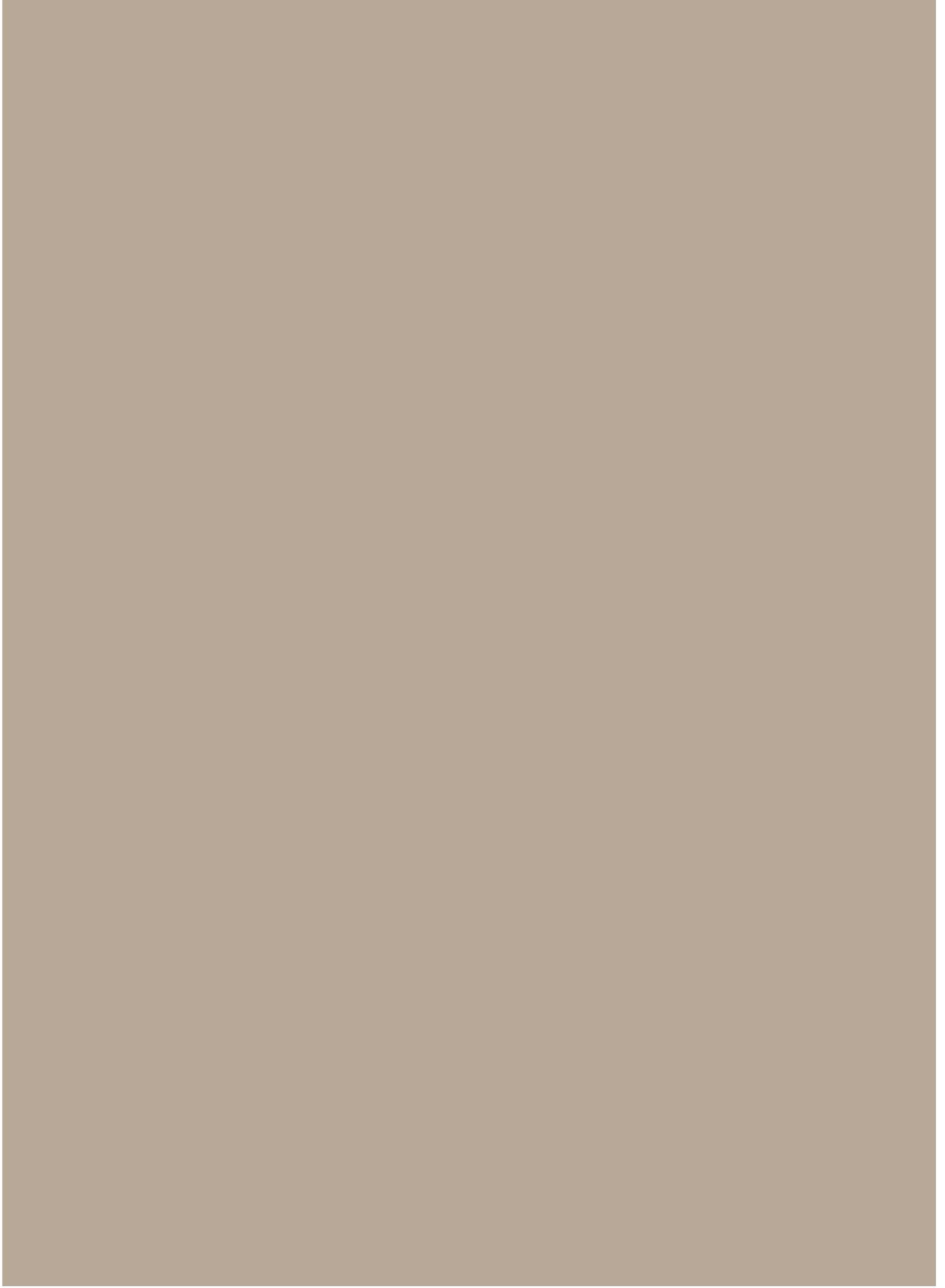




Palestine  
Capital Market  
Authority

2022

Annual  
Report





*His excellency Mahmoud Abbas  
President of The State of Palestine*

Board  
of  
Directors

# Board of Directors



*Mr. Maher Masri*  
Chairman



*Mr. Abdel-Hafiz Nofal*  
Deputy Chairman  
Ministry of National Economy



*Mrs. Mona Masri*  
Ministry of Finance



*Mr. Reyad Abu Shehadeh*  
Palestinian Monetary Authority



*Mr. Nabil Abudial*  
Banking Sector



*Mr. Aziz Abdel Jawad*  
Private Sector



# Strategic Plan 2012 - 2014

## Vision

An effective regulatory authority that aims at developing a sound capital market and protect the interests of stakeholders.

## Mission

Regulate supervise and oversee the securities, insurance, financial leasing and mortgage finance sectors in Palestine and ensure that their workings comply with the principles of transparency, fairness and integrity inline with international best practices.

## Strategic goals

- Revision and completion of the secondary bylaws within the; securities, insurance, financial leasing and mortgage finance sectors in accordance with IOSCO, IAIS and Basel standards, and follow up on mortgage finance and financial leasing laws issuance.
- Insure compliance of targeted sectors with capital markets related laws, regulations and instructions.
- Provide information and data on Capital market sectors through developing databases and review and develop the quality of disclosures.
- Completion of infrastructure needed to enhance corporate governance through developing corporate governance abiding measurement tools, and increase corporate governance education and awareness.
- Improve the efficiency of the technical and operational processes through developing staff capabilities and internal work environment.
- Create joint frameworks with the local stakeholders in order to remove conflicts in common work environment.
- Implement financial awareness programs targeting specific groups and the general public, and participate in developing the national strategy for financial education.
- Enhance PCMA presence and exchange of experience with local, regional and international bodies through participating in regular meetings held by these bodies and contribute to the work of their technical committees.





# Chairman



## **Maher Masri**

Palestinian economic indicators showed a slowdown in economic growth and a rise in the level of unemployment during the year 2012. This situation however did not come as a total surprise to many economists and observers due mainly to the continued policy of economic strangulation practiced by Israel which included repeated withholding of Palestinian revenues coupled with a remarkable drop in foreign financial assistance and partly due to some Palestinian legislations that shed some uncertainty on the investment climate in Palestine .

These factors combined, though with variances in their impact, had their toll on the level of investment and volume of trading at the stock exchange. Investment and services companies were hardest hit, yet still around two thirds of the listed companies were able to make profits.

This situation notwithstanding, we still believe that the performance of the non- banking financial institutions was reasonably good and points to the existence of economically sound players whose activities are regulated by PCMA through a set of legislations based on international standards and an increasing adherence to corporate governance practices.

Finally, PCMA will continue to pursue its policy aimed at improving the entire infrastructure of the financial sector according to best international standards and practices.

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every receipt, invoice, and bill should be properly filed and indexed for easy retrieval. This not only helps in tracking expenses but also ensures compliance with tax regulations. The document further outlines the steps for organizing these records, including the use of digital tools and physical filing systems.

In the second section, the author provides a detailed guide on how to conduct a thorough audit of the company's financial statements. This involves a systematic review of all accounts, including assets, liabilities, and equity. The goal is to identify any discrepancies or errors and to ensure that the financial statements accurately reflect the company's financial position. The document also discusses the importance of transparency and accountability in the audit process.

The third part of the document focuses on the role of the board of directors in overseeing the company's financial health. It highlights the need for regular communication between the board and management, as well as the importance of setting clear financial goals and objectives. The document also discusses the various ways in which the board can provide guidance and support to the company's financial management.

Finally, the document concludes with a summary of the key points discussed and offers some final thoughts on the importance of sound financial management for the long-term success of the company. It encourages the reader to take the time to review and implement the strategies outlined in the document.



### **Abeer Odeh**

I am pleased to present the Palestine Capital Market Authority (PCMA)'s Annual Report for the year of 2012. Indeed, the year 2012 was full with achievements and remarkable developments, as the PCMA was able to proceed in promoting the Palestinian non-banking financial sector, despite a myriad of national and international challenges—namely political and economic challenges within Palestine, and international financial crisis overseas.

Yet, with due dedication and hard work, the PCMA was able to successfully complete a number of developmental initiatives that it started in 2012, which have had, and will continue to have, substantial impact on the financial sectors governed by the PCMA. Namely, in that year, the PCMA drafted a new mortgage law and submitted it to the Cabinet for its approval. It also drafted financial leasing company licensing instructions, as well Instructions for Registration of Properties Financed by Financial Leasing Companies.

Under the securities sector, the PCMA launched new professional programs aimed at improving financial brokerage services, and also developed globally-recognized certificates for professionals in the field of financial analysis, financial advisers and investment, which are based upon international best practices.

Under the insurance sector, the PCMA completed an actuarial study—thus enabling the PCMA to set plans for

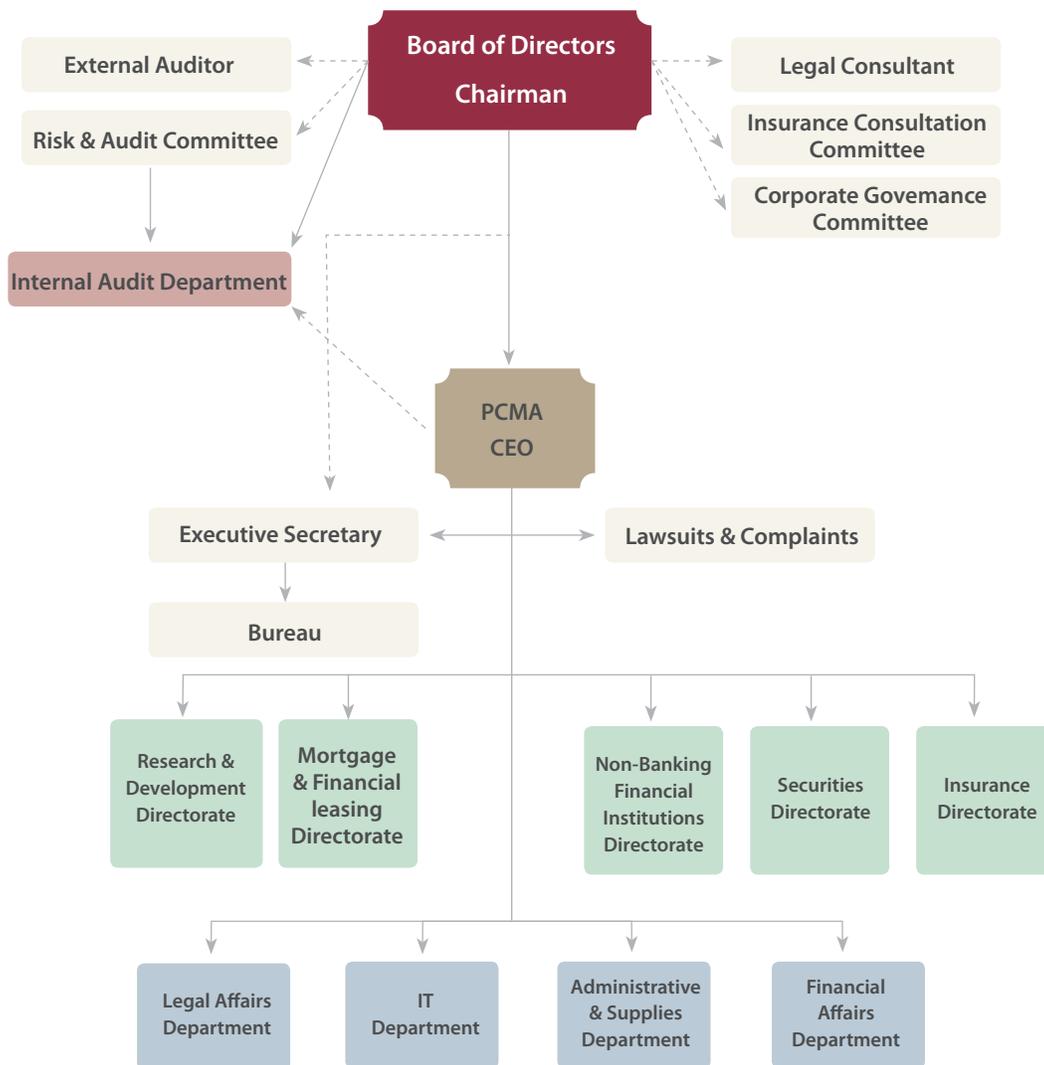
insurance companies to overcome current challenges and obstacles. As an outcome of the study, the PCMA instructed all insurance companies in Palestine to hire actuarial experts on an annual basis. Furthermore, the PCMA completed the work on the unified system that would be implemented in the year of 2013.

On corporate governance, the PCMA, in cooperation with the IFC, developed a score card system that assesses the companies' compliance with the code of corporate governance, and the system was used for the first time.

Internally, the PCMA developed policies and procedures manuals that are based on international best practices, modernized the IT infrastructure, and developed information base for the insurance sector that can produce forms and disseminate information regarding the sector and help in monitoring it in order to mitigate risks.

Last but not least, I would like to thank the PCMA staff for their hard work and dedication throughout 2012, as well as for the team spirit that they have been demonstrating. The remarkable achievements that the PCMA has undertaken throughout 2012 could have not been possible without them. I would also like to thank the PCMA's Board of Directors for their continued support and guidance, as well as all our local, Arab and international partners for their support.

## Organizational Chart



### Palestine Capital Market Authority:

During 2012 PCMA focused its attention on finalizing certain programs and projects that were initiated during 2011. For that matter the board of directors approved the final draft of the mortgage law and sent it to the council of ministers for endorsement. It also approved the revised strategic plan and related tasks for the years 2012-2014 which were prepared by the executive management and structured on institutional risk management basis. Moreover PCMA signed an agreement with the Chartered Institute for Securities & Investment (CISI), one of the leading professional financial services training institutes based in London, to formulate an educational manual that would serve as the basis for an online qualifying exam for individuals wishing to acquire professional licenses in certain fields in the securities sector.

Another major step taken during 2012 was the signing of a memorandum of understanding (MOU) with the Ministry of Transport regarding the electronic linking of vehicle insurance with the vehicle licensing department whereby the validity of the insurance policy coincides with the validity of the license. This MOU is a precursor to the application in 2013 of the unified vehicle insurance policy for bodily injuries and material damages that was prepared by PCMA in coordination with the federation of insurance companies.

### Corporate Governance:

A two – year action plan (2011-2012) was drafted by PCMA and later approved by the National Committee for Corporate Governance which is chaired by PCMA. The core element in this plan is to expand and improve the level of compliance of corporations with the code of governance. For that purpose PCMA published a study on the general adherence of listed companies to the code of governance. Furthermore, PCMA finalized in cooperation with IFC the companies Scorecard which is basically a self – assessment exercise based on a defined compliance questionnaire that ultimately reflects numerically the level of compliance of each company. It is noticeable that due to PCMA and other stakeholders efforts in this field, public awareness to corporate governance has risen dramatically but there is a long way ahead to achieve higher levels of adherence by the companies.

### Securities Sector:

During 2012, the securities directorate at PCMA oversaw the restructuring of the stock exchange which was done according to best practices and enabled it to list at Palestine exchange. The directorate furthermore cooperated with the exchange in order to activate a two tier listing level within the exchange compatible with international standards for restructuring secondary exchange (Secondary Market Microstructure). Expanded and upgraded disclosure requirements were also introduced to improve the level of transparency and compliance with the code of corporate governance. Meanwhile the directorate conducted in corporation with international consultants a broad review of its risk based inspection methodology and came out with some recommendations which will enhance the effectiveness of the system. At the end of 2012, Al-Quds index closed at 477.59 points, up by 0.14% from the previous year.

#### Al-Quds Index Quarterly Performance, 2012

Period	Al-Quds Index	Percentage change compared with previous quarter (%)	Percentage change compared with 1/1/2012 (%)
1/1/2012	476.93	---	---
31/3/2012	486.71	2.05	2.05
30/6/2012	444.00	-8.78	-6.90
30/9/2012	445.76	0.40	-6.54
31/12/2012	477.59	7.14	0.14

## Al-Quds Index 2012



## PEX trading activities, 2011-2012

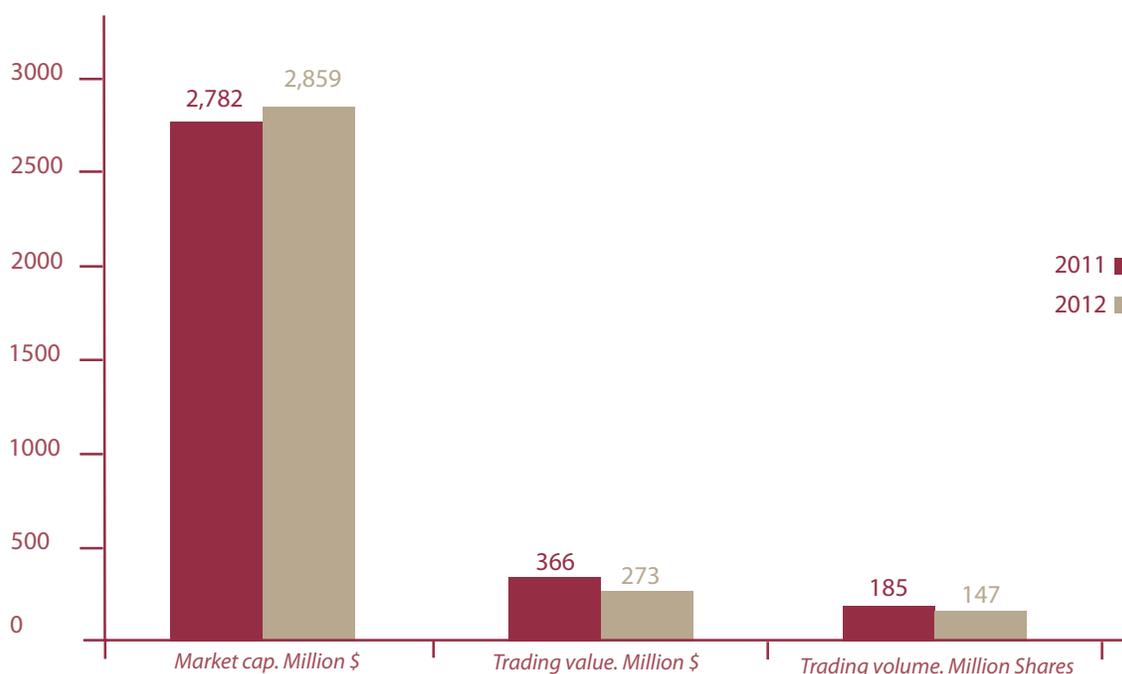
Year	Trading sessions	Trading volume	Trading value (\$)	Number of transactions	Average daily trading value (\$)	Market capitalization (\$)
2011	248	184,544,375	365,648,215	61,928	1,474,388	2,782,469,900
2012	249	147,304,208	273,440,440	41,442	1,098,154	2,859,140,375

## Market capitalization and trading value as percentage of GDP

Discription	2011* (%)	2012* (%)
Market capitalization as % of GDP	43.32	44.52
Trading value as % of GDP	5.69	4.26

\*2011 GDP was adopted because 2012 GDP was not published yet.

## Market capitalization, trading value, and trading volume 2011 - 2012



## Listed companies performance for the period ending 31/12/2012

	Company Name	Symbol	Currency	Net Profit
1	AL – WATANIAH TOWERS	ABRAJ	\$	223,887
2	THE ARAB HOTELS (*)	AHC	JD	(994,006)
3	ARAB ISLAMIC BANK	AIB	\$	648,513
4	AHLIEA INSURANCE GROUP	AIG	\$	(639,340)
5	THE NATIONAL BANK	TNB	\$	2,021,100
6	ARAB PAINT PRODUCTS	APC	JD	515,983
7	AL-AQARIYA TRADING INVESTMENT	AQARIYA	JD	(105,167)
8	ARAB INVESTORS	ARAB	JD	(63,963)
9	ARAB REAL ESTATE ESTABLISHMENT	ARE	JD	15,127
10	PALESTINE POULTRY	AZIZA	JD	683,797
11	BANK OF PALESTINE	BOP	\$	38,347,397
12	BIRZEIT PHARMACEUTICALS	BPC	JD	3,523,427
13	AL SHARK ELECTRODE	ELECTRODE	JD	99,454
14	GLOBALCOM TELECOMMUNICATIONS	GCOM	\$	(1,119,787)
15	GOLDEN WHEAT MILLS	GMC	JD	455,567
16	GLOBAL UNITED INSURANCE	GUI	\$	2,433,201

17	GRAND PARK HOTEL & RESORTS (*)	HOTEL	\$	(987,396)
18	PALESTINE ISLAMIC BANK	ISBK	\$	5,825,988
19	JERUSALEM CIGARETTE	JCC	JD	1,996,936
20	JERUSALEM PHARMACEUTICALS	JPH	JD	138,478
21	JERUSALEM REAL ESTATE INVESTMENT	JREI	\$	(284,772)
22	PALESTINE PLASTIC INDUSTRIES	LADAEN	JD	(580,823)
23	AL MASHRIQ INSURANCE (*)	MIC	\$	(847,672)
24	NATIONAL ALUMINUM AND PROFILE	NAPCO	JD	159,860
25	THE NATIONAL CARTON INDUSTRY	NCI	\$	104,714
26	NATIONAL INSURANCE	NIC	\$	4,756,330
27	NABLUS SURGICAL CENTER	NSC	JD	512,519
28	PALESTINE DEVELOPMENT & INVESTMENT	PADICO	\$	18,315,000
29	PALAQAR FOR REAL ESTATE DEV.& MANAGEMENT	PALAQAR	JD	30,134
30	PALESTINE TELECOMMUNICATIONS	PALTEL	JD	82,132,000
31	PALESTINE COMMERCIAL BANK	PCB	\$	62,167
32	PALESTINE ELECTRIC	PEC	\$	8,414,541
33	PALESTINE INVESTMENT BANK	PIBC	\$	1,826,277
34	PALESTINE INSURANCE	PICO	\$	(446,937)
35	PALESTINE INVESTMENT & DEVELOPMENT	PID	JD	266,876
36	PALESTINE INDUSTRIAL INVESTMENT	PIIC	JD	738,176
37	ARAB PALESTINIAN SHOPPING CENTERS	PLAZA	JD	(910,632)
38	PALESTINE MORTGAGE & HOUSING CORPORATION	PMHC	\$	452,691
39	PALESTINE SECURITIES EXCHANGE	PSE	\$	(701,201)
40	PALESTINE REAL ESTATE INVESTMENT	PRICO	JD	(1,348,407)
41	AL QUDS BANK	QUDS	\$	3,267,925
42	THE RAMALLAH SUMMER RESORTS	RSR	JD	45,174
43	AL-TAKAFUL PALESTINIAN INSURANCE	TIC	\$	932,465
44	TRUST INTERNATIONAL INSURANCE COMPANY	TRUST	\$	1,703,788
45	UNION CONSTRUCTION AND INVESTMENT	UCI	\$	603,555
46	THE VEGETABLE OIL INDUSTRIES	VOIC	JD	2,674,307
47	PALESTINIAN DISTRIBUTION & LOGISTICS SRVs	WASSEL	JD	(396,793)
48	WATANIYA PALESTINE MOBILE TELECOMM.	WATANIYA	\$	(23,826,190)

(\*) Symbol is suspended.

## PEX monthly trading activities, 2012

Month	Volume	Value (\$)	Trading sessions	# of transactions	Al- Quds Index
January	18,069,722	31,484,886	22	3,694	476.18
February	13,897,427	25,944,039	21	4,244	482.22
March	15,362,088	38,317,246	20	3,723	486.71

April	13,656,169	31,276,714	22	3,925	467.41
May	14,336,822	26,286,080	22	3,800	449.74
June	12,141,053	16,773,881	19	3,121	444.00
July	5,444,270	7,824,878	23	3,003	442.27
August	5,044,840	8,587,006	19	2,331	432.42
September	7,574,996	14,646,430	21	2,932	445.76
October	10,181,693	16,344,752	19	3,355	458.84
November	8,620,738	11,661,777	20	3,128	456.34
December	22,974,390	44,292,751	21	4,186	477.59

## Insurance Sector :

Major steps were taken by PCMA during 2012 to improve the supervisory role on the insurance sector by introducing new directives and instructions aimed at mitigating the risk on insurance companies and providing better insurance coverage for the insured. Among these actions was the mandatory requirement from all insurance companies to submit an actuarial report with the yearly financial statement prepared by an independent actuarial expert. This requirement was felt necessary after PCMA completed the second phase of the actuarial study which focused on general insurance and life insurance services. It is noteworthy to mention that the first actuarial study was focused on mandatory insurance and was completed in 2011. Within the context of risk mitigation, the insurance directorate focused its attention during 2012 on fundamental indicators like capital adequacy, liquidity, type and quality of assets, technical reserves, aging of debts, and others and consequently requested each company to rectify its position through a defined business plan with a set time-frame. Moreover, the directorate finalized in cooperation with the ministry of transport and the federation of insurance companies the unified vehicle insurance policy which, besides electronically linking insurance with vehicle registration will also provide a statistical data base for any futuristic planning in this sector. To cope with these developments, the staff of the insurance directorate participated in a number of training workshops, attended specialized seminars and conferences and received on the job training in the various fields of insurance and risk based inspection.

## Key indicators for Palestinian insurance sector for the year 2012:

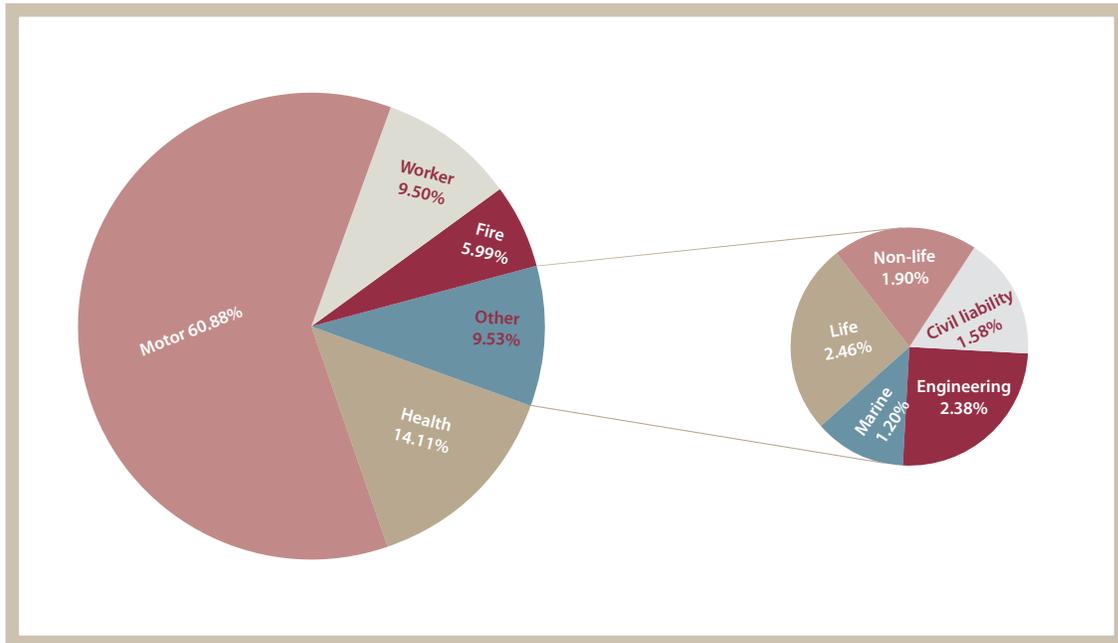
### A. Financial and operational performance for insurance sector 2011-2012

Currency: (US Dollar)

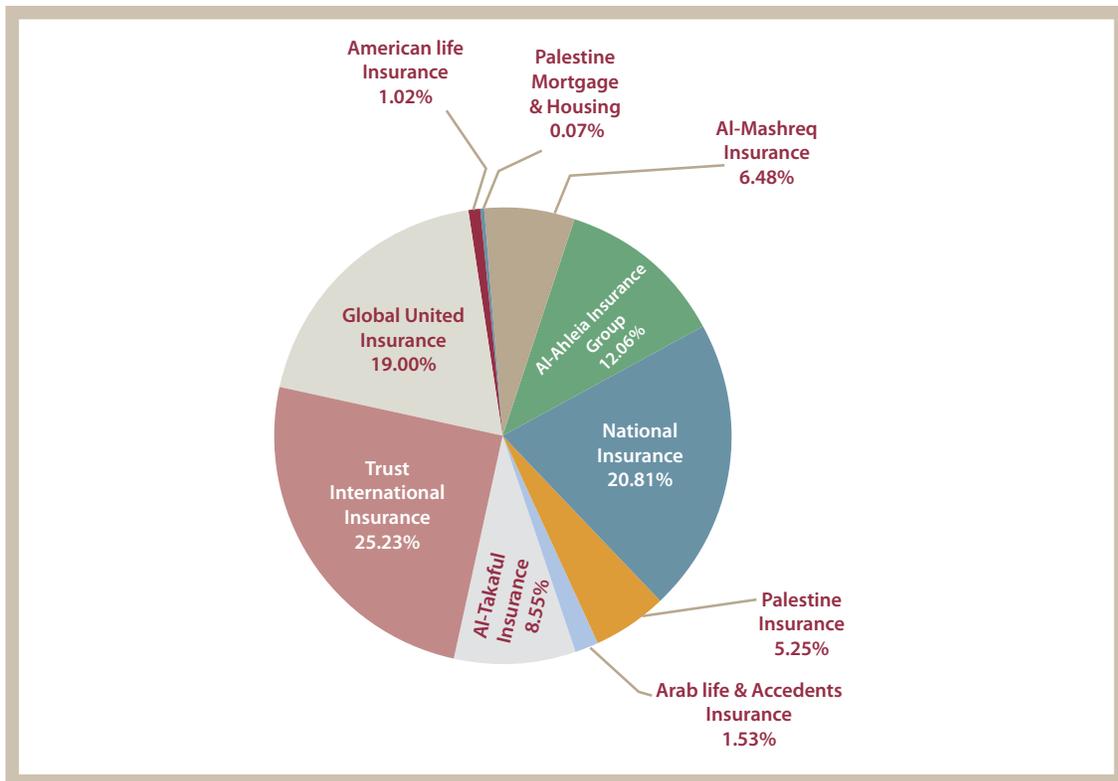
	Description	2011	2012
General information	Number of companies	10	10
	Number of branches	99	111
	Number of employees	1,028	1,035
	Number of agents	239	229

Insurance sector results	Motor insurance premiums	91,849,241	87,943,842
	Workers insurance premiums	13,725,112	13,731,389
	Health insurance premiums	23,144,999	20,379,721
	Fire insurance premiums	8,405,180	8,647,193
	Marine insurance premiums	1,514,526	1,732,971
	Engineering insurance premiums	3,495,319	3,441,574
	Civil liability insurance premiums	2,097,337	2,284,751
	Non-life insurance premiums	2,890,887	2,742,854
	Life insurance premiums	3,338,648	3,560,862
	Total insurance premiums	150,461,249	144,465,157
	Total paid-up claims	75,572,381	88,420,157
	Net incurred claims	----	79,485,193
	General and administrative expenses	----	36,841,184
	Net income after tax	----	7,273,404
	Net profit of technical insurance activities	----	10,285,280
Summary of assets and liabilities for insurance sector	Total current assets	185,614,884	199,613,500
	Total non-current assets	----	140,378,083
	Total investments	180,655,300	184,619,450
	Accounts receivable, total	76,971,495	87,960,243
	Accounts receivable, net	65,714,641	75,042,925
	Accounts payable	----	12,845,327
	Total assets	323,563,814	339,991,583
	Total insurance policies assets	32,179,635	32,229,708
	Total non-current liabilities	----	8,686,162
	Total current liabilities	----	222,389,365
	Total insurance policies liabilities	158,548,489	160,264,776
	Paid-up capital	63,062,143	67,187,306
	Statutory reserve	8,718,484	9,714,116
	Optional reserve	4,675,860	4,882,806
	Cumulative change in assets fair value	9,890,351	10,666,379
	Retained earnings (losses)	4,021,946	4,543,317
Total shareholder's equity	101,127,192	108,790,033	

**B. Total insurance portfolio per product as it is on 31/12/2012 (total value of 144,465,157 US Dollar)**



**C. Total insurance portfolio per company as it is on 31/12/2012 (total value of 144,465,157 US Dollar)**



## D. Aggregate balance sheet as it is on 31/12/2012

Currency: (US Dollar)

Description	Total
<b>Non-current assets</b>	
Net property, plant and equipment	27,593,474
Real estate investments	51,682,079
Contributions in affiliated companies	9,949,893
Loans for related parties	2,255,146
Financial investments available for sale	30,300,971
Financial investments holding to maturity	15,792,341
Cheques under collections (due after more than 12 months)	311,839
Restricted deposits	500,000
Deferred tax assets	1,992,340
<b>Total non- current assets</b>	<b>140,378,083</b>
<b>Current assets</b>	
Financial investments for trading	24,975,069
Insurance policies, current risk-motor	1,765,362
Insurance policies, current risk-non-life	5,215,112
Insurance policies, reported claims-motor	12,537,763
Insurance policies, reported claims-non-life	11,156,750
Insurance policies- life	1,554,721
Total insurance policies	32,229,708
Accounts receivable for insurance & reinsurance companies	3,930,366
Accounts receivable	63,388,154
(Provision for accounts receivable)	(12,917,318)
Accounts receivable, net	50,470,836
Other accounts receivable	6,452,048
Cheques under collections (due within 12 months)	20,329,884
Bank deposits	49,163,951
Cash and cash equivalent	11,882,959
Inventories	178,679
<b>Total current assets</b>	<b>199,613,500</b>
<b>Total assets</b>	<b>339,991,583</b>
<b>Shareholder's equity and liabilities</b>	
<b>Shareholder's equity</b>	
Paid-up capital	67,187,306
Statutory reserve	9,714,116
Optional reserve	4,882,806
Issuance premium (discount)	75,000

Cumulative change in fair value	10,666,379
Changes in foreign currency exchange	(1,149,957)
Retained earnings (losses)	4,543,317
Minority interest	1,482,952
Treasury stocks	(403,694)
Head office current account	11,791,808
<b>Total shareholder's equity</b>	<b>108,790,033</b>
<b>Surplus of Takaful fund subscribers</b>	<b>126,023</b>
<b>Non-current liabilities</b>	
Provision for end of services benefits	8,686,162
<b>Total non-current liabilities</b>	<b>8,686,162</b>
<b>Current liabilities</b>	
Insurance policies liabilities	
Current risks reserve, motor	27,449,548
Current risks reserve, non-life	14,996,137
Mathematical reserve, life	14,075,738
Total	56,521,423
Outstanding reported claims reserve, motor (compulsory)	49,486,448
Outstanding reported claims reserve, motor (TP)	19,710,244
Outstanding claims reserve, non-life	29,521,310
Unreported outstanding claims reserve	3,962,101
Claims reserve, life	1,063,250
Total	103,743,353
Total current liabilities (insurance policies)	160,264,776
Accounts payable	12,845,327
Accounts payable for insurance & reinsurance companies	9,379,543
Accrued expenses	389,726
Other provisions	13,508,843
Other accounts payable	18,171,027
Accounts payable, banks	2,229,366
Deferred cheques	5,600,757
<b>Total current liabilities</b>	<b>222,389,365</b>
<b>Total shareholder's equity and liabilities</b>	<b>339,991,583</b>

## E. Aggregate income statement for the year ended 31/12/2012

Currency: (US Dollar)

Description	Total
Written insurance premiums	144,465,157
(Reinsurer's share of written premiums)	(22,691,434)
Net insurance written premiums	121,773,723
±Change in current risks reserve- mathematical life insurance reserve	4,313,134
±Reinsurer's share in change of current risks reserve- mathematical life insurance reserve	(678,381)
Net earned premiums	125,408,476
Income from insurance activities	663,754
Reinsurance commission	3,703,304
(Paid-up commissions)	(7,635,839)
Other revenues from insurance activities	51,481
Net revenues from insurance activities	122,191,176
(Paid-up claims)	(88,420,157)
(Paid-up premiums to cover loss's surplus)	(49,450)
Reinsurer's share of paid up claims	13,599,780
±Change in reserve of outstanding and unreported claims	(5,393,147)
±Reinsurer's share of change in reserve of outstanding and unreported claims	777,781
Net incurred claims	(79,485,193)
(Losses) profits of currency exchange in converting technical reserves to US Dollar	(306,523)
(Distributed general and administrative expenses)	(28,774,136)
(Agency fees and speculation expenses)	(3,340,044)
Total expenses of insurance activities	(111,905,896)
Net profit of technical insurance activities	10,285,280
Revenues (investments, rents, interests.,etc)	11,007,380
±Currency differences	1,113,110
Provisions of increase (decrease) in fair value of investments	422,710
(Undistributed administrative expenses)	(8,067,048)
(Allowance for doubtful account)	(1,816,096)
(Other expenses)	(235,066)
Net income before tax	12,710,270
(Value added and income tax)	(5,436,866)
<b>Net income</b>	<b>7,273,404</b>

## **Mortgage Financing & Leasing Sectors:**

The final draft of the Mortgage financing law was approved by the board of directors of PCMA in November of this year. The directorate in charge of this sector with the support of international consultants worked diligently with other partners like Palestine Monetary Authority, the Land Authority, the Higher Judicial Council and other stakeholders to come up with this comprehensive up-to-date law, customized to the Palestinian environment and requirements; and the council of ministers is expected to finalize its review during 2013. In the meantime, the directorate focused its efforts on organizing the various components of the sector by putting in place the necessary regulations and instructions needed for its proper working. Moreover attention was given to improve the quality standards of real estate appraisers by training them in nearby countries.

As to the leasing sector, the directorate finalized the leasing instructions for income tax purposes and these instructions were approved and endorsed by the minister of finance. Furthermore, the directorate in cooperation with the Land Authority finalized the instructions for the registration of the non-movable assets for leasing purposes. These instructions will come into effect when the leasing law is endorsed by the President of Palestine. Finally, the directorate with the aid of IFC is reviewing the leasing instructions for the purpose of value added tax (VAT) which are expected to come into effect in 2013.

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