

**Access to Microfinance & Improved Implementation of Policy Reform
(AMIR Program)**

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JORDAN CAPITAL MARKETS

**The Securities Law
Law No. (23) For The Year 1997**

Final Report

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The Securities Law Law No. (23) for the year 1997

Chapter 1 *Definitions*

Article (1)

This Law shall be cited as “The Securities Law of 1997”, and shall come into force as of the date of its publication in the Official Gazette unless otherwise provided herein.

Article (2)

Wherever mentioned in this Law, the following terms and expressions shall have the meanings ascribed thereto hereunder unless otherwise indicated by context:

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|-------------------------------------|---|
| The Commission | : The Jordan Securities Commission. |
| The Board | : The Board of Commissioners of the Securities Commission. |
| The Chairman | : The Chairman of the Board of Commissioners. |
| Person | : Natural or legal person. |
| The Bourse | : Amman Bourse/The Stock Exchange. |
| The Center | : The Securities Depository Center. |
| Investment Trustee | : Any company licensed by the Commission to practice investment trusteeship. |
| Investment Manager | : Any company licensed by the Commission to practice investment management. |
| Financial Advisor | : Any company licensed by the Commission to practice financial advisory. |
| Financial Broker | : Any company licensed by the Commission to practice financial brokerage. |
| Certified Investment Manager | : Any natural person licensed by the Commission to practice investment management. |
| The Depository | : Any company licensed by the Commission to practice depository activities |
| Trading | : Buying or selling securities |
| Dealing | : The registration, issuance, subscription, deposit, listing, trading, financing, dealing in, lending, borrowing, short selling or pledging of financial securities |
| Issuer | : Any person issuing or announcing the intention to issue securities |

- Affiliate** : A person who controls another person or is controlled by that other person, or who, together with that person is controlled by the same person.
- Control** : The ability to influence effectively directly or indirectly the actions and decisions of another person
- Underwriter** : A person who buys from the issuer securities for resale.
- Short Sale** : Sale of a security not owned by the seller or any sale that involves the delivery of a security borrowed by or on behalf of the seller.
- Relatives** : Spouse and children.

Article (3)

Subject to the provisions of Article (4) of this Law, for the purposes of this Law, the term “securities” shall mean:

- A. Negotiable and transferable company shares.
- B. Bonds issued by companies, the government, official public institutions, public enterprises or municipalities.
- C. Securities-deposit receipts issued by financial services companies.
- D. Investment units issued by investment funds.
- E. Equity option bonds.
- F. Spot contracts and forward contracts.
- G. Sale and purchase option contracts.
- H. Any other local or foreign securities that are commonly recognized as securities and considered as such by the Board, subject to the provisions of the legislation in force.

Article (4)

The following shall not be deemed as securities: commercial papers such as cheques, bills of exchange, documentary credit, and transfers; instruments exclusively traded among banks; insurance policies and entitlements in pension funds which are financed by other than contributions of beneficiaries.

Article (5)

The different types of securities, and the rules governing their registration with the Commission, issuance, depositing with the Depository, listing, trading, financing, and dealing therein, lending, borrowing, pledging and all matters related to securities, as well as the rights and obligations of issuers and owners of securities, and of persons disposing thereof, shall be stipulated in Regulations issued for this purpose.

Chapter 2
The Securities Commission

Article (6)

- A. A Commission known as the “Securities Commission” shall be established in the Kingdom. The Commission shall report to the Prime Minister. It shall be a separate juridical person with administrative and financial independence. As such, it may carry out all legal acts, including concluding contracts, accepting assistance, donations, grants and gifts, and acquiring the movable and immovable property necessary to achieve its purposes. The Commission may be represented by the Attorney General or the General Civil Attorney or it may authorize any lawyer to act on its behalf. The Commission’s headquarters shall be in Amman.
- B. The Commission shall not engage in commercial activity, have a stake in any project, borrow or lend funds, or acquire, own or issue securities.

Article (7)

The Commission’s objective shall be to ensure a sound environment for dealing in securities, and to regulate, develop and monitor the securities market and the capital market in the Kingdom and protect holders of securities, investors therein, and the public from fraud and deceit. In order to achieve its objectives, the Commission shall undertake the following:

- A. Regulate and monitor the issuance of securities and dealings therein;
- B. Regulate and monitor the activities of entities falling under its supervision;
- C. Regulate and monitor disclosure of information pertaining to securities, issuers, dealings by insiders, and major shareholders and investors in securities;
- D. Regulate the short sale of securities;
- E. Regulate the public purchase offers of shares of public shareholding companies.

Article (8)

- A. The Commission shall have a Board to be known as the “Board of Commissioners” which shall comprise five members who shall include the Chairman and the Deputy Chairman. The Board members shall be Jordanian natural persons, shall serve on the Board on a full time basis, and shall be experts in securities.
- B. Subject to the provisions of Paragraph (c) of this Article, the Chairman, the Deputy Chairman and the other members of the Board shall be appointed for a five year term, and the salaries and financial entitlements thereof shall be determined by a decision of the Council of Ministers, endorsed by a Royal Decree.
- C. The first Board to be formed after the coming into force of this Law, shall have one member appointed for a one year term, another for a two year term, and a third for a three year term. The Deputy Chairman shall be appointed for a four-year term while the Chairman shall be appointed for a five-year term.

D. The Chairman, Deputy Chairman and the Board members shall take the following oath before the Prime Minister, upon appointment and before assuming their positions: (I swear by Almighty Allah to be loyal to the King and my country, to uphold the Constitution and to abide by the Laws and Regulations in force, and to discharge the functions and duties of my position honorably and with loyalty and dedication).

Article (9)

The duties and authorities of the Board shall be stipulated in this Law and the Regulations and Instructions issued pursuant thereto, and shall include :

- A. Preparing Draft Laws and Regulations related to securities;
- B. Issuing the necessary Instructions for administering the Commission, and any other necessary Instructions and decisions necessary for implementing the provisions of this Law and the Regulations issued pursuant thereto, and amending and repealing such Instructions;
- C. Approving the by-laws and the Instructions of the Bourse, and the Center and proposing amendments thereto;
- D. Reviewing objections against the decisions, instructions and by-laws of the Bourse or the Center and issuing decisions in regards thereto;
- E. Suspending the activities of the Bourse or the Center for up to one day, and making recommendations to the Council of Ministers to suspend activities for a longer period, if need be;
- F. Approving, canceling, or suspending the listing of any Jordanian security on a Securities Exchange outside the Kingdom;
- G. Prohibiting the issuance of, or the trading in certain securities on the Bourse , if deemed necessary;
- H. Granting the licenses issued pursuant to the provisions of this Law;
- I. Approving the registration of investment funds;
- J. Setting the maximum and minimum commissions which may be charged by financial services companies and members of the Center, and approving the fees and commissions charged by the Bourse and the Center;
- K. Adopting the accounting, auditing and performance evaluation standards to be followed by all entities falling under the Commission's supervision;
- L. Setting the standards and eligibility conditions for auditors of entities under the Commission's monitoring and supervision, and specifying the duties of such auditors;
- M. Preparing the Commission's annual budget and submitting it to the Council of Ministers for approval;
- N. Classifying the kinds of persons, securities, transactions and reports (filings), and stipulating the requirements for each kind;
- O. Any other functions or matters the Chairman submits to the Board.

Article (10)

Upon assuming duty, a Board member shall declare in writing to the Commission any securities owned by the member, or at the member's disposal or at the disposal of any relatives thereof, as well as any shares or stocks in financial services companies owned by the member, or at the member's disposal or at the disposal of any relatives thereof. The member shall also declare in writing to the Commission any changes to the aforementioned within three days of the member's knowledge thereof.

Article (11)

A Board member shall not practice any other profession or assume any other job, including occupying a ministerial post, being a member of Parliament, being employed by or occupying a post in a company, an enterprise, the Government, any official public institution, public enterprise or municipality. A Board member shall also not be someone in a position to influence the decisions of such entities, or who acts in a consultative capacity thereto.

Article (12)

- A. Board meetings quorum shall consist of four members, provided the Chairman, or in absence thereof, the Deputy Chairman, is in the quorum. Board decisions and recommendations shall be adopted by unanimity or a majority of three votes.
- B. The procedures and rules governing the Board meetings and the manner of calling such shall be stipulated in Regulations.

Article (13)

The Chairman shall be the Commission's Chief Executive and financial officer, and shall be charged with implementing the Commission's policies and with the management of its affairs. This shall include:

- A. Implementing all Board decisions;
- B. Signing contracts as authorized by the Board;
- C. Signing, solely or jointly with others, the Commission's reports, financial statements and records, correspondence and documents.

Article (14)

- A. The Chairman may delegate any of his authorities to the Deputy Chairman, any Board member or any of the Commission's employees in accordance with the provisions of this Law or the Regulations issued pursuant thereto, provided the delegation is specific and is put in writing.
- B. The Deputy Chairman shall carry out the tasks and duties assigned thereto by the Chairman and shall assume the Chairman's authorities in the Chairman's absence, or if the Chairman's position becomes vacant.

Article (15)

- A. The Commission may charge fees for the following:
 - 1- Registration of securities with the Commission;
 - 2- Listing of securities on the Bourse;

- 3- Trading of securities;
 - 4- Granting and renewal of licenses for financial services companies, and certified financial professionals;
 - 5- Registration of Investment fund.
- B. The maximum amounts for the fees set forth in Paragraph (a) of this Article shall be set by a Regulation to be issued for this purpose.

Article (16)

The Commission's financial resources shall consist of the following:

- A. The fees, service charges, and commissions received in accordance with the provisions of this Law and Regulations issued pursuant thereto;
- B. The fees charged for the use of the Commission's facilities, returns on the Commission's assets, and proceeds from the sale of the Commission's assets;.
- C. Assistance, donations, grants and gifts received by the Commission, provided they are approved by the Council of Ministers;
- D. Amounts the Government allocates to the Commission or for covering a deficit in the Commission's revenue and expenditures account;
- E. Any other sources approved by the Board.

Article (17)

- A. Notwithstanding any other legislation, all fees, service charges and commissions collected by the Commission, as well as fines imposed under this Law and the Regulations and Instructions issued pursuant thereto, shall devolve to the Commission.
- B. The Commission shall maintain reserves equal to twice the total amounts of its expenditures as reported in its annual budget. Any amount in excess of the required reserve shall be paid to the Treasury.

Article (18)

- A. The Commission shall enjoy all the exemptions and privileges accorded to Ministries and Government departments.
- B. The Commission's funds and rights against others are deemed as domanial property, to be collected in accordance with the provisions of the Law on the Collection of Domanial Property in force. For the purposes of enforcement of this Article, the Chairman shall assume the authorities of the Administrative Governor and the Committee for Collection of Domanial Property as stipulated in the aforementioned Law.
- C. The Commission's revenues and expenditures shall be monitored by the Audit Bureau. The Board may appoint auditors and set their fees.

Article (19)

The Board shall submit to the Council of Ministers, within the first three months of the beginning of each fiscal year, a summary report on the Commission's activities during the preceding year and copies of the Commission's balance sheet, and revenue and expenditure account, certified by the auditor.

Article (20)

- A. For the purposes of this Law and the Regulations and Instructions issued pursuant thereto, the following entities shall be subject to the Commission's monitoring and supervision:
- 1- The Bourse;
 - 2- The Center;
 - 3- Financial Services Companies;
 - 4- Public Shareholding Companies;
 - 5- Investment Funds;
 - 6- Certified Financial Professionals.
- B. The Chairman, any Board member, or any of the Commission's employees who is duly delegated by the Chairman, shall have, for the purposes of monitoring and supervision, the authority to do any of the following:
- 1- Review the papers, documents, records or correspondence of any of the entities mentioned in section (a) of this Article or request copies of the said documents for review and filing;
 - 2- Request the rectification of errors or violations, if any, within a set period or request that legal proceedings be taken against such errors or violations;
 - 3- Request the cease of any procedure if this is found to be in violation of legislation in force or for any other relevant reason;
 - 4- The Boards of Directors, executive officers and employees of the entities cited in paragraph (a) of this Article, as well as certified financial professionals shall assist the Commission's employees in performing their monitoring duties, and shall respond to their requests and furnish them with any information required.
- C. Any information to which Commission employees have access shall be deemed confidential. However, the Commission may disclose information it deems necessary for protecting investors.

Article (21)

- A. All persons, ministries and government departments and institutions shall respond to the Commission's requests and furnish the Commission with any documents and information it requires for the purposes of carrying out its duties and activities according to the provisions of this Law and the Regulations and Instructions issued pursuant thereto.
- B. Failing to respond to the Commission's request during the set period, or deliberately delaying the response, or providing a response that indicates an intention to stall, or waste time constitutes a violation subject to criminal or disciplinary prosecution.

Article (22)

The rules and procedures pertaining to the Commission's financial, administrative and personnel affairs shall be stipulated in Regulations issued pursuant to this Law. Such Regulations shall provide incentives for the Commission's employees to work towards attaining the Commission's objectives and to raise their academic and professional standard. They shall also include provisions to regulate personnel housing, and provident fund and social security scheme, as well as the affairs of consultants, experts, specialists and researchers, the authorities granted thereto, and remuneration and other financial entitlements thereof.

Chapter 3
The Stock Exchange

Article (23)

- A. A Stock Exchange to be as (Amman Bourse) shall be established in the Kingdom, and shall have a separate juridical personality with administrative and financial independence. As such, it may carry out all legal acts including concluding contracts and acquiring and disposing of movable and immovable property, and authorizing a lawyer to act on its behalf in legal proceedings.
- B. The Bourse shall be the only entity authorized to operate as a formal market for trading securities in the Kingdom.
- C. The Bourse shall be a non-profit establishment, and shall not be subject to the Companies Law. It shall not engage in commercial activities, or have a stake in any project, or acquire or own any securities.

Article (24)

- A. Securities listed on the Bourse shall be traded through transactions between financial brokers, carried on the behalf of clients, and established through entries in the Bourse's record.
- B. Unless otherwise proven, the entry records and the accounts maintained by the Bourse, whether manually or electronically, as well as any document issued by the Bourse shall constitute *prima facie* legal evidence of the trading mentioned therein on the date of the records, accounts or documents.

Article (25)

- A. The Bourse's membership shall consist of financial brokers and its General Assembly shall consist of members who have paid their subscription and annual membership fees. Each financial broker shall have one vote in the General Assembly's meetings.
- B. The Bourse shall be managed by a Board of Directors and an Executive Manager. The rules and procedures governing the General Assembly, the formation of the Board of Directors, the manner of convening the meetings of the General Assembly and of the Board of Directors, and of adopting the decisions therein, as well as the authorities and the tasks of the General Assembly, the Board of Directors and the

Executive Manger, and all other financial and administrative matters related thereto shall be regulated by the Bourse's By-laws and by Instructions issued for this purpose.

- C. The Executive Manger shall be appointed by the Board of Directors upon consultation with the Board. The Executive Manager shall assume his position on a full time basis, and shall not engage in any other activity, or be a shareholder in a financial broker, or own or have at the his disposal any securities issued by a financial broker.

Article (26)

The Bourse's Board of Directors, upon the Board's approval , shall set out the By-laws and Instructions necessary for the Bourse's administrative affairs, including matters relating to the following:

- A. The listing and trading of securities;
- B. The Brokers' Guarantee Fund;
- C. Information, data and records that are considered confidential and the persons authorized to have access thereto by virtue of their position;
- D. Information, data and records which must be disclosed by the Bourse, and information, data, and records accessible to the public for viewing and copying ;
- E. Standards of Professional conduct applicable to members of the Bourse and Board of Directors , and to the Executive Manager and the Bourse's employees,
- F. Settlement of disputes among Bourse members, and between Bourse members and their clients.

Article (27)

The Bourse shall charge its members subscription and annual membership fees. It shall also charge the commissions, fees and charges stipulated by its By-laws.

Article (28)

Any deficit in the revenue and expenditures account, both current and capital, for any fiscal year shall be covered from the general reserves. If the general reserves are insufficient to cover the deficit, it shall be covered by equal payments from Bourse members, which payments shall be credited for members against net future revenues.

Chapter 4
The Securities Depository Center

Article (29)

- A. A center to be known as the "Securities Depository Center" shall be established in the Kingdom for the registration and transfer of ownership of securities traded on the Bourse and for price settlement of such among financial brokers. The Center shall be the only entity authorized to carry out such activities in the Kingdom. It shall be a separate juridical entity with administrative and financial independence. As such, it may carry out all legal acts, including concluding contracts, acquiring and disposing

of movable and immovable property, and appointing a lawyer to act on its behalf in legal proceedings.

- B. The Center's objective shall be the safekeeping of securities listed on the Bourse.
- C. The Center shall be a non-profit organization, and shall not be subject to the Companies Law. It may not engage in commercial activities, or have a stake in any project, or acquire or own any securities.

Article (30)

- A. Registration and transfer of ownership of securities traded on the Bourse and the price settlements of such securities between financial brokers shall be by means of entries in the Center's records.
- B. Unless otherwise proven, the entry records and the accounts maintained by the Center, whether manually or electronically, as well as any document issued by the Center shall constitute *prima facie* legal evidence of ownership, registration, and transfer of ownership of the securities mentioned therein and of the price settlements of such securities between financial brokers, on the date of the records, accounts or documents.

Article (31)

- A. Membership of the Center shall consist of entities to be determined by the Board pursuant to Instructions to be issued by the Board for this purpose. The Center's General Assembly shall consist of the members who have paid their subscription and annual membership fees. Each member shall have one vote in the General Assembly Meeting.
- B. The Center shall be managed by a Board of Directors and an Executive Manager. The rules and procedures relating to the General Assembly, the formation of the Board of Directors, the manner of convening of meetings of the General Assembly and the Board of Directors and of adopting decisions therein, as well as the authorities and the tasks of the General Assembly, the Board of Directors and the Executive Officer, and all other financial and administrative matters related thereto shall be regulated by the Center's By-laws and Instructions issued for this purpose.
- C. The Executive Manager shall be appointed by the Board of Directors upon consultation with the Board. The Executive Manager shall assume his position on a full time basis, and shall not engage in any other activity, or hold shares in a financial broker, or own or have at her disposal any securities issued by a financial broker.
- D. No person shall combine the membership of the Center's Board of Directors and the Bourse's Board of Directors.

Article (32)

The Center's Board of Directors, upon the Board's approval, shall set out the By-laws and Instructions necessary for managing the Center's affairs, including matters relating to the following:

- A. Registration and transfer of ownership of securities, and price settlements of securities traded in the Bourse;

- B. Information, data, and records that are considered confidential and the persons authorized to have access thereto, by virtue of their job;
- C. Information, data and records the Center must disclose and the information, data and records that are accessible to the public for viewing and copying;
- D. Standards of professional conduct applicable to the members of the Center and members of the Board of Directors, and to the Executive Officer and the Center's employees.

Article (33)

The Center shall charge its members subscription and annual membership fees. It shall also charge the commissions, fees and allowances stipulated by its By-laws.

Article (34)

Any deficit in the revenue and expenditures account both current and capital for any fiscal year shall be covered from the general reserves. If the general reserves are insufficient to cover the deficit, the amount of the deficit shall be covered by equal payments from the Center's members, which payments shall be credited for members against net future revenues.

Chapter 5
Financial Services Companies

Article (35)

- A. For the purposes of this Law, the term financial services company shall mean a company licensed by the Commission to practice one or more of the following activities:
 - 1- Investment trusteeship;
 - 2- Investment management;
 - 3- Financial advisory;
 - 4- Financial brokerage;
 - 5- Depository services;
 - 6- Management of primary issues;
 - 7- Any other activities specified by the Board.
- B. The activities listed in Paragraph (a) of this Article may only be practiced by licensed financial services companies.
- C. Financial services companies may practice the activities (1-4) listed in Paragraph (a) of this Article only through certified financial professionals licensed to practice such activities.

Article (36)

- A. For the purposes of this Law, the term “certified financial professional” shall mean a natural person licensed by the Commission to practice one or more of the activities (1-4) listed in Paragraph (a) of Article (35) of this Law.
- B. Natural persons may not practice the activities referred to in Paragraph (a) of this Article unless licensed by the Commission. Practice of such must be through financial services companies licensed to practice such activities.

Article (37)

- A. The nature of each activity listed in Paragraph (a) of Article (35) of this Law, as well as the duties and responsibilities of the persons practicing the activity shall be specified by Regulations.
- B. In carrying out their activities, financial services companies and employees thereof, as well as certified financial professionals, shall perform their duties and abide by the rules of professional conduct to be issued for this purpose, such as acting with loyalty and dedication, in their clients best interests so as to realize their clients investment objectives. They also shall not discriminate between clients, charge them excessive commissions and fees, or guarantee or promise them definite amounts of profits, or otherwise act fraudulently or in deceit therewith.

Article (38)

- A. Licensing conditions and procedures for each activity carried out by financial services companies, as well as all matters pertaining to the licensing of certified financial professionals, shall be set forth in Instructions issued by the Board for this purpose. The said Instructions shall regulate, *inter alia*, renewal of licenses, amendments to licensing conditions, revocation of licenses, as well as the fees charged by the Commission for each license.
- B. The Commission may request as a licensing condition from financial services companies to furnish a guarantee acceptable to the Commission against the financial obligations of such companies to others and so as to ensure compliance with the legislation in force. The Board may liquidate the furnished guarantees.
- C. The Board shall issue a decision accepting or denying the license application within three months from the date of submission of the application to the Commission. If the Board does not issue a decision within this period, the application shall be deemed to be denied. However, this shall not prevent the company from submitting a new application.
- D. Financial services companies must adjust their status to comply with any amendments to the licensing conditions within the period specified by the Board, subject, otherwise to revocation of their license.
- E. 1. Any financial services company which decides to discontinue carrying out any of its licensed activities shall promptly inform the Commission about its decision.

2. The Board shall issue a decision to revoke the license upon the financial services company's fulfillment of all the requirements set by Board for settlement of all matters related to the activity being discontinued.

Article (39)

Financial services companies shall:

- A. Maintain their accounting records in accordance with approved accounting standards, and the Instructions issued by the Board;
- B. Open separate accounts for clients according to the types of accounts specified by the Board, and organize and manage client accounts in compliance with the Instructions issued for this purpose and the provisions of the agreements concluded with the client;
- C. Dispose of funds and deal in securities of any client strictly in accordance with the provisions of the agreement therewith, subject, otherwise to full legal and financial liability;
- D. Furnish the information, data and reports requested by the Commission.

Article (40)

Financial services companies shall maintain an environment of fair competition in running their activities. Accordingly, they shall not:

- A. Act in collusion to fix the commissions or service fees paid by clients, or limit the types of services provided thereto;
- B. Act in collusion to affect the capital market adversely or otherwise;
- C. Acquire more than the share set by the Board of the capital of another financial services company, or merge with or manage the affairs of such, without the Board's written approval.

Article (41)

Financial services companies may charge their clients commissions and fees for services rendered on the basis of agreements therewith.

Article (42)

The liquidation of any financial services company whether voluntary or involuntary shall be carried out under the Commissions' monitoring and supervision.

Article (43)

- A. Certified financial professionals may form their own professional association to be known as "Certified Financial Professionals' Association." Upon approval of its licensing by the Commission and registration therewith, the Association shall have a separate juridical personality, and may, in this capacity, carry on its activities, pursue its objectives, protect the interests of its members, promote interaction between members, and raise awareness about standards of professional conduct.
- B. The following shall be set forth in the Association's By-laws and Articles of Association: the rules and procedures governing the Association's establishment, the

contributions of its members , all other matters relating to the Association, the manner of its management, dissolution, and disposing of its property; the formation of the Association's General Assembly and the Board of Directors and their respective duties, and the manner of convening their meetings; and the Association's financial and administrative matters, including the subscription and annual membership fees therein.

Chapter 6

Investment Funds and Investment Companies

Article (44)

- A. An investment fund is an investment tool by which an “investment manager”, under the supervision and monitoring of an “investment trustee” manages and invests funds of other parties, within the domains, and subject to the limits stipulated in the fund's Charter and the Instructions issued by the Board.
- B. An investment fund shall be established by an investment manager. An application to establish the fund shall be submitted to the Commission on the standard form prepared thereby, and a copy of the fund's Charter shall be enclosed therein. The information and data to be incorporated in the Charter shall be specified by Board.
- C. The fund's Charter shall be signed by the representatives of each of the investment manager and investment trustee, each of whom shall be subject to liability towards the fund's investors for discharge of his duties and for any damages resulting therefrom.
- D. Upon completion of the fund's establishment procedures and its licensing requirements, the fund shall be recorded in a register to be prepared by the Commission for this purpose. The Commission shall issue the fund's registration certificate.
- E. Investment funds shall not be subject to the provisions of the Companies Law.

Article (45)

- A. The capital of the investment fund shall be divided into investment units with equal entitlements. Owners of such units shall be liable only in the amount of their shares in the fund's capital.
- B. Payments for investment units shall be made in cash and in one installment.
- C. An investment fund may not carry out its activities or sell investment units before the issuance of its registration certificate and the fulfillment of all requirements set by the Board.
- D. Assets of the investment fund may not be attached to secure or collect any debt assumed by any owner of its investment units.

Article (46)

- A. Investment funds shall be of two types:
 - 1- Variable-capital investment funds called “open-end” funds.

- 2- Fixed-capital investment funds called “closed-end” funds.
- B. The investment units of a closed-end fund shall be issued either by public offering or private placement and shall be listed in the Bourse in accordance with the listing Instructions issued for this purpose.
 - C. A closed-end fund may be turned into an open- end fund if its Charter so permits, provided it makes the required adjustments in accordance with the provisions of this Law and the Regulations and Instructions issued pursuant thereto.
 - D. The investment fund units may be issued or redeemed only at the price calculated on the basis of its net assets, in accordance with the principles and procedures adopted by the Board.
 - E. The issuance and redemption of open-end fund investment units on the dates specified in the fund’s Charter may not be discontinued, unless under the exceptional circumstances specified by the Board.
 - F. Open-end fund investments shall have high liquidity sufficient to meet the funds obligations.
 - G. The Board shall set the minimum liquidity ratio which shall be maintained by an open- end fund and the method of its calculating.

Article (47)

The accounts on an Investment fund shall be audited by certified auditors whose appointment and fees shall be in accordance with Instructions issued by the Board.

Article (48)

- A. The investment manager shall prepare, and register with the Commission the investment units prospectus, and shall manage the fund’s investments in accordance with the investment policy stated in the fund’s Charter, and the provisions of this Law, and the Regulations and Instructions issued pursuant thereto.
- B. The fund’s investment manager shall not have a direct or indirect stake in any transaction he conducts for the fund.
- C. No person shall hold jointly the positions of investment manager and investment trustee for the same fund.

Article (49)

- A. The investment fund assets shall be maintained with the investment trustee who shall be responsible therefor.
- B. The investment trustee shall be the person authorized to sign on behalf of the fund in all financial and legal matters, and to represent the fund with others.
- C. The investment trustee shall be responsible for evaluating and monitoring the fund’s investments and for ensuring compliance thereof with the investment policy stipulated in the fund’s Charter and the provisions of this Law and the Regulations and Instructions issued pursuant thereto.
- D. The investment trustee shall notify the Commission and the fund’s auditors promptly about any violations by the fund’s investment manager, as they become known to the

trustee, and shall request from the investment manager to rectify such violation immediately. If the investment manager fails to comply with the request, the investment trustee shall reject the violating investments without having any material effect on the fund, under all circumstances.

Article (50)

- A. For the purposes of this Law, the term “investment company” shall mean a public shareholding company whose principal activity or intended activity is investing and trading in securities, or one which owns or intends to own more than fifty percent of its total assets in the form of securities. This does not include banks, insurance companies, financial services companies and holding companies.
- B. An investment company shall appoint one or more certified investment manager to manage its investments in securities.

Article (51)

The principles and criteria for diversification of the investments of investment funds and investment companies, the permitted and prohibited types of dealings, and the limits thereof, and the procedures for liquidating investment funds and for replacing or liquidating investment managers, investment trustees, and certified auditors shall be specified in Instructions to be issued by the Board.

Article (52)

- A. Subject to the provisions of Paragraph (b) of this Article, any investment fund or investment company may not undertake any of the following:
 - 1- Take loans in the amount of more than 10% of value of its assets;
 - 2- Invest more than 5% of its assets in the securities of the same issuer, except for securities issued by the Government or the Central Bank of Jordan, or guaranteed by either;
 - 3- Hold more than 10% of the securities issued by one issuer;
 - 4- Invest more than 10% of its assets in securities issued by other investment funds;
 - 5- Practice short sale of securities.
 - 6- Invest in the securities issued by the fund’s investment manager or any companies affiliated therewith.
- B. The Board may allow an investment company to exceed the limits stipulated in Paragraph (a) if it determines that the investors’ interests are adequately protected and that compliance with the stipulated limits would be difficult or impractical.

Chapter 7
Disclosure

Article (53)

- A. The rules and procedures governing disclosure, including those governing prospectuses and periodical reports to be submitted to the Commission or to be

proclaimed, as the case may be, by entities monitored by the Commission, and the methods of their preparation , their approved forms, the information and data contained therein, and the documents attached thereto and the persons whose signature must be obtained in certification of the authenticity, accuracy, and completeness of contents thereof, as well as approved methods of proclamation and the procedures thereof shall be pursuant to Instructions issued by the Board for this purpose.

- B. The Commission shall not be liable for omissions of any important and necessary information or data, in the prospectuses, periodical reports or proclamations or for any false or inaccurate information or data therein . Liability for such shall be upon the entity preparing the aforementioned items.
- C. All information contained in the proclamations shall be deemed insider information until its proclamation.
- D. The publisher of the proclamation shall be liable for any errors therein.

Article (54)

An issuer, an affiliate thereof, or an underwriter of either one of them shall not offer any securities of the issuer before submitting the prospectus to the Commission and paying the requisite fees. In all circumstance, the offer shall be made in one of the following ways:

- A. Verbally;
- B. By means of the prospectus;
- C. By means of a proclamation containing a summary of the prospectus and any other information required or allowed by the Commission in accordance with the Instructions approved by the Board;
- D. By means of a text attached to, or preceding the prospectus, provided the prospectus has come into effect.

Article (55)

An issuer, or an affiliate thereof, or an underwriter for either one of them shall not sell any securities owned by the issuer before the prospectus comes into effect, and unless the buyer has received the prospectus prior to the sale.

Article (56)

The prospectus shall contain the following information:

- A. A sufficient description of the issuer, the nature of its activities, and the persons in charge of its management from among members of its Board of Directors, executive officers, senior employees and major shareholders;
- B. A sufficient description of the securities including a specification of their number, price and terms of issuance; a sufficient explanation of the risks involved in investing in such securities; an account of the uses of issue proceeds; and the amount of commissions which will be levied by persons involved in the issuance;

- C. A clear statement of the financial position of the issuer and any relevant financial data including the balance sheet and profit and loss accounts for the last fiscal year provided all statements are certified by an auditor.
- D. Any other information required or allowed by the Commission in accordance with the Instructions issued by the Board, and which may be of assistance to investors in making their decision regarding investing in the said securities.

Article (57)

- A. The prospectus is deemed to be effective thirty days after its submission to the Commission, unless within this period the Board declares the prospectus effective or disapproved. The Board may specify the period during which the prospectus is considered effective.
- B. The issuer shall inform the Commission in writing of any changes to the information in the prospectus as soon as they occur.

Article (58)

The Board may reject a prospectus only in the following cases:

- A. If the prospectus is in violation of the provisions of Article (56) of this Law or the Instructions issued by the Board;
 - a) If the prospectus fee is not paid;
 - b) If the issuer fails to submit any of the reports stipulated in Article (59) of this Law;
 - c) If the prospectus contains false, misleading, or inaccurate information or data that materially affects the credibility of the prospectus or the issuer;
 - d) If the prospectus fails to mention any material fact, in such a manner that renders the information and the data stated therein, in the context in which it appears, false, misleading or inaccurate.

Article (59)

- A. An issuer shall submit to the Commission annual and quarterly reports and shall proclaim such reports within the period set by the Board. The reports shall contain therein:
 - 1- The balance sheet;
 - 2- The profit and loss account;
 - 3- The cash flow statement;
 - 4- The explanatory notes to the financial statements.
- B. Subject to the provisions of Paragraph (a) of this Article, the annual report shall contain the following:
 - 1- A sufficient description of the issuing company, and of the nature and areas of its activities;
 - 2- The names of Board of Directors members, managers, senior employees and major shareholders;

- 3- Financial information certified by an auditor and showing the issuing company's financial position;
 - 4- The management of issuer company assessment of future developments and prospects that may affect the company's business or its financial position.
- C. All information referred to in the last two Paragraphs of this Article shall be considered insider information until proclaimed, and shall not be disclosed by the issuer company prior to proclamation.

Article (60)

An issuing company shall notify the Commission in writing of the names of the Chairman, the Board of Directors members, and its Managing Directors, and of any changes thereto within one week of the date of election, or appointment thereof, or of the said changes. The company shall cite the reasons behind the notified changes.

Article (61)

- A. An issuer shall notify the Commission in writing promptly of any pertinent developments which may affect the prices of the securities issued thereby.
- B. The Commission may request information from the issuer, who shall provide the Commission with such within the time period specified in the request.
- C. The Commission may request from any issuer to proclaim any information relevant to the issuer and may also proclaim such information at the issuer's expense.

Article (62)

Prospectuses, periodical reports, information and data deposited with the Commission and which have already been proclaimed shall be accessible to the public for viewing and copying;

Article (63)

Persons who are under obligation to notify the Commission about securities owned by them or at their disposal, whether issued on their own account or the account of others, shall be specified in Regulations issued pursuant to this Law.

Article (64)

For the purposes of this Law, an offer shall be deemed to be a public offer if made to more than thirty persons for the sale of more than 5% of the securities of one issuer.

Article (65)

- A. A person making a public offer shall submit to the Commission, the issuer and the Bourse- if the securities are listed therein-a report about itself and the public offer prior to, or at the time of the offer.
- B. The issuer whose securities are subject to a public offering may within seven days of the date of receiving the report mentioned in Paragraph (a) of this Article submit a written response concerning that offer, to the Commission and to the Bourse, if the securities are listed therein.

- C. The Board may issue Instructions specifying the form and content of the reports mentioned in the preceding two Paragraphs.
- D. The reports submitted to the Commission pursuant to the provisions of this Article shall be accessible to the general public for viewing and copying, against the fees determined by the Board.

Article (66)

- A. A public offer relating to any securities is deemed to be an offer to all owners of such securities.
- B. The person who makes a public offer shall pay any owner of securities that are subject of the public offer, who offers to sell such securities, the highest price paid to any other seller of such securities, without discrimination.
- C. If the number of securities offered for sale by owners to the person who makes the public offer is higher than the number of securities that person intends or commits to buy, purchase shall be from all owners who offer to sell, in the proportion of the securities he has offered for sale to the securities demanded for purchase.

Chapter 8
Violations and Penalties

Article (67)

- A. For the purposes of this Law, the term “insider information” shall mean information which is not proclaimed and which may affect the price of any security in the event of being proclaimed. Insider information shall not include conclusions based upon financial and economic studies, research and analyses.
- B. For the purposes of this Law, an insider shall mean a person who has access to insider information by virtue of his position or job.

Article (68)

- A. Insiders, including members of the Board of Directors of each the Bourse and the Center, as well as their Executive Managers and employees, shall not use any insider or confidential information to attain material or moral gains whether for their own or for others, and may not divulge any such information to any person other than their respective competent authority or the courts.
- B. Any person who is not an insider but who hears or learns about insider information, and is aware that its source is an insider, shall not exploit such information to attain material or moral gains for his own or for others. Such a person shall also not divulge such information to any other person, except in accordance with the provisions of this Law or any other legislation.
- C. No person shall in any way spread or circulate rumors or give misleading or false information, statements or data that may affect the price of any securities or the reputation of any issuer.
- D. No person shall deal in securities, either solely or in collusion with other persons, with the aim of :

- 1- giving the public false impression of real dealings in such securities and prompting the public to deal therein;
- 2- affecting the prices of any securities directly or by affecting the prices of other related securities;
- 3- adversely affecting the capital market in any manner.

Article (69)

- A. A person found to be violating or taking steps to violate the provisions of this Law or any of the Regulations and Instructions issued pursuant thereto-and after being notified by the Board, and given opportunity to be heard- may be requested by the Board to rectify the violation and the circumstances resulting therefrom, or to desist from committing the violations, or from taking the steps leading thereto, within a specified period of time. In the case of noncompliance, the Board may have recourse to one or more of the following measures:
- 1- Suspend any prospectus submitted to the Commission or cease issuance of the securities concerned or dealings therein;
 - 2- Suspend all activities related to securities, or to a particular security for the period of time the Board deems appropriate;
 - 3- Revoke or suspend the license for the period of time the Board deems appropriate.
- B. In case of non-compliance with any of the matters set out in paragraph (a) of this Article, the person concerned shall be referred to the competent court.
- C. The court shall look into the cases referred thereto expeditiously, and may issue a temporary injunction for taking any of the measures cited in Paragraph (a) of this Article until the trial is concluded.

Article (70)

- A. Any person who violates the provisions of this Law or any of the Regulations and Instructions issued pursuant thereto shall be subject to a fine of not more than twenty thousand (20000) Jordanian Dinars, in addition to a fine of not less than twice the amount, and not more than five times the amount of profit made or loss avoided by the person who commits the violation.
- B. In addition to the fines specified in Paragraph (a) of this Article, and without prejudice to stricter penalties imposed by any other legislation, any person committing a violation shall be subject to any of the following penalties:
- 1- Imprisonment of up to three years for violations of the provisions of Article (68) of this Law;
 - 2- Imprisonment of up to one year for violations of the provisions of Articles (35b), (36b) and (45c) of this Law.
- C. The court may exempt from the prison penalty first offenders and offenders who deposit in court or with the Commission sufficient funds to cover all fines and compensation which may be ordered by the court, provided the funds are paid before the court decision becomes final.
- D. Accomplices, accessories and instigators shall be subject to the same penalties as primary offenders.

- E. If the offender is a juridical person, then members of the Boards of Directors, managers, general partners, and concerned employees thereof shall be deemed liable for any violation, unless it is established that those had no knowledge of the violation.
- F. A person who violates intentionally, or as a result of gross negligence or of failing to exercise due care, the provisions of this Law shall be held liable for damages incurred by other persons in the amount of loss incurred or profits foregone.
- G. The provisions of this Article shall not apply to violations committed prior to the coming into force of this Law except for compensation orders and provisional measures.

Article (71)

- A. The court may attach the assets of any person under trial in order to secure payment of any fines or compensation which may be ordered by the court, and may appoint a custodian over such assets.
- B. The court may suspend or rescind any purchase, sale or issuance in violation of the provisions of this Law and Regulations or Instructions issued pursuant thereto, or any other legislation.

Article (72)

- A. Civil and Criminal Securities cases instituted pursuant to the provisions of this Law shall be handled by the competent courts expeditiously, including the enforcement of court decisions.
- B. Notification procedures in court cases involving securities shall be carried out pursuant to the Civil Procedures Law. However, notification of persons whose place of residence or business is outside the Kingdom, shall be either at the address of choice thereof within the Kingdom, if any, or by advertising the notification in at least one local daily newspaper, and sending a copy of the notice voucher by registered, courier or first class mail to the address outside the Kingdom, filed at the Commission. In the latter case, the notification date shall be the seventh day from the date of depositing the notification voucher with the mail.
- C. Notwithstanding the provisions of any other legislation, all means of proof shall be admitted as evidence in securities cases, including electronic or computer data, telephone recordings, and telex and facsimile messages.

Chapter 9
Interim and Final Provisions

Article (73)

- A. The Board shall be appointed within two months from the publication of this Law in the Official Gazette. Upon appointment thereof, the Board and the Chairman shall exercise the authorities granted thereto by this Law and shall enforce its interim provisions. The Board may issue any Instructions and decisions necessary for this purposes and draft Regulations in preparation for their issuance.

- B. Subject to the provisions of Paragraph (a) of this Article, only the interim provisions of this Chapter shall come into force as of the date of this Law's publication in the Official Gazette. The other provisions of this Law shall come into force pursuant to decisions issued by the Council of Ministers, upon the Board of Commissioner's recommendations, provided this is done within two years of the date of publication of this Law in the Official Gazette.
- C. The Board may issue the Instructions necessary to implement the provisions of this Law, until the issuance of Regulations necessary for its implementation.
- D. Upon appointment, the Board shall work towards establishing the Bourse and the Center in cooperation with their respective members, provided this task is completed within the period specified in Paragraph (b) of this Article.
- E. The management committee of the Amman Financial Market, provided for in the Amman Financial Market Law No. (1) for the year 1990 and amendments thereof, shall be dissolved, *ipso jure*, upon appointment of the Board.
- F. Subject to the provisions of Paragraphs (a), (b) and (c) of this Article, the Board and the Chairman shall assume all the powers of the management committee and the Director General of the Amman Financial Market provided for in the Amman Financial Market Law No. (1) for the year 1990 and amendments thereof and the Regulations and Instructions issued pursuant thereto, until repeal of the said Law.
- G. Members of the Bourse and the Center shall cooperate with the Board to ensure the enforcement of the interim provisions of this Law, and shall comply with all the Instructions and decisions issued by the Board in this regard, including those providing for payment of financial obligations.

Article (74)

All Persons practicing any of the activities of financial services companies specified in this Law, including financial brokerage companies licensed pursuant to the Amman Financial Market Law and amendments thereof, shall make the necessary adjustments so as to comply with the licensing conditions set forth in the Instructions issued for this purpose by the Board, and within the time period specified thereby.

Article (75)

Securities listed on the Amman Financial Market in accordance with the Amman Financial Market Law, the amendment thereof and Regulations and Instructions issued pursuant thereto shall be considered, *ipso jure*, as listed in the Bourse upon establishment thereof.

Article (76)

All issuers of listed securities shall submit to the Center upon establishment thereof, or to account holders thereat, a register of owners of securities issued by them, and any data related to such registers and owners of securities entered therein, in accordance with Instructions issued by the Board for this purpose.

Article (77)

- A. The Amman Financial Market Law No. (1) for the year 1990 and amendments thereof shall be repealed upon completion of the procedures specified in Article (73) of this Law.
- B. All Regulations, Instructions and decisions issued in accordance with the Amman Financial Market Law and amendments thereof shall remain in force until repealed or replaced.

Article (78)

The Commission shall be the legal and factual successor to the Amman Financial Market. All rights, liabilities, assets, records, and movable and immovable property thereof shall devolve to the Commission and all employees of the Amman Financial Market shall become employees of the Commission, with all rights thereof.

Article (79)

Prospectuses of securities, registration thereof, trading therein and any transactions related thereto shall be exempt from stamp duties, notwithstanding the provisions of the Stamp Duties Law in force.

Article (80)

The provisions of any other legislation that are in conflict with the provisions of this Law or of the Regulations and Instructions issued pursuant thereto shall be repealed.

Article (81)

The Council of Ministers may issue the Regulations necessary for implementing the provisions of this Law.

Article (82)

The Prime Minister and Ministers are entrusted to implement the provisions of this Law.