Jordan Capital Market

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Establishment of the Amman Financial Market

Public shareholding companies were set up and their shares were traded in, long before the setting up of the Jordanian Securities Market. In the early thirties, the Jordanian public already subscribed to and traded in shares; the Arab Bank was the first public shareholding company to be established in Jordan in 1930, followed by Jordan Tobacco and Cigarettes in 1931, Jordan Electric Power in 1938, and Jordan Cement Factories in 1951. The first corporate bonds were issued in the early sixties.

As a result, an unorganized securities market has emerged in the form of non-specialized offices. This prompted the government to contemplate the idea of setting up a market to regulate the issuance of and dealing in securities, in a manner that would ensure safe, speedy and easy trading and protect small savers, through a mechanism that would define a fair price based on supply and demand. Successive economic plans called for the establishment of such a market, and various parties started to prepare, with the government's support, for setting up an organized securities market. In 1975 and 1976, the Central Bank conducted intensive studies, in cooperation with the World Bank's International Finance Corporation **(IFC)**, and it became clear therefrom that the size of the national economy and the share of the private sector in it through public shareholding companies and its broad investor base justified such a step. Such a market was perceived as a creator of and caterer for much-needed opportunities for economic growth which would stimulate and spurt economic activity. These joint efforts bore their fruit, and Temporary Law No. 31 of the year 1976 was promulgated, and what was known as Amman Financial Market was consequently established. A Cabinet Resolution of March 16, 1977, set up an AFM Administration Committee, which immediately went into action; and operation on AFM started on the 1st of January, 1978.

The Law laid out the objectives of AFM as follows: to mobilize savings by encouraging investment in

securities; thereby channeling savings to serve the interests of the national economy; to regulate issuance of and dealing in securities in a manner that would ensure the soundness, ease and speed of transactions to safeguard national financial interests and to protect small savers; and to provide the necessary data and statistics to achieve AFM objectives.

As of its inception, AFM was entrusted with a dual task, namely the role of a Securities and Exchange Commission (**SEC**) and the role of a traditional Stock Exchange.

Since then and up to the founding of Amman Stock Exchange, a lot has been achieved. Trading on the Secondary Market rose from JD9.7 million in 1978 to JD3.2 billion in 2016, the market capitalization of subscribed shares is currently around JD17.3 billion, as compared to around JD286 million by the end of 1978, and the number of listed companies went up from 66 in 1978 to 224 by the end of 2016.

Major developments of the Jordanian Capital Market

The Jordanian government adopted a comprehensive capital market reforming policy, which aimed at building on the previous 20 years' experience, boosting the private sector, expanding and diversifying the national economy, and improving regulation of the securities market to reach international standards. Among the most important features of the new orientation were institutional changes in the capital market, use of international electronic trading, settlement and clearance systems, elimination of obstacles to investment, and strengthening capital market supervision to reach optimum transparency and safe trading in securities, in line with globalization and openness to the external world.

The enactment of the Temporary Securities Law, No. 23 of the year 1997, was a landmark; indeed, it was a qualitative leap and a turning point for the Jordanian capital market. Its aim was to restructure and regulate the Jordanian capital market and to complete its infrastructure in consistence with international standards, in order to secure transparency and safe trading in securities. The central feature of this restructuring effort was the separation of the supervisory and legislative role from the executive role of the capital market. The latter was left to the private sector, whereby Amman Stock Exchange/ Securities Market **(ASE)** and the Securities Depository Center **(SDC)** played the executive role, and the supervisory and legislative role was entrusted to Jordan Securities Commission **(JSC)**.

The Law provided for setting up three new institutions to replace AFM, namely:

- Jordan Securities Commission (JSC).
- Amman Stock Exchange (ASE).
- Securities Depository Center (SDC).

Establishment of the Amman Stock Exchange

The Amman Stock Exchange (ASE) was established on March 11th1, 999 as a private sector, non-profit organization with legal and financial independence, and it is authorized to function as a regulated market for trading securities in Jordan. It is regulated by the Jordan Securities Commission , based on the provisions of the Securities Law No. (23) for the year 1997 and then released the new

Securities Law No. (76) for the year 2002, this allowed the creation of more than one market for the trading of securities in Jordan.

The issuance of Securities law for the year 1997 in Jordan aimed to restructure and regulate the capital market and to complete the infrastructure for the securities market in consistence with international standards. The central feature of this restructuring effort was the separation of the supervisory role from the executive role of the capital market; these roles were accomplished by the Amman Financial Market previously. The Jordan Securities Commission was formed as a government control structure to oversee the capital market. The Amman Stock Exchange and the Securities Depository Center have been established as Independent Foundations run by the private sector.

On February 20th, 2017, the ASE has been registered as a public shareholding company completely owned by the government under the name "The Amman Stock Exchange Company (**ASE Company**)". The ASE Company shall be the legal and factual successor to the ASE. The ASE Company is governed by a seven-member board of directors appointed by the Council of Ministers and a full time chief executive officer oversees day-to-day responsibilities.

Jordan Securities Commission

It aims at supervising the issuance of and dealing in securities, regulating and monitoring the activities and operations of those organs falling under its supervision. It also aims at regulating and supervising the disclosure of information related to securities, issuers, insider trading and major shareholders.

JSC has financial and administrative autonomy, and is directly attached to the Prime Minister, which would enhance its future role, and would enable it to effectively assume its supervisory role over the capital market. It has a Board of Commissioners, composed of five full-time members, which is entrusted with the following functions: drawing up draft laws and regulations on securities; approving the by-laws and regulations of the SDC and ASE; granting licenses issued under the Law; setting limits for commissions of financial services companies and members of the SDC; and adopting accounting and auditing standards for the organs falling under its supervision as well as standards for their qualified auditors.

Securities Depository Center

SDC was established on May 10, 1999, with the aim of ensuring safe custody of ownership of securities; registering and transferring ownership of securities traded on ASE; and settling the prices of securities among brokers. It is a nonprofit legal entity, with financial and administrative autonomy, and is managed by the private sector.

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