



## Jordan

### A unique strategic location

Jordan stands at the crossing point of Europe, Asia and Africa, representing the hub of communication in the Middle East, and overlooking the Red Sea from Aqaba Port.

Enjoying a stable political and democratic environment, Jordan pioneers the countries of the region in terms of economic liberalization and private sector management. Indeed, it has an attractive investment climate, reflected in a package of investment incentives and exemptions and a free flow of capital. There are several free zones and QIZ (qualified industrial zones) with full infrastructure and quality communications network in Jordan, not to mention its highly qualified and competitive human resources.

## Capital market

### hits its roots in Jordan

Jordan started to do trading as of the early thirties of the last century. Trading used to take place via a number of brokerage firms on the unregulated market until Law No. 31 for the year 1976 was promulgated and set up Amman Financial Market (AFM) as a regulated market, acting both as a regulator and as a traditional stock exchange at the same time.

**The AFM  
started operating  
both as a regulator  
and a stock  
exchange on  
January 1<sup>st</sup> 1978**

## Amman Stock Exchange

### start up

#### **“A modern, well-regulated emerging market”**

The AFM responded to investors' needs till the mid nineties when major changes in the securities industry made their entry.

**The ASE was  
established on  
March 11<sup>th</sup>, 1999.**

The Securities Law for the year 1997 was thus promulgated whereby the Jordan Securities Commission (JSC) was set up to assume legislation, supervision and monitoring in succession to the AFM, and the Amman Stock Exchange (ASE) was established as an administratively and financially independent institution managed by the private sector. The ASE is a non profit agency that acts as an official market for trading securities in Jordan under the supervision of the JSC. The Securities Depository Center (SDC) was also set up under the same law as an administratively autonomous institution managed by the private sector, and as the sole body authorized in Jordan to have safe custody of securities' titles of ownership and to supervise settlement and clearance operations.

## ASE mission

- The ASE seeks to become the principal and most modern exchange in the region, if not throughout the world. To do so, it aims at providing all the technical and legislative means possible to establish the ASE as the securities market of choice for local and international investors.
- The ASE seeks to provide a fair market for trading in securities with a high standard of transparency, efficiency, liquidity and depth.
- The ASE seeks to perform a significant role in the service and development of national economy.

## ASE Board

The ASE board is composed of seven members:

- Two members representing banks licensed to act as brokers and brokers owned by banks or their affiliates.
- Two members representing brokers other than the above.
- Three members from the private sector who are experts in legal, financial and economic issues and who are appointed by the JSC Board of Commissioners.



## ASE objectives

The ASE basically aims at providing a suitable environment for the interplay of supply and demand on traded securities and to lay out fair and just trading principles by way of the following:

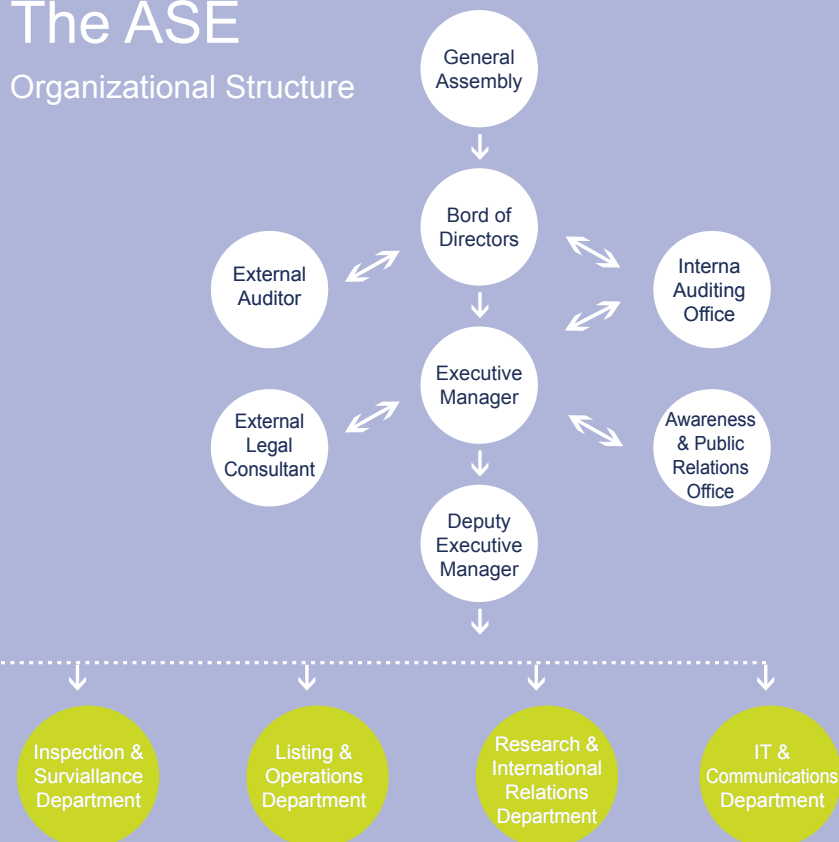
- Establishing the working methods and procedures that secure fair and transparent trading.
- Providing electronic systems, connections and halls equipped with state of the art technologies.
- Monitoring trading on the market and coordinating its follow up with the JSC.
- Imposing disciplinary action on members and connected persons that breach the provisions of the Securities Law and instructions issued by virtue thereof.
- Instituting and enforcing a members' professional code of ethics.
- Setting criteria for the training, professional expertise and managerial efficiency of its members.
- Reporting and disseminating information on ASE activities.
- Cooperating and contracting agreements with international exchanges and organizations through participating in conferences.

## ASE membership

The ASE membership is comprised of financial brokers and brokers who trade for their own accounts, and any other entities the JSC Board of Commissioners may identify. Such brokers and other JSC approved entities constitute the General Assembly of the ASE.

## The ASE

### Organizational Structure



# Legislative Structure

## “Highest possible level of transparency and market regulation”

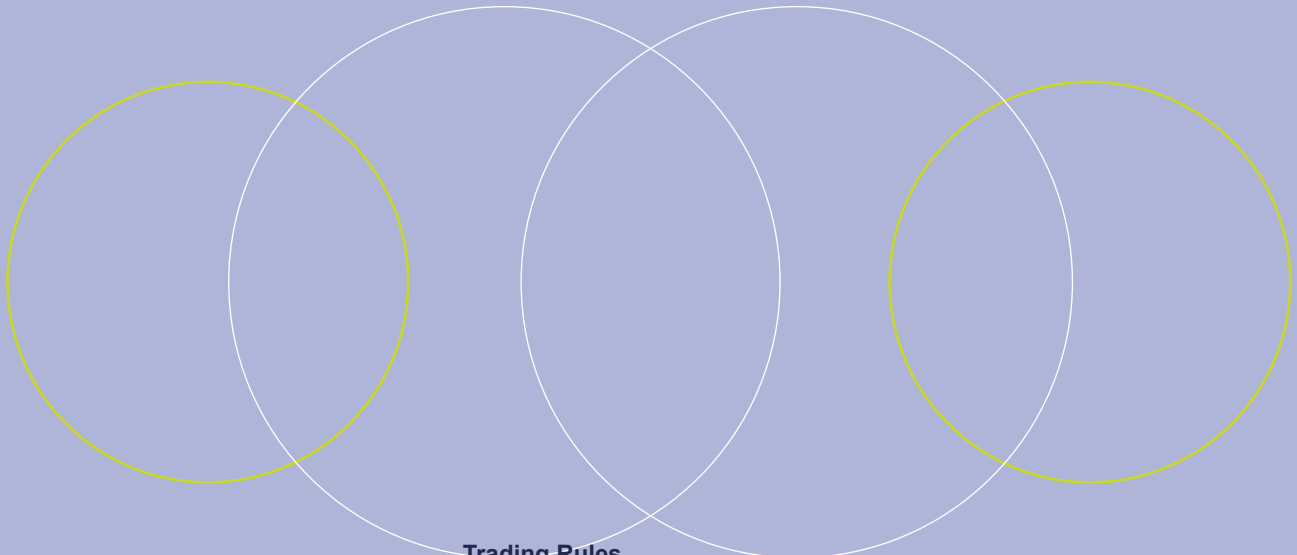
From its inception, the ASE has issued instructions and regulations as required to ensure that it attains its objectives and performs its duties and responsibilities with the utmost efficiency and fairness and in compliance with international standards. The ASE has recently reviewed all of its regulations and instructions to keep pace with an increasingly globalized market place and to secure continuous efficiency, transparency and investor protection.

### Internal By-Laws

The By-Laws include provisions governing the composition of the General Assembly and the Board of Directors, the Executive Manager, member commitments, inspection, investigation and the imposition of Disciplinary measures on breaching members.

### Listing Rules

Listing requirements, transfers between markets, delisting and suspension, listing requirements for bonds and investment units, the listing of Jordanian securities on non-Jordanian exchanges and the listing of non-Jordanian securities on the ASE are all regulated by virtue of these rules.



### Trading Rules

These rules include procedures for trading in securities on the ASE through the electronic trading system (ETS), Code of Ethics for ASE members, and all administrative and regulatory issues related to electronic trading.

### Financial Brokers' Guarantee Fund Directives

By virtue of these directives, a Guarantee Fund for financial brokers was established to compensate for any cash deficit on the part of buying brokers or any shortage in securities sold on the part of selling brokers, as a result of the trading securities on the ASE.

### Disclosure Regulations

These regulations identify data and information that the ASE must disclose, as well as the information, data and records that are considered confidential and should not be disclosed to or accessed by persons other than authorized ASE staff save by the concerned staff.

### Dispute Resolution

The By-Law includes a clear and definite mechanism for dispute resolution amongst ASE members (financial brokerage firms) and between members and their clients. The primary dispute resolution mechanism utilized is arbitration.



## Market Divisions

Trading in corporate shares at the ASE takes place on two markets, the First Market and the Second Market. The markets are divided according to liquidity and company profit criteria.

### Listing Requirements on the First Market

- The shares must have been previously listed for one full year in the Second Market.
- The Net Shareholders' Equity must not be less than 100% of the paid-in capital.
- The company must have earned net pre-tax profits for at least two out of the last three years.
- The Free Float in the company must not be less than:
  - 5% if the capital is JD50 million or more.
  - 10% if the capital is less than JD50 million.
- The number of shareholders must be 100 or more.
- The days of company trading must not be less than 20% of the overall trading days for the fiscal year, and trading must be with at least 10% of the free float of the company for the same period.

- As soon as a public shareholding company receives the authorization to start operating, its shares can be listed on the Second Market.
- A private shareholding company may list its shares on the Second Market as soon as it receives its Registration Certificate.
- The Board of Directors may list securities issued in a foreign currency and may price said securities in a foreign currency.

“ASE has introduced internationally recognized market divisions and listing criteria”

If an issuer of securities listed on the ASE violates any of the Listing Rules, the Board of Directors may impose one or more of the following penalties:

- Warning.
- Impose a fine of not less than one hundred and not more than five thousand Jordanian Dinars.
- Transfer issuer shares from the First to the Second Market.
- Suspend trading in the issuer's shares.
- De-list Issuer's shares.

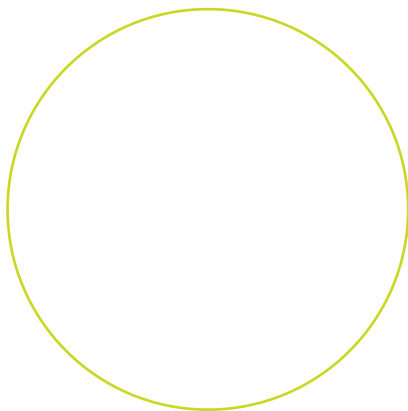
### Company shares may be transferred from the First Market to the Second Market in any of the following cases:

- Decrease of net shareholders' equity to less than 75% of the paid-in capital.
- Losses on the company financial statements in the last three successive years.
- The free float of the company drops below the established limit.
- The number of shareholders becomes less than 75.
- The number of company trading days is below the established limit during the fiscal year.
- If the percentage of company shares traded is under the established limit during the fiscal year.

# Securities as defined

by the Securities Law are:-

- Transferable and tradable companies shares
- Corporate Bonds
- Securities issued by the government, public official institutions, public institutions and municipalities
- Securities depository receipts
- Shares and Investment Units of mutual funds
- Equity option bonds
- Spot and forward contracts
- Put and Call Options
- Any right to acquire any of the above mentioned



## Market Data Dissemination

The timely dissemination of market data has become an important issue that can be considered as a major indicator of efficiency, fairness and transparency of any securities market. In order to provide the maximum levels of transparency possible, the ASE:

- Provides on-line trading information on share prices and indices during the trading sessions via the website ticker tape. Daily, weekly and monthly trading bulletins; and publications with comprehensive information on the ASE, its establishment, management, regulations and instructions, as well as any other information important to investors and researchers are provided on the website.
- Maintains on going agreements with data vendors.
- Posts the prices of listed shares on Jordan TV's main Channel, the satellite channel, and on CNBC Arabia, the international economic news channel.
- Maintains an Investor Gallery, with state of the art equipment, to provide investors with on-line access to trading information. The Investor Gallery provides real-time information via 10 screens and 2 ticker tapes, one in Arabic and one in English.
- Issues news and statistical bulletins on ASE activities, decisions and companies performance.
- Issuing the Public Share Holding Company Guide that contains general information on companies and their financial statements.

## Securities currently traded at the ASE:

Shares  
•  
Investment Units  
•  
Development Bonds  
•  
Corporate and Public  
Institutions Bonds  
•  
Treasury Bonds



- [www.ase.com.jo](http://www.ase.com.jo)
- Launched in 1999.
- Number of hits during 2004 was 20 million monthly.

# Trading System

The ASE operates the French Electronic Trading System NSC-Unix hardware

- Commenced operations on March 26, 2000
- Provides trading on an order-driven, continuous auction basis

## Trading on the ASE

A year following its establishment, the ASE initiated a modernization, upgrading and automation program for of its trading environment. The ASE made a successful transition from the manual system to an electronic trading system (ETS). The transition enabled financial brokers to execute buy and sell orders via a highly efficient and advanced electronic system, that provides a very easy, flexible and safe mechanism operating on a continuous auction basis.

Brokers enter their buy and sell orders on the ETS. Orders are matched and priority is given to execution at the best prices. Trading times at the ASE differ by market divisions. The ETS provides user-friendly options to enter, change, cancel, access and execute orders. It enables market monitoring either on-line or at predetermined times, as well as providing information on market depth. The system also has the capability of making unannounced orders (hidden orders) so that voluminous orders do not have a negative impact on price stability. The ETS provides tools for controlling and managing all user-trading operations.

## Advantages of the ETS

- Monitoring international developments and eliminating manual trading problems.
- Transparency of trading operations.
- Easy and fair execution of orders.
- Protection of the rights of brokers and dealers in securities.
- Provision of information about executed and non-executed transactions in listed securities.
- Increased market liquidity and depth.
- Surveillance over trading operations and immediate dissemination of market data.

## Clearing and Settlement Procedures

Settlement procedures include: entry of trading data extracted from the ETS of the ASE into the SDC system on (T+0), then the SDC issues settlement statements for brokers. For those issuers using the SDC as their registrar, on the next day (T+1), cash settlements take place and transfer of ownership contracts are delivered to the issuers. On the other side, issuers must transfer ownership of securities within two days at the most from the date of receipt of the transfer contracts. However, the transfer of ownership procedures are completed within a maximum of three working days (T+3).



## Investor Participation

- A licensed financial brokerage firm that operates on the ASE is selected.
- A written agreement is concluded with the brokerage firm to include a list of the services to be provided by it along with its commissions.
- An authorization is given to the brokerage firm for each buy or sale order.
- The authorization should be confirmed as registered on the brokers market by order book and the rank of the order in relation to other orders given to the broker is known.

# Remote Connectivity

to the ASE

## Remote Connectivity to the ASE

Remote Trading was implemented by the ASE during the year 2000 when the traditional open outcry environment was replaced by a new automated trading system. Currently, the traditional trading hall is utilized by the ASE as part of the Exchange's disaster recovery and business resumption plan. Use of the traditional trading hall is restricted to instances of technical failure where member firms are unable to connect remotely with the ASE. Remote connectivity to the ASE allows member firms to conduct their trading activities from the primary or branch offices thus increasing the efficiency and flexibility of Exchange members.

As a result of the remote connectivity provided by the ASE many member firms have established investor halls for their clients from which investor clients may monitor market activities on real-time basis. Implementation of remote connectivity has therefore not only benefited member firms but has materially increased the dissemination of market data and the overall level of market transparency.

## Intranet

The ASE introduced its Intranet to connect all operating brokerage firms to the ASE and to connect ASE staff to the network. The Intranet, via internal email, enables the exchange of information and correspondence between the ASE, the brokers and the ASE staff, thus providing real-time communication between all parties, while saving time, effort and cost.

- Remote trading became operational on October 8th 2000.
- Brokerage firms within Amman are connected to the ETS through leased lines.
- Brokerage offices at the Housing Bank Complex are connected through fiber optic and dedicated lines.



## Management Information System (MIS)

The ASE has implemented a Management Information System (MIS) that uses Oracle data bases and supports the swift preparation of reports and bulletins. Members can access reports of their trading activities, by company, with detailed data on listed securities in the shortest time possible. The MIS also provides members with access to their historical trading information. All ASE departments and staff are linked to a unified data base, which processes department work with speed and efficiency. Monitoring software was also developed for use by the ASE Trading Department and the JSC Surveillance Department. The MIS also contains a module that provides rapid and accurate commission calculations.

## Wide Area Network (WAN)

Jordan's capital market institutions operate a Wide Area Network that links the JSC, ASE, SDC, brokers, issuers and data providers. The WAN also provides connectivity to international institutions and financial markets. The headquarters of the capital market are thus linked to the brokers via fiber optic lines. The WAN enhances secure and reliable communications between the capital market institutions and all market participants. Operation of the WAN broadens the scope of the Jordanian capital markets by providing access to international investors, brokerage firms and institutions.

# Indices

Indices are key indicators in financial markets as they assist investors in determine the overall trend of share prices and measuring changes that occur within a specific time period against other periods. The ASE calculates two indices for share prices. The first index is weighted by the market capitalization of listed shares and the second Index is a simple (unweighted) average. The companies that are included in the computation of the indices is selected on the basis of market capitalization, number of trading days, number of executed contracts, volume of trading, number of traded shares and share turnover.

- The unweighted index was first used in 1980.
- The base value of this index was originally established as 100 points.
- The sample size began with 38 companies and has grown to a current size of 70.
- The base year has been changed to end of December, 1991.
- The base value was changed to 1,000 points as of the beginning of 2004.

- End of December 1991 was chosen as the base year.
- The base value of this index started with 100 points.
- Market capitalization of the sample companies represent 90% of the total market capitalization.
- The same sample of companies is used in both indices.
- The base value was changed to 1,000 points as of the beginning of 2004.

- End of December 2002 was chosen as the base year.
- The base value is 1,000.
- No individual company is allowed to weigh more than 10% of the aggregate market capitalization of the sample companies.

## **Unweighted Index**

This index gives equal weights to all companies in the index universe, regardless of their capitalization or share price. The Unweighted Index gauges relative changes in share prices, and can be used in the valuation of investment portfolios that distribute investments across all companies. The geometrical average method is used in the calculation of the general unweighted index as well as sector indices.

## **Weighted Index**

This index assigns weights to companies in the index universe according to their market capitalization, whereby each company is assigned a weight according to its share out of the total market capitalization. As with the Unweighted Index, Weighted Indices are also provided by sectors. The adjusted Paash Method is used to calculate this index as well as sector indices.

## **Free Float Index**

As of the beginning of 2004, the ASE started, on a trial basis, to calculate a new price index in addition to the two existing indices. The new Free Float Index is weighted against the market capitalization of a company's free float, whereby each company is assigned its weight according to the capitalization of its free float. The adjusted Paash Method is also used here too to calculate this index.

- By the end of 1996 non-Jordanians owned 33% of the total market capitalization.
- This percentage increased to 40% in 2004.

## Foreign investment

Jordan has seen the birth of many a legislation to regulate non-Jordanian (Arab and foreign) investments over the last few years. They are all aimed at eradicating obstacles and granting privileges to promote and regulate Arab and foreign investments in the various fields. Their spectrum graduated from restriction alleviation on foreign investment to raising foreign ownership share to full eradication of restrictions with the promulgation of the By-Law No. 54 of the year 2000 for the Regulation of Non-Jordanian Investments. This by-law allowed foreigners to have full capital ownership in companies in most market sectors.

## Arab, Regional and International Cooperation

- The ASE is an active member in:
  - Federation of Arab Stock Exchanges.
  - Federation of Euro-Asian Stock Exchanges (FEAS).
  - World Federation of Exchanges (WFE).
  - International Organization of Securities Commissions (IOSCO).
- The ASE is an active participant in international and Arab conferences and seminars.
- The ASE has signed Memoranda of Understanding and cooperation agreements with a number of Arab and international stock exchanges.
- The ASE heads the Marketing Committee at FEAS.
- The ASE heads the NSC-Unix Users Committee.

### The ASE has signed:

- A Cross-Listing Agreement with the Kuwait Stock Exchange in 2000.
- A Cross-Listing Agreement with The Bahrain Stock Exchange.
- A Cooperation Agreement with Thessaloniki Stock Exchange in 2003.

# Advantages of Investing at the ASE

## For Investors

Access to a broad range of securities with varying risk levels, including company shares, government, corporate and municipal bonds, Depository Receipts, and Investment Units issued by mutual funds.

## The ASE provides investors with:

- Access to emerging growth market with unparalleled potential for return.
- Secure investments in a well-regulated and globally-compliant market.
- Geographic diversification for balanced portfolio management.

## The ASE provides companies with:

- Access to growth capital.
- Visibility and publicity in the marketplace.
- Access to a broad range of domestic and international investors.
- Enhancement of corporate reputation and credibility.
- Facilitated mergers and acquisitions in an orderly market place.

## For Companies

Companies trade on two market tiers at the ASE. This two-tiered approach enables companies of all sizes and stages to enter, grow and evolve on the exchange.

## For Member-Brokers

Financial services companies licensed by the JSC to perform brokerage activities on the ASE are considered members of the Exchange.

## The ASE provides its members with:

- Access to a fair, efficient, transparent and globally-compliant market.
- State-of-the-art electronic trading environment.
- A Brokers' Guarantee fund.

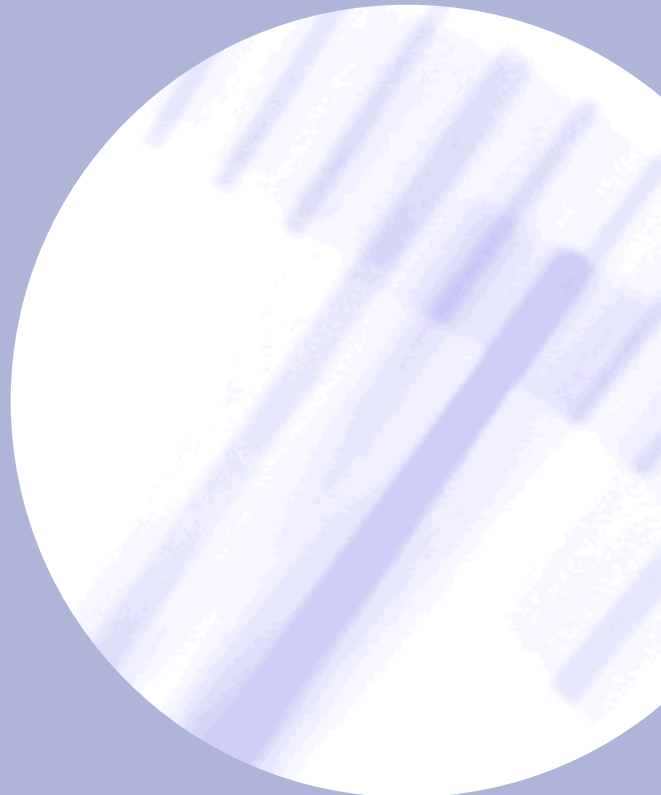
## Investor Protection



- Enactment of regulations and legislations, as needed, to enhance the regulation and development of the capital market and to maintain a suitable climate for investment in securities.
- Implementation and enforcement of A Code of Ethics for ASE members.
- Providing the needed transparency and disclosure for the securities market and supplying necessary information to investors.
- Implementation international standards in the capital market and its institutions, namely the latest standards on disclosure, electronic trading, custody, electronic settlement of securities, and implementation of international accounting and auditing standards for issuers of securities.
- Conducting an investor and a public awareness campaign with regards to investment in securities in general and awareness of investor rights in particular.
- Supporting the on-going training for capital market personnel as well as of financial services company personnel and raising market participants academic and professional standards.
- Providing effective mechanisms and procedures for the timely resolution of investor and public complaints.

## Future for the ASE

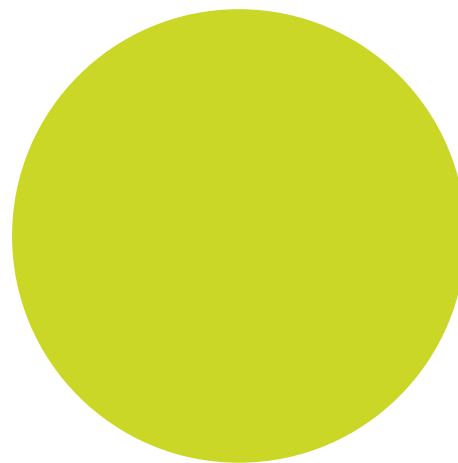
- Expanding and enhancing the IT infrastructure to serve all stock exchange dealers.
- Deepening and increasing the efficiency and liquidity of the market and spreading the culture of investment, with a particular emphasis on developing the ASE website.
- Creating a suitable climate to attract domestic and foreign investments.
- Promoting ASE-local community interaction by increasing awareness of the role of the stock exchange in supporting the national economy.
- Increasing the number of issuers on the ASE and promoting all privatization efforts through the ASE.
- Increasing the role of the ASE in joint Arab, regional and international action by promoting close ties of cooperation with international, regional and Arab capital market institutions.
- Excelerating training for ASE personnel, raising professional staff standard and broadening staff skills in areas of future ASE concentration.



# Official trading hours

The trading takes place from Sunday-Thursday according to the following timetable:

Session	Time
Pre-opening session for bonds & mutual funds.	09:30 - 09:35
Opening session for bonds & mutual funds.	09:35
Trading session for bonds & mutual funds.	09:35 - 09:55
Pre-opening session for first & second markets.	09:30 - 10:00
Opening session for first & second markets	10:00
Trading session for first & second markets	10:00 - 12:00
Block trades for all markets	12:00 - 12:15



# Trading Commission

Security traded	Lower limit	Upper limit
Shares	JD5.4 per thousand *	JD7.4 per thousand
Bonds	JD0.45 per thousand	JD0.95 per thousand
Investment units	JD2.0 per thousand	JD2.2 per thousand

\* JD 3.4 on each 1000 for the transactions exceed JD100,000.  
The commission is calculated of the market value for the transaction.

