



Palestine Securities Exchange (PSE) Regulations

Background

The Palestine Securities Exchange (PSE) was established in early 1995. By August 1996 the Exchange was operational. After this the PSE signed an operating agreement with the PNA, allowing for the licensing and qualification of brokerage firms to take place. On February 18, 1997 the PSE conducted its first trading session.

PSE Regulatory Framework for Foreign Companies

The PSE is regulated under the Financial Securities Law No. 12 of the year 2004. The Palestinian Capital Market Authority (PCMA) is the governing body for the PSE (as well as any other non-banking financial institutions), and was established in accordance with Article 2 of the Financial Securities Law by the decision of the Palestinian Cabinet of August 11, 2005. The PCMA approved the bylaws of the PSE on December 18, 2006, and these include six main topics relevant to foreign companies wishing to enlist on the PSE:

A. Enlisting Regulations for Foreign Companies

There are several requirements in addition to those for Palestinian companies, which include:

- The currency that shares were issued in must have an exchange rate at the Palestine Monetary Authority (PMA).
- The company must have a legal representative or a registered branch in Palestine.

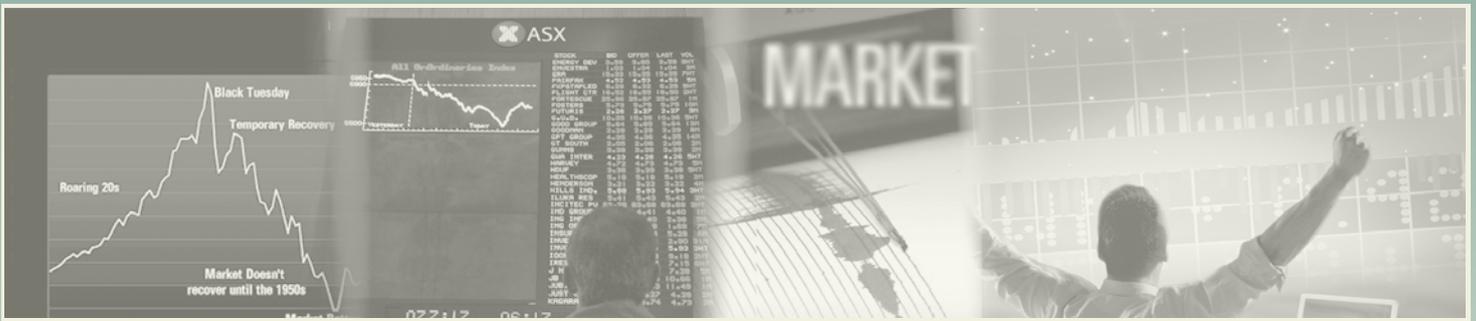
- The company must be enlisted in the mother country for more than two years.
- Neither the company nor its mother country can have restrictions on non-citizens buying shares.

Regulations also discuss enlisting procedures. In addition to all the information required of a Palestinian company in the enlisting application, a foreign company is obliged to provide:

- Information on the market in which the company is enlisted, as well as the currency it's enlisted in.
- Clarification of whether it needs approval from its mother market to enlist in other markets.

Foreign companies are also required to keep their books and prepare their financial information in accordance with international standards, and present financial statements as PSE and PCMA regulations request.





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B. Disclosure Regulations

Disclosure regulations specify details of disclosure for the three major players (enlisted companies, informed and related personnel, and brokerage companies). Regulations for disclosure are divided into several sections, although the majority of sections are concerned with the details that the company's annual report must include, such as its financial situation, company activities, research and development, corporate governance, and shares and dividends. Other sections tackle issues such as the six different stages of disclosure:

- At the time of enlisting;
- At the end of financial year;
- Closing information;
- Annual Report;
- During the financial year (quarterly and semi-annual reports); and
- Ongoing disclosure of important issues.

C. Circulation of Securities Regulations

D. Membership Regulations

Specifies that a foreign company may apply for membership under the following conditions:

- The company has a holding or affiliated company in Palestine.
- The company presents a certificate showing its membership in its mother market.
- The company attaches a plan for hiring Palestinians to its application.

E. Professional Conduct Regulations

These contain information on the commitments of the member company to the market, and the member company's commitments to its clients. They also discuss integrity in dealing with securities, and the prohibition on giving market-sensitive data, statements or rumours that may affect a share's market price.

F. Conflict Resolution and Refereeing Regulations

These include the role of the committee for dealing with violations, and the requirements for members of the refereeing committee, as well as details on the various fees and penalties imposed on members and enlisted companies.

Foreign Investment in the PSE

- The Financial Securities Law does not tackle foreign rights of share ownership directly, and does not specify the percentage of ownership that foreign companies or individuals are allowed. The stock market regulations leave that to the internal laws of enlisted companies, in a move that aims to encourage foreign investment within the market. Most companies have flexible guidelines, and the majority do not have a maximum percentage for foreign ownership.
- The only type of restriction is on the percentage that a company or individual owns (whether Palestinian or foreigner), as some firms fear hostile takeovers. This limit ranges between 2% and 49%.

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