jurisdiction. The home authority will have the right to conduct on site examinations in the branches and subsidiaries in the host area. However, the supervision responsibilities of the home authority concerning subsidiaries and branches will be according to the "Basle Concordat". Accordingly, each authority will transfer to the other authority copies of its examination reports and any information relevant to the solvency, stability and soundness of the banks, their branches and subsidiaries.
- f. The BOI and the PMA will establish a mechanism for co-operation and for the exchange of information on issues of mutual interest.



11.
  - a. The liquidity requirements on all deposits in banks operating in the Areas will be determined and announced by the PMA.
  - b. The supervision and inspection of the implementation of such requirements will be carried out by the PMA.
  - c. The liquidity requirements on the various kinds of NIS deposits (or deposits linked to the NIS) in banks operating in the Areas will not be less than 4% to 8%, according to the type of deposits. Changes of over 1% in the liquidity requirements on NIS deposits (or deposits linked to the NIS) in Israel will call for corresponding changes in the above mentioned rates.
  - d. The reserves and the liquid assets required according to this paragraph will be deposited at the PMA according to rules and regulations determined by it. Penalties for non compliance with the liquidity requirements will be determined by the PMA.
12. The PMA will regulate and administer a discount window system and the supply of temporary finance for banks operating in the Areas.
13.
  - a. The PMA will establish or license a clearing house in order to clear money orders between the banks operating in the Areas, and with other clearing houses.
  - b. The clearing of money orders and transactions between banks operating in the Areas and banks operating in Israel will be done between the Israeli and the Palestinian clearing houses on same working day basis, according to agreed arrangements.
14. Both sides will allow correspondential relations between each others' banks.
15. The PMA will have the right to convert at the BOI excess NIS received from banks operating in the Areas into foreign currency, in which the BOI trades in the domestic inter-bank market, up to the amounts determined per period, according to the arrangements detailed in para 16 below.
16.
  - a. The excess amount of NIS, due to balance of payments flows, that the PMA will have the right to convert into foreign currency, will be equal to:
    - (1) Estimates of Israeli "imports" of goods and services from the Areas, valued at market prices (inclusive of taxes), which were paid for in NIS, less:
      - (i) the taxes collected by the Palestinian Authority on Israeli "imports" from the Areas and rebated to Israel in NIS, and
      - (ii) the taxes collected by Israel on Israeli "imports" from the Areas and included in their market value, and not rebated to the Palestinian Authority,
    - minus
    - (2) Estimates of Israeli "exports" of goods and services to the Areas, valued at market prices (inclusive of taxes), which were paid for in NIS, less :
      - (i) the taxes collected by Israel on such "exports" and rebated to the Palestinian Authority, and
      - (ii) the taxes collected by the Palestinian Authority on such "exports" and included in their market value, and not rebated to Israel ;

plus

(3) The accumulated net amounts of foreign currency converted previously into NIS by the PMA, as recorded in the BOI Dealing Room.

b. The said flows and amounts will be calculated as of the date of the signing of the Agreement.

*Notes to para 16:*

*(i) The estimates of the said "exports and imports" of goods and services will include inter alia labor services, NIS expenditure of tourists and Israelis in the Areas and NIS expenditure of Palestinians of the Areas in Israel.*

*(ii) Taxes and pension contributions on "imports" of labor services, paid to the "importing" side and rebated to the "exporting" one, will not be included in the estimates of the sums to be converted, as the "exports" earnings of labor services are recorded in the statistics inclusive of them, although they do not accrue to the individuals supplying them.*

17. The PMA and the BOI will meet annually to discuss and determine the annual amount of convertible NIS during the following calendar year and will meet semi-annually to adjust the said amount. The amounts determined annually and adjusted semi-annually will be based on data and estimates regarding the past and on forecasts for the following period, according to the formula mentioned in para 16. The first meeting will be as soon as possible within three months after the signing of the Agreement.
18. a. The exchange of foreign currency for NIS and vice-versa by the PMA will be carried out through the BOI Dealing Room, at the market exchange rates.  
b. The BOI will not be obliged to convert in any single month more than 1/5 of the semi-annual amount, as mentioned in para 17.
19. There will be no ceiling on the annual foreign currency conversions by the PMA into NIS. However, in order to avoid undesirable fluctuations in the foreign exchange market, monthly ceilings of such conversions will be agreed upon in the annual and semi-annual meetings referred to in para 17.
20. The Palestinian Authority will have the authorities, powers and responsibilities regarding the regulation and supervision of capital activities in the Areas, including the licensing of capital market institutions, finance companies and investment funds.

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**Annex IV**  
**Article IX**

**MONETARY AND FINANCIAL ISSUES**

1. The Palestinian Authority will establish a Monetary Authority (PMA). The functions of the PMA will be as described in this Article.
- ✓ 2. a. The New Israeli Shekel (NIS) will be a legal circulating currency <sup>g</sup> in the Areas as defined in the relevant provision of Article \_\_\_ in this Agreement on economic relations <sup>g</sup> in the Areas (hereinafter - the Areas) and will serve there as legal means of payment for all purposes of private, commercial and official transactions. Any circulating currency, including the NIS, will have to be accepted by the Palestinian Authority and by all its institutions, local authorities and banks, when offered as a means of payment for any transaction, or for the discharge of debts and obligations, or for the payment of taxes and other compulsory payments. Banks in the Areas will be obliged to accept NIS deposits and to convert NIS into other circulating currencies.
- b. Both sides will continue to discuss, through the JEC, the possibility of introducing mutually agreed alternative currency arrangements for the Palestinian Authority.
3. The PMA will act as the Palestinian Authority's official economic and financial advisor.
4. The PMA will act as the Palestinian Authority's and the public sector entities' sole financial agent, locally and internationally.
5. The foreign currency reserves (including gold) of the Palestinian Authority and all Palestinian public sector entities will be deposited solely with the PMA and managed by it.
6. The PMA will act as the lender of last resort for the banking system in the Areas.
7. The PMA will authorize foreign exchange dealers in the Areas and will exercise control (regulation and supervision) over foreign exchange transactions within the Areas and with the rest of the world.
8. a. The PMA will have a banking supervision department that will be responsible for the proper functioning, stability, solvency and liquidity of the banks operating in the Areas.
- ✓ b. The banking supervision department will predicate its supervision on the international principles and standards reflected in international conventions and especially <sup>on</sup> of the principles of the "Basle Committee".

c. The supervision department will be charged with the general supervision of every ~~such~~ bank, including:

- The regulation of all kinds of banking activities, including their foreign activities ;
- The licensing of banks formed locally and of branches, subsidiaries, joint ventures and representative offices of foreign banks and the approval of controlling shareholders ;
- The supervision and inspection of banks.

9. The PMA will relicense each of the five branches of the Israeli banks operating at present in the Gaza Strip and the West Bank, as soon as its location comes under the jurisdiction of the Palestinian Authority. These branches will be required to comply with the general rules and regulations of the PMA concerning foreign banks, based on the "Basle Concordat". Para 10 d, e, and f below will apply to these branches.

10. a. Any other Israeli bank wishing to open a branch or subsidiary in the Areas will apply for a license to the PMA ~~will apply for a license~~ and will be treated equally to other foreign banks, provided that the same will apply to the Palestinian banks wishing to open a branch or a subsidiary in Israel.

b. Granting of a license by both authorities will be subject to the following arrangements based on the "Basle Concordat" valid on the date of <sup>g</sup>entry into force ~~of this Agreement~~ and to the host authority's prevailing general rules and regulations concerning opening of branches and subsidiaries of foreign banks.

In this para 10 "host authority" and "home authority" apply only to the Bank of Israel (BOI) and the PMA.

c. A bank wishing to open a branch or establish a subsidiary will apply to the host authority, having first obtained the approval of its home authority. The host authority will notify the home authority of the terms of the license, and ~~will~~ give its final approval unless the home authority objects.

d. The home authority will be responsible for the consolidated and comprehensive supervision of banks, inclusive of branches and subsidiaries in the area under the jurisdiction of the host authority. However, the distribution of supervision responsibilities between the home and the host authorities concerning subsidiaries will be according to the "Basle Concordat".

e. The host authority will regularly examine the activities of branches and subsidiaries in the area <sup>under</sup> of its jurisdiction. The home authority will have the right to conduct on site examinations in the branches and subsidiaries in the host area. However, the supervision responsibilities of the home authority concerning subsidiaries and branches will be according to the "Basle Concordat". Accordingly, each authority will transfer to the other authority copies of its examination reports and any information relevant to the solvency, stability and soundness of the banks, their branches and subsidiaries.

f. The BOI and the PMA will establish a mechanism for co-operation and for the exchange of information on issues of mutual interest.

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11. a. The liquidity requirements on all deposits in banks operating in the Areas will be determined and announced by the PMA.
- b. The supervision and inspection of the implementation of such requirements will be carried out by the PMA.
- X c. The liquidity requirements on the various kinds of ~~Shekel~~<sup>NIS</sup> deposits (or deposits linked to the NIS) in banks operating in the Areas will not be less than 4% to 8%, according to the type of deposits. Changes of over 1% in the liquidity requirements on ~~Shekel~~<sup>NIS</sup> deposits in Israel will call for corresponding changes in the above mentioned rates. / (or deposits linked to the NIS)
- X d. The reserves and the liquid assets required according to this paragraph will be deposited at the PMA according to rules and regulations determined by it. Penalties for non compliance with the liquidity requirements will be determined by the PMA.
12. The PMA will regulate and administer a discount window system and the supply of temporary finance for banks operating in the Areas.
13. a. The PMA will establish or license a clearing house in order to clear money orders between the banks operating in the Areas, and with other clearing houses.
- b. The clearing of money orders and transactions between banks operating in the Areas and banks operating in Israel will be done between the Israeli and the Palestinian clearing houses on same working day basis, according to agreed arrangements.
14. Both sides will allow correspondential relations between each others' banks.
- X 15. The PMA will have the right to convert at the BOI excess ~~Shekels~~<sup>NIS</sup> received from banks operating in the Areas into foreign currency, in which the BOI trades in the domestic inter-bank market, up to the amounts determined per period, according to the arrangements detailed in para 16 below.
16. a. The excess amount of NIS, due to balance of payments flows, that the PMA will have the right to convert into foreign currency, will be equal to:

(A) Estimates of Israeli "imports" of goods and services from the Areas, valued at market prices (inclusive of taxes), which were paid for in NIS, less ~~the~~ <sup>the</sup> :

- (i) <sup>the</sup> taxes ~~collected~~<sup>levied</sup> by the Palestinian Authority on <sup>Israeli</sup> "imports" from <sup>the Areas</sup> Israel and rebated to Israel in NIS, and
- (ii) <sup>the</sup> taxes ~~levied~~<sup>collected</sup> on such "imports" by <sup>Israeli</sup> Israel and included in their market value, and not rebated to the Palestinian Authority,

→ minus

(B) Estimates of Israeli "exports" of goods and services to the Areas, valued at market prices (inclusive of taxes), which were paid for in NIS, less ~~the~~ <sup>the</sup> :

- X (i) <sup>the</sup> taxes ~~collected~~<sup>levied</sup> on <sup>such</sup> these "exports" by <sup>the</sup> Israel and rebated to <sup>the</sup> Palestinian Authority, and

minus

b. Estimates of all Israeli "exports" of goods and services to the Areas, valued at market prices (inclusive of taxes), less :

- (1) The taxes collected on these "exports" by Israel and rebated to Palestinian Authority, and
- (2) Taxes levied on such "exports" by the Palestinian Authority and included in their market value, and not rebated to Israel ;

plus

- c. The accumulated net amounts of foreign currency converted previously into Shekels by the PMA, as recorded in the BOI Dealing Room.
- d. The said flows and amounts will be calculated as of the date of entry into force of this Agreement.

*Notes to para 16:*

*(i) The estimates of the said "exports and imports" of goods and services will include inter alia labor services, NIS expenditure of tourists and Israelis in the Areas and NIS expenditures of Palestinians of the Areas in Israel.*

*(ii) Taxes and pension contributions on "imports" of labor services, paid to the "importing" side and rebated to the "exporting" one, will not be included in the estimates of the sums to be converted, as the "exports" earnings of labor services are recorded in the statistics inclusive of them, although they do not accrue to the individuals supplying them.*

17. The PMA and the BOI will meet annually to discuss and determine the annual amount of convertible Shekels during the following calendar year and will meet semi-annually to adjust the said amount. The amounts determined and adjusted will be based on data and estimates mentioned in para.16 and forecasts for the following period. The first meeting will be as soon as possible within three months after the entry into force of this Agreement.
18. a. The exchange of foreign currency for NIS and vice-versa by the PMA will be carried out through the BOI Dealing Room, at the market exchange rates.  
b. The BOI will not be obliged to convert in any single month more than 1/5 of the semi-annual amount.
19. There will be no ceiling on the annual foreign currency conversions by the PMA into Shekels. However, in order to avoid undesirable fluctuations in the foreign exchange market, monthly ceilings of such conversions will be agreed upon in the annual and semi-annual meetings referred to in para 17.
20. The Palestinian Authority will have the authorities, powers and responsibilities regarding the regulation and supervision of capital activities in the Areas, including the licensing of capital market institutions, finance companies and investment funds.

**Annex IV**  
**Article IX**

**MONETARY AND FINANCIAL ISSUES**

1. The Palestinian Authority will establish a Monetary Authority (PMA).  
The functions of the PMA will be as described in this article.
2. [I. The New Israeli Shekel (NIS) will be the only legal tender in the Gaza Strip and Jericho Area.]  
  
[P. The PMA will be responsible for the regulation and the implementation of monetary policies covering the West Bank and the Gaza Strip. The Authority will define the proper context and the time frame for issuing a Palestinian currency. However, the Israeli Shekel (NIS) will continue to be one of the circulating currencies in the West Bank and the Gaza Strip].
3. The PMA will act as the Palestinian Authority's official economic and financial advisor.
4. The PMA will act as the Palestinian Authority's and the public sector entities' sole financial agent locally and internationally.
5. The foreign currency reserves (including gold) of the Palestinian Authority and all Palestinian public sector entities will be deposited solely with the PMA and managed by it.
6. The PMA will act as the lender of last resort for the banking system in the Gaza Strip and Jericho Area.
7. The PMA will authorize foreign exchange dealers in these areas under the jurisdiction of the Palestinian Authority and will exercise control (regulation and supervision) over foreign exchange transactions within these areas and with the rest of the world.
8. The PMA will have a banking supervision department that will be responsible for the proper functioning, stability, solvency and liquidity of the banks operating in the Gaza Strip and Jericho Area.
  - a. The banking supervision department will predicate its supervision on the international principles and standards reflected in international conventions and especially on the principles of the "Basle Committee".

- b. The supervision department will be charged with the general supervision of every such bank, including:
- The regulation of all kinds of banking activities, including their foreign activities;
  - The licensing of new banks formed locally and of branches, subsidiaries, joint ventures and representatives offices of foreign banks and the approval of controlling shareholders;
  - The supervision and inspection of banks;
9. The PMA will relicense each of the five branches of the Israeli banks operating at present in the Gaza Strip and the West Bank, as soon as its location comes under the jurisdiction of the Palestinian Authority. These branches will be required to comply with the general rules and regulations of the PMA concerning foreign banks, based on the "Basle Concordat". Para 10 d, e, and f, below will apply to these branches.
10. a. Any other Israeli bank wishing to open a branch or subsidiary under the jurisdiction of the PMA will apply for a license to the PMA and will be treated equally to other foreign banks, provided that the same will apply to the Palestinian banks wishing to open a branch or a subsidiary in Israel.
- b. Granting of a license by both authorities will be subject to the following arrangements based on the "Basle Concordat" valid on the date of entry into force of this agreement and to the host authority's prevailing general rules and regulations concerning opening of branches and subsidiaries of foreign banks.
- In this para 10 "host authority" and "home authority" apply only to the Bank of Israel (BOI) and the PMA.
- c. A bank wishing to open a branch or establish a subsidiary will apply to the host authority, having first obtained the approval of its home authority. The host authority will notify the home authority of the terms of the license, and will give its final approval unless the home authority objects.
- d. The home authority will be responsible for the consolidated and comprehensive supervision of banks, inclusive of branches and subsidiaries in the area of the jurisdiction of the host authority. However, the distribution of supervision responsibilities between the home and the host authorities concerning subsidiaries will be according to the "Basle Concordat".
- e. The host authority will regularly examine the activities of branches and subsidiaries in the area of its jurisdiction. The home authority will have the right to conduct on site examinations in the branches and subsidiaries in the host area. However, the supervision responsibilities of the home authority concerning subsidiaries and branches will be according to the "Basle Concordat".



Accordingly, each Banking authority will transfer to the other authority copies of its examination reports and any information relevant to the solvency, stability and soundness of the banks, its branches and subsidiaries.

- f. The BOI and the PMA will establish a mechanism for co-operation and for the exchange of information on issues of mutual interest.
11.
    - a. The liquidity requirements on all deposits in banks operating in the Gaza Strip and Jericho Area will be determined and announced by the PMA.
    - b. The supervision and inspection of the implementation of such requirements will be carried out by the PMA.
    - c. The liquidity requirements on the various kinds of Shekel deposits (or deposits linked to the NIS) in banks operating in the Gaza Strip and Jericho Area will not be less than 4% to 8%, according to the type of deposits. Changes of over 1% in the liquidity requirements on Shekel deposits in Israel will call for corresponding changes in the above mentioned rates.
    - d. The reserves and the liquid assets required according to this paragraph will be deposited at the PMA according to rules and regulations determined by it. Penalties for non compliance with the liquidity requirements will be determined by the PMA.
  12. The PMA will regulate and administer a discount window system and the supply of temporary finance for banks operating in the Gaza Strip and Jericho Area.
  13.
    - a. The PMA will establish or license a clearing house in order to clear money orders between the banks operating in the Gaza Strip and Jericho Area, and with other clearing houses.
    - b. The clearing of money orders and transactions between banks operating in the Gaza Strip and Jericho Area and banks operating in Israel will be done between the Israeli and the Palestinian clearing houses on same working day basis, according to agreed arrangements.
  14. Both sides will allow correspondential relations between each others' banks.
  15. The PMA will have the right to convert at the BOI excess Shekels received from banks operating in the Gaza Strip and Jericho Area into foreign currency which the BOI trades in the domestic inter-bank market, up to the amounts determined per period, according to the arrangements detailed in para 16 below.

16. The excess amount of NIS, due to balance of payments flows, that the PMA will have the right to convert into foreign currency, will be equal to:
- a. Estimates of all Israeli imports of goods and services from the Gaza Strip and Jericho Area, valued at market prices (inclusive of taxes), less:
    - (1) The taxes collected on these imports by the Palestinian Authority and rebated to Israel, and
    - (2) Taxes levied on such imports by Israel and included in their market valuation, and not rebated to the Palestinian Authority,
  - minus
  - b. Estimates of all Israeli exports of goods and services to the Gaza Strip and Jericho Area, valued at market prices (inclusive of taxes), less :
    - (1) The taxes collected on these exports by Israel and rebated to the Palestinian Authority, and
    - (2) Taxes levied on such export by the Palestinian Authority and included in their market valuation, and not rebated to Israel ;
  - plus
  - c. The accumulated net amounts of foreign currency converted previously into Shekels by the PMA, as recorded in the BOI Dealing Room.
  - d. The said flows and amounts will be calculated as of the date of entry into force of this agreement.

*Notes to para 16:*

- (i) *The estimates of the said exports and imports of goods and services will include inter alia labor services, NIS expenditure of tourists and Israelis in the Gaza Strip and Jericho Area and NIS expenditures of Palestinians of these areas in Israel.*
- (ii) *Taxes and pension contributions on imports of labor services, paid to the importing side and rebated to the exporting one, will not be included in the estimates of the sums to be converted, as the exports' earnings of labor services are recorded in the statistics inclusive of them, although they do not accrue to the individuals supplying them.*

17. The PMA and the BOI will meet annually to discuss and determine the annual amount of convertible Shekels during the following calendar year and will meet semi-annually to adjust the said amount. The amounts determined and adjusted will be based on data and estimates mentioned in para. 16 and forecasts for the following period. The first meeting will be as soon as possible within three months after the entry into force of this Agreement.
18. a. The exchange of foreign currency for NIS and vice-versa by the PMA will be carried out through the BOI Dealing Room, at the market exchange rates.
- b. The BOI will not be obliged to convert in any single month more than 1/5 of the semi-annual amount.

19. There will be no ceiling on the annual foreign currency conversions by the PMA into Shekels. However, in order to avoid undesirable fluctuations in the foreign exchange market, monthly ceilings of such conversions will be agreed upon in the annual and semi-annual meetings referred to in para 17.
20. The Palestinian Authority will have the authorities, powers and responsibilities regarding the regulation and supervision of capital activities in the Gaza Strip and Jericho Area, including the licensing of capital market institutions, finance companies and investment funds.

**Note :** According to the Palestinian position, this Article relates to the West Bank and the Gaza Strip.

environment and the smallness and unsophisticated nature of the financial market. The recent example of Bulgaria is instructive in this respect. The market-determined exchange rate devaluation overshoot, because of the inability of the country to provide sufficient backing to their currency. This can be related to self-fulfilling prophecies about reversal in the current account or capital account convertibility. In contrast, the exchange rate in Poland, where a sizable stabilization fund was put in place with the assistance of the international community, was more stable. This stability helped fuel prolonged export expansion and served as a useful nominal anchor to combat inflation.

4.33 We are, thus, led to examine the choice of a pegged exchange rate, which can be fixed with respect to a basket of currencies at reasonable levels that can be defended. Such a system would need to be backed by a stabilization fund. Within the family of pegged exchange rates, a Currency Board may be an interesting option for the Occupied Territories, at least as a transitory arrangement, for several reasons: (i) it is easy to manage and can be established very quickly; (ii) as long as it remains in operation, it forces financial discipline; (iii) while discretionary monetary policy becomes impossible, its scope is limited, in any case, given the circumstances of the Occupied Territories; (iv) it allows for some seignorage; and (v) it can evolve towards a more flexible system as the economy matures and the financial system grows.

#### Currency Boards

4.34 Currency Boards, once a common arrangement, are being considered again (Hong Kong and Singapore have had a board for some time; Estonia's is less than a year old). Under a Currency Board arrangement, the monetary institution agrees to supply or redeem local currency bank notes (and possibly, reserve deposits of commercial banks held at the Currency Board) for another currency at an established exchange rate and without limitation. Moreover, the Currency Board will exchange local currency at no other terms (such as against local claims on other institutions).

4.35 A Currency Board is easy to administer. In a sense, the foreign reserves become the domestic currency, but the Currency Board intercepts the seignorage and retains flexibility for a future change in the exchange rate or the expansion into a full-fledged central bank. However, for a Currency Board to work, the government must relinquish its discretionary right to print money, and the banking system must retain adequate reserves of foreign exchange assets. This is not too costly since the initial reserves of new banks are bound to come largely from abroad (or to be in the form of foreign exchange). The sacrificed exchange rate flexibility, a useful first defense mechanism against unexpected shocks, is likely to pale next to the potential loss implied by a weak and volatile currency.

4.36 The decision to set up a Currency Board involves four main issues:

- (i) What liabilities to back, only bank notes, or more? In Hong Kong, the Currency Board has no role in commercial bank clearing operations. In contrast, the coverage extends to reserve deposits in Estonia where such deposits, being the liability of the Bank of Estonia and interchangeable with cash, have to be backed in the same way as cash. In the Occupied Territories, while it may not be necessary for a Currency Board to develop a system of interbank clearing immediately, reserve requirements for new banks are likely to be necessary, and, thus, deposits with the Currency Board should also be backed. But this is not necessary. In Singapore, for example, a separate monetary agency has been set up alongside the Currency Board to monitor commercial banks and provide a discount window (it does not, however, engage in open market operations).

- (ii) How much backing to provide? To instill confidence that it can honor its pledge of convertibility, the Currency Board should start with sufficient foreign exchange reserves to back a significant portion of the liabilities at the relevant exchange rate.<sup>1</sup>
- (iii) What to back with and peg to? This will depend mostly on prospective trading relationships. In principle, the exchange rate could be adjusted, but this rarely occurs under the stricter Currency Board. Once the certainty of the exchange rate is removed, the integrity of the exchange rate would be compromised. Thus, domestic interest rates would rise above the international rates to include a devaluation-related risk premium. In Singapore, the Currency Board retains the authority to appreciate but not to depreciate.
- (iv) Who can have access to the board? In Hong Kong only banks with note-issuing authority can convert cash into foreign exchange. Individuals and enterprises must rely on a competitive banking system to ensure equivalent rates. In the Occupied Territories, the system would probably have to be open to all until the banking sector developed sufficiently (as in Estonia).

#### Implications for Jordan and Israel

4.37 The introduction of a currency would be an issue of concern for both Jordan and Israel, given the substantial holdings of Jordanian Dinars and Shekels by Palestinians. If a new currency were introduced, Palestinians would purchase it in exchange for the two existing currencies, and a new monetary authority or currency board would acquire potentially large quantities of JDs and Shekels. These could, in principle, be used to back the Palestinian currency, but they would probably be way in excess of the amounts that it would make sense to hold as foreign exchange: the monetary authority would undoubtedly prefer to hold a high proportion of currencies of OECD countries. Yet if these were redeemed automatically for foreign exchange by the Jordanian and Israeli monetary authorities it would be a shock to both monetary and foreign exchange management—and potentially a large shock for Jordan, given the estimated size of Palestinian holdings of JDs relatively to both total money and foreign exchange holdings in Jordan. The phasing and terms of any such large-scale conversion would have to be worked out in the context of any currency reform. The international community may also have a role to play.

#### Other Implications

4.38 Supervision of the financial system. Currency Boards can vary from relatively pure systems (as in Hong Kong), where there is no central bank, to more hybrid schemes that retain some limited central bank functions. However, the two functions must be clearly delineated.<sup>2</sup> To maintain the integrity of

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<sup>1</sup> The Hong Kong and Estonia systems started with 100 percent backing; Argentina backs only the new issues of high-powered money.

<sup>2</sup> For example, the Bank of Estonia was divided into two departments: the issue department, which operates the CB and a banking department, which represent the policy side of the CB (but which cannot lend more than its own reserves in order not to compromise the CB). The seignorage earned by the issue department (as interest on reserves) is transferred to the banking department.

**Figure 21: Choice of an Exchange Rate Regime**

Exchange Rate Regime	Advantage	Disadvantage	Examples
Currency Union	Fiscal discipline enhanced; encourages capital inflows and investments; and reduces risk premia on government issued debt.	Risk associated with active monetary policies of other countries where shocks may be unrelated to policy needs at home; inability to conduct independent monetary policy.	Panama uses the US dollar. Members of the CFA zone pegged to the French franc. This contributed to greater stability until the 1980s when the appreciation of the French Franc with respect to the dollar contributed to a sharp reduction in competitiveness.
Free Floating	Reflects short-run scarcities best.	Leads to high exchange rate instability in the absence of a well-developed financial system.	Bulgaria, Latvia.
Pegged to Basket	Enhances the stability of the economy in the face of speculative attacks and short-term instability.	Needs the backing of a stabilization fund; leads to inefficient resource allocation if a "wrong" peg is used.	Poland.
Currency Board	Fiscal discipline is enhanced, encouraging capital inflows and investments and reducing risk premia on government issued debt.	Precludes the use of monetary policy.	Hong Kong, Singapore, Estonia.

the Currency Board, it must be prevented from general discretionary lending. Occasional intervention to offset exceptional fluctuations in liquidity or to provide temporary assistance to a bank are feasible if confined to those resources available to the authorities (and in excess of the requirement of the Currency Board). The difficulty in influencing interest rates also limits the ability of the authorities as guarantors of the banking system. Any assistance to weak banks must be confined to the amount of excess foreign reserves. In a sense, this becomes a fiscal responsibility.

4.39 Growth. As the economy grows, so would the demand for real balances. This does not mean, however, that a current account surplus must be achieved to increase domestic liquidity, since liquidity can be supplied through the capital account as well as the current account. For Hong Kong, one of the principal financial centers of the Pacific, capital is very mobile, and the economy is always assured sufficient liquidity by the international capital market. For the Occupied Territories, such conditions are also expected to prevail, at least until a large external debt is accumulated and creditworthiness deteriorates. In Estonia, to take another extreme case, capital is not at all mobile. This implies a severe financial squeeze as the price level is forced to adjust to the note issue, rather than the other way around.<sup>3</sup>

4.40 Monetary Policy. A Currency Board can be viewed as a pegged exchange rate where open market operations are prohibited. One of the basic conditions of a Currency Board is that it cannot lend to the government. If this were to happen, the Currency Board would find its liabilities backed by domestic claims, which would undermine the viability of the peg. This deprives the authorities of any meaningful ability to sterilize foreign exchange flows and, thus, inflation and interest rates (although the system could evolve over time and become more flexible).

4.41 Administrative Price Controls. Control through administrative action is also ruled out under a Currency Board arrangement. Any attempt by the government to control interest rates would quickly lead to the collapse of the system. If interest rates are too low, for example, banks would be subject to excess withdrawal, leading eventually to their collapse.

## F. Conclusion

4.42 We have surveyed a range of areas where independent policy action at a macroeconomic level could be desirable and have structured the analysis over when this might require an independent currency. The results can be summarized as follows:

- In some areas, the pursuit of an independent macroeconomic policy is likely to be fruitless, e.g., attempts to have independent interest rates, given the degree of capital mobility.
- In other areas independent policy is desirable, and is commonly associated with a separate currency, but such a link is by no means necessary, e.g., managing "excessive" capital inflows, borrowing at home and abroad and supervising/providing liquidity to banks.

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<sup>3</sup> However, it is important to note that it is only the growth of base money that is restricted under a CB; since cash is only one component of the money supply, a decline in the ratio of cash to money ratio would allow money to increase via the money multiplier.

- Seignorage is traditionally large in the region, but it is unlikely to be so for the West Bank and Gaza (especially initially) because of the likely initial low level of credibility of a new currency and the high capital mobility.
- There are areas for which a domestic currency is necessary, e.g., avoiding imported nominal shocks from other members of a currency union, facilitating real wage declines and, under extraordinary circumstances, defaulting.
- If a currency were introduced, there would need to be attention to the impact on Jordan and Israel; special arrangements may need to be worked out.

4.43 All this has to be set in the context of discipline, something that is hard to earn but that can be obtained by being in a currency union(s) with a disciplined core. We conclude by suggesting that if a domestic currency is chosen, it could be desirable to start with a relatively restricted version, as in a Currency Board, which could gradually evolve to a fully fledged currency that brought greater discretion once discipline, and the associated demand for the currency, was well established.



13/04/94

One year after the entry in force of this agreement, the Palestinian Authority may request that both sides discuss the possibility to introduce a symbolic Palestinian currency that would be issued under a Currency Board arrangement with 100% backing of an Israeli foreign reserve currency.

**Annex IV**  
**Article IX**

**MONETARY AND FINANCIAL ISSUES**

1. The Palestinian Authority will establish a Monetary Authority (PMA). The functions of the PMA will be as described in this article.
2. [I. The New Israeli Shekel (NIS) will be the only legal tender in the Gaza Strip and Jericho Area.]  
  
[P. The PMA will be responsible for the regulation and the implementation of monetary policies covering the West Bank and the Gaza Strip. The Authority will define the proper context and the time frame for issuing a Palestinian currency. However, the Israeli Shekel (NIS) will continue to be one of the circulating currencies in the West Bank and the Gaza Strip].
3. The PMA will act as the Palestinian Authority's official economic and financial advisor.
4. The PMA will act as the Palestinian Authority's and the public sector entities' sole financial agent locally and internationally.
5. The foreign currency reserves (including gold) of the Palestinian Authority and all Palestinian public sector entities will be deposited solely with the PMA and managed by it.
6. The PMA will act as the lender of last resort for the banking system in the Gaza Strip and Jericho Area.
7. The PMA will exercise control (regulation and supervision) over foreign exchange transactions within the area under the jurisdiction of the Palestinian Authority, and with the rest of the world.
8. The PMA will have a banking supervision department that will be responsible for the proper functioning, stability, solvency and liquidity of the banks operating in the Gaza Strip and Jericho Area.
  - a. The banking supervision department will predicate its supervision on the international principles and standards reflected in international conventions and especially on the principles of the "Basle Committee".

- b. The supervision department will be charged with the general supervision of every such bank, including:
- The regulation of all kinds of banking activities, including their foreign activities;
  - The licensing of new banks formed locally and of branches, subsidiaries, joint ventures and representatives offices of foreign banks and the approval of controlling shareholders;
  - The supervision and inspection of banks;
9. The PMA will relicense each of the five branches of the Israeli banks operating at present in the Gaza Strip and the West Bank, as soon as its location comes under the jurisdiction of the Palestinian Authority. These branches will be required to comply with the general rules and regulations concerning foreign banks, based on the "Basle Concordat". Para 10 d, e, and f, below will apply to these branches.
10. a. Any other Israeli bank wishing to open a branch or subsidiary under the jurisdiction of the PMA will apply for a license to the PMA and will be treated equally to other foreign banks, provided that the same will apply to the Palestinian banks wishing to open a branch or a subsidiary in Israel.
- b. Granting of a license by both authorities will be subject to the following arrangements based on the "Basle Concordat" valid on the date of entry into force of this agreement and to the host authority's prevailing general rules and regulations concerning opening of branches and subsidiaries of foreign banks.

In this para 10 "host authority" and "home authority" apply only to the Bank of Israel (BOI) and the PMA.

- c. A bank wishing to open a branch or establish a subsidiary will apply to the host authority, having first obtained the approval of its home authority. The host authority will notify the home authority of the terms of the license, and will give its final approval unless the home authority objects.
- d. The home authority will be responsible for the consolidated and comprehensive supervision of banks, inclusive of branches and subsidiaries in the area of the jurisdiction of the host authority. However, the distribution of supervision responsibilities between the home and the host authorities concerning subsidiaries [and branches] will be according to the "Basle Concordat".
- e. The host authority will regularly examine the activities of branches and subsidiaries in the area of its jurisdiction. The home authority will have the right to conduct on site examinations in the branches and subsidiaries in the host area. However, the supervision responsibilities of the home authority concerning subsidiaries and branches will be according to the "Basle Concordat".

Accordingly, each Banking authority will transfer to the other authority copies of its examination reports and any information relevant to the solvency and stability of the banks, its branches and subsidiaries.

- f. The BOI and the PMA will establish a mechanism for co-operation and for the exchange of information on issues of mutual interest.
11. a. The liquidity requirements on all deposits in banks operating in the Gaza Strip and Jericho Area will be determined and announced by the PMA.
- b. The supervision and inspection of the implementation of such requirements will be carried out by the PMA.
- c. The liquidity requirements on the various kinds of Shekel deposits (or deposits linked to the NIS) in banks operating in the Gaza Strip and Jericho Area will not be less than 4% to 8%, according to the type of deposits. Changes of over 1% in the liquidity requirements on Shekel deposits in Israel will call for corresponding changes in the above mentioned rates.
- d. The reserves and the liquid assets required according to this paragraph will be deposited at the PMA according to rules and regulations determined by it. Penalties for non compliance with the liquidity requirements will be determined by the PMA.
12. The PMA will regulate and administer a discount window system and the supply of temporary finance for banks operating in the Gaza Strip and Jericho Area.
13. a. The PMA will establish or license a clearing house in order to clear money orders between the banks operating in the Gaza Strip and Jericho Area, and with other clearing houses.
- b. The clearing of money orders and transactions between banks operating in the Gaza Strip and Jericho Area and banks operating in Israel will be done between the Israeli and the Palestinian clearing houses on same working day basis, according to agreed arrangements.
14. Both sides will allow correspondential relations between each others' banks.
15. The PMA will have the right to convert at the BOI excess Shekels received from banks operating in the Gaza Strip and Jericho Area into foreign currency which the BOI trades in the domestic inter-bank market, up to the amounts determined per period, according to the arrangements detailed in para 16 below.

16. The excess amount of NIS, due to balance of payments flows, that the PMA will have the right to convert into foreign exchange, will be equal to:
- a. Estimates of all Israeli imports of goods and services from the Gaza Strip and Jericho Area, valued at market prices (inclusive of taxes), less:
    - (1) The taxes collected on these imports by the Palestinian Authority and rebated to Israel, and
    - (2) Taxes levied on such imports by Israel and included in their market valuation, and not rebated to the Palestinian Authority,
- minus
- b. Estimates of all Israeli exports of goods and services to the Gaza Strip and Jericho Area, valued at market prices (inclusive of taxes), less :
    - (1) The taxes collected on these exports by Israel and rebated to the Palestinian Authority, and
    - (2) Taxes levied on such export by the Palestinian Authority and included in their market valuation, and not rebated to Israel ;
- plus
- c. The accumulated net amounts of foreign currency converted previously into Shekels by the PMA, as recorded in the BOI Dealing Room.
  - d. The said flows and amounts will be calculated as of the date of entry into force of this agreement.

*Notes to para 16:*

- (i) *The estimates of the said exports and imports of goods and services will include inter alia labor services, NIS expenditure of tourists and Israelis in the Gaza Strip and Jericho Area and NIS expenditures of Palestinians of these areas in Israel.*
- (ii) *Taxes and pension contributions on imports of labor services, paid to the importing side and rebated to the exporting one, will not be included in the estimates of the sums to be converted, as the exports' earnings of labor services are recorded in the statistics inclusive of them, although they do not accrue to the individuals supplying them.*

17. The PMA and the BOI will meet annually to discuss and determine the annual amount of convertible Shekels during the following calendar year and will meet semi-annually to adjust the said amount. The amounts determined and adjusted will be based on data and estimates mentioned in para. 16 and forecasts for the following period. The first meeting will be as soon as possible within three months after the entry into force of this Agreement.
18. a. The exchange of foreign currency for NIS and vice-versa by the PMA will be carried out through the BOI Dealing Room, at the market exchange rates.
- b. The BOI will not be obliged to convert in any single month more than 1/5 of the semi-annual amount.

19. There will be no ceiling on the annual foreign currency conversions by the PMA into Shekels. However, in order to avoid undesirable fluctuations in the foreign exchange market, monthly ceilings of such conversions will be agreed upon in the annual and semi-annual meetings referred to in para 17.
20. The Palestinian Authority will have the authorities, powers and responsibilities regarding the regulation and supervision of capital activities in the Gaza Strip and Jericho Area, including the licensing of capital market institutions, finance companies and investment funds.

**Note :** According to the Palestinian position, this Article relates to the West Bank and the Gaza Strip.

environment and the smallness and unsophisticated nature of the financial market. The recent example of Bulgaria is instructive in this respect. The market-determined exchange rate devaluation overshoot, because of the inability of the country to provide sufficient backing to their currency. This can be related to self-fulfilling prophecies about reversal in the current account or capital account convertibility. In contrast, the exchange rate in Poland, where a sizable stabilization fund was put in place with the assistance of the international community, was more stable. This stability helped fuel prolonged export expansion and served as a useful nominal anchor to combat inflation.

4.33 We are, thus, led to examine the choice of a pegged exchange rate, which can be fixed with respect to a basket of currencies at reasonable levels that can be defended. Such a system would need to be backed by a stabilization fund. Within the family of pegged exchange rates, a Currency Board may be an interesting option for the Occupied Territories, at least as a transitory arrangement, for several reasons: (i) it is easy to manage and can be established very quickly; (ii) as long as it remains in operation, it forces financial discipline; (iii) while discretionary monetary policy becomes impossible, its scope is limited, in any case, given the circumstances of the Occupied Territories; (iv) it allows for some seignorage; and (v) it can evolve towards a more flexible system as the economy matures and the financial system grows.

#### Currency Boards

4.34 Currency Boards, once a common arrangement, are being considered again (Hong Kong and Singapore have had a board for some time; Estonia's is less than a year old). Under a Currency Board arrangement, the monetary institution agrees to supply or redeem local currency bank notes (and possibly, reserve deposits of commercial banks held at the Currency Board) for another currency at an established exchange rate and without limitation. Moreover, the Currency Board will exchange local currency at no other terms (such as against local claims on other institutions).

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23.11.78

מחלקת היחקר

משטרים מוניטריים אלטרנטיביים באוטונומיה

חזכיר זה דן בהשלכותיהם הכלכליות של משטרים מוניטריים אלטרנטיביים בשטחי האוטונומיה הממוכנת ביהודה, שומרון ורצועת עזה. הדיון אינו עוסק בהיבטים הפוליטיים של הבעיה, וזאת כמובן מבלי להמעיט בחשיבותם.

שתי הבעיות העקריות העומדות לדעתנו להכרעה הן:

1. מידת פיתוחה של רשות מוניטרית עצמאית של האוטונומיה וסמכויותיה, בקביעת ההוראות למערכת הבנקאית ו"בהדפסת כסף".
2. קביעת המטבעות שתשמשנה הילך חוקי. אנו דנים בשלושה מטבעות עקריים - הלירה הישראלית, הדינר הירדני ומטבע עצמאי של האוטונומיה. אנו מניחים מעמד זהה ללירה ולדינר. אין אנו מטפלים באפשרות שגם ללירה המצרית יוקנה מעמד של הילך חוקי. בהידה ויווצר מטבע עצמאי של האוטונומיה מתעוררת גם בעיה קביעת שער החליפין שלו.

בניתוח המשטרים המוניטריים יש להבחין בשלוש אלטרנטיבות עקרוניות:

- א. המשך המצב הנוכחי
- ב. עצמאות כלכלית מלאה לאוטונומיה
- ג. מצב ביניים בו ינתנו לאוטונומיה סמכויות שונות, אך לא סמכויות מלאות.

שתי האלטרנטיבות הראשונות אינן סבירות ובכל מקרה אינן מצריכות דיון מיוחד. השארית המצב הנוכחי על כנו אינה יוצרת כל בעיות חדשות המחייבות תגובה או התערבות של המשק הישראלי. האפשרות השנייה הדנה בעצמאות כלכלית מלאה לאוטונומיה משנה את המצב הנוכחי מיסודן ובעיקר יש לה השפעה על היקף הסחר בין שני המשקים. אך בתזכיר זה לא נדון כה' הן בשל סבירותה הנמוכה והן משום, שעקרונית, שינוי כזה יהפוך את האוטונומיה מאיזווי איתו היו לנו קשרי סחר הדוקים לעוד חו"ל אחו יש לנו קשרי מסחר רגילים.

האפשרות השלישית היא הרלבנטית ביותר ועליה נרכז את הדיון. כלומר נבחן כאן את ההשלכות של אוטונומיה אשר אין בינה ובין ישראל גבול מס, אך יחד עם זאת, יש לה רשות מוניטרית עם אלטרנטיבות שונות של סמכויות. יש לציין כי גם אם יחיימו גבולות פתוחים בין שני המשקים, הרי שלאופייל ומידת עצמאותו של המשטר המוניטרי באוטונומיה יכולה להיות השפעה רבה על המשק הישראלי ועל עוצמת הקשרים הריאליים בין שני המשקים.

עיקר דיוננו יתרכז בהנחה שישראל מעונינת להמשיך ולקיים קשרים כלכליים הדוקים בינה ובין האוטונומיה, דבר המחייב בראש ובראשונה מעבר חפשי של סחורות ושרותים בין שני המשקים וקיום מס חיצוני משותף (כולל מסי עקיפין מתאימים).

נדון תחילה באפשרות הרצויה ביותר מבחינתם של ישראל במקרה כזה - פיתוח מונטרי מבוקר ע"י ישראל תוך שמוש ב-לי ובדינר. לאחר מכן נדון באפשרות הפעלת מדיניות מוניטרית עצמאית, בהנחה של שמוש ב-לי ובדינר ובהנחה של שמוש במטבע עצמאי. לבסוף נזכיר בקצרה את אפשרות הניחוק בין המשקים.

א. פיתוח מוניטרי מבוקר ע"י ישראל

בהנחה שמטרתה של ישראל היא להמשיך ולקיים קשרים כלכליים הדוקים בינה ובין האוטונומיה, תוך קיום שוק משותף ביניהם, אנו ממליצים על המשך קיומם של שני מאפיינים עקריים של המצב הנוכחי:

א) רכוז ההחלטות המרכזיות הנוגעות למדיניות המונטרית וקביעת כללי התפעול של מערכת הבנקאות בידי ישראל.

ב) שמוש בלירה ובדינר כהילכים חוקיים.

נראה לנו שיש מקום לאפשר את פיתוחה של מערכת בנקאות באוטונומיה ואת הקמתה של "רשות מונטרית מרכזית" מקומית שתהיה בעלת סמכויות מוגבלות, כפי שיבואר להלן. יש לציין שגם מסגרת נוקשה זאת, מעוררת בעיות מסוימות. עם זאת, נראה לנו שהיא מאפשרת ביטוי מסוים לאוטונומיה כלכלית תוך סיכון סביר מבחינתו של המשק הישראלי. אפשרות ביטוי זה נראית לנו חשובה מאחר שהבטחת קשרים הדוקים בין המשק הישראלי והאוטונומיה מוציאה מכלל אפשרות מתן עצמאות לרשויות האוטונומיה בתחום המסוי העקיף - המהווה בודאי את המרכיב העקרי של מערכת המס הפוטנציאלית באזורים אלה. בטרם ניגש לבחינת ההשלכות של סטייה משתי ההמלצות המרכזיות (א) ו-(ב) לעיל, נעמוד על אופי הבעיות שתתעוררנה עם הפעלת האוטונומיה בהנחה של פיתוח מערכת בנקאות ורשות מונטרית בעלת סמכויות מוגבלות.

1. הבעלות על מערכת הבנקאות עצם הופעתם ו/או חדוש פעולתם, של בנקים ערביים בבעלות מקומית או חברות בנות וסניפים של בנקים ערביים זרים, אינה מעוררת בעיה במישור הכלכלי, וזאת בתנאי שהם יהיו כפופים להוראות המתאימות לגבי בנקאות מקומית וזרה בישראל. יש כמוכן להביא בחשבון אפשרונו של החמרת הבעיה הפיקוחית.

2. השפעה המרחיבה של פיתוח מערכת הבנקאות: בנפרד מבעית הבעלות יש להביא בחשבון של- פיתוח מערכת בנקאות באוטונומיה תהיה השפעה מונטרית מרחיבה. הסיבה לכך היא שהמעבר לשמוש בפקדונות בנקאיים מגדיל את היחס שבין אמצעי החשלוּם ובסיס הכסף. כך יגדל סך המכפיל של בסיס הכסף באזור המונטרי המאוחד של ישראל והאוטונומיה. יש להביא בחשבון הן הרחבה התהלתית עם הקמתה של מערכת הבנקאות והגדלת מכפיל בסיס הכסף והן הרחבה מהירה יותר לאורך זמן בגלל קיום מכפיל גבוה יותר.

~~ויאמר~~

3. כללי הפעולה הבנקאית בדינרים ומשקלם היחסי של שני המטבעות: פיתוח מערכת

בנקאות באוטונומיה מעוררת בעיה שעד כה לא נמצא צורך להחמודד עמה - קביעת כללי הפעולה הבנקאית בדינרים. מאחר שהדינר ימשיך לשמש הילך חוקי לא ניתן להפעיל בנושא זה את הכללים הנוהגים בישראל, בה מהווה הדינר מטבע זר.

מאחר ששער החליפין בין הל"י והדינר אינו קבוע נדרשת הפרדה בין הפעילות הבנקאית בשני המטבעות לשני מגזרים נפרדים. ללא הפרדה כזאת יהיו היחסים שבין אגרגטים מונטריים שונים (ובפרט שעורי הנזילות) תלויים בשינויי שערי שני המטבעות ויתעורר קושי בהבטחת השליטה המוניטרית.

לאור ההפרדה שבין שני המגזרים אין הכרח שהתקנות השונות הנוגעות למגזר הדינרי יהיו זהות לאלה הנוהגות בל"י. עם זאת, בהנחה שמטרת המדיניות היא לקיים את הקשרים הכלכליים שבין המשק הישראלי והאוטונומיה, ושהשמוש בל"י מקדם מטרה זאת אין להקל במידה משמעותית את התקנות הנוגעות לשעורי נזילות, קנסות וכדומה בדינרים בהשוואה לתקנות הנוהגות בל"י<sup>(1)</sup>. בכך יפחתו גם התמריצים לקבלת הלואות בדינרים ע"י חושבי ישראל (ראה להלן).

מבחינתו של המשק הישראלי קיימים שלשה יחרונות נוספים לפיתוח יחסי רב יותר של המגזר שבל"י<sup>(2)</sup> ראשית, קצב האינפלציה הנמוך יותר בירדן בהשוואה לישראל מבטיח תיסוף של הדינר ביחס לל"י לאורך זמן, כך שערכם של האגרגטים המונטריים בדינרים יעלה לאורך זמן וסך ההתרחבות המונטרית במונחי ל"י ודינרים בישראל ובאוטונומיה תהיה מהירה יותר ככל שהמגזר הדינרי יהיה גדול יותר. שנית, מלאי הלירות המוחזק חושבי ע"י האוטונומיה מהווה הלואה למשק הישראלי ללא ריבית (או בריבית נמוכה במידה וישמש בנכסים נזילים). הקטנת השמוש בל"י תגרר איפוא הערכת רכוש ראלי מישראל לאוטונומיה<sup>(3)</sup> של-שית, בהנחה שבנק ישראל ימלא תפקיד בנק מרכזי בהחזקת נכסים נזילים בדינרים (ראה

(1) בכל מקרה רצוי שהתקנות הנוגעות לפעילות בדינרים לא תהיינה נוחות מאלה הנהוגות בירדן (אנו מניחים שהתקנות הירדניות נוחות מאלה שבישראל).

(2) ברור שפיתוחם היחסי של שני המגזרים תלוי לא רק בהוראות הנזילות אלה באופי התפתחות הפעילות הכלכלית באוטונומיה ובתשואות היחסיות על שני המטבעות הנובעות משעורי אינפלציה שונים.



להלן) יחויב מגזר דינרי נכבד החזקת יתרות בדינרים - דבר שמשקולי הרכב תיק אינו בהכרח רצוי (שלא לדבר על החמיכה הנחנת בכך בעקיפין למשק הירדני).

יש לציין שגם אם תהיה התפתחות רבה יותר של המגזר בל"י עשוי בנק ישראל לעמד בפני גליטה של דינרים, שתגיע, למשל, דרך יבוא הון מירדן. אולם במקרה זה לא יצטרך בנק ישראל להחזיק יתרות דינריות ויוכל להציע אותם בשוקי המטבע הבינלאומיים.<sup>(1)</sup>

4. קשרי ישראלים עם בנקים באוטונומיה: בהנחה שהתקנות לגבי הפעילות בל"י ובמט"ח פרט לדינרים יהיו זהות בישראל ובאוטונומיה (ראה להלן) מצטמצמת בעית הקשרים בין ישראלים ובין בנקים באוטונומיה באפשרות לקבל מהם הלואות בדינרים. מבחינה עקרונית אין בפתיחת אפיק לקבלת הלואות בסוג נוסף של מטבע חוץ כדי לשנות באופן משמעותי את המצב הקיים. עם זאת יתכן שהנוחות הגיאוגרפית תגדיל את הנטייה ללוות מטבע זה. כאמור, ככל שתקנות הבנקאות לגבי פעילות הדינרים תהיינה חמורות יותר תאותר יותר האפשרות זאת.

5. פיתוח רשות מונטרית באוטונומיה: כאמור לעיל, יש לדעתנו לשקל אפשרות להתיר לאוטונומיה רשות מונטרית בעלת סמכויות מוגבלות שתפעל בעיקרו של דבר את המדיניות המונטרית המוכתבת ע"י ישראל (אולי פורמלי ע"פ המלצות מועצה מייעצת משוחפח). לדעתנו ניתן להעניק לרשות זאת שני סוגים עקריים של סמכויות:

א. סמכויות אישור הטכני - פיקוח, הטלת מגבלות נוספות על הנהוגות בישראל, רשול וכדומה. הרשות המונטרית תוכל לפעול כמתווך בין הבנקים שבאוטונומיה ובין ישראל - תקבל מהם פקדונות, שתשוב ותפקידם בבנק ישראל וכדומה. במסגרת זו ניתן גם לשקול אפשרות של נהול ישיר - בהתאם לתקנות הישראליות - של הנכסים הנזילים בדינרים, דבר שישחרר את בנק ישראל מהתחייבויותיו במטבע זה.

ב. מעבר לכך ניתן להעניק לרשות המונטרית של האוטונומיה אפשרות מוגבלת להפעלת כלים מונטריים במובן המוקבל יותר - כגון נכיון משנה, פעולות בשוק הפתוח ואשראי לרשות

\* מכחינה זאת בולט ההבדל שבין הדינרים והלירה המצרית. פרט לטרבול הנובע מטיפול בהילך חוקי נוסף מחעוררת בעיה חריפה של השמוש בלירה המצרית שאינה מטבע בר המרה.

הכלכלית המרכזית באוטונומיה. המגבלה ההכרחית במקרה זה היא מגבלה על נפח יצירת בסיס הכסף

ע"י הרשות המונטרית של האוטונומיה. למעשה מדובר בהעברת חלק מהיקף ההרחבה המונטרית ב-לי

ובישראל ובאוטונומיה לידי הרשות המונטרית באוטונומיה. S/5. יצגיה יואים שקואה כנס יצגיה חאק  
מבין כל המדינות הנקייטת הן גרמ א"צ יטולת הוואינומיה ואלטנ מידיה בקץ גדיאל המיטק אצבין היהיהונו המונטריה איקול לשאמ. P.  
אין ספק שהפעלת רשות מונטרית במתכונת זאת מעוררת בעיות פקוחיות עליהן יש לתת את הדעת

בתשומת לב מרובה.

#### 6. הנפקת מטבע הצמוד ל-לי באוטונומיה

אלמנט נוסף של עצמאות במובן הסמלי והפוליטי, אשר אין לו כל השפעה כלכלית על המשק הישראלי, הוא הנהגת מטבע עצמאית באוטונומיה שתהיה צמודה ל-לי ביחס של 1:1. מצב מעין זה

קיים בין לוקסמבורג ובלגיה וכן בין סקוטלנד לאנגליה.

במצב זה קיימת למעשה זהות בין ה-לי לבין המטבע החדשה ולכן ניתן גם לאפשר לדינר להיות הילך חוקי נוסף.

את ניהול מדיניות שער החליפין של "שה"י" המטבעות ביחס למטבעות אחרים וכן את המדיניות המוניטרית יש להפקיד בידי המשק הישראלי. כל הדיון וההמלצות הקודמות תקפים למקרה שיונהג מטבע כזה.

#### ב. רשות מוניטרית מקומית עצמאית לחלוטין

בסעיף זה נבחן את ההשלכות שיש להקמת בנק מרכזי מקומי בעל סמכויות מלאות בקביעת המדיניות המוניטרית. תחילה נבחן את השפעתו של צעד כזה כאשר ה-לי והדינר משמשים כהילך חוקי באוטונומיה ואחר כך נדון במקרה הקיצוני יותר בו לאוטונומיה יש מטבע חדשה שתונפק על ידי הבנק המרכזי המקומי.

#### 1. שימוש ב-לי ובדינר: אפשרות ניהולה של מדיניות מונטרית עצמאית ב-לי - הן בקביעת תקנות

לפעולת הבנקים והן בהגדלת בסיס הכסף ב-לי - תציב בפני המשק הישראלי אתגר חמור ביותר

של אפשרות אבדן השליטה על ההתרחבות המונטרית ב-לי. ניהן לכאורה לנסות ולהתגבר על

סכנות אלה ע"י הגבלות אדמיניסטרטיביות על פעילותם של ישראלים עם הבנקים באוטונומיה

אך אנו חוששים שהגבלות אלה לא תהיינה אפקטיביות ולפחות תחייבנה מנגנון פיקוח מסורבל

בהשוואה לסכנה זאת, מתגמדות הבעיות האחרות העלולות להתעורר במקרה זה, כמו הגברת המעבר לדינרים ע"י תקנות נוחות יותר לגבי מטבע זה (ראה לעיל) ופגיעה אפשרית ברווחיות הבנקאות הישראלית.

2. יצירת מטבע עצמאית: אפשרות אחרת היא יצירת מטבע נפרדת לאוטונומיה שלא תהיה בעלת ערך חליפין קבוע עם הלירה הישראלית, אף שלכאורה קיימת אפשרות שיוטל פקוח ישראלי על נהולו של מטבע זה אין הדבר נראה לנו סביר ולפיכך לא עסקנו במקרה זה בדיון הקודם.\* לדעתנו קיימת אפשרות מוחשית שלטונות האוטונומיה ישמשו כמטבע זה ליצירת ניתוק בין האוטונומיה והמשק הישראלי. כך למשל תיתכן הרחבה מונטרית מקומית מהירה תוך הרחבת בקוש מקומי של שלטונות האוטונומיה. כחוצאה מכך יקטן היצע העובדים מהשטחים לישראל ויגבר הבקוש לסחורות מישראל ע"י האוטונומיה. מגמות אלה תחוקננה בחלקן ע"י פיחות מטבע האוטונומיה ביחס ל-ל"י, אך בהנחה שהרחבה המונטרית באוו אגב הגברת הבקוש לשרותי עבודה באוטונומיה יהיה שווי המשקל החדש שונה מהקודם. מאחר שהיצע הסחורות מהשטחים המחאים לישראל מצומצם נראה שהאיזון החדש יושג ברמה נמוכה יותר של סחר כללי (עבודה וסחורות) בין המשקים. בכך תפחת מידת הקשר ההדדי שבין שני המשקים, וזאת כמובן בנוסף למשמעות הסמלית של המטבע הנפרדת.\*\*

יש לציין התוצאות דומות היו מושגות גם במשטרי מטבע שתוארו בסעיפים הקודמים, אם הממשל המקומי באוטונומיה יכול היה להרחיב את הביקוש המקומי על ידי מימון<sup>נ"מ</sup> מחו"ל או הרחבה מונטרית מקומית בלתי מבוקרת ב-ל"י. ההבלטה של אפשרות זאת בסעיף הדן המשטר הכלכלי עצמאי נובעת מכך שסבירותה של מדיניות זו והיכולת להוציאה אל הפועל גדולות הרבה יותר כאשר ההרחבה המוניטרית היא בשליטת הרשות המקומית.

(\* אנו מניחים לשם פשטות שבמקרה זה יהוו ה-ל"י והדינר מטבע חוץ באוטונומיה. מובן שתחלופה צורות שונות של משטרים מעורבים.)

(\*\* יש לציין שאם יהיה יבוא הון שימנע פיחות המטבע תהיה ההפחתה ביצוא שרותי עבודה (וסחורות) מהאוטונומיה לישראל חריפה יותר. אף שבמקרה זה יגדל יצוא הסחורות מישראל לשטחים נראה לנו שתנועת גורמי היצור, בה תולל כאמור הפחתה, היא גורם חשוב יותר יחסית לקביעת מידת הזיקה הכלכלית שבין שני משקים.)

בעיה מיוחדת נוגעת לפהליך ההחלטה הראשוני. יצירת מטבע חדשה באוטונומיה עלולה לגרום להמרה, חלקית לפחות, של ה-לי שבידי חושבי השטחים למטבעות חוץ אחרים. תהליך זה יביא להפסד הון ורזרבות למשק הישראלי, אולם זהו הפסד רק בהשוואה למצב הנוכחי ולא ביחס למצב שהתקיים לפני מלחמת ששת הימים. (על בעיה זו עמדנו גם בסעיף הראשון בהקשר לגידול משקלו של הדינר על חשבון ה-לי בפעילות הכלכלית).  
בכל מקרה יש לשוב ולהדגיש שבמידה וניתנת עצמאות מונטרית לשלטונות האוטונומיה הפתרון של מטבע עצמאית עדיף באופן חד משמעי מבחינה כלכלית מנקודת ראותו של המשק הישראלי על הפעלה עצמאות זאת במגזר שב-לי.

#### ג. ניתוק כלכלי בין ישראל והאוטונומיה

עד כה הנחנו שישראל מעונינה בהמשך קיום קשרים כלכליים מיוחדים עם השטחים ושיתקיים שוק משותף בין שני המשקים. מהדיון הקודם ברור שבמקרה כזה רצוי להשאיר את ה-לי, בצד הדינר כהילך חוקי הון הטלה הגבלות על מערכת הבנקאות וסמכויות הרשות המונטרית באוטונומיה.  
יתכן שיקבע הסדר שיתיר עצמאות פיסקלית לאוטונומיה בין לרצונה או שלא לרצונה של ישראל. במקרה זה תידחק ה-לי ממילא מהאוטונומיה, אך ברור שבמידה וחמשיך לשמש חייב הדבר להעשות במגבלות המוטלות ע"י ישראל. בכל מקרה יש להדגיש שמצב של עצמאות בתחום הפיסקלי (ובפרט במכס ומסי עקיפין) ללא עצמאות מונטרית אינו נראה סביר.

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**Annex IV  
Article IX**

**FINANCIAL AND FOREIGN EXCHANGE MARKET**

1. The Palestinian Authority will establish [ I. a Banking Authority (PBA)]  
[P. A Monetary and Financial Authority (PMFA)].  
The functions of the PBA [ PMFA] will be as described in this article.
2. [I. The Shekel (NIS) and the Jordanian Dinar (JD) will be the only legal tender  
in the Gaza Strip and Jericho Area.]  
  
[P. The PMFE will be responsible for the regulation and the implementation of  
monetary policies covering the West Bank and the Gaza Strip.  
The authority will define the proper context and the time frame for issuing a  
Palestinian currency. However, the Israeli Shekel (NIS) will continue to be  
one of the circulating currencies in the West Bank and the Gaza Strip].
3. The PBA will act as the Palestinian Authority's official economic advisor.
4. The PBA will act as the Palestinian Authority's banker and as the public  
sector's dealer in the local financial markets.
5. The PBA will maintain and manage the foreign currency reserves of the  
Palestinian Authority.
6. The PBA will have a banking supervision department that will be responsible  
for the proper functioning, stability and liquidity of the banks operating in the  
Gaza Strip and Jericho Area.  
The PBA will predicate its supervision on the international principles  
and standards reflected in international conventions and especially  
the principles of the "Basel Committee".

The department will be charged with the general supervision of every such  
bank, including:

- The regulation of the banking activities [P. and their foreign activities] ;
- The licensing of banks and the approval of controlling shareholders;
- The supervision and inspection of banks;
- [I. The role of lender of last resort.] [P. The department will act as  
the commercial and other banks' banker, fulfilling the role of lender of last resort.]

7 [I. . In order to create a suitable business environment and minimize uncertainty, the PBA will recognize the validity of all licenses that have been granted to banking groups and branches prior to the transfer of the licensing powers to the PBA.] [P. The Banking Supervision department will relicense the five operating Israeli banks in the West Bank and the Gaza Strip according to the following principles, based on the "Basle Concordat" and to the host authority's prevailing general rules and regulations concerning the opening of branches and subsidiaries of foreign banks :]

8. a. [I. The Bank of Israel (BOI) and the PBA will each allow the opening of branches and subsidiaries of banks under their supervision in the area of the jurisdiction of the other side. Granting of a license will be subject to the following arrangements based on the "Basel Concordat" dated June 1992, and to the host authority's prevailing general rules and regulations concerning the opening of branches and subsidiaries of foreign banks.]

In this para 4 "host authority" and "home authority" mean only the BOI and the PBA respectively.

b. [I. Neither banking authority will discriminate against banks registered in the other side in relation to foreign banks.]

c. A bank wishing to open a branch or establish a subsidiary will apply to the host authority, having first obtained the approval of its home authority. The host authority will notify the home authority of the terms of the license, and will give its final approval unless the home authority objects.

d. [I. The home authority will be responsible for the consolidated and comprehensive supervision of banking concerns, inclusive of branches and subsidiaries in the area of the jurisdiction of the host authority.]

[P. The home authority will be responsible for the consolidated and comprehensive supervision of the above mentioned branches in the area of jurisdiction of the host authority. However, this supervision responsibility relies on the host authority in the case of subsidiaries.]

e. The host authority will regularly examine the activities of branches and subsidiaries in the area of its jurisdiction. The home authority will have the right to [I. conduct on site examinations in the branches and subsidiaries in the host area.]  
[P. Examine the branches in the host area].

Each Banking authority will transfer to the other authority [P. a summary of ]  
[I. copies of ] its examination reports and any information relevant to the solvency and stability of the bank, [I. its branches and subsidiaries.]

f. The BOI and the PBA will establish a mechanism for co-operation and for the exchange of information on issues of mutual interest.

9. [I. a. The liquidity requirements on the various kinds of Shekel deposits (or deposits linked to the NIS) in banks operating in the Gaza Strip and Jericho Area will be identical to those fixed and announced by the BOI. The BOI will give prior notice of days to the PBA of any changes in these requirements.
  - b. The liquidity requirements on other deposits (not Shekel linked) in banks operating in the Gaza Strip and Jericho Area will be fixed and announced by the PBA.
  - c. The liquidity required according to this para 5 will be deposited at the PBA, as determined by the PBA, and the PBA will be responsible for the inspection and supervision of the liquidity requirements in the banks operating in the Gaza Strip and Jericho Area. ]

[P. The liquidity requirements on all deposits in banks operating in the West Bank and the Gaza Strip will be fixed and announced, inspected and supervised by the PMFA.

    - (1) The different types of assets considered liquid will be determined by the supervision department.
    - (2) The liquidity requirements on the various kinds of Shekel deposits (or deposits linked to the NIS) in banks operating in the West Bank and the Gaza Strip will not be less than 4%.
    - (3) The liquidity required according to this paragraph will be deposited at the Banking Supervision Department according to regulations and policies determined by the Authority.]
10. The PBA will regulate and administer a discount window system for banks operating in the Gaza Strip and Jericho Area.
11. a. The PBA will establish or license a clearing house in order to clear money orders between the banks operating in the Gaza Strip and Jericho Area.
  - b. The clearing of money orders and transactions between banks operating in the Gaza Strip and Jericho Area and banks operating in Israel will be done between the Israeli and the Palestinian clearing houses on same working day basis, according to agreed arrangements.
  - c. Both sides will allow correspondential relations between each others' banks.

#### **FOREIGN-EXCHANGE CONTROL**

1. The PBA will exercise control (regulation and supervision) over foreign exchange transactions of residents of the Gaza Strip and

Jericho Area within these areas.

2. Israel will allow residents of the Gaza Strip and Jericho Area to purchase from authorized Israeli dealers foreign currency in change for Israeli Shekels for purposes and transactions permitted to residents of Israel under Israeli law.
3. The PBA will have the right to convert at the BOI excess Shekels received from banks operating in the Gaza Strip and Jericho Area into foreign currency, up to the amounts determined per period, according to the arrangements detailed in para 4 below.
4. a. The total amount of excess Shekels for the purposes of para. 3 will be based on the following:
  - 1) Estimate of the accumulated net value of the aggregates flows of goods and services (including labor services) between Israel and the Gaza Strip and Jericho Area, and
  - 2) The accumulated net amounts of foreign currency converted previously into Shekels by the PBA, as recorded in the BOI Dealing Room, less
  - 3) The accumulated amounts of net purchases of foreign currency by residents of the Gaza Strip and Jericho Area from Israeli authorized dealers. as recorded in the books of those dealers.
- b. The said flows and amounts will be calculated as of the date of entry into force of this agreement.
- c. The estimates of the value of the flows of goods and services will be made by the Israeli Central Bureau of Statistics (CBS). The PBA will have an opportunity to submit its comments on the CBS estimates.
- d. The PBA and the BOI will meet annually to discuss and determine the annual amount of convertible Shekels during the following calendar year and will meet semi-annually to adjust the said amount. The amounts determined and adjusted will be based on data and estimates mentioned in para. 4a and forecasts for the following period.
- e. Substantial excess net purchasing of foreign currency by residents of the Gaza Strip and Jericho Area at any given period of 6 months, over and above the estimates for that period, may lead to the suspension of these purchases, pending the necessary adjustment by the BOI of the amount of convertible Shekels.
- f. The exchange of foreign currency for NIS and vice-versa by the PBA will be carried out through the BOI Dealing Room, at the market exchange rates.



- g. The BOI will not be obliged to convert in any single month more than 1/5 of the semi-annual amount.
5. There will be no ceiling on the annual foreign currency conversions by the PBA into Shekels. However, in order to avoid undesirable fluctuations in the foreign exchange market, monthly ceilings of such conversions will be agreed upon in the annual and semi-annual meetings referred to in para 4d.

### **CAPITAL MARKET**

The Palestinian Authority will have the authorities, powers and responsibilities regarding the regulation and supervision of capital activities in the Gaza Strip and Jericho Area.

### **EQUAL TREATMENT**

Each side will refrain from any discrimination against individuals, corporations, private and public sectors' institutions and departments of the other side in all matters covered by this article.

Annex IV  
Article IX

FINANCIAL AND FOREIGN EXCHANGE MARKET

LEGAL TENDER (currency)

The Shekel (NIS) and the Jordanian Dinar (JD) will be the only legal tender in the Gaza Strip and Jericho Area.

BANKING

1. The Palestinian Authority will establish a Banking Authority (PBA). The functions of the PBA will be as described in this article.

The PBA will be responsible for the proper functioning, stability and liquidity of the banks operating in the Gaza Strip and Jericho Area. The PBA will be charged with the general supervision of every such bank, including:

- The licensing of banks and the approval of controlling shareholders;
- The regulation of the banking activities;
- The supervision and inspection of banks;
- The role of lender of last resort.

2. In order to protect ~~of~~ the depositors and maintain the Banks' stability, and to encourage the development of a local banking system, the PBA will predicate its supervision on the international principles and standards reflected in international conventions and especially the principles of the "Basel Committee".
3. In order to create a suitable business environment and minimize uncertainty, the PBA will recognize the validity of all licenses that have been granted to banking groups and branches prior to the transfer of the licensing powers to the PBA.

4. a. The Bank of Israel (BOI) and the PBA will each allow the opening of branches and subsidiaries of banks under their supervision in the area of the jurisdiction of the other side. The granting of a license will be subject to the following arrangements based on the "Basel Concordat" dated June 1992, and to the host authority's prevailing general rules and regulations concerning the opening of branches and subsidiaries of foreign banks.

In this para 4 "host authority" and "home authority" mean only the BOI and the PBA respectively.

- b. Neither banking authority will discriminate against banks registered in the other side in relation to foreign banks.
- c. A bank wishing to open a branch or establish a subsidiary will apply to the host authority, having first obtained the approval of its home authority. The host authority will notify the home authority of the terms of the license, and will give its final approval unless the home authority objects.
- d. The home authority will be responsible for the consolidated and comprehensive supervision of banking concerns, inclusive of branches and subsidiaries in the area of the jurisdiction of the host authority.
- e. The host authority will regularly examine the activities of branches and subsidiaries in the area of its jurisdiction. The authority will have the right to examine the branches and subsidiaries in the host area.

Each Banking authority will transfer to the other authority its examination reports and any information relevant to the solvency and stability of the bank, its branches and subsidiaries.

- f. The BOI and the PBA will establish a mechanism for cooperation and for the exchange of information on issues of mutual interest.

5. a. The liquidity requirements <sup>for?</sup> (on) the various kinds of Shekel deposits (or deposits linked to the NIS) in banks operating in the Gaza Strip and Jericho Area will be identical to those fixed and announced by the BOI. The BOI will give prior notice of \_\_\_ days to the PBA of any changes in these requirements.
- b. The liquidity requirements (on) other deposits (not Shekel linked) in banks operating in the Gaza Strip and Jericho Area will be fixed and announced by the PBA.
- c. The liquidity required according to this para 5 will be deposited at the PBA, as determined by the PBA, and the PBA will be responsible for the inspection and supervision of the liquidity requirements in the banks operating in the Gaza Strip and Jericho Area.
6. The PBA will regulate and administer a discount window system for banks operating in the Gaza Strip and Jericho Area.
7. a. The PBA will establish or license a clearing house in order to clear money orders between the banks operating in the Gaza Strip and Jericho Area.
- b. The clearing of money orders and transactions between banks operating in the Gaza Strip and Jericho Area and banks operating in Israel will be done between the Israeli and the Palestinian clearing houses on same-day basis, according to agreed arrangements.
- c. Both sides will allow correspondential relations between each others' banks.

#### FOREIGN-EXCHANGE CONTROL

1. The PBA will exercise control (regulation and supervision) over

foreign exchange transactions of residents of the Gaza Strip and Jericho Area within these areas.

2. Israel will allow residents of the Gaza Strip and Jericho Area to purchase from authorized Israeli dealers foreign currency in <sup>ex</sup>change for Israeli Shekels for purposes and transactions permitted to residents of Israel under Israeli law.
3. The PBA will have the right to convert at the BOI excess Shekels received from banks operating in the Gaza Strip and Jericho Area into foreign currency, up to the amounts determined per period, according to the arrangements detailed in para 4 below.
4. a. The total amount of excess Shekels for the purposes of para. 3 will be based on the following:
  - 1) Estimate of the accumulated net value of the aggregates flows of goods and services (including labor services) between Israel and the Gaza Strip and Jericho Area, and
  - 2) The accumulated net amounts of foreign currency converted previously into Shekels by the PBA, as recorded in the BOI Dealing Room, less
  - 3) The accumulated amounts of net purchases of foreign currency by residents of the Gaza Strip and Jericho Area from Israeli authorized dealers. as recorded in the books of those dealers.
- b. The said flows and amounts will be calculated as of the date of entry into force of this agreement.
- c. The estimates of the value of the flows of goods and services will be made by the Israeli Central Bureau of Statistics (CBS). The PBA will have an opportunity to submit its comments on the CBS estimates.
- d. The PBA and the BOI will meet annually to discuss and determine

the annual amount of convertible Shekels during the following calendar year and will meet semi-annually to adjust the said amount. The amounts determined and adjusted will be based on data and estimates mentioned in para. 4a and forecasts for the following period.

- e. Substantial excess net purchasing of foreign currency by residents of the Gaza Strip and Jericho Area at any given period of 6 months, over and above the estimates for that period, may lead to the suspension of these purchases, pending the necessary adjustment by the BOI of the amount of convertible Shekels.
  - f. The exchange of foreign currency for NIS and vice-versa by the PBA will be carried out through the BOI Dealing Room, at the market exchange rates.
  - g. The BOI will not be obliged to convert in any single month more than 1/5 of the semi-annual amount.
5. There will be no ceiling on the annual foreign currency conversions by the PBA into Shekels. However, in order to avoid undesirable fluctuations in the foreign exchange market, monthly ceilings of such conversions will be agreed upon in the annual and semi-annual meetings referred to in para 4d.

#### CAPITAL MARKET

The Palestinian Authority will have the authorities, powers and responsibilities regarding the regulation and supervision of capital activities in the Gaza Strip and Jericho Area.

#### EQUAL TREATMENT

Each side will refrain from any discrimination against individuals, corporations, private and public sectors' institutions and departments of the other side in all matters covered by this article.

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**ANNEX - FINANCIAL AND FOREIGN EXCHANGE MARKETS**

**ARTICLE I: LEGAL TENDER (currency)**

[Is. Both the Shekel (NIS) and the Jordanian Dinar (JD) will be legal tender in the Gaza Strip and Jericho Area.]

[P. The Shekel will continue to be a legal tender in the Gaza Strip and Jericho Area within the validity of this agreement. The Palestinian Authority will determine adding other currencies as legal tender e.g. Jordanian Dinar and Palestinian Pound].

**ARTICLE II - BANKING**

**1. BANKING AUTHORITY**

The Palestinian Authority will establish a [Is. Banking Authority (PBA)] [P. Monetary Authority (PMA)]. The functions of the PBA will be as described in this article.

**2. BANKING SUPERVISION**

- a. The PBA will be responsible for the proper functioning , stability and liquidity of the banks operating in the Gaza Strip and Jericho Area. The PBA will be charged with the general supervision of every such bank, including :
  - The licensing of banks and the approval of controlling shareholders ;
  - The regulation of the banking activities ;
  - The supervision and inspection of banks ;
  - The role of lender of last resort.

21.2.94  
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- b. Both sides will allow the opening of branches , subsidiaries and regional offices of each others' banks. The Bank of Israel (BOI) and the PBA will promptly reach an agreement, based on the Concordant of Basel, concerning the licensing and supervision of such entities.

- c. Both sides will allow correspondencial relations between each others' banks.\*

**3. LIQUIDITY REQUIREMENTS**

- a. The liquidity requirements on the various kinds of Shekel deposits (or deposits linked to the NIS) in banks operating in the Gaza Strip and Jericho Area will be identical to those fixed and announced by the BOI. The BOI will give prior notice of .....days to the PBA of any changes in these liquidity requirements.

\*To be discussed further

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- b. The liquidity requirements on other deposits (non Shekel and non Shekel linked) in banks operating in the Gaza Strip and Jericho Area will be fixed and announced by the PBA.
- c. The liquidity required according to this para 3 will be deposited at the PBA, as determined by the PBA, and the PBA will be responsible for the inspection and supervision of the liquidity requirements in the banks operating in the Gaza Strip and Jericho Area.

**4. DISCOUNT WINDOW**

The PBA will regulate and administer a discount window system for banks operating in the Gaza Strip and Jericho Area.

**5. CLEARING HOUSE**

- a. The PBA will establish or license a clearing house in order to clear money orders between the banks operating in the Gaza Strip and Jericho Area.
- b. The clearance of money orders and transactions between banks operating in the Gaza Strip and Jericho Area and banks operating in Israel will be done between the Israeli and the Palestinian clearing houses on the same day basis, according to agreed arrangements.

**ARTICLE III - FOREIGN-EXCHANGE CONTROL**

1. The PBA will exercise the control (regulation and supervision) over foreign exchange transactions of residents of the Gaza Strip and Jericho Area within these areas.

[Is. 2. Israel will allow residents of the Gaza Strip and Jericho Area to purchase from authorized Israeli dealers foreign currency using Israeli Shekels for purposes and transactions permitted under Israeli law to residents of Israel].

[P. delete Para 2].

3. The PBA may convert at the BOI excess Shekels received from banks operating in the Gaza Strip and the Jericho Area into foreign currency up to the amounts determined per period, according to the arrangements detailed in paragraph 4.

4 a. The total amounts of excess Shekels for the purposes of paragraph 3 will be based on the following :

- (1) Estimates of the accumulated net value of the aggregate flows of goods and services (including labor) between Israel and the Gaza Strip and Jericho area, and
- (2) The accumulated net amounts of foreign currency converted previously into Shekels by the PBA as recorded in the BOI Dealing Room, less

22/12/94  
21/12/94

ידידי מנהל גוף  
[ (4) ]  
Israeli and tourist consumption in NIS in the Gaza Strip and Jericho Area and Palestinians from these areas' consumption in Israel, and  
תלויים במסמך  
מלכתחילה נוסח מ"ב



[Is. (3) The accumulated amounts of net purchases of foreign currency by residents of the Gaza Strip and Jericho Area from Israeli authorized dealers, as recorded in the books of those dealers]

501-2

[P. Delete sub-para (3)].

[P. (4) The accumulated amounts of NIS currently circulated in the Gaza Strip and West Bank ; The amounts of NIS resulting of coming tourists ; Israelis" consumption in the Gaza Strip and West Bank].

b. The said flows and amounts will be calculated as of the date in which this Annex will come into force.

c.[Is. The estimates of the value of the flows of goods and services will be made by the Israeli Central Bureau of Statistics (CBS).  
The PBA will have an opportunity to submit its comments on the CBS estimates].

501-2

[P. The estimates of the value of the flows of goods and services will be made by both parties].

d. The PBA and the BOI will meet annually to discuss and determine the annual amount of convertible Shekels during the next year and will meet semi-annually to adjust the said amount. The amounts determined and adjusted will be based on data and estimates mentioned in Para 4a and forecasts for the next period.

e.[Is. Substantial excess net purchasing of foreign currency by residents of the Gaza Strip and Jericho Area at any given period of 6 months, above estimates for that period, may lead to the suspension of these purchases, pending the necessary adjustment by the BOI of the amount of convertible Shekels].

[P. Delete sub para e.]

f. The exchange of foreign currency for NIS and vice-versa by the PBA will be carried out through the BOI Dealing Room, at the market exchange rates.

g. The BOI will not be obliged to convert in any single month more than 1/5 of the semi-annual amount.

5. There will not be a ceiling on the annual foreign currency conversions by the PBA into Shekels. However, in order to avoid undesirable fluctuations in the foreign exchange market, the parties will agree in the annual and semi-annual meetings referred to in para 4d. on monthly ceilings of such conversions.

**ARTICLE IV - CAPITAL MARKET**

The Palestinian Authority will have the authorities, powers and responsibilities regarding the regulation and supervision of capital market activities in the Gaza Strip and Jericho Area.

**ARTICLE V - EQUAL TREATMENT**

Each side will refrain from any discrimination against individuals, corporations, private and public sectors' institutions and departments of the other side in all matters covered by this Annex.

**COMMENTS**

Israeli comment : this annex depends on agreement on all other parts of the Agreement concerning the Gaza Strip and Jericho Area.

Palestinian comment : this annex will apply to the West Bank and Gaza Strip in the interim period

**ANNEX - FINANCIAL AND FOREIGN EXCHANGE MARKET****ARTICLE I: LEGAL TENDER (currency)**

[I. Both the Shekel (NIS) and the Jordanian Dinar (JD) will be <sup>the only</sup> legal tender in the Gaza Strip and Jericho Area.]

[P. The Shekel will continue to be a legal tender in the Gaza Strip and Jericho Area within the validity of this agreement. The Palestinian Authority will determine adding other currencies as legal tender e.g. Jordanian Dinar and Palestinian Pound.]

**ARTICLE II: BANKING****1. Banking Authority**

The Palestinian Authority will establish a (I. Banking Authority (PBA)) [P. Monetary Authority (PMA)]. The function of the PBM will be as describe<sup>d</sup> in this article.

**2. Banking Supervision**

- a. The PBA will be responsible for the proper functioning, stability and liquidity of the banks operating in the Gaza Strip and Jericho Area. The PBA will be charged with the general supervision of every such bank, including:
  - The licensing of banks and the approval of controlling shareholders;
  - The regulation of the banking activities;
  - The supervision and inspection of banks;
  - The role of lender of last resort.
- b. Both sides will allow the opening of branches, subsidiaries and regional offices of each others' banks. The Banks of Israel (BOI)

and the PBA will promptly reach an agreement, based on the Concordant of Basel, concerning the licensing and supervision of such entities.

- c. Both sides will allow correspondencial relations between each others' banks.

### 3. Liquidity Requirements

- a. The liquidity requirements on the various kinds of Shekel deposits (or deposits linked to the NIS) in banks operating in the Gaza Strip and Jericho Area will be identical to those fixed and announced by the BOI. The BOI will give prior notice of \_\_\_ days to the PBA of any changes in these liquidity requirements.
- b. The liquidity requirements on other deposits (non Shekel linked) in banks operating in the Gaza Strip and Jericho Area will be fixed and announced by the PBA.
- c. The liquidity required according to this para 3 will be deposited at the PBA, as determined by the PBA, and the PBA will be responsible for the inspection and supervision of the liquidity requirements in the banks operating in the Gaza Strip and Jericho Area.

### 4. Discount Window

The PBA will regulate and administer a discount window system for banks operating in the Gaza Strip and Jericho Area.

\* To be discussed further

5. Clearing House

- a. The PBA will establish or license a clearing house in order to clear money orders between the banks operating in the Gaza Strip and Jericho Area.
- b. The clearance of money orders and transactions between banks operating in the Gaza Strip and Jericho Area and banks operating in Israel will be done between the Israeli and the Palestinian clearing houses on the same day basis, according to agreed arrangements.

**ARTICLE III: FOREIGN-EXCHANGE CONTROL**

1. The PBA will exercise the control (regulation and supervision) over foreign exchange transactions of residents of the Gaza Strip and Jericho Area within these areas.

[I. 2. Israel will allow residents of the Gaza Strip and Jericho Area to purchase from authorized Israeli dealers foreign currency using Israeli Shekels for purposes and transactions permitted under Israeli law to residents of Israel.]

[P. delete para. 2.]

3. The PBA may convert at the BOI excess Shekels received from banks operating in the Gaza Strip and Jericho Area into foreign currency up to the amounts determined per period, according to the arrangements detailed in para. 4).
4. a. The total amounts of excess Shekels for the purposes of para. 3 will be based on the following:
  1. Estimates of the accumulated net value of the aggregates flows of goods and services (including Israeli and

- tourists consumption in NIS in the Gaza Strip and Jericho Area and Palestinians from these areas' consumption in Israel, and labor) between Israel and the Gaza Strip and Jericho Area, and
2. The accumulated net amounts of foreign currency converted previously into Shekels by the PBA as recorded in the BOI Dealing Rooms, less
    - [I. 3. The accumulated amounts of net purchases of foreign currency by residents of the Gaza Strip and Jericho Area from Israeli authorized dealers. as recorded in the books of those dealers.]
    - [P. Delete sub-para. 3].
    - [P. 4. The accumulated amounts of NIS currently circulated in the Gaza Strip and West Bank; The amounts of NIS resulting of coming tourists; Israelis' consumption in the Gaza Strip and West Bank].
  - b. The said flows and amounts will be calculated as of the date in which this Annex will come into force.
  - c. [I. The estimates of the value of the flows of goods and services will be made by the Israeli Central Bureau of Statistics (CBS). The PBA will have an opportunity to submit its comments on the CBS estimates].

[P. The estimates of the value of the flows of goods and services will be made by both parties].
  - d. The PBA and the BOI will meet annually to discuss and determine the annual amount of convertible Shekels during the next year and will meet semi-annually to adjust the said amount. The amounts determine and adjusted will be based on data and estimates mentioned in para. 4a and forecasts for the next period.
  - e. [I. Substantial excess net purchasing of foreign currency by residents of the Gaza Strip and Jericho Area at any given period 6 months, above estimates for that period, may lead to the

suspension of these purchase, pending the necessary adjustment by the BOI of the amount of convertible Shekels].

[P. Delete sub para. e].

- f. The exchange of foreign currency for NIS and vice-versa by the PB will be carried out through the BOI Dealing Room, at the market exchange rates.
  - g. The BOI will not be obliged to convert in any single month more than 1/5 of the semi-annual amount.
5. There will not be a ceiling on the annual foreign currency conversions by the PBA into Shekels. However, in order to avoid undesirable fluctuations in the foreign exchange market, the parties will agree in the annual and semi-annual meetings referred to in para. 4d. on monthly ceilings of such conversions.

#### **ARTICLE IV: CAPITAL MARKET**

The Palestinian Authority will have the authorities, powers and responsibilities regarding the regulation and supervision of capital market activities in the Gaza Strip and Jericho Area.

#### **ARTICLE V: EQUAL TREATMENT**

Each side will refrain from any discrimination against individuals, corporations, private and public sectors' institutions and departments of the other side in all matters covered by this Annex.

## COMMENTS

**Israeli comments:** this annex depends on agreement on all other parts of the Agreement concerning the Gaza Strip and Jericho Area.

**Palestinian comment:** this annex will apply to the West Bank and Gaza Strip in the interim period.



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ANNEX - FINANCIAL AND FOREIGN EXCHANGE MARKETS

ARTICLE I: LEGAL TENDER (currency)

[Is. Both the Shekel (NIS) and the Jordanian Dinar (JD) will be legal tender in the Gaza Strip and Jericho Area.].

[P. The Shekel will continue to be a legal tender in the Gaza Strip and Jericho Area within the validity of this agreement. The Palestinian Authority will determine adding other currencies as legal tender e.g. Jordanian Dinar and Palestinian Pound].

ARTICLE II - BANKING

1. BANKING AUTHORITY

The Palestinian Authority will establish a [Is. Banking Authority (PBA)] [P. Monetary Authority (PMA)]. The functions of the PBA will be as described in this article.

2. BANKING SUPERVISION

- a. The PBA will be responsible for the proper functioning, stability and liquidity of the banks operating in the Gaza Strip and Jericho Area. The PBA will be charged with the general supervision of every such bank, including:
  - The licensing of banks and the approval of controlling shareholders;
  - The regulation of the banking activities;
  - The supervision and inspection of banks;
  - The role of lender of last resort.
- b. Both sides will allow the opening of branches, subsidiaries and regional offices of each others' banks. The Bank of Israel (BOI) and the PBA will promptly reach an agreement, based on the Concordant of Basel, concerning the licensing and supervision of such entities.

c. Both sides will allow correspondencial relations between each others' banks.\*

3. LIQUIDITY REQUIREMENTS

- a. The liquidity requirements on the various kinds of Shekel deposits (or deposits linked to the NIS) in banks operating in the Gaza Strip and Jericho Area will be identical to those fixed and announced by the BOI. The BOI will give prior notice of .....days to the PBA of any changes in these liquidity requirements.

\*To be discussed further

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- b. The liquidity requirements on other deposits (non Shekel and non Shekel linked) in banks operating in the Gaza Strip and Jericho Area will be fixed and announced by the PBA.
- c. The liquidity required according to this para 3 will be deposited at the PBA, as determined by the PBA, and the PBA will be responsible for the inspection and supervision of the liquidity requirements in the banks operating in the Gaza Strip and Jericho Area.

#### 4. DISCOUNT WINDOW

The PBA will regulate and administer a discount window system for banks operating in the Gaza Strip and Jericho Area.

#### 5. CLEARING HOUSE

*for Inter-bank relations*

- a. The PBA will establish or license a clearing house in order to clear money orders between the banks operating in the Gaza Strip and Jericho Area.
- b. The clearance of money orders and transactions between banks operating in the Gaza Strip and Jericho Area and banks operating in Israel will be done between the Israeli and the Palestinian clearing houses on the same day basis, according to agreed arrangements.

### ARTICLE III - FOREIGN-EXCHANGE CONTROL

1. The PBA will exercise the control (regulation and supervision) over foreign exchange transactions of residents of the Gaza Strip and Jericho Area within these areas.

[Is. 2. Israel will allow residents of the Gaza Strip and Jericho Area to purchase from authorized Israeli dealers foreign currency using Israeli Shekels for purposes and transactions permitted under Israeli law to residents of Israel].

[P. delete Para 2].

3. The PBA may convert at the BOI excess Shekels received from banks operating in the Gaza Strip and the Jericho Area into foreign currency up to the amounts determined per period, according to the arrangements detailed in paragraph 4.

4 a. The total amounts of excess Shekels for the purposes of paragraph 3 will be based on the following :

- (1) Estimates of the accumulated net value of the aggregate flows of goods and services (including labor) between Israel and the Gaza Strip and Jericho area, and
- (2) The accumulated net amounts of foreign currency converted previously into Shekels by the PBA as recorded in the BOI Dealing Room, less

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[Is. (3) The accumulated amounts of net purchases of foreign currency by residents of the Gaza Strip and Jericho Area from Israeli authorized dealers, as recorded in the books of those dealers]

[P. Delete sub-para (3)].

[P. (4) The accumulated amounts of NIS currently circulated in the Gaza Strip and West Bank ; The amounts of NIS resulting of coming tourists ; Israelis" consumption in the Gaza Strip and West Bank].

b. The said flows and amounts will be calculated as of the date in which this Annex will come into force.

c.[Is. The estimates of the value of the flows of goods and services will be made by the Israeli Central Bureau of Statistics (CBS).  
The PBA will have an opportunity to submit its comments on the CBS estimates].

[P. The estimates of the value of the flows of goods and services will be made by both parties].

d. The PBA and the BOI will meet annually to discuss and determine the annual amount of convertible Shekels during the next year and will meet semi-annually to adjust the said amount. The amounts determined and adjusted will be based on data and estimates mentioned in Para 4a and forecasts for the next period.

e.[Is.Substantial excess net purchasing of foreign currency by residents of the Gaza Strip and Jericho Area at any given period of 6 months, above estimates for that period, may lead to the suspension of these purchases, pending the necessary adjustment by the BOI of the amount of convertible Shekels].

[P. Delete-sub para e.]

f. The exchange of foreign currency for NIS and vice-versa by the PBA will be carried out through the BOI Dealing Room, at the market exchange rates.

g. The BOI will not be obliged to convert in any single month more than 1/5 of the semi-annual amount.

5. There will not be a ceiling on the annual foreign currency conversions by the PBA into Shekels. However, in order to avoid undesirable fluctuations in the foreign exchange market, the parties will agree in the annual and semi-annual meetings referred to in para 4d. on monthly ceilings of such conversions.

#### ARTICLE IV - CAPITAL MARKET

The Palestinian Authority will have the authorities, powers and responsibilities regarding the regulation and supervision of capital market activities in the Gaza Strip and Jericho Area.

#### ARTICLE V - EQUAL TREATMENT

Each side will refrain from any discrimination against individuals, corporations, private and public sectors' institutions and departments of the other side in all matters covered by this Annex.

#### COMMENTS

Israeli comment : this annex depends on agreement on all other parts of the Agreement concerning the Gaza Strip and Jericho Area.

Palestinian comment : this annex will apply to the West Bank and Gaza Strip in the interim period

# ARTICLE II - BANKING

1. [I. The Palestinian Authority will establish a Banking Authority (PBA). The functions of the PBA will be as described in this article.

The PBA will be responsible for the proper functioning, stability and liquidity of the banks operating in the Gaza Strip and Jericho Area. The PBA will be charged with the general supervision of every such bank, including:

- The licensing of banks and the approval of controlling shareholders;
- The regulation of the banking activities;
- The supervision and inspection of banks;
- The role of lender of last resort.]

[P The Palestinian Authority will establish a Palestinian Central Bank (PCB) which will assume all functions and responsibilities concerning banking in the West Bank and the Gaza Strip and which will exercise all the normal functions of a central bank, including:

- The licensing of banks and the approval of controlling shareholders;
- The regulation of the banking activities;
- The supervision and inspection of banks;
- The role of lender of last resort.
- Issue of currency whenever it deems it necessary.]

2. [I. In order to maintain the protection of the depositors and the Banks' stability, and encourage the development of a local banking system, the Palestinian Banking Authority (PBA) will predicate its supervision on the international principles and standards reflected in international conventions and especially the principles of the "Basle Committee".]

[P. Delete this para].

3. [I. In order to create a suitable business environment and minimize uncertainty, the PBA will recognize the validity of all licenses that have been granted to banking groups and branches prior to the transfer of the licensing powers to the PBA.]

[P. Delete this para].

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4 [P. This agreement will supercede and render as null and void and no longer valid any other agreement on banking and currency in the West Bank and Gaza Strip between Israel and any other party.]

[I. Delete this para.] !

5 (a) The Bank of Israel (BOI) and the PBA will each allow the opening of branches [I. and subsidiaries] of banks under their supervision in the other side. Granting a license will be subject to the following arrangements based on the "Basle Concordat" dated June 1992, and to the host authority's prevailing general rules and regulations concerning the opening of branches [I. and subsidiaries] of foreign banks.

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In this para 6 "host authority" and "home authority" mean only the BOI and the PBA respectively.

[I. Neither banking authority will discriminate against banks registered in the other side in relation to foreign banks.] [P. Delete this sentence].

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(b) A bank wishing to open a branch [I. or establish a subsidiary] will apply to the host authority, having first obtained the approval of its home authority. The host authority will notify the home authority of the terms of the licence, and will give its final approval unless the home authority objects.

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(c) The home authority will be responsible for the consolidated and comprehensive supervision of banking concerns, inclusive of branches [I. and subsidiaries] in the host area.

(d) The host authority will regularly examine the activities of branches [I. and subsidiaries] in its area. The home authority will have the right to examine the branches [I. and subsidiaries] in the host area.

Each supervision authority will transfer to the other authority its examination reports and any information relevant to the solvency and stability of the bank, its branches [I. and subsidiaries.]

(e) Both banking authorities will establish a mechanism for cooperation and for the exchange of information on issues of mutual interest.

בנק ישראל

תאריך 23.3.94

אל, אהרן הקר

סמט: אג' קן כסט

הנדון: הזמנה הישעית - דמיים הינ'ים

למנהל, שלום,

מזכ"ר ני"ר התמנה דמיים הינ'ים ה-23.3.94.

בני"ר זה יש להתפלל על מה יתקבל

קנסות תזל טקס הלא מוצר (2000-1)

כפי שביטנו, נבא על שנתן למנהל

ההזמנה של הינ'ים, שכן הם

הינ'ים בדמיים טאז ה-23.3.94.

דברי

חתימה

התמנה

תאריך

תאריך

רח' בני ישראל 2, ת"ד 91007, טל' 02-552211, פקס' 02-535516  
2 Bank of Israel st. P.O.B. 780 Jerusalem 91007, . 02-552211, Fax. 535516



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## ANNEX - FINANCIAL AND FOREIGN EXCHANGE MARKETS

1. [Is. Both the Shekel (NIS) and the Jordanian Dinar (JD) will be legal tender in the Gaza Strip and Jericho Area.]

[P. The current situation with regard to currency will continue for a period of one year. The Palestinian Authority will add other currencies as legal tender whenever it deems necessary.]

2. [I. The Palestinian Authority will establish a Banking Authority (PBA). The functions of the PBA will be as described in this article.]

The PBA will be responsible for the proper functioning, stability and liquidity of the banks operating in the Gaza Strip and Jericho Area. The PBA will be charged with the general supervision of every such bank, including :

- The licensing of banks and the approval of controlling shareholders ;
- The regulation of the banking activities ;
- The supervision and inspection of banks ;
- The role of lender of last resort.]

[P The Palestinian Authority will establish a Palestinian Central Bank (PCB) which will assume all functions and responsibilities concerning banking in the West Bank and the Gaza Strip and which will exercise all the normal functions of a central bank, including :

- The licensing of banks and the approval of controlling shareholders ;
- The regulation of the banking activities ;
- The supervision and inspection of banks ;
- The role of lender of last resort.
- Issue of currency whenever it deems it necessary.]

3. [I. In order to maintain the protection of the depositors and the Banks' stability, and encourage the development of a local banking system, the Palestinian Banking Authority (PBA) will predicate its supervision on the international principles and standards reflected in international conventions and especially the principles of the "Basle Committee".]

[P. Delete this para].

4. [I. In order to create a suitable business environment and minimize uncertainty, the PBA will recognize the validity of all licenses that have been granted to banking groups and branches prior to the transfer of the licensing powers to the PBA.]

[P. Delete this para].

5. [P. This agreement will supercede and render as null and void and no longer valid any other agreement on banking and currency in the West Bank and Gaza Strip between Israel and any other party.]

[I. Delete this para.]

6. (a) The Bank of Israel (BOI) and the PBA will each allow the opening of branches [I. and subsidiaries] of banks under their supervision in the other side. Granting a license will be subject to the following arrangements based on the "Basle Concordat" dated June 1992, and to the host authority's prevailing general rules and regulations concerning the opening of branches [I. and subsidiaries] of foreign banks.

In this para 6 "host authority" and "home authority" mean only the BOI and the PBA respectively.

[I. Neither banking authority will discriminate against banks registered in the other side in relation to foreign banks.] [P. Delete this sentence].

(b) A bank wishing to open a branch [I. or establish a subsidiary] will apply to the host authority, having first obtained the approval of its home authority. The host authority will notify the home authority of the terms of the licence, and will give its final approval unless the home authority objects.

(c) The home authority will be responsible for the consolidated and comprehensive supervision of banking concerns, inclusive of branches [I. and subsidiaries] in the host area.

(d) The host authority will regularly examine the activities of branches [I. and subsidiaries] in its area. The home authority will have the right to examine the branches [I. and subsidiaries] in the host area.

Each supervision authority will transfer to the other authority its examination reports and any information relevant to the solvency and stability of the bank, its branches [I. and subsidiaries.]

(e) Both banking authorities will establish a mechanism for cooperation and for the exchange of information on issues of mutual interest.

7. [I. (a) The liquidity requirements, in cash or cash deposit at the PBA, on the various kinds of demand and time Shekel deposits (or such deposits in other currencies linked to the NIS) in banks operating in the Gaza Strip and Jericho Area will be identical to those fixed and announced by the BOI. The BOI will give prior notice of .....days to the PBA of any changes in these liquidity requirements. The liquidity requirements on other deposits (non Shekel and non Shekel linked) in banks operating in the Gaza Strip and Jericho Area will be fixed and announced by the PBA.

[P. The liquidity requirements on all deposits in all banks operating in the West Bank and Gaza Strip will be fixed and announced by the PCB.]

[I. (b) The liquidity required according to this para 7 will be deposited at the PBA, as determined by the PBA, and the PBA will be responsible for the inspection and supervision of the liquidity requirements in the banks operating in the Gaza Strip and Jericho Area.]

[P. All the required liquidity will be deposited at the PCB, as determined by the PCB, and the PCB will be responsible for the inspection and supervision of the liquidity requirements in the banks operating in the Gaza Strip and West Bank]

8. The PBA [PBC] will regulate and administer a discount window system for the banks operating in its area.

9. The PBA [PBC] will establish or license a clearing house in order to clear money orders between the banks operating in its area.

The clearance of money orders and transactions between banks operating in the Gaza Strip and Jericho Area and banks operating in Israel will be done between the Israeli and the Palestinian clearing houses on the same business day basis, according to agreed arrangements.

10. Both sides will allow correspondential relations between each others' banks.

11. (a) The PBA will exercise the control (regulation and supervision) over foreign exchange transactions of residents of the Gaza Strip and Jericho Area within these areas.

[Is. (b) Israel will allow residents of the Gaza Strip and Jericho Area to purchase from authorized Israeli dealers foreign currency using Israeli Shekels for purposes and transactions permitted under Israeli law to residents of Israel].

[P. delete sub para (b)].

(c) The PBA may convert at the BOI excess Shekels received from banks operating in the Gaza Strip and the Jericho Area into foreign currency up to the amounts determined per period, according to the arrangements detailed in paragraph 4.

(d) The total amounts of excess Shekels for the purposes of paragraph 3 will be based on the following :

(1) Estimates of the accumulated net value of the aggregate flows of goods and services (including labor) between Israel and the Gaza Strip and Jericho area, and

(2) The accumulated net amounts of foreign currency converted previously into Shekels by the PBA as recorded in the BOI Dealing Room, less

[Is. (3) The accumulated amounts of net purchases of foreign currency by residents of the Gaza Strip and Jericho Area from Israeli authorized dealers, as recorded in the books of those dealers]

[P. Delete sub-para (3)].

[P. (4) The accumulated amounts of NIS currently circulated in the Gaza Strip and West Bank ; The amounts of NIS resulting of coming tourists ; Israelis" consumption in the Gaza Strip and West Bank].

The said flows and amounts will be calculated as of the date in which this Annex will come into force.

(e) [Is. The estimates of the value of the flows of goods and services will be made by the Israeli Central Bureau of Statistics (CBS).  
The PBA will have an opportunity to submit its comments on the CBS estimates].

[P. The estimates of the value of the flows of goods and services will be made by both parties].

(f) The PBA and the BOI will meet annually to discuss and determine the annual amount convertible Shekels during the next year and will meet semi-annually to adjust the said amount. The amounts determined and adjusted will be based on data and estimates mentioned in Para 4a and forecasts for the next period.

(g) [Is. Substantial excess net purchasing of foreign currency by residents of the Gaza Strip and Jericho Area at any given period of 6 months, above estimates for that period, may lead to the suspension of these purchases, pending the necessary adjustment by the BOI of the amount of convertible Shekels].

[P. Delete sub para (g)]

(h) The exchange of foreign currency for NIS and vice-versa by the PBA will be carried out through the BOI Dealing Room, at the market exchange rates.

(i) The BOI will not be obliged to convert in any single month more than 1/5 of the semi-annual amount.

(j) There will not be a ceiling on the annual foreign currency conversions by the PBA into Shekels. However, in order to avoid undesirable fluctuations in the foreign exchange market, the parties will agree in the annual and semi-annual meetings referred to in para on monthly ceilings of such conversions.

12. The Palestinian Authority will have the authorities, powers and responsibilities regarding the regulation and supervision of capital market activities in its area.

13. [I. Each side will refrain from any discrimination against individuals, corporations, private and public sectors' institutions and departments of the other side in all matters covered by this Annex.]

[P. Delete this para.]

Israeli comment : this annex depends on agreement on all other parts of the Agreement concerning the Gaza Strip and Jericho Area.

Palestinian comment : this annex will apply to the West Bank and Gaza Strip in the interim period

ANNEX - FINANCIAL AND FOREIGN EXCHANGE MARKETS

**ARTICLE I: LEGAL TENDER (currency)**

[Is. Both the Shekel (NIS) and the Jordanian Dinar (JD) will be legal tender in the Gaza Strip and Jericho Area.].

[P. The Shekel will continue to be a legal tender in the Gaza Strip and Jericho Area within the validity of this agreement. The Palestinian Authority will determine adding other currencies as legal tender e.g. Jordanian Dinar and Palestinian Pound].

**ARTICLE II - BANKING**

**1. BANKING AUTHORITY**

The Palestinian Authority will establish a [Is. Banking Authority (PBA)] [P. Monetary Authority (PMA)]. The functions of the PBA will be as described in this article.

**2. BANKING SUPERVISION**

a. The PBA will be responsible for the proper functioning, stability and liquidity of the banks operating in the Gaza Strip and Jericho Area. The PBA will be charged with the general supervision of every such bank, including:

- The licensing of banks and the approval of controlling shareholders;
- The regulation of the banking activities;
- The supervision and inspection of banks;
- The role of lender of last resort.

b. In order to maintain the protection of the depositors and the Banks' stability, and encourage the development of a local banking system, the Palestinian Banking Authority (PBA) will predicate its supervision on the international principles and standards reflected in international conventions and especially the principles of the "Basle Committee".

c. In order to create a suitable business environment and minimize uncertainty, the PBA will recognize the validity of all licenses that have been granted to banking groups and branches prior to the transfer of the licensing powers to the PBA.

**3. MUTUAL OPENING OF ISRAELI AND PALESTINIAN BRANCHES**  
**II. AND SUBSIDIARIES**

**General**

The Bank of Israel (BOI) and the PBA will each allow the opening of branches [I. and subsidiaries] of banks under their supervision in the other side. Granting a license will be subject to the following arrangements based on the "Basle Concordat" dated June 1992, and

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to the host authority's prevailing general rules and regulations concerning the opening of branches [I. and subsidiaries] of foreign banks.

In this para 3 "host authority" and "home authority" mean only the BOI and the PBA respectively.

[I. Neither banking authority will discriminate against banks registered in the other side in relation to foreign banks.] [P. Delete this sentence].

**(1) Licensing**

A bank wishing to open a branch [I. or establish a subsidiary] will apply to the host authority, having first obtained the approval of its home authority. The host authority will notify the home authority of the terms of the licence, and will give its final approval unless the home authority objects.

**(2) Supervision Responsibility**

The home authority will be responsible for the consolidated and comprehensive supervision of banking concerns, inclusive of branches [I. and subsidiaries] in the host area.

**(3) Examination and information**

The host authority will regularly examine the activities of branches [I. and subsidiaries] in its area. The home authority will have the right to examine the branches [I. and subsidiaries] in the host area.

Each supervision authority will transfer to the other authority its examination reports and any information relevant to the solvency and stability of the bank, its branches [I. and subsidiaries.]

**(4) Cooperation**

Both banking authorities will establish a mechanism for cooperation and for the exchange of information on issues of mutual interest.

**4. LIQUIDITY REQUIREMENTS**

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- a. The liquidity requirements on the various kinds of Shekel deposits (or deposits linked to the NIS) in banks operating in the Gaza Strip and Jericho Area will be identical to those fixed and announced by the BOI. The BOI will give prior notice of .....days to the PBA of any changes in these liquidity requirements.
  - b. The liquidity requirements on other deposits (non Shekel and non Shekel linked) in banks operating in the Gaza Strip and Jericho Area will be fixed and announced by the PBA.
  - c. The liquidity required according to this para 3 will be deposited at the PBA, as determined by the PBA, and the PBA will be responsible for the inspection and supervision of the liquidity requirements in the banks operating in the Gaza Strip and Jericho Area.

## 5. DISCOUNT WINDOW

The PBA will regulate and administer a discount window system for banks operating in the Gaza Strip and Jericho Area.

## 6. INTER-BANKING RELATIONS

- a. The PBA will establish or license a clearing house in order to clear money orders between the banks operating in the Gaza Strip and Jericho Area.
- b. The clearance of money orders and transactions between banks operating in the Gaza Strip and Jericho Area and banks operating in Israel will be done between the Israeli and the Palestinian clearing houses on the same day basis, according to agreed arrangements.
- c. Both sides will allow correspondencial relations between each others' banks.

others' banks. The Bank of Israel (BOI) and the PBA will promptly reach an agreement, based on the Concordant of Basel, concerning the licensing and supervision of such entities.

- c. Both sides will allow correspondencial relations between each others' banks.\*

**3. LIQUIDITY REQUIREMENTS**

- a. The liquidity requirements on the various kinds of Shekel deposits (or deposits linked to the NIS) in banks operating in the Gaza Strip and Jericho Area will be identical to those fixed and announced by the BOI. The BOI will give prior notice of .....days to the PBA of any changes in these liquidity requirements.

\*To be discussed further

- b. The liquidity requirements on other deposits (non Shekel and non Shekel linked) in banks operating in the Gaza Strip and Jericho Area will be fixed and announced by the PBA.
- c. The liquidity required according to this para 3 will be deposited at the PBA, as determined by the PBA, and the PBA will be responsible for the inspection and supervision of the liquidity requirements in the banks operating in the Gaza Strip and Jericho Area.

**4 DISCOUNT WINDOW**

The PBA will regulate and administer a discount window system for banks operating in the Gaza Strip and Jericho Area.

**5. CLEARING HOUSE**

- a. The PBA will establish or license a clearing house in order to clear money orders between the banks operating in the Gaza Strip and Jericho Area.
- b. The clearance of money orders and transactions between banks operating in the Gaza Strip and Jericho Area and banks operating in Israel will be done between the Israeli and the Palestinian clearing houses on the same day basis, according to agreed arrangements.

**ARTICLE III - FOREIGN-EXCHANGE CONTROL**

1. The PBA will exercise the control (regulation and supervision) over foreign exchange transactions of residents of the Gaza Strip and Jericho Area within these areas.

[Is. 2. Israel will allow residents of the Gaza Strip and Jericho Area to purchase from authorized Israeli dealers foreign currency using Israeli Shekels for purposes and transactions permitted under Israeli law to residents of Israel].

*Handwritten notes:*  
D1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100.



[P. delete Para 2].

3. The PBA may convert at the BOI excess Shekels received from banks operating in the Gaza Strip and the Jericho Area into foreign currency up to the amounts determined per period, according to the arrangements detailed in paragraph 4.

4 a. The total amounts of excess Shekels for the purposes of paragraph 3 will be based on the following :

- (1) Estimates of the accumulated net value of the aggregate flows of goods and services (including labor) between Israel and the Gaza Strip and Jericho area, and
- (2) The accumulated net amounts of foreign currency converted previously into Shekels by the PBA as recorded in the BOI Dealing Room, less

[Is. (3) The accumulated amounts of net purchases of foreign currency by residents of the Gaza Strip and Jericho Area from Israeli authorized dealers, as recorded in the books of those dealers]

[P. Delete sub-para (3)].

[P. (4) The accumulated amounts of NIS currently circulated in the Gaza Strip and West Bank ; The amounts of NIS resulting of coming tourists ; Israelis" consumption in the Gaza Strip and West Bank].

b. The said flows and amounts will be calculated as of the date in which this Annex will come into force.

c.[Is. The estimates of the value of the flows of goods and services will be made by the Israeli Central Bureau of Statistics (CBS).  
The PBA will have an opportunity to submit its comments on the CBS estimates].

[P. The estimates of the value of the flows of goods and services will be made by both parties].

d. The PBA and the BOI will meet annually to discuss and determine the annual amount of convertible Shekels during the next year and will meet semi-annually to adjust the said amount. The amounts determined and adjusted will be based on data and estimates mentioned in Para 4a and forecasts for the next period.

e.[Is. Substantial excess net purchasing of foreign currency by residents of the Gaza Strip and Jericho Area at any given period of 6 months, above estimates for that period, may lead to the suspension of these purchases, pending the necessary adjustment by the BOI of the amount of convertible Shekels].

[P. Delete sub para e.]

- f. The exchange of foreign currency for NIS and vice-versa by the PBA will be carried out through the BOI Dealing Room, at the market exchange rates.
- g. The BOI will not be obliged to convert in any single month more than 1/5 of the semi-annual amount.

5. There will not be a ceiling on the annual foreign currency conversions by the PBA into Shekels. However, in order to avoid undesirable fluctuations in the foreign exchange market, the parties will agree in the annual and semi-annual meetings referred to in para 4d. on monthly ceilings of such conversions.

#### **ARTICLE IV - CAPITAL MARKET**

The Palestinian Authority will have the authorities, powers and responsibilities regarding the regulation and supervision of capital market activities in the Gaza Strip and Jericho Area.

#### **ARTICLE V - EQUAL TREATMENT**

Each side will refrain from any discrimination against individuals, corporations, private and public sectors' institutions and departments of the other side in all matters covered by this Annex.

#### **COMMENTS**

Israeli comment : this annex depends on agreement on all other parts of the Agreement concerning the Gaza Strip and Jericho Area.

Palestinian comment : this annex will apply to the West Bank and Gaza Strip in the interim period

ANNEX - FINANCIAL AND FOREIGN EXCHANGE MARKETS

ARTICLE I: LEGAL TENDER (currency)

- (1) [Is. Both the Shekel (NIS) and the Jordanian Dinar (JD) will be legal tender in the Gaza Strip and Jericho Area].  
*current situation with regard to currency for a period of one year*  
[P. The Shekel will continue to be a legal tender in the Gaza Strip and Jericho Area within the validity of this agreement. The Palestinian Authority will determine adding other currencies as legal tender e.g. Jordanian Dinar and Palestinian Pound].  
*also whenever it seems necessary.]*

ARTICLE II - BANKING

1. BANKING AUTHORITY

*The PCB will assume all the functions and responsibilities concerning banking in*

2. The Palestinian Authority will establish a [Is. Banking Authority (PBA)] [P. Monetary Authority (PMA)]. The functions of the PBA will be as described in this article.  
*Palestinian Central Bank, which will exercise all the normal functions of a central bank, including*

2. BANKING SUPERVISION

3. The PBA will be responsible for the proper functioning, stability and liquidity of the banks operating in the Gaza Strip and Jericho Area. The PBA will be charged with the general supervision of every such bank, including:

The licensing of banks and the approval of controlling shareholders ;  
The regulation of the banking activities ;  
The supervision and inspection of banks ;  
The role of lender of last resort.

3. [I. ~~2.~~ In order to maintain the protection of the depositors and the Banks' stability, and encourage the development of a local banking system, the Palestinian Banking Authority (PBA) will predicate its supervision on the international principles and standards reflected in international conventions and especially the principles of the "Basle Committee".]

4. [P. ~~I.~~ ~~2.~~ In order to create a suitable business environment and minimize uncertainty, the PBA will recognize the validity of all licenses that have been granted to banking groups and branches prior to the transfer of the licensing powers to the PBA.]

*[P. delete this sub-para]*

3. MUTUAL OPENING OF ISRAELI AND PALESTINIAN BRANCHES  
[I. AND SUBSIDIARIES]

General

The Bank of Israel (BOI) and the PBA will each allow the opening of branches [I. and subsidiaries] of banks under their supervision in the other side. Granting a license will be subject to the following arrangements based on the "Basle Concordat" dated June 1992, and

The current situation with regard to currency will continue for a period for one year and the Palestinian Central Bank will be considered and determine adding other currencies or legal tender

which will assure all functions and responsibilities concerning banking in the West Bank and the Gaza Strip and which will exercise all the normal functions of a central bank including

→ ~~bank~~  
→ ~~bank~~

Issue of currency whenever it deems it necessary.

~~[P. The Palestinian Authority~~

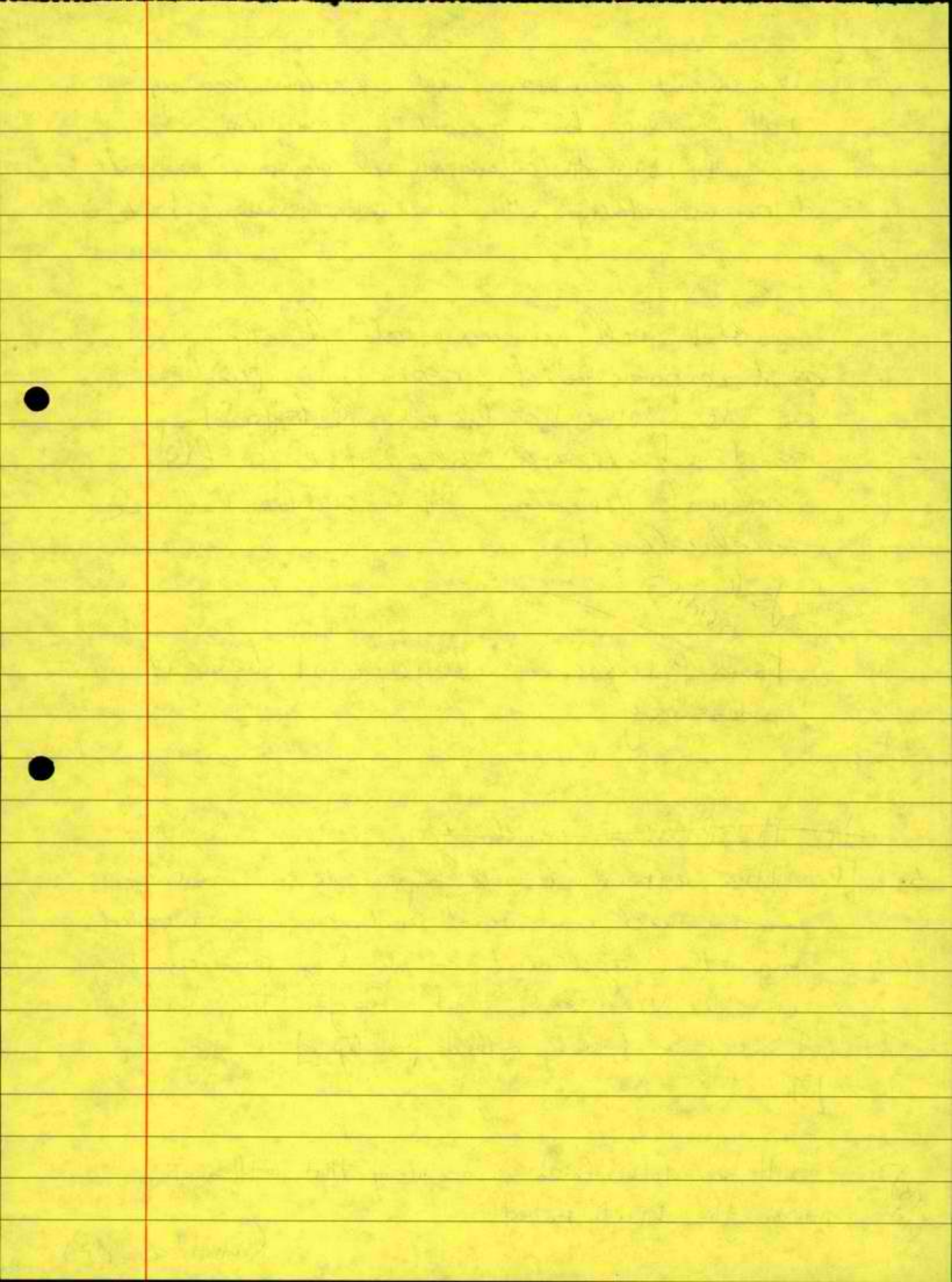
5. [P. This agreement will supersede and render ~~and~~ as null and void and no longer valid any other agreement on banking and currency in the West Bank and Gaza Strip between Israel and any other party.]

[I

will be determined in a way that will not harm the Israeli interests

(identical - P. 12)

1/1/15



to the host authority's prevailing general rules and regulations concerning the opening of branches [I. and subsidiaries] of foreign banks.

In this para 3 "host authority" and "home authority" mean only the BOI and the PBA respectively.

[I. Neither banking authority will discriminate against banks registered in the other side in relation to foreign banks.] [P. Delete this sentence].

**(1) Licensing**

A bank wishing to open a branch [I. or establish a subsidiary] will apply to the host authority, having first obtained the approval of its home authority. The host authority will notify the home authority of the terms of the licence, and will give its final approval unless the home authority objects.

**(2) Supervision Responsibility**

The home authority will be responsible for the consolidated and comprehensive supervision of banking concerns, inclusive of branches [I. and subsidiaries] in the host area.

**(3) Examination and information**

The host authority will regularly examine the activities of branches [I. and subsidiaries] in its area. The home authority will have the right to examine the branches [I. and subsidiaries] in the host area.

Each supervision authority will transfer to the other authority its examination reports and any information relevant to the solvency and stability of the bank, its branches [I. and subsidiaries.]

**(4) Cooperation**

Both banking authorities will establish a mechanism for cooperation and for the exchange of information on issues of mutual interest.

**4. LIQUIDITY REQUIREMENTS** *(in cash or deposits of th PBA) demand and time (in other currencies)*

*[I. a]* The liquidity requirements on the various kinds of Shekel deposits (or deposits linked to the NIS) in banks operating in the Gaza Strip and Jericho Area will be identical to those fixed and announced by the BOI. The BOI will give prior notice of ..... days to the PBA of any changes in these liquidity requirements. *[P. The West Bank and Gaza Strip]*

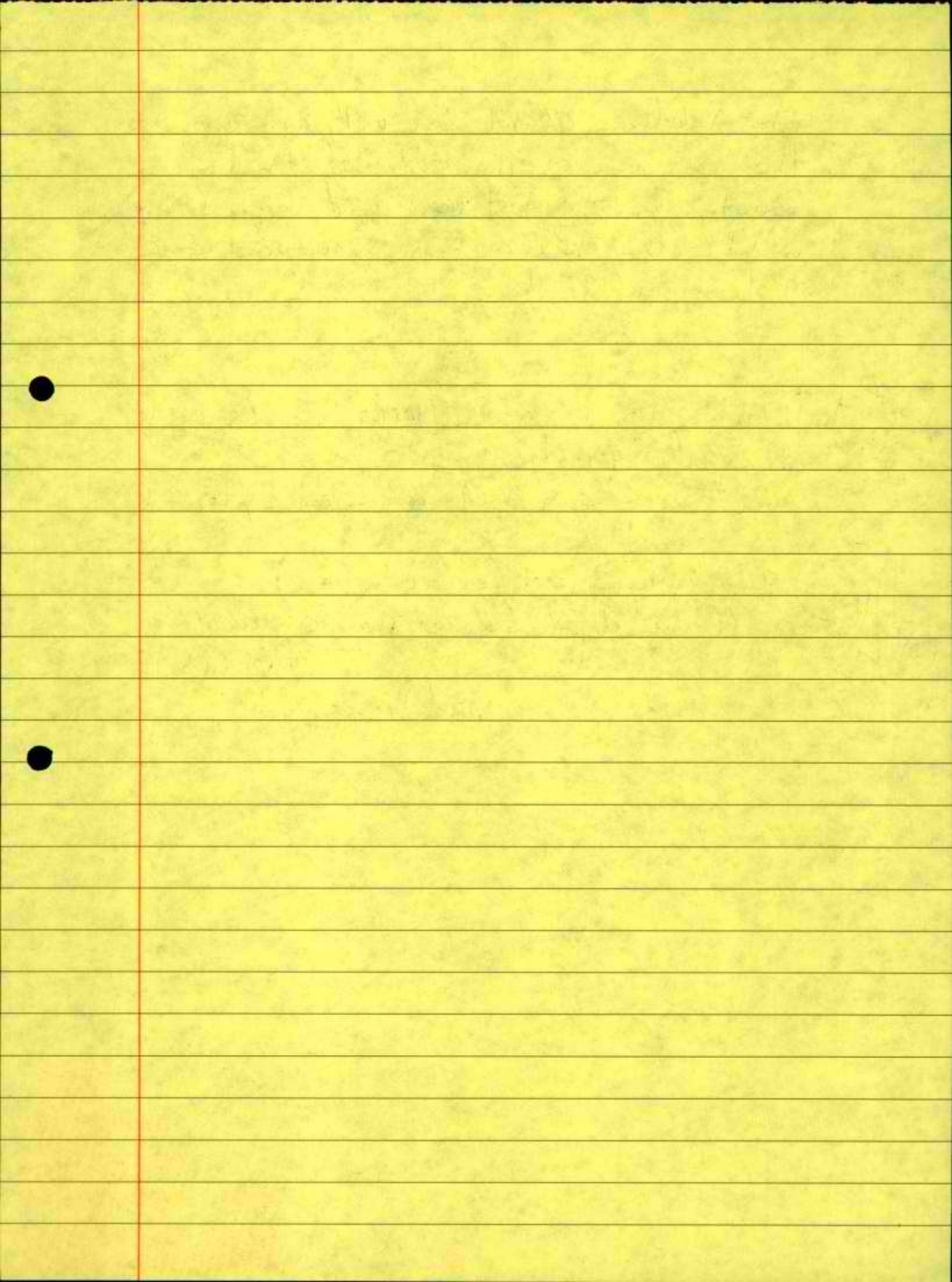
*[P. delete this sub para]* **b.** The liquidity requirements on other deposits (non Shekel and non Shekel linked) in banks operating in the Gaza Strip and Jericho Area will be fixed and announced by the PBA.

*[P.]* The liquidity required according to this para <sup>4</sup> will be deposited at the PBA, as determined by the PBA, and the PBA will be responsible for the inspection and supervision of the liquidity requirements in the banks operating in the Gaza Strip and Jericho Area.

The Palestinian Central Bank will determine the reserve requirements of the bank operating in the West Bank and Gaza Strip including the reserves to be maintained with that Central Bank.

(15) P. (b.) The interest on all deposits (imposed) in all banks operating will be fixed and announced by the PCB

(15) P. (c.) all deposits (according to) will be deposited at the PCB as follows (1/2/2015)  
West Bank





## 5. DISCOUNT WINDOW

The PBA will regulate and administer a discount window system for <sup>the</sup> banks operating in the Gaza Strip and Jericho Area <sup>[and the West Bank]</sup>.

## 6. INTER-BANKING RELATIONS

- a. The PBA will establish or license a clearing house in order to clear money orders between the banks operating in the Gaza Strip and Jericho Area <sup>[and the West Bank]</sup>.
- b. The clearance of money orders and transactions between banks operating in the Gaza Strip and Jericho Area and banks operating in Israel will be done between the Israeli and the Palestinian clearing houses on the same day basis, according to agreed arrangements. <sup>business-</sup>
- c. Both sides will allow correspondential relations between each others' banks.

## ARTICLE III - FOREIGN-EXCHANGE CONTROL

1. The PBA will exercise the control (regulation and supervision) over foreign exchange transactions of residents of the Gaza Strip and <sup>[Jericho Area]</sup> within these areas.

[Is. 2. Israel will allow residents of the <sup>Palestinian Authority West Bank</sup> ~~Gaza Strip and Jericho Area~~ to purchase from authorized Israeli dealers foreign currency using Israeli Shekels for purposes and transactions permitted under Israeli law to residents of Israel].

[P. delete Para 2].

3. The PBA may convert at the BOI excess Shekels received from banks operating in the Gaza Strip and the Jericho Area into foreign currency up to the amounts determined per period, according to the arrangements detailed in paragraph 4.

4 a. The total amounts of excess Shekels for the purposes of paragraph 3 will be based on the following :

- (1) Estimates of the accumulated net value of the aggregate flows of goods and services (including labor) between Israel and the Gaza Strip and Jericho area, and
- (2) The accumulated net amounts of foreign currency converted previously into Shekels by the PBA as recorded in the BOI Dealing Room, less

[Is. (3) The accumulated amounts of net purchases of foreign currency by residents of the Gaza Strip and Jericho Area from Israeli authorized dealers, as recorded in the books of those dealers]

[P. Delete sub-para (3)].

[P. (4) The accumulated amounts of NIS currently circulated in the Gaza Strip and West Bank ; The amounts of NIS resulting of coming tourists ; Israelis" consumption in the Gaza Strip and West Bank].

b. The said flows and amounts will be calculated as of the date in which this Annex will come into force.

c.[Is. The estimates of the value of the flows of goods and services will be made by the Israeli Central Bureau of Statistics (CBS).  
The PBA will have an opportunity to submit its comments on the CBS estimates].

[P. The estimates of the value of the flows of goods and services will be made by both parties].

d. The PBA and the BOI will meet annually to discuss and determine the annual amount of convertible Shekels during the next year and will meet semi-annually to adjust the said amount. The amounts determined and adjusted will be based on data and estimates mentioned in Para 4a and forecasts for the next period.

e.[Is. Substantial excess net purchasing of foreign currency by residents of the Gaza Strip and Jericho Area at any given period of 6 months, above estimates for that period, may lead to the suspension of these purchases, pending the necessary adjustment by the BOI of the amount of convertible Shekels].

[P. Delete sub para e.]

f. The exchange of foreign currency for NIS and vice-versa by the PBA will be carried out through the BOI Dealing Room, at the market exchange rates.

g. The BOI will not be obliged to convert in any single month more than 1/5 of the semi-annual amount.

5. There will not be a ceiling on the annual foreign currency conversions by the PBA into Shekels. However, in order to avoid undesirable fluctuations in the foreign exchange market, the parties will agree in the annual and semi-annual meetings referred to in para 4d. on monthly ceilings of such conversions.

#### **ARTICLE IV - CAPITAL MARKET**

The Palestinian Authority will have the authorities, powers and responsibilities regarding the regulation and supervision of capital market activities in ~~the Gaza Strip and Jericho Area~~ *its area*.

**ARTICLE V - EQUAL TREATMENT**

Each side will refrain from any discrimination against individuals, corporations, private and public sectors' institutions and departments of the other side in all matters covered by this Annex.

**COMMENTS**

Israeli comment : this annex depends on agreement on all other parts of the Agreement concerning the Gaza Strip and Jericho Area.

Palestinian comment : this annex will apply to the West Bank and Gaza Strip in the interim period

SUPERVISION OF BANKS

a. CONTINUITY

(1) In order to maintain the protection of the depositors and the Banks' stability, and encourage the development of a local banking system, the Palestinian Banking Authority (PBA) will predicate its supervision on the international principles and standards reflected in international conventions and especially the principles of the "Basle Committee".

(2) In order to create a suitable business environment and minimize uncertainty, the PBA will recognize the validity of all licenses that have been granted to banking groups and branches prior to the transfer of the licensing powers to the PBA.

b. TRANSFER OF POWERS

The PBA will be responsible for the proper functioning, stability and liquidity of the banks operating in the Gaza Strip and Jericho Area. The PBA will be responsible for the general supervision of every such bank, including :

- The licensing of banks and approval of controlling shareholders;
- The regulation of banking activities ;
- The supervision and examination of banks,
- The role of lender of last resort.

Handwritten mark: H.P.M.G.

c. MUTUAL OPENING OF <sup>Israeli and Palestinian</sup> BRANCHES (AND SUBSIDIARIES)

(1) General

The Bank of Israel (BOI) and the PBA will each allow the opening of branches (and subsidiaries) of banks under their supervision in the other side. Granting a license will be subject to the following arrangements based on the "Basle Concordat" dated June 1992, and to the host authority's general ~~criteria~~ <sup>prevailing rules and regulations</sup> concerning the opening of branches (and subsidiaries) of foreign banks.

[Neither banking authority will discriminate against banks registered in the other side in relation to foreign banks.]

[P. Delete this sentence]

(2) Licensing

A bank wishing to open a branch (or establish a subsidiary) will apply to the host authority, having first obtained the approval of its home authority. The host authority will notify the home authority of the terms of the licence, and will give its final approval unless the home authority objects.

(3) Supervision Responsibility

The home authority will be responsible for the consolidated and comprehensive supervision of banking concerns, inclusive of branches (and subsidiaries) in the host area.

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(4) **Examination and information**

The host authority will regularly examine the activities of branches (and subsidiaries) in its area. The home authority will have the right to examine the branches (and subsidiaries) in the host area.

Each supervision authority will transfer to the other authority its examination reports and any information relevant to the solvency and stability of the bank, its branches (and subsidiaries.)

(5) **Cooperation**

Both banking authorities will establish a mechanism for cooperation and for the exchange of information on issues of mutual interest.

[p. para (c) st

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Handwritten text in Hebrew, appearing to be a list or notes. The text is somewhat illegible due to cursive and fading.

3. תשובה

Main body of handwritten text in Hebrew, consisting of several paragraphs. The text is dense and difficult to read due to the cursive style.

Final paragraph of handwritten text in Hebrew at the bottom of the page.