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CORPORATE GOVERNANCE IN JORDAN AND THE COMPLIANCE OF PUBLIC LIMITED ORGANISATIONS

Abstract:

Over the last few decades the business world has witnessed a wave of high profile financial scandals and corporate failures that have eroded the investors' trust in stock markets (e.g. in the UK Polly Peck, Maxwell, Bank of Credit and Commerce International (BCCI) in the USA world come, Enron in the USA). Following these major events, governments and regulatory authorities start to investigate the cause of these events and to reform their corporate governance as an attempt to prevent similar scandals from happening. In Jordan, this 'movement' was slow in being adopted or implemented. Despite the issuance of the Bank Director's Handbook of Corporate Governance in 2004, the Central Bank of Jordan (CBJ) is continuing in its efforts to enhance corporate governance in the Jordanian banking system by preparing this Corporate Governance Code which is intended to promote international best practice in the corporate governance of Jordanian banks. In the course of the past few years, as reported by CBJ (2007), Jordan has undertaken a major overhaul of its corporate governance structures, particularly with respect to organisations listed on the Amman Stock Exchange (ASE). Such events include changes in business, strategic decisions or agreements, decisions to launch a tender offer, changes in management, mergers, important changes in financial condition, and so on. Hence, the current research investigates corporate governance framework in Jordan and the compliance of public limited organisations on the (ASE). Further, this research aims to identify whether organisations listed in the (ASE) are complying with the very recent corporate governance legal framework. This aim is divided into three objectives: a) to identify any relevant changes in corporation law over the last ten years and also identify any guidance Jordan has developed over the same period; b) to review the theoretical/economical reasons of why and when organisations comply with regulation and legislation and c) to analyse the degree of compliance of public limited organisations listed on the (ASE) and analyse patterns of non-compliance.

Keywords:

Corporate Governance, Public Limited Organisations, Jordan

JEL Classification: G30