

Capital Market Authority Law

No. (13) of the year 2004

Section One
Definitions and Establishment of the Authority

Article (1)

The following words and phrases shall bear the definitions stated below unless otherwise indicated:

The Ministry:	The Ministry of Finance
The Minister:	The Minister of Finance
The Authority:	The Capital Market Authority
The Board of Directors:	The Authority's board of directors
The Chairman:	The Chairman of the Board of Directors
The Member:	The member of the Board of Directors
The person:	The natural or legal person

Article (2)

1. In accordance with this law, an Authority called (The Capital Market Authority) shall be formed, and shall be an autonomous body and shall enjoy financial and administrative independence, and legal capacity to manage all its business and carry out its function including the possession of movable and immovable property necessary to conduct its business and exercise its activities, and to act with regards to it in accordance with the provisions of the law.
2. The head office of the Authority shall be located in Jerusalem with branches in the other districts.
3. The Authority shall enjoy all the exemptions and facilitations provided to the ministries and government agencies.

Section Two
The Objectives, Duties and Capacity of the Authority

Article (3)

The Authority aims to create the suitable environment to accomplish capital stability and growth, and to organize, develop and monitor the capital market in Palestine, in addition to protecting the rights of the investors. In order to accomplish these objectives, the Authority shall perform the following in accordance with the provisions of the law:

- 1- Supervise the following:
 - a. The securities market to ensure the proper conduct of the market
 - b. Insurance enterprises
 - c. The financial leasing enterprises
 - d. Mortgage finance enterprises
- 2- Organizing, monitoring and supervising the activities of the non-banking financial entities including securities exchange, and non-banking financial services.
- 3- Organize the release of any data or information related the non-banking financial sector
- 4- Monitor the development of the non-banking financial organizations to ensure the precision of its business.

Article (4)

The Authority's activities are non-profit. It is prohibited from exercising any commercial activity. It is also prohibited from providing any lending, or trading in securities, or in any activity that fall within the insurance sector, or financial lending or financial mortgage.

Section Three

The Management of the Authority

The Board of Directors

Article (5)

- 1- The Authority shall be managed by a board of directors consisting of seven members as indicated below:
 - a. A Chairman who possesses the expertise and competence in capital matters appointed by the Council of Ministers and recommended by the Minister of Finance.
 - b. A representative of the Ministry of National Economy as deputy Chairman.
 - c. A representative of the Ministry of Finance
 - d. A representative of the Palestinian Monetary Fund

- e. One representative of the banks operating in Palestine to be selected from three representatives nominated by the party representing them.
 - f. A representative from the Palestinian shareholding companies whose shares are accepted at the Capital Market Authority.
- 2- The membership duration for the Chairman and his deputy shall be four years, and three years for the remaining members of the board.
 - 3- It is permissible to reappoint the Chairman, his deputy or a member for only one other period.

The Board of Directors' Meetings

Article (6)

- 1- The Board of Directors shall meet regularly. The meetings shall be called by the Chairman or his deputy given that the number of meetings shall not be less than six meetings annually.
- 2- The Board of Directors may hold an extraordinary meeting at the request of the Chairman or upon a request made by three of its members in which case the Chairman shall call for the meeting within fifteen days from the date the request was received.
- 3- The meeting is not be constituted unless attended by the absolute majority of the board members.
- 4- The board takes its decisions by an absolute majority of the board members.
- 5- In the event of a tie in voting, the Chairman of the Board vote shall break the tie.
- 6- Voting must be in person during Board of Directors' meetings.
- 7- The board shall minute its meetings in a special record.

Section Four

The Duties and Powers of the Board of Directors

Article (7)

The Board of Directors shall exercise the following duties and powers:

- 1- Set the policies relevant for the activities of the Authority
- 2- Set the principles of monitoring, inspecting, and investigating the persons subject to the provisions of this Law.
- 3- Prepare the rules or the regulations relevant to the sanctions including the payment of fines for violating the provisions of this Law.

- 4- Enter into contracts, agreements and to accept the financial assistance and grants made to the Authority without contravening the provisions of this Law.
- 5- Prepare the rules or the regulations related to dispute resolution arising between the Authority and those dealing with it according to the provisions of this law.
- 6- Prepare the necessary regulations to organize the business and administration of the Authority.
- 7- Issue the instructions related to the Authority's employees with respect to owning and trading in securities or any debt, and to disclose information on financial position and the nature of the gifts that are permissible to receive and the method of disclosing this information.
- 8- Review licensing requests and approve them.
- 9- Ratify and approve the proposed budget for the Authority.
- 10- Specify and amend the fees collected by the Authority for services rendered. The Authority shall have the right to reconsider the fee structure and shall issue special regulations in this regard.
- 11- Appoint an external auditor to audit the accounts of the Authority, and determine its fees.
- 12- Remove, suspend or cancel the license and impose fines in accordance with the law.

Article (8)

- 1- The Chairman of the Board shall assume the following duties and powers:
 - a. Call the board to convene at specified times.
 - b. The Chairman of the Board is the top authority in the Authority and shall represent it before all parties.
 - c. Follow-up the implementation of the Board's decisions
 - d. Any other tasks as assigned by the Board of Directors.
- 2- The Deputy Chairman shall exercise the duties and the powers of the Chairman upon his absence or the vacancy of his position.

Disclosure by the Members of the Board of Directors

Article (9)

- 1- Each member of the Board of Director shall disclose the following in writing upon assuming his duties at the board:

- a. The securities he owns or is under his control or the control of his spouse, children, or any of his relatives of the first degree.
 - b. The shares or stakes in any financial organization he owns or is under his control, or the control of his spouse, children or under the control of one of his relatives of the first degree.
 - c. Any financial interest belonging to member of the Board of Directors, if this interest is subject to the supervision and regulation by this Authority.
- 2- The member of the Board shall notify the Authority of any changes relevant to the contents of paragraph (1) of this article within three days from its occurrence.
 - 3- If a member of the Board of Directors has any interest, whether direct or indirect, arising from any business activity in which the Authority is engaged or an activity being supervised by the Authority, the Board member shall disclose this conflict of interest to the Board in writing. In this case, the Board member shall be excused from participating in the board decision-making or refrain from voting or making any recommendations in relation to that activity.
 - 4- The General Manager, upon assuming his duties, shall disclose in writing the shares or stakes he has in any financial establishment he owns or is under his control, or is under the control of his spouse, children or any of his relatives of the first degree.
 - 5- The documents required in this article shall be deposited with the Minister of Finance.

Confidentiality and Dealing with Internal Information Article (10)

- 1- It is prohibited for the board members and the employees of the Authority to use any internal or confidential information which they acquired through their positions or to use this information to obtain tangible or intangible gains for their private benefit or the benefit of others whether directly or indirectly.
- 2- It is prohibited for the members of the Board of Directors, the employees of the Authority, and those contracted by it to disclose any information or data obtained by them as a result of their relation to the Authority, to any person other than the officials, employees, or experts of the Authority in accordance with the Law.

- 3- The Authority shall prepare regulations specifying confidential information which may not be disclosed, and shall specify the sanctions which shall be imposed against current or former members of the Authority's Board of Directors, its employees and those contracted with it, who violate these regulations in order to prevent conflict of interests and other prohibited activities.

Dismissal and Replacement of the Members of the Board
Article (11)

1. The services of the Chairman of the Board or his deputy or any of the members of the Board shall termination upon the submission of a written resignation to the Board and the party whom this member represents. The resignation is considered effective from the date of approving it.
2. The services of the Chairman of the Board, his deputy or any member of the Board is considered terminated in any of the following cases:
 - a. If he was convicted of a felony in violation of honor, dignity or commission of a crime.
 - b. If he enters into personal bankruptcy proceeding or requests composition with his creditors.
 - c. If he, pursuant to court order, is deem to have lost legal capacity.
 - d. If he was absent from attending three consecutive Board meetings without an acceptable excuse.
 - e. If a specialized court finds that, the member violated any of the provisions of this Law or regulations or instructions issued pursuant to it.
3. With derogating from Article (5) of this Law, if the position of the Chairman of the Board of Directors, his deputy, or any member of the board becomes vacant for any of the reasons stipulated in paragraphs (1,2) of this Article or as a result of death, a replacement shall be appointed to complete the term of the vacant position.

The General Manager
Article (12)

1. The Authority shall appoint a full time General Manager with expertise, specialization and high qualifications in the financial and economical affairs.

2. The General Manager is appointed by a decision made by the Council of Ministers based on the recommendation of the Minister.
3. The General Manager's salary and benefits shall be determined by a decision made by the Council of Minister based on the Minister's recommendation.
4. It shall be prohibited that a Board member serve as the General Manager.

The Powers of the General Manager of the Authority
Article (13)

1. The general manager is the executive manager of the Authority and assumes the following responsibilities and powers:
 - a. Implementing the policies of the Authority as specified by the Board of Directors.
 - b. Implementing the decisions made by the Board of Directors.
 - c. Report to the Board of Directors regularly regarding the business of the Authority and its performance.
 - d. Prepare the proposed annual budget of the Authority and submit it to the Board for adoption and the approval of the Minister of Finance.
 - e. Any other duties or powers specified in the rules of the Authority.
2. The General Manager can delegate some of his powers to any of the department directors. The decision of the General Manager to delegate shall be subject to the approval of the Board of Directors.

Delegation of Powers and Experts
Article (14)

1. The Board of Directors may authorize the Chairman of the Board with any of its powers except for issuing instructions.
2. The Board of Directors may request the assistance of experts to assist it in carrying out its duties who shall be subject to the regulations of the Authority and to the confidentiality requirements that the members of Board members and the employees of the Authority are subject to.

Immunity
Article (15)

The Authority, any member of the Board of Directors, any of its employees, its agents, or those contracted with shall be immune from any legal action or claim for work carried out while performing his duties unless his actions result in causing damage to others because of his negligence or fault.

Section Five
The Departments of the Authority
Article (16)

1. The Authority is comprised of a number of specialized departments based on the organizational structure and the job descriptions approved by the Board of Directors, and endorsed by the Minister of Finance.
2. A specialized manager with high qualifications shall manage each department.
3. Each department manager shall submit his reports directly to the General Manager.

The Responsibilities of the Departments
Article (17)

The departments shall assume the following tasks and powers:

1. Implementation of the policies and instructions issued by the Board of Directors
2. Organize and supervise all the normal and incorporeal persons under its jurisdiction
3. Recommend licensing or suspending the licensee
4. Any other tasks specified by the Board of Directors.

The Employees Activities
Article (18)

Any employee of the Authority shall be prohibited from exercising any of the following activities:

1. Occupying a ministerial position or membership of the Legislative Council or any governmental job or an official public organization.
2. Having any direct or indirect control over the business, financial or investment decisions of any organization subject to the supervision of the Authority, or to be a consultant in any of them.

3. To be an auditor of accounts, or a legal or management consultant to any natural or legal person.
4. To have any financial share with any party, organization, or company subject or related to the capital market.

The Salaries

Article (19)

1. The Employees of the Authority shall have a special salary scale approved by the Council of Ministers based on recommendation from the Minister of Finance specifying the scale of salaries, raises, and promotions.
2. Travel advances and other related expenses shall be paid while the employee is performing official duties and functions subject to instruction issued by the Board.

Compensation of the Board Members and the Experts

Article (20)

1. The Council of Ministers shall specify the compensation of the members of the Board of Directors based on a recommendations made by the Minister.
2. The Board of Directors shall specify the fees and compensation of experts and contractors contracted by the Authority.

Article (21)

1. The Authority shall have an independent budget.
2. The fiscal year for the Authority commences on the first of January and ends on the thirty first of December of each year.

The Financial Resources of the Authority

Article (22)

1. The financial resources of the Authority shall be comprised of the following:
 - a. The fees earned and fines imposed which the Authority collects.
 - b. The revenues the Authority receives for the use of its facilities, or the sale of its assets, and the returns of on its investments.
 - c. The financial assistance, donations, grants, and donations which it receives with the agreement of the Council of Ministers.

- d. The amounts the government designates for the Authority to cover any shortage or fall in the receivables account.
 - e. Any other sources approved by the Board of Directors.
2. Any cash surplus in excess of the needs of the Authority shall be deposited in the central registry.

Article (23)

1. Within three months of the end of the fiscal year, the Authority shall prepare a management and financial report detailing its activities during the past year. It shall attach to it the annual budget signed by the external auditor. The report and the budget shall then be submitted to the Minister of Finance for approval.
2. The Authority shall submit a copy of the management and financial report to the Legislative Council.

The Fees Article (24)

1. The Authority shall receive fees for the following services:
 - a. Fees for licensing the public offerings
 - b. Annual supervision fees imposed by the Authority on entities and activities subject to supervision.
 - c. Any other fees imposed in accordance to laws and regulations.
2. The funds of the Authority are deemed public funds to be collected in accordance with the Collection of Public Funds Law.
3. The expenditures and revenues of the Authority shall be subject to the supervision of Ministry of Finance.

Cooperation with Other Authorities Article (25)

1. The Authority shall cooperate with other public Authorities engaged in supervision and regulation of financial institutions and their operations in Palestine.
2. All persons and employees working at the ministries, public institutions and governmental organizations shall comply with the Authority's request for information necessary to carry out its duties and activities in accordance with the provisions of this Law and its regulations.

3. The Authority may be a member and to participate in the businesses of the national and international organizations dealing with the regulation of the securities markets.

Section Six
Transitional Provisions

Article (26)

1. The Authority shall set the conditions and requirements of the required licenses in accordance with this Law.
2. The current licenses shall continue to be valid until the new licensing requirements become effective.
3. All persons who obtained current licenses shall adjust their status within 90 days after the new licensing requirements become effective. The Board of Directors may extend this period for only one time.

Section Seven
General Provisions

Article (27)

The regulations prepared by the Board of Directors in accordance with this Law shall be transferred to the Council of Ministers for adoption and issuance.

Article (28)

Any provision in conflict with this Law shall be deemed repealed.

Article (29)

All concerned parties, each in its respective power, shall implement the provisions of this Law. This Law shall go into force thirty days after publication in the Official Gazette.

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Chairman of the Palestinian
National Authority