Building and Sustaining a Resilient Palestinian Economy

The Role of the Palestine Capital Market Authority

هيئة سوق رأس المال
Capital Market Authority

Courtesy of the Palestine Capital Market Authority

Regulating and developing nonbanking financial sectors such as securities, insurance, financial leasing, and mortgage finance, the Palestine Capital Market Authority (PCMA) plays a key role in the building of a resilient Palestinian economy. As an autonomous agency, it works to ensure the integrity and efficiency of the financial market under challenging conditions to attract investment and facilitate economic stability and growth.

Since its establishment two decades ago, PCMA has prioritized the cultivation of robust capital market sectors, making this a cornerstone of its legislative, oversight, and regulatory duties. It has meticulously and with high efficiency governed, authorized, and overseen the components of the nonbanking financial sectors within its purview, achieving numerous significant milestones and maintaining these sectors' stability and continuity. Succeeding despite the difficult political and economic conditions that the State of Palestine has been facing, the PCMA's supervisory activities have aligned with best practices and international standards, solidifying its position as an effective regulatory body.

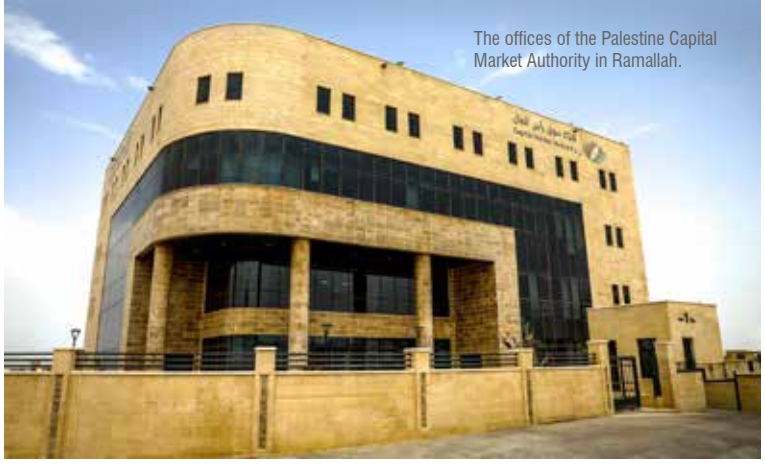
Across all sectors, PCMA has intensified efforts in corporate governance, financial literacy, and sustainability – aligning its regulatory practices with global standards and the national digital transformation agenda. Its proactive oversight during the Israeli aggression on Gaza demonstrated institutional flexibility and crisis-response capacity, ensuring the continuity of financial markets and the protection of investors and policyholders.

In the securities sector, PCMA has over recent years implemented key regulatory reforms to strengthen transparency and investor protection. It expanded its oversight to unregulated foreign exchanges (FOREX) and launched awareness campaigns about the risks of unlicensed platforms that provide (FOREX) services, reinforcing the integrity of the local capital market. It furthermore launched consultations on governance rules for listed companies and exchange-traded funds. Despite a contraction in economic activity due to regional instability, the Palestine Exchange maintained a market capitalization exceeding US$4 billion, accounting for nearly 23 percent of the GDP.

The PCMA's achievements reflect a commitment to stability, innovation, and sustainable growth across the insurance, securities, financial leasing, mortgage finance, and financial technology sectors – all of which serve as essential pillars of a resilient Palestinian economy.

The insurance sector has demonstrated notable resilience, underscoring the sector's pivotal role in economic and social stability. In 2024, total collected premiums reached US$383 million, while paid claims rose slightly to nearly US$260 million, and despite a 4 percent decline in written premiums due to war-related disruptions and reduced purchasing power, insurance penetration increased to 3.51 percent of the GDP, signaling a deepening market. PCMA's supervisory measures and digital oversight tools contributed to this trend by enhancing transparency and efficiency across the sector.

A key milestone for the PCMA was its drafting of the new Insurance Law that has been presented to the Council of Ministers for a first reading. Developed in close consultation with industry stakeholders, the new law aims to modernize the regulatory framework governing the insurance market, strengthen consumer protection, and introduce flexible mechanisms for innovation and technology adoption



The offices of the Palestine Capital Market Authority in Ramallah.

in insurance services. Once enacted, it is expected to significantly improve market efficiency and resilience, aligning Palestinian insurance practices with international standards. PCMA's collaboration with international experts on InsurTech initiatives further advanced the integration of technology and risk management, while promoting inclusive products such as micro-insurance and agricultural insurance

In financial leasing, PCMA's regulatory and developmental efforts enhanced access to nonbank financing for individuals and small and medium-sized enterprises (SMEs). The sector continues to expand its portfolio of asset-based financing solutions, reflecting its importance in promoting financial inclusion and economic empowerment, particularly in light of traditional credit constraints.

The mortgage finance and real-estate appraisal sector also witnessed growth, with PCMA emphasizing transparency, valuation standards, and improved data systems to ensure sound lending practices. These efforts support the housing sector's contribution to economic resilience and social stability.

Meanwhile, financial technology (FinTech) remained a major strategic focus. PCMA accelerated its digital transformation agenda, implementing internal automation programs and promoting innovation through its regulatory innovation hub "Ebtaker" to facilitate technological advancements across all supervised sectors. It also put in place frameworks to regulate innovative financial services, ensuring that modernization goes hand in hand with consumer protection and market integrity.

PCMA's role in building and sustaining a resilient Palestinian economy requires continuous efforts to regulate and develop the capital market sectors and comprises the modernization of its approaches and tools to carry out the mandatory supervision tasks. It supports sustainable finance and Islamic finance, considering them complementary approaches that share many principles, including ethical considerations, social responsibility, and a focus on positive societal impact. PCMA has a full agenda of Islamic finance initiatives for 2026, where part of the authority's efforts to advance sectors, ensure their sustainability, and develop them are within the framework of implementing its 2021–2025 strategic plan. Specifically, the second program focuses on promoting Sharia-compliant financial services and tools, and work is under way to achieve this through measures such as the issuance of *sukuk* (Islamic bonds), the strengthening of the legal and regulatory environment necessary for *ijara* (Islamic financial leasing) operations in the financial leasing sector, expanding *takaful* (Islamic insurance) services, and creating an enabling environment for increased investment in Palestine that is in accordance with Sharia principles.

PCMA has taken several strategic steps to achieve the Sharia-compliant program. In the insurance sector, the new draft Insurance Law contains a chapter with 17 articles allocated to *takaful*. Regarding securities, the draft *Sukuk* Law is in its final stages of drafting and expected to be presented to the PCMA board of directors by the end of this year. In addition, PCMA, in cooperation with the Palestine Exchange, launched an Islamic index for companies that in previous years have been listed publicly on the Palestine Exchange. Therefore, the authority's sectors are about to witness important developments that will expand the demand for financial services and achieve the PCMA's aims in regulating and developing the Islamic financial services industry in Palestine. This will develop Islamic financial services in a way that achieves the PCMA strategic goals in the field of revitalizing and deepening the capital market sectors and provide new and diverse investment opportunities for different groups in society.

Whereas sustainable finance integrates environmental, social, and governance (ESG) factors into investment decisions, Islamic finance is governed by Sharia principles that inherently support sustainable and ethical practices. The two financial models are increasingly converging to address global sustainability challenges, and this approach complements PCMA efforts in building and sustaining a resilient capital market.

Looking ahead, PCMA plans to launch its physical presence in Gaza to ensure and stimulate all the activities currently overseen and monitored by the authority: the securities sector, insurance, mortgage finance, and financial leasing. The arrangements necessary for launching this phase are being designed, particularly in the insurance sector and its activities in Gaza.

Before October 2023, PCMA visited the Gaza Strip to explore with various stakeholders how PCMA could fulfil its role in the specific sectors it oversees. Among the most pressing issues is the reorganization of the insurance sector. Recognizing how vital this is for both individuals and companies helps PCMA draw development plans that are similar to the ones that PCMA successfully implemented in the West Bank. While insurance companies are present in the West Bank, focusing on urban and rural areas, in the Gaza Strip such companies are largely absent or have limited activity. PCMA is acknowledging the importance of developing various financial services that use the existing financing tools, such as support for the issuing of *sukuk*, since a significant percentage of the population prefers to access financial services that are compliant with Islamic Sharia standards.

We cannot ignore or deny that the economic situation in Palestine is tense. In addition to the effects of the war on Gaza, major restrictions in the West Bank are causing high economic losses. These factors include territorial fragmentation, the lack of control over borders, and Israel's refusal to pay clearance revenues, among others. Thus, while the economic conditions in Palestine are not encouraging new financial services providers who could help existing companies grow and new companies emerge, efforts to build a sustainable and resilient capital market persist.

To enable PCMA to regulate its sectors in a way that allows it to develop Sharia-compliant financial services, it is working to prepare and develop the necessary infrastructure and well-designed legal framework for developing financial products that align with the principles of Islamic Sharia.

Given the current hardships, PCMA focuses on the improvement of framework conditions that facilitate increased access to inclusive sustainable financial services, particularly among underserved and marginalized segments of the population, while simultaneously promoting environmental, social, and economic sustainability. This approach integrates the principles of inclusivity and sustainability into financial systems, ensuring equitable access and positive impacts on the Palestinian society.

As the PCMA looks ahead, its work stands as a testament to resilience through reform – transforming challenges into opportunities for a more stable, inclusive, and innovative Palestinian financial system.

SCAN TO SHARE