AMAN
Transparency Palestine

Research Paper On:

Oversight and Accountability of Money Exchange Companies in the Gaza Strip During the Genocide War

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The Coalition for Accountability and Integrity (AMAN) would like to thank Dr. Sami Abu-Shamalleh for preparing this working paper. Thanks, are also due to Dr. Azmi Shuaibi and AMAN's work team for supervising, reviewing and editing this report.

For quotation, please refer to the publication as follows: Coalition for Accountability and Integrity (AMAN). 2024. Oversight and Accountability of Money Exchange Companies in the Gaza Strip During the Genocide War

Table of Contents

Executive Summary

Since October 7, 2023, the Gaza Strip (GS) has been subjected to a genocide that has killed more than 40,000 martyrs (men women and children) and injured way above 100,000 thus far; and those are only the ones registered by the Ministry of Health (MoH), as many more remain under the rubble and or have not been reported. Furthermore, the humanitarian and economic crisis casts its shadow on the daily lives of those who have survived thus far. This is due to Israel's refusal to allow official Palestinian institutions and those of the United Nations (UN) to bring in cash into Gaza, in addition other security and logistical obstacles on the ground. In light of the above, Palestinian citizens in the GS found themselves victims between bombardment and difficulties to provide food for their families on the one hand, and exploitation by some money changers and traders, on the other hand. This is over and above the chaos, absence of the rule of law, and the weakness/absence of supervisory institutions that citizens have to endure.

This research paper aims to identify the accountability aspects of exchange companies, diagnose the liquidity crisis and its repercussions in the GS in light of the genocide war. It will also attempt to provide recommendations that contribute to alleviating the situation of extortion to which citizens are exposed to as a result of the lack of availability of cash-flow.

In this regard, the paper reached a set of conclusions where it found that the occupation with its aggression on Gaza, its destructive policy, its displacement of innocent people and the targeting of institutions and infrastructure bears responsibility for undermining the work of Palestinian institutions, including the financial ones. The occupation also prevented the entry of cash and maintenance equipment for ATMs and cars that transport money. In addition, it deliberately undermined the rule of law in the GS, and did not provide protection for the Palestinian Monetary Authority (PMA) and the executive authorities to carrying out their duties. In light of the lack of financial liquidity, the crisis worsened and the phenomenon of random money exchange prevailed, which weakened accountability and control over the performance of money changers in the GS. It also provided an opportunity for some merchants and money changers to exploit these conditions in order to obtain unfair gains. Many cases of manipulation with currency exchange rates were reported due to the non-compliance of money changers with the pricing of global stock exchanges. Hence, citizens were subjected to extortion when trying to withdraw their own money from banks or when receiving external transfers by paying huge commissions. At the date of writing this paper, only one bank branch and one ATM were operating in the GS as a result of the genocide war and encroachments on the headquarters of these banks and money changers. Furthermore, due to the repeated daily circulation of the shekel (Israeli currency), frayed paper notes have spread, which traders refuse to accept, which affected the cash flow of every day trading.

At the level of supervision and control: during the genocidal war on the GS, the PMA and other monitoring actors' supervision role, over money exchange companies and money changers, was/is weak. It was limited to few awareness campaigns, and very few follow-ups on the ground due to the danger caused by the Israeli aggression on the Strip. Furthermore, the lack of coordination between the PMA and Gaza's governing bodies, since the political division in 2006, weakened the deterrence factor concerning violators, scammers and blackmailers. It should be noted, however, that the role of the PMA was active in creating and developing alternatives to cash payment by encouraging citizens to open electronic wallets to exchange payments, and also to promote electronic points of sale (P.O.S). Moreover, it launched an instant payment system (i-Buraq) to speed up the transfer and payment process. Despite that, the awareness role of these digital tools is still inadequate, and thuggery has also spread on ATMs in addition to the destruction and vandalism of many ATMs, hence taking it out of service.

At the level of processing complaints through official and or social accountability: The PMA website has a special icon for receiving, following-up and responding to complaints. This is carried out through the Public Service and Communications Center on the toll-free number and the Authority's phone numbers. The PMA stipulates that licensed money changers must place a complaints box in their headquarters and branches. It also stated that large exchange companies must appoint a compliance controller whose responsibility is to follow-up on the complaints file. In addition, there are decisions and instructions related to the mechanisms and procedures for exchange companies to deal with complaints while obliging them to submit a quarterly report to the PMA. On the other hand, the PMA does not have published statistics related to the number, nature of complaints and or mechanisms by which it handles complaints. In the meantime, citizens complain that responding to their grievances during the genocidal war on Gaza has been ineffective, although the police squads were targeted as they tried to protect the headquarters of financial institutions in the Gaza Strip. nevertheless, they continued to carry out regulatory procedures to control queues of some ATMs in response to citizens' complaints concerning bullying in these queues.

The research paper also recommended the need to increase coordination between the PMA and the governing bodies in the GS aiming to: provide a deterrent environment for swindlers and blackmailers, and to protect citizens; exerting more pressure on the occupation to allow cash to enter the GS; and to ensure replacement of worn out and old shekel notes...all of which was carried out through regional and global advocacy campaigns, and through associations affiliated to the PMA. This included coordination with international institutions to increase their demand for money entry to the GS; reassuring citizens and merchants by informing them that frayed currencies and old versions of the shekel have the power to free them from legal obligations, and that the PMA will replace these notes once the restrictions on cashflow to the GS are lifted. Furthermore, the paper urged the PMA to continue motivating its employees to return to their duties and to increase their follow-up and field monitoring efforts, specifically under the current circumstances and the collective genocide imposed on the GS. It also called for enabling Western Monetary Authority centers to follow up on complaints, and to monitor exchange companies and violators of money changers in order to take legal action against them once the Israeli aggression is over, in addition to strengthening cooperation between the PMA and the Chambers of Commerce to take measures to prevent traders from charging huge commissions when selling cash. The paper also called for more awareness campaigns and promotion of digital payment methods.

Further recommendations included: the PMA's need to limit and classify complaints, and to deal with them in the best way possible; strengthen community accountability by establishing coordination bodies that include representatives of the PMA, tribes, law enforcement agencies in Gaza and local committees. All of the above is with the aim of joint coordination and to carry out advocacy campaigns that reject extortion and blackmailing of citizens when trying to obtain cash, as well as to raise awareness on protecting the capabilities of banks and not to harm their headquarters and ATMs. The paper also stressed the importance of establishing national initiatives by the local community to promote the values of integrity, local management and community accountability. This can be achieved through local chambers of commerce representatives, neighborhood committees, and representatives of the private sector to press for an end to the phenomenon of bribery and huge commissions. To also document and publish blacklists of violators and submit them to the competent authorities to take legal action against them after the genocidal war is over.

Introduction

Since October 7, 2023, the Gaza Strip (GS) has been subjected to a genocide that has killed more than 43,000 martyrs (men women and children) and injured way above 100,000 thus far; and those are only the ones registered by the Ministry of Health (MoH), as many more remain under the rubble and or have not been reported. Furthermore, life for those who have survived until now, i.e., the humanitarian and economic crisis is horrific; with famine in the north of the GS, and extreme high prices of goods in the south, not to mention that it coincides with the loss of income for the majority of Palestinians living there. Moreover, the PMA failed to bring in cash to the GS mainly due to the occupation's refusal and also due to safety and logistical obstacles caused by the occupation's genocidal war on the Strip, all of which created a liquidity crisis in the GS.

In light of the above, Palestinian citizens in the GS found themselves victims between bombardment and difficulties to provide food for their families on the one hand, and exploitation by some money changers and traders on the other hand. This is best reflected in the citizens suffering from difficulties to withdraw money from their bank accounts, since the Israeli occupation destroyed most bank branches in the GS, and made it impossible to reach other branches due to fear of being killed. This hindered the ability of citizens to act freely in relation to banking transactions, not to mention the insanely high commission rates that they are forced to pay under duress of money exchange bodies, or the stress endured while waiting in line to get a turn at ATMs. Many of them were forced to pay huge commissions in order to obtain some cash versus bank transfers where often it exceeded the 25% mark of the original amount. This state intensified and continues to worsen due to: the absence of official and unofficial monitoring of money changers; loss of complaints mechanisms appropriate to the current on-going genocidal war in the GS or in creating ways and channels to address complaints effectively and in a timely manner. Hence, the need for the intervention of official and non-official bodies emerged in order to ensure that citizens do not fall victims to the extortion of banks and exchange companies.

This paper aims to identify facets of exploitations of citizens' rights and consumer protection methods related to the banking services; understand the continuous complaints coming from them during the war; examine the alternatives adopted by the competent authorities, whether it is official or popular regulatory bodies; attempt to understand the impact of the war of genocide on the banking sector, and the problems of poor liquidity, closure of crossings, and transfer restrictions imposed by banks on citizens' accounts.

Therefore, this paper is expected to contribute to enhancing the effectiveness of formal and informal supervision over the work of banks in the GS, as well as define and understand the problems of the banking sector, and specifically those related to money exchange establishments. To also define the role entrusted to the relevant authorities such as: the PMA, Consumer Protection Agency, local committees, as well as the alternatives and interventions approved by these bodies to enhance control and effectiveness in order to solve the problems of citizens and address their complaints.

Objectives:

- Diagnose the liquidity crisis and the reality of the banking sector in the GS in light of the genocide war on Gaza.
- Examine the effectiveness of the PMA's and other institutions' control over money exchange companies in the GS in the catastrophic conditions for the exchange sector in light of the war.
- Examine the existence as well as the development of alternatives and solutions for the liquidity issue in light of the catastrophic conditions in the money exchange sector during this genocide war on the GS.
- Examine the efficiency of the complaints system in the banking sector in terms of mechanisms for receiving complaints and ways to address them in light of the war of genocide.

First: The Legal Framework Governing the Work of Banks and Money Exchange Companies

Law No. 2 of 1997 on the PMA

Following are the most important objectives of the PMA related to the banking sector and money exchange companies in accordance with the law[1]:

- To strengthen the relationship with the banking system and other institutions subject to the supervision of the PMA in order to provide an administrative environment, and encourage financial institutions to develop their services.
- To regulate, license, register and monitor banks and exchange companies.
- To contribute to the reduction of financial crimes, and the prevention of deception, fraud, money laundering and terrorist financing.
- To build collaborative relationships with other regulatory authorities to encourage growth and sustainability.
- To regulate the banking system in Palestine, ensuring its security, and maintenance of financial stability.

Law by Decree No. (40) of 2022 on the Licensing and Control of the Money Exchange Profession

Article (22) of the Decree granted the status of Judicial Officers to those assigned by the PMA with the task of inspection and control of money exchange establishments to include the following: a) verifying the integrity of the financial center, proportionality of the capital, asset quality, effectiveness and business risks involved, management assessment, quality of services and availability of liquidity to meet operational requirements. b) evaluation of the internal control performance and the extent of compliance with the provisions of this Law by Decree and the instructions issued pursuant thereto. c) verifying the integrity and efficiency of the systems used, the availability of bilateral control, the separation of powers, the adequacy and accuracy of their outputs, and their meeting the needs of the work and the requirements of the PMA. d) verifying the availability of policies, standards and work procedures that ensure the implementation of money exchange transactions within its proper framework, and the extent of compliance with them, as well as updating them to keep pace with developments in the work environment. In addition, Article 24 of the Decree also stated penalties for violators who practice the profession of money exchange without an official license with imprisonment for a period not exceeding one year, or a fine of no less than ($2,000) two thousand US dollars, and not exceeding ($15,000) fifteen thousand US dollars, or its equivalent in the legally circulating local currency, or with both penalties[2]. Also, money exchange companies owned by private shareholding companies are subject to the provisions of the Companies Law.

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1 Law No. (2) of 1997 on the Palestine Monetary Authority.
2 PMA Decree No. (40) of 2022 Concerning the Licensing and Control of the Money Exchange Profession.

Second: The Institutional Framework Governing Supervision of the Money Changers and Banking Sector

The structure of the PMA consists of (6) groups, namely: Digital Transformation Group, Planning & Communication Group, Financial Stability Group, Monetary Stability Group, Operations Group, The Supervisory Group, which is authorized by the PMA to supervise the components of the Palestinian banking system, including banks, exchange companies, electronic payment companies, and specialized lending institutions. The PMA supervises the performance of exchange companies licensed by it in the GS as an official and exclusive agent to supervise and control the work of the Palestinian banking system. The Non-Banking Supervision Department is responsible for monitoring and inspecting money changers, electronic payment companies and specialized lending institutions, noting that the Money Changers Control Department employs (5) inspectors[3].

Third: Reality of the Banking Sector in the Gaza Strip

Supervision and control of the banking system in the Gaza Strip

The PMA is considered the supervisory and control authority regulating the work of the banking sector in Palestine. It was established in 1995 as an independent institution in the absence of a Palestinian central bank. Two years later, Law No. 2 of 1997 was issued as a legal reference for the authority[4].

As of today, there are 13 local and foreign (Wafidan) (i.e., a non-local bank)[5] banks officially licensed by the PMA, (10) of which are located in the GS in addition to (3) others operating in the GS/sector without a license from the PMA. As for money exchange companies, there are 320 companies licensed by the PMA, 35 of which are in the GS[6].

Due to the internal political division between the West Bank and the Gaza Strip (WB & GS) the PNA's role is absent. In the meantime, there are hundreds of money changers who are practicing the profession of money changer in the GS without obtaining a license to practice the profession from the PMA, hence affecting the monitoring and control process of this sector. This crisis was exacerbated after many licensed exchange companies closed their doors due to lack of liquidity, the unsafe conditions and the state of displacement and destruction of some of the headquarters of these companies (i.e., due to the Israeli aggression). At the beginning of 2023, the PMA conducted a comprehensive field tour for money changers in all governorates of the GS and handed them a notice to regularize their legal status through the headquarters of the PMA in GS, with promises to overcome all obstacles related to licensing procedures and requirements[7].

Practicing the Profession of Money Exchange Transactions in Light of the Genocide War on Gaza

Of the 35 licensed exchange companies in the GS before the war, only 4 are now operating, 3 of which are based in the Central Governorate, these are: Sajid Shqleilah Company-Western Union International Agents; Mohammed Abu Silmiah Company, agent of MoneyGram International Company; Saad Al-Barassi Company, who also works in Gaza City, and is the agent of Western Union[8].

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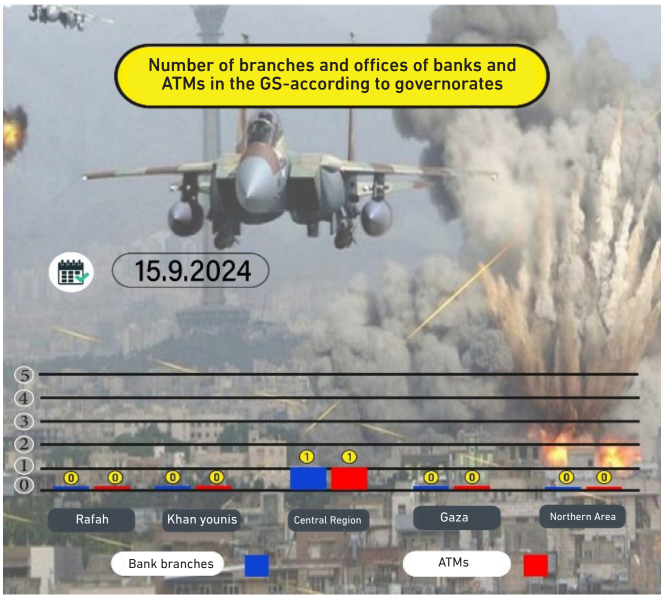
3 Interview with Dr. Ra'fat Al-A'raj, Regional Director of Supervision at the PMA in the Gaza Strip, on: 5/8/2024.
4 Law No. (2) of 1997 on the Palestine Monetary Authority.
5 Wafidan is a "financial term for non-local banks".
6 PMA's official website: http://www.pma.ps/
7 Interview with Dr. Ra'fat Al-A'raj; previous reference.
8 The last reference.

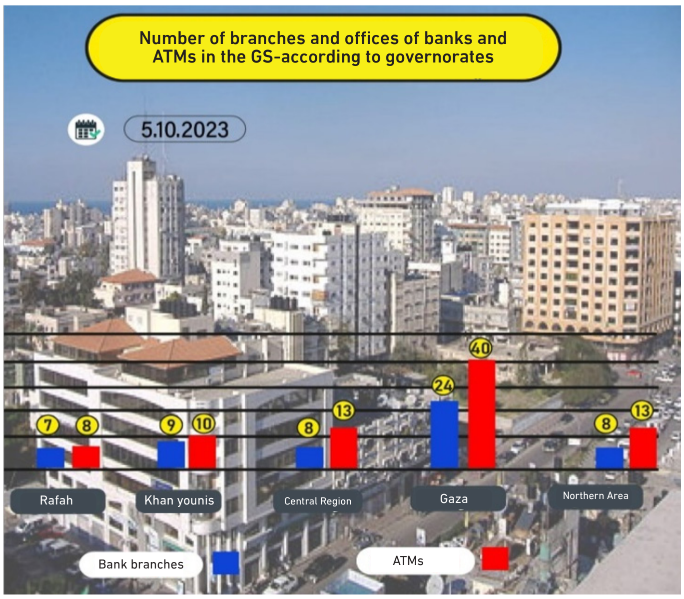
In light of the absence of the majority of licensed exchange companies in the GS, the crisis worsened and the phenomenon of random money exchange became prevalent, where many people have become "money changers" ... in cigarette kiosks and kiosks that sell canned food, as well as peddlers who became money changers in public markets, which created a state of fluctuation in exchange rates. In addition, citizens also complained about the manipulation of currency exchange rates by money changers and their non-compliance with stock exchange prices, where money changers take advantage of the citizens' need for liquidity and hence make outrageous profits[9].

In light of the closure of banks, the damage done to their official headquarters and ATMs, the reduction of service hours, and the small number of employees who are able to get to work and are forced to work with minimal resources as demand increases, in addition to the weak infrastructure related to alternative electricity sources and the Internet, lack of safety, and weak control over money changers in the GS during the war, citizens were extorted by money changers when trying to withdraw their money from banks, or when they need to receive external transfers, with commissions sometimes exceeding 25% .

Fourth: Cash-Flow Crisis in the Gaza Strip

The GS is witnessing an unprecedented liquidity crisis, exacerbated by the occupation's failure to allow cash to enter the besieged area. And in light of the destruction of most bank branches and offices in the GS rendering them dysfunctional, citizens' cash withdrawals needs are met through only one bank branch and one ATM that are operating in the GS, as of the writing of this paper; noting that banks are considered the main source of liquidity worldwide.





Source: researcher's findings based on the reports of the PMA and the researcher's observations.

9 Interview with Dr. Ashraf Maghari, on 9/8/2024.

In order to understand liquidity in the GS prior to October 7th, 2023, it used to be provided through transfers by the WB banks to branches and headquarters operating in the GS to cover transactions and salaries of the Palestinian Authority (PA) employees in the GS. Liquidity also reached through international institutions and donor countries; Palestinian workers within the 1948 borders (presently called Israel) whose incomes were active during the pre-genocide period; available cash earned in the trading market, as well as home savings funds, and through remittances of workers abroad and visitors to the Gaza Strip. All of the above sources of liquidity mentioned above are now unable to bring liquidity into the GS.

In this regard, the UNRWA report No. 118 on the situation in the GS&WB including East Jerusalem, and according to the Working Group on Cash, indicated to a severe liquidity crisis in the GS attributable to the increasing pressure on local financial institutions. This is due to the high number of people in small areas, logistical challenges, safety and security challenges in transporting cash from and between banks and ATMs, and the erratic trends in depositing cash from companies and merchants in bank accounts, which negatively affected the efficiency of humanitarian operations in the GS. Based on the above-mentioned, humanitarian actors applied for Israel's approval to import and operate armored vehicles to be used in the safe collection, transportation and distribution of cash, as well as spare parts and fuel for ATMs, and the relaunching and enhancing the movement of money; however, approval is still pending[10].

On another note, international institutions, in partnership with electronic payment institutions, have adopted a system (codes) to deliver cash assistance to beneficiaries through electronic wallets. Electronic payment companies have contracted agents to disburse codes to beneficiaries in exchange for a 2% commission for the authorized agent. All those who considered the commission as insufficient were excluded from the list authorized agents. Customers included mobile showrooms and major shops[11].

In light of the liquidity crisis in the GS, the PMA and the United Nations (UN), have been calling on the occupation since the beginning of the aggression to transfer funds to the GS, all to no avail, which contributed to deepening the liquidity crisis[12]. These measures, however, were not followed by an international movement to pressure the occupation to allow the entry of funds, and to replace worn-out currency notes and specifically the Shekel notes. Furthermore, the high commissions charged by money changers and cashiers have eaten large amounts of money that are not rightfully theirs, but the citizens. Illicit gain for some money changers and those practicing the profession soared, especially since there were no deterring measures taken against the violators. This is due to the failure of the official authorities to provide cash liquidity[13]. Money changers blame traders and importers for being the main reason for the rise in commissions for money exchange. After adding the profit margin of the money changers, citizens receive cash at very high commissions exceeding 25%[14].

On the other hand, cash liquidity was affected by the destruction and vandalism of many ATMs without spare parts to repair them, hence putting them out of service. The PMA called on the Palestinian tribes assisting in the actions to protect banks operating in the southern GS from thuggery acts at these ATMs, which more than once has reached the point of shooting in front of the gates of branches that are functioning[15].

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10 UNRWA Report No. 118 on the situation in the GS&WB, including East Jerusalem, 5 July 2024.
11 Interview with Mr. Hazem Salah, Manager of Watan Phone Exhibition, Agents of "Pal Bay", on: 12/9/2024.
12 Interview with Dr. Ra'fat Al-A'raj, previous source.
13 Interview with Dr. Ashraf Maghari, previous source.
14 Interview with Mr. Lu'ay Abu-Rayya, Financial Consultant to several money changing companies in the GS, on 8/8/2024.
15 Press release: "PMA: Repeated attacks on bank branches in the GS compound the suffering of citizens", on April 22, 2024.

Fifth: The Crisis of Frayed Notes and Expired Versions of the Shekels in the Gaza Strip

After months of the genocidal war on the GS, and in light of the occupation's refusal to allow cash to enter the GS, a new problem has emerged, which is the issuance of the older versions of the shekel currency. And although these older versions have the force of legal exoneration, they have become unacceptable to merchants and sellers. Also, as a result of the liquidity crisis, frayed paper currencies spread widely due to the repeated handling, which traders refuse to accept them. This affected the daily cash flow, and to add insult to injury, traders also refrained from accepting many coins for trivial reasons, hence forcing many citizens to fall prey to fraud again, by selling them for less than their financial value[16].

Sixth: Role of the PMA and Other Relevant Authorities in Protecting Citizens from extortion during the Genocide War

Effectiveness of the PMA Role in Supervising and Controlling Exchange Companies During the Genocide War

Headquarters of the PMA in Gaza City was directly targeted by the occupation, causing severe partial destruction of the building. All its contents, furniture and office equipment were completely destroyed. Hence, banking life in the governorates of Gaza and northern Gaza was paralyzed by the genocidal war on the Gaza Strip. This Israeli aggression led to the displacement of the residents, of Gaza and northern governorates and their forced displacement to the southern governorates, which included PMA employees as well, hence left without a job. This displacement brought with it severe human suffering in terms of searching for food, water, shelter etc. that's if one is not killed (martyred), injured, buried under the rubble, or kidnapped by the occupation forces, all of which hindered the performance of the PMA's administrative, technical and oversight functions. Despite all this, field follow-ups and inspection visits by some PMA officials are carried out at a minimum for exchange companies and banks in the southern governorates of the GS[17]. And while Dr. Ismail Thawabteh, General Director of the Government Media Office in Gaza, sees that the PMA did not fulfill its required administrative duty towards banks and exchange companies during the war of genocide. Neither were the supervisory and control functions efficient as required, for unacceptable and unjustified political reasons from his point of view; ignoring the harm caused to citizens[18]. Dr. Ra'fat Al-Araj, Regional Supervisor of Control at the PMA in the GS, explained the decline in the supervisory role is attributed to the lack of safety and security conditions in addition to the state of displacement, but without any deliberate intention. He added, the PMA is trying, within the limited options currently available, to follow up and solve problems related to sectors under its supervision in a manner that achieves and protects citizens' interests and rights[19].

However, decline in supervision and control over money changers led to the emergence of a haphazard money changers' market that is an unlicensed and unmonitored hence providing the opportunity for exploitation, extortion and fraud with citizens being the victims. Examples include, some citizens were promised receiving their remittances through individuals who claimed to

16 Interview with Mr. Lu'ay Abu-Rayya, previous source.
17 Interview with Dr. Ra'fat Al-A'raj, previous source.
18 Dr. Ismael Thawabteh, General Director of the Government Media Office in Gaza, in a written response to the researcher's questions, on: 24/8/2024
19 Second interview with Dr. Ra'fat Al-A'raj, on 2/9/2024.

receive money in the form of digital currencies, after which accounts of these individuals disappeared from social media all together. Also, other citizens were forced to pay high commissions in order to receive their transfers or their salaries through banking applications.

Effectiveness of Coordination Between Official and Non-official Bodies Concerning Supervision of Banks and Money Exchange Companies

Lack of coordination between the PMA and law enforcement agencies in the GS contributed to weakening the supervision of banks and money changers. According to the law enforcement agencies in the GS, the PMA is the party guilt of hindering this coordination despite the fact that there is now a national priority for joint cooperation to protect the Palestinian citizen, and overcoming the political rivalry. This hindered the process of controlling the market, sparing the citizen extortion and payment of huge commissions, and enriching some traders and money changers at the expense of citizens[20].

Effectiveness of the PMA Role in Providing Alternatives to the Liquidity Problem Under the Circumstances of the Genocidal War on the GS

To overcome the liquidity crisis in the GS, the PMA encouraged citizens to open electronic wallets such as PALPAY and JAWALPAY to exchange payments. It also promoted electronic sale points (P.O.S.) and made that available for citizens in shops as tools to overcome the liquidity crisis[21].

Moreover, in order to facilitate the exchange of money between bank accounts in the different local banks and the electronic wallets, the PMA launched the instant payment system (i-Buraq) on 8/5/2024, aiming to speed up the transfer and payments process. In addition, through an issued statement, the PMA explained that through this system it is possible for citizens to execute transfers and payments within 10 seconds, where the amount is credited to the beneficiary's account, and the payer is notified[22].

In addition, Dr. Al-Araj pointed out that the factor which helped to keep the flow of providing banking services during the period of the war on GS is the integrated electronic system launched by the PMA earlier in time. This service system had a great impact on enabling the institutions under the supervision of the PMA to continue providing their services despite all the challenges and obstacles resulting from the Israeli aggression. It is worth noting that PMA has been giving great attention to the electronic services and payments right from the stat of crisis in a way that contributes to the implementation of the strategic objectives of the PMA represented in digital transformation, enhancing financial inclusion, reducing the risks of cash use, and confirming that Palestine keeps pace with the global development in the financial technology sector.

It is also worthy to note that several modern and advanced electronic platforms and systems have been developed and adopted that aim, among other objectives, to transform the traditional society into a digital society, which contributes to meeting the needs of individuals and companies by means of technology that are safe, fast, accessible, and economical. In this regard, in recent years, the PMA has launched and established an integrated infrastructure for the implementation of banking services digitally, as mentioned. This was done through the development and launching of many systems to serve citizens and by executing most banking services using modern technology

20 Response of Dr. Ismail Al-Thawabta's to the researcher's questions, previous reference.
21 Interview with Dr. Ra'fat Al-A'raj, Regional Supervisor of Control at the PMA in the GS, on: 2/9/2024.
22 Press release: "The PMA officially launches the instant payment system (i-Buraq): https://www.bnews.ps/ar/node/23614

through applications on smartphones, electronic platforms etc. Examples include: Electronic cheque clearing system (ECC) that enables customers to submit and collect their cheques electronically; the National Switch system that operates ATMs and points of sale locally within Palestine; E-SADAD system, which aims to display and pay bills electronically; the (iBURAQ) system, which is an Instant Payment System through which transfers and payments can be executed instantly between banks and e-wallets, which was first activated in the GS to overcome the liquidity crisis and later in the WB. Currently, work is underway to complete several other modern electronic systems such as: (Direct Debt), a direct deduction system for money owed, and another system for creating a digital financial identity (DFID)[23].

PMA's Role in Public Awareness Raising

Through its social media channels, the PMA, provided citizens with advice on the confidentiality of their financial statements by stressing that their bank account data is not to be given to any unofficial party. It also warned them to detect and refuse to deal with fraud, scam and extortion[24]. However, these procedures are insufficient as the need to raise citizens awareness of Fintech Tools must take priority as an alternative to cash, in addition to providing promotional material on the use of these tools. Furthermore, awareness raising is needed on digital and financial rights as well as on submitting complaints against any extortion or financial fraud practices[25].

Effectiveness of Dealing with Citizens' Complaints in Light of the Genocidal War on the GS

In regard to dealing with complaints, the PMA website has a special icon for receiving complaints. It also stipulated that all licensed money changers must place a complaints box at their headquarters and branches. Moreover, Citizens can place their complaints through a toll-free number, or directly contacting PMA offices by phone or email[26]. However, this mechanism has become useless in light of the genocidal war on the GS, especially since citizens in the GS are unaware of their rights; do know of complaint reporting mechanisms and whistleblower protection, and also due to the spread of non-professional money changers who are not even licensed.

Instructions No. (1) of 2021 specifies hence regulates the tasks, powers and duties of the compliance controller's position[27]. Article (2) of Instructions No. (5) of 2022 regarding addressing customer complaints states: "a money changer must refrain from receiving any complaint submitted by one of his customers." The instructions also require exchange companies to commit to providing appropriate channels to receive complaints from customers, stating that, at a minimum, companies should include placing a complaints box in the branches of all exchange companies. It also stressed the need to deliver the complainant a notice of receipt of the complaint and a respond to it in writing within a maximum period of (10) working days. Moreover, the instructions required that a quarterly periodic report must be submitted to the PMA within a maximum period of (10) working days from the end of each quarter that include all complaints and measures taken to address them[28]."

Dr. Al-A'raj confirmed that the PMA carries out inspection field visits out throughout the year as a follow-up procedure on exchange companies and workplaces in order to ensure their compliance with the correct and complete implementation of the instructions regarding the reception,

23 Interview with Dr. Ra'fat Al-A'raj, previous source.
24 Interview with Dr. Ra'fat Al-A'raj, previous source.
25 Interview with Mr. Lu'ay Abu Rayya, previous source.
26 Interview with Dr. Ra'fat Al-A'raj, previous source.
27 PMA Instructions No. (1) of 2021 Concerning the Position of Compliance Controller and Liaison Officer.
28 PMA Instructions No. (5) of 2022 regarding addressing customer complaints.

processing and addressing complaints; also, emphasizing the need for the complaints mechanism to be published in a suitable and clear place for the public to see. This is in order to ensure that the customer is encouraged and granted the full right to file a complaint if he/she felt it necessary; or if the citizen felt that he has been subjected to an infringement on his rights that have been granted to him by law and by the PMA instructions and its relevant circulars[29].

Effectiveness of the Police and Social Accountability in their Oversight Assistance of Banks and Exchange Companies During the Genocidal War

Due to the occupation's genocidal war on the GS, the significant decline in the rule of law, fluctuations of foreign exchange rates, high commissions for cash, and weak supervision of the PMA, the emergence of informal accountability and protection bodies for supervision of banks and exchange companies became a necessity. However, this role was not sufficient enough to control the money changing filed due to its breadth and dispersion and also if compromised it may negatively affect the flow of foreign remittances, and cash needs of citizens, hence no control or interference was carried out by some government and or community agencies in that regard[30]. However, members of the police force guarded banks operating in the GS and attempted to provide a safe environment and to regulate the work of ATMs. For example, in the central governorate of the GS, police agencies sometimes organized ATM queues, by granting cards and specific appointments to each employee in order to withdraw his/her salary from the bank. However, security and police teams were directly targeted by the occupation, hence seriously negatively affecting the outcome[31].

29 Second interview with Dr. Ra'fat Al'Araj, previous source.

30 An intervention by Faisal Asshawa, Vice President of PalTrade Center, during a discussion session regarding the research paper, held by the Monitoring and Studies Unit in AMAN via Zoom on October 8, 2024.

31 Response by Ismail Thawabteh to the researcher's questions.

Conclusions and Recommendations

a) Conclusions

First: Conclusions Related to the Legal and Institutional Framework Governing Banks and Money Exchange Companies' Work in the GS

- Due to the destruction and displacement carried out by the Israeli occupation in its aggression on the GS, which included official institutions, banks and exchange companies, the governing Law No. 2 of 1997 concerning the PMA 's supervision of these institutions is no longer enforceable. Hence a state of chaos was created accompanied by a shortage in cash-flow, mainly due to the occupation's refusal to allow bringing in cash to the Strip. It also provided opportunities for some money changers to take advantage of the situation and exploit citizens' need for cash.

Second: Conclusions Related to the Banking System in the GS

- There are (13) local and foreign (Wafidan) (i.e., a non-local bank) banks that are officially licensed by the PMA, (10) of which are located in the GS in addition to (3) others operating in the GS/sector without a license.

- At the level of money exchange companies, there are 320 companies licensed by the PMA, 35 of which are in the GS. Also, there are hundreds of these money changers who practice the profession illegally due to the lack of coordination and joint cooperation between the PMA and the government in Gaza.

- As a result of the genocidal war on the GS, the majority of officially licensed banks and exchange companies are closed because of safety reasons, displacement, lack of liquidity, and destruction of these headquarters.

- Due to the absence of most licensed exchange companies in the GS, the crisis worsened, and the phenomenon of random money exchange methods prevailed, where it was carried out in cigarette and canned food kiosks, in addition to peddlers who exchanged money in public markets.

- There is non-compliance of money changers with international stock exchanges prices, hence manipulation in the currency exchange rates where large profits are accumulating in favor of the money changers. This is all due to: the absence of the rule of law; closure of banks because of damage to bank buildings and ATMs; reduced service hours; the small number of employees who are able to work in exchange companies and banks, hence minimum work versus increased demands; Israeli destruction of the infrastructure related to alternative electricity sources and the Internet; unsafe environment, and weak oversight of money changes in the GS during the genocide war. It is worth noting that as of the writing of this paper, all banks and ATMs have stopped operating in the GS as a result of the genocidal war and continuous attacks on these bodies.

- Citizens have been extorted when trying to withdraw their money from banks; or when they needed to receive external transfers, paying commissions that exceeded 25% at times.

Third: Conclusions Related to the Liquidity Crisis, Expired and Frayed Notes of the Shekel in the GS

- The GS is witnessing an unprecedented liquidity crisis that is exacerbated by the occupation's refusal to allow the entry of cash to the Strip and the increasing attacks on banks, which is the main source for liquidity.

- Since the first day of the Israeli aggression on the GS, all cash-flow to the Strip was stopped. In other words, no transfers from banks' branches in the WB were allowed to be executed to branches and headquarters operating in the GS. All due to the Israeli occupation's deliberate rejection to allow liquidity into the Strip.

- The liquidity's continuous shortage has exacerbated the suffering of Palestinian citizens living in the GS to the point of being unable to provide their daily basic needs.

- The emergence of the old version of the shekel is caused by the continued aggression and hence the liquidity crisis in the GS. And although these older versions have the force of legal exoneration, they are rejected by merchants and sellers.

- As a result of the repeated daily use of currencies, frayed banknotes, rejected by merchants, have spread and hence affecting the cash flow of everyday trading.

Fourth: Conclusions Related to the PMA's supervisory Role Concerning Banks and Exchange Companies During the Genocide taking place in the GS

- Although the Gaza PMA conducted field visits to all money changers in the GS at the beginning of 2023, and formally informing them to regularize their legal status through the Gaza PMA headquarters with promises to reduce licensing obstacles, the state of chaos and absence of an effective official authority contributed to the spread of unlicensed exchange establishments.

- Weakness in the PMA's control role over money changers during the genocide war.

- There is a minimum level of field follow-up and inspection visits by some PMA officials to exchange companies and banks in the southern governorates of the GS.

- Many citizens have been subjected to fraud, monetary and financial extortion as a result of weak oversight; weak rule of law; and exploitation due to the spread of unlicensed and random markets providing money exchange services.

- The weak coordination between the PMA in the GS and ruling parties there, as well as the weakness of the rule of law and implementation tools and authorities created a non-deterrent environment for violators, swindlers and extortionists.

- Exchange companies and money changers blame merchants for being the main reason for the rise in cash withdrawal commissions and remittances, saying they are the ones with cash liquidity at hand, since banks and ATMs are out of service.

- The occupation's banning of cash entry into the GS since the beginning of the genocidal war on the Strip.

- The spread of thuggery on ATMs; monopoly over money exchange operations by a specific group at gunpoint. Also, the destruction and damage done to some ATMs with no spare parts available for repair, which left them obsolete.

- High commissions charged by money changers led to robbing citizens money that is theirs on the one hand, and illicit gain by the money changers on the other hand.

- The PMA encouraged citizens to open electronic wallets such as PALPAY and JAWALPAY to exchange payments. It also promoted electronic sale points (P.O.S.) and made it available for citizens in shops, as tools to overcome the liquidity crisis.

- To facilitate the exchange of money between bank accounts in the different local banks and the electronic wallets, the PMA launched the instant payment system (i-Buraq) on 8/5/2024, aiming to speed up the transfer and payments processes, which was applied first in the GS. However, it did not work effectively due to citizens' poor awareness of fin-tech tools and electronic payment methods.

- The PMA, through its social media channels, advises citizens not to provide their bank account details to any unofficial party and to refuse dealing with fraud, scam and extortion.

- There are deficiencies in the awareness role of the PMA in light of the genocidal war on the GS.

- There is weakness in promoting digital means as a safe alternative to cash, since the PMA did not publish incentive leaflets to engage the use of these alternatives. Also, there is a lack of awareness of digital rights and financial literacy.

- The PMA did not publish leaflets encouraging citizens to submit complaints if subjected to extortion or financial fraud during the genocide war.

Fifth: Conclusions Related to Formal and Social Accountability in Addressing Complaints During the Genocide War on the GS

- The PMA website has a special icon for receiving, following-up and responding to complaints, which is carried out through the Public Service and Communications Center on the toll-free number and the Authority's phone numbers. The PMA stipulates that licensed money changers must place a complaints box in their headquarters and branches. It also states that large exchange companies must appoint a compliance controller whose responsibility is to follow-up on the complaints file.

- The PMA does not have published statistics related to the number of complaints, their nature and the mechanism by which it addresses these complaints.

- During the war, the PMA did not inspect complaint boxes at headquarters of licensed exchange companies.

- Police teams guarding banks and ATMs were targeted by the occupation, which negatively affected their supervision role.

- In recent months, police teams assisted in organizing and controlling queues for some ATMs by issuing cards and specific appointments to each employee enabling them to withdraw their salaries from the banks.

b) Recommendations

First: Recommendations Related to the Legal and Institutional Frameworks Governing Money Exchange Companies and Establishments

- Increasing coordination between the PMA and the governing authorities in the GS, to provide a deterrent environment for swindlers and extortionists as well as to protect citizens from falling prey to deception and blackmail; to also provide a safe working environment for bank employees and money changers.

Second: Recommendations Related to Improving the Reality of the Banking System in the GS

- Providing licensed money changers with greater liquidity to ensure that they carry out their duties while adhering to the controls and instructions of the PMA.

- Strengthening community accountability through the establishment of coordination bodies during the war to include representatives from: the PMA, local tribes, law enforcement parties, and local committees, with the aim of conducting joint advocacy campaigns against exposure of citizens to extortion when trying to withdraw their money from banks, or when they need to receive foreign remittances. Also, to raise awareness on protecting banks' capabilities including ATMs.

- Establishing national initiatives from local communities to promote the values of integrity, local administration and community accountability. This can be achieved through the establishment of local committees consisting of representatives from the: chambers of commerce; neighborhood committees; and the private sector. The committees' main tasks are to press for an end to the phenomenon of bribery and huge commissions, as well as to publish black lists of those proven to be involved in these actions and to submit them to the competent authorities in order for legal actions to be taken against them once the war is over.

- Work to support the infrastructure of banks' facilities during the war by providing them with diesel and internet to ensure operations in as many headquarters and offices as possible. Also, increase the level of coordination between banks to provide liquidity.

Third: Recommendations Related to Providing Liquidity and Solving Issues of Old and frayed Bank Notes

- More pressure must be put on the Israeli occupation to allow the entry of cash and the replacement of the expired and frayed bank notes of the shekel. This can be achieved through regional and international advocacy campaigns and PMA associations, in addition to coordinating with international institutions to increase their demand for liquidity.

- Educating citizens and merchants and reassuring them that frayed currencies and old versions of the shekel have the power of legal exoneration, and that the PMA will replace all once the restrictions on money movement to the GS is lifted.

Fourth: Recommendations on the Effectiveness of the PMA Role in Protecting Citizens from Extortion During the Genocide War

- Motivating PMA employees to return to their jobs; this is a national duty under the current circumstances, and in light of the genocidal war on the GS.
- Increasing field follow-up and inspection visits by the PMA to money exchange companies and banks in the southern governorates of the GS.

- Enabling the Western Monetary Authority centers to follow up on complaints and a supervisory role over exchange companies and money changers. To also monitor violators in order to take legal action against them once the war ends.

- Cooperating with the chambers of commerce to take measures that prevent traders from charging huge commissions when selling cash.

- Strengthening joint relations between banks and electronic payment companies on the one hand, and between points of sales and electronic payment companies for citizens' facilitation, on the other hand.

- Increasing the awareness role for the PMA at all levels: guide citizens to digital tools and lessen the dependency on cash; promote digital payment methods as a secure alternative to cash; and inform citizens of their digital and financial rights.

Fifth: Recommendations Related to Enhancing Social Accountability on the Complaints System in the Banking Sector, During the Genocide War

- It is vital that the PMA issue leaflets that urge citizens to report complaints in the event of being subjected to extortion or financial fraud during the war, and to help citizens solve encountered problems as they arise.

- It is vital that the PMA regulate the work of the Complaints Department and to list and classify complaints to ensure that they are addressed in the best way possible; to also publish related statistics.

- Non-police local committees and tribal committees are required to exert more efforts to protect the headquarters of banks and ATMs.

- It is important to strengthen the participation of chambers of commerce in holding accountable traders who sell cash at very large interest rates.

- It is of great importance that the police teams and local committees continue to organize ATM queues and to also continue to apply the card and appointment system for each card holder.

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Third. Reports and websites:

1. official website of the Palestine Monetary Authority: http://www.pma.ps/
2. UNRWA Report No. 118 on the situation in the Gaza Strip and the West Bank, including East Jerusalem, 5 July 2024.
3. Press Release: PMA: Repeated attacks on bank branches in the Gaza Strip compound the suffering of citizens", on April 22, 2024.
4. Press release: "The PMA officially launches the instant payment system "iBuraq": https://www.bnews.ps/ar/node/23614

AMAN
Transparency Palestine

AMAN was established in 2000 as a civil society organization that seeks to combat corruption and promote integrity, transparency and accountability in the Palestinian society. The Coalition was first formed by an initiative from a number of civil society organizations working in the field of democracy, human rights and good governance. In 2006, the Coalition was accredited as a national chapter for Transparency International.

AMAN is a Palestinian think tank and a specialized body providing knowledge on corruption at the local and regional level through producing specialized reports and studies. The periodic publications include: The annual Integrity and Anti-Corruption Report, the annual Palestinian Integrity Index and the National Integrity System studies and reports, in addition to the Coalition's continued contributions to produce reports and studies on the status of corruption in the Arab region.

As part of the global anti-corruption movement - and of international alliances and partnerships with relevant specialized coalitions and organizations - AMAN plays a key role in the transfer and contextualization of necessary international knowledge and tools to combat corruption in all sectors.

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