

Newsletter

13th Edition, October 2021

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Welcome to the thirteenth edition of our Newsletter in which we focus on the new amendments to the Companies Law No. (22) for the Year 1997; those amendments came into effect through the Amendment Law to the Companies Law No. (17) for the Year 2021, issued on 16/06/2021 in the Official Gazette issue No. (5724) -which came into force as of the date of its publication (hereinafter the “**First Amendment**”) as well as through the Amendment Law to the Companies Law No. (19) for the Year 2021, issued on 16/09/2021 in the Official Gazette issue No. (5734) which shall come into force thirty days from its publication in the Official Gazette (hereinafter the “**Second Amendment**”). The amendments that are stipulated in each of the First Amendment and the Second Amendment will be divided into two parts; Accordingly, in this Newsletter, we will be looking into the first section of those legal amendments and their impact on Jordanian legislation and more specifically on Jordanian companies registered at the Companies Control Department, as follows:

- The amendment to Article (6) of the Jordanian Companies Law with regard to the adoption of electronic means for the company’s transactions and meetings.
- The amendment to Article (7) of the Jordanian Companies Law with regard to non-profit companies.
- The amendment to Article (66) of the Jordanian Companies Law with regard to proportional voting.
- The impact of the legal amendments mentioned in this Newsletter on the Companies Law in Jordanian legislation from our point of view.

“One of the most prominent legal amendments contained in the Jordanian Companies Law and shown in this Newsletter is the allowance of holding any of the company’s meetings through electronic means of communication and to submit any of the company’s applications electronically, such as, but not limited to: the company’s financial and legal transactions for the purposes of keeping pace with development in the automation of electronic services provided by the Companies Control Department at the present time.”



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In this Newsletter we found it necessary to address the most prominent legal amendments made to the Jordanian Companies Law No. (22) for the Year 1997 under the First Amendment and the Second Amendment and we present those according to the sequence of the numbers of the Articles of the Jordanian Companies Law as follows:

First: The amendment to Article (6) of the Jordanian Companies Law with regard to the adoption of electronic means.

We would like to point out at the outset that Article (6) of the Jordanian Companies Law has been amended by the addition of paragraphs (E), (F) and (G) to read as follows:¹

“A. Subject to the provisions of Articles (7) and (8) of this Law, companies registered under this Law shall be divided into the following forms:

- 1) *General Partnership*
- 2) *Limited Partnership*
- 3) *Limited Liability Company*
- 4) *Limited Partnership in Shares*
- 5) *Private Shareholding Company*
- 6) *Public Shareholding Company*

B. It is not stipulated that a prior approval be obtained from any other entity to register any company unless required by a legislation in force.

C. Any statements or information not related to the company’s accounts or financial statements at the Department may be disclosed, in pursuance to instructions issued by the Minister.

D. The Department may retain an electronic or minimized copy of the originals of papers and documents archived or deposited with it. It is also permitted [for the Department] to retain by electronic means the data, information, records and transactions related to its work; Those copies, data, information and records produced after being stamped with the Department’s stamp and signed by the authorized officer shall have the same legal effect of the original written documents including of their legal effect as [legal] evidence.

E - The Controller may adopt electronic means for the submission of applications, depositing of minutes of meeting and documents to the Department, issuance of certificates and copies thereof and the

¹ All amended articles translated from the original Arabic legislation into English are an unofficial translation by the Hammouri & Partners firm.

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approval of signatures and procedures required by law.

F- Companies can invite and hold meetings of general assemblies, board of directors and management committees by electronic means, provided that the meetings are managed from within the Kingdom.

G. The Minister shall issue the necessary instructions to implement the provisions of paragraphs (D), (E) and (F) of this Article in accordance with the Electronic Transactions Law in force.”

By reviewing the amendment of Article (6) of the Jordanian Companies Law, it is apparent that it was decided by way of the Second Amendment and as of 16/10/2021 to adopt electronic means in light of the automation of electronic services provided by the Companies Control Department at the present time in submitting any of the electronic applications related to the companies to be established and/or the companies registered with the Companies Control Department. This includes submitting legal applications related to changes made to the company, including - but not limited to - the resignation and/or election of any member of the management committee and/or the board of directors and/or amending the company's objectives and other actions.

It should also be noted that the process of submitting financial transactions has also become by electronic means to include, for example; the process of depositing company's financial statements and electing company's auditor for the following year. In addition, the process of depositing the company's minutes of meeting of all types (the general assembly minutes and/or board of directors minutes and/or the management committee minutes), the documents relating to the partners and the company and the issuance of certificates for the company are now done electronically in accordance with the amendment of the Jordanian Companies Law without the need for the company's representative to appear in person before the Companies Control Department.

The text of Article (6) also included an amendment on the mechanism for holding meetings of the general assembly, board of directors and management committee to become through modern media of electronic communication in accordance with instructions issued by the Minister of Industry, Trade and Supply in this regard, this is despite the fact that there are instructions related to the organization of meetings of general assembly, board of directors and management committees for public shareholding companies, private shareholding companies and limited liability companies issued by the Minister of Industry, Trade and Supply in accordance with the provisions of subsection (2) of paragraph (Two) of the Defense Order No. 5 for the



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Year 2020, which previously allowed all companies to hold their meetings through modern media of electronic communication as an exception in order to deal with the repercussions of the COVID-19 crisis, however, the aforementioned amendment stipulates the electronic convening mechanism on a permanent basis even if it was under normal circumstances, i.e.: exceptional conditions are not required for the meetings to be held electronically as stated in the aforementioned defense order with the clarification that the mechanism for holding meetings in its traditional form, which is conducted by personal attendance and is stipulated in the Jordanian Companies Law remains as it is.

Secondly: The amendment to Article (7) of the Jordanian Companies Law with regard to Non-Profit Companies.

It should be noted that the amendment to Article (7) of the Companies Law pursuant to the First Amendment relates to deletion of paragraph (d) of Article (7) of the Law and replacing it with a new paragraph that stipulates the following:

“A. The companies that are established in the Kingdom under agreements concluded by the government with any other country and the joint Arab companies emanating from the Arab League or its affiliated institutions or organizations shall be registered with the Controller in a special registry dedicated to this purpose. These companies shall be

subject to the terms and conditions stipulated in the Law, only in cases and on matters not provided for in the agreements and contracts under which they were established and in their Memorandum of Association.

B. The companies operating in the Free Zones are registered with the Free Zones Institution and in the records which it maintains for this purpose in coordination with the Controller and the applicable laws and regulations in force in this institution on the condition that the institution sends a copy of the registration of those companies to the Controller to document at the Ministry the registration of investors in the Free Zones.

C. Civil Companies:

1. Civil companies are registered with the Controller in a special register named the “Civil Companies Register”; those are the companies that are established between partners who are specialists and professionals and are subject to the provisions of the Civil Law and the provisions of the respective legislations, contracts and internal regulations.

2. It is permitted for new partners of the same profession to enter into or for partners to exit from it and it shall not be subject to the provisions of bankruptcy and conciliation that prevents bankruptcy.



3. The provisions stipulated in this law shall apply to its registration and changes to it to the extent that they do not conflict with the provisions of the laws and regulations related to it.

5 4. If all the partners in the company are of the same profession and the company's objectives are limited to doing business and activities related to that profession, then the partners may agree in the company's Articles and Memorandum of Association on any special provisions for managing the company, or distributing its profits, or regulating the transfer of ownership of its shares and setting the necessary restrictions for that, or setting special provisions for any other issues related to the company."

D- Non-Profit Companies

Non-profit companies may be registered in accordance with one of the types of companies provided for in this law in a special register named the "Register of Non-Profit Companies." The company provisions, conditions, objectives, work that it is permitted to practice, its supervision, the method and manner of receiving aid and donations, financial resources, the method of expenditures, liquidation and accrual of its money upon liquidation and passing/death, data that should be provided to the Controller and remaining related issues will be specified in pursuance to a special regulation issued for this purpose."

The text of paragraph (D) of Article (7) of the Companies Law has been amended to read as follows:

"D- Non-Profit Companies:

Notwithstanding the provisions of the Associations Law in effect:

1- Non-profit companies may be registered in accordance with one of the types of companies provided for in this law in a special register named the "Register of Non-Profit Companies."

2- A special regulation shall determine the objectives which the companies that are registered in accordance with the provisions of sub-paragraph (1) of this paragraph are entitled to practice. The regulation shall also determine the provisions of their establishment, the conditions for carrying out their business and all other matters related to them, the means of supervision and control over them, the method and manner of receiving aid and donations, their sources of financing, the method of expenditures, liquidation, and accrual of its money upon liquidation, the data that shall be provided to the controller and the conditions and procedures for changing them into companies aiming to make a profit.

3- Taking into account the provisions of sub-paragraph (4) of this paragraph, the non-profit



company shall announce in its annual report any donation or financing that it has received. The company should record in its financial records the name of the entity providing the donation or financing, its amount and the purpose for which it will be spent and any special conditions for it.

4- A. If a non-profit company desires to obtain a donation or financing from a non-Jordanian person, it shall obtain the approval of the Council of Ministers based on the Minister's recommendation and in accordance with a notice showing this donation or financing, its amount, method of receiving it, the purpose for which it will be spent and any special conditions for it.

B. The notice and the Minister's recommendation shall be submitted to the Council of Ministers within thirty days from the date of its submission. In the event that no decision has been issued by the Council of Ministers within thirty days from the date of the Minister's recommendation, the donation or funding shall be deemed to have been automatically approved.

5- A. Non-profit companies registered at the Controller prior to the enforcement of Associations Law No. (51) of 2008 and the objectives of which fall within the objectives specified by the special regulation issued in accordance with the provisions of sub-paragraph (2) of this paragraph shall be considered as existing and registered in accordance

with the provisions of this Article, unless the company decides to continue being registered as a private association.

B. Non-profit companies, existing when the provisions of the amended law come into force, shall reconcile their positions in accordance with the provisions of the regulation issued under sub-paragraph (2) of paragraph (d) of this Article within six months from the date of its entry into force, under the penalty of legal liability.”

By reviewing the amendment of Article (7) of the Jordanian Companies Law, we would like to point out that, as of 16/06/2021, non-profit companies have been permitted to be registered according to any of the types indicated and mentioned in the Companies Law. The following types have traditionally been registered as non-profit companies; limited liability companies and private shareholding companies according to certain and specific controls in the Regulation of Non-Profit Companies for the Year 2010 (the “Regulation”).

It should be noted that the Regulation, specified the mechanism for establishing those companies and the objectives that Non-Profit Companies are entitled to exercise solely. Those are health, education, financing small projects, investment promotion and training that aims to develop society in general. In addition, this Regulation specified the mechanism



for obtaining donations, aid, external and internal funding and their sources, approvals that shall be taken into account for the purposes of obtaining them, and the documents and data that these companies shall provide to the Companies General Controller, such as the company's annual report, the company's future plan, and the clarifications that are required to be clearly and periodically stated in the list of financial statements, including the provision of donations and aid, their sources and the purpose for which it was spent.

Further, the amendment that is contained in paragraph (D) of Article (7) of the Companies Law called for the necessity of reconciling and correcting the conditions of all non-profit companies, in accordance with the provisions of the Regulation under penalty of legal liability and in the event that the company does not wish to continue to be registered as a private association.

Third: Amendments to Article (66) of the Jordanian Companies Law with regard to proportional voting.

Kindly note that Article (66) of the Jordanian Companies Law has been amended under the Second Amendment by adding paragraph (C) to it to read as follows:

“A. The agenda of the limited liability company's general assembly in its ordinary annual meeting shall include the following:

1. Discussing the report prepared by the manager or the board of directors on the company's operations, activities and financial position during the past fiscal year, and the company's future plans.
2. Discussing the company's budget, calculated profits and losses and cash flow of the company, and certifying it after hearing and discussing the report of the auditors.
3. The election of the company's manager or its board of directors as the case may be, in accordance with the provisions of this law.
4. The election of the company's auditor and a determination of his/her remuneration.
5. Any other matters which the company's manager or board of directors may present to the general assembly, or any issue presented by any shareholder which the general assembly accepts to discuss. This is provided that none of these issues are of the type which can only be discussed in an extraordinary meeting in accordance with this law.

B. The General Assembly of a Limited Liability Company shall issue its decisions with respect to



any of the issues stipulated in paragraph (a) above of this Article by a majority vote of the shares of the capital represented in the meeting and each share shall have one vote.

8 C. The provisions on proportional voting stipulated in paragraph (A) under Article (132) of this law shall not be applied to the election of the limited liability company's board of directors.”

We would like to point out that as of 16/10/2021 it has been decided, according to the amendment contained in Article (6) of the Companies Law, to exclude the provisions of proportional voting, which was considered one of the manners to elect a board of directors in Limited Liability Companies. The application of the provisions of proportional voting is now limited to private and public shareholding companies only.

It should also be noted that proportional voting is known under the Jordanian Companies Law as voting, which gives each shareholder the option to distribute the number of votes according to the number of shares he/she owns. The shareholder has the right to use the votes for one candidate or to distribute them to more than one candidate so that each share has one vote without repetition to these votes in accordance with the provisions of

paragraph (A) of Article (132) of the Jordanian Companies Law.

Fourth: The impact of the legal amendments contained in this Newsletter on the Companies' Law in Jordanian legislation from our point of view.

As it can be seen the amendments contained in the Companies Law and set out in this Newsletter have an actual impact on Jordanian legislation at large; since those amendments were introduced for the purpose of simplifying the procedures in general and reducing the unjustified burdens on the company. It should be noted that the most prominent of these amendments is the amendment on the mechanism of holding the company's meetings which now can be held through modern media of electronic communication in light of the technological developments. On one hand, this contributed to all members and/or shareholders and/or partners having the possibility to attend the company's meetings easily, without the need for actual/physical attendance at the company's headquarters, if the company desired as such.

On the other hand, it can be noted that the amendment to the mechanism of depositing and/or submitting any of the electronic



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applications has contributed to reduction of congestion at the Companies Control Department as well as reduction of unjustified waste of time in the long waiting hours to complete any of the company's transactions; due to amending the provisions of the law and automating the electronic services provided by the Companies Control Department.

We also demonstrate that the other amendments contained in this newsletter have a tangible and actual impact on the Jordanian legislation at large, as they were introduced to emphasize the importance of correcting the conditions of non-profit companies and to activate the provisions of the Regulation. This will have an impact on benefiting and serving the local community in general.



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We conclude this Newsletter by reiterating the importance of the amendments contained in the Jordanian Companies Law and their significant impact on keeping pace with the development in the automation of electronic services provided by the Companies Control Department at this time, in light of the fact that these amendments are already activated in practice. This fact prompted us to compile this Newsletter to simplify its provisions and to share it with as many readers as possible so the readers can be informed about those amendments.

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The second section of the Amendments to the Jordanian Companies Law No. (22) for the Year 1997 will follow in our next Newsletter.

If you would like to discuss further any aspects of this Newsletter, please feel free to get in touch with one of our lawyers, using the contact details in the Contributors section below.

If you feel that other persons would be interested to read this Newsletter, please feel free to share this Newsletter.

If you wish not to have our upcoming Newsletter or if you wish to amend the contact details, please inform us via sending an email to info@hammourilaw.com, titled “non-subscription” and/or “amending the contact details”.

Warm regards,

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ABOUT HAMMOURI & PARTNERS ATTORNEYS AT-LAW

Hammouri & Partners Attorneys at-Law, is a Jordanian multi-practice law firm, founded over two decades ago (established in 1994) by Professor Mohammad Hammouri. Professor Hammouri is the Chairman of the board of Hammouri & Partners Attorneys at-Law, a litigator as well as an arbitrator, a former Minister of Culture and National Heritage and a former Minister of Higher Education, who wrote a plethora of books, primarily on constitutional rights. Professor Mohammad Hammouri also founded the first School of Law in the Hashemite Kingdom of Jordan at The University of Jordan, in which he was its first dean. Today, the firm is managed by Dr. Tariq Hammouri, an academic, an attorney and a former Minister of Industry, Trade and Supply. Dr. Hammouri is both an experienced attorney and arbitrator, an expert in the Corporate sector, Commercial Transactions, Financial Markets, Banking Law and International Trade. He is an Associate Professor at the School of Law, University of Jordan and (formerly) the Dean of the School of Law. Dr. Hammouri is also an official appointed member in the arbitration committee of the ICSID, upon his appointment in the government of the Hashemite Kingdom of Jordan, for the period between 2020 and until 2026. Dr. Hammouri is also an officially appointed member of the International Center for Settlement of Investment Disputes (ICSID) Panel of Arbitrators upon designation by the Government of the Hashemite Kingdom of Jordan, for the period of 2020 to 2026.

Hammouri & Partners team consists of 25 attorneys and a number of other professionals working in the firm's specialized departments, providing professional legal services at a local, regional and international level.

The firm's legal services cover numerous areas of practice, including the following: Corporate and Commercial Law (whether that is corporate set-up or drafting of all types of commercial agreements), Intellectual Property law, Banking and Finance Law (the Firm advises local and international banks regarding all Banking Transactions and Regulatory Compliance). Additionally, the Firm's Litigation and Arbitration department have the capabilities and competence to represent parties in the most complex and novel legal matters, as it encompasses expertise in several areas of law, whether it is before courts or arbitral tribunals. Hammouri & Partners Attorneys at-Law was one of the first firms in Jordan to establish a specialized International department to cater to the needs and requirements of international clients on an array of tasks with an international element, such as those regarding bilateral and international trade negotiations, projects, contracts and others.

In addition to what has previously been stated, Hammouri & Partners provides legal advice and consultation to various industries such as those of Construction & Infrastructure, Manufacturing, Engineering, Trade, Insurance and Energy, as some of its clients are major energy, healthcare, information technology and telecoms companies.

Hammouri & Partners Attorneys at-Law provides its broad services throughout Jordan as well as worldwide, through established collaborations with reputable law firms in the MENA region, Europe, the United Kingdom and the USA. Hammouri & Partners has earned regional and international acclaim by the most reputable legal directories. Chambers and Partners Global, International Financial Law Review (IFLR 1000) and the Legal 500 all highlight Hammouri & Partners as a leading law firm in the Jordanian legal services industry.



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