



The Capital Market

The Gateway to Investment

By Lina Abu-Diab



The global financial crisis of 2008 affected all individuals in one way or another, even the most sophisticated players within the worldwide investment industry. Today we see positive indicators of a recovery from the crisis that somehow restore confidence in capital and financial markets, and highlight the opportunities of the future. Financial markets are back as the spearhead of the economy in many countries.

This differs slightly in our Palestinian reality. Palestine lives a unique situation where the occupation constantly threatens its economic stability and growth. Stability is vital to encourage investment in the Palestinian economy. The excellent performance in the financial sector, however, proves our ability to deal with the tough conditions of our geopolitical reality.

The Palestine Exchange (PEX) was established in 1995, a year after the Palestinian Authority was formed, as a step to creating a promising investment environment in Palestine. Many accomplishments were



achieved during the last two decades, such as providing a set of regulations that govern the work of the securities' sector. The primary goal was to ensure investor protection and to build an investment environment based on the best international standards. It was also critical to place Palestine on the global investment map.

Companies listed on the exchange can reap many advantages; in particular, the opportunity to raise capital. This is an inexpensive source compared to other available choices such as bank loans. Another advantage is the services offered by the Clearing Depository and Settlement Center in the exchange that manages shareholders' registries for listed companies. Strategic partnerships with international investors (institutional or retail) will motivate companies to perform better and expand their scope of business, which can be done much more easily when a company is listed. Attracting more investment to the private sector provides support to the Palestinian economy and minimises reliance on donors and other unsustainable sources of income.

Despite the decrease in recent overall trading activity, exchanges are still performing in other areas, such as

managing the disclosure process, which is an important part of the investor protection process since it provides all the information needed to manage any investment, while safeguarding the principle of equal opportunity for all. Advanced systems are also used in the surveillance of trading on exchanges, to further advance the transparency of the investment environment. The performance of capital markets can be an indicator of the future and therefore gives the option for investors to act accordingly.

On-going efforts continue through exchanges to educate investors about investor rights and what to consider when making investment decisions. Many programmes implemented serve the goal of developing community knowledge about the investment concept, not only to attract new investments but also to provide the basic education needed to protect the individual from lack of experience. Building the financial literacy of youth will produce significant results in the future and ultimately enhance the well-being of Palestinian society.

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