

World Investor Week 2022



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Audio Lecture Protecting securities investors in the legal and legislative environment



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English | البريد الإلكتروني | المساعدة | مواقع مفيدة | الأسئلة المتكررة | معلومات الاتصال | عن الأردن | تسجيل الدخول



عن الهيئة | التشريعات | قرارات مجلس المفوضين | الخدمات | ثقافة المستثمر | المركز الإعلامي

التشريعات | قوانين | أنظمة | تعليمات

أسس وأحكام وإجراءات | البحوث في التشريعات | تشريعات ذات علاقة

تعميم وقرارات تنظيمية | التشريعات النافذة للمكوك الإسلامية | تشريعات مكافحة غسل الأموال وتمويل الإرهاب

قوانين | أنظمة | تعليمات | أسس وإجراءات وأدلة وقرارات دولية | قرارات تنظيمية | التشريعات النافذة للمكوك الإسلامية | تشريعات مكافحة غسل الأموال وتمويل الإرهاب | تشريعات حوكمة الشركات | تشريعات ذات علاقة | مشاريع

An introduction

After reviewing the legislative and legal texts, whether in the Securities Law or in other legislations, regulations, instructions and others, it is noted that they include many texts and articles aimed at protecting investors and the investment environment in securities.

However, in this quick presentation, we briefly refer to its most important features, and there is no space to mention them all due to their abundance and presence in spirit and letter in most of the legislation governing the national capital market and dealing in it.

The following is a presentation of the most important of these texts.



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Objectives of the Jordan Securities Commission



Article 8 stipulates paragraph A From the Securities Law No. 18 of 2017 that:

The Securities Commission aims, in particular, to achieve the protection of investors in securities, and to regulate and develop the capital market to ensure justice, efficiency and transparency, and to protect the capital market from the risks it may be exposed to.



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JSC's powers and duties



Article Eight, Paragraph B of Securities Law No. 18 of 2017 stipulates the main tasks and powers that the Authority will undertake in order to achieve its objectives, and include the following tasks and powers:

- 1- Organizing and controlling the issuance and dealing in securities.
- 2- Ensuring that issuers fully and accurately disclose the material information necessary to investors and related to public issues of securities.
- 3- Regulating and monitoring disclosure, including periodic reports prepared by issuers.
- 4- Regulating licensing and accreditation affairs and monitoring the work of licensees and approved persons in the capital market.
- 5- Adopting financial solvency standards for financial services companies in accordance with a regulation issued for this purpose.
- 6- Regulating and monitoring the financial market and stock exchange markets.

- 7- Organizing and monitoring the center.
- 8- Regulating mutual funds and investment companies.



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Investor Protection Measures

A- immediate measures

Article 19, paragraph A of the law stipulates the following:

If the Board (the Board of Commissioners of the Securities Commission) finds, for justified reasons, that protecting investors requires taking an immediate measure, it may, for the period it deems appropriate, take one or more of the following measures:

1. Suspension or suspension of any activity related to securities or a specific security.
2. 2. Suspension of the public offer of a security.
3. 3. Suspend the business of the licensee or the authorized person.



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4. Suspension, cancellation or restriction of the license or approval of the violating person if he is licensed or approved as the case may be.
5. Suspend the violator's dealings in the financial market for the period he deems appropriate.

Investor Protection Measures

B- Measures taken against Violators:

Article 21 Paragraph D of the law stipulates that if the council finds that the person has committed any violation of any of the provisions of this law and the regulations, instructions and decisions issued pursuant thereto, the council may take one or more of the following measures:

1. Issuing an order to the violating person to remove the violation and stop committing it or stop any action that leads to its commission, as the case may be, within the period he specifies.
2. Imposing a fine not exceeding one hundred thousand dinars in accordance with the provisions of Paragraph A of Article 22 of the law.
3. An order to stop issuing or trading any securities related to the violation.



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Investor Protection Measures



B- The Board may refer violations of the provisions of this law and the regulations, instructions and decisions issued pursuant thereto to the competent court.

Article 22/A of the Securities Law indicated that the Board, when determining the amount of the fine to be imposed on any person who committed a violation of the provisions of this law and the regulations, instructions and decisions issued pursuant thereto, shall take into account any of the matters required to protect dealing in securities, including the following considerations:

- 1- The violation involves deception, fraud, manipulation, willful disregard, or gross neglect of the requirements stipulated in this law.
- 2- The direct or indirect damages resulting from the violation to any person.
- 3- Any illicit enrichment resulting from the violation or avoiding its loss, taking into consideration the compensation paid to those affected by the violation.



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Investor Protection Measures

It was stipulated that certain acts be considered as violating the Securities Law, such as: Article 56, which states that it is considered a violation of the provisions of this law that the licensee or the authorized person does any of the following:

a- Misuse of clients' or shareholders' funds, including their misuse or misuse.

b- Practicing deception, deception and prohibited acts.

C-Negatively affecting competition by tampering with commission rates or the service allowance charged by either of them from clients or limiting the services provided, whether singly or in collusion with others.

D- Influencing negatively or attempting to negatively influence in any way on the capital market, whether alone or in collusion with others.

Article 63 of Law Paragraph C stipulates that any licensed or authorized person who sells or disposes of securities without authorization from the owner or without a written agreement authorizing him to do so in accordance with the provisions of the instructions issued by the Board shall be deemed to have committed the offense of forgery and fraud.



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f- Exploiting inside or confidential information to achieve material or moral gains for himself or for others, including members of the Board of Directors of the Financial Market and the Center and their employees.

g- Disclosing inside information to other than his competent authority or the judiciary.

Investor Protection Measures

According to Article 105 of the law, it is considered a violation of the provisions of the law to do any of the following:

A- Providing incorrect or misleading data in any of the documents submitted to the Authority.

B- Offering or selling securities based on incorrect or misleading data regarding:

1- The rights and privileges granted by the securities that have been offered or sold.

2- The nature of the business practiced by the issuer, the extent of the success of such business, the issuer's financial condition or future expectations.

C- The auditor's ratification of incorrect or misleading financial statements or a violation of approved accounting standards and approved auditing standards, and he is responsible for compensating any person who suffers a financial loss as a result.

D- Any deception or misleading related to securities or any prohibited practice in relation to the licensed business in accordance with the provisions of this law.

e- Trading in securities or forcing others to trade them based on inside information.



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Investor Protection Measures - Referral / Advertising



- ❑ The Board shall refer violations of the provisions of the Securities Law and the regulations, instructions and decisions issued pursuant thereto by a decision of the Board, to the competent court, which is the Amman Court of First Instance (Article 22/ of the Law).
- ❑ Announcing any violation of the provisions of the Securities Law and the regulations, instructions and decisions issued pursuant to it by a decision of the Board, in order to alert investors to the occurrence of such violations in order to avoid the consequences thereof (Article 20 of the Law).



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Investor Protection Measures

Article 106 of the law specifies the actions that a person is prohibited from doing as follows:

A- Spreading or promoting rumors or giving misleading or incorrect information, data or statements that may affect the price of any security or the reputation of any issuer.

B- Influencing information related to securities, whether alone or in collusion with others, with the intent of giving an incorrect picture of the price of any security, its trading volume, or the trading volume price of any other related securities.



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2- The prospectus, its attachments, or the report contained incorrect or misleading data that had an impact on the decision to sell or buy or keep the securities.

C- The aggrieved party may file his case before the competent court within a period not exceeding two years from the date of:

- 1- Selling, if the damages resulted from the sale of securities.
- 2- Enforcement of the prospectus, or the date of submission of the report or the date on which it should have been submitted, as the case may be.

Investors' rights

Article 108- A- Any investor who has suffered financial damages as a result of selling securities has the right to claim compensation from the seller or the issuer, as the case may be, for the damages incurred by him, provided that he proves the following:

- 1- That the sale of those securities was carried out in violation of the provisions of this law and the regulations, instructions and decisions issued pursuant thereto.
- 2- That he has suffered a financial loss as a result of selling those securities.

B- Any investor who has suffered financial damages as a result of the incorrectness, accuracy or adequacy of the disclosure contained in the prospectus or its attachments, or the reports that must be submitted to the Authority in accordance with the provisions of this law, has the right to demand compensation from any person who has signed any of them for the damages incurred by him, provided that he proves the following :-

- 1- That the prospectus, its attachments, or the report did not contain material information necessary for it to take the appropriate decision regarding the sale, purchase or retention of securities.



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Investor Protection Fund

The Authority shall establish a fund called the Investors Protection Fund (Article 33/a of the law.

Investor Protection Fund Objectives

Article 5 of the amended Regulation No. 24 of 2019 to Regulation No. 47 of the Securities Investors Protection Fund for the year 2018 stipulates that the fund aims to:

Compensating the clients of the financial intermediary for their losses resulting from any of the cases shown below, if the Board decides to refer the financial intermediary to compulsory liquidation, or if a decision is issued by any party to render him insolvent or compulsorily liquidate:

1. The financial broker's disposition of the client's securities without authorization.
 2. The financial intermediary disposes of the owed cash in the client's account without authorization.
 3. The financial intermediary disposes of the securities and cash amounts belonging to the client without authorization.
- Awareness and protection of investors in securities.



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Investor Protection Fund

Duties and Powers of the Investor Protection Fund

Article 8 of the system stipulates that the fund's board of directors shall assume the following duties and powers:

- Setting the Fund's work programs and following up on their implementation.
- Approval of the general plan for investing the funds of the fund in accordance with the provisions of this system.
- Recommending the Board to issue the instructions required for the Fund's activities.
- Discussing and approving the annual budget of the Fund.
- Approval of the budget, final accounts and the annual report of the Fund.
- Follow-up procedures for insolvency and liquidation of the financial intermediary through the Authority.
- Appointing a legal auditor to audit the fund's accounts and determine its fees.
- Managing the fund's affairs in accordance with the provisions of this bylaw.
- Studying compensation requests submitted by clients of the financial intermediary and deciding on them.



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Investor Protection Fund

Duties and Powers of the Investor Protection Fund

Article 13 of the system also stipulates the following:

A- If the Board decides to refer the financial intermediary to compulsory liquidation, the fund will start from the date of that decision the procedures for compensating the client.

B- If any other party decides to insolvency or compulsorily liquidate the financial intermediary for any of the cases stipulated in Paragraph A of Article 5 of the system, the fund shall start procedures for compensating the client from the date of any of these cases being realized.

Article 22 of the system stipulates that the board of directors, after approval of the board, allocates annually a portion of the fund's funds to be used in areas aimed at educating investors in securities and building the necessary electronic control systems to protect investors.



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Separation between the broker's money and his clients' money

The licensee must separate between his money and his own securities, and the money and securities of his clients that are a owed deposit with him (Article 54/a of the law).

The Securities and Exchange Commission issued instructions to separate the funds of the financial intermediary and the funds of its clients, to protect investors from manipulating, exploiting and employing client funds as if they were his own money.

It clarified the procedures that the financial intermediary must take for the purpose of separating its funds from the funds of its clients.



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Providing disclosure information

Paragraph b of Article 14 of the Corporate Governance Instructions for the year 2017 obligated the joint stock companies listed in the financial market to provide disclosure information to shareholders and investors in an accurate, clear and non-misleading manner and at the specified times so that they can make their decisions in a detailed and accurate manner that was clarified in the article.

The authority also adopted the XBRL electronic disclosure system as an exclusive system for disclosure to keep pace with international developments and standards in enhancing disclosure, transparency and providing information.



eXtensible Business Reporting Language



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How does the Authority protect investors?



- Issuance of necessary legislation
- Enhancing the concept of transparency and disclosure to provide the required information
- Implementation of corporate governance rules
- Financial Services License
- Encouraging the creation of investment funds
- Application of international standards
- Adoption of solvency standards
- Receive and investigate complaints from the public
- Imposing measures on violators
- Daily monitoring of trading through an electronic monitoring system
- Ongoing inspection of financial services companies.
- Implementation of risk management procedures (investor protection fund, solvency, guarantees). Develop and implement market regulations.
- Organizing the registration and issuance of securities.
- Spreading awareness and education on the basics of investing in securities.



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