

CHEMONICS INTERNATIONAL INC.

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**THE JORDAN CAPITAL MARKET STRUCTURE
AND
DEVELOPMENTAL HISTORY**

Informational Presentations

Final Report

Contract No.:	278-C-00-02-00210-00
Contractor Name:	Chemonics International, Inc.
USAID Cognizant Technical Office:	Office of Economic Opportunities USAID/Jordan
<i>Date of Report:</i>	<i>May 23, 2004</i>
Document Title:	THE JORDAN CAPITAL MARKET STRUCTURE AND DEVELOPMENTAL HISTORY Informational Presentations Final Report
Author's Name:	Mr. Eugene P. Callan
Activity Title and Number:	Achievement of Market-Friendly Initiatives and Results Program (AMIR 2.0 Program) F/Filing Preparation, FMD Component, Work Plan No. 621.02

This report was prepared by Eugene P. Callan, in collaboration with Chemonics International Inc., prime contractor to the U.S. Agency for International Development for the AMIR Program in Jordan

Data Page

Name of Component: Financial Markets Development

Author: Eugene Callan

Practice Area: Financial Sector

Service Offering: Capital Market Development

List of Key Words Contained in Report:

World Economic Forum (WEF), Association of National Numbering Agencies (ANNA), Capital Markets History, Foundation Blocks, Capital Market Structure, Market Capitalization, Gross Domestic Product, Jordan Securities Commission – Oversight, Amman Stock Exchange Development, Securities Depository Center, Market Systems, Global Compliance, International Securities Identification Number (ISIN)

Abstract

The two informational presentations were created at the request of:

- The Jordan Securities Commission for the World Economic Forum held at the Dead Sea on May 15, 2004.
- The Securities Depository Center for use at the meeting of the Association of National Numbering Agencies (ANNA) held in Oslo, Norway on June 4, 2004.

Both of the informational presentations were intended to provide a basic view of the evolutionary development of the Jordanian capital market using a foundational building block analogy theme.

The informational presentations stressed the current global nature of the Jordanian capital markets with investors from 69 countries currently having investment positions in the marketplace.

In order to maximize the future use of the informational presentations, the presentations' organization and content were specifically constructed in a generic format.

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Attachment (I):

Presentation: Jordan Capital Market “Engine For Growth”	
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Attachment (II):

Presentation “Association of National Numbering Agencies (ANNA)”	
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Executive Summary

World Economic Forum (WEF)

The World Economic Forum (WEF) held a general meeting at the Dead Sea from May 15th through May 17th. The Jordan Securities Commission was requested to prepare a presentation related to the Jordanian capital market and assigned the task to the Securities Depository Center.

Focusing on one of the meetings general themes, i.e. “*Capital Markets as a Growth Engine*”, a presentation was constructed detailing the construction and evolution of the Jordanian capital market with a special emphasis on the strength of the capital market’s foundational building blocks and the compliance of the market’s building blocks with generally accepted standards.

Considering the overall knowledge level of the anticipated audience, the WEF presentation was generic in content.

Association of National Numbering Agencies (ANNA)

ANNA is the securities industry association that controls the assignment of International Securities Identification Numbers (ISINs). The Securities Depository Center (SDC) had previously applied for membership in ANNA and had also applied to ANNA to be designated as the official regional office for the Middle-East.

In order to finalize the SDC’s membership in ANNA and designation of the SDC as the official ANNA regional agency, a meeting between the SDC’s management and ANNA’s Board of Directors was scheduled to be held in Oslo, Norway on June 4, 2004. The SDC requested assistance in constructing a historically comprehensive presentation detailing the evolution of the Jordanian capital market and the material role played by the SDC in the creation of a modern, globally compliant capital market in Jordan. Additionally, it was requested that a portion of the presentation to ANNA

THE JORDAN CAPITAL MARKET STRUCTURE AND DEVELOPMENTAL HISTORY

Informational Presentations

include information on the SDC's Electronic Shareholder Registry and Clearing and Settlement systems.



JORDAN CAPITAL MARKET

ENGINE FOR GROWTH

Capital Markets



Dead Sea, Jordan
May 15 – 17, 2004



Capital Market Purpose

- Efficient and Cost-Effective Use of Capital
- Capital Availability in a Securities Marketplace
- Alternative to Bank Financing
- Support for Pension and Retirement Schemes
- Attract Domestic and Foreign Investment
- Fuel National Economic Growth



Capital Market Construction

● **Foundation**

- ▶ **Strong Building Blocks**
- ▶ **Quality Materials**
- ▶ **Constructed According to Standard Code**

● **Materials**

- ▶ **Legislative Blocks: Rule of Law**
- ▶ **Regulatory Blocks: Securities Regulator**
- ▶ **Operational Blocks: Exchange & Securities Depository**
- ▶ **Technical Blocks: Hardware & Software Operations Systems**



Jordanian Capital Market Foundation

● **Materials**

▶ **Legislative Blocks**

- **National Securities Law**
- **No Restrictions on Foreign Investment**

▶ **Regulatory Blocks**

- **Independent Securities Commission**

▶ **Technical Blocks: Hardware & Software**

- **Automated Securities Trading System**
- **Automated Securities Clearing & Settlement System**
- **Automated Securities Registry System**

▶ **Operational Blocks**

- **Independent Stock Exchange**
- **Independent Central Securities Depository**



Jordanian Capital Market Foundation

Capital Market



Operational

**Amman
Stock Exchange**
Established 1999

**Securities
Depository Center**
Established 1999

Technical

**Automated
Trading
System**

**SCORPIO
Clearing &
Settlement System**

**SCORPIO
Depository
System**

Regulatory

Jordan Securities Commission
Established 1997

Legislative

The New Securities Law of 2002

The Securities Law of 1997

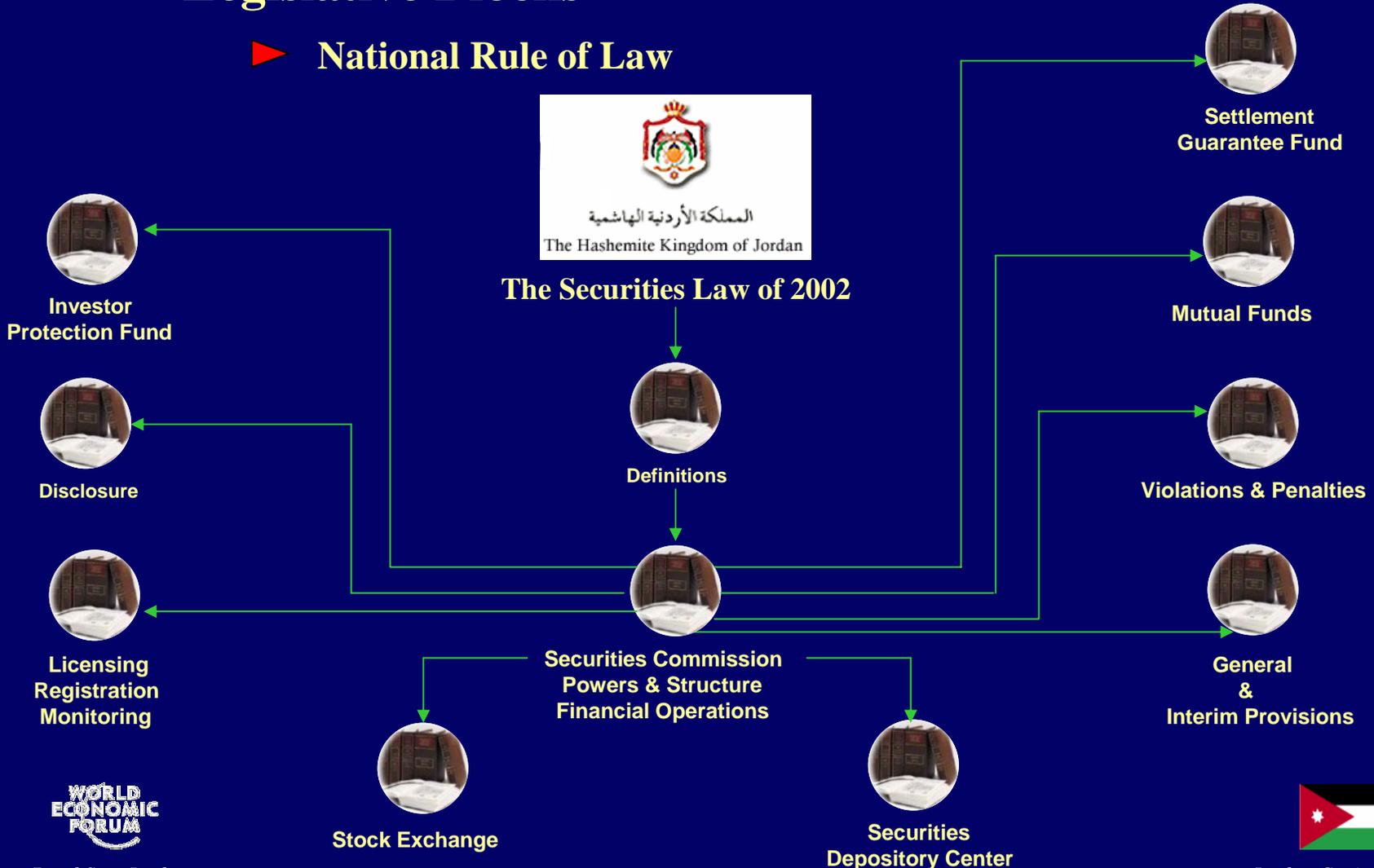




Jordanian Capital Market Construction Blocks

● Legislative Blocks

▶ National Rule of Law





Jordanian Capital Market Construction Blocks

● Regulatory Blocks

▶ Jordan Securities Commission

- Legal Entity
- Accountable to the Prime Minister
- May Sue and be Sued
- Administrative Responsibilities



Investor Protection



Securities Issuance & Registration



Regulate & Develop Capital Market



Monitor Market Disclosure



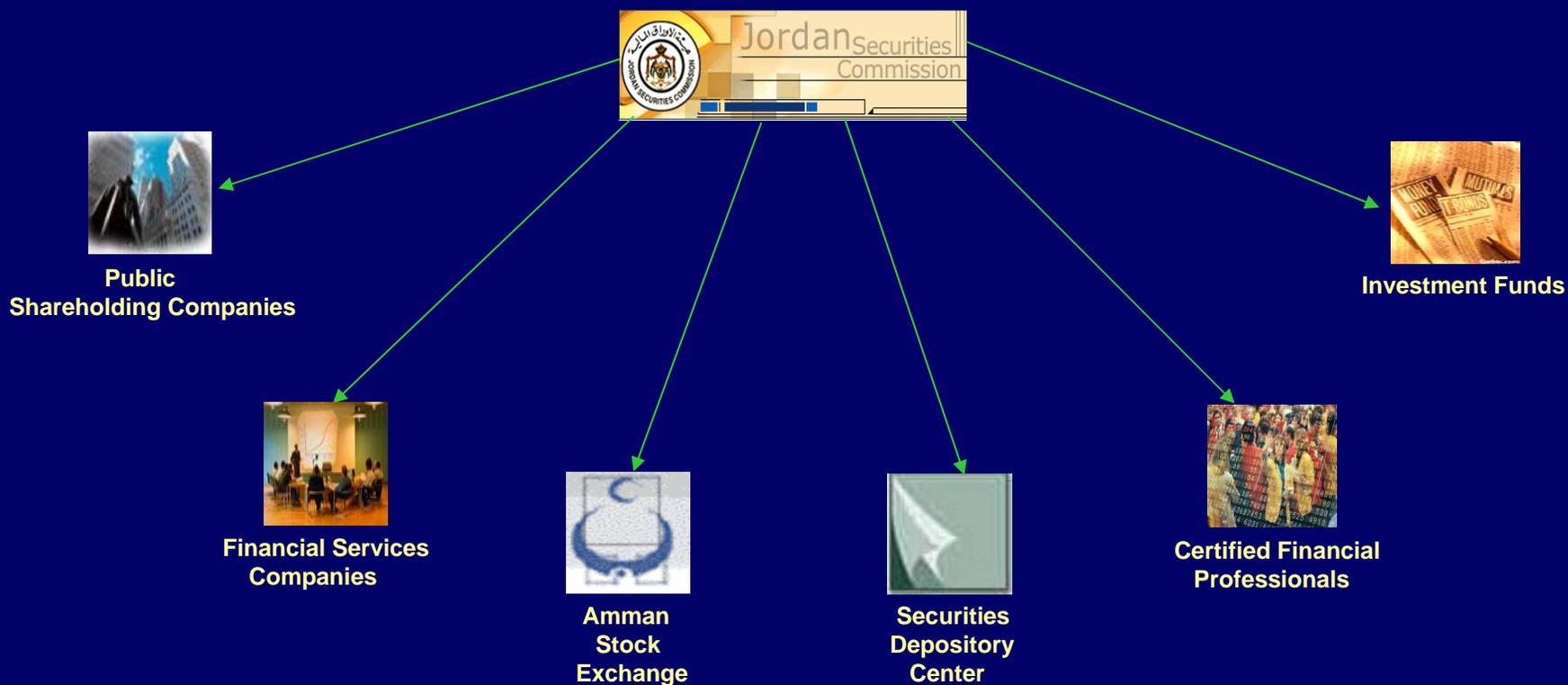
Marketplace Risk Protection



Jordanian Capital Market Construction Blocks

● Regulatory Supervision

▶ Entities Subject to Jordan Securities Commission Supervision

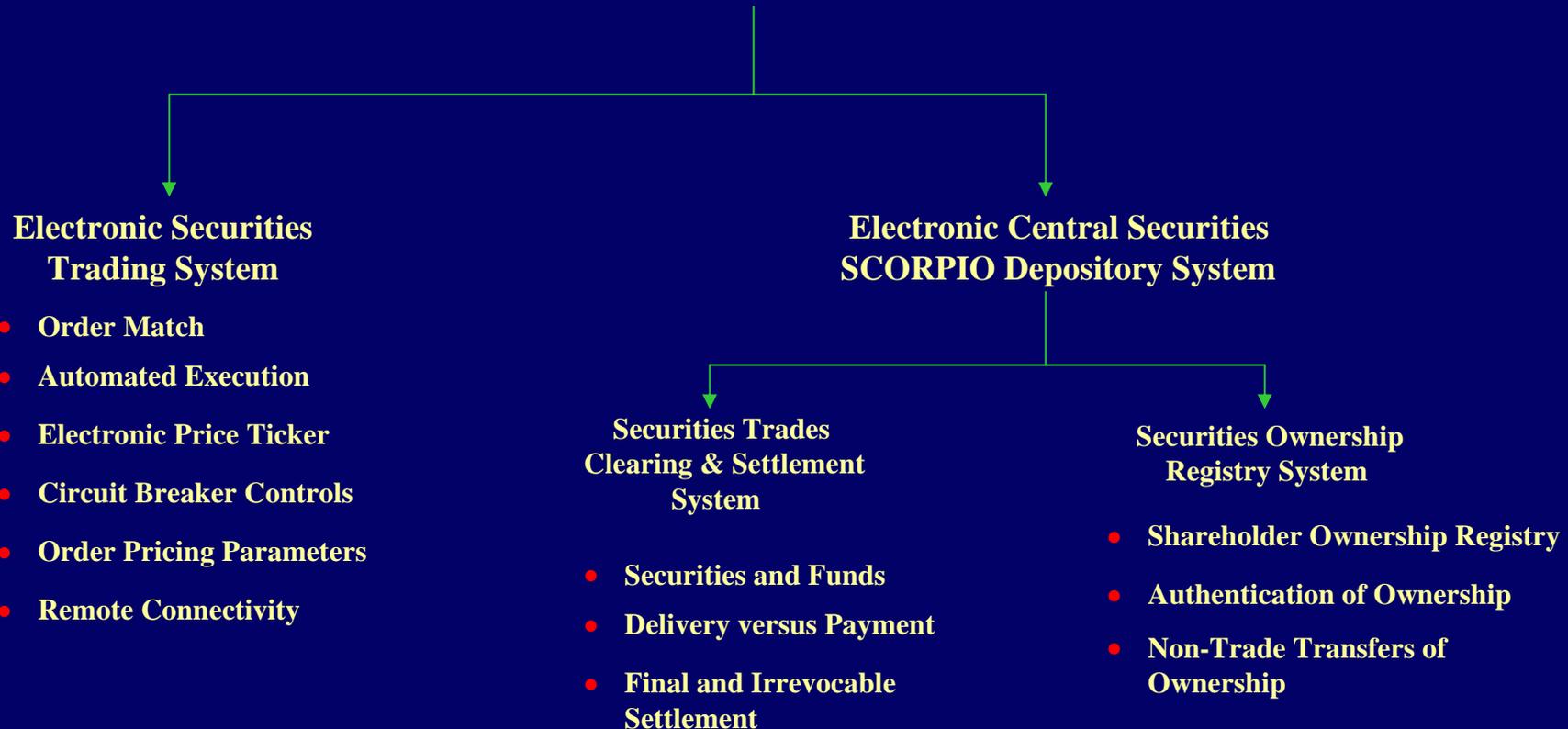




Jordanian Capital Market Construction Blocks

● Technology Blocks

▶ Globally Compliant, Computerized Operational Systems





Jordanian Capital Market Construction Blocks

● **Operational Blocks**

- ▶ **Independent, Globally Compliant Market Institutions**
- ▶ **Operationally Compliant with recommendations of:**
 - **International Organization of Securities Commissions (IOSCO)**
 - **Central Banks of the Group of 10 Countries (G-10)**
 - **The Group of 30 (G-30)**
 - **The World Federation of Stock Exchanges (WFE)**
 - **The U.S. Securities & Exchange Commission Rule 17f-7**
- ▶ **Global Compliance:**
 - **Assures Maximum Levels of Investor Protection**
 - **Reduces Risk to Investors in the Marketplace**
 - **Increase Investor Confidence in the Marketplace**
 - **Attracts and Retains Investor Capital**





The Growth Engine at Work

Amman Stock Exchange*

	1999*	2003*
Foreign Ownership	43%	39%
Market Capitalization	\$5,793 <i>million USD</i>	\$10,882 <i>million USD (+ 188%)</i>
Value of Shares Traded	\$ 704 <i>million USD</i>	\$ 2,690 <i>million USD (+ 382%)</i>

* Amman Stock Exchange Annual Report 2003





The Growth Engine at Work

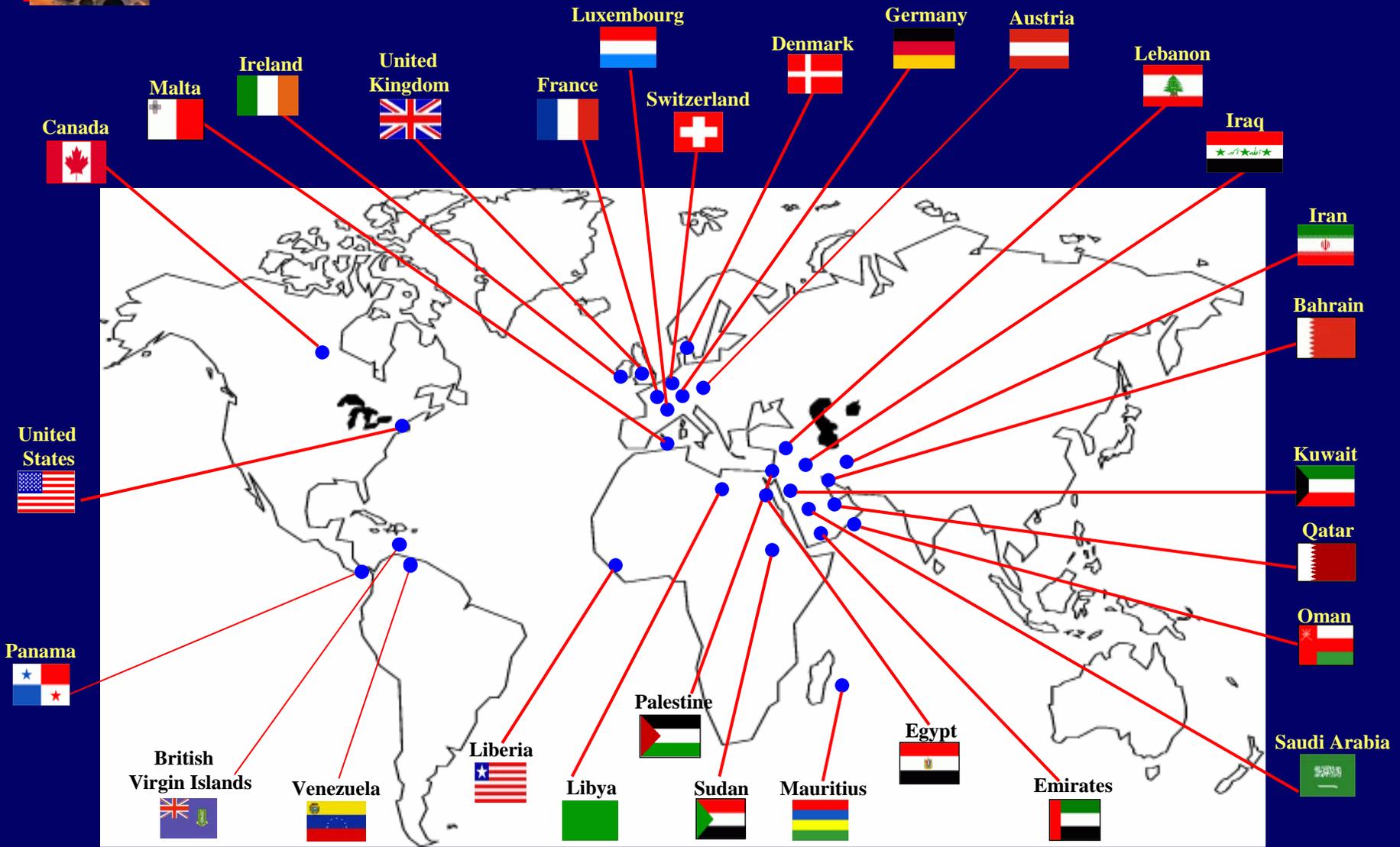
● Jordan's Performance

Market Capitalization as a Percentage of Gross Domestic Product (GDP)





The Growth Engine – Jordan’s Global Investors





The Growth Engine at Work

- **Construction of an Effective Growth Engine**
 - ▶ **Fundamentally Sound Building Blocks**
 - ▶ **Strong and Dynamic Rule of Law**
 - ▶ **Independent and Accountable Market Regulator**
 - ▶ **Independent Market Operations Institutions**
 - ▶ **Robust and Globally Compliant Technology Systems**
 - ▶ **Maximum Levels of Protection for Investors**
 - ▶ **Minimum Levels of Risk for Investors**



THE SECURITIES DEPOSITORY CENTER OF JORDAN



مركز إيداع الأوراق المالية
Securities Depository Center



ASSOCIATION OF NATIONAL NUMBERING AGENCIES scrl

Oslo, Norway
June 4, 2004

THE JORDANIAN CAPITAL MARKET



Oslo, Norway
June 4, 2004

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Securities Depository Center
Amman, Jordan



Capital Market Purpose

- Efficient and Cost-Effective Use of Capital
- Capital Availability in a Securities Marketplace
- Alternative to Bank Financing
- Support for Pension and Retirement Schemes
- Attract Domestic and Foreign Investment
- Fuel National Economic Growth





Jordanian Capital Market Foundation

Capital Market



Amman	Securities
Stock Exchange	Depository Center
Established 1999	Established 1999

Automated	SCORPIO	SCORPIO
Trading	Clearing &	Depository
System	Settlement System	Registry System

Jordan Securities Commission
Established 1997

The New Securities Law of 2002
The Securities Law of 1997

Operational

Technical

Regulatory

Legislative

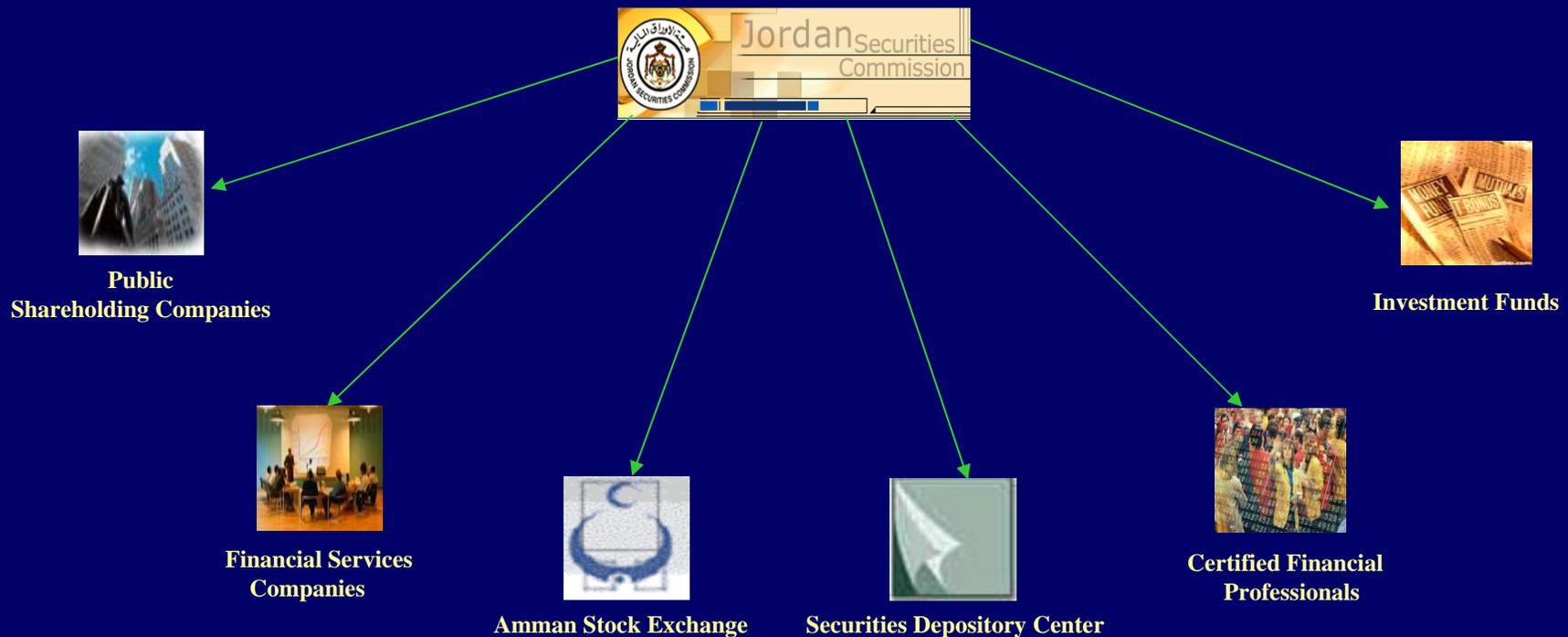




Jordanian Capital Market Construction Blocks

● Regulatory Supervision

▶ Entities Subject to Jordan Securities Commission Supervision

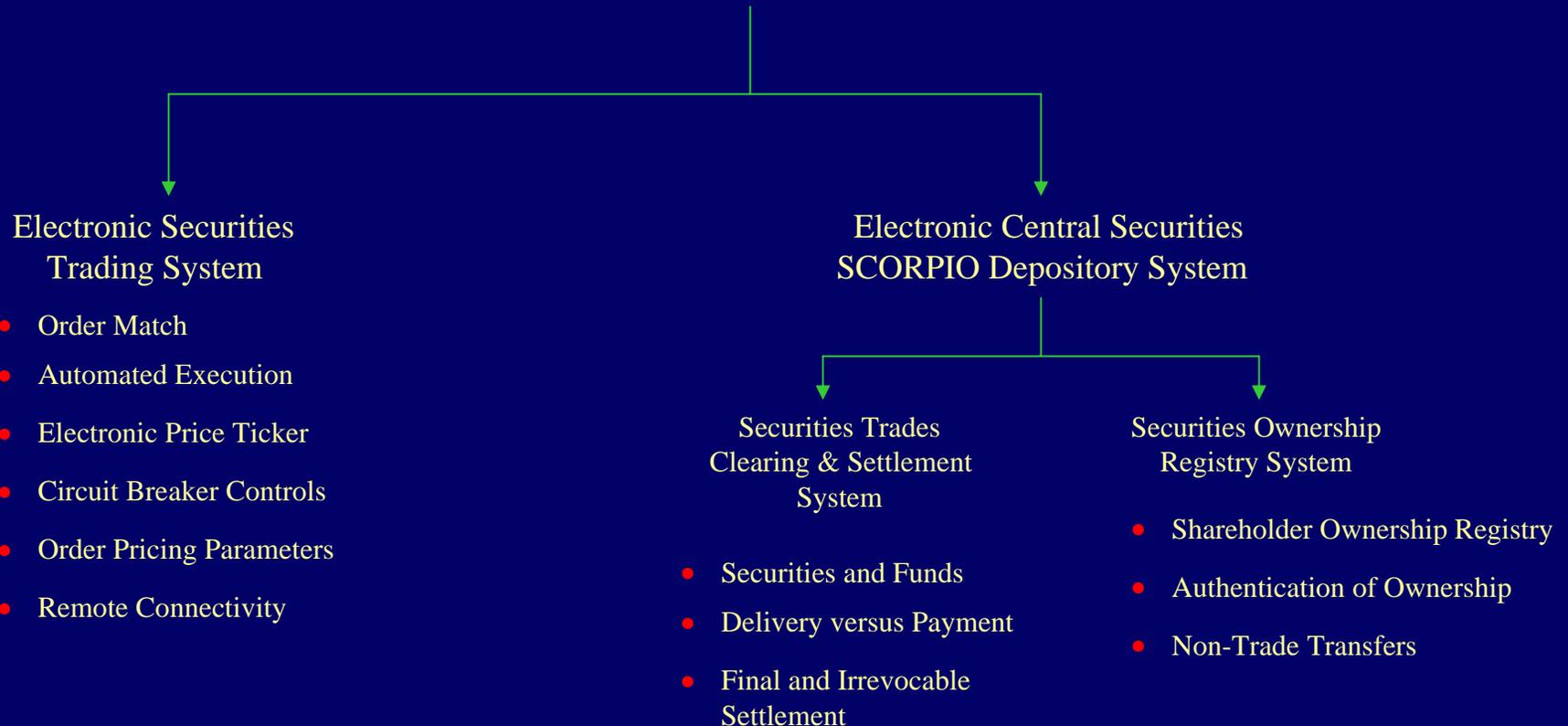




Jordanian Capital Market Construction Blocks

● Technology Blocks

▶ Globally Compliant, Computerized Operational Systems





Jordanian Capital Market Construction Blocks

● Operational Blocks

- ▶ Independent, Globally Compliant Market Institutions
- ▶ Operationally Compliant with recommendations of:
 - International Organization of Securities Commissions (IOSCO)
 - Central Banks of the Group of 10 Countries (G-10)
 - The Group of 30 (G-30)
 - The World Federation of Stock Exchanges (WFE)
 - The U.S. Securities & Exchange Commission Rule 17f-7
- ▶ Global Compliance:
 - Assures Maximum Levels of Investor Protection
 - Reduces Risk to Investors in the Marketplace
 - Increase Investor Confidence in the Marketplace
 - Attracts and Retains Investor Capital





The Growth Engine at Work

Amman Stock Exchange*

	1999	2003
Foreign Ownership	43%	39%
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Value Shares Traded	\$ 704 <i>million USD</i>	\$2,690 <i>million USD</i> (382%)

* *Amman Stock Exchange Annual Report 2003*



Oslo, Norway
June 4, 2004



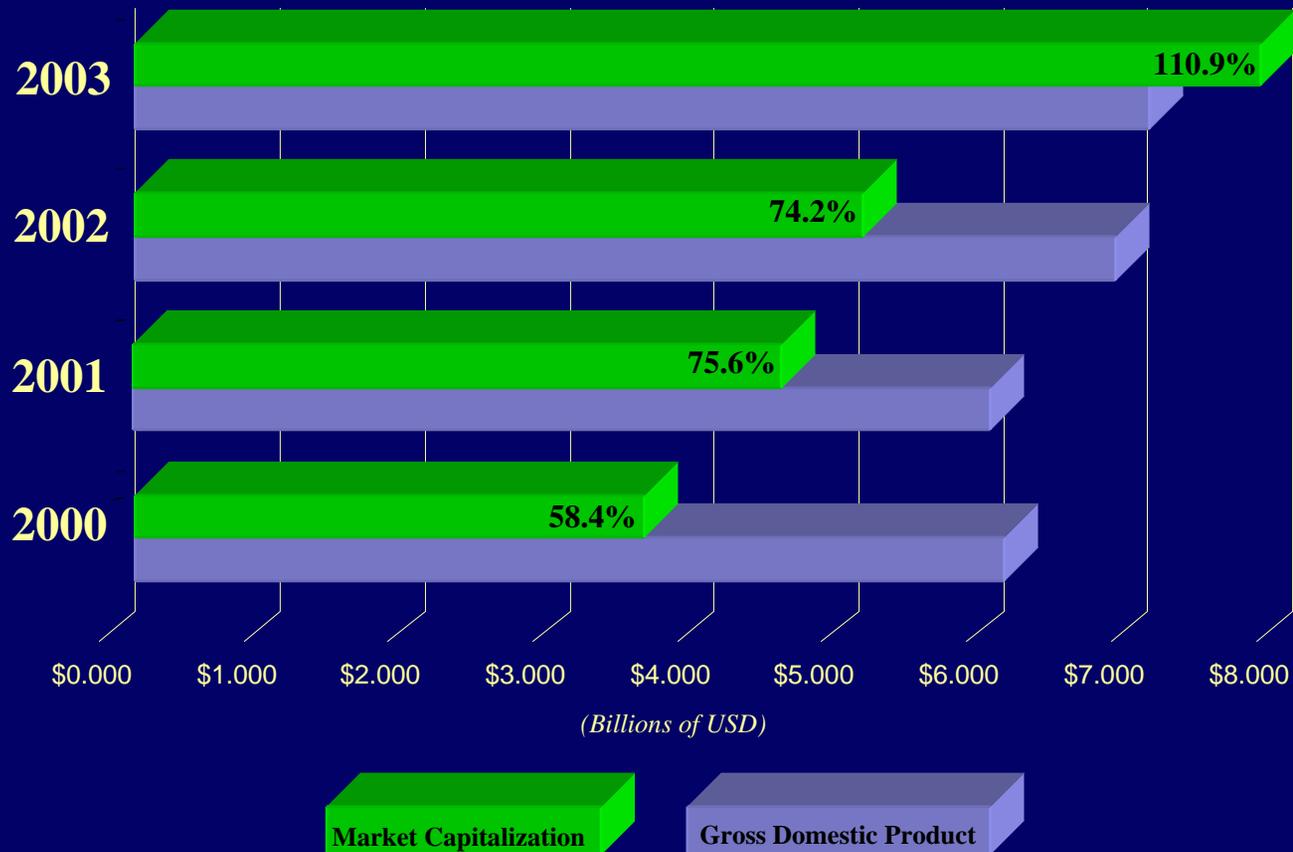
Securities Depository Center
Amman, Jordan



The Growth Engine at Work

- Jordan's Performance

Market Capitalization as a Percentage of Gross Domestic Product (GDP)



SECURITIES DEPOSITORY CENTER (SDC)



Oslo, Norway
June 4, 2004



Securities Depository Center
Amman, Jordan



SDC Overview

- ✓ **Mission**
- ✓ **Vision**
- ✓ **Goals and Objectives**
- ✓ **Development Stages**
- ✓ **Systems and Applications**
- ✓ **Future Plans**
- ✓ **Closing Remarks**





SDC Mission

“To build a National Center for Registry, Depository and Clearing & Settlement of Equities. The SDC will be an integral part of a transparent, viable, fair, and efficient equities market in Jordan that will inspire domestic and international investor confidence, and contributes to the wealth of the nation”



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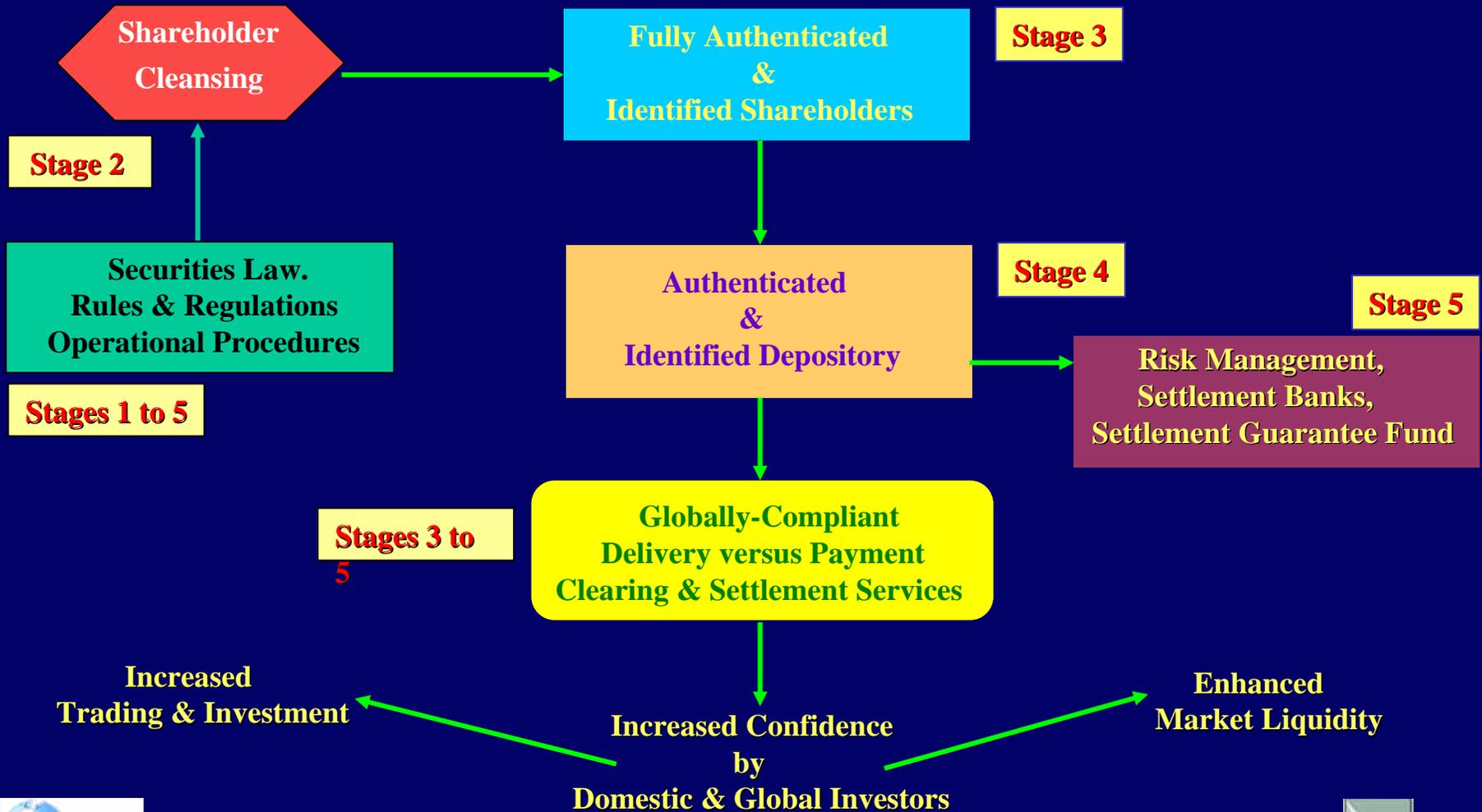
SDC Vision

- **Depository of Choice in the Middle-East**
- **Book-Entry Clearing and Settlement**
- **Delivery versus Payment (DVP) Settlement**
- **Operational Compliance with International Standards**
- **Enhanced Settlement Surveillance**
- **Comprehensive Risk Management Program**
- **Increase Domestic & International Indirect Investment**





SDC Implementation Stages





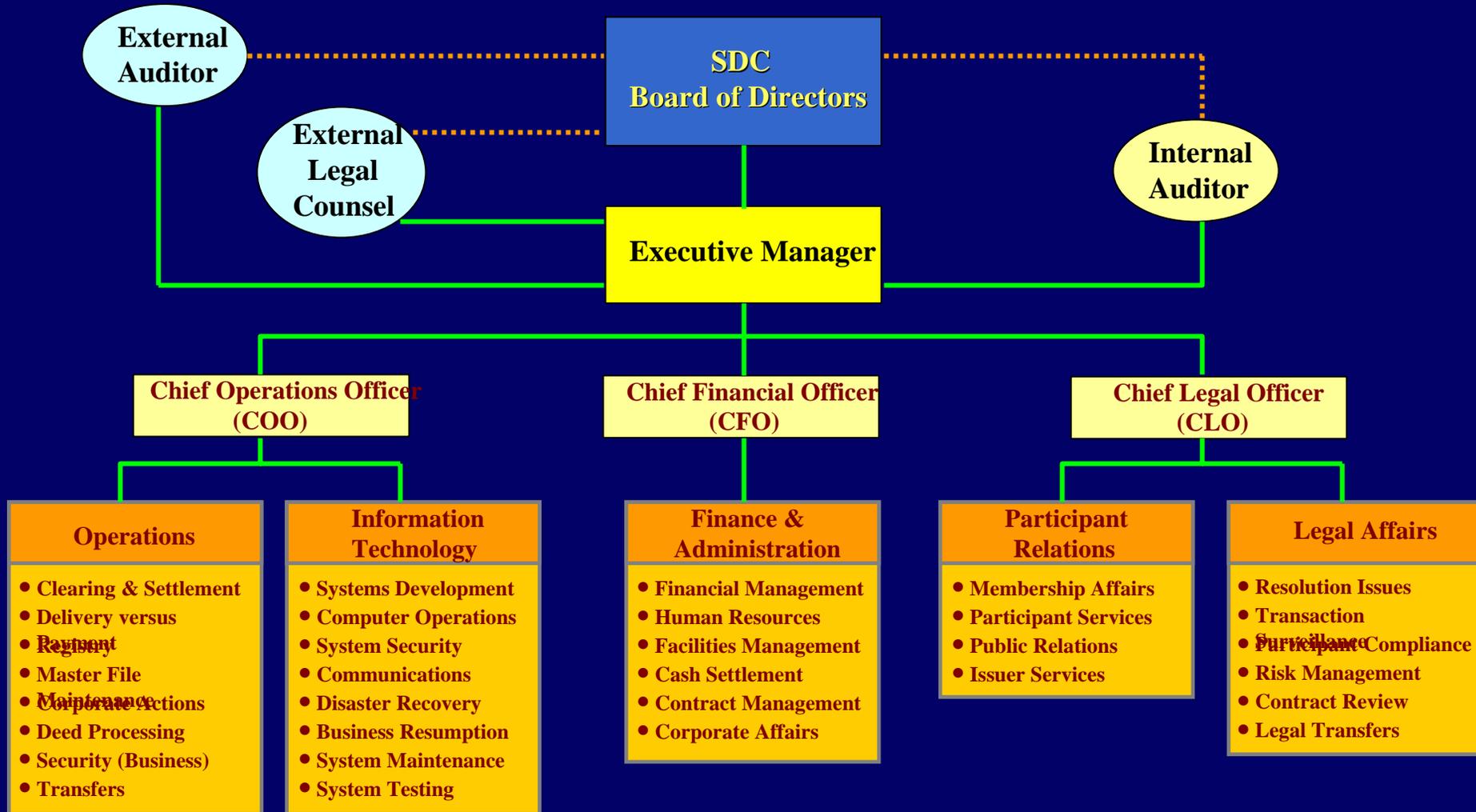
SDC Goals and Objectives

- **State-of-the Art Clearing & Settlement System**
- **Comprehensive Shareholder Registry System**
- **Compliance with International Standards & Practices & Authenticated Shareholder Registers**
- **Accurate & Authenticated Shareholder Registers**
- **Minimum Risk to Investors & Shareholders**
- **Maximum Protection for Investors & Shareholders**
- **Shareholders International Level Participant Services**
 - ▶ Account Information Access
 - ▶ Processing Transparency
 - ▶ Corporate Actions
 - ▶ Cost-Effective Services





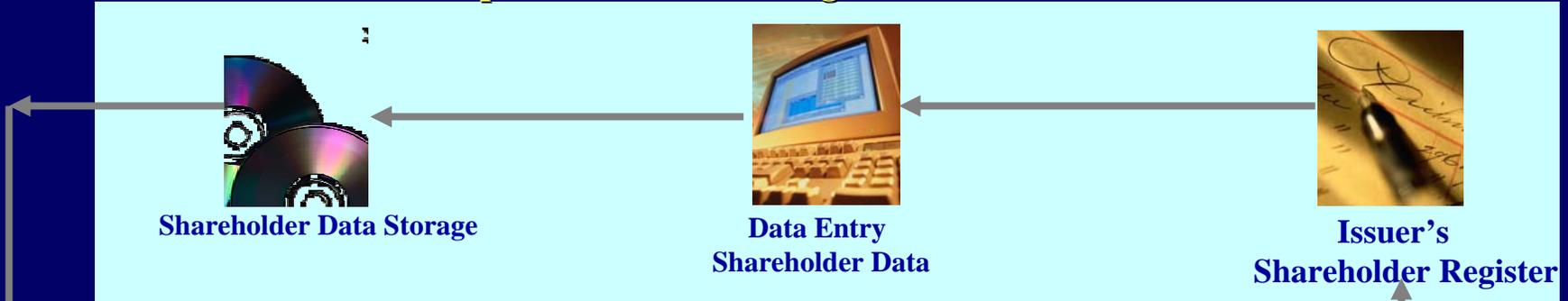
SDC Organization and Management



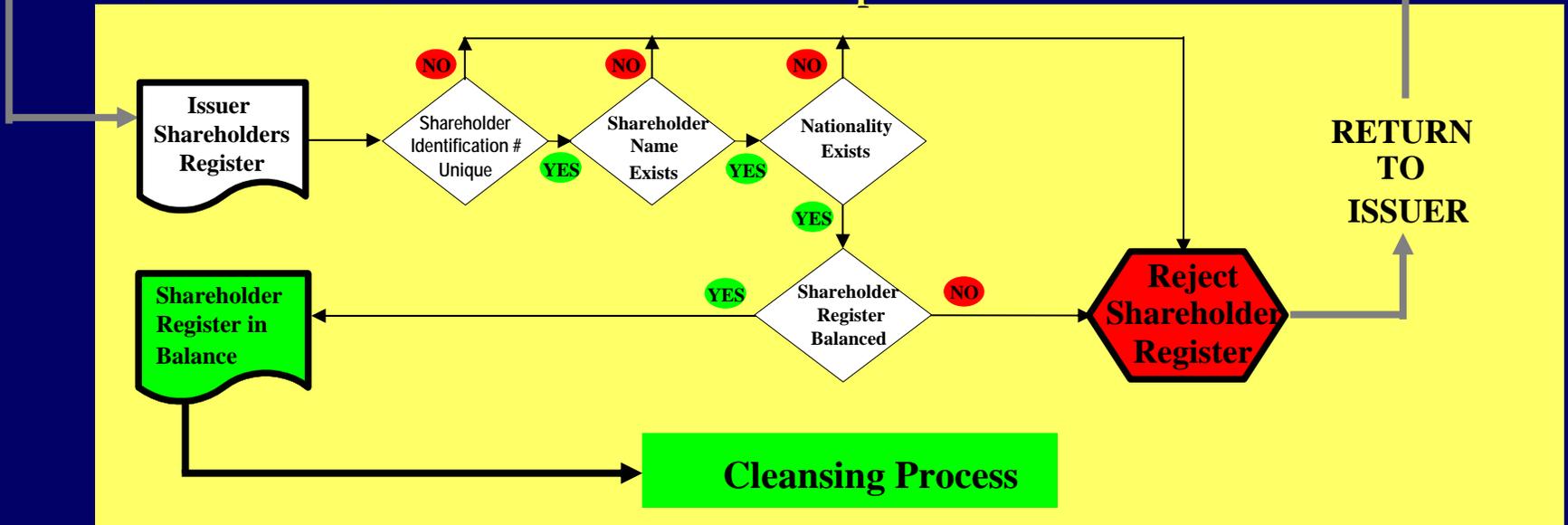


Shareholder Register Cleansing & Conversion

1. Issuer's Process: Prepare Shareholder Register



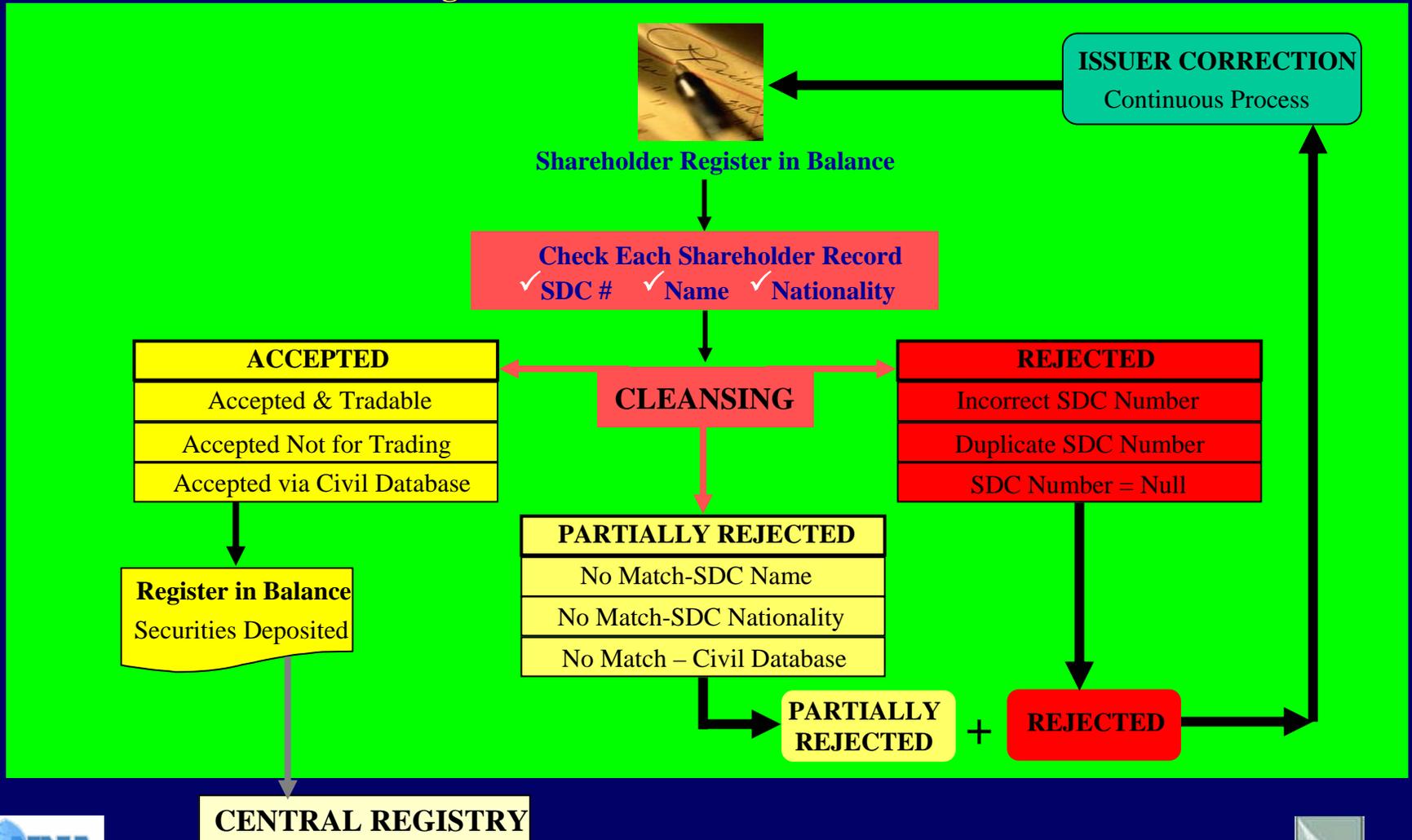
2. SDC Process: Check Issuer's Data Before Upload





Shareholder Register Cleansing & Conversion

3. Shareholder Record Cleansing





Cleansing & Conversion Results

Number of Shareholders, Issued Securities and Market/Nominal Value representing securities held for authenticated and non-authenticated shareholders in 201 Company Shareholder Registers at the SDC. *

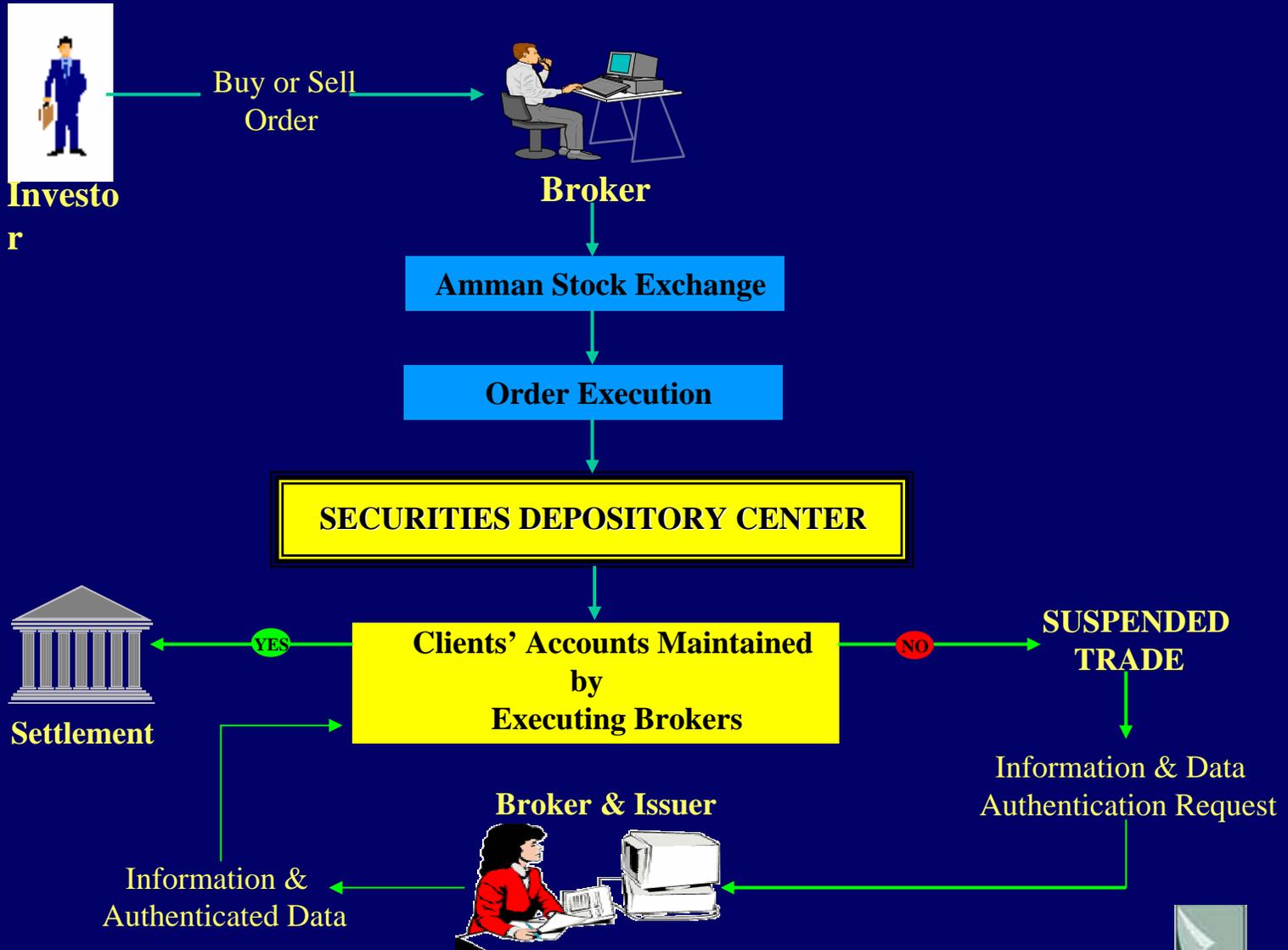
	Total	Non-Authenticated	Authenticated	Authenticated Percentage
Number of Shareholders	493,763	358,095	135,668	27.48%
Number of Issued Shares	2,781,127,846	376,417,255	2,404,512,183	86.46%
Market/Nominal Value (US Dollars)	\$12,393,465,659	\$2,524,552,839	\$9,868,912,820	

* *As of May 31, 2004*





Clearing & Settlement



AN INTERNATIONAL DEPOSITORY



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Amman, Jordan



SDC - European Clients

- Belgium
- Luxembourg
- Netherlands
- Germany
- Denmark



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SDC - Americas Clients

Canada



United States



Mexico



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SDC – Central American & Caribbean Clients

Bahamas



Dominican Republic



Cayman Islands



Honduras



Guatemala



El Salvador



Panama



British Virgin Islands



Barbados



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SDC – South American Clients

Venezuela



Suriname



Brazil



Bolivia



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SDC – Middle Eastern Clients

Syria



Iran



Lebanon



Palestine



Israel



Bahrain



Saudi Arabia



Yemen



Iraq



Kuwait



Qatar



United Arab Emirates



Oman



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SDC – African Clients

Morocco



Algeria



Tunisia



Libya



Mauritania



Egypt



Liberia



Sudan



Mauritius





SDC – Asian & Oceania Clients

China



Korea



Turkmenistan



Pakistan



India



Malaysia



Indonesia



Australia



New Zealand



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June 4, 2004



Securities Depository Center
Amman, Jordan



An International Vote of Confidence





Securities Central Operation Registry Processing & Information Online ®

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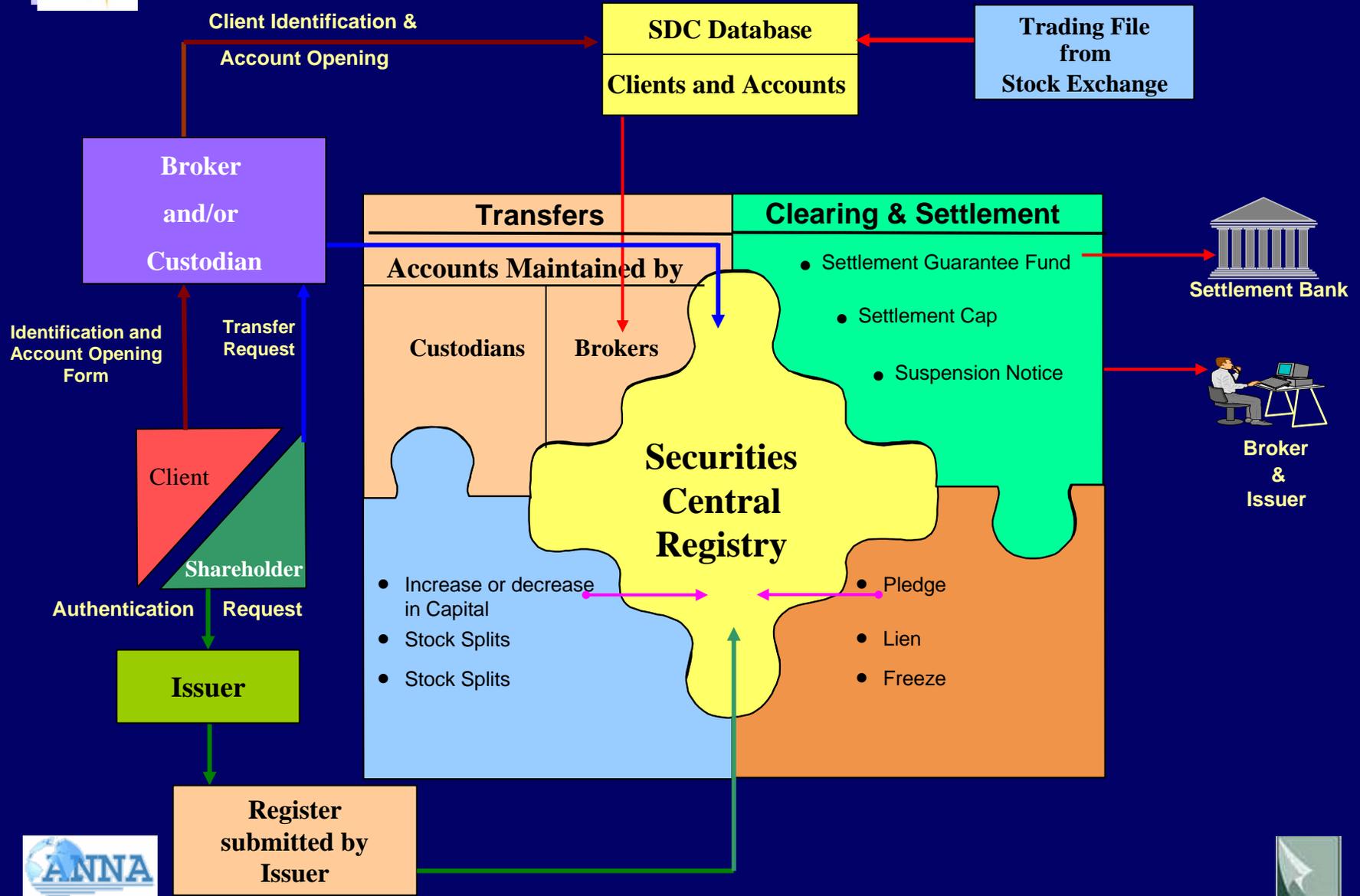
SCORPIO[®] System Functionality

- ✓ Shareholder Registry
- ✓ Family System
- ✓ Inheritance Transfers
- ✓ Rejected Deeds Processing
- ✓ DVP Clearing & Settlement
- ✓ Audit Trails
- ✓ Report Generation
- ✓ Broker Transaction Processing
- ✓ Issuer Registry Management
- ✓ Sub-Custodian Transaction Processing
- ✓ Settlement Surveillance
- ✓ Regulatory Surveillance & Auditing





SCORPIO[®] System Operations





SDC Future Plans

- Efficient and Cost-Effective Use of Capital
 - ▶ Bond Processing
 - ▶ Connection to Central Bank's RTGS
 - ▶ Securities Borrowing & Lending Services
 - ▶ Participant Transaction History
 - ▶ Market Activity Analytics
 - ▶ Portfolio Valuation & Mark-to-Market Service
 - ▶ Custodial Services to Selected Companies
 - ▶ Direct Linkage with the Amman Stock Exchange (ASE)
 - ▶ Additional Disaster Recovery & Business Resumption Sites





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Establishment and Responsibilities

The Securities Depository Center (SDC) of Jordan is a public utility institution established in the Kingdom by virtue of the Securities Law ...

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- Securities Depository Center Registers SCORPIO... [Read More](#)

Accomplishments

Statistics

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Oslo, Norway
June 4, 2004



Securities Depository Center
Amman, Jordan



SDC & ISIN Numbers

- Total Number of ISIN Assigned = 286
- Currently Active ISIN = 248
 - ▶ Common and Preferred Issues = 213
 - ▶ Corporate and Government Bonds = 35
- SDC Issue Eligibility requires ISIN assignment





The SDC thanks you
for
Your Kind Attention



Oslo, Norway
June 4, 2004

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Amman, Jordan