

The Securities Law No. 12 of 2004

A Summary

This law is concerned with regulatory issues within the capital market sector. It specifies the roles of the Palestine Security Exchange (PSE) and the Palestine Capital Market Authority (CMA).

The PSE

The roles of the PSE include the following:

1. Regulating, overseeing and monitoring the activities of members, issuers and listed companies regarding their securities.
2. Regulating dealings in securities in order to safeguard owners of securities, investors and the public from fraud, deception and unjust practices in accordance with the regulations issued by the CMA.
3. Applying and implementing rules and procedures designed to monitor the activities of members. These include:
 - a. The right of the Exchange to examine the books and registries of members.
 - b. Inquiring into the financial status of member companies and ensuring that financial audits comply with international standards.
 - c. Sending the CMA periodical reports on members' activities.
4. Conducting investigations into member companies and listed companies and the imposition of fines when rules are contravened.¹
5. Setting and imposing fees on member and listed companies for using its supplies and services, including: registration, membership, trading and listing fees after having sought the CMA's approval.
6. With justified reason, asking the CMA to suspend dealing in traded securities or the operations of any of its members for a suitable period.

In carrying out its duties the PSE is required to act ethically and professionally and in accordance with directives issued by the CMA. Having obtained the CMA's approval for its procedures, it is also charged with establishing rules of practice, surveillance, monitoring and execution that ensure the Exchange itself operates effectively.

The CMA

The CMA draws its authority from Securities Law No 12 passed in 2006. This gives the CMA the power to set up regulations, directives and rules to achieve the objectives of that law. Parties that are regulated, monitored and overseen by the CMA must abide by and not thwart its decisions.

The roles of the CMA include the following:

1. Providing a conducive environment for trading integrity in securities.

¹Provided that the Exchange informs the CMA about the fines it imposes. (These fines remain applicable unless the CMA revokes them).

2. Regulating and developing monitoring systems for Capital Markets.
3. Overseeing the Exchange and Capital Market in Palestine to protect the securities holders, investors and the public from fraud and deceit.

To achieve this, the CMA:

- a. Regulates and monitors the issuance and trading of securities.
- b. Oversees, regulates and monitors the operations and activities of third parties, including: the PSE, the Clearing, Depository and Settlement Center (CDS), investment funds, brokerage firms, public shareholding companies and agents in the financial professions.
- c. Regulates and monitors the disclosure of information related to securities and issuers of securities as well as trading by insiders, senior shareholders and investors.
- d. Organizes public offers for the buying of stocks in public shareholding companies.

The securities law, produced by the Palestinian legislator, lays down a number of strict controls that issuers must follow when offering their securities for public subscription. There are special articles and regulations regarding local and international investment funds for listing on the Exchange. The Exchange has taken steps to enable it to list any investment fund at any time. The funds are of two types: *open* funds which may not be listed on the Exchange and *closed* funds which may be listed on the Exchange.

Finally, to meet the Law's objectives of providing a fair and equal opportunities for all the investors in the Exchange, the Palestinian legislator created a number of deterrent and preventive penalties for violating the provisions of the Law. Sentences may, on occasions, include a fine of a hundred thousand Jordanian Dinars (JD), two-year imprisonment or both penalties.