Within the Activities of the Arab Financial Inclusion Day 2022.

The Capital Market Authority issues a report on the challenges and opportunities in implementing the National Financial Inclusion Strategy, specifically concerning the non-banking financial sector.

The Capital Market Authority issued a report today, Wednesday, on the challenges and opportunities in implementing the National Financial Inclusion Strategy as part of the Arab Financial Inclusion Day activities, in response to the initiative of the Arab Monetary Fund.

The report addressed a set of challenges that faced the implementation of the National Financial Inclusion Strategy in Palestine, primarily stemming from the financial and economic policies of the occupation, especially the crises of clearance and the cessation of tax transfers by the occupation, which it collects on behalf of the Palestinian government. The first crisis occurred in 2019, followed by the second crisis at the beginning of 2020.

These two crises resulted in the interruption of salaries for public sector employees and the suspension of governmental financial transfers. The Palestinian government was unable to meet its financial obligations to private sector suppliers of goods and services, leading to a sharp decline in their basic needs and the ability to fulfill their pensionary financial commitments, particularly those related to the financial sector, such as loan repayments, insurance premiums, and monthly installments on financial leasing contracts, among other financial obligations. Consequently, this led to a significant decrease in the overall demand in the Palestinian economy due to a sharp reduction in Palestinian citizens’ per capita income levels.

The report also discussed the effects of the COVID-19 pandemic. The pandemic, which began in the first quarter of 2020, had negative impacts on all aspects of life worldwide, and the Palestinian economy was not immune to its repercussions. In fact, the Palestinian economy experienced more severe consequences due to the preexisting challenges, including the two clearance crises, and the absence or weakness of intervention tools by the Palestinian government. One of the key factors contributing to this challenge is the absence of a national currency, which limits the government’s ability to implement monetary policies, quantitative easing mechanisms, or fiscal policy tools, similar to other countries.

These factors resulted in a lack of tangible progress in financial inclusion indicators during the first four years of implementing the strategy. Conversely, it is noteworthy that the non-banking financial sectors were not significantly negatively affected by the repercussions of the COVID-19 pandemic. This was evident in the absence of a sharp and sustained decline in financial inclusion indicators. These indicators rebounded in 2021 to levels approximately to those achieved in 2019, essentially returning to pre-pandemic levels. One of the reasons for this is that most insurance policies are annual and are typically issued at the beginning of the year (for general insurance), so when the pandemic hit in March 2020, many of these policies had already been issued. The same applies to financial leasing contracts.

The report recommends conducting a comprehensive assessment of the financial inclusion landscape in Palestine in light of the achievements and implementation of the National Financial Inclusion Strategy. This assessment should also consider the recent developments in the financial sector and the use of financial and insurance technology. Furthermore, it suggests a reevaluation of the strategic objectives outlined in the Financial Inclusion Strategy and its corresponding implementation plan, with any necessary adjustments based on the evaluation results, including a reconsideration of priorities and needs.

The full report can be accessed by visiting the following link: Arab Financial Inclusion Day 2022 Reports – Capital Market Authority (pcma.ps).

The PCMA Prohibits Insiders from Trading for Seven Companies that have Failed to Disclose.

The Capital Market Authority has decided to prohibit insiders and their relatives from trading in securities on the Palestine Exchange until the disclosure of financial data for the first quarter.

Seven (7) out of forty seven (47) listed companies on the Palestine Exchange have failed to comply with the legal deadline for disclosing interim financial data for the first quarter of 2022. These companies are:

- Ahlia Insurance Group (AIG)
- Al Mashreq Insurance (MIC)
- Palestine Insurance Company (PICO)
- Dar Al-Shifa Pharmaceuticals (PHARMACARE)
- Golden Wheat Mills (GMC)
- Palaqar (PALAQAR)

- Sanad Construction Resources (SANAD)

This decision is based on Article 3/1/d of the current disclosure regulations of the Palestine Exchange, which stipulates that ‘listed companies must disclose interim data to the market by preparing a periodic report (quarterly) in accordance with International Accounting Standards within a maximum period of 45 days from the end of each three-month period, subject to external audit by the company’s external auditor.’

The PCMA Prohibits Trading for Insiders in a Number of Companies Due to Non-Compliance with Disclosure Instructions.

The Capital Market Authority has decided to prohibit insiders and their relatives from trading in securities until the annual report is disclosed, in accordance with the provisions of Article (2) of Instructions No. (1) of 2019, for four companies listed on the Palestine Exchange. These companies are: Ahlia Insurance Group (AIG), Palestine Insurance Company, Dar Al-Shifa Pharmaceuticals, and Sand Construction Resources.

This decision is based on the provisions of Article (35) of the Securities Law No. (12) of 2004.

The Capital Market Authority Launches Islamic Index Guidelines for Companies Listed on the Palestine Exchange.

The Capital Market Authority has launched special standards for the listing of shares of public shareholding companies, listed on the Palestine Exchange, that are compatible with Islamic Sharia principles. These companies will be included in a dedicated index named after the eternal capital of Palestine, called the 'Al-Quds Islamic Index.'

This initiative is in line with the objectives that the Capital Market Authority seeks to achieve, specifically within its strategic plan 2021-2025, related to developing the ecosystem for Islamic financial services in Palestine.

The standards include issuing regulatory controls to create an Islamic index based on Standard No. (21), which is related to financial transactions in securities including stocks and sukuks, issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

In the same vein, this decision provides greater capacity to meet the needs of investors seeking Sharia-compliant investment opportunities, and keeps pace with the increasing demand for ethical investment by investors in Islamic countries and beyond.

The process of reviewing and certifying the shares of the companies included in this index will be conducted annually, in conjunction with the announcement of the list of Sharia-compliant companies, and is prepared in accordance with the Palestine Exchange standard for issuing, owning and trading shares.

It is worth noting that the Higher Sharia Supervisory Board adopted the regulatory criteria for the Islamic Index guidelines for companies listed on the Palestine Exchange during their Special Meeting No. (4) of 2021.

The Capital Market Authority Organizes a Meeting on the Role of Incubators in Promoting Financial Technology.

The Capital Market Authority organized a roundtable discussion titled ‘The Role of Incubators and Business Accelerators in Promoting Financial Technology in the Non-Banking Financial Sector.’ The event included the participation of several Palestinian and Arab incubators as part of the ongoing collaboration with the German Agency for International Cooperation (GIZ).

The meeting was inaugurated by the General Director of the PCMA, Barraq Al-Nabulsi, who affirmed the PCMA’s strategy. He emphasized that the PCMA has given priority to financial technology in its five-year strategy, placing the enhancement of financial technology in the non-banking financial sector at the top of its priorities and at the forefront of its action plans.

Al-Nabulsi emphasized the PCMA’s readiness to collaborate and partner with the incubators and the business accelerators sector, aiming to establish mechanisms that regulate the relationship and contribute to the growth of this sector due to its significant impact on the national economy.

The meeting is part of the PCMA’s ongoing efforts to promote the use of financial technology in the non-banking financial sector and create a supportive legal and regulatory environment for this sector.

Karim Samra, the founder of Changelabs, emphasized that the financial technology sector is considered the largest source of capital investment in the Middle East and North Africa region. During the meeting, attention was drawn to the local Palestinian economy, startups, and entrepreneurs to seize this opportunity and invest in the financial technology sector.

By the same intimation, Dr. Bashar Abu Zarour, the Director of the Digital Financial Services and Innovation Directorate at the PCMA, presented mechanisms for creating specialized paths in financial technology within the incubators and business accelerators. He highlighted the key characteristics that distinguish technology-based innovations in the non-banking financial sector.

The participants recommended the importance of enhancing communication between regulatory authorities and business accelerators and incubators to develop a national roadmap for promoting the use of financial technology in the non-banking financial sector.

The Capital Market Authority Issues Amendments to Regulations Related to Disclosure

The Board of Directors of the Capital Market Authority issued amendments to extend the disclosure period for the financial reports of public shareholding companies listed on the Palestine Exchange, which are reviewed by the external auditor, for both the first and third quarter period from 30 days to 45 days.

The amendment came to give public shareholding companies listed on the Palestine Exchange and their auditors sufficient time to review the financial statements for the first and third quarters and issue them within the specified legal period, especially with the presence of public shareholding companies listed on the Palestine Exchange with multinational holding investment activity whose commercial activities spread in many countries and markets, regional and foreign, hence reviewing and preparing the financial statements from the external auditor for these groups requires an appropriate period of time.

The PCMA has announced new regulations related to disclosure by member companies in the Palestine Exchange. This includes requiring member companies to prepare a semi-annual report audited by an external auditor instead of relying on the company’s internal auditor.

The new regulations aim to enhance disclosure efficiency and transparency, aligning with best practices in the field of disclosure for member companies in their dealings with shareholders and clients. They seek to achieve a higher level of transparency, especially in light of ongoing efforts to formalize new licenses related to foreign exchange activities. This necessitates strict oversight within precautionary measures to ensure the stability of such activities and those engaged in them.