Chemonics International, Inc.
1133 20th Street, NW
Washington, DC 20036
Telephone: (202) 955-3300
Fax: (202) 955-7540

AMIR Program
Access to Microfinance & Improved Implementation of Policy Reform

USAID Contract No. 278-C-00-98-0029-00

Jordan Capital Market Development
A Strategy for Listing Corporate Securities on the Amman Stock Exchange

By
Russell Diehl

Submitted to:
United States Agency for International Development

Submitted by:
Chemonics Interntaional Inc.

November 1999

JORDAN CAPITAL MARKET DEVELOPMENT

A STRATEGY FOR LISTING CORPORATE SECURITIES ON THE AMMAN STOCK EXCHANGE

Introduction

"National capital is the cornerstone of our economy and everybody is called upon to protect it, and the private sector has a duty and a responsibility to utilize capital in the best possible manner in order to bolster the Kingdom's economy."

King Abdullah II,
November 1999
During a visit to the Jordan Securities Commission

What may be the most constructive policies and strategies to foster in order to encourage the listing of Corporate Securities on the Amman Stock Exchange?

Looking at the totality of the information developed on the topic for this monograph, the securities listing regulations, rules and policies, though numerous, are not so numerous as to produce the near paralysis of the corporate listing process, which is generally believed to be its current state.

With respect to the listing procedures it is important to recognize the procedural complexity of the listing process and the need for complementarities among the various policies of the newly promulgated Securities Law and the capital markets governing institutions: JSC, ASE, SDC. This need for institutional coordination certainly makes policy making for the listing process more difficult. It should not make it impossible. Policy development need not be made directionless by an approach to the listing mission that currently leaves open the question of which institution is accountable and responsible for the task. Although it has been difficult to focus recent policymaking on the listing issues there appears to be no doubt that it is an important issue to address and matriculate.

So, while one is tempted to focus on the ASE Rules and Regulations relating to the corporate securities listing process, no solution will be found in doing so. The fact is, to focus on the ASE Rules, Regulations, and Policies on this matter alone is far too reminiscent of the old adage about the chap who looks for his lost keys underneath the street lamp. He does so because this is where the light is, even though he knows he lost the keys in the dark alley.

The dark alley of multi-faceted public fiscal policies relating to Capital Markets is where the true challenge lies, not under the lamp of regulatory procedures and commercial incentives.

We are also tempted to find an institutional advocate for the listing process. While completely proper to be in the USAID Technical Assistance Work Plan the topic of listing incentives or the policy need to increase the number of listed companies, is not found among the institutional counterparts of the Jordanian Capital Market. Neither the JSC nor the ASE has a concerted, clearly stated, user friendly, listing strategy. There is no policy on how to 'clientize' a listing candidate for the ASE, only the notion of the liable party.

It may at first seem far-fetched but one explanation for this may be that an increase in Corporate Issuance of Securities and their subsequent listing contributes to the dilution of the financial intermediaries the Government can influence best, the Banks.

The Banks; which are the main supplier of credit to the GOJ
The Banks; which through and by direction of the Central Bank, fund the GOJ Budget which is advised by the Ministry of Finance.

Hence, the issues concerning the listing of Corporate Securities on the Amman Stock Exchange may be cast squarely in an overall public policy debate on the primary role of capital markets.

This potential policy paradigm shift will need to be resolved by the several public financial institutions, the Central Bank, and the Ministries in the Kingdom representing the public sector. Only then will meaningful movement and involvement by the private sector relative to the listing issue transpire.

The Policy GOALS

1) Support a flourishing and world-class capital market that is best served by institutions that can:

- Be active agents in the development of the economy, and in securing the success of future GOJ privatization's;
- Be a valuable mechanism for companies requiring access to low-cost capital through equity and debt in the domestic market; and
- Mobilize domestic savings and international investment in The Hashemite Kingdom of Jordan.

2) Secure fully functioning and implemented modern Securities law with regulatory objectives, legal objectives and that facilitates the development of the capital market. A law that:

- Maintains the safety and soundness of financial institutions.
- Protects the consumer.
- Provides legal certainty. A securities market needs to operate on a basis that is legally certain.
- Is without ambiguity. Eliminate as best able differing interpretation.
- Is flexible, allowing for the market to develop, including technological change.
- Is fair, which means the regulator will act in normal circumstances in accordance with published policies, guidance and criteria. The regulator will also follow established procedures in the methods used to take decisions, particularly those that affect property and livelihoods.

3) Secure a shift in the GOJ Debt Management process to an open, transparent, efficient price discovery oriented government securities market. A market that provides for:

- A stable source of finance to the GOJ.
- Economic independence for the Central Bank of Jordan.
- Access to the savings apparent in the excessive liquidity levels in the banking system and to mobilize those savings for economic growth and investment.

The Strategic Tasks

- A Strategic Business Plan for the Amman Stock Exchange should be developed within the next 120 days. Included in the Plan must be the ASE`s role and definition in the in the overall Capital Markets scheme as envisaged by the GOJ.

- A permanent and defined staff should be established at the ASE within the next 90 days. Management of the ASE should be conferred on a permanent and professional administrative staff, focused on operating the business of the exchange.

- Secure legal clarity in the Securities Law of 1997, and have the Securities Law express coherence with The Companies Law, the Bank Law, the Penal Code, Consumer Protection customs, and the Tax Code and within the next 180 days have Parliament presented with the final Law for passage.

- A Capital Markets development plan should be promulgated by the JSC in addition to the existing compliance requirements within the next 120 days.

- The ASE should establish forthwith an executive committee for the development of government securities trading on the ASE that coordinates with a cabinet level ‘debt management’ committee, reporting to the Prime minister.

- The ASE, enhancing the impact and range of the brokerage community in raising capital should encourage the development of securities selling groups and equity underwriting syndicates. ASE seminars and workshops on these topics should commence by January 2000.

- The ASE should be designated by the JSC as the industry advocate for both the providers of and users of investment services. The Brokerage community should enhance its inputs to the ASE, perhaps by ASE executive committee participation and advocate for more open commercial development of its investment services.

- The fixed commission system imposed on the brokers should be reviewed and rationalized and a new more openly competitive commission system implemented before May 2000.

- Periodic Joint Institutional workshops and seminars for listing candidates and potential capital formation clients should be developed and formulated. The JSC, ASE, SDC, and Brokerages should develop an action plan on this matter by March 2000 through a Joint Institutional Workshop Committee.

- The ASE should promote the introduction of new investment instruments for the investing public. Money market and pension investment products such as mutual funds and the development by the ASE of securities products for the Insurance Industry, for both compliance and underwriting use should commence immediately.

- The ASE listing stratification and categories needs to be de-mystified. A complete reconsideration of the listing categories is required. Becoming listed on the ASE should be straightforward and involve disclosure compliance not size or profit criterion. A ‘one Board fits all’ program with differentiation being ease of settlement (i.e. securities eligible for depository settlement versus those not) is an approach with merit. Clarification of listing criterion should be completed within 90 days.

- Introduce in the regulations of the Securities Law of 1997 certain and unambiguous specifications relative to and concerning the listing of securities on the ASE. In short, clarify and enhance the Companies Law regulation on the matter of listing and transfer of securities and incorporate it in the body of the Securities Law by June 2000.

- Develop an implementation plan for the integration of the SDC into the over all Jordanian Capital Markets community.

- Organize a task force that includes the privatization unit at the Prime Ministers office, the JSC, ASE, and SDC to recommend and define the role of the Jordanian Capital Markets in the national privatization program. First working draft on recommendations should be filed by June 2000.

- Introduce a comprehensive Government Bond and Bill market and, in essence, develop a transparent and price discovering market for government securities. A market that may provide benchmark yields for the entire Capital Market.

- Introduce and develop a Corporate Bond Trading Market that will assist Banks in reducing term loan exposure to the private sector.

- Promote and encourage the establishment and development of unit trusts or mutual funds in Jordan with special emphasis on the Pension plans and social trusts.

The Hashemite Kingdom of Jordan

General Economic Context

"….and we will do our utmost to move the Jordanian economy in the right direction so we can …shoulder the responsibilities that we must provide to a stable and peaceful region.

King Abdullah II, May 1999
At a press conference with United States Secretary of State
Madeleine Albright.

Jordan's macroeconomic environment reveals an economy characterized by continued recession exacerbated by a harsh regional atmosphere. Economic growth has suffered from the freeze in the peace process, Israel's refusal to implement existing agreements with the Palestinian National Authority, and Israel's continued refusals to allow Jordanian commodities access to Palestinian markets. In addition, the general economic sanctions against Iraq deprive Jordanian industry of a crucial and traditional market. Included in this scenario are the policies of financial austerity and economic adjustment introduced by the governments in the Gulf region. Due to the sharp drop in oil prices through most of 1998 and 1999, the economies of the Gulf lost demand for both Jordanian goods and manpower and both have been sharply curtailed.

The 1998 GDP figures indicate the fourth year in a row of slow growth in the Jordanian economy with average GDP growth optimistically estimated at 2.2 percent for 1999. With the population growing at an annual rate of over 3 percent these figures imply a decreasing average per capita income and standard of living for most Jordanians. This is a prescription for long term trouble, unless reversed by mobilizing domestic savings and foreign direct investment.

Unemployment has reached 22 percent, under employment may be as high as 33%. The number of families under the poverty line stands at 38 percent. Exports have decreased by about 2 percent a year since 1996. Imports have increased at a rate of 6.6 percent per year in the same period. Jordan's balance of foreign debts increased by 9.2 per cent in 1998 reaching JD 5 billion (US$ 7 billion), as a result, the Kingdom's ratio of debt to GDP stands at 95.6 per cent. About 87 per cent of this debt is owed to industrial countries and international and regional development institutions. Finally, the performance of public finance was dismal, recording a deficit of JD 290 million in 1998. This results in a ratio of deficit to GDP recording a debilitating 6 percent. With increases in public expenditures projected for 1999 and decreased government revenues stemming from weak economic conditions as likely, 1999 may prove to be another hard year for the Kingdom.

These current economic conditions are tempered with several very relevant and impactful social conditions. Jordan has an educated population. The private sector is open-minded, apt with technology and vibrant in spirit. Jordan's infrastructure is relatively good. There are clear areas of commercial comparative advantage. There is both political stability and effective national political leadership. Finally, there exists a clear national desire to grow, progress and modernize Jordan's transitional economy.

In a letter of designation to Prime Minister Rawabden, King Abdullah II made the following comments:

'Jordan's economy suffers from stagnation for several reasons. And although the national economic reform program has achieved many successes, it needs reconsideration according to changes and developments in cooperation with the specialized regional and international institutions that have shown a desire to give help. With the effective participation of the private sector which we value, both its role and achievements, and with the aim of correcting faults and providing the right climate for investment, we can achieve the just distribution of national income to all sectors of the society.'

Capital Market Institutions in Jordan

The Amman Stock Exchange

The Amman Stock Exchange (ASE) was established in 1978 under the style The Amman Financial Market (AFM). Its growth and trading volume has been, to date, modest. The ASE listings include Banks (68% of Organized Market capitalization), Industry (23%), Services, and Insurance (9%). Dominating the ASE`s JD $ 4.12 billion (US$5.3 billion) market capitalization is The Arab Bank, which comprises about fifty percent of the ASE`s total market value. There is actually a wide spectrum of companies listed on the ASE, ranging from family–run businesses to large-scale firms, many of which have Government of Jordan (GOJ) ownership. Trading has remained light as the ASE`s outmoded manual clearance and settlement system challenges the organizations talented and enthusiastic administration. Nevertheless, equity trading and price discovery functions have taken place in a relatively efficient manner. Also, the ASE (and before it the AFM), is and has been rightly perceived as an ‘honest’ market.

In recent years however, the ASE has developed a somewhat complicated and hierarchical system of securities listing categories. This point is understated. These categories include the Organized, Parallel, Third, and Unlisted markets. There is no ‘economic efficiency theory’ discernibly at work in these categorizations. It is just the way it is. The system captures all the public shareholding companies in Jordan and provides them a ‘place and designation’ whether sought after by the company or not.

However, ASE Rules require a formal application must be made to list on the Organized and Parallel markets. Currently, a Corporate Issuer may list its securities on the Parallel market upon the completion of a “primary” distribution, or initial public offering (IPO) of its shares. As the Rules stand now, a company may also list on the Parallel Market after remaining on the Third Market for one year. In any event, after one year on the Parallel Market Issuers may trade on the Organized Market. The Organized Market is also known as the 'Regular Market' and is comprised of 99 companies.

Securities listed on the Organized Market and the Parallel Market are traded on manual market boards located on the floor of the ASE. Securities that are listed on the Third market are traded through buyers and sellers in private negotiations, facilitated by ASE licensed Brokers. Unlisted 'Public' company shares are not usually traded, as typically these companies have not developed the capacity to support the registration and transfer of shares. For the moment, no attempt has been made by the JSC or ASE to rationalize or re-organize this complex and ill-serving *modus operandi*. A plan is needed nevertheless.

With all the foregoing issues considered, the opportunity to become an important regional financial market providing needed financial intermediation services still looms high as a possibility for the ASE. But this opportunity is fleeting and requires both energy and vision from the ASE management.

The total number of listed companies at the ASE has reached one hundred fifty (150). The ten (10) largest quoted companies account for 72% of total market capitalization. This list of ten includes four Banks with the remainder in heavy industry and hotel/tourism. Rather surprisingly, Jordan has approximately 760,000 registered shareholders.

There are 35 licensed and practicing (accredited) brokers trading at the ASE, seven are investment banks with four affiliated with commercial banks. While commercial banks are not permitted to engage directly in brokerage activity, their affiliates have emerged as the largest and most active market participants in the ASE. The last five most recently licensed brokers were the Housing Bank, the Arab Bank, Bank of Jordan, the Islamic Bank, and the Export & Finance Bank. In addition, there are several brokers that are limited liability companies and family-owned partnerships. Recent regulatory trends relating to capital structure may soon place these more entrepreneurial units in a net capital compliance conundrum.

Neither the brokerage community, nor the ASE has recently had an active business development effort directed toward acquiring new listings for the ASE market. The bank-affiliated brokers are working with the notion that they are support units of the banks. To date, they do not have a constituency past the parent bank and the parent banks institutional clients, such as the Social Security Corporation, and the Jordan Investment Corporation. For perspective, at year-end non-Arab share ownership at the ASE was 5 percent of the total market value.

It should be noted that at the Amman Stock Exchange the broker's commissions are truly thin. One-percent commission on shares and seven-tenths of one per cent on bonds does not leave much of a margin for greatly needed but in this setting esoteric securities research and new business development. Imagine where 'listings promotion' is placed in the general business plan of the typical ASE member broker who has to meet payroll and expenses on a 1% fixed commission.

The ASE has been fully occupied recently with the task of becoming organized in new physical quarters as well as the resolution of policy and technical issues raised by the pending installation of the Paris Bourse trading system. Listing issues are soft agenda items for the brokers and for the Exchange, at least for the moment.

The Jordanian Securities Commission

In 1996, the GOJ began a program of institutional reform of the Capital Markets. The centerpiece of this reform program was the Securities Law of 1997 and the Companies Law (No.22) of 1997. The Securities Law of 1997 provides for the establishment of a Stock Exchange (ASE) and a Securities Depository (SDC) to be operated by the Private Sector and regulated by the Jordanian Securities Commission (JSC). By this Law the Commission (JSC) regulates and monitors the activities of the Amman Stock Exchange (ASE) and the Securities Depository Center.

The Jordanian Securities Commission is by this Law the market regulator**.**

As of the autumn of 1999 however, the Law has yet to come into full force. It still awaits full passage. This means that as the Constitution of the Hashemite Kingdom of Jordan allows, the Law was enacted by the GOJ without being passed by Parliament. In the mean time, the Law provides that the Commissioners and the Chairman of the JSC are to exercise the powers of the management committee of the successor organization to the ASE known as the Amman Financial Market. The JSC is also to act as its director general as specified in the AMF Law (No.1) of 1990. In essence, the JSC Regulates by Law and Operates by Management Committee, the Amman Stock Exchange.

This is not unlike how the AFM was previously managed, just different mangers. Since its inception, the AFM functioned in a dual capacity as both the stock exchange and market regulator. For the moment, the institutional reform envisaged by the 1997 Securities Law is a work in progress. The drafting of regulations to effect the full implementation of the Securities law continues, assisted through various U.S. and U.K. grant-in-aid programs. Naturally, seminars and workshops are available throughout the year; however, the current legal environment is not exactly crystal clear. Noticeably, no predictions were proffered as to when clarity would appear in this important matter. Clarity is paramount to any reasonable change in the listing landscape. Businessmen and investors are knowledgeable and sensitive to the Laws of the Kingdom, and a lack of clarity in the law, any law, is interpreted with great caution.

In contrast, The Companies Law of 1997 is a comprehensive set of law and regulations that delineates all permitted forms of commercial existence in the Kingdom. This Law is in full effect. There are five types of companies in Jordan: General Partnerships, Limited Partnerships, a Limited Liability Company, Limited Partnership in Shares, and a Public Shareholding Company. Incidentally, the Law's only mention of the listing process takes place in Chapter Two, Article 98 section C, wherein the Public Shareholding Company is directed to deliver its share holder register to the proper authority, should the company *wish* to list its shares in the Market. This Article has been universally interpreted to mean that Public Shareholding Companies are not obliged to list their shares on the ASE, but may if they wish, and should they wish, they shall follow certain set procedures. Neither the market nor the legal profession recognizes any legal compulsion by the Companies Law for companies to list on the ASE.

Interestingly enough, the Companies Law is very able to specify what is required of a complying party. The Securities Law, on the other hand, has a much more difficult experience in this regard. It may perhaps be due the fact that usually the most successful securities legislation on a international best practice basis addresses what a complying party *can not do*, rather than what they are permitted. The Jordanian Securities Law is more in line with the latter and as a result may become highly interpretive.

In compliance with the Securities Law of 1997, His Majesty the King of Jordan appointed as the first Chairman of the Commission, the then Deputy Governor of the Central Bank, now Minister of Finance, His Excellency Dr. Michel Marto, and four other persons. Two people are from the Government (Justice and Trade Ministries) and two from the business sector. The current Chairman is His Excellency Dr. Bassam Saket, formerly Minister of Agriculture and a highly regarded lawyer. The Commission essentially sets the administrative agenda for the securities industry in Jordan, in addition to the aforementioned regulation and management of the ASE. The Commission reports directly to the Prime Minister.

The JSC agenda includes the internal organizational staffing and training for its own personnel, and the supervision of the establishment, organization and staffing of the ASE and the Depository. Add to this, the unbundling of the regulatory and administrative activities of the AFM and the re-allocation of those responsibilities to the JSC and the ASE. In addition, the JSC is responsible for the preparation of the regulations and amendments to the 1997 Securities Law. The JSC is also very much in the forefront of the Paris Trading System installation effort. In any event, the JSC is currently not in the Securities listing promotion business, and there appears to be no pending agenda for the task. Perhaps the JSC would prefer the ASE to take up this mantle, and possibly the ASE awaits a mandate from the JSC to engage this in matter.

Currently, it is the function of the ASE to prepare listing criteria for issuers, list procedures and rules and develop contract terms relating to the continuing obligations of listed companies. Also the ASE may charge fees for listing of securities on the Exchange and for the trading of securities. Nevertheless, it was the JSC that announced a decision to increase the fees levied on companies listed on the ASE in March of 1998. It was not warmly greeted.

Recently, the JSC issued new disclosure and transparency regulations (DTR) that require firms listed at the ASE to reveal net profits, revenues, and other details about the performance of the companies. The DTR also compels firms to submit reports on a regular basis to the JSC about their status, financial results, ability to compete, future plans and the names of major shareholders. Sensitive items for companies operating in an environment where the Government is still a major and formidable competitor in most sectors of the economy. In addition, the firms are required to submit half-yearly (six-month) reports showing their balance sheets, profits and loss and any changes in the shareholders rights. The DTR also requires all firms to apply international accounting standards in their financial operations, and notify the JSC about any change in their administration, and in shares owned by members of management.

Clearly these regulations were designed to modernize business practices and induce foreign investment. It was hoped that foreign investment would increase, and it has, marginally. It may be observed however that this increase may have more to do with the fact that Capital Gains are tax-exempted. In addition, the repatriation of investment income and capital in any convertible currency is free of any restrictions.

But for the generic Jordanian Public Shareholding Company, this DTR stick, useful to and crucial as it may be for foreign investors, was not delivered with a carrot, and in general, companies view the DTR as onerous. While the JSC chanted the capital market fugue of ‘disclosure’ and ‘transparency’, absent was the quid pro quo of an easily accessible, user friendly, level playing field, open capital market.

Stated plainly, the JSC, the market regulator, the Stock Exchange manager, the promoter of foreign portfolio investment to the Jordanian Securities Market, does not have on its agenda, in the short or long term, a development policy for the listing of corporate securities on the ASE. The JSC does not currently have a policy or program concerned with developing merchandise or clients for the ASE.

The Supply Side

Privatizations, and GOJ Bonds

Certainly through its institutional restructuring of the capital market (JSC, ASE, and SDC) and the organizational reforms (Securities law and Companies Law) the GOJ recognizes the important role the capital market will play in Jordan's future economic development.

The GOJ appears prepared to remove measures that discourage foreign portfolio investment, and to formulate and recommend further measures to broaden and deepen domestic markets. Both steps would encourage the community of listing prospects to look to the ASE for any number of potential solutions to capital procurement. Currently, however, ASE trading is confined predominately to listed common shares. The ASE is, for all intent and purposes, solely an equity market. There is neither a functional money market nor a Government or Corporate Bond Market and alternative investment products of any sort, are not sanctioned.

The business of the Brokers at the ASE is confined to agency brokerage. The holding of principal portfolios (market making) by ASE intermediaries is not in practice nor are brokers geared to provide clients with even the most remedial investment advice and services. The Capital Market in Jordan then, simply put, is an equity market worked in the main by small-scale agency brokers dependent on patently meager 'fixed and regulated' commissions. With any effort to increase listings it will become imperative to expand the range of investment products and services available to the Jordanian investment community. A professional investment community that conducts business with attractive margins will most likely provide these services. At the moment, that community is not prevalent.

In any event, the most striking, most visible and dynamically macroeconomic of all possible solutions for the listing questions are: 1) the **national privatization programs** and, 2) the **issuance of Government bonds.**

It is understood that the privatization program has been frustrated by deep and persistent reservations within the GOJ. Notwithstanding the competing perceptions of the role of the public sector, the fact is, there are formidable constituencies surrounding these assets. Subjecting these interests to private sector rules of corporate governance is politically problematic.

The government bond issuance program, perhaps the key element in supply, is virtually dormant due to concerns about the public sector budget deficit and to safeguard the current JD/US$ exchange rate peg. Also present here are constituencies that are funded in a 'traditional fashion' which would absolutely change in a system based on efficient price discovery for the cost of government spending, i.e. a government securities market.

In Jordan the 'traditional' method of budget execution stops at the appropriation level. That is, funds are appropriated by the Parliament, but there is no centralized control over individual expenditures or over cash. Departments receive their funds in monthly increments, bank the money in accounts owned by the departments, and spend as department policy dictates. In light of this practice, it is in Jordan's interest to develop a smoothly functioning domestic government securities market. Importantly, the absence of a supply of government securities is not merely an issue for the brokerage community but poses a potential serious policy issue to the entire financial system.

At point here is, that the Jordanian public has firstly, no savings instruments except bank time-deposits, and secondly, no provisions for managed savings such as pension plans in order to 'save for a rainy day". The Banks, as a result, can continue to use their depositors' liquidity and the citizens' savings, to fund Central Bank Certificates of Deposits used for GOJ budgetary purposes. The Banks thereby atrophy as commercial lenders.

It is clear that a growing number of banks have problem loans. This is partially the result of the economy but mainly the result of credit policy. Arguably, the banks have to be refreshed and encouraged to make commercial advances, as currently, bank lending is influenced more by national fiscal policy than by whether they will be paid back as commercially agreed.

Nevertheless, this gives rise to a real risk to the financial system and to the retardation of private sector macroeconomic growth. The private sector is, in the end, 'crowded out' of the credit markets by the public sector. Surely, laggardly private sector growth means apathy in capital market developments and naturally listings on the ASE.

Also consider that Jordan's only firm with a trading Global Depository Receipt (GDR) is Arab Potash Company. Certainly more than one company exists in Jordan that has international investment interest. But these companies are not yet privatized sufficiently enough for foreign portfolio investment and GDR investors.

Just as for a privatization strategy and for the development of the primary and secondary markets in government debt securities, the listing issue is a matter for policy implementation at the highest levels of public financial management.

The Demand Side

The Kingdom's recent sluggish economy has not made for very brisk company and commercial business formations. Nevertheless, Jordan has a significant pool of listing 'suspects' and 'prospects'. Brokers at the ASE estimate that there are twenty solid prospects and forty or more suspects eligible and attractive for listing on the regular market. In any event, there appears to be a significant amount of antidotal evidence that they are right to be optimistic.

Nevertheless, commercial private sector demand for developing a listed security is tempered by the foggy maze of the registration process. Disclosure is highlighted and demanded by the JSC, but disclosure is expensive in time and money. There must be complementary incentives for the Companies to undergo the process. To date, no such incentives exist. Furthermore, the ASE`s manual markets offer no promise of organized capital procurement maneuvers. The reason is, naturally enough, because no such procedures have been developed.

While copies of the *Companies Law* and *Instructions for Listing and Suspension of Trading in Shares of Public Shareholding Companies* are easy to find, there are no equity syndicates, no underwriting groups or culture. So a ‘potential listing company’ seeking a useful and user friendly mechanism to raise capital and provide liquidity for its shareholders simply does not find it at the ASE. In its place is the requirement for three years of profits before it can be listed. But more to the core issue is the fact that the company must deal with both the ‘regulator ‘ and the ‘manager’ of the Capital Market in the institution of the JSC. It is a bit of a stacked deck as the ‘negotiable’ business issues a potential listed company may face with the ASE must be separate and distinct from the ‘non-negotiable’ procedural issues it will be called upon to comply with from the JSE. This is not the case presently.

All the above notwithstanding, the consumer demand for Jordanian securities both domestically and from foreign investors is clearly positive. The domestic need for investment securities for pension and estate planning use is very high. A need not currently being met or addressed by the Market. The foreign appetite for Jordanian securities will grow as more ‘offerings’ are developed which enable sophisticated and diversified portfolios to be designed. This will include the use of GDR`s and other international trading standard securities. This region, and Jordan in particular, has distinct and empathic investor interest. It is simply a matter of making it easy to do business in the Kingdom.

As King Abdullah II mentioned in an interview with Christian Amanpour of CNN in May 1999:

"We as a government have to restructure, we have to streamline. We have to make investment much more attractive to people coming to Jordan"

Appendix A:

The Whole Point behind the Investment Process

Over the course of history, the objectives of investing have remained essentially unchanged. Investments have always been made to increase wealth and to protect that wealth from the ravages of inflation and other forms of social and political instability. Wealth is created when assets are moved from lower to higher valued uses. The chief virtue of the capital mode of production is its ability to create wealth. Although opportunism and greed often contaminates the purity of the process and drives it to extremes, the final results are always determined by the parameters of the real world.

Stripped of all its pretensions, investing is the art of anticipation. Despite the advent of the computer, the exponential growth of communications and the massive flow of information, the human predictive ability has not improved much over the centuries. Knowledge harnessed in some area is quickly discounted and eclipsed by new knowledge, which in turn introduces a new set of variables. In the final analysis, human instincts, compromised by the usual frailties, exercises imperfect control.

Investing is a dynamic process that possesses none of the limits of physical sciences. It is a discipline that demands a panoramic view of substantially all the relevant information accumulated over the history of mankind. It requires familiarity with science and technology. An understanding of politics and international relations. An appreciation of the role of social psychology and the hysteria of crowds. A grasp of the various shadings of accountancy. A generally accurate assessment of the production and consumption factors that drive the engines of the important economies of the world. And finally, the exacting sense to accord each of the foregoing to its proper value in the investment equation. In short, it is a discipline beyond human capacity to master totally.

Those who place great reliance on history as a guide to future events are often doomed to frustration and disappointment. History rarely repeats itself in the same sequence or with identical consequences. Economic and military powers rise and fall many times within the span of one lifetime. New industries are born, grow in importance, and then wither and disappear. Companies arise, become complacent and loose their luster. In the area of investments, once trends are established, they tend to be taken for granted, and then are projected to last indefinitely. Instead, they exhaust themselves, rarely to be renewed.

Successful investing requires more than the application of the available tools of the profession. At its root is a simple definition that is frequently cited but rarely heeded.

Successful investing is nothing more than a method by which a risk-adjusted fair rate of return is obtained over an extended period of time.

This goal is eminently attainable. But it can be achieved only in a climate of consistency in which the ability and willingness to take risks are objectively defined, and in which the reliability of long-term results takes precedence over the erratic success and frequent failure of a short-term approach.

The ASE, the JSE, and the SDC exist to facilitate, regulate and record this process.

Nothing more, really….. And nothing less.