



Palestine
Capital Market
Authority

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Annual
Report

Board
of
Directors

Board of Directors



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Chairman



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Mrs. Mona Masri
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Palestinian Monetary Authority



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Banking Sector



Mr. Walid El Najab
Private Sector



Mr. Aziz Abdel Jawad
Private Sector



Vision

Palestine Capital Market Authority to be the proficient regulator and the safeguard of a strong and transparent capital market in Palestine.



Mission

To implement a modern, robust, transparent and fair regulatory framework for the securities, insurance, mortgage and leasing markets in Palestine.

Goal

To maintain an orderly capital market, with the institutional capability to conduct effective and responsible market oversight and supervision that supports capital investment and economic growth in Palestine through:

Objectives

- Strengthening the legal and regulatory structure in accordance with international standards and best business practices.
- Ensuring investor access to complete, accurate, and transparent financial information on Palestinian enterprises.
- Protecting the interests of investors by developing the internal capacity for risk-based regulation and market monitoring practices.
- Implementing regional initiatives in coordination with relevant stakeholders to attract foreign investment in Palestine.
- Establish cooperation mechanism with the Palestine Monetary Authority to support the market development.



Chairman



Maher Masri

This year 2011 was characterized as the Arab Spring Year due to the structural political changes that swept the Arab World and impacted its socio-economic and financial foundations; and these changes coincided with the economic and financial crises that hit the European continent and turned optimism for an economic revival into anxiety and uncertainty about the future.

Concurrently, the Palestinian Authority came under extreme political and financial pressure manifested in Israel's withholding Palestinian value added tax revenues and the U.S. suspension of its donations to the Palestinians; actions which impacted economic growth negatively in the 4th quarter of the year and slowed trading in the stock exchange.

Notwithstanding these developments, the Palestine Capital Market Authority went ahead with its plan in finalizing the legal framework for the leasing and mortgage sectors, besides improving the quality standards of its staff and those working in the targeted sectors through educational and training courses.

Amongst the sectors that the PCMA oversees and regulates, the insurance sector, though making some strides forward in certain aspects, still needs closer attention and care.

We hope that in year 2012 more progress will be achieved on all fronts .





Abeer Odeh

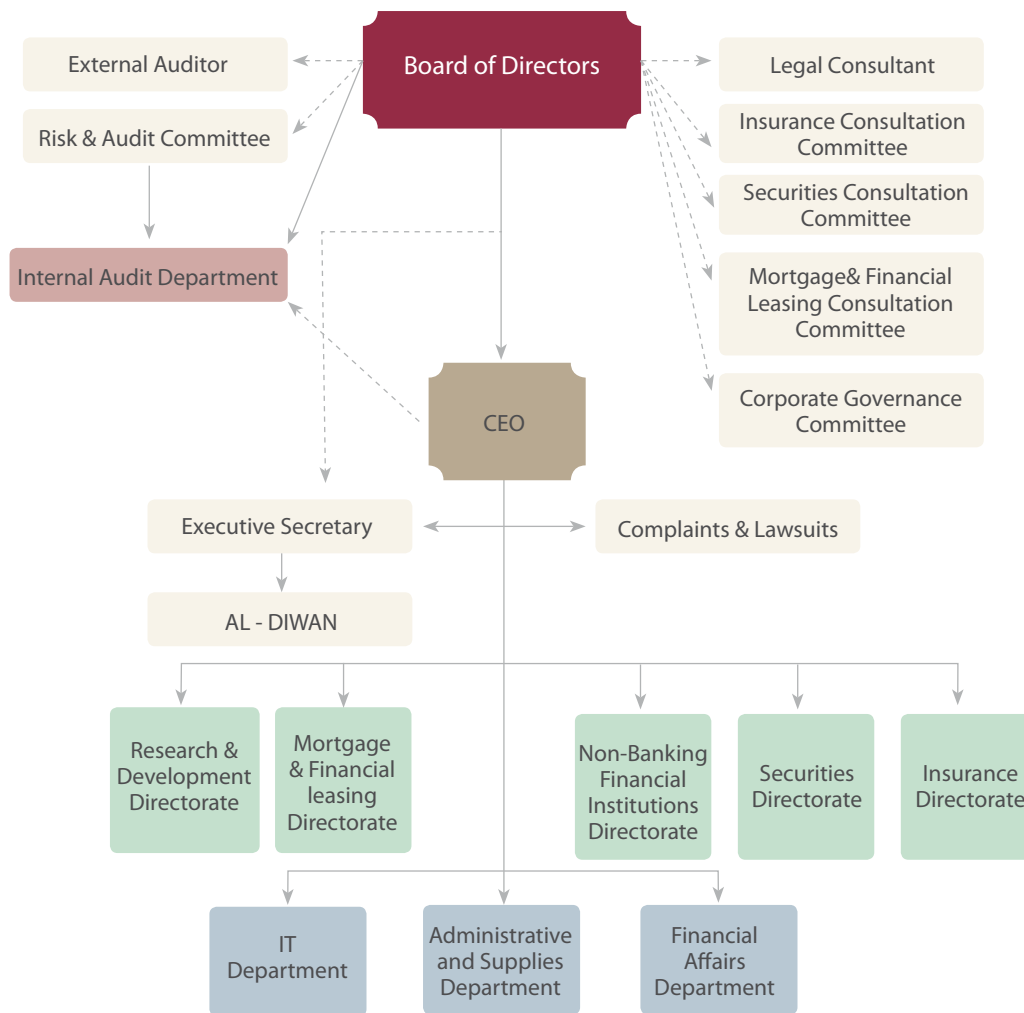
It is my pleasure to present to you the 2011 annual report of the Palestine Capital Market Authority. It has been a year full of accomplishments for PCMA though volatile socio-economic changes in the Arab region and Europe dominated the scene. The PCMA meanwhile placed a high priority on completing the legal framework for the leasing sector by finalizing the leasing law, and completed the first draft for the mortgage law as well. It worked hand in hand with the Palestine stock exchange to ensure the listing of new companies and was able to enlist seven new companies during this year; new financial instruments as well were introduced including bonds and depository receipts .

To mitigate the risk in the insurance sector, PCMA, with the aid of experts, finished the first phase of the actuarial study for the insurance sector and started working with relevant companies on future business plans.

During this year too, PCMA has drafted an action plan with stakeholders to launch a program aimed at improving corporate governance and transparency in Palestine. Initial responses show positive signs from targeted corporates reflected in their quarterly disclosure and yearly reports.

I take this opportunity to thank the staff of PCMA for their proficiency and continued efforts to serve the financial sector; also extend my thanks to the Board of Directors for their support as well as our partners and stakeholders and all agencies that helped us in accomplishing our goals.

Organizational Chart



The Palestine Capital Market Authority (PCMA):

The Palestine Capital Market Authority was established as an autonomous agency by law No.(13) of the year 2004. It is governed by a Board of Directors composed of seven members. Its jurisdiction encompasses the securities market, the insurance sector, the financial mortgage and leasing sectors, along with any other non-banking financial institutions. In the past years the PCMA chaired the National Committee for Corporate Governance in Palestine.

PCMA was set on achieving several targets in 2011, ranging from expanding the number of listed companies to strengthening the legal framework and improving professional standards of those working in the financial sector.

To that effect, seven new companies were added to the stock exchange bringing the total number of listed companies to 46. Moreover, PCMA finalized the leasing law which received the approval of the council

of ministers and is set for endorsement from the President. As to improving the professional standards in the financial sector, PCMA concluded an agreement with the Chartered Institutions for Securities and Investment in the UK to conduct courses and exams to qualify persons working in the financial sector including PCMA staff; that beside undertaking multiple training programs conducted in Palestine, in Arab countries and in Europe.

Corporate Governance

During 2011, PCMA embarked on a comprehensive awareness plan for corporate governance with the aid of professional consultants and related stakeholders, starting with a screening process of existing practices within the corporates, their bylaws and the level of adherence to basic corporate governance practices. Furthermore PCMA engaged itself with other stakeholders in setting a manual for corporates and shareholders that identifies rights and responsibilities; and work is underway in cooperation with IFC to set a scoring card to measure the corporates compliance with the Palestinian code of governance.

Financial Securities:

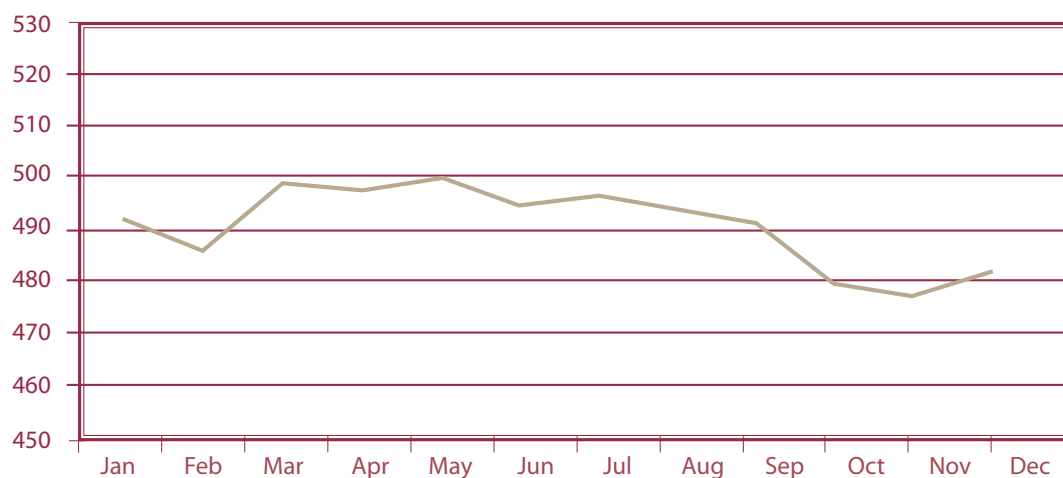
Year 2011 was characterized with a low turnover in securities trading; a multiplicity of internal and external factors contributed to this situation, yet the index fell by no more than (%2.6), compared to much bigger drop in the indices of Arab markets. Meanwhile, the securities directorate went ahead with its designated plan to improve the regulatory framework in the market; as such it issued regulations for the operation of custodians and their licensing, as well as instructions for bonds and for International Depositary Receipts.

Although there was a high level of adherence by listed companies and financial intermediaries to the law and regulations, yet some companies were penalized for breaking law, and their penalties were listed on PCMA's website.

AI-Quds Index Quarterly Performance, 2011

Period	AI-Quds Index	Percentage change compared with previous quarter (%)	Percentage change compared with 1/1/2011 (%)
1/1/2011	489.60	---	---
31/3/2011	497.67	1.65	1.65
30/6/2011	492.71	-1.00	0.64
30/9/2011	488.20	-0.92	-0.29
31/12/2011	476.93	-2.31	-2.59

Al-Quds Index 2011



PEX trading activities, 2010-2011

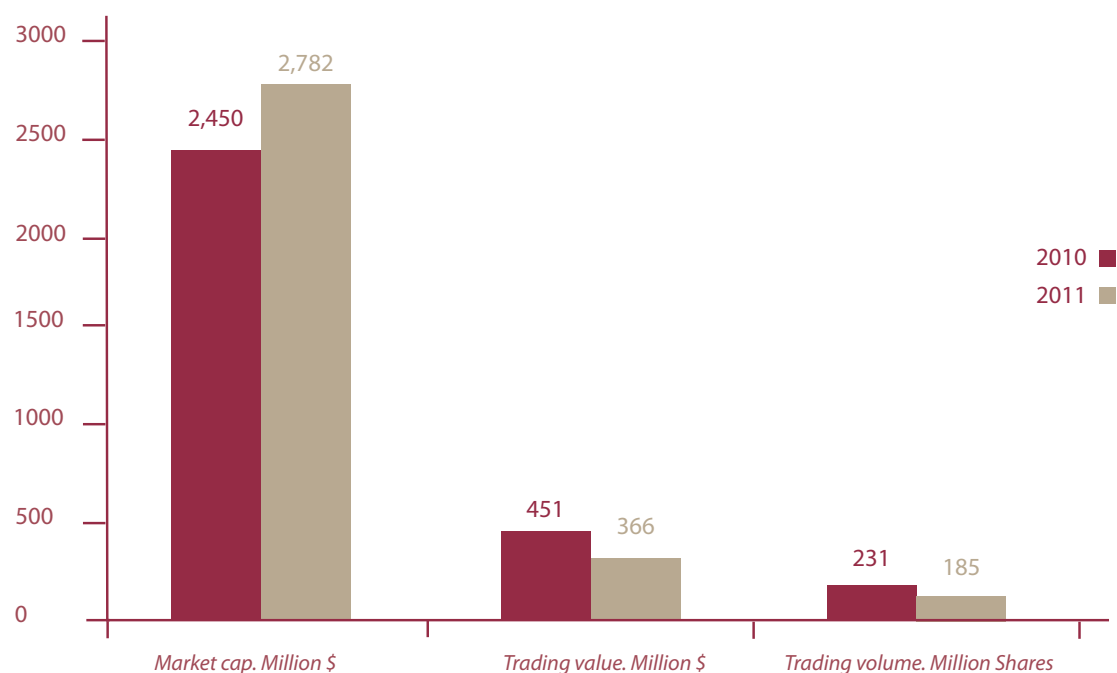
Year	Trading sessions	Trading volume	Trading value (\$)	Number of transactions	Average daily trading value (\$)	Market capitalization (\$)
2010	249	230,516,370	451,208,528	82,625	1,812,082	2,449,901,545
2011	248	184,544,375	365,648,215	61,928	1,474,388	2,782,469,900

Market capitalization and trading value as percentage of GDP*

	2010 (%)	2011 (%)
Market capitalization as % of GDP*	42.8	48.6
Trading value as % of GDP*	7.9	6.4

*2010 GDP was adopted because 2011 GDP was not published yet.

Market cap., trading value, and trading volume 2010-2011



Listed companies performance for the period ending 31/12/2011

	Company Name	Symbol	Currency	Net Profit
1	AL – WATANIAH TOWERS	ABRAJ	\$	506,746
2	THE ARAB HOTELS	AHC	JD	(1,905,387)
3	ARAB ISLAMIC BANK (***)	AIB	\$	286,233
4	AHLIEA INSURANCE GROUP (**)	AIG	\$	1,684,443
5	ALRAFAH MICROFINANCE BANK	AMB	\$	568,262
6	ARAB PAINT PRODUCTS	APC	JD	395,270
7	AL-AQARIYA TRADING INVESTMENT	AQARIYA	JD	60,823
8	ARAB INVESTORS	ARAB	JD	415,179
9	ARAB REAL ESTATE ESTABLISHMENT	ARE	JD	26,740
10	PALESTINE POULTRY	AZIZA	JD	(298,790)
11	BANK OF PALESTINE	BOP	\$	33,980,673
12	BIRZEIT PHARMACEUTICALS	BPC	JD	2,958,471
13	AL SHARK ELECTRODE	ELECTROD	JD	129,043
14	GLOBALCOM TELECOMMUNICATIONS	GCOM	\$	(1,284,551)
15	GOLDEN WHEAT MILLS	GMC	JD	1,122,269

16	GLOBAL UNITED INSURANCE	GUI	\$	813,840
17	GRAND PARK HOTEL & RESORTS (*) (***)	HOTEL	JD	(1,208,136)
18	PALESTINE ISLAMIC BANK	ISBK	\$	4,034,147
19	JERUSALEM CIGARETTE	JCC	JD	323,445
20	JERUSALEM PHARMACEUTICALS	JPH	JD	1,728,555
21	JERUSALEM REAL ESTATE INVESTMENT	JREI	\$	564,245
22	PALESTINE PLASTIC INDUSTRIES	LADAEN	JD	(455,672)
23	AL MASHRIQ INSURANCE (*)	MIC	\$	(1,113,489)
24	NATIONAL ALUMINUM AND PROFILE	NAPCO	JD	105,167
25	THE NATIONAL CARTON INDUSTRY	NCI	\$	23,242
26	NATIONAL INSURANCE	NIC	\$	3,007,942
27	NABLUS SURGICAL CENTER	NSC	JD	201,312
28	PALESTINE DEVELOPMENT & INVESTMENT	PADICO	\$	26,082,000
29	PALESTINE TELECOMMUNICATIONS	PALTEL	JD	90,744,000
30	PALESTINE COMMERCIAL BANK	PCB	\$	589,127
31	PALESTINE ELECTRIC	PEC	\$	8,374,034
32	PALESTINE INVESTMENT BANK	PIBC	\$	2,552,984
33	PALESTINE INSURANCE	PICO	\$	474,666
34	PALESTINE INVESTMENT & DEVELOPMENT	PID	JD	(87,757)
35	PALESTINE INDUSTRIAL INVESTMENT	PIIC	JD	738,705
36	ARAB PALESTINIAN SHOPPING CENTERS	PLAZA	JD	(1,055,450)
37	PALESTINE MORTGAGE & HOUSING CORPORATION	PMHC	\$	351,863
38	PALESTINE REAL ESTATE INVESTMENT	PRICO	JD	4,157,035
39	AL QUDS BANK	QUDS	\$	4,581,794
40	THE RAMALLAH SUMMER RESORTS	RSR	JD	(20,193)
41	AL-TAKAFUL PALESTINIAN INSURANCE	TIC	\$	252,286
42	TRUST INTERNATIONAL INSURANCE COMPANY	TRUST	\$	1,456,537
43	UNION CONSTRUCTION AND INVESTMENT	UCI	\$	1,783,236
44	THE VEGETABLE OIL INDUSTRIES	VOIC	JD	1,887,069
45	PALESTINIAN DISTRIBUTION & LOGISTICS SRVs	WASSEL	JD	(1,986,425)
46	WATANIYA PALESTINE MOBILE TELECOMM.	WATANIYA	\$	(26,179,253)

(*) Symbol is suspended

(**) Par value for symbol AIG=\$0.25

(***) Preliminary results

PEX monthly trading activities, 2011

Month	Volume	Value (\$)	Trading sessions	# of transactions	Al- Quds Index
January	17,631,367	28,155,670	22	6,508	489.50
February	15,102,291	27,839,776	19	5,301	482.16
March	16,550,519	30,614,284	23	8,249	497.67
April	22,622,077	42,312,503	20	8,436	496.25
May	34,567,141	61,246,680	22	6,729	498.80
June	14,452,947	32,828,404	21	4,996	492.71
July	11,190,912	22,113,136	21	4,224	494.77
August	5,870,616	10,457,852	21	3,189	491.03
September	7,668,070	15,712,941	20	3,764	488.20
October	16,699,936	34,598,702	22	3,842	474.71
November	5,559,622	12,742,037	17	2,812	471.77
December	16,628,877	47,026,230	20	3,878	476.93

Insurance Sector:

The insurance sector recorded an (20%) growth in 2011. The 1st phase of the actuarial study for the sector was completed and its findings were disseminated to the companies; PCMA will work with the individual insurance companies during 2012 to ensure that the findings will be reflected in their financial data and in their future policies. Concurrently, the electronic program for car insurance and connectivity to the licensing department is virtually completed. Loss adjusters and insurance investigators, have had to comply with new instructions, including training and educational programs.

Some financial and operational performance indicators of the insurance sector 2010 – 2011

	2010	2011
Number of insurance companies	10	10
Number of insurance companies branches	103	99
Number of the insurance sector employees	1,007	1,028
Number of insurance agents	265	239
Marine insurance (USD)	1,325,147	1,514,526
Fire insurance (USD)	7,320,789	8,405,180
Labor insurance	---	13,725,112
Civil liability insurance	---	2,097,337
Engineering insurance	---	3,495,319
Other General insurance	---	2,890,887
General insurance (USD) (*)	19,084,964	22,208,655
Health insurance (USD)	19,799,781	23,144,999
Vehicles insurance (USD)	74,826,749	91,849,241
Life insurance (USD)	3,444,122	3,338,648
Total insurance premiums (USD)	125,801,552	150,461,249
Total compensation (USD)	66,430,926	75,572,381
Total current assets (USD)	171,735,544	185,614,884
Total investment (USD)	180,314,797	180,655,300
Total receivables (USD)	61,466,712	76,971,495
Net receivables (USD)	49,372,584	65,714,641
Total assets (USD)	298,372,951	323,563,814
Total insurance contracts assets (USD)	24,609,551	32,179,635
Total liabilities of insurance contracts (USD)	145,411,293	158,548,489
Paid-Up Capital (USD)	62,247,650	63,062,143
Obligatory reservation (USD)	7,845,331	8,718,484

Optional reserve (USD)	3,398,364	4,675,860
Cumulative change in fair value (USD)	8,332,170	9,890,351
Gains (revolved losses) (USD)	1,792,236	4,021,946
Shareholders' equity and minority Interests (USD)	95,606,579	101,127,192

*Since the beginning of 2011 the General Insurance items have been classified into the following: (labor, civil liability ,engineering and others.)

Mortgage Financing & Leasing Sectors:

The draft law for mortgage financing was finished and handed to stakeholders for the comments and it is expected to get the final draft during 2012. Work will be underway during 2012 to draft the relevant regulations to the law.

As mentioned previously, the leasing law is pending the final endorsement of the President. It is noteworthy to mention that these laws were drafted in close coordination with Palestinian Monetary Authority, the Ministry of Transportation, the Land of Authority and companies and agencies working in the field.

The World Bank and IFC contributed tremendously to these projects.

Palestine Capital Market Authority
B.O.BOX: 4041, Al-Bireh - Palestine
Tel: +970 2-2973334 Fax: +9702-2973563
E-mail: www.pcma.ps E-mail: info@pcma.ps

Securities Directorate
E-mail: cmsd@pcma.ps

Insurance Directorate
E-mail: id@pcma.ps

Mortgage and Financial Leasing Directorate
E-mail: mflsd@pcma.ps

Research and Development Directorate
E-mail: research@pcma.ps

Administrative and Supplies Department
E-mail: ad@pcma.ps

Financial Affairs Department
E-mail: fd@pcma.ps

IT Department
E-mail: it@pcma.ps