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AT A GLANCE

JORDAN

Arab Bank posts $216 million profits in first quarter

AMMAN (JT) — Arab Bank Group has announced its financial results for the first quarter of 2009, posting pre-tax and after provisions profits of $216 million, compared with $272 for the same period last year. Arab Bank Chairman Abdul Majid Shoman said that the difference in profits posted by the group in the first quarter of 2008 and 2009 is attributed basically to the fact that there were non-recurring profits of $37 million the bank achieved last year as a result of selling Arab Bank branches in Cyprus. The bank's assets rose by 15 per cent to $46.4 billion, compared with $40.5 billion for the same period of last year. He attributed the growth to the increasing customers' deposits, which increased by $6.3 billion, at a rate of 24 per cent, to amount to $31.9 billion, reflecting a high customer confidence in the Arab Bank. Meanwhile, the credit facilities portfolio grew by 8 per cent to reach $22 billion by the end of the first quarter in 2009, compared with $20.4 billion in the corresponding span last year.

Jordan Investment and Finance Bank to distribute JD8.6 million in shares

AMMAN (Petra) — Jordan Investment and Finance Bank (JIFB) general assembly on Wednesday approved the distribution of JD8.6 million in bonus shares to raise the bank's capital to JD70 million. During 2008, the bank net profit was JD8.87 million which is 38.9 per cent higher than those of the previous year, according to the board chairman, Bisher Jardaneh. Commenting on the economic conditions, Jaradneh said the impact of the global financial crisis will intensify this year and will have its toll on the banking sector, which calls for more precautionary measures. JIFB is a public shareholding company which was established as financial institution in 1982 and was licensed as investment bank in 1989.

INTERNATIONAL

EU clears British venture capital tax breaks

BRUSSELS (AP) — Britain won European Union approval on Wednesday to give tax breaks aiming at increasing venture capital investment in small businesses. Britain initially launched the three programmes without seeking EU clearance necessary for all EU governments planning to give large subsidies to companies. The European Commission said it had demanded and won changes to the plans so they would avoid triggering competition problems where a tax break to one company gives it an unfair advantage over others. It did not give details of the changes. Britain plans to give up to £365 million in tax relief to individual or corporate investors that buy minority stakes in small businesses qualifying for the programmes.

ELECTRONIC SURVEILLANCE

New system implemented to monitor stock exchange

The system controls short-selling orders, monitors trade caps of brokers

By Omar Obeidat

AMMAN — The Jordan Securities Commission (JSC) on Wednesday officially launched a new electronic surveillance system to control and monitor trading operations and practices in the stock market.

The new system, ARAMIS, will record trading operations in addition to providing electronic alarms to catch illegal practices in the financial market, according to JSC Chairman Bassam Saket.

Photo courtesy of Planning Ministry

Minister of Planning and International Cooperation Suhair Al-Ali, JSC Chairman Bassam Saket (centre) and EU Ambassador Commission Delegation in Amman Patrick Renauld during the launching ceremony of a new electronic surveillance system on Wednesday

'Electronic surveillance tools... would minimise illegal practices which harm this important sector'

"The surveillance system will follow up on clients, mediators and financial documents during trading sessions as well as electronically analysing financial documents," he noted.

The system will control short-selling orders, monitor the trade caps of brokers and monitor and control percentage ownerships of securities, Saket said.

The 2.5 million euro project, funded by the EU, will improve the performance of JSC and the Securities Depository Centre, in addition to implementing the latest international practices in regulatory and trading systems technology, according to Atos Euronext, the French company which carried out the project.

The system will enhance the investment environment at the Amman Stock Exchange and protect Jordanian and non-Jordanian investors' rights, Minister of Planning and International Cooperation Suhair Al-Ali said during the launch ceremony.

Al-Ali pointed out that poor supervision and control of the financial sector by international governmental institutions led to the global financial crisis and the negative consequences it caused to world economies.

"Electronic surveillance tools which bring the capital markets under strong supervision would minimise illegal practices which harm this important sector," she added.

Ambassador of the European Commission Delegation in Amman Patrick Renauld said that the global financial crisis shocked people's confidence in investing in stock markets.

"Jordan is not immune from the crisis and the new system will help capital markets in Jordan overcome the downturn and resume financial activities," he said.

Meanwhile, Amman Stock Exchange CEO Jalil Tarif noted that the system will prevent human mistakes in data entry and will tighten controls on market manipulation.

'Sales tax on computer devices to be removed'

By Mohammad Ghazal

Bassem Rousan

AMMAN — The government is planning to remove sales tax imposed on computers and laptops in 2009 to help accelerate the implementation of the Kingdom's ICT strategy.

The Cabinet is currently looking into the issue of cancelling the sales tax which stands at 16 per cent on computers a source at the Ministry of Information and Communications Technology told The Jordan Times Thursday, adding that the exemption decision will be announced soon as part of a series of tax exemption to be announced by the government.

According to a study conducted by the Department of Statistics in 2008, about two-fifths of Jordanian families had PCs in 2008, compared with about one-third in 2007.

The survey also indicated that more than half of Jordanian households cannot afford to buy computers.

At a meeting with representatives of ICT sector, Minister of Information and Communications Technology Bassem Rousan said the decision to exempt computers from sales tax seeks to increase the spread of computer in the Jordanian community and increase Internet penetration, which currently stands at about 26 per cent, noting that the Kingdom's ICT strategy seeks to increase it to 50 per cent by 2012, according to a statement received by The Jordan Times.

At yesterday's meeting, Rousan stressed the importance of the ICT sector, whose contribution to the gross domestic product (GDP) stands at 12 per cent, pointing out to UN reports which indicate that the sector's contribution to the GDP is even higher.

He also reviewed the sector's achievements and the ministry's efforts to increase the sector's revenues to $3 billion as stipulated by the strategy launched in July 2007.

The four-year strategy, which aims at increasing employment in the sector up to 35,000 jobs, is the outcome of joint efforts by the Information Technology Association of Jordan, the Ministry of Information and Communications Technology and the Telecommunications Regulatory Commission, was launched last year to help revive the sector and enhance its competitiveness.

Financial crisis impacts on ASE are less than other exchanges in the region

Wojtek Gidzinski
Oxford Business Group

Although many of its regional counterparts have been hit hard in recent months, the Amman Stock Exchange (ASE) has suffered less than most from the effects of the global financial crisis.

While 2009 may not be one of exceptional growth for the ASE, the government's responsiveness and flexibility in dealing with the situation has helped the bourse hold steady on a number of measures, and the exchange looks set to emerge from the slowdown as one of the region's stronger markets.

"It (2008) was an exceptional year for everyone. The whole world has been affected but the impact on the ASE was less than on other exchanges in the region or the international markets," Jalil Tarif, the CEO of the ASE, told OBG.

Despite the Jordanian stock market falling 24.9per cent in 2008, it was still one of the best-performing bourses in the region. Recently, however, the ASE has posted steady numbers — up to April 16 of this year, the Amman bourse had risen by 0.2per cent.

Although the ASE is still working on a number of fundamental reforms, including improving transparency and regulation, increasing levels of foreign investment suggest that regional confidence in the bourse is already high. Indeed, the market may even expand in the coming months, as the government considers issuing its first sovereign sukuk.

The ASE has been buoyed by measures taken by the Central Bank of Jordan (CBJ) to shore up the economy.

In mid-April, the CBJ announced its third interest rate cut in five months. The bank's benchmark discount rate will drop to 50 basis points to 5.25per cent, its repo rate to 5per cent, and its compulsory reserve requirement on foreign and domestic currency deposits will be slashed from 8per cent to 7per cent, which should boost liquidity and ensure a supply of accessible credit.

In a move to stimulate investment, the government also announced that cuts on company taxes would go into effect in mid-April.

Company taxes, with the exception of those in the banking, insurance and mining sectors, will be reduced from between the current levels of 15per cent-35per cent to 12per cent. While foreign direct investment is expected to fall as a result of the recession, the new measures should help maintain investors' interest in the Kingdom.

The confidence of both foreign and local investors, retail and institutional, can be partially attributed to the implementation of a corporate governance code in line with Organisation for Economic Cooperation and Development (OECD) guidelines.

The code is working to increase market transparency, particularly in the separation of ownership and management, improved disclosure and audit controls.

Generally, Jordanian companies have been prompted to comply with any changes and updates to corporate governance regulations in the country.

However, there is still room for improvement in certain aspects. "Institutional investors would like to see better corporate disclosure, increased management access and more frequent announcements, analysts meetings and conference calls," Talal Samhouri, the head of Middle East and North Africa asset management at Global Investment House, told OBG.

This has not stopped investors from taking to Jordan's capital markets. According to ASE data, the net value of non-Jordanian investment in the first three months of 2009 increased by JD24.8m ($35m), compared to an increase of JD24.5m ($34.6m) in the same period of 2008. From January until the end of March 2009, non-Jordanians bought JD769.3m ($1.09bn) worth of shares, representing 28per cent of the overall trading value of the exchange. Non-Jordanians sold JD744.6m ($1.05bn) worth of shares in the same period.

The vast majority of trading by non-Jordanian investors in the ASE continues to come from Arab investors, who accounted for 93.5per cent of non-Jordanian share purchases and 90.7per cent of non-Jordanian share sales in the first three months of 2009.

Overall, at the end of March 2009, non-Jordanian ownership in ASE-listed companies was equal to 48.6per cent of total market value, of which 33.3per cent was by Arab investors and 15.3per cent by non-Arab investors.

The difference between the moderate level of non-Arab ownership and the high amount of trading suggests that non-Arab investment in the ASE is of a long-term strategic nature, with these investors less likely to be involved in opportunistic trading based on daily or weekly price movements, which is an encouraging sign for the bourse.

One event being watched closely by investors is the potential issuance of Jordan's first Islamic bond. Earlier this month, the CBJ governor, Umayya Toukan, told local media that the government is considering issuing its first sovereign sukuk, in spite of challenging market conditions, during 2009.

The global sukuk market has been largely frozen since the onset of the global financial crisis late last year, but some industry experts are predicting a thaw in the near future.

"I think it will come back in the next six months or so," predicted Afaq Khan, the CEO of Standard Chartered Bank Saadiq, during the Reuters Islamic Banking and Finance Summit in Dubai earlier this month.

The country will likely be closely watching the performance of other sovereign issuances — such as Bahrain's upcoming $500m sukuk — in the coming months to gauge the receptiveness of the market.

Jordan's capital markets have been among the most resilient in the region throughout this ever-worsening global downturn.

The government's frequent adjustments to monetary policy have thus far sustained the market and its commitment to improving corporate governance and regulations has made investors confident, allowing Jordan to avoid the exodus of foreign investors that have plagued other markets.

With a sovereign sukuk issue possible this year, slow and steady growth might be key to the ASE's success.

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