

In The Name of Allah, Most Gracious, Most Compassionate



Palestinian National Authority

Council of Ministers

Penalties Regulation on Securities Dealers' Sector

No. (3) For the year 2008 A.D.

The Council of Ministers: After examining the Palestinian Capital Market Authority Code No. (13) For the year 2004 A.D. particularly the provisions of Article (7); Pursuant to the Securities Code No. (12) For the year 2004 A.D.;

In recommendation of the PCMA

in recommendation of The Supreme National Group for The Legislative Plan

According to what was acknowledged by the Council of Ministers in its session held in Ramallah on 29/09/2008 A.D.;

Pursuant to the powers vested in us;

Pursuant to public interest requirements;

The following regulation was issued:

Article (1)

1. The words and expressions stated in this regulation shall have the specified meaning shown below unless expressed otherwise in the context:

Code:	Securities Code No. (12) for the year 2004 A.D. in force
Authority:	Capital Market Authority(PCMA)
Council:	PCMA Administration Council
General Manager:	General Manager of the PCMA
PSE:	Palestine Securities Exchange
Member company	Securities Corporation authorized by the PCMA and a member of both the PSE and the Centre of Depository& Transfer
Listed company:	The company whose securities have been listed in accordance with the provisions of Law.
Public	Those who are directly or indirectly affected by the fiscal and investment turnover of the PSE.
Trading	Purchasing and selling securities through the PSE
Investor	The person who deals in securities for a profit.
Person:	The natural person or the body corporate
Professional person:	One authorized by the PCMA to practice any financial activities stated in the Law and permissible to him
Commission:	The commission that investigates violations committed against the provisions of Law, instructions or resolutions issued in accordance.
The competent department:	Any department or departments of Control Administration on Securities relevant to the subject of violation.
Regulation:	Challenge before the Council according to the provisions of this regulation.
Frequency:	Committing a violation to which a person has been penalized previously by the PCMA within one year.

Article (2)

This regulation is enforced upon the following parties:

- 1-The PSE
- 2-The member companies and personnel
- 3-Issuing companies
- 4-Professional people
- 5-Investments funds
- 6- Any other party to which a Council resolution has been issued regarding the implementation of the provisions of this regulation according to Law.

Article (3)

Based on the judicial police powers given to the employees of the PCMA under Article 98 of the Law, an investigation commission is formed with a membership of the followings:

- 1- Director General of Control Administration on Securities as a rapporteur.
- 2- Legal Affairs officer of Control Administration on Securities.
- 3- Officer of the competent department.

Article (4)

- 1-The Commission shall investigate and verify any facts, merits , information, practices or circumstances to determine whether any person is subject to the PCMA`s Control has committed any violation or taken any preparatory measures or steps to do so.
- 2- The PCMA conducts its duties in the investigation based on facts or procedures submitted by the competent department in relation to the violation.

Article (5)

1-The Commission may call for any person deemed relevant to the violation for investigation and hearing. A record signed by the person who had been called is prepared.

2- The PCMA may replace the hearings of any person on the basis of a written request sent to him. It may also be contented with what was stated in the person`s rejoinder if deemed adequate.

Article (6)

The PCMA has the right, for the purposes of verifying the facts of the violation to do the following:

1-Check any documents , records or restrictions of any person subject to the PCMA and obtain a copy of these.

2-Request the attendance of witnesses, experts, or any persons subject, to the PCMA to hear their testimony.

Article (7)

1 - The Commission shall submit a detailed report to the Director General including the following:

a - Facts, merits, circumstances surrounding the violation or the pre-trial proceedings taken by the person for the commission of the violation.

b - The results obtained by the Commission in terms of the violation.

c – Recommendation of procedures to be taken against the violator of the provisions of the law, instructions or resolutions issued pursuant thereto.

2 - The Director shall consider the report about the violation and the proposed recommendations, and then submit it to the Council with the proposed recommendation to take whatever action the Council deems appropriate in accordance with the provisions of this regulation.

Article (8)

1 - The Council may, after receiving the report on the violation, use any third-party, such as witnesses, expertise, and the staff of the offending person to obtain information on the violation. This third party shall maintain the confidentiality of information subject to

the legal liability.

2 - If the Council finds out that the person has committed an offense provided for in the laws, instructions and resolutions in force, it has the right to impose the penalty recommended by the relevant commission or take action it deems appropriate under this regulation. The penalty shall be commensurate with the size of the violation, taking into account the criteria set forth in Article (10) of this regulation.

Article (9)

The Council may take action or impose punishment as it deems appropriate without taking into account the staging provided for in Article (11) of this regulation, commensurate with the nature of the offense.

Article (10)

The Council; when imposing any penalty or taking any action against the offending person according to the provisions of this regulation shall take into account in its resolution that the penalty or the nature of the action is commensurate with the requirements of public interest. The following should also be taken into account:

1 – The penalty involvement of any method of deception, fraud, manipulation or willful gross negligence as provided by law and instructions issued pursuant thereto, or any other applicable law.

2 - The size of the damage caused to any person directly or indirectly as a result of the violation.

3 - The size of illicit enrichment, or profit attained by the offending person, taking into account whether the victim will be compensated.

4 -Any other criteria required by the rules of justice and equity.

Article (11)

The penalties imposed by the PCMA are classified as follows:

1 – Penalty of the 1st degree: Sending a written warning to the violator to set right his conduct, and not repeat the offense.

2 – Penalty of 2nd, 3rd and 4th degree is detailed as follows:

a - Penalty of the 2nd degree:

- 1 - a fine of not less than five hundred Jordanian Dinars (500) and not more than ten thousand JD (10.000) or its equivalent in local currency.
- 2 - A fine of not less than ten thousand Jordanian Dinars and not more than thirty thousand Jordanian dinars (30.000) or its equivalent in the local currency.
- 3 - A fine of not less than thirty thousand Jordanian dinars (30.000) and not more than sixty thousand Jordanian dinars (60.000) or its equivalent in local currency.
- 4 - A fine of not less than sixty thousand Jordanian dinars (60.000) and not more than one hundred thousand Jordanian dinars (100.000) or its equivalent in local currency.

b – Penalty of the 3rd degree:

- 1 - suspending the member company trading or suspending the authorization of some or all its activities or persons licensed by the PCMA for an interim period as the Council deems appropriate.
- 2 – suspending the listed company`s trading permanently or temporarily as deemed appropriate by the Council.

C – Penalty of the 4th degree:

- 1 – cancelling the license of some or all of the activities of the Member Company or persons licensed by the PCMA.
- 2 – suspending the company`s trading permanently and demanding the PSE to strike it off the list.

Article (12)

In case that the violation is repeated and without prejudice to any stringent penalty provided for in any other applicable law, the Council imposes penalties of 2nd, 3rd or 4th degree set forth in Article (11) of this regulation as follows:

- 1 – Anyone who exercised an activity subject to the provisions of law without obtaining a license from the PCMA.
- 2 – Anyone who offers securities in IPO or private placement or received money as a result of any offering, thus, violating the provisions of the law or instructions issued pursuant thereto.

3 - Anyone who intentionally included incorrect data or data contrary to the provisions of the law in release bulletins, annual financial reports, official registration certificates, or any documents related to the listed company or made any amendments to such data and documents after being approved by the PCMA.

4 - Any person who spreads or promotes rumors or gives misleading or incorrect information or pass data or statements that may affect the prices of listed securities in the PSE or the reputation of the Issuer that can result in unjustified material.

5 – Any person dealing in securities solely or in collusion with others with the purpose of:

a – Deluding the public of the existence of real securities transactions or urged them to get involved.

b - Carrying out fake and unreal operations to mislead the public of a fabricated activity going on in the PSE.

c – Having a negative impact on the PSE.

d - Carrying out illegal speculative securities in order to influence the prices of securities and achieve a quick profit.

e - Giving orders to one person to sell or to purchase to more than one dealer for one type of securities during one course of trading.

f – Achieving by fraud, deception and misinformation a raise or devaluation in the prices of the securities.

6 - Anyone directly or indirectly related to any acquainted person or a related party that exploits non- published information for purchasing or selling securities particularly to any source relevant to the given information whether for its own account or for others.

7 – Anyone who prepared or participated in the preparation or supervised the preparation or provided incorrect financial data to the member company or listed company.

8 - Any auditor accredited by the PCMA who adopts financial statements that are incorrect, misleading or in violation of the standards of accountability and approved auditing rules.

9 - Any person who manipulates with customer accounts on purpose or is responsible for the intentional manipulation.

10 - Any person who has not paid the charges imposed by law, instructions or resolutions issued pursuant thereto.

11 – Anyone who is not committed to the implementation of any provision of the law, instructions or resolutions issued pursuant thereto.

Article (13)

- 1 - The Council has the right to inflict penalty of 1st degree in cases that the nature of the penalty does not reach a gravity provided for in Article (12) of this regulation.
- 2 - The Board may authorize the Director General in writing to impose only penalty of 1st degree.
- 3 - The Council has the right to inflict a penalty deemed appropriate with the nature of the violation, or in the case any person who has committed any violation of the provisions of the law or resolutions that have not been expressly provided for in this regulation.

Article (14)

Despite what has been stated in this regulation, the PCMA may require the offender to put an end to the violation and set right the conditions resulting thereof or stop committing the violation or taking the pre-trial procedures to commit a violation within a period determined by the Board according to the nature of the offense that does not exceed 30 days without prejudice to its right to impose punishment.

Article (15)

The offender is deemed to have committed a violation as a matter of repetition if the violation is repeated or an act of the same nature of the offense is committed against whom a final resolution regarding the offense has been issued by the PCMA.

Article (16)

- 1 - A person sentenced by the PCMA may appeal before the Council within (21) days from the date of trial. If this period expires, the Council's resolution becomes definitive.
- 2 - The Council considers the claim and issues a final resolution within period of (15) days from the date of submission.
- 3 - In all cases, the person may challenge the Council's resolution before Court after the grievance period is over or after the issuance of a final resolution by the Council in accordance with applicable laws.

Article (17)

In the event of a voluntary or compulsory liquidation of a securities company, investment fund or any of the financial aspects, liquidation is coordinated between the observer and the PCMA without prejudice to the provisions of the Companies Act in force.

Article (18)

If the PCMA finds that the offending act committed by a person carries penal offenses according to the Penal Code in force, the PCMA will submit the file and all documents and findings to the judicial authorities or the competent court to be considered promptly.

Article (19)

Anything that contradicts with the provisions of this regulation is cancelled.

Article (20)

The competent authorities shall enforce the provisions of this regulation that will enter into effect from the date of its publication in the official gazette.

Issued in Ramallah on 09/29/2008 A.D...

29 of Ramadan for the year 1429 A.H.

Salam Fayyad

Prime Minister

