



Jordan Securities Commission

Islamic Finance Sukuk Law No. 30 for the year 2012



Islamic Finance Sukuk Law No 30 of 2012

Article 1

This law shall be named the Islamic Finance Sukuk Law for the year 2012, and it shall come into force as of the date of its publication in the Official Gazette

Article 2

The following words and phrases, wherever they appear in this law, shall have the meanings ascribed to them hereunder, unless the context indicates otherwise:

Finance sukuk: Documents of equal value representing common ownership shares of the project, issued in the names of their owners in return for funds they provide to finance, implement, and utilize the project and achieve a yield for a period set in the issuance prospectus, in accordance with the principles of Islamic Sharia and its provisions.

Project: An income-generating economic activity that is not prohibited by the Sharia.

Prospectus: A document containing the data, conditions, and provisions for the issuance of Islamic sukuk.

Special Purpose Company: A company that is created for the purpose of owning assets and benefits against which Islamic finance sukuk can be issued.

Assets: income-generating assets which Islamic finance sukuk can be issued against.



Benefits: Services and gains from the assets.

Commission: The Central Sharia Supervisory Commission, established under the provisions of this law.

Fatwa Council: The Council of Fatwa and Islamic Research and Studies

established under the provisions of the Fatwa law.

Center: the Securities Depository Center, established under the provisions of the Securities Law.

Board: The Board of Commissioners of the Securities Commission established pursuant to the provisions of the Securities Law

Article 3

A. For the purposes of this law, four part-time commissioners who have expertise in economics and finance in the Islamic economy shall be appointed in the Board of Commissioners of the Securities Commission for a period of three years, subject to renewal. Their remunerations shall be decided by a decision of the Council of Ministers on the recommendation of the Fatwa Council.

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B. The Board of Commissioners of the Securities Commission, when considering issues related to Islamic finance sukuk, shall invite the members provided for in paragraph A of this Article.

C. The meeting of the Board of Commissioners of the Securities Commission, for the purposes of Paragraph B of this Article, shall be in quorum, if quorum of full-time members and at least three of the part-time commissioners are present. Decisions shall be taken by a majority vote of those present, provided that at least two part-time commissioners vote for the decision.

D. The Board shall undertake the following functions and powers:

- i.** Drawing public policy for the issuance of Islamic finance sukuk and assessing and monitoring their issuance.
- ii.** Preparing the requirements to be included in each issuance prospectus according to the specificity of Islamic finance sukuk and the forms needed for that.
- iii.** Approving the prospectus.
- iv.** Ensuring compliance with the decisions issued by the Commission.
- v.** Ensuring that the issuance prospectus includes the views of the Commission or its observations.
- vi.** Preparing the necessary regulations to implement the provisions of this law and submitting them to the Council of Ministers.



Article 4

A. A Commission shall be formed by a decision of the Council of Ministers upon the recommendation of the Fatwa Council named the Central Sharia Supervisory Commission, composed of five part-time members who are scholars of the jurisprudence of transactions, with expertise in Islamic finance, and who are renowned for their fairness and integrity, for a renewable period of three years.

B. Three people with practical experience in the field of securities shall take part in the meetings of the Commission as observers who do not have the right to vote. They shall be appointed by a decision of the Council of Ministers upon the recommendation of the Board of Commissioners of the Securities Commission.

Article 5

The Commission shall have the following functions and powers:

A. Express a Sharia opinion on the Islamic finance sukuk to be issued, including the prospectus, and submitting it to the Board.

B. Verifying the continued dealing in Islamic finance sukuk from issuance to redemption according to the principles and provisions of Islamic Sharia, based on reports requested from the parties concerned.

Article 6

A. The first meeting of the Commission shall take place on the invitation of the Chairman of the Board, and the Commission shall elect in this meeting from among its members a Chairman and Vice-Chairman.



B. The Commission shall meet at the invitation of its chairman or his vice chairman in his absence, at least once a month. The meeting shall be in quorum if attended by the majority of members provided that they include the chairman or the vice chairman. Decisions shall be taken by a majority of its members.

C. The Chairman of the Board of Commissioners shall designate from among the Securities Commission staff a secretary of the Commission who shall take minutes of its meetings, follow up on the implementation of its decisions, and keep its records and registers.

Article 7

The Council of Ministers shall determine the remunerations of the chairman and members of the Commission and observers for each session that they attend.

Article 8

A. A. Islamic finance sukuk shall be issued as any of the following contracts:

i.	Ijarah
ii.	Modaraba or Moukarda
iii.	Morabaha
iv.	Mosharaka
v.	Salam
vi.	Istisna'a
vii.	Bai Hak al Manfa'a
viii.	Any other contract authorized by the Commission



B. Islamic finance Sukuk stipulated in Paragraph A of this Article shall be regulated by means of a regulation issued on the recommendation of the Board, based upon the endorsement of the Commission.

C. The issuance of Islamic finance sukuk shall be conditional on the approval of the Board, after the authorization of the Commission.

Article 9

A. Islamic finance sukuk shall be tradable in the financial market and their owners shall have all the rights, obligations and actions prescribed by the Sharia.

B. Ownership of Islamic finance sukuk shall continue for the duration of the project or until their redemption, whichever is earlier.

C. The rate of expected return due to Islamic finance sukuk owners shall be determined according to the prospectus.

Article 10

Notwithstanding the provisions of any other law:

A. It is permissible under this law for the party that wishes to issue Islamic finance sukuk to establish a special purpose company to own the assets, benefits, or rights against which Islamic finance sukuk would be issued.

B. The special purpose companies shall be registered at the Companies Control Department and issues related to them shall be regulated by a regulation issued for this purpose.



- C. It shall not be permissible to transfer ownership of the special purpose company's assets except for the purposes of issuing Islamic finance sukuk.
- D. According to the prospectus, the special purpose company shall undertake the following:
- i. Ownership of the project for the purposes of securitization and the issuance of Islamic finance sukuk.
 - ii. Project management and follow-up on its affairs.
 - iii. Follow-up on the distribution of the yield on Islamic finance sukuk owners.
- E. The special purpose company's ownership of the project shall end in the cases specified in the prospectus.

Article 11

With due consideration to the provisions of Article 8 of this Law, the following parties may issue Islamic finance sukuk directly or through a special purpose company established for this purpose:

- A. The Government.
- B. Official organizations and public institutions after receiving the approval of the Council of Ministers.
- C. Islamic banks.
- D. Companies that offer Islamic finance services.
- E. Companies and institutions that receive the approval of the Board.



Article 12

Notwithstanding the provisions of any other legislation, the project for which Islamic finance sukuk were issued, to finance or liquidate it under the provisions of this law shall have an independent financial entity separate from that of the issuing party, which shall not be liable for the obligations of the project, except within the limits of its contribution to the project's capital.

Article 13

A. A project for which Islamic finance sukuk are issued, to finance or liquidate it, shall:

- i.** Be income-generating.
- ii.** Be independent of the issuer's other projects.
- iii.** Have separate financial accounts that show at the end of the financial year the project's financial position and the results of its operations.

B. The project's accounts shall be audited by one or more chartered accountants appointed by the issuer, provided that the financial statements for the project shall be issued according to the accounting and auditing standards for Islamic financial institutions adopted by Jordanian Islamic banks under the provisions of the legislation in force.

Article 14

A. The issuance, registration, offer, subscription, coverage, inclusion, trading, and any other matters related to dealing in the Islamic finance sukuk shall be regulated by means of instructions issued by the Board or with its consent.



- B.** The issuer shall offer Islamic finance sukuk in accordance with the issuance prospectus.
- C.** The issuer of Islamic finance sukuk shall bear responsibility for the correctness, accuracy and comprehensiveness of the information contained in the prospectus as well as any other information or data disclosed.
- D.** Islamic finance sukuk shall be issued in Jordan Dinars or any foreign currency, taking into account the provisions of the legislation in force.
- E.** The prospectus shall include as a minimum:
- i.** The nominal value of the issuance.
 - ii.** A statement of commitment to comply with the principles and provisions of Islamic Sharia.
 - iii.** A reference to the existence of a decision by the Commission to approve the issuance mechanism and monitor its implementation for the duration of the issuance.
 - iv.** That the Islamic finance sukuk owner shares in the profits (Ghonom) and losses (Ghorom) according to the type and form of sukuk.
 - v.** A statement explaining the economic or social feasibility of the project or the reason or benefit for launching or developing the project.
 - vi.** Defining the period of grace needed for the implementation of the project.
 - vii.** The rate of distribution of the expected returns from the project.
 - viii.** The subscription offering and closing dates, and the dates of payment of profits and redemption of the Islamic finance sukuk.



- ix. The period of time at the end of which funds shall be reimbursed to the owners of Islamic financing sukuk in the event of non-completion of the issuance for reason of non-coverage or for any other reason.
- x. Categories of Islamic finance sukuk and the extent of their divisibility.
- xi. The names of issuance managers and sales agents, if any.
- xii. Reasons that require early redemption and treatment of insolvency if it occurs, the means to resolve the rights of owners of Islamic finance sukuk, and identifying the dispute settlement mechanism.
- xiii. Any other requirements that the Board sees the need to add.

Article 15

- A. The prospectus shall appoint an issuance trustee to look after the rights of Islamic finance sukuk owners and cooperate with their representatives in protecting these rights.
- B. The prospectus shall identify a licensed bank to be the payment agent that undertakes distribution of returns and payment of the value of the issuance according to the prospectus.
- C. Islamic finance Sukuk may have one or more underwriter.
- D. Islamic finance sukuk may have one or more repurchase undertaker or Revendication guarantor provided that it is not inconsistent with the principles and provisions of the Islamic Sharia.



Article 16

An Committee shall be formed from the owners of Islamic finance Sukuk to represent them and look after their interests before all parties concerned in accordance with instructions Issued by the Board and not inconsistent with the principles and provisions of the Islamic Sharia.

Article 17

A. Notwithstanding the provisions of any other legislation, the government and any official organization or public institution may undertake the following:

- i.** Create one or more special purpose company.
- ii.** Transfer ownership of any of its assets to the company indicated in subsection i of this paragraph for the purpose of issuing Islamic finance sukuk exclusively in accordance with the provisions of this law.

B. In the event of non-completion of the issuance of Islamic finance sukuk for non-coverage or for any other reason, or if they are redeemed, all assets of the company indicated in paragraph A of this article will be returned to the party concerned.

Article 18

A. Islamic finance sukuk issued by the government directly or through a special purpose company shall be considered government sukuk.

B. The volume of Islamic finance sukuk that the government or any official organization or public institution may issue annually shall be determined by the General Budget Law or the Budgets of Government Units Law.



Article 19

A. The process of registration and enforcement of the issuance prospectus is subject to the approval of the Board in accordance with instructions issued for this purpose that take into consideration the principles and provisions of Islamic Sharia law as determined by the Commission.

B. With due consideration to the principles and provisions of Islamic Sharia law:

- i.** Islamic finance sukuk shall be listed and traded in the financial market or any other market in accordance with the legislation in force.
- ii.** The registration and deposit of Islamic finance sukuk at the Center shall be conducted according to the instructions issued by the Centre for this purpose.
- iii.** Islamic finance sukuk may be deposited and cleared and settled at any of the global clearing houses which are approved by the Board.

Article 20

Notwithstanding the provisions of any other legislation:

A. A special purpose company shall be exempted from the following:

- i.** All fees including company registration and licensing fees.
- ii.** Advance payment of the capital before registration.



- iii. Real estate sale tax, and land registration fees on the transactions that take place between it and the party that established it when the transfer of ownership or any act takes place between them.
- iv. All taxes and transaction registration fees for assets and benefits that take place between it and the party that established it when the transfer of ownership or any act takes place between them.
- B. Islamic finance sukuk transactions shall be exempted from all taxes and fees, including income tax, general sales tax, and revenue stamp fees.
- C. Profits generated from invest in Islamic finance sukuk shall not be subject to income tax.

Article 21

- A. For the purposes of benefiting from the exemptions set forth in Paragraph A of Article 20 of this law, the special purpose company and the party that established it shall submit to the Board a pledge to:
 - i. Issue the Islamic finance sukuk within a period not exceeding one year from the date of transfer of ownership of assets or benefits to the special purpose company.
 - ii. Redemption of Islamic finance sukuk within the period specified in the prospectus.
- B. The Board may, based on the special purpose company's request, extend the periods referred to in paragraph A of this article.
- C. If the special purpose company violates the provisions of this Article, it shall pay the fees and taxes stipulated in Paragraph A of Article 20 of this law.



Article 22

A. It is permissible to trade Islamic finance sukuk out of the financial market and in accordance with instructions issued by the Board with the approval of the Commission.

B. The Government and any official organization or public institution and any other issuing party of Islamic finance sukuk may set up a fund to meet the risks of investing in the project. The fund's assets shall be distributed upon redemption to the owners of Islamic finance sukuk through a joint decision by the Board and the Commission, provided that this should be included in the prospectus.

C. With due consideration to the principles and provisions of Islamic Sharia, the provisions of the Securities Law and the provisions of laws related to the project which is funded or liquidated, shall apply to each case for which there is no provision in this law, or the regulations and instructions issued pursuant thereto.

Article 23

The Council of Ministers shall issue the necessary regulations to implement the provisions of this law.

Article 24

The Muqarada (profit-and-loss sharing contracts) Bond Law No 10 for the year 1981 shall be annulled

Article 25

The Prime Minister and Ministers are tasked with implementing the provisions of this law.