

Newsletter

14th Edition, November 2021

Welcome to the fourteenth edition of our Newsletter, which is in continuation of the thirteenth edition of our Newsletter issued on 16/10/2021, that explored the first part of the legal amendments to the Companies Law No. (22) for the Year of 1997 (hereinafter referred to as the “**Law**”). According to an amendment to the Companies Law No. (17) for the Year of 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 an amendment to the Companies Law No. (19) for the Year 2021, issued on 16/09/2021 in the Official Gazette issue No. (5734), which came into force thirty days from its publication in the Official Gazette (hereinafter the “**Second Amendment**”). In this Newsletter, we will continue to explore the second part of the most prominent legal amendments that were made to the aforementioned Law, and their impact under Jordanian legislation on Jordanian companies registered in the Companies Control Department (“**CCD**”), as follows:

- *The amendment to Article (266) of the Law with regard to the establishment of a special account to cover the judicial fees and expenses that result from the actions and procedures of compulsory liquidation.*
- *The amendment to the Law by adding Article (273 bis.) with regard to obligating the companies registered with the CCD to maintain and disclose the data of the real beneficiary and any change to his/her data within a period that does not exceed thirty days from the date of the change.*
- *The amendment to Article (279) of the Law with regard to the enforcement of the penalties stipulated under this amendment in the event of non-compliance with the provisions of Article (273 bis.).*
- *The impact of the legal amendments to the Law mentioned in this Newsletter on the Jordanian legislation from our point of view.*

“One of the most prominent legal amendments contained in the Law and described in this Newsletter is that the concept of transparency and integrity in investment-related business is enhanced as well as in the ownership of shares in the companies registered with the CCD, by obligating companies registered with the CCD to maintain a special record of the information of the real beneficiary and disclose it to the CCD together with any change that occurs to it during the period specified in the Law.”



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In this Newsletter we shall be addressing the most prominent legal amendments made to the Law under the Second Amendment as follows:

2 **First: The amendment to Article (266) of the Law with regard to the establishment of a special account to cover the judicial fees and expenses resulting from the actions and procedures of compulsory liquidation.**

We would like to point out at the outset that Article (266) of the Law has been amended by the addition of paragraph (c) to read as follows:

“A. A request for compulsory liquidation shall be submitted to the court by a statement of claim from the Attorney General, the Controller or a person he/she delegates. The court may decide to liquidate in any of the following cases:

- 1) If the company committed serious violations of the Law or its articles of association.*
- 2) If the company is unable to fulfill its obligations.*
- 3) If the company ceases its operations for a period of one year without a justified or legitimate reason.*
- 4) If the company’s total losses exceeded (75%) of its subscribed capital, unless its general assembly decides to increase its capital.*

B. The Minister may request that the Controller or the Attorney General put a halt to the liquidation of the company should it have resolved its conditions before the issuance of a decision to liquidate it.

C. 1. A special account shall be established with the department to cover the judicial fees and expense or any necessary costs estimated by the court. The spending of this account is in accordance with the actions and procedures of compulsory liquidation.

2. The account is financed from what is allocated to it from the department’s budget and is used in the event that the company does not have financial liquidity. The amounts are returned to the account should the company regain financial liquidity at any time during the liquidation procedures.

3. The terms and conditions of account spending are regulated by a regulation issued for this purpose.”

By reviewing the amendment of Article (266) of the Law, it is apparent that it was decided by way of the Second Amendment and as of 16/10/2021 to create a special account with the CCD to cover the expenses of compulsory liquidation in the absence of funds for any of the companies placed under compulsory liquidation. The balance of this account will be financed by the budget of the CCD for the purposes of covering the judicial fees and expenses that result from the compulsory liquidation in the event that any of the cases necessitating compulsory liquidation



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mentioned previously in the aforementioned Article occurred. This is provided that action is taken to return any of the amounts that have been disbursed to the company's account at any time during the liquidation process should the company have financial liquidity. It was also indicated in this amendment that a special regulation will be prepared to regulate the terms and conditions of spending from said account.

Second: The amendment to the Jordanian Companies Law by adding Article (273 bis.) with regard to obligating the companies registered with the CCD to maintain and disclose the data of the real beneficiary and any change to his/her data within a period that does not exceed thirty days from the date of the change.

It should be noted that the amendment contained in the Law pursuant to the Second Amendment is the addition of a new article to the provisions of the Law that stipulates the following:

“A- For the purposes intended in the Anti-Money Laundering and Terrorist Financing Law, the registered company is obligated to do the following:

1. To maintain a record containing the information of the real beneficiary, and disclosing him/her and any change in his/her data within thirty business days of the date the change took place

or documenting the change at the department. The Controller may request any of the necessary documents and information that will enable him/her to verify the accuracy of the information provided by the company.

2. To resolve its status in accordance with subparagraph (1) of this paragraph within three months from the date of the enforcement of the provisions of this amending law.
3. To update its data and basic information in accordance with the instructions issued for this purpose.

B- The Controller must confirm the real beneficiary in an electronic record that includes the data and information that must be kept in this record. He/she can make this data and information (or any part of it) available to the public or link it to the databases of the competent authorities.

C- The Controller shall cooperate with counterpart international authorities and follow up with the quality of the assistance provided in response to requests for international cooperation regarding the basic information of registered companies and information of the real beneficiaries and determining the whereabouts of those residing abroad, in accordance with the legislation in force or pursuant to the principle of reciprocity.



D. The provisions of this article shall be enforced according to a regulation issued for this purpose.”

4 By reviewing the provisions of Article (273 bis.) to the Law, we would like to point out that as of 16/10/2021 it was decided by way of the Second Amendment to obligate all companies registered under the provisions of the Law (according to the provisions of the Anti-Money Laundering and Terrorist Financing Law No. 20 for the Year 2021 in effect) to maintain a record of the personal information of the real beneficiary of the company (the owner) so that companies registered with the CCD are obligated to disclose the information of the real beneficiary and any change in his/her information within thirty business days of the change and/or of duly documenting the change in the data at the CCD.

It should also be noted that this amendment included the need to resolve the status of all companies registered with the CCD with regard to maintaining a record of the real beneficiary and to disclose it to the CCD on the disclosure form prepared by the CCD, within three months from the date on which the provisions of the amending law come into force, i.e. within a latest deadline of 16/01/2022.

Third: Amendments to Article (279) of the Law with regard to the enforcement of the mentioned penalties in this amendment in the event of non-compliance with the provisions of Article (273 bis).

Please note that the Article (279) of the Law was amended pursuant to the Second Amendment by the addition of paragraph (d) to it to read as follows:

“A. Should a public shareholding company, a limited partnership in shares, a limited liability company or a private shareholding company commit any violation to the provisions of this Law, it shall be penalized by a fine of no less than One Thousand [Jordanian] Dinars and no more than Ten Thousand [Jordanian] Dinars, along with nullifying the violation if the court deems so.

B. Should it be found that any one of the companies stated in paragraph (A) of this Article did not maintain proper account books prior to its liquidation, then its director and auditor shall be deemed guilty of a crime punishable by imprisonment for a period no less than one month and no more than one year.

C. Notwithstanding any stricter penalties stipulated in another law, each person who deliberately refrains from enabling auditors or individuals delegated by the Minister or the Companies Controller from performing their duties specified pursuant to the provisions of this Law or from examining its account books and registers or who refrains from submitting the information and clarifications necessary for them shall be punished with a fine of no less than One Thousand [Jordanian] Dinars and no more than Ten Thousand [Jordanian] Dinars.



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D. Anyone who violates the provisions of Article (273 bis.) paragraph (A) of this Law shall be punished with a fine of no less than Two Thousand [Jordanian] Dinars and no more than Twenty Thousand [Jordanian] Dinars, or by imprisonment for a period not exceeding one year, or with both penalties.”

In view of the provided amendment to the Article (279) to the Law, it has been decided according to the Second Amendment and as of 16/10/2021, to apply two types of penalty on any of the companies who failed to comply with the provision of paragraph (A) of Article (273 bis.) of the Law in relation to maintaining the data of the real beneficiary in a special record and disclosing it together with any change thereto within a period of three months from the date on which the provisions of the law amending the Law come into force, namely:

1. Monetary fine of no less than Two Thousand Jordanian Dinars and no more than Twenty-Thousand Jordanian Dinars; or
2. Imprisonment for a period no more than one year; or
3. Both penalties according to the situation subject to the discretion of the competent court.

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

The amendments contained in the Law and set out in this Newsletter have an actual impact on the Jordanian legislation. These amendments were introduced for the purpose of promoting the concept of transparency and integrity in business related to investment and ownership of shares in companies registered at the CCD. This is done by making it mandatory for the companies registered at the CCD to maintain a special record with the data of the real beneficiary and to disclose it to the CCD together with any change thereto within the period specified by the Law. It should be noted that the Law has drawn the mechanism for compliance in a clear manner for the purpose of promoting transparency, integrity and impartiality for those who desire to own shares in any of the registered companies at the CCD. Whereby the breach by a company of the aforementioned amendments shall subject it to the enforcement of any of the penalties in the amendment of paragraph (D) of Article (279) of the Law. We see that what made the legislator to include this Article is to exclude the idea of having sub-partners in any of the companies registered at the CCD for any of those who wish to contribute and/or own shares in them.

We shall also demonstrate that the other amendments contained in this Newsletter have a tangible and actual impact on the Jordanian legislation. They were included to emphasize the importance of establishing a special account to cover the expenses of the compulsory liquidation for the company in case of a lack of company funds.



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Whereby this account shall be financed from the budget of the CCD for the purposes of covering the judicial expenses and fees in case of occurrence of one of the compulsory liquidation events. This is reflected on the liquidation and termination of the legal existence for any of the companies facing difficulties and which are unable to continue providing their services and/or to fulfil their obligations in general.



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We conclude this Newsletter by reiterating the importance of the amendments contained in the Law and their significant contribution in promoting the concept of transparency, seeking to implement the concept of integrity in business related to investment and ownership of shares in companies registered at the CCD. This prompted us to compile this Newsletter to simplify its provisions and to share it with as many readers as possible so that the readers can be informed about those amendments.

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 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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