Conduct the Scoring

Palestine Capital Market Methodology

Preface:

The Palestinian corporate governance code was issued in 2009. It is a hybrid code that contains both mandatory and voluntary rules. The related local laws and regulations in addition to OECD Corporate Governance principles were used as a benchmark when developing the code. The code declares Palestine Capital Market Authority the responsible body to implement the rules of C.G code

Scoring Methodology:

Since the scorecard should reflect the hybrid structure of the C.G. Code, a Three-Stages-Weighted Average technique was used to conduct the scoring as elaborated in the following illustrations:

Stage one-

At this stage, the total scorecard weight was divided to mandatory with 75% of total weight and voluntary with 25% of total weight, to reflect the hybrid structure of the Palestinian C.G Code.

Stage two- at this stage the total scorecard was divided into five subgroups and a specific weight was assigned to each subgroup. Each subgroup weight was estimated depending on the national and market circumstances and PCMA policy regarding corporate governance. Moreover, stage one weight division is adopted for each subgroup in terms of mandatory/voluntary weights.
Stage three- at this stage a specific weight was given for each question in the subgroup, and when calculating the weight, stage one and stage two apply. In other words, the total score of the questions in the subgroup will be weighted within the subgroup weight in stage two and will reflect both mandatory and voluntary weights according to stage one.

The importance and benefits of this methodology:

The scorecard results will be publically published and disseminated on several levels, firstly on the level of each listed company, secondly on the sectorial level (ex. banking, insurance, etc..), and thirdly on the company size level in term of paid up capital (small, medium, big). Accordingly, several benefits can be achieved from the above methodology, among these:

1- The scorecard results will reflect the hybrid structure of the Corporate Governance code, mandatory and voluntary rules illustrated in stage one.

2- The optional part of the total scorecard results can be used as an important motivational tool for companies to adopt voluntary rules and increase competition between companies to raise their score on the scorecard, noting that this optional part can also be seen as a rewarding mechanism for those companies who implement voluntary rules.

3- The mandatory part of scorecard results can be used as an end-user evaluation tool to assess the effectiveness and efficiency of the regulator in enforcing the mandatory rules.

4- The subgroups in stage two will help the policymaker in assessing the development of the corporate governance in the country, identifying gaps on the market level, and determining the required policies and actions, while the weight of each subgroup can be used as a parameter to implement the required policy and set the rhythm.