

Abstract

According to the bad economic situation faced by Palestinian region as a special case, so the purpose of the study is to identify and present the supervision and control Procedures and techniques applied by the Palestinian Monetary Authority (PMA) over banks operations and performance and to assess the extent to which those techniques are consistent with Basle I & II requirements and international best practices (Core Principles for Effective Banking Supervision).

The methodology employed for that purpose comprises two components: (1) Review and document banking supervision requirements by Basle I & II, and (2) survey the PMA instructions and requirements in that regard through interviews with a sample of key employees of the Inspection Departments. A questionnaire was also designed and distributed to the same sample to explore their views on the effectiveness of the PMA role, and compare the results with a similar study prepared depending on the views of a sample of banks managers.

Results of the study reveal that the PMA has been following the best practices in the area of control and inspection to a large extent. However, the results show the need for more systematic coordination between the PMA and the banks on banking policy issues of mutual concern.