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Jordan's new disclosure regulations

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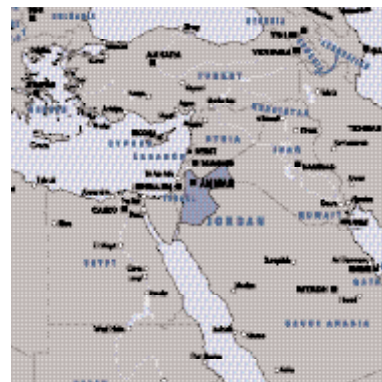
The Jordanian Securities Commission (the Commission) has issued new Regulations on Disclosure by Issuing Companies, Accounting Standards and Auditing Standards (the New Regulations). The New Regulations came into effect on March 1 2002 and repealed the existing 1998 disclosure and auditing standards regulations (the Repealed Regulations).

The Repealed Regulations had been the Commission's first attempt at setting disclosure requirements after the Commission's establishment in 1997 pursuant to the 1997 Securities Law. Drawing on the Commission's experience in regulating the Jordanian market over the last six years, the New Regulations basically upgraded, and corrected some of the inconsistencies in, the existing disclosure, accounting and auditing requirements set out in the Repealed Regulations.

The New Regulations contain provisions dealing with disclosure by companies seeking to be listed for the first time on the Amman Stock Exchange, ongoing disclosures by listed companies, insider dealing disclosures and broker dealing disclosures. Furthermore, the New Regulations require companies to establish internal audit committees and specify the requirements and qualifications for external auditors of companies reporting to the Commission.

The board of directors of a company is required to prepare detailed annual reports containing, in addition to the usual audited financial statements, a description of the company's main activities and investments, subsidiaries' activities, board of directors' experience, their holdings and benefits, major shareholders, the company's competitive position, dependence on major suppliers, analysis of financial results for the last five years and expected future developments. In addition, the Commission now requires the directors to confirm in the annual report that there have not been any material developments that have not been disclosed to the shareholders. Half-yearly comparison reports are also required that must include unaudited but revised financial statements.

The ongoing disclosure requirements have been substantially expanded. Companies are now specifically required to immediately disclose the occurrence of any of the following events: decisions to issue securities, changes in capital investments, merger plans, dividend distribution, all general assembly decisions, invitations to extraordinary general assembly meetings, changes to the board of directors and replacement of the CEO and major lawsuits that could have a material effect on the financial position of the company. Significantly, the New Regulations have removed the possibility of companies getting exemptions from the requirement to publicize such information. Companies are now required to respond publicly to material events reported by the media.



On the other hand, disclosure requirements by insiders have been eased up a little. Insiders are no longer required to pre-disclose their dealings in the securities of the company for which they work. They need only disclose such an event within seven days after the fact. However, the definition of an insider has been expanded to include not only the members of the board of directors and the CEO, but also the other senior officers of the company and their immediate relatives. Moreover, pre-disclosure, by insiders and non-insiders alike is now mandatory after the 10% holding threshold is reached.

The New Regulations now require the use of international accounting standards in the preparation of financial statements filed with the Commission and, unlike the Repealed Regulations, do not allow for any exceptions based on local practice.

Since the issuance of the Repealed Regulations in 1998, companies in Jordan have been slow to comply with the disclosure requirements. Due to widespread non-compliance by companies, the Commission has been finding it difficult to enforce the requirements. The New Regulations now set even more substantial disclosure requirements. It remains to be seen whether companies will actually provide the level of disclosure the Commission requires. The real test for the success or failure of the New Regulations lies in the Commission's readiness and willingness to enforce the new requirements and to take severe measures, when needed, to ensure compliance. Perhaps by issuing the New Regulations, as well as procuring the enactment of a new Securities Law in 2002 that gives the Commission more substantial disciplinary powers, the Commission is signaling to the market that it will be less tolerant of non-compliance in the future.

Banking

Recommended firms

Ali Sharif Zu'bi & Sharif Ali Zu'bi

Ibrahim Bakr Law Office

Obeidat & Freihat

Rajai KW Dajani & Associates

Dallal & Associates

Office of Anis F Kassim

Corporate and commercial

Recommended firms

Ali Sharif Zu'bi & Sharif Ali Zu'bi

Ibrahim Bakr Law Office

Nabulsi & Associates

Obeidat & Freihat

Dallal & Associates

Office of Anis F Kassim

Project finance

Recommended firms

Ali Sharif Zu'bi & Sharif Ali Zu'bi

Ibrahim Bakr Law Office

Nabulsi & Associates

Obeidat & Freihat

Ali Sharif Zu'bi & Sharif Ali Zu'bi

Ali Sharif Zu'bi & Sharif Ali Zu'bi is Jordan's leading law firm on corporate finance matters – “definitely on its own at the top,” according to one rival lawyer – with the most impressive list of clients and roles on just about every big transaction in the country. The firm has four partners and 16 associates working out of the main Amman office; one of the partners, and four associates, are UK- or US-qualified, displaying real international expertise among the firm's lawyers. These numbers have been boosted recently by the arrival of two new associates with international experience – Zeid Hanania joined the firm in October 2003 from US firm Stroock Stroock & Lavan, and Dalia Al-Sayeh joined in January 2004 from Gibson Dunn & Crutcher.

The quality and volume of work handled by the firm over the past year speaks for itself. In banking, the firm acted for Alcatel and Motorola in the financing of the Orascom Telecom Iraq's cellular project, advised Crédit Agricole Indosuez on a \$30 million loan facility to Saudi Oger, the loan being secured by shares in Arab Bank, and at the time of writing is acting on behalf of Export & Finance Bank in connection with its JD22 million (\$28.2 million) and \$10 million syndicated facilities to Aramex International of Bermuda. The firm's capital markets work is equally impressive. Headed by Khaled Asfour, the team represented the Jordan Phosphate Mines Company in its two bond issues (one denominated in US dollars, the other in Jordanian dinars) worth a total of JD57 million, acted for Royal Jordanian Airlines in its JD40 million bond issue, and advised the Jordanian government in its first public offer of shares in Jordan Telecom, in a deal worth \$86.9 million.

In the field of mergers and acquisitions, Ali Sharif Zu'bi & Sharif Ali Zu'bi's reputation is equally outstanding. Among the year's highlights, the firm acted for the government of Jordan in the \$174 million sale of 26% of the Arab Potash Company, acted for the Australian outfit Ricegrowers Cooperative Ltd (SunRice) in the acquisition of a rice processing factory in Aqaba, advised Sultan Centre of Kuwait in its acquisition of an 80% share in a major retail chain in Jordan, and represented the Export & Financing Bank of Jordan in its acquisition of 49% of the National Bank of Iraq's paid-up capital.

The project finance group, led by Sharif Ali Zu'bi, a “well-rounded lawyer” who “knows his stuff,” has been equally busy. In perhaps the past year's stand-out deal, the firm advised the French-American Ondeo-led consortium in its negotiations with the Ministry of Water & Irrigation for the As-Samra wastewater treatment plant build-operate-transfer project, a main component of the government's privatization programme for the water sector. The firm recently closed the deal relating to the financing of the project by the US Agency for International Development and a syndicate of banks led by the Arab Bank; the project was awarded the Middle East water and PPP deal of the year” for 2003 by *Euromoney Institutional Investor*. Among other recent project deals, the firm acted on behalf of New Generation

Telecommunications in obtaining its iDEN telecommunications licence in Jordan and on the financing of a loan for the iDEN telecom project, and advised Alcatel and Motorola in financing Orascom Telecom Iraq's cellular project.

Key contact partners

Sharif Ali Zu'bi
Khaled Asfour
Aiman Odeh

Leading lawyers

Sharif Ali Zu'bi
Khaled Asfour

Dallal & Associates

Dallal & Associates comprises name partner Mubadda Issa Dallal, one other partner and eight associates providing a good standard of corporate and commercial work in Jordan. Mubadda Issa Dallal is singled out by peers as one of the country's star lawyers.

Reports suggest that the firm's visibility on banking work has suffered slightly due to it no longer having the Arab Bank as a client. However, the firm has worked on a range of capital markets and M&A deals for numerous clients, the total value of those deals exceeding \$1 billion. And the firm still boasts an impressive client list, which includes Saudi Oger, Nomura, Gillette, Omya and Amadeus Global Travel Distribution. At the time of writing, Dallal is working on two other M&A transactions worth over \$4 million for Omya, and Amadeus.

Key contact partner

Mubadda Issa Dallal

Leading lawyer

Mubadda Issa Dallal

Ibrahim Bakr Law Office

The Ibrahim Bakr Law Office is a medium-sized firm that represents both local and international clients in, among other areas, banking, corporate and commercial matters. Name partner Firas Bakr is recommended by many of his peers for his experience and knowledge of advising in those areas. The firm overall maintains a good reputation among peers, with one rival saying: “whenever we are conflicted, we choose Bakr.”

Leading lawyer

Firas Bakr

Nabulsi & Associates

Nabulsi & Associates is highly respected by its peers. Partner Lana Salameh in particular receives much praise. The firm

offers advice on banking and general corporate and commercial matters – and the market view is that the firm’s lawyers are busy: “they do a lot of work,” say peers.

The firm represents a diverse and impressive range of national and international corporate clients in Jordan, including Jordan Phosphate Mines, Standard Chartered Bank, Société-Générale, BP Amoco, Motorola, Proctor and Gamble, Burger King and Bulgari.

Leading lawyer

Lana Salameh

Obeidat & Freihat

The general view among market participants is that the second-tier firms in the banking area do a lot of international work, and should be distinguished from the third-tier firms because of this. Obeidat & Freihat is one such firm, noted in particular for its banking practice – the market confirms that the firm is “correctly placed in the second tier” because “it does a lot of banking work”.

The firm’s work has been steadily on the increase over the past 18 months, with HSBC and the National Bank of Kuwait among its list of clients. Obeidat advised both parties in the \$423 million acquisition of Fastlink, a mobile phone operator, by Kuwaiti company MTC.

Key contact partner

Thamer Obeidat

Rajai KW Dajani & Associates

Senior partner Rajai KW Dajani established this firm in 1990 in Amman, and the firm now comprises two partners (Dajani himself and managing partner Yousef Khalilieh) and 11 associates.

The firm has represented a number of local and international clients, including General Motors, Cargill International, Carillon International, Raytheon, Relief International, Jordan National Bank, Prudential Foreign Investment Services and Archirodon Construction (Overseas). It has advised, or is advising at the time of writing, clients in connection with water, energy, telecommunication and privatization projects that are taking place in Jordan. Some of these projects include the installation and maintenance of a pipeline between Iraq and Jordan on a build-own-operate-transfer basis, the privatization of the water and energy sectors in Jordan, and the drawing of water from the Disi area to Amman on a build-operate-transfer basis. As a result, the firm has extensive experience of handling International Finance Corporation and World Bank funding for these projects.

Key contact partners

Rajai KW Dajani
Yousef Khalilieh