# United States Senate

WASHINGTON, DC 20510

August 25, 2026

The Honorable Marco Rubio
Secretary
U.S. Department of State
2201 C Street NW
Washington, D.C. 20520

The Honorable Scott Bessent
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20520

Dear Secretary Rubio and Secretary Bessent:

We write to reiterate our alarm about the potential for a dangerous collapse in the West Bank now that the only two Israeli banks providing vital services for the Palestinian economy have signaled their intention to stop doing so.[1] With days remaining and talks belatedly underway, it remains unclear whether these key banking services will continue.[2]

In September 2025, we wrote to you following warnings by Israel's security agency Shin Bet and U.S. Ambassador Mike Huckabee to determine what concrete actions the Administration would take to avert a sharp deterioration in the security situation brought on by economic strain in the West Bank.[3] We raised concern that Israel's Ministry of Finance had moved to cut off correspondent banking relationships—a critical mechanism for banks to access the broader financial system—between Israeli and Palestinian banks. These correspondent banking relationships "make possible imports to the West Bank of everything from food and clothing to gasoline, water and electricity."[4]

Now, press reporting indicates that the only two Israeli banks providing this function "have signaled that they may abruptly end these relationships."[5] According to the Times of Israel, Israel Discount Bank and Bank Hapoalim have "notified their Palestinian counterparts that they would stop providing correspondent banking services on September 1 and October 1, respectively" because they have "lost their patience" with the Israeli Finance Minister's handling of a key

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[1] New York Times, "Israeli Banks Threaten to Cut Off Palestinian Economy, Deepening Crisis," David M. Halbfinger and Adam Rasgon, July 22, 2026, https://www.nytimes.com/2026/07/22/world/middleeast/israeli-banks-palestinian-economy.html;Times of Israel, "Israel acts to ease Palestinian banking crisis it helped create, but is it moving too late?" Jacob Magid, July 23, 2026, https://www.timesofisrael.com/israel-acts-to-ease-palestinian-banking-crisis-it-helped-create-but-is-it-moving-too-late/.

[2] Times of Israel, "Progress made in talks with Israeli banks to delay move that could collapse PA economy," Jacob Magid, August 21, 2026, https://www.timesofisrael.com/progress-made-in-talks-with-israeli-banks-to-delay-move-that-could-collapse-pa-economy/.

[3] Letter from Senators Warren, Coons, Schatz, Reed, Shaheen, and Warner to Secretary Rubio and Secretary Bessent, September 16, 2025, https://www.banking.senate.gov/newsroom/minority/sens-warren-coons-schatz-reed-shaheen-warner-sound-alarm-on-trump-administration-policies-exacerbating-risk-of-collapse-in-the-west-bank.

[4] New York Times, "Israeli Banks Threaten to Cut Off Palestinian Economy, Deepening Crisis," David M. Halbfinger and Adam Rasgon, July 22, 2026, https://www.nytimes.com/2026/07/22/world/middleeast/israeli-banks-palestinian-economy.html.

[5] *Id.*

waiver the Israeli government had been granting to the banks for years to ensure continuity of banking services.[6]

Economic experts warn that essential goods could quickly become scarce if correspondent banking relationships end: the West Bank reportedly gets 100 percent of its fuel, 93 percent of its electricity and 35 percent of its water from Israel.[7] Many experts also said they "expected that a black market would emerge, with Israeli trucks making deliveries in exchange for bags of cash—an environment ripe for exploitation by terrorist groups."[8]

The Israeli banks require a waiver to indemnify them from lawsuits alleging that they finance money laundering or terrorism.[9] But, in recent years, Israel's Minister of Finance has held off on renewing these waivers, used them coercively to support settlement expansion, and gradually reduced the time that each waiver covers—from one-year to just two-week increments—creating significant uncertainty for the Israeli banks.[10] The Minister of Finance has also waited until the last minute to extend the waivers to pressure the Palestinians.[11] The Times of Israel noted that, "[w]hile former US president Joe Biden's administration engaged more aggressively" to counter this uncertainty for banks, "[President Trump] has been slower to criticize Israel over its treatment of the Palestinians."[12] Thus, even though the Minister of Finance belatedly signed an extension until the end of 2026, the correspondent banking relationships for Palestinian banks could still end soon given the frustrations expressed by Israeli banks.

This near-term crisis is compounded by other developments we asked you to address in our September 2025 letter.[13] We warned that the Israeli government has been withholding Palestinian tax revenues critical to restoring stability and taking other actions that make it impossible for many Palestinians to earn a living. The Times of Israel reports that, "[f]or over a year, [Israeli Minister of Finance] Smotrich has been withholding the transfer of over $6 billion in clearance revenues, which make up the bulk of the [Palestinian Authority]'s budget. [Smotrich] has taken other steps to severely hobble the Palestinian banking sector, which in turn has been unable to make use of billions of additional shekels languishing in West Bank vaults."[14] The reporting also

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[6] Times of Israel, "Israel acts to ease Palestinian banking crisis it helped create, but is it moving too late?" Jacob Magid, July 23, 2026, https://www.timesofisrael.com/israel-acts-to-ease-palestinian-banking-crisis-it-helped-create-but-is-it-moving-too-late/.

[7] New York Times, "Israeli Banks Threaten to Cut Off Palestinian Economy, Deepening Crisis," David M. Halbfinger and Adam Rasgon, July 22, 2026, https://www.nytimes.com/2026/07/22/world/middleeast/israeli-banks-palestinian-economy.html.

[8] *Id.*

[9] Times of Israel, "Israel acts to ease Palestinian banking crisis it helped create, but is it moving too late?" Jacob Magid, July 23, 2026, https://www.timesofisrael.com/israel-acts-to-ease-palestinian-banking-crisis-it-helped-create-but-is-it-moving-too-late/.

[10] *Id.*

[11] New York Times, "Israeli Banks Threaten to Cut Off Palestinian Economy, Deepening Crisis," David M. Halbfinger and Adam Rasgon, July 22, 2026, https://www.nytimes.com/2026/07/22/world/middleeast/israeli-banks-palestinian-economy.html.

[12] Times of Israel, "Israel acts to ease Palestinian banking crisis it helped create, but is it moving too late?" Jacob Magid, July 23, 2026, https://www.timesofisrael.com/israel-acts-to-ease-palestinian-banking-crisis-it-helped-create-but-is-it-moving-too-late/.

[13] Letter from Senators Warren, Coons, Schatz, Reed, Shaheen, and Warner to Secretary Rubio and Secretary Bessent, September 16, 2025, https://www.banking.senate.gov/newsroom/minority/sens-warren-coons-schatz-reed-shaheen-warner-sound-alarm-on-trump-administration-policies-exacerbating-risk-of-collapse-in-the-west-bank.

[14] Times of Israel, "Progress made in talks with Israeli banks to delay move that could collapse PA economy," Jacob Magid, August 21, 2026, https://www.timesofisrael.com/progress-made-in-talks-with-israeli-banks-to-delay-move-that-could-collapse-

highlights that "Israel's revocation of work permits for over 100,000 Palestinians due to security concerns after Hamas's October 7, 2023, onslaught has led unemployment to skyrocket to 35% in the West Bank," and that a "massive rise in unchecked settler violence as well as the establishment of over 100 new outposts and settlements that have led to significant curbs on Palestinian movement" have also "further hampered businesses' ability to operate."[15]

A former senior U.S. official who worked across administrations has stated that, "[t]he Palestinian banking system is no friend of Hamas, quite the contrary."[16] The Palestinian Authority has taken important steps to address terrorist financing concerns.[17] Its precarious financial situation imperils those steps, hinders its ability to enact further reforms, and threatens a broader collapse that endangers Israelis and Palestinians alike.

In light of these time-sensitive concerns, we request that the Administration respond to the following questions no later than September 9, 2026:

1. Will you engage with the Government of Israel to ensure that they have taken all available steps to preserve these correspondent banking relationships?

2. What steps do your agencies plan to take, if any, to limit disruption if these correspondent banking relationships end on or around September 1 and October 1?

3. What steps do you expect the Government of Israel to take, if any, if these correspondent banking relationships end?

4. How will you work with the Government of Israel to limit future uncertainty for Israeli banks through the predictable renewal of indemnification waivers for at least one year at a time?

5. Please provide your current assessment of the proportion of the Palestinian Authority's clearance revenues being withheld by the Government of Israel, given the importance of these tax revenues in promoting stability in the West Bank. What steps are you taking to press the Government of Israel to reverse its policy?

6. Please provide your current assessment of the accumulation in Palestinian banks of excess shekels that could lead to systemic crisis. What steps are you taking to ask the Government of Israel to address this accumulation, given the economic and illicit finance risks that it poses?

Sincerely,

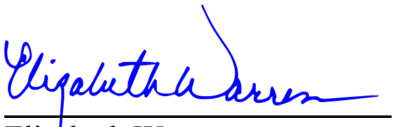
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[15] *Id.*

[16] New York Times, "Israeli Banks Threaten to Cut Off Palestinian Economy, Deepening Crisis," David M. Halbfinger and Adam Rasgon, July 22, 2026, https://www.nytimes.com/2026/07/22/world/middleeast/israeli-banks-palestinian-economy.html.

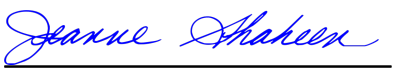
[17] Times of Israel, "Israel acts to ease Palestinian banking crisis it helped create, but is it moving too late?" Jacob Magid, July 23, 2026, https://www.timesofisrael.com/israel-acts-to-ease-palestinian-banking-crisis-it-helped-create-but-is-it-moving-too-late/.



Elizabeth Warren
Ranking Member
Committee on Banking,
Housing, and Urban Affairs



Jack Reed
Ranking Member, Committee
on Armed Services



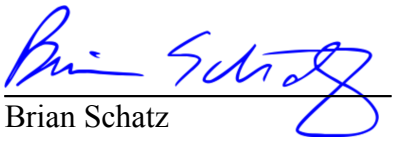
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United States Senator
Ranking Member, Committee
on Foreign Relations



Mark R. Warner
United States Senator
Vice Chairman, Select
Committee on Intelligence



Christopher A. Coons
United States Senator



Brian Schatz
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Ranking Member,
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Operations,
and Related Programs
Committee on Appropriations