

Jordan...

land of potential



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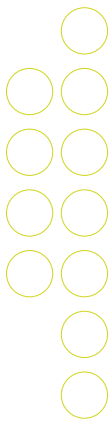
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Government & State



The Hashemite Kingdom of Jordan is a constitutional monarchy, ruled by His Majesty King Abdullah II, who ascended to the throne in February 1999. The executive power is vested in the Council of Ministers which is appointed by the King, and is accountable to a two - house Parliament. The 55 members of the Upper House are appointed by the King, while the 110 deputies of the Lower House are elected by popular vote. Constitutional provisions define the rights and duties of Jordanian citizens, while guaranteeing the right of free worship, opinion, press, association and private property.

Since 1989 all elements of the Jordanian political spectrum have demonstrated commitment to democracy, liberalization and consensus building. Reforms, political and economic, have placed Jordan on an irreversible path toward increased democracy. The result has been greater empowerment and involvement of Jordanian citizens in civic life, contributing to increased stability and accountability of both governments and institutions which will benefit the country far into the future.

The remarkably stable political and social climate that Jordan has enjoyed for decades under the Hashemite Dynasty continues to thrive under His Majesty King Abdullah's leadership. The King has undertaken his father's legacy of reform, committing the country to the goals of privatization, capital market development, economic liberalization, and modernization of the law.



Strategically positioned at the convergence of Europe, Asia and Africa, Jordan's 89,342 square kilometers present a diversity of landscapes. From the hills and mountains of the geographic center of Jordan, the Badia plains extend in an eastward direction into Saudi Arabia and Iraq. The Jordan River, flowing through the fertile Rift Valley, forms Jordan's western boundary and terminates at the Dead Sea. This body of water lies at the lowest point on earth, 400 meters below sea level. To the south, the Port of Aqaba provides Jordan with a gateway to the Red Sea.

Many civilizations have sought to control the strategic geography of Jordan, and parts of Jordan have, at one time or another, been under the dominion of the Sumerian, Mesopotamian, and a host of other empires, eventually falling under the rule of the Greek, Roman and Persian classical civilizations.

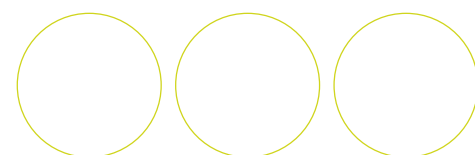
Since the 7th century, Jordan has been ruled by various Arab and Islamic dynasties, the last being the Ottoman Empire (1516 – 1918). What was in 1920 called Transjordan was placed under British Mandate by the League of Nations. The British Mandate expired in 1946, and since that time Transjordan, now called the Hashemite Kingdom of Jordan, has been governed as a constitutional monarchy.

Productive investment is essential to increase output and employment. Every element of the investment climate must promote efficient and fair treatment of all investors. Domestic and Foreign investors are encouraged to invest in productive opportunities in Jordan since it enjoys a number of factors which are inviting to investors. These factors include following:

- Unique and strategic location: Jordan is situated at the convergence of Europe, Asia and Africa. Also it is considered as an investment hub of the Middle East.
- Stable political and open environment.
- Reliable infrastructure utilities and public services together with first class telecommunication facilities
- Qualified and skilled human resources.
- International agreements accessing a market of one billion customers. Jordan has free trade agreements with the united states, European union and more than 10 Arab countries.
- Free zones and industrial estates.
- Well developed and open capital market.
- Attractive investment climate with many incentives.



Economy



The integration of Jordan into the global economy in recent years has provided a buffer against regional instability. Jordan's economy has continued to perform well, with real GDP growing over 7 percent in the years 2004 and 2005, and it is expected to remain robust in the upcoming years, while the inflation rate is less than 5 percent. High oil prices and lower foreign grants have put pressure on the budget and the external current account. However, measures are being taken to arrest the deterioration in the fiscal position while privatization and a surge in foreign direct investment are providing support for the balance of payment. Exports, especially to the United States, have continued to underpin strong growth in manufacturing. Development projects and a boom in real estate have boosted the construction sector. Foreign reserves are sufficient to cover about six months worth of imports. Privatization is an important component of economic policy with proceeds being used to reduce public debt and for infrastructure development.

MAJOR SOCIO - ECONOMIC INDICATORS

	2001	2002	2003	2004	2005
Real GDP Growth Rate (%)	5.3	5.7	4.1	7.5	7.2
Inflation (%)	1.8	1.8	2.3	3.4	3.5
Foreign reserves (US\$ bn)	2.6	3.5	4.7	4.8	4.8
Exports (US\$ bn)	2.3	2.8	3.0	3.9	4.3
Population (million)	4.94	5.07	5.20	5.35	5.47
Per capital GDP (US\$)	1814	1883	1951	2149	2347
Literacy rate (%)	89	89.7	90.1	89.7	91
Female enrollment (%)	7.2	7.7	7.1	6.6	7.4



introduction

Over the last decade, Jordan has made remarkable progress in implementing economic and legislative reforms aimed at liberalization and integration in the global economy. The legal and organizational structure has been elevated to international standards. Economic laws and regulations have been enacted or amended in line with the global trends of openness and integration in order to create an environment which is more conducive to business growth and investment attraction. The diligence and profound care exercised in implementing structural and legal reforms in Jordan have made the economy more favorable to investment and created numerous opportunities for business in all sectors.

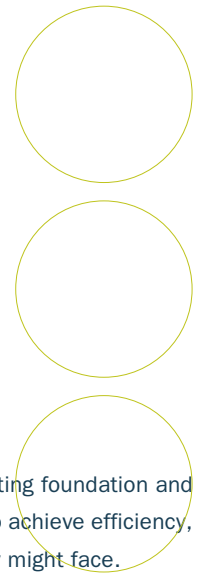
brief history

The establishment of public shareholding companies in Jordan began in the early 1930's. Prior to the establishment of the Amman Financial Market (AFM) in 1976, securities transactions were handled by a limited number of specialized individuals without any overall administrative organization and without oversight.

In 1976, the AFM was established as a semi-governmental institution. It started its operations on January 1st, 1978 and was run by a board comprised of the public and private sectors.

The AFM acted as a regulator and a stock exchange at the sometime, in Jordan's capital market, main objectives of mobilizing savings, encouraging investment and regulating and controlling the issuance of and dealing in securities. In 1990, The Amman Financial Market Law No.(1) replaced the law of 1976, and was further amended later on by the Amman Financial Market Law No. (31) for 1992.

As part of the restructuring process, the capital market of Jordan has witnessed a transformation that began with the issuance of the Securities Law No. 23 of 1997. The new Law principally aimed at developing the capital market, creating a sound and transparent market to international standards and protecting investors in securities. According to the Law, three institutions were established, namely; the Jordan Securities Commission (JSC), the Amman Stock Exchange (ASE) and the Securities Depository Center (SDC). The three institutions replaced the AFM.



major developments

The JSC started its operations in September 1997, and assumed its responsibilities by building on the existing foundation and further developing the legislative structure by issuing a number of regulations and instructions with the aim to achieve efficiency, fairness and transparency in the market, as well as the protection of investors from any fraud or deceit they might face.

In light of the practical implementation and the international and national economic and legislative developments, the JSC has conducted a comprehensive review of the Securities Law No. 23 of 1997 which resulted in the issuance of the new Securities Law No. 76 of 2002. The new Law has developed the legal framework and enhanced the JSC's regulatory and supervisory authority in the capital market. The Law included the following main amendments:

- Empowering the JSC to investigate any person, require testimony under oath, and to obtain records and data including banks statements from parties under its supervision.
- Granting the JSC the authority to impose fines on violators and publicize any violation.
- Considering that the following acts are violations of the Law:
 - Certification by an auditor or accountant any false or misleading financial statements or statements which are in violation of the adopted accounting and auditing standards.
 - Submission of false or misleading data in any documents filed with the JSC.
- Setting the legal reference for the establishment of the "Investors Protection Fund".
- Requiring the issuer's board of directors to form an audit committee.
- Setting the legal and organizational framework for the establishment of stock exchanges.
- Empowering the JSC to share information with domestic and foreign regulators.





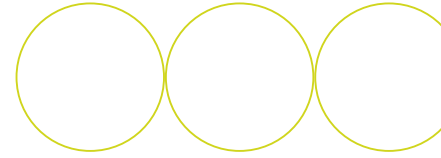
Jordan securities commission (jsc)

The JSC is the regulator in Jordan's capital market. It assumed its duties on September 1, 1997. Its objectives are principally, as stated by the Law; protecting investors in securities, developing and regulating the capital market to ensure efficiency, fairness and transparency, and protecting the capital market from the risks that it might encounter. The JSC is a public entity that reports to the Prime Minister and enjoys complete financial and administrative autonomy. It is managed by a Board of five full-time commissioners. The commissioners are appointed at the recommendation of the Prime Minister to the Council of Ministers, and endorsed by a royal decree.

Parties that are under the supervision of the JSC are mainly the ASE, SDC, issuers of securities, financial services and investment companies, mutual funds, and licensed and registered certified financial professionals. These parties are subject to the JSC's inspection and auditing of their documents and records. The JSC has also the right to investigate any violations to the Securities Law and related regulations, compel the production of documents and records and copy them, summon witnesses to testify under oath, and to submit any documents and papers pertaining to the matter under investigation. According to the Law, documents and records include bank statements, correspondence, memoranda, computer files, or any means for filing information and data, whether written or electronic.

The JSC's main responsibilities and authorities can be summarized as follows:

- Regulating and monitoring the activities of all parties falling under its supervision;
- Inspecting financial services companies;
- Preparing draft laws and regulations related to securities;
- Licensing financial services companies and financial professionals;
- Approving the by-laws and the instructions of the ASE and the SDC;
- Registering and regulating mutual funds;
- Accrediting the accounting, auditing and evaluating performance standards to be followed by all parties falling under its supervision;
- Setting the standards and eligibility conditions for auditors of entities under the JSC's supervision, and specifying the duties of such auditors;
- Cooperating and exchanging information with domestic and foreign regulatory authorities;
- Regulating the issuance and dealing in securities, and
- Regulating and monitoring disclosure of information pertaining to issuers of securities, and dealings by insiders, major shareholders, and investors.



amman stock exchange (ase)

The ASE was established in March 1999 as a non for-profit, privately run institution, with legal and financial autonomy. The ASE general assembly comprised of financial brokers and brokers who trade for their own accounts, and any other entities the JSC Board of Commissioners may identify. The ASE is managed by a seven-member Board of Directors four of whom are elected by the ASE General Assembly, and three appointed by the Board of Commissioners of the JSC.

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 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



مركز إيداع الأوراق المالية
Securities Depository Center

securities depository center (sdc)

The SDC is a public utility institution established in Jordan by virtue of the Securities Law. The SDC commenced operation in May 1999 and is the only entity that is legally empowered to oversee the following responsibilities:

- Registration of securities
- Deposit of securities
- Transfer of ownership and safekeeping of securities
- Clearing and settlement of securities transactions

The SDC is one of the most important institutions in Jordan's capital market as it holds the ownership register of all issued shares. Its objectives include:

- Enhancing the confidence of investors in securities and enable them to follow-up their investments in securities with ease by establishing a central registry to safe-keep the ownership of securities.
- Reducing risks related to settlement of trading transactions executed through the Market by implementing by-laws, instructions and procedures that are fair, fast and safe.

The SDC's members include public shareholding companies, brokers and custodians. The SDC's governance structure consists of a seven-member board of directors and the CEO. Five members of the board of directors are elected by the general assembly, while two members are appointed by the Board of Commissioners of the JSC.



FINANCIAL SECTOR ASSESSMENT PROGRAM (FSAP)

The Jordan capital market regulatory framework has been assessed in August 2003, for its observance of the IOSCO Principles by the joint IMF-World Bank Financial Sector Assessment Program (FSAP) mission. The assessment indicated that there is an appropriate and effective regulatory framework within which the securities market operates, identified certain gaps and areas where further improvements need to be made, and reached a number of recommendations to enable the JSC to achieve full implementation of the IOSCO Principles.

Since the issuance of the FSAP report, the regulatory framework has undergone major developments. Certain measures were taken and a number of regulations were issued and amended, taking into account the FSAP recommendations.

WORLD BANK ROSC

The World Bank Report assessed Jordan's corporate governance regulatory framework and practices with regard to listed companies on the ASE, against the Organization of Economic Cooperation and Development (OECD) Corporate Governance Principles. The Report came as a result of the JSC's initiative to invite the World Bank to conduct the assessment.

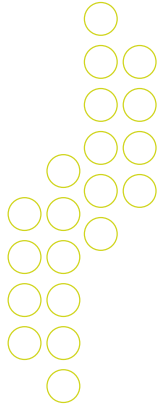
The Report indicated that Jordan's Corporate Governance framework compares well in many areas and the Principles are broadly implemented. It also stated that the level of implementation was above the world average. The Report attributed this level of implementation to a number of factors including the significant progress in the regulatory and organizational environment in the capital market, the considerable use of the JSC's powers granted by the Securities Law, and the advanced disclosure practices in the capital market since the disclosure system imposed by the JSC and capital market institutions complies fully with international standards including International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). Based on the Report conclusions and recommendations, the JSC has prepared a Corporate Governance draft code for listed companies. The draft will be distributed to the parties concerned to solicit their comments and feedback.

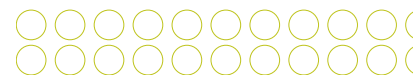
ASE TRADING SYSTEM

The ASE operates the French Electronic Trading System (ETS). It operates on NSC-Unix hardware, which is a highly sophisticated system. It provides a very easy, flexible and safe mechanism operating on a continuous auction basis, and it facilitates the market surveillance controlled by the ASE and the JSC. It is an automated order-driven system that affords brokers immediate access to stock prices and orders and enables members to trade remotely. Brokers enter their buy and sell orders on the ETS. Orders are matched and priority is given to execution at the best prices. 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 hidden orders so that voluminous orders do not have a negative impact on price stability.

SDC ELECTRONIC SYSTEM

The SDC developed a system named the "Securities Central Operation Registry Processing & Information Online (SCORPIO)" System. SCORPIO, an SDC-designed and implemented system, is a bilingual system that provides complete solution for the registration, deposit and clearing and settlement. SCORPIO consists of a number of systems and modules for registration, depository, clearing and settlement and also provides mechanism for risk management and surveillance of clearing and settlement. Its modules include brokers, issuers, custodian, surveillance and auditing systems, which taken together enable the SDC to provide investors with a wide range of services.





DATA DISSEMINATION

The ASE provides on-line trading information on share prices and indices via its website at www.exchange.jo, which receives more than 50 million hits per month, and via data vendors such as REUTERS and Bloomberg. In addition, Jordan Television displays share prices on its main channel, as well as the specialized economic channel CNBC Arabia, which displays also share prices and other related information.

Financial data for listed companies and other useful information can be accessed through the ASE web site and the JSC web site www.jsc.gov.jo. All information regarding Jordan Capital Market and investment in Jordan can be found in the above mentioned web sites in addition to the SDC web site www.sdc.com.jo. These sites include rules and regulations governing Jordan Capital Market in both Arabic and English languages as well as the publications of these institutions.

WIDE AREA NETWORK (WAN)

Jordan's capital market institutions operate a Wide Area Network that links the JSC, ASE, SDC, brokers, issuers and data vendors. The WAN also provides connectivity to international institutions and financial markets. 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.

CLEARING AND SETTLEMENT

As of January 2, 2005, the SDC applied clearing and settlement measures for trading contracts executed at the ASE on the basis of Delivery versus Payment (DVP). Following are the procedures for the clearing and settlement of trading contracts executed through the ASE.

SECURITIES SETTLEMENT

The transfer of ownership of deposited securities from the sellers account to the buyers account is conducted via book entry. Securities remain suspended in the buyers account until the completion of the settlement process and full payment for their value. No transfer or pledge activity is permitted during this period. Trading contracts have a status of either accepted or suspended. The trading contract will be suspended if the number

of sold securities registered in the sellers account maintained by the broker is insufficient to execute the sale or the sold securities are subject to any ownership restriction. The broker has until (T+1) to correct the reasons of the suspension and the SDC suspends the amount that represents the value of suspended trading contracts until the broker corrects the reasons for the suspension. In cases where the sellers broker does not correct the reason for the suspension, the broker is considered in default and the Settlement Guarantee Fund takes the necessary measures to rectify the default.

FINANCIAL SETTLEMENT

Financial settlement of securities trading transactions are executed via the Real Time Gross Settlement System-Jordan (RTGS-JO) at the Central Bank of Jordan (CBJ). The SDC conducts the clearing process to determine the amounts that the broker must pay or receive in accordance with all the trading contracts executed by that broker. Financial settlements between brokers are conducted through the SDC by bank transfers from the brokers' accounts to the SDC's settlement account at the CBJ (Settlement Bank). Consequently, the SDC transfers these funds to the net to receive brokers' bank accounts.

However, the transfer of ownership procedures is completed within a maximum of two working days (T+2).

FOREIGN INVESTMENTS

Jordan has seen the birth of many a legislation to regulate foreign investments over the last few years. They are all aimed at eradicating obstacles and granting privileges to promote and regulate foreign investments in the various fields. Their spectrum graduated from restricting 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 removed the ceiling on foreign ownership of companies listed at ASE. Foreign investors are treated equally to Jordanian investors. No taxes on cash dividends or on capital gains. There are no restrictions on the repatriation of proceeds of sale of securities, or income from them.



Technical INVESTOR PROTECTION

Enforcement is primarily the responsibility of the JSC. It can suspend financial services companies, remove their licences and refer to the prosecuting authorities persons who carry on regulated activities whilst unlicensed or commit insider dealing or market manipulation offences. The JSC aims are to ensure that securities dealing takes place in a sound environment; and the protection of investors.

Financial services companies are subject to periodic inspection by the JSC Inspection Division and by the ASE Surveillance and Inspection Department. The JSC Capital Market Monitoring Division monitors the market for insider trading, market manipulation and other breaches. It works closely with ASE Market Watch, which carries on real-time monitoring of ASE trading, and the SDC Surveillance Department.

JSC Disclosure Division monitors issuers' compliance with disclosure requirements. The JSC oblige listed companies to disclose their period financial reports (yearly, semi-annually, quarterly). Companies also must disclose any material information that may affect stock prices. The JSC will set the legal reference for the establishment of a fund called the "Investors Protection Fund".

MAIN INDICATORS OF THE ASE

PERIOD	2000	2001	2002	2003	2004	2005
Market Capitalization (US\$ bn)	5.0	6.3	7.1	11.0	18.4	37.6
Market Capitalization / GDP (%)	58.4	71.5	80.4	116.8	184.7	326.6
Number of Listed Companies	163	161	158	161	192	201
Trading Value (US\$ bn)	0.5	0.9	1.3	2.6	5.4	23.8
Average Daily Trading Value (US\$ million)	2.0	3.9	5.4	10.9	21.7	97.5
Average Daily No. of Transactions	549	1226	1801	3262	4789	9805
ASE General Weighted Price Index (point)	1330.5	1727.0	1700.2	2614.5	4245.6	8191.5
Change in the ASE Index (%)	(20.5)	29.8	(1.6)	53.8	62.4	92.9
Non-Jordanian Ownership of Market Cap. (%)	41.7	38.5	37.4	38.8	41.3	45.0



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