

# Jordan

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## Securities regulation in Jordan

### Mubadda Dallal Dallal & Associates Amman

The Amman Stock Exchange (the ASE) was established in March 1999 as a private institution to operate and develop the trading of securities in Jordan. The main objective of the ASE is to provide a strong and secure environment for its listed securities, and to protect and guarantee the rights of its investors.

The ASE is committed to providing a transparent and efficient market by implementing internationally recognized standards regarding market divisions and listing requirements. To accomplish that, the ASE works together with the Jordan Securities Commission (the JSC), which controls and oversees the capital markets in Jordan, and with other regional and international stock exchanges' bodies.

It is to be noted that the ASE is a member of the Union of Arab Stock Exchanges and the Federation of Euro-Asian Stock Exchanges, and an affiliate member of the World Federation of Exchanges and the International Organization for Securities Commissions.

The JSC is the regulator of the capital markets in Jordan, charged with the mission of reforming and developing legislation and regulations to encourage and protect investors. The JSC has full-time commissioners, including the chairman and deputy-chairman, who are appointed by the Cabinet of Ministers. The Jordanian Securities Law Number (76) for the year 2002 (the Law) prohibits each member of the board from engaging in any profession or job in the private and/or public sectors. Moreover, the law obliges the commissioners to declare in writing, immediately upon their appointment, their ownership of securities, or their families' ownership of the same.

Over the past few years, Jordan has witnessed an active market for private placement, the most prominent being the Arab Bank private placement in January 2006. The JSC has sensed the need to issue regulations to regulate and manage the subscription rights in general.

By virtue of the provisions of Article 3/a, Article 3/b/9 and Article 12/f of the Law, the JSC has issued the Regulations for Dealing with Subscription Rights (the Regulations), which came into force on April 1 2006.

The Regulations regulate the dealing in subscription rights in shares of listed companies in the ASE. The subscription right means the right of the shareholders in an issuing company to subscribe to the increase of capital shares which are to be issued by the compa-

ny and are designated to its shareholders.

The subscription rights are recognized as negotiable financial instruments in the stock market, and such rights have to be equal to the number of shares to be issued to the company's shareholders for the increase of its capital.

Pursuant to the Regulations, the subscription rights are vested in the owners of the company's shares as from the end of the 15th day from the date of the approval of the JSC Board of Commissioners to register the increase of shares in the company's share capital.

The prospectus for the increase of shares in the company's capital made for the company's shareholders shall be deemed as a prospectus for the subscription rights after incorporating the necessary information relating to such rights into the prospectus.

The subscription rights shall be deemed registered at the Security Depository Centre in the names of their owners as from the end of the 15-day period referred to above, and the rights shall be deemed to be listed in the stock market as from the next working day following the above-mentioned 15-day period. The Security Depository Centre and the ASE do not charge any fees for registering and listing the subscription rights.

The Regulations do not permit the pledging or margin trading of subscription rights. Any subscription rights that are derived from shares financed through margin trading shall be deemed acceptable as collateral for the margin account.

The Regulations also govern procedural matters regarding subscription rights. Dealing with subscription rights shall commence from the next working day following the 15th day from the date of the approval of the JSC Board of Commissioners to register the increase of shares in the company's shares, and shall remain for five working days. The opening price for the subscription rights shall be calculated in accordance with the mechanism as set by the ASE and approved by the JSC. The issuing company is obliged to provide the Security Depository Centre with the names of the owners of subscription rights, and the number of those rights which have and have not been exercised.

The issuing company shall offer to sell the unsubscribed shares through the stock market within two months of the date of listing the increasing shares, and at a price not less than the issue price. The issuing company may receive a management fee of no more than 1% from the total amount of the sold shares. Nevertheless, if the issuing company is not able to sell all the unsubscribed shares at a price exceeding the issue price, the company's board of directors can, with the approval of the JSC Commissioners, cover the remaining shares in accordance to whether it is in the interests of the company to do so.

## Corporate and commercial

### Recommended firms

#### Tier 1

Ali Sharif Zu'bi Law Office

#### Tier 2

Dallal & Associates

Nabulsi & Associates

Obeidat & Freihat

Rajai KW Dajani & Associates

#### Tier 3

Dajani & Associates

Ibrahim Bakr Law Office

Khalifeh & Partners

Office of Anis F Kassim

### Ali Sharif Zu'bi Law Office

The appointment of Sharif Ali Zu'bi to the position Minister of Industry and Trade has prompted the firm to drop his name from its moniker, though Zu'bi's retirement from private practice hasn't strongly detracted from the firm's market position. While some say the gap is narrowing, few observers would challenge its position as Jordan's premier corporate and commercial practice. "I really think highly of them," said a leading competitor.

In a market consisting mainly of sole practitioners, Khaled Asfour leads a comparatively large team of five partners and 16 associates. The firm has some plum global clients, including Merrill Lynch, Citigroup, Morgan Stanley, General Electric (GE) and Noble Group.

The firm derives much of its work from advising multinationals on the acquisition of Jordanian operations, such as Noble's purchase of a 50% equity interest in Jordan Grain Handling and Milling Company from ConAgra in January.

Ali Sharif Zu'bi Law Office is equally active on the financing side. February 2006 was a particularly active month, seeing the conclusion of a \$900 million loan deal to Saudi Oger on behalf of Calyon, as well as a \$20 million Export & Finance Bank loan to Saraya, the establishment of a fund for the Arab Banking Corporation and financial advisory services provided to Morgan Stanley. All of the above, with the exception of Morgan Stanley, involved new star hire Nasreen Bulos, who joined the firm from Allen & Overy's London office in May 2005.

At the time of writing, the firm was acting for GE in its takeover of a local company, and Tiger Investments in its purchase of Maktoob, a Jordanian media company. Public-to-private deals have also been a rich source of business, as Ali Sharif Zu'bi Law Office is advising in relation to the privatization of the Jordanian Phosphate Mines Company and of the country's electricity industry, comprising a generation company and two distributors. Asfour and Iyad Zawaideh continue to advise Goldman Sachs in its financing of the privatization of Jordan Telecom, a deal in excess of \$500 million.

#### Leading lawyers

Khaled Asfour  
Aiman Odeh  
Lyad Zawaideh

#### Key contact partner

Khaled Asfour

### Dallal & Associates

Mubadda Dallal's office has a history of working with the Jordanian government, including drafting key parts of the country's legislation and working towards the country's accession to the World Trade Organization. The firm also has a good commercial client base, including Bloomberg and Citibank, as well as regional technology companies such as Viacloud, Fusion and Webcore Holdings. Ozaltin, the Turkish construction company charged with building the Wihdeh dam, has also used the firm's counsel. "Mubadda Dallal is an oasis in the Jordanian desert," said a client. "He runs a good ship – his knowledge is good and he has competitive fees."

In the past year, the firm has completed transactions totalling more than \$1.2 billion, the culmination of which was advising bidders for the privatization of Jordan Telecom. Dallal is also active in banking matters. For example, the firm recently acted for the Saudi construction company Saudi Oger on a secured facility agreement.

Dallal also advised Gulf Finance on the multi million-dollar Jordan Gate project to construct two high-rise office and hotel buildings in Amman.

#### Leading lawyer

Mubadda Dallal

#### Key contact partner

Mubadda Dallal

### Nabulsi & Associates

Nabulsi & Associates is one of Jordan's most prominent firms in corporate and commercial law, drawing a lot of business from well-known international companies such as Samsung, Procter & Gamble and American Express. "I don't have any negative comments. They've been our primary external counsel for a number of years now," said one of the firm's clients, adding: "They're a broad-based firm covering all the aspects of law that we need."

Omar Nabulsi has held a large number of government and other official posts. But the firm's other partner, Lana Salameh, is gaining market visibility. "She comes across as being a serious lawyer; very businesslike," said a client. They are supported by eight associates. Jordan Mobile Telephone Services and Standard Chartered Bank have been active clients of the firm over the past 12 months.

#### Leading lawyers

Omar Nabulsi  
Lana Salameh

#### Key contact partners

Omar Nabulsi  
Lana Salameh

### Obeidat & Freihat

Obeidat & Freihat built up its reputation in the banking sector in the nineties, and continues to represent a loyal client base made up both of regional and global financial institutions.

The firm's managing partner, Thamer Obeidat, is also its most widely recognized figure.

#### Leading lawyer

Thamer Obeidat

#### Key contact partner

Thamer Obeidat

### Rajai KW Dajani & Associates

The government has sought counsel from Rajai KW Dajani & Associates in the first of Jordan's privatization contracts not to include Ali Sharif Zu'bi Law Office. In the deal, the firm will be acting as local correspondents for international firm White &

Case as the Executive Privatization Commission seeks to expand, rehabilitate and privatize Queen Alia International Airport.

The firm has amassed experience in project finance transactions in the energy, water and transport industries on a build-own-operate-transfer basis, and also counts numerous Japanese water supply companies among its clients.

In the commercial arena, the firm is advising one of the country's largest Iraqi-owned private shareholding companies on various projects ranging from glass factories to setting up a bank. It was also involved last year in the merger of the largest two local IT companies, Oneworld and Zeine Technological Applications, into Estarta Solutions, attracting investment from Microsoft and Cisco Systems.

Rajai KW Dajani & Associates recently completed the due diligence procedure for a Turkish company's acquisition of the Coca-Cola Bottling Company of Jordan, and expects to be instructed with regard to the acquisition process.

While the firm's name partner is the basis of its sturdy reputation, Yousef Khalilieh is its younger, more public face. Both lawyers trained in the UK and are supported by a team of eight associates and a taxation consultant.

**Leading lawyers**

Rajai KW Dajani  
Yousef S Khalilieh

**Key contact partner**

Rajai KW Dajani