Annual Report 2023

Foreword by the Chairman

The year 2023 witnessed significant developments in the Palestinian national economy and the non-banking financial sectors, particularly those related to the ongoing Israeli aggression against the Palestinian people. This aggression is concentrated in the southern governorates of the homeland and aims to completely destroy the means of livelihood for the Palestinian people and push them towards migration.

These events were accompanied by a rapid response from the Palestine Capital Market Authority ('PCMA') on two main fronts: monitoring the negative impacts of the Israeli aggression on our people and our national economy with its various financial sectors, in coordination and integration with all relevant parties; and working on taking the necessary measures to protect the rights of stakeholders in the non-banking financial sectors, ensuring the continuity of the Palestinian economy. Concurrently, the PCMA continued its vision of developing the insurance, securities, financial leasing, mortgage financing, and financial technology sectors, in addition to enhancing governance in public shareholding companies.

The annual report for the year 2023 includes the financial statements of the PCMA, and its development, regulatory and supervisory efforts in the financial sectors supervised by the PCMA in extensive detail, and the report also reviews the PCMA's achievements in terms of sustainability services and non-banking financial awareness, in partnership with the local community with its economic, academic, media, and communal components.

In conclusion, I express my honor in assuming the responsibility of chairing the Board of Directors of the PCMA and my appreciation for the trust placed in me by the Palestinian Council of Ministers with this assignment. I hope that this term will bring achievements that contribute to strengthening the Palestinian national economy. I take this opportunity to thank the former Chairman of the Board, Dr. Nabil Kassis, for his efforts throughout his tenure. I also extend my sincere thanks to the members of the Board of Directors, the executive management, and the staff for their tireless and continuous efforts in achieving the PCMA's objectives and enforcing the law. Additionally, I thank all the Arab, regional, and international institutions partnering with the PCMA, in a manner that supports the steadfastness of the Palestinian people on their land and contributes to the process of sustainable development in the State of Palestine.

Chairman of the Board of Directors

Ammar Aker

Preamble

Preamble > Vision, Mission and Goals

Preface

The Palestine Capital Market Authority is a public institution endowed with legal personality, financial and administrative independence, and legal capacity, based on Article 2 of the Capital Market Authority Law No. 13 of 2004.

The PCMA aims to create a suitable environment to achieve the stability and growth of the capital market through the regulation, development, supervision, and oversight of non-banking financial sector activities (securities, insurance, financial leasing, mortgage financing, as well as Islamic financial products and services). The PCMA also works on regulating financial technology to protect the rights of participants and investors.

Vision

An effective supervisory body that works to improve the capital market in Palestine and protect the interests of its dealers.

Mission

Regulating, supervising, and controlling the performance of the securities, insurance, mortgage, financial leasing, and factoring sectors in Palestine, and developing them in order to achieve the principles of transparency, justice, and integrity, in accordance with international best practices.

Strategic Objectives:

1. Promote the use of financial technology in the non-banking financial sector and provide an enabling environment for it.
2. Promoting Sharia-compliant financing services and instruments.
3. Sustainability of the financial sectors under the supervision of the PCMA and enhancing their stability.

Capital Market Sectors

Capital Market Sectors > Securities Sector

Capital Market Sectors > Securities Sector > Introducing the Sector

The Israeli aggression on the Gaza Strip at the beginning of the third quarter of 2023 cast a shadow on the performance of the Palestine Exchange ('Exchange'), as during the year 2023, approximately 331 million US dollars were traded, a decrease of 30% from the trading values for the year 2022, and the number of shares traded this year decreased by 34%, reaching approximately 159.8 million shares, through approximately 27 thousand transactions. A decrease of 22% from the number of transactions executed during the year 2022, and the daily average of trading reached about US dollars 1.3 million, distributed over 244 trading sessions, while the market value of the stock exchange at the end of 2023 reached about US dollars 4.63 billion, a decrease of 5% from 2022.

As for the movement of the Jerusalem index, the index closed at the end of 2023 at 588.65 points compared to 639.71 points at the close of 2022, thus constituting a decrease of 8%.

Capital Market Sectors > Securities Sector > Major Developments of 2023

1. **Legislative Environment:**

- The Council of Ministers ratified the Regulation on Dealing with Foreign Stock Exchanges by Securities Companies No. (17) of 2023.
- The PCMA's Board of Directors issued instructions for Transforming the Legal Form of Public Shareholding Companies Listed on the Exchange No. (3) of 2023.
- The PCMA's Board of Directors issued Instructions No. (2) of 2023 on the Company's Purchase and Disposition of its Shares.
- The PCMA's Board of Directors approved the directive to separate the Deposit and Transfer Center from the Palestine Exchange, including the technical, administrative, financial and information systems aspects, in accordance with the provisions of the Securities Law No. (12) of 2004.

2. **Measures Taken by the PCMA with the Aim of Mitigating the Impact of the Aggression on the Market:**

With the beginning of the Israeli aggression on 7/10/2023, the PCMA at the level of the securities sector took a series of measures to preserve shareholders' rights, the most prominent of which were:

    - The request to lift the trading restriction on all insiders, based on Instructions No. (1) of 2019 regarding dealing in securities, in response to the needs of listed companies to support the stability of their securities, and to monitor market conditions and transactions on the stock exchange. This is with the exception of any measures related to directives from supervisory regulatory authorities, sovereign bodies, or instructions from Palestinian courts and the Public Prosecution, starting from Sunday, October 15, 2023.
    - The request to approve the Palestine Electricity Company's application to suspend trading of its securities starting from the trading session on Tuesday, October 10, 2023, while maintaining the execution of transfers through the Deposit and Transfer Center.
    - Request the listed companies that have headquarters, branches, or offices in the Gaza Strip to disclose through the Electronic Disclosure System (IFSAH) the nature of the damages they are exposed to as a result of the aggression on the Gaza Strip, the size of these damages, and their expected impact on business results and financial positions.
    - The circular regarding the temporary regulation of the mechanisms for companies to purchase their shares directly on 29/10/2023, which allowed listed public shareholding companies to purchase their shares without requiring the extraordinary general assembly's convening and approval, and for a period of three months, so that a company only must submit a request to the PCMA to obtain its approval after verifying compliance with the legal requirements in accordance with the provisions of Law by Decree No. (42) of 2021 regarding companies, and instructions for companies to purchase and dispose of their shares No. (2) of 2023 issued by the PCMA.
    - Extending the disclosure period for the third quarter for an additional 30 days, so that the disclosure deadline is 17/12/2023 instead of 15/11/2023.

3. **Services Provided to the Sector:**

- Approving the nominations of board members and the appointments of professionals in member securities companies.
- Renewal of licenses for 10 member securities companies to conduct financial brokerage for their own account and

on behalf of others, and to manage issuances. Additionally, renewal of licenses for 28 certified brokers, 6 financial advisors, and 5 banks to operate as custodians, as well as the renewal of the Palestine Exchange's license and other legal entities to engage in investment advisory and issuance management activities.

- Addressing two written complaints and taking the necessary legal measures to protect the rights of market participants.
- Approve the following issuances:

Company	Type	Number of Shares
1. Palestine Islamic Bank	Share Dividends	10,000,000
2. Bank of Palestine	Share Dividends	6,718,757
3. Arab Islamic Bank	Share Dividends	4,900,000
4. Trust International Insurance	Share Dividends	1,500,000
5. Al-Aqariya Trading Investment	Share Dividends	242,595
6. Tamkeen Palestinian Insurance	Share Dividends	480,000
7. Arab Investors Co.	Share Dividends	547,672
8. Arab Palestinian Investment Company	Share Dividends	5,000,000
9. Takaful Palestinian Insurance	Share Dividends	1,000,000
10. Mashreq Insurance	Share Dividends	1,000,000
11. Arabian Hotels Company	Private Placement	3,796,495

4. **Disclosure:**

- The following table shows the extent of the listed companies' commitment to disclose periodic reports during the year 2023:

Periodic Reports	Deadline for Disclosure of Periodic Reports	Listed Companies	Committed Companies	Percentage of Commitment
Interim Financial Statements for the year 2022	15/2/2023	47	47	100%
Annual Reports 2022	31/3/2023	47	45	96%
First Quarter Financial Statements 2023	15/5/2023	39*	37	95%
Semi-Annual Reports 2023	15/8/2023	49	42	86%
Third Quarter Financial Statements 2023	17/12/2023	49	46	94%

* The number of companies committed to disclosure during the first quarter and the first half of 2023 decreased due to the granting of listed insurance companies an additional period for disclosure until 31/7/2023, in order to review their data based on Standard (17), based on the PCMA's Board of Directors Resolution No. (8/2023) in its meeting No. (2/2023) held on 12/4/2023, and as a non-extendable deadline.

5. **Regional and International Cooperation:**

- Membership of the working Committee emanating from the Union of Arab Securities Authorities, which is concerned with preparing a pilot study on best practices in the field of combating money laundering and terrorist financing within the Arab financial markets.
- Membership of the working Committee emanating from the Union of Arab Securities Authorities, which is concerned with preparing a pilot study on the principles of sustainability in the Arab financial markets.
- Participating actively in the World Investor Week for the sixth consecutive year and implementing specialized

awareness programs focused on important topics related to the basics of investment in general, most notably: sustainable financing, the risks of investing in crypto currencies.

Sector Statistics 2023

Number of Traders in Listed Shares (Trader)	69,572
Number of Accounts Opened (Including Active and Dormant Accounts)	121,492
Number of Companies Listed on the Palestine Exchange	49
Number of Brokerage Companies (Licensed Securities Firms)	10
Value of Traded Shares (Million US Dollars) (Excluding Transfers Outside the Trading Hall)	317.7
Number of Shares Traded (Million Shares)	154.1
Number of Trades	27,185
Number of Trading Sessions	244
Market Cap (Million US Dollars)	4,625.1
Daily Average Value of Shares Traded (Million US Dollars)	1.3
Market Value as a Percentage of GDP (at Current Prices)	24.20%

Capital Market Sectors > Insurance Sector > Introducing the Sector

The insurance sector is considered an important pillar of the Palestinian economy because it plays a significant role in the development of the local economy and strengthens the bonds of economic and social stability and progress. Through the relationship between the insurer and the insured, insurance performs a social role by providing security and is a manifestation of cooperation and solidarity. Additionally, it plays a role in economic life as a means of credit and an effective way to gather the capital necessary for the economy, making it an element of production that leads to revitalizing and supporting the national economy.

In recent years, the insurance sector in Palestine has witnessed noticeable development in terms of doubling the size of the insurance portfolio and the level, nature, and quality of insurance services provided by insurance companies to the public.

The Most Prominent Statistics and Results in the Insurance Market

The Palestinian insurance market achieved insurance premiums worth $395 million in 2023, compared to $396 million in 2022, showing a decrease of less than 1%. Meanwhile, the total compensations paid to beneficiaries of insurance coverage increased from $255.8 million in 2022 to $257.7 million in 2023, reflecting a growth rate of 1%.

Insurance companies achieved net profits of $7.15 million in 2023, compared to $21.7 million in 2022, marking a 67% decrease in net profits from 2022. This decline is significantly attributed to the transition of insurance companies to applying the International Financial Reporting Standard No. 17 (IFRS-17) on the 2023 financial statements, the decrease in the market value of financial investments, and the repercussions of the war on Gaza and the continuous Israeli aggression on the Palestinian people.

The insurance penetration rate, defined as the ratio of total insurance premiums to the gross domestic product (GDP) at current prices, reached approximately 2.27% by the end of 2023, compared to around 2.07% at the end of 2022. Moreover, insurance density, or the per capita share of the total insurance portfolio, decreased to about $71.22 at the end of 2023, compared to $73.08 in 2022.

Year	Total Premiums (Million US Dollars)	Population (Million)	Gross Domestic Product (Billion US Dollars)	Per Capita Expenditure on Insurance (in US Dollars)	Insurance Ratio in GDP (%)
2019	302,509,068	4.7	17.134	60	1.77
2020	303,244,103	4.8	15.561	58.72	1.95
2021	363,019,897	5.2	18.036	64.55	1.89
2022	396,012,710	5.4	19.112	73.08	2.07
2023	395,179,493	5.5	17.396*	71.22	2.27

- **According to Estimated Data Issued by the Palestinian Central Bureau of Statistics.**

Categories and Branches	2021	2022	Rate of Development (%) 2021/2022	2023	Rate of Development (%) 2022/2023

Vehicle Insurance	250,481,204	274,437,047	9.6	267,662,970	-2
Labor Insurance	27,630,301	30,231,348	9.4	29,906,210	-1
Health Insurance	38,009,154	40,806,747	7.4	43,474,831	7
Civil Liability Insurance	4,980,362	5,170,864	3.8	5,687,457	10
Other Insurance	7,040,572	8,452,926	20.1	8,342,054	-1
Fire Insurance	18,535,124	18,579,776	0.2	20,684,044	11
Marine Insurance	1,858,807	1,938,222	4.3	1,955,017	1
Engineering Insurance	7,377,363	7,764,396	5.2	8,390,394	8
Life Insurance	7,107,010	8,631,384	21.4	8,468,182	-2
Agricultural Insurance	0	0	0	608,335	1
Total Premiums	363,019,897	396,012,710	9.1	395,179,493	0

Years	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Premiums	255,421,729	279,370,598	302,509,068	303,244,103	363,019,897	396,012,710	395,179,493
Compensation Paid	144,320,228	166,307,996	182,660,629	179,630,303	227,977,187	255,872,881	257,690,889

Losses and Damages Sustained or Expected by the Insurance Sector Due to the War on Gaza:

The Palestinian insurance sector, like other economic sectors, faces numerous challenges due to the ongoing Israeli aggression on Gaza, the complete disruption of economic life in Gaza, and the significant impact on economic activity in the West Bank and Jerusalem due to repeated incursions into the West Bank, the policy of closures between West Bank governorates, the dismissal of over 90% of Palestinian workers inside the 1948 territories and settlements, and the prevention of Palestinians from the 1948 territories from visiting and shopping in West Bank cities. This is in addition to the Israeli occupation's continuous deduction of parts of tax revenues entitlements (Makasa/clearance) in recent periods which has exceeded 6 billion shekels, the latest of which included the portion related to the salaries of Gaza Strip employees. This has limited the government's ability to fulfill its financial obligations to the public and private sectors. This situation is further exacerbated by the sharp decline in external aid, leading to economic contraction. The GDP in the West Bank fell by 19% in the fourth quarter of 2023 compared to the same quarter in 2022. The insurance sector was not spared from these impacts, as total vehicle insurance premiums declined by approximately 21% in the fourth quarter of 2023 compared to the same quarter in 2022. This had the most significant impact on the overall insurance portfolio for 2023.

The aforementioned factors also led to an increase in the value of returned cheques, with a notable rise in December 2023 to $276.4 million, up from $97.7 million in the previous September. This significantly affects the liquidity of insurance companies due to the deferred payment of insurance premiums.

The war also affected navigation in the Red Sea, leading to a sharp increase in the prices of marine cargo insurance contracts due to the imposition of fees to cover risks associated with conflicts and the significant increase in shipping costs resulting from taking longer alternative routes.

Capital Market Sectors > Insurance Sector > Major Developments of 2023

1. The draft insurance law was presented to the Council of Ministers for the first reading, and several comments were received from ministries, government institutions, the Palestinian Federation of Insurance Companies, and the Palestinian Road Accident Victims Compensation Fund. Some of these comments were adopted, and the reasons for not adopting others were clarified. Follow-up with the Council of Ministers will continue to complete the process of issuing and passing the law according to the applicable procedures.
2. The initiation of a survey study on the insurance sector in Palestine, focusing on market analysis and the potential environment, in collaboration with the Palestine Economic Policy Research Institute (MAS).
3. Completion of the actuarial study for pricing vehicle insurance based on risks. The study included determining the base price for compulsory insurance, third-party insurance, and supplementary/comprehensive insurance, as well as identifying the risk factors that affect the insurance price. The study also took into account the profit margin, distributed expenses, and any other privileges that grant discounts to the insured. The pricing formula was programmed into a calculator and made available on the PCMA's website for public use and feedback from citizens on the project.
4. Completion of the development and approval of a risk-based supervision methodology and its implementation. The methodology adopted the Insurance Core Principles (ICPs) issued by the International Association of Insurance Supervisors (IAIS) as a foundation. These principles were modified to align with the laws and regulations issued by the Palestine Capital Market Authority and to suit the nature of the Palestinian insurance sector.
5. Preparation of a risk assessment guide for the crimes of money laundering and terrorist financing in the insurance sector based on a risk-based approach.
6. Completion of cooperation memorandums with the Palestinian Ministry of Labor regarding the application of the provisions of the Insurance Law concerning notifying the Ministry and the insured entity. This includes the possibility of electronic linkage between insurance companies and the Ministry in relation to workmen's compensation insurance, work injuries, and exceptions to the unified workers' insurance policy issued under Insurance Law No. (20) of 2005. It also emphasizes the commitment of insurance companies not to refuse to provide coverage for cases covered by law.
7. Throughout 2023, the Insurance Companies Control Department continued to review financial statements and actuarial reports, update risk records, and issue solvency certificates to insurance companies. Reviewing quarterly, semi-annual, and annual financial statements of insurance companies helps achieve several objectives in the work environment, including granting the PCMA's no-objection to publishing these statements and conducting financial and technical analysis of insurance companies. This ensures the companies' ability to meet their obligations by reviewing the solvency margin (capital adequacy) and issuing solvency certificates. Additionally, the periodic statistical database for the insurance sector was issued, and the risk-based supervision methodology was developed. This year saw a significant shift in how financial data is presented by applying IFRS 17, the international standard for financial reporting. This aims to unify the presentation of financial statements for insurance companies globally. Palestinian insurance companies applied this international standard to the end of year financial statements as of 31/12/2023, complying with the circulars and directives issued by the PCMA despite the severe conditions related to the unfortunate war's aftermath in the Gaza Strip since October 7. This war caused a financial crisis, significant economic recession, and damage to various sectors, severely weakening purchasing power. The crisis of withheld Makasa clearance revenues and its negative impact persisted, with some insurance companies suffering partial or total destruction of buildings and properties for companies with branches in Gaza. They also faced monthly premium losses, potential future cash flow impacts due to possible bad debts, salary losses, and the potential loss of documents related to claims and issued insurance policies. Notably, Gaza's production only constitutes 2% of the total insurance portfolio in Palestine.
8. Part of the annual plan for field visits to the headquarters and branches of insurance companies was

implemented, with 64 supervisory tours conducted in 2023. These tours focused on monitoring the compliance of insurance companies and insurance professionals with the provisions of the Insurance Law and the related secondary legislation.

9. In terms of handling complaints received by the PCMA, the Complaints Department dealt with 87 complaints submitted to the Insurance Directorate in 2023. Of these, 73 were processed and closed, while 14 complaints remained incomplete due to missing documents and could not be considered.
10. Regarding the renewal of licenses for insurance companies and other insurance professionals, all licensed insurance companies had their licenses renewed for 2023 by the PCMA. Additionally, licenses for insurance professionals registered with the Insurance Directorate were also renewed. Licenses for those who no longer met the licensing requirements were canceled.

Services Provided to the Sector: "Issuing, renewing, and canceling licenses for insurance companies, agents, and insurance professionals":

In 2023, licenses were issued for 2 insurance companies[1], 4 individual insurance agents, 5 corporate insurance agents, 2 individual and corporate insurance brokers, 2 individual and corporate reinsurance brokers, 1 insurance services management, 1 actuarial insurance expert,

[1] The Board of Directors of the PCMA approved the issuance of a license to the first company in 2022, and the licensing procedures and issuance of the license were completed in 2023. Meanwhile, the Board of Directors approved the issuance of a license to the second company in 2023, and the licensing procedures and issuance of the license were also completed in 2023.

Capital Market Sectors > Financial Leasing Sector > Introducing the Sector

The PCMA continues its supervision and oversight of the financial leasing sector in accordance with the regulatory framework governing this sector, ensuring the compliance of entities subject to the PCMA's supervision in accordance with Law No. (6) of 2014 regarding financial leasing and the regulations issued pursuant thereto. Within its successive goals and strategies, the PCMA continuously seeks to review and update legislative, regulatory, and supervisory frameworks to enhance capital growth and stability, aligning with market developments. Moreover, arranging and regulating relationships with relevant entities and raising awareness in the sectors under its supervision are fundamental and important matters that the PCMA focuses on in the context of achieving its objectives.

The financial leasing activity is characterized by flexibility in terms of offering both finance lease products with a purchase option and lease-to-own products. Companies operating in Palestine offer both of these products. Financial leasing companies can also adapt the repayment method in lease contracts to suit the nature of income derived from the leased asset, which is why they are called silent partners. This flexibility and diversity in financial leasing products provide a distinct competitive advantage compared to other financing instruments.

Capital Market Sectors > Financial Leasing Sector > Major Developments of 2023

As of the end of 2023, the number of licensed financial leasing companies by the PCMA reached eight companies. Additionally, one company is working to rectify its situation to complete the renewal of its license, while a new independent company has applied to engage in Islamic Sharia-compliant leasing activity, with its application currently under review. The licensed companies are:

_	Company	Conventional or Sharia-compliant Financial Leasing
1	Palestinian Leasing & Leasing Company – Palis	Conventional Financial Leasing
2	Palestine Leasing Company	Sharia-compliant Financial Leasing
3	Ritz Leasing Company	Conventional Financial Leasing
4	Lease For You Company	Conventional Financial Leasing
5	Lease & Go	Conventional Financial Leasing
6	Gedico Leasing Company	Conventional Financial Leasing
7	Integrated Leasing Company	Conventional Financial Leasing
8	Arabian Leasing Co.	Conventional Financial Leasing

The PCMA issued Instructions No. (1) of 2023 amending Instructions No. (1) of 2016 regarding the licensing of financial leasing companies on April 12, 2023. The aim of issuing these instructions is to implement the provisions of Law No. (6) of 2014 regarding financial leasing, stipulating that the primary activity of financial leasing companies is to engage in leasing activities. Therefore, the instructions prohibit financial leasing companies from owning real estate except to the extent necessary for their operations, except for real estate subject to leasing contracts. The same applies regarding ownership of securities or participation in other companies, where it should serve the company's purposes in conducting its primary activity.

New regulatory financial standards have been introduced to regulate the relationship between loans obtained by companies and the leasing portfolio of the company. The balance of loans from various financing entities should not exceed 120% of the net investment balance in financial leasing. This introduces a new approach to risk-based capital, where companies, to stay within this ratio, must increase their capital. Additionally, there is a financial index related to loans and financing granted by companies to other parties, unrelated to leasing contracts, which should not exceed 5% of the paid capital of the financial leasing company. The financial leasing company must have employed the required capital under the instructions in financial leasing activity fully before that.

The instructions grant companies a one-year period to rectify their situations, with the possibility of extending the period for an additional year with the administration’s approval.

The consulting company has completed the legal study of the regulations in the financial leasing sector. Several meetings were held with the PCMA and financial leasing companies to present the topics researched, the research methodology used in the study, the conclusions drawn, and the recommendations made.

The study reviewed the legal framework governing the sector, compared international experiences, examined sub-leasing, the registration of immovable properties leased financially, Sharia-compliant financial leasing activities, financial leasing in banks, the impact of current legislation on financial leasing activities, and the registration of financial leasing contracts with the PCMA. Additionally, it provided proposals for amendments to existing legislation and suggestions for drafts of additional legislation.

The PCMA will review and approve these proposals to achieve the goal of completing the regulatory framework for the financial leasing sector and to continue developing this sector.

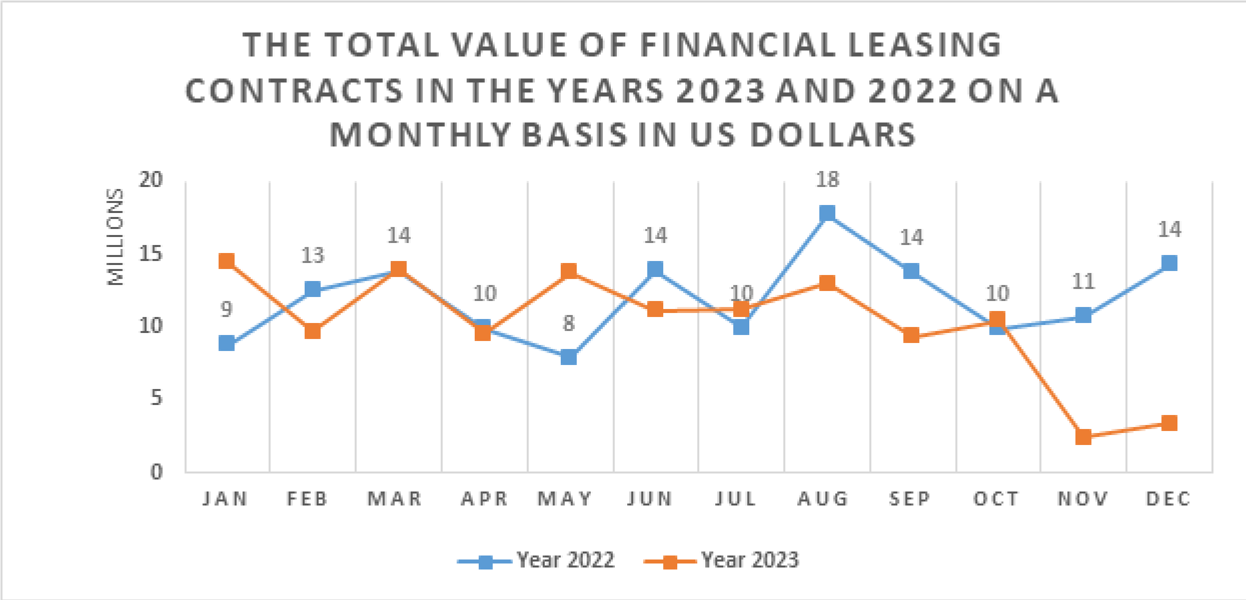
Aggression on the Gaza Strip:

All economic sectors were affected, both directly and indirectly, by the aggressive assault on the Gaza Strip. The impact on the financial leasing sector was indirect, as financing is concentrated in the northern governorates rather than the southern ones. This is due to the non-implementation of the financial leasing law by decree in the southern governorates as a result of the division. Financial leasing companies are facing difficulties in collecting due payments from lessees. This is due to the loss of employment for workers inside the green line immediately after the assault began, the salary crisis affecting public sector employees, and the loss of jobs for private sector employees due to the general economic downturn, as well as the financial crises faced by small and medium-sized enterprises.

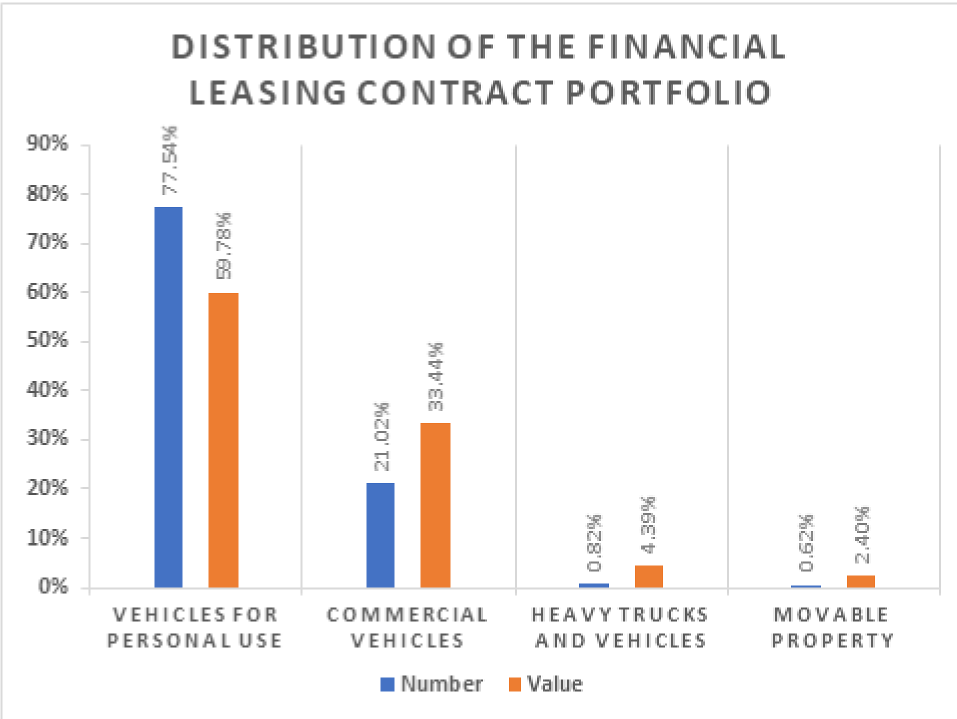
Regarding new financings, the demand for financing from individuals and companies has decreased due to the prevailing general atmosphere and the state of uncertainty in the country, which has negatively impacted various economic indicators such as consumption and investment. Financial leasing companies have become more cautious in their lending operations for two reasons: The decrease in funding sources for financial leasing companies, which are predominantly banks. Banks have become more conservative given the current political and economic conditions in the country, and concerns about the ability of new lessees to make payments, leading to potential defaults under the prevailing circumstances.

Sector Statistics

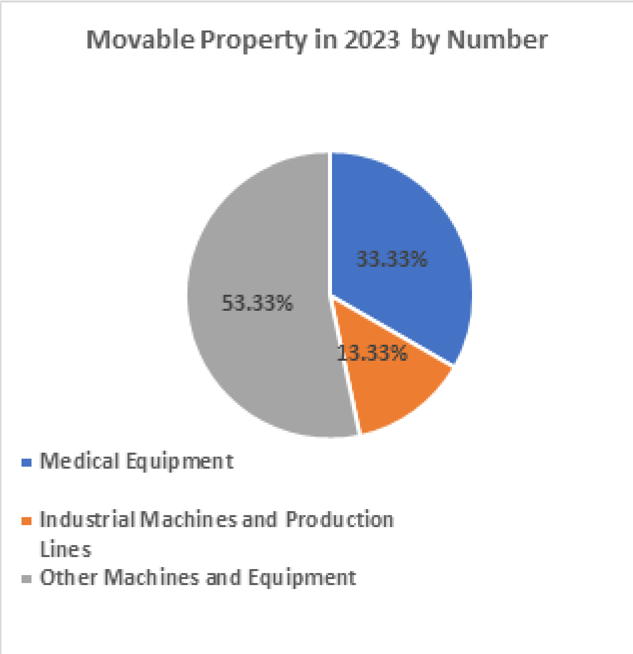
The total investment in financial leasing contracts registered with the PCMA at the end of the year amounted to approximately 122 million US dollars, with 2431 contracts. The statistics for 2023 represent a decrease in the value of contracts by 14.5% compared to 2022, and by 13% in terms of the number of contracts. This decrease is due to the repercussions of the aggression on the Gaza Strip. This has negatively affected the business of financial leasing companies operating in this sector. The graphs show the monthly growth in financial leasing contracts in value and number between 2022 and 2023.

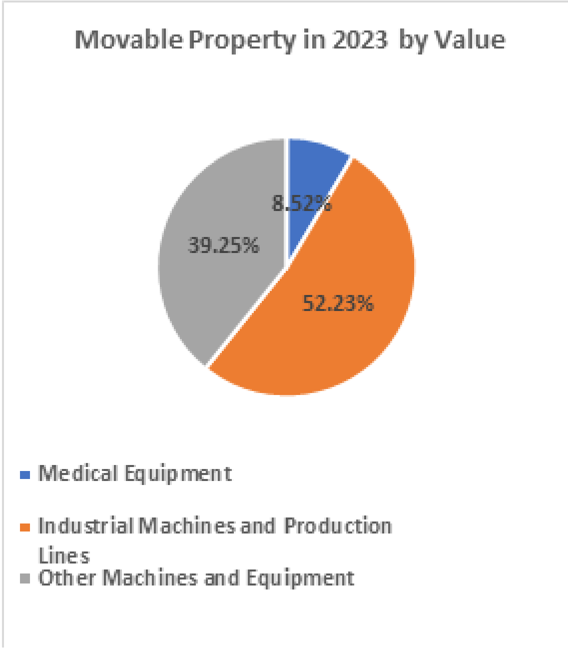


As for the distribution of the financial leasing contract portfolio in 2023, according to the type of assets and the purpose of use, we believe that vehicles for personal use are the most financed assets, as the value of contracts reached (59.78%) of the total value of contracts, and (77.54%) of the number of contracts.

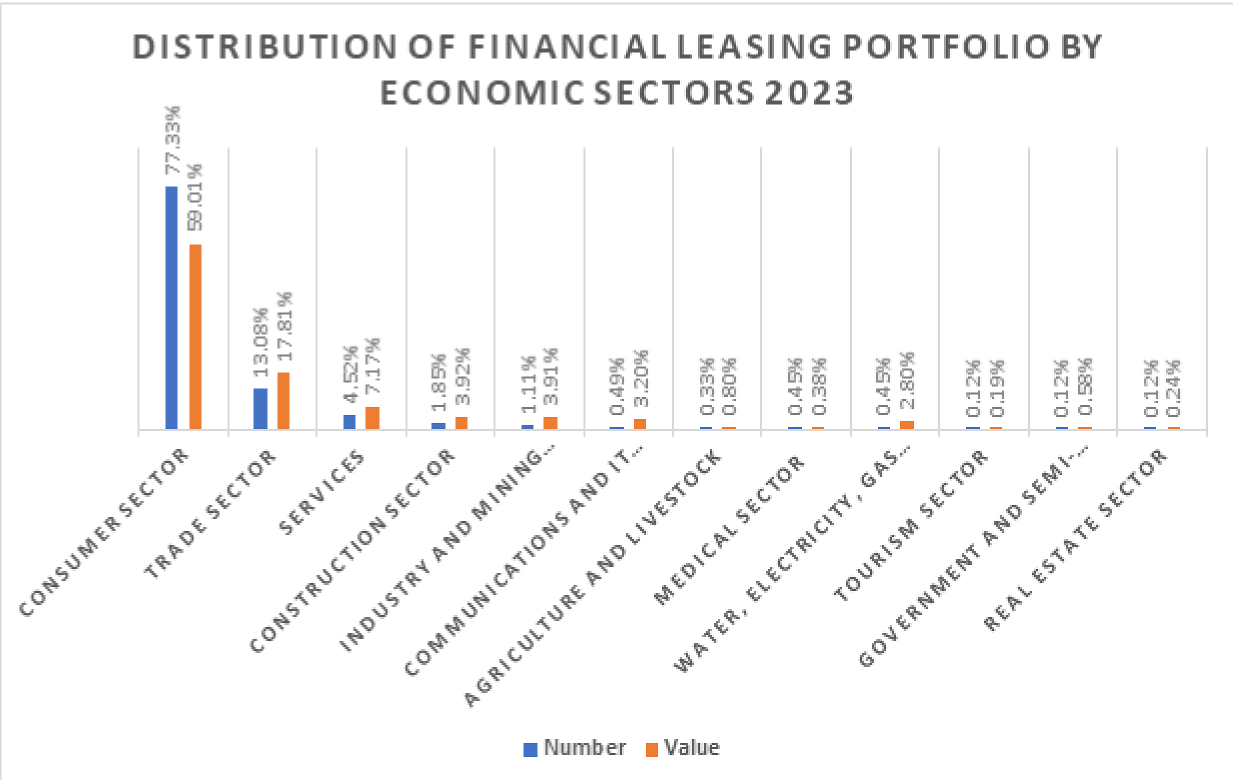


We also provide you with a graph below that reflects the distribution of the category of movable assets - movable property (machinery, equipment, production lines - etc.) in terms of the type of assets value and number, which constituted 2.40% of the value of contracts and 0.62% of the number of registered contracts, as the reclassification of financial leasing contracts on the PCMA's electronic system enabled us to classify these assets according to their type, and to know the share of each of them in the movable property portfolio, as follows:

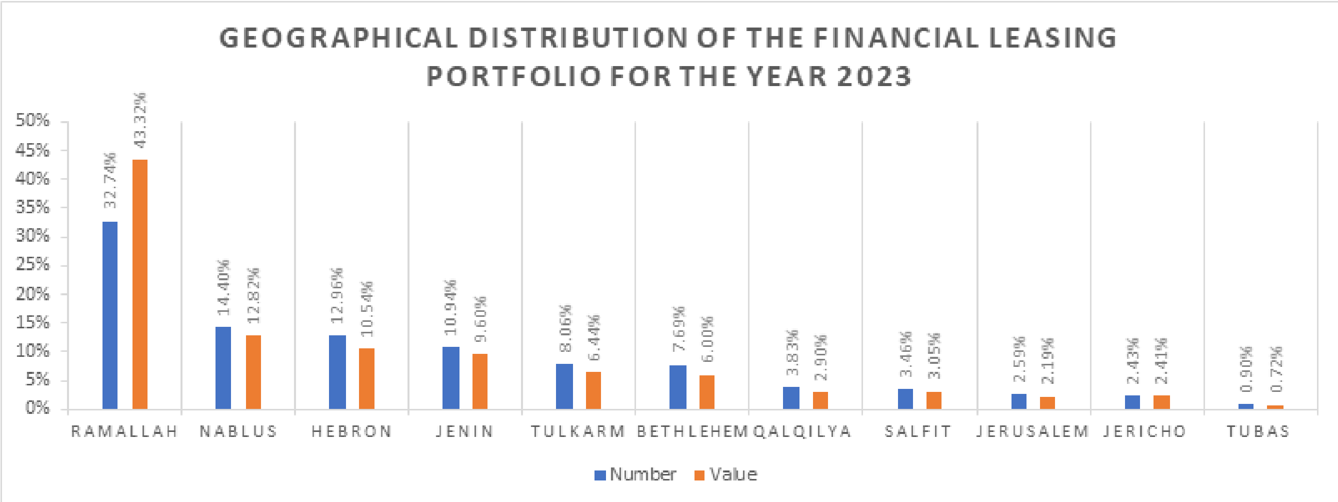




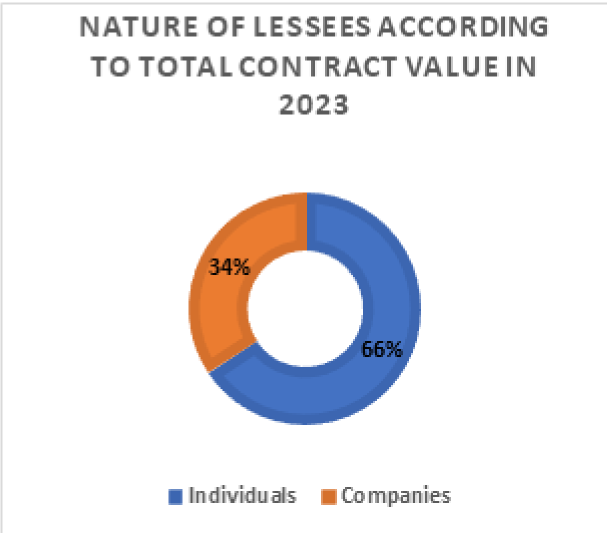
As for the share of each economic sector of financial leasing, the graph shows the share of each sector of contracts in value and number. We believe that the consumer sector is the most benefited sector, as the percentage of the value of contracts reached (59.01%) of the total value of contracts, and (77.33%) of the number of contracts, and these contracts represent financing vehicles for personal use, and this is compatible with the economic pattern in which we live, as it is an economy based on consumption.



With regard to the geographical distribution of the contract portfolio, Ramallah and Al-Bireh governorate accounts for the largest share of the portfolio with 43% in terms of value, and 32% in terms of numbers, followed by Nablus governorate and Hebron governorate. This distribution is compatible with the structure of the economy and the concentration of business in the governorates.



In terms of the nature of lessees, whether as an individual or a company, the percentage of individual lessees reached 66% of the value of the contracts, and 86% of the numbers, as shown in the following graphs:



Capital Market Sectors > Financial Leasing Sector > Factoring

Factoring is a type of financing, which is a means to obtain short-term funding to increase cash flows. It involves the factor purchasing the current and future financial rights of the debtor, arising from the sale of goods or the provision of services, at a value less than their actual worth, in order to provide cash liquidity.

Factoring is considered one of the financial solutions for small and medium-sized enterprises (SMEs), as these companies often face challenges accessing financing sources, which are the lifeblood for this type of business. Factoring contributes by providing liquidity to these companies, aiding in their growth and increasing their role in the economy.

The PCMA, in collaboration with the European Bank for Reconstruction and Development, has drafted a factoring law project. This draft is in line with local laws, aligns with international best practices, and is implementable. Experiences of neighboring countries in this regard, specifically the United Arab Emirates, Jordan, and Egypt, have been reviewed.

Regarding actual activities, currently, there is one company practicing factoring in Palestine. The company has obtained a no-objection certificate from the PCMA to engage in this activity. It will be formally licensed upon the issuance of the law and its accompanying regulations.

Capital Market Sectors > Mortgage Finance Sector > Introducing the Sector

Based on the Capital Market Authority Law No. (13) of 2004, the PCMA undertakes the supervision and oversight of the mortgage financing sector. This stems from its primary goal of creating a suitable environment to achieve capital stability and growth while protecting investors' rights. This is accomplished by establishing the legislative framework governing the mortgage financing sector, which includes real estate appraisers.

Banks dominate the primary market (direct lending to citizens) in the mortgage financing sector due to the high liquidity of the Palestinian banking sector, the low cost of deposits (the main source of bank financing), and their widespread branch network. This poses a challenge for mortgage financing companies in competing and operating within the direct (primary) market of the mortgage financing sector.

As for the secondary market (the refinancing of loan portfolios granted by banks to citizens) in the mortgage financing sector, the Palestine Mortgage and Housing Corporation continues to operate through its financial arm, the Palestinian Mortgage Finance Company. This company has significantly contributed to the expansion and growth of the mortgage financing market by refinancing the mortgage loan portfolios of banks. However, due to the availability of liquidity in banks, the provision of financing facilities, and the increase in informal activity in real estate financing, the activity in the secondary market represented by the Palestine Mortgage and Housing Corporation for refinancing mortgage loans has declined.

Capital Market Sectors > Mortgage Finance Sector > Major Developments of 2023

Since its inception, the PCMA has sought the growth and development of the real estate sector and has worked with all relevant authorities from the Land Authority to the Ministry of Housing, to the Ministry of Local Government, to the General Administration of Property Tax, to the Council of Ministers, … and others, and was proactive in submitting proposals and preparing relevant working papers.

Through its original role in developing the mortgage financing sector, the PCMA cooperates with the relevant authorities in the sector, where the PCMA submitted legal and technical observations on the draft legislation prepared by the Ministry of Public Works and Housing to regulate the work of real estate developers and discussed it with the Ministry, and presented the PCMA's vision on the most appropriate legal regulation to regulate the work of real estate developers, in addition to participating in the activities of the Arab Housing Day entitled "Humanizing the space strengthens resilience."

Aggression on the Gaza Strip:

The aggression on the Gaza Strip has a significant impact on the real estate sector after the destruction and bombing of homes and facilities. Regarding mortgage refinancing, there are no refinancing loans in the Gaza Strip. As for real estate appraisers, their work has stopped altogether.

Sector Statistics:

In the mortgage financing sector, two companies operate: the Palestine Mortgage and Housing Corporation and the Palestinian Mortgage Finance Company. The Palestinian Mortgage Finance Company offers a loan refinancing program to banks. As of the end of 2023, the portfolio amounted to approximately two million dollars. However, it's important to note the lack of demand for the company's services due to the aforementioned challenges.

Governorate	Number	Ratio
Ramallah and Al-Bireh	21	31%
Hebron	7	10%
Bethlehem	9	13%
Jenin	7	10%
Qalqilya	3	4%
Tulkarm	9	13%
Nablus	3	4%
Gaza Strip	6	9%
Jerusalem and Jerusalem Governorate	2	3%
Salfit	1	1.5%
Tubas	1	1.5%

Today, 69 real estate appraisers work in the real estate appraisal sector for the purposes of mortgage financing, distributed over all governorates, and these real estate appraisers are training 31 trainees who will be licensed upon completion of their training period, and the geographical distribution of appraisers to the governorates is as follows:

Capital Market Sectors > Digital Finance and Innovation Services > Introducing the Sector

As part of its five-year strategy for 2021-2025, the PCMA has worked on enhancing the role of financial technology (fintech) in the non-banking financial sector under its supervision. This involves opening opportunities for financial service providers, including innovators and entrepreneurs, to offer fintech solutions.

In this context, the Digital Financial Services and Innovation Directorate has operated according to the PCMA's policy aimed at utilizing modern regulatory and supervisory methods imposed by financial technology. These methods consider the non-conventional nature of fintech and align with international best practices and recommended guidelines for regulatory bodies. The aim is to create an encouraging and innovation-friendly environment for fintech-based solutions, with regulations and conditions primarily focusing on protecting users' rights, maintaining financial stability, expanding non-banking financial sectors horizontally, reducing the costs of financial services and products, and promoting small projects and increasing financial inclusion.

The Impact of the Recent Aggression on the Activities of the Administration

The PCMA and the sectors under its supervision were not immune to these effects. The various impacts of the war affected their operations and the activities of different departments, including the Digital Financial Services and Innovation Directorate.

At the management level, several activities of the Directorate were postponed, such as the development of the "Ebtaker" platform. Additionally, no requests were received through the "Ebtaker" platform during the recent war on the Gaza Strip. Activities outlined in the executive plan for the national financial inclusion strategy were put on hold.

Moreover, there were delays in implementing many granted permissions for routine activities, such as the launch of the "iMashreq" platform by Al Mashreq Company. This was supposed to be a significant event to introduce the platform and kickstart its operations, offering comprehensive insurance sales services through an electronic platform.

Furthermore, some innovations faced difficulties in concluding agreements with related non-banking financial sectors. These sectors did not see the appropriate timing for investing in or dealing with these innovations or benefiting from them.

Capital Market Sectors > Digital Finance and Innovation Services > Major Developments of 2023

- **Granting No Objection Letters**

In 2023, the PCMA continued its efforts to promote financial technology (fintech) for the non-banking financial sectors under its supervision. This was achieved through issuing "no-objection letters," allowing innovators to operate in a live environment while retaining the PCMA's full right to revoke the no-objection at any time if the conditions granted under it were violated.

Moreover, the PCMA provided individual guidance to each innovator of non-banking digital financial services regarding their innovation, while taking all precautions to ensure no harm to consumers during the trial examination period of the product or solution. Additionally, necessary measures were taken to combat money laundering and terrorist financing.

In this context, Middle East Initiative/ Tamweeli obtained a "no-objection letter" for the first time on December 1, 2021, to work on providing a service that connects citizens with insurance service providers and offers awareness about insurance services. Tamweeli's platform allows individuals and companies, especially those marginalized or financially excluded, to access insurance services online without the need to visit insurance company branches to obtain insurance quotes.

Additionally, a no-objection letter was granted for the provision of vehicle pricing service through the website "Pal Blue Book." This service enables the pricing of used vehicles in Palestine using artificial intelligence, taking into account the condition, age of the vehicle, and market supply and demand. Thus, it provides indicative prices that insurance companies and leasing companies can use within their operations if they wish. Furthermore, an extension of the no-objection letter was granted for the application "Verify ID" provided by Yafa Networks and Computer Systems Company "Yafa Net."

- **Regulatory Sandbox**

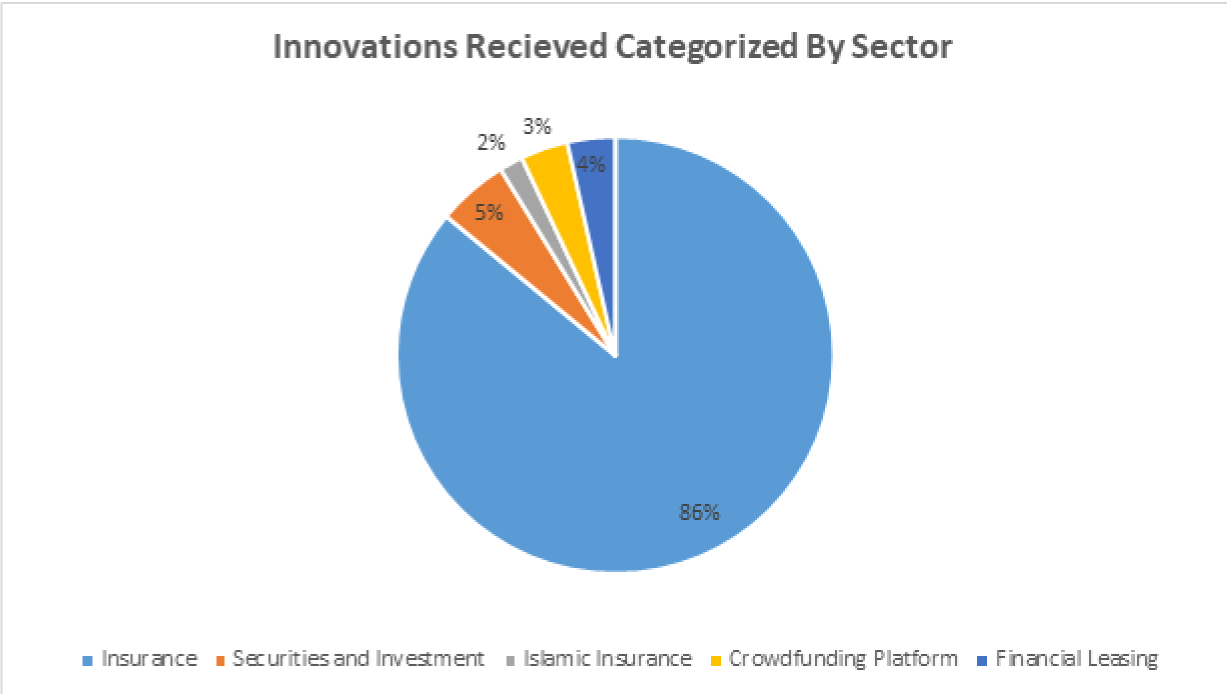
The PCMA aims to harness financial technology in the sectors under its supervision. To achieve this, it is essential to test innovative financial technology applications in real-life situations with real customers. These are services that financial technology developers cannot currently provide in the Palestinian market, either due to regulatory obstacles or the absence of regulated regulatory frameworks. The regulatory sandbox environment enables startup companies in modern financial technologies to operate within a testing environment and offer their services to a limited number of consumers. This helps in the gradual maturity of these companies' business models.

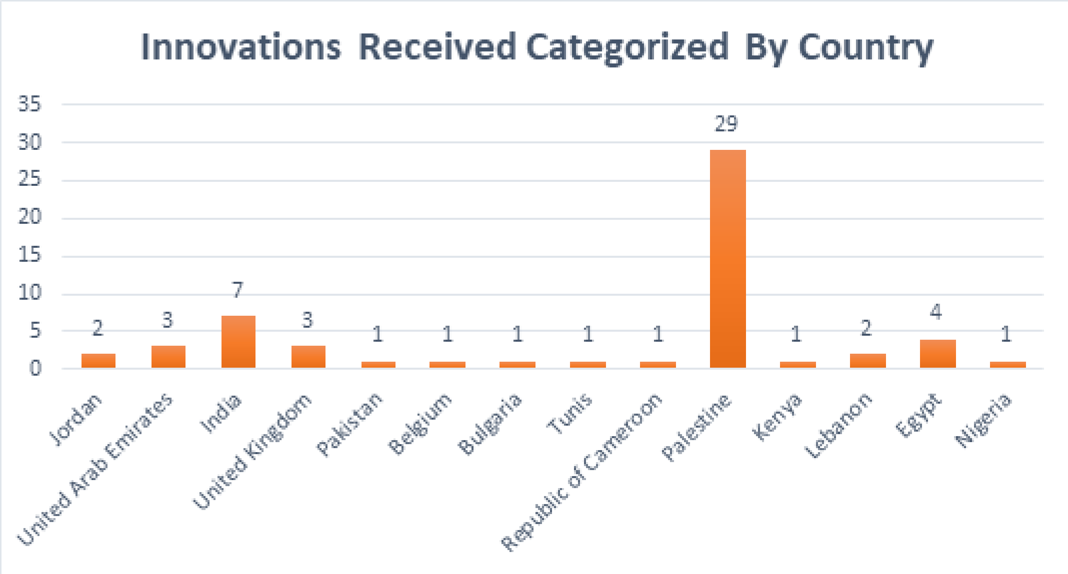
The regulatory sandbox environment aims to reduce the cost of innovation in some cases and provide space for regulatory intervention, thus providing a safe and formal framework for direct testing and market monitoring. It serves as an indicator of regulatory openness to innovations by testing innovations in a live market based on specific timeframes and scopes defined to reach the appropriate regulatory status before the innovation can operate fully in the market.

- **Regulatory Innovation Platform "Ebtaker"**

Since its launch in March 2021, the number of innovations received on the Ebtaker platform has reached 57 requests, related to financial technology ideas and solutions for the non-banking financial sector. The insurance sector accounted for the majority of ideas submitted to the platform, along with a variety of ideas related to securities, leasing, and crowdfunding sectors, aiming to obtain regulatory support and guidance. The Ebtaker platform provides support for innovations in line with the PCMA's policy of encouraging innovation and current laws and regulations for understanding and compliance during development and refinement of ideas. It also offers guidance for obtaining licenses if there is a regulatory framework or entry into the regulatory sandbox environment and obtaining a no-objection letter. So far, four innovations have succeeded in obtaining a no-objection letter to operate under specific conditions. Additionally, three insurance companies that proposed ideas related to electronic applications have been referred for licensing under the prevailing instructions after receiving necessary guidance. The distribution of received innovations across sectors is illustrated in Figure (1) below, showing a concentration of innovations in the insurance sector, followed by innovations related to the securities and leasing sectors. Figure (2) illustrates the distribution of these innovations according to the country they were received from.

Figure 1: Innovations Received Through the Innovate platform Categorized by Sector





Attracting New Fintech-based Financial Solutions

In implementation of its strategic plan and to enhance its role in increasing the use of technology in the non-banking financial sectors, the PCMA launched the Regional Insurtech Competition, in cooperation with the German Agency for International Cooperation (GIZ) and sponsored by the Palestinian Insurance Federation.

The competition was launched through two tracks. The first track, "Insurtech Hackathon," focused on handling innovations in the Ideation Phase, targeting individuals and solution providers from startup companies that are in the process of developing innovative ideas and concepts. Meanwhile, the second track, "Innovation Challenge," focused on solutions and applications that are either in the implementation phase or ready for deployment.

The Innovation Challenge targeted established companies specialized in insurance technology and emerging technology companies with ready-to-implement solutions aimed at enhancing access to insurance products and services. This includes innovative distribution channels and insurance services targeting underserved categories such as small, medium, and micro-enterprises in marginalized yet promising sectors like agriculture.

Firstly, Insurtech Hackathon Track:

- BeNew Insurance: The idea presented from Cameroon focuses on providing micro life insurance products financed by converting the value of recyclable materials (plastic, paper, and iron) into insurance premium installments.
- Pay Day Takaful: The idea presented from the sister country, Tunisia, includes a microtakaful insurance product based on insurance technology, covering the feature of an employee or worker receiving a portion of their salary to address urgent financial obligations that may arise before the usual payday. It also includes coverage for income interruption due to injury, disability, or death.

Each winner received a financial prize of $5,000 USD provided by the Palestinian Insurance Federation.

Secondly, Innovation Challenge Track:

- Aura: Presented from the United Arab Emirates, it includes solutions for providing embedded insurance services, providing insurance companies with the necessary capabilities to easily execute underwriting operations, access reinsurance services, and offer insurance technology services to agents and brokers. All services are based on integrated operations provided through a comprehensive platform built on insurance technology.
- Kasko: Presented from the United Kingdom, it offers comprehensive (Insurtech as A Service) solutions aimed at assisting insurance companies in digitizing their operations to enhance operational efficiency, improve the consumer experience, develop innovative insurance products based on insurance technology, and create innovative distribution channels.

Each winner received a financial prize of $5,000 USD provided by the Palestinian Insurance Federation and GIZ, in addition to a qualitative prize consisting of hosting the winning solution by a local insurance company for testing the idea or application and exploring its potential for implementation within the Palestinian market. Both Al-Mashreq Insurance Company and Tamkeen Insurance hosted these winning solutions, in full coordination with the Palestinian Insurance Federation.

Financial Sustainability Services > Corporate Governance

- **Governance Instructions for Public Shareholding Companies Listed on the Palestine Exchange**

The PCMA, in partnership with the International Finance Corporation (IFC), worked on developing corporate governance rules for public shareholding companies in Palestine, originally issued in 2009. This development aligns with the new Companies Law issued under Law by Decree No. (42) of 2021 and recent advancements in corporate governance principles. The current situation was assessed, and gaps were identified based on specific standards and the experiences of regional and neighboring countries. A comparative evaluation was conducted with seven countries: Jordan, Egypt, Saudi Arabia, Turkey, South Africa, the United Kingdom, and Vietnam, leading to the draft of corporate governance instructions for companies listed on the Palestine Exchange. Additionally, a set of optional governance rules was developed to align with the prevailing conditions and legislations in Palestine, incorporating updates from the new Companies Law No. (42) of 2021. The draft also considers recommended governance principles and standards based on current best regional and international practices, with a greater focus on the regulatory environment, written policies, disclosure, and the integration of environmental and social governance measures.

In addition to the mandatory instructions for the governance rules of companies listed on the Palestine Exchange, optional governance rules will be issued that companies can follow in order to achieve advanced levels of governance, in addition to the Environmental and Social Disclosure Guideline, which contains financial sustainability indicators that listed companies will use as a reference when preparing their sustainability reports.

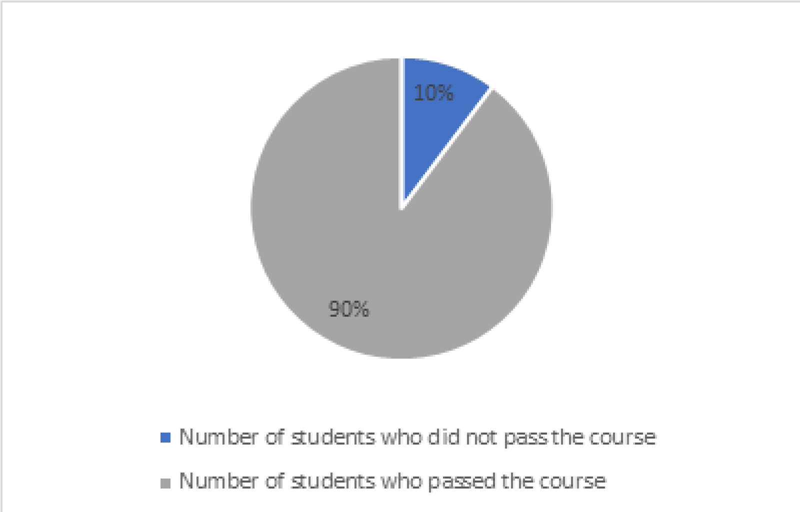
- **Corporate Governance Course Program in Palestinian Universities**

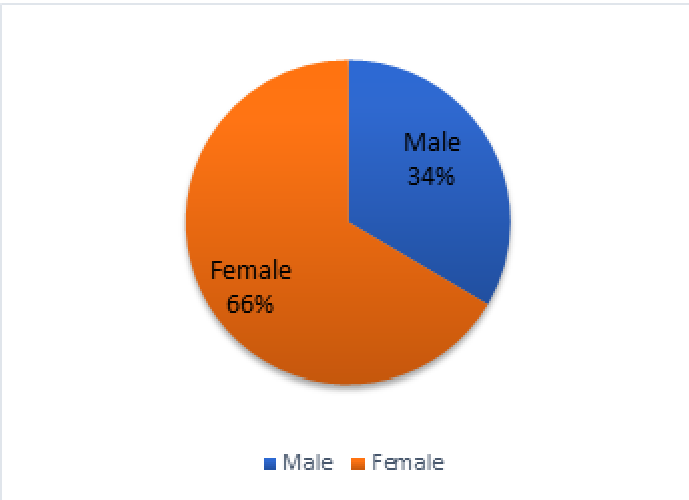
The PCMA continued implementing the program to integrate the corporate governance course into Palestinian universities through agreements signed with the International Finance Corporation (IFC) and the universities involved, ensuring the course is included in their curriculum each semester. The PCMA aims to incorporate the course into as many Palestinian universities as possible. In 2023, five Palestinian universities collaborated with the PCMA to include the course in their curriculum: Birzeit University, Palestine Technical University - Kadoorie, Al-Quds Open University, the Arab American University, and Palestine Ahliya University.

From the launch of the program until the first semester of the 2023/2024 academic year, 5,974 students enrolled in the course, with 5,364 students successfully completing it, resulting in a 90% pass rate and a 10% failure rate, as illustrated in Figure 1 below. Students who pass the course receive a certificate accredited by the PCMA and the IFC. Figure 2 below shows the gender distribution of the course enrollees, with 34% male and 66% female students.

With the new plan introduced by the PCMA at the end of 2023, it is expected that the course will be integrated into the majority of Palestinian universities, which will offer the course in their curricula for students in upcoming semesters. This initiative is anticipated to positively impact society by fostering a generation well-versed in corporate governance, integrity, and transparency practices in companies.

Figure 1: Percentage of Students who Have Successfully Completed the Course Since the Launch of the Program





Financial Sustainability Services > Financial Inclusion

The PCMA and its partners continuously strive to enhance financial inclusion in Palestine. In 2023, significant achievements were made in this context through a strategy with clear objectives and extensive participation from relevant stakeholders. The financial inclusion strategy aims to establish the foundations that ensure all segments of society have access to and use financial services and products that meet their needs. Achieving this requires a clear and well-defined action plan.

In this regard, following the completion of the reassessment phase in 2022 and as directed by the National Committee, the technical committee finalized the implementation plan for the remaining period of the 2023-2025 national financial inclusion strategy. This was done by evaluating the previous plan, reviewing the progress of its operations, and tasking specialized sub-groups, including the Consumer Empowerment Group, the Small and Medium Enterprises Working Group, and the Innovative Financial Services Group, to start holding necessary meetings and brainstorming sessions. These efforts aimed to complete the implementation plan based on the intervention policies approved by the National Committee and the outcomes of the 2022 reassessment project.

The Most Prominent Achievements of the PCMA in order to Enhance Financial Inclusion During the Year 2023:

- **Calculating Financial Inclusion Indicators for the Non-banking Financial Sector**

The PCMA continuously evaluates the progress of the outcomes of the implementation plan for the National Financial Inclusion Strategy 2018-2025. Annually, financial inclusion indicators specific to the non-banking financial sector are calculated, based on internationally recognized indicators while considering the Palestinian financial context. These indicators derive from three main dimensions of financial inclusion: access to financial services and products, the usage of these products and services, and quality. These indicators help measure the level of financial inclusion in Palestine and provide a clear picture of it, allowing comparisons between the current state of financial inclusion in Palestine with previous years and with other countries.

Financial Inclusion Indicators for the Non-banking Financial Sector for the Last Four Years

الوصول للخدمات
Access

2022	2021	2020	2019		
5.53	5.28	5.66	5.6	عدد منافذ خدمات التأمين من الشركات وفروعها * .	التأمين
7.63	8.17	8.06	10.4	عدد منافذ خدمات التأمين من خلال الوساطة التأمينية* .	
0.24	0.27	0.31	0.31	عدد شركات التأجير التمويلي * .	التأجير التمويلي
0.41	0.43	0.53	0.59	عدد منافذ خدمات الوساطة المالية من خلال الشركات وفروعها * .	الأوراق المالية

* لكل 100,000 بالغ من السكان .

الإستخدام
Usage

2022	2021	2020	2019		
6.4	10.1	3.4	-	عدد بوالص التأمين على الحياة *.	التأمين
18,111.9	17,908.5	11,728.4	-	عدد بوالص التأمين غير الحياة *.	
2.1%	2%	2%	1.8%	اجمالي قيمة المحفظة التأمينية منسوبة الى اجمالي الناتج المحلي الاجمالي	
73.1	68.6	58.7	60	إجمالي قيمة المحفظة التأمينية مقسومة على عدد السكان	
82.8	57.7	42.6	69.3	عدد عقود التأجير التمويلي * .	التأجير التمويلي
0.7%	0.6%	0.4%	0.5%	اجمالي قيمة عقود التأجير التمويلي منسوبة الى اجمالي الناتج المحلي الإجمالي	
4,233,101.0	3,102,154	2,152,902	3.151,710	حصة كل بالغ من السكان من اجمالي قيمة عقود التأجير التمويلي	
1.40%	1.4%	1.4%	1.5%	اجمالي عدد حسابات الأوراق المالية النشطة منسوبة الى عدد السكان البالغين	الأوراق المالية
2.5%	2.32%	1.22%	1.60%	قيمة التداول كنسبة من الناتج المحلي الإجمالي	
25.6%	24.43%	22.19%	21.93%	القيمة السوقية للاسهم المتداولة كنسبة من الناتج المحلي الإجمالي	

* لكل 100,000 بالغ من السكان .
— المعلومات غير متوفرة .

القدرة المالية وحماية المستهلك
Financial Capability and Consumer Protection

2022	2021	2020	2019		
83	97	65	-	عدد الشكاوى الواردة للهيئة .	القدرة المالية وحماية المستهلك
79	100	60	-	عدد الشكاوى التي تم معالجتها .	

— المعلومات غير متوفرة .

النوع الاجتماعي
Gender

2022	2021	2020	2019		
84%	84%	82%	88%	عدد الحسابات النشطة للذكور منسوبة الى عدد السكان البالغين . (ذكور)	الأوراق المالية
54%	54%	52%	57%	عدد الحسابات النشطة للاناث منسوبة الى عدد السكان البالغين .(إناث)	
5.4%	7.9%	6.9%	-	نسبة الاناث من اجمالي قيمة التداول .	
6.5%	11.4%	7.1%	-	نسبة الاناث من اجمالي حجم التداول .	

— المعلومات غير متوفرة .

- **Adoption and Announcement of the Results of the Reassessment of Financial Inclusion in Palestine**

The National Committee for Financial Inclusion has adopted the results and outcomes of the Financial Inclusion Reassessment Project in Palestine, which was carried out in 2022. The results were announced at a national event that included the PCMA, the Palestine Monetary Authority, key strategy partners, representatives from the Alliance for Financial Inclusion (AFI) - the main funder of the reassessment project, representatives from the German Agency for International Cooperation (GIZ), along with banking, financial, and economic leaders, and representatives from various civil society organizations.

Following the comprehensive survey of both supply and demand sides, in addition to studying the ecosystem and the enabling environment for financial inclusion in Palestine, the outcomes highlighted significant progress in enhancing financial inclusion in Palestine. Despite the challenging conditions accompanying the implementation of the national strategy during the period (2018-2022), there has been progress in financial inclusion across its three dimensions: access, usage, and quality. The comprehensive survey results indicate notable improvements in access to and usage of the financial sector compared to the results of the evaluation conducted in 2016.

According to the below findings, significant progress has been made in the access and use of financial services during the period 2018-2022.

Figure No. (1) Financial Inclusion Rate, Ownership/Use of Financial Services at the National Level, 2022 (50.9%)

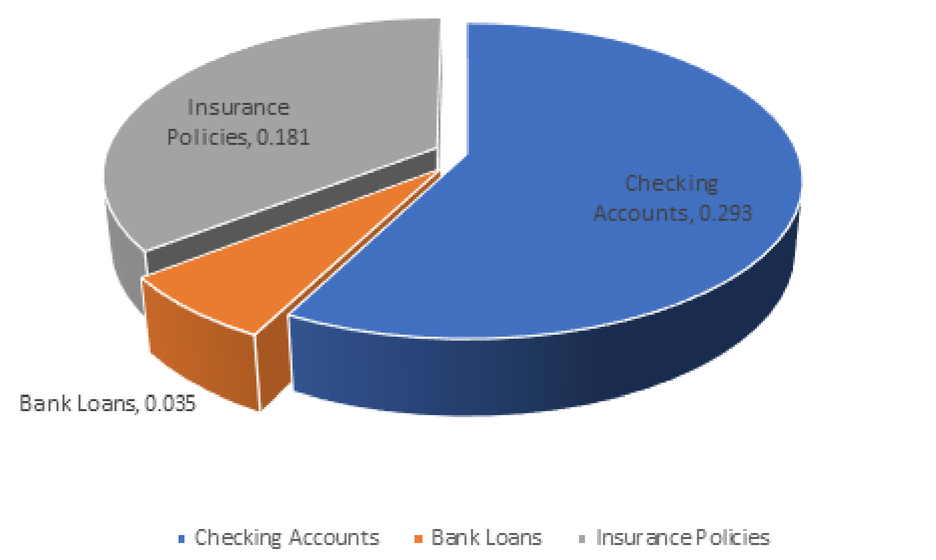
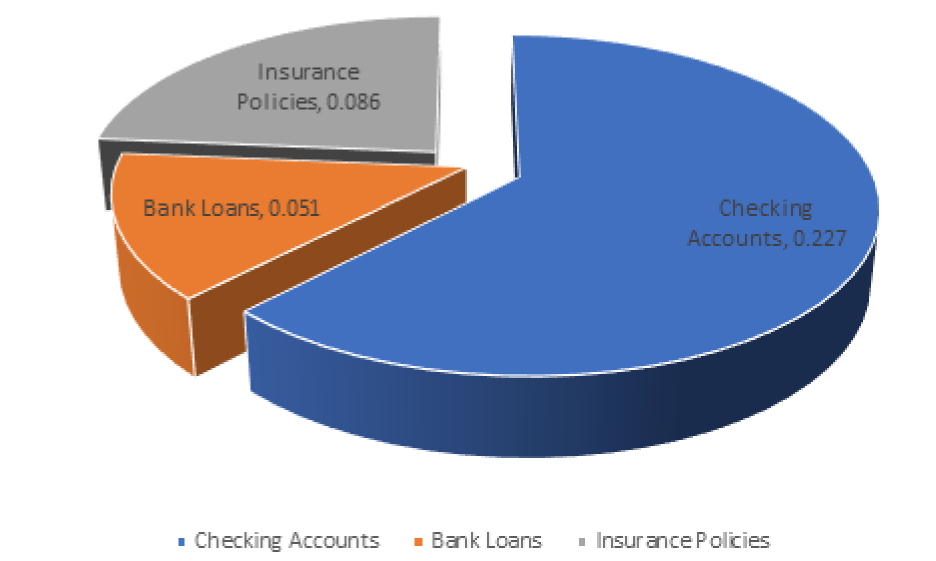
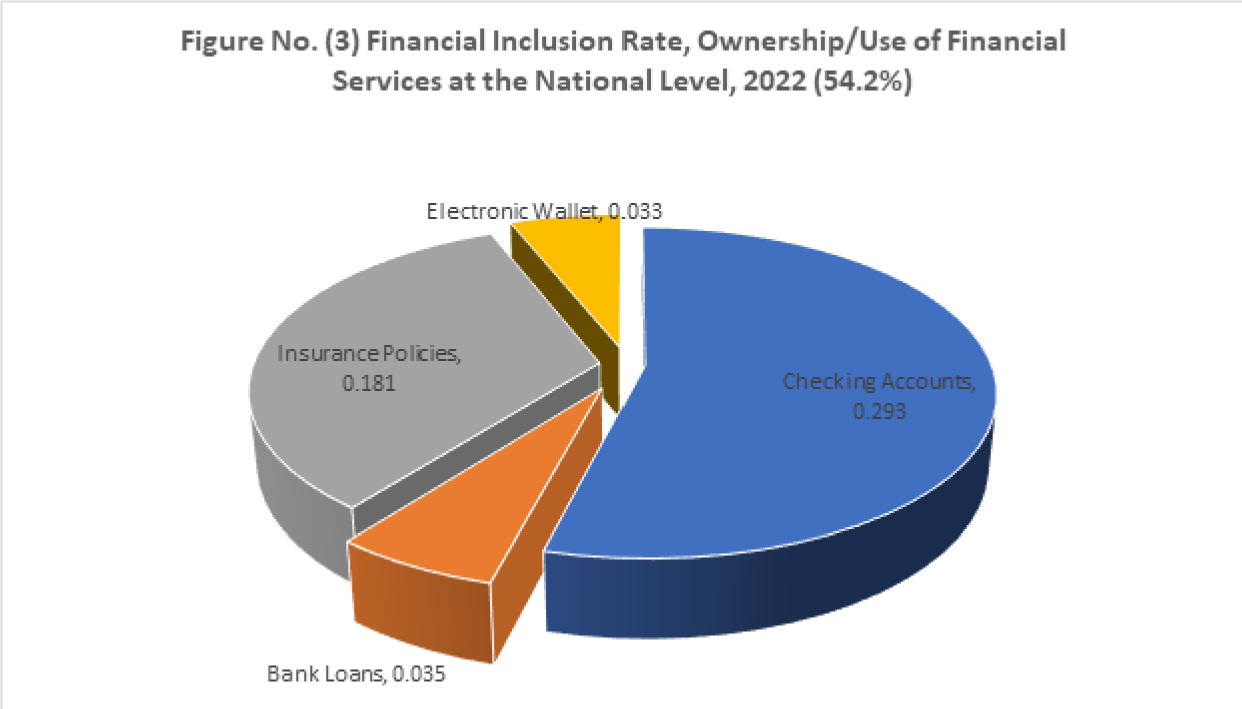


Figure No. (2) Percentage of Financial Inclusion, Ownership/Use of Financial Services at the National Level, 2016 (36.4%)





- **Approving and Publishing the Executive Action Plan of the National Financial Inclusion Strategy for the Remainder of the Strategy's Duration 2023-2025**

Anti-Money Laundering and Terrorist Financing

Combating Money Laundering and Terrorist Financing Crimes

The risk management framework in the PCMA provides the overall intentions and directions of the PCMA regarding risk management. The risk management framework also offers procedures and arrangements for implementing and continuously improving risk management in line with the risk management context. Its key elements include establishing the context and acceptance of risk exposure, risk assessment (identification, analysis, and evaluation), risk treatment, information, communication, awareness, training, and the monitoring, tracking, and review of risks.

Anti-Money Laundering and Combating the Financing of Terrorism

The PCMA aims to create a suitable climate for achieving capital stability and growth, as well as to regulate, develop, and monitor the capital market in Palestine, and to protect investors' rights. Based on its mission and objectives to achieve stability in the capital market, and in order to shield the capital market sectors from the risks of money laundering and terrorist financing, which could threaten the continuity of these sectors and expose them to financial, operational, legal, and other risks, the PCMA continued, at the beginning of 2023, to play its role in aligning compliance with the implementation of the national strategy for combating money laundering and terrorist financing, as follows:

Regulations:

The circulars issued by the PCMA are aimed at improving the efficiency and enhancing the capability of companies to face the risks of money laundering and terrorist financing, and to adopt a risk-based approach in detecting suspicious transactions. Several circulars were issued during 2023, as follows:

- Circular on submitting an annual report on all activities related to combating money laundering.
- Circular on the decisions issued by the United Nations Security Council, which are sent electronically by the Public Prosecution, totaling 11 circulars.
- At the beginning of February, the National Committee for Combating Money Laundering and Terrorist Financing issued several guidelines, the most important of which include (Guidance on the Real Beneficiary, Politically Exposed Persons, and Reporting Suspicious Transactions and Activities). The PCMA published these guidelines on its website and circulated them to all sectors under its supervision to reflect them in their policies and procedures.
- Circular on high-risk and prohibited countries, published on the PCMA's website, with a total of 3 decisions.
- Circular on the enforcement of Instructions No. 4 of 2022 concerning the combating of money laundering and terrorist financing for financial institutions, dated 8/2/2023.
- Circular on the obligation of external auditors, dated 27/3/2023.

- Circular on the mobile application for implementing Security Council resolutions, dated 10/9/2023.
- Circular on participation in the Palestine anti-money laundering and terrorist financing accreditation program (PAMLA) dated 1/10/2023.
- Circular on precautionary measures dated 19/10/2023.

Specialized Inspection Tours and Preparation of Risk Registers

At the end of 2022, regulatory departments updated their risk registers, relying on updated systems to assess the risks of financial companies. These registers include criteria that consider the risks of money laundering and terrorist financing within the company, incorporating the four axes of risk assessment. A risk profile was prepared for each company individually, based on relative weights of examination elements, in addition to compliance elements included in local anti-money laundering and terrorist financing legislation.

In the beginning of 2023, regulatory departments developed operational plans based on the risk-based approach for the purposes of desk inspections and periodic field visits as needed. The objective was to verify the extent to which companies under the supervision of the PCMA comply with laws, instructions, circulars, and regulations related to anti-money laundering and terrorist financing operations. These plans have been implemented since the beginning of the year, with cooperation from the Anti-Money Laundering and Counter-Terrorist Financing Department for field visits to some leasing companies.

Administrative Violations and Penalties:

- A “warning” penalty was issued to an insurance company for failing to provide the PCMA with the self-assessment report within the given timeframe. It was granted an additional period to prepare the report and submit it to the PCMA.
- A “written warning” penalty was issued to a leasing company for failing to provide the PCMA with the external auditor’s report regarding the anti-money laundering and terrorist financing policies and procedures. It was given an additional period to prepare the report and submit it to the PCMA.

Participation in Conferences, Workshops and Training Programs:

- In response to an invitation from the Financial Monitoring Unit, a team from the PCMA participated in several meetings discussing the risks associated with virtual assets and their assessment.
- Meetings were held with various communication officials from companies under the supervision of the PCMA as a form of feedback.
- A series of meetings and workshops were conducted for communication officials, with one of the most important

ones titled “Self-Assessment” to assist them in preparing assessments, identifying risk levels, and developing risk mitigation measures.

- A team from the PCMA participated in a workshop on the effective implementation of Security Council resolutions.
- Participation in a regional workshop on combating the proliferation of arms in Dubai.
- Participation in the 11th International Prosecution Conference.
- A working meeting was held to discuss reporting requirements according to the companies law under the PCMA’s Financial Monitoring Unit supervision.

Local and International Cooperation:

Requests for Local Cooperation Received from the Competent Authorities:

Respond to inquiries and requests received from the competent authorities and provide them with the necessary data within the legal powers of the PCMA in this regard, as follows:

- 15 applications from the Corruption Crimes Court were answered.
- 66 requests received from the enforcement departments and court decisions were answered.
- 15 requests received from the Financial Follow-up Unit were answered.
- 4 requests from the Attorney General’s Office were answered.

Requests for International Cooperation Issued/Received:

None.

Business Process Section:

- The Work Procedures Section was established at the Risk Management Department in the second quarter of 2023, and a planned plan was developed to review all work procedures for the administrative units in the PCMA, and to start holding a series of meetings with officials of administrative units to review their work procedures.

Non-Banking Financial Awareness

The PCMA has undertaken various awareness-raising activities related to developing the legal environment, enhancing technical operations, and increasing public awareness of the importance of the non-banking financial sector. This sector is a cornerstone of the PCMA's duties towards the Palestinian public. The PCMA seeks to strengthen citizens' capabilities and financial literacy in the sectors it supervises. Additionally, it aims to enhance its internal and external relationships through numerous meetings, initiatives, and activities, in line with its plans, programs, legal mandates, and the strategic objectives outlined in the Five-Year Strategic Plan 2021-2025.

Furthermore, the Israeli occupation's war on the southern governates in the past year had repercussions on all aspects of economic life. Below are some of the awareness programs and activities implemented until the beginning of October 2023:

- **The PCMA Concludes the "Regional InsurTech" Competition by Announcing the Winners of the Two Tracks of the Competition**

At a protocol ceremony organized by the PCMA in the city of Ramallah, and in collaboration with the German Agency for International Cooperation (GIZ) and the Palestinian Insurance Federation, the winners of the "Regional InsurTech" competition were announced. The competition comprised two tracks: the first for new innovative ideas in financial technology for insurance, won by teams from Tunisia and Cameroon, with each receiving a prize of $5000. The second track was for existing companies, won by two companies from Britain and the United Arab Emirates, also receiving a prize of $5000 each. The winning applications from the second track will be hosted by the companies "Al-Mashreq" and "Tamkeen".

- **The PCMA Participates in the Weekly Economic Success Meeting**

The PCMA participated in several meetings organized by An-Najah University in collaboration with the PCMA, as part of the weekly Economic Success meeting, focusing on various specialized topics related to the non-banking financial sector.

Representatives from the PCMA served as speakers in these meetings. Additionally, Mr. Amjad Qabaha, the Manager of Legal Affairs at the PCMA, participated in a meeting titled "Palestine Capital Market Authority: Roles and Future Plans."

Furthermore, a workshop was conducted as part of the weekly Economic Success meeting under the theme "The Securities Sector in Palestine: Realities and Prospects." The workshop was attended by Mr. Murad Jadbah, the Director of the Securities Directorate at the PCMA, along with university professors and a large number of students majoring in financial and banking sciences, as well as students from other disciplines in the college and interested individuals from various segments of society.

This meeting addressed important topics concerning the strategic approach in the securities sector at the PCMA for the period 2021-2025. This included ensuring the sustainability of financial sectors under the PCMA's supervision, enhancing the use of financial technology in the non-banking financial sector, and advancing Sharia-compliant financial services and instruments such as Islamic bonds, investment funds, and Islamic licensing.

- **The PCMA Organizes an Introductory Meeting on the Financial Leasing Sector in Cooperation with the Ramallah Chamber of Commerce**

The PCMA, in collaboration with the Ramallah and Al-Bireh Chamber of Commerce, organized an introductory meeting on the financial leasing sector. The meeting was attended by the General Director of the PCMA, the Vice President of the Chamber, a large number of chamber members, interested individuals, traders, and staff from the PCMA, as well as financial leasing companies in Palestine.

Financial leasing is considered one of the complementary financing methods available in the Palestinian market, alongside banks and small lending institutions.

During the meeting, participating companies presented an overview of the key services they offer to small, micro, and medium-sized projects, as well as their financing mechanisms, including Sharia-compliant financing and other types of financing.

The PCMA Holds Training Courses Under the Title "Financial Press Lab"

The Public and International Relations Department at the PCMA organized two training courses during the year 2023 in both Nablus and Jericho. Each course spanned two days and was attended by approximately 50 students from media, public relations, and economics faculties across various Palestinian universities.

The courses were conducted by trainers from the PCMA to introduce participants to the PCMA and the sectors under its supervision (insurance, securities, financial leasing, and mortgage finance). They covered the sectors' components, statistics, key figures, as well as opportunities and challenges facing these sectors.

Similarly, another course was conducted with the participation of specialized journalists and entrepreneurs. It focused on entrepreneurship, social media, and their role in financial journalism, data journalism, mobile journalism, and economic journalism. Participants learned how to interpret financial data for the non-banking financial sector.

Both courses concluded with the distribution of certificates to the participants.

- **Holding Several Cooperation Meetings with a Number of Academic and University Institutions**

The Public and International Relations Department at the PCMA organized an extensive meeting with representatives from local universities, including Birzeit University, Bethlehem University, Al-Quds Open University, Palestine Polytechnic University, and An-Najah National University. The purpose of the meeting was to discuss the details of a planned course titled "Financial Literacy," which will cover various chapters focusing on the Palestinian financial sector, both banking and non-banking.

Furthermore, the PCMA signed memoranda of understanding with Palestine Polytechnic University covering various areas of work and cooperation. Efforts are underway to sign similar memoranda of understanding with Al-Quds Open University and Al-Quds University, Abu Dis, to enhance mutual cooperation, elevate the capabilities of university students, provide training opportunities, and enhance financial literacy, particularly in the non-banking financial sector.

The PCMA and the Media Development Center Begin Work on a Study Regarding Standards for Dealing with Non-banking Financial Sectors' News

The PCMA and Media Development Center at Birzeit University announced the commencement of work on a study titled "Professional Standards and Ethics for Journalists in Dealing with News of Non-Banking Financial Sectors," supervised by the PCMA.

The study includes a review of all international and Arab literature related to the ethics of economic journalism and financial sectors, including non-banking financial sectors. It involves in-depth interviews with expert journalists in economic journalism and media ethics, as well as a survey of a sample of journalists to reach the best standards and ethics that journalists and media outlets can adhere to in this type of coverage.

· The PCMA Launches World Investor Week 2023 for the Sixth Consecutive Year

In its ongoing efforts and relentless pursuit to advance the non-banking financial sectors, the PCMA, in partnership with the Palestine Exchange, launched the 2023 World Investor Week, which will take place from October 2-8, 2023.

The participation of the PCMA, representing the State of Palestine in the activities of World Investor Week, marks the sixth consecutive year. This year's focus is on important topics related to the fundamentals of investment in general, most notably: sustainable finance and the risks associated with investing in virtual cryptocurrencies.

The PCMA's participation in World Investor Week falls within its commitment to active involvement in various activities and events organized by the International Organization of Securities Commissions (IOSCO) and its various committees. This enables the PCMA to stay abreast of the latest developments related to its tasks and to keep up with international standards relevant to securities activities.

The campaign highlights the importance of raising awareness on four key issues: investor education, sustainable finance, financial fraud and scam practices, and crypto assets.

The PCMA's participation focused on the awareness campaign about "sustainable finance" as the driving force for sustainable development, without neglecting other issues. This was achieved by intensively broadcasting awareness messages and issuing a detailed report on the campaign, its components, and objectives. The report was disseminated through a large number of local and official media outlets and social media platforms to reach the widest possible audience of the target group.

The activities of "World Investor Week" included the launch of an annual international awareness initiative by IOSCO, aimed at enhancing financial literacy, and promoting and protecting investor culture both locally and globally.

More than 100 countries, including Palestine represented by the PCMA, participated in the initiative's activities. The PCMA officially became a member of IOSCO in 2014.

Annexes

Capacity Building of the PCMA's employees

Employees of the PCMA participated in numerous specialized training programs in the PCMA's fields of work throughout 2023, as part of ongoing efforts to enhance their capabilities. A group of employees attended various specialized courses in the insurance industry, including fire, engineering, general insurance, marine and reinsurance, health insurance, and life insurance. Additionally, there was a course on underwriting and distribution in life insurance and health insurance products. Specialized courses were also held for employees of the Insurance Directorate on evaluating feasibility studies for insurance companies.

During 2023, the PCMA, in cooperation with the German Agency for International Cooperation (GIZ), held specialized training programs on comprehensive insurance, microinsurance, and agricultural insurance.

In the same context, the PCMA participated in a series of specialized remote training programs organized by the Arab Monetary Fund and the Union of Arab Securities Commissions. These programs covered market and securities analysis, Islamic bonds (sukuk), the development of Arab financial markets, modern financial technologies, and enhancing their applications in the financial and banking sectors, as well as anti-money laundering.

Additionally, employees of the PCMA participated in several specialized training programs in professional, financial, and administrative fields. This included attending a specialized course on International Accounting Standards (IAS & IFRS) and General Budgeting in Palestine, as well as workshops focused on legal areas such as capacity building for legal professionals in government agencies, legislative needs assessment, and legislative impact assessment document workshops. Furthermore, employees obtained various professional certifications such as liability insurance, an introduction to general insurance, and participated in an informative visit on financial technology in the United Kingdom.

In the realm of communication and outreach, the PCMA participated in a specialized conference on social media channels and a specialized course on communication skills and interpersonal interactions. Furthermore, they engaged in a diploma program in digital media. Additionally, the PCMA took part in training courses on emerging technologies and digital transformation, along with a course on Fujitsu Eternus Storage Administration.

Course Type	Number of Courses	Number of Participants
Internal Courses	13	73
External Courses - in person/remote	17	27