



Second Annual Report

2000

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CHAIRMAN'S STATEMENT

Honorable Members of the General Assembly of the Amman Stock Exchange,

On my own behalf and on behalf of my fellow Board Members I would like to welcome all of you and to thank you for accepting our invitation to the Second Annual General Assembly. It also gives me pleasure to welcome the representative of the Jordan Securities Commission (JSC) as well as the new Amman Stock Exchange (ASE) members who have joined the exchange over the past year. Please allow me now to present to you the ASE's Second Annual Report for the year 2000 which sets out the ASE's most significant activities during the year 2000 as well as its plans for the future.

The Board of Directors of the ASE continued the work it started in 1999 and passed a number of regulations and instructions that were needed to manage the ASE in a manner that ensures transparency and efficiency of market operations, fairness among securities dealers, and the necessary protection for investors in securities. Year 2000 witnessed the issuance of the Directives for Trading in Securities, the Directives for Listing Securities on the ASE, the Internal By-Law for Disputes Settlement, the Instructions for Selling Securities by Public Auction, and the Directives for the ASE Financial Brokers' Guarantee Fund.

On the technical front, the Electronic Trading System (ETS) that was put in operation during March 2000 has proven to be a success. It was followed by the implementation of Remote Trading (RT) with the aim of facilitating trading and giving brokers and investors more flexibility. The ASE has also set up the Intranet that connects all the brokerage firms operating on the ASE and ASE employees via an internal email, thus providing a means of exchanging information and correspondence among the ASE, its employees, and brokers.

As for disclosure and data dissemination, the ASE implemented the second phase of the ASE website project in 2000. Trading information is now posted live through a Ticker Tape that shows online share prices and the latest traded quantities. The website also contains daily, weekly, and monthly trading bulletins. In addition, the ASE released a CD ROM entitled Public Shareholding Companies Guide 1999 and, for the first time, the Guide for Listed and Traded Companies 2000.

In terms of listings, the ASE has urged public shareholding companies that fulfill the listing requirements to proceed and submit applications to list their shares on the ASE. Indeed, the total capital value of seven companies that were listed in 2000 amounted to JD 33.8 million and the ASE accepted trading on the shares of six companies on the third market of a total capital value of JD 81.1 million.

True to its tradition of furthering cooperation with Arab, regional, and international organizations, the ASE participated in several meetings, lectures, and seminars held at both Arab and international levels.

The year 2000 witnessed great efforts to develop the ASE at all levels; an enterprise that will be pursued in its future plans. Some of the most important objectives of the ASE include attracting domestic and foreign investments, continuing to introduce itself to the public, bolstering interaction with the local community, raising awareness of its role in the national economy, and using all available means to disseminate information. Furthermore, it will continue to encourage issuers to list their securities on the ASE, play an active role in the privatization process, and foster closer ties with international and Arab capital market institutions.

In 2001, the ASE will move to its new headquarters in the permanent building that will bring the JSC, the ASE and the SDC together under one roof. At present, the

ASE is furnishing the headquarters with the necessary technical equipment, and its new location will include a Trading Hall that can be used in contingencies.

Finally, I would like to wish the ASE all the success in its future efforts. I trust that its continuous progress will enable it, along with other national economic and financial institutions, to enhance Jordan's economy under the judicious leadership of His Majesty King Abdullah, II and His Royal Highness Prince Hamzah Ben Al-Hussein, the Regent.

Dr. Abder-Rahman Toukan
Chairman of ASE Board of Directors

ECONOMIC SITUATION

Macroeconomic indicators in 2000 showed an overall improvement in the performance of economic activity, public finance, the monetary sector and the balance of payments. Primary indicators announced in the “Budget Address for the Year 2001” point to an expected growth in GDP in 2000 of 4% in fixed prices compared to 3.1% in 1999, which would amount to JD 6006.5 million in current prices. The expected increase in growth is the result of the growth of economic sectors by 1% in the mining sector, 3.5% in the electricity and water sectors, 4.5% in construction sector, 5% in manufacturing industries sector, and by 6% in transportation and storing sector.

As for monetary policy, the Central Bank of Jordan (CBJ) has pursued a policy to maintain the stability of exchange rate of Jordanian dinar and, as a result, the CBJ gross official reserves of foreign currencies increased from JD 1411.5 million by end of 1999 to JD 1958.7 million by end of 2000, an increase of JD 547.2 million or 38.8%. In terms of interest rates, the discount rate went down from 8% at the end of 1999 to 6.5% by the end of 2000; interest rates on three month-certificates of deposit (CDs) stayed at 6.0%; and the weighted average of interest rates on credits in the form of loans and advances declined to 11.4% from a previous 12.7%. Money supply (M2) went up 10.2% from JD 6747.6 million to JD 7434.7 million. Official data indicate that the Consumers Price Index for 2000 has registered a rise of 0.7%.

With respect to public finance performance, the general budget of 2000 was affected by the increases in the international oil prices. As well as by the financial offshoots of the package of economic and tax legislations and procedures adopted during that year, with the aim of reducing the cost of local production and boosting sustainable economic growth. Primary data on public finance performance in 2000 indicate a slight decrease in domestic revenues in 2000 to JD1576.4 million as compared to JD 1585.3 million in 1999. Several factors were the cause of this drop including; a series of cut backs in customs duties of the overall ceiling from 35% to 30%, a decline of the customs duties on production inputs; and the increase of the prices of imported oil from Iraq; and the decrease of mining sector’s revenues.

Expenditures in 2000 amounted to JD 1702 million, versus JD 1643.1 million in 1999, an increase of 3.6%. The increase was a result of the drought that swept over the country and necessitated additional allocations to support farmers and reduce fodder prices for cattle breeders, and was also the result of the implementation of a salary increase for active and retired civil and military servants.

The aforementioned events led to a decrease in the domestic revenue to current expenditures ratio amounting to 92.6% in 2000, as opposed to 96.5% in 1999. The

fiscal deficit, excluding grants, was reduced to JD 410 million, versus JD 422 million in 1999. Including grants, the fiscal deficit in the general budget was JD165 million in 2000 versus JD 223.5 million in 1999.

There was an increase in the outstanding balance of internal debt at the end of November 2000 to JD 1124 million, or 18.7% of the GDP versus JD 889 million, or 15.5% of the GDP at the end of 1999. This 26.4% rise in the outstanding balance of domestic public debt was mainly the result of replacing internal loans guaranteed by government including JD 158.3 million to Water Authority and JD 4 million to Jordanian Olympic Committee by government bonds and loans.

The outstanding balance of external public debt went down to JD 4721 million by end of November 2000, constituting 78.6% of the estimated GDP for 2000, compared with JD 5186.2 million or 90.6% of the GDP in 1999. This was a decrease of 9%, mainly resulting from the fall in the Yen and other European currencies, the withdrawal of part of the loans signed with Arab and international institutions and funds, and the debt swap with a number of countries in 2000.

In light of the importance given by the government to the securitization of domestic public debt for the purpose of developing the governmental securities market and activating the local capital market in a more effective manner, the Ministry of Finance (MOF) continued issuing treasury bills and bonds of different maturities in a regular and periodical manner. To reduce the burden of domestic debt, the MOF replaced the ordinary high interest loans with soft loans, thus reducing debt service, general expenditures, and fiscal deficit. MOF will continue replacing advances and loans by bonds and bills during the coming years. Undoubtedly, issuance of more internal public debt instruments will deepen the capital market in general and the bonds market in particular.

In 2000, the government provided the necessary institutional and legal framework to implement privatization programs by promulgating the Privatization Law No. 25 of the year 2000. This was done on the basis of the National Privatization Strategy that was approved by the Consultative Economic Council.

In the previous two years the Executive Privatization Program privatized the Jordan Cement Factories Company, public transport, Ma'in Spas, two management agreements of the water and sewerage network in the Greater Amman area, Aqaba Railway Company, and sold a significant share of the government's portfolio in the Jordan Investment Corporation. Last year witnessed remarkable activity in the area of privatization. The government sold approximately half of Jordan Telecommunications Company's (JTC) shares and sold the Airports Duty Free Company to an international investor at very profitable terms and returns.

There are more privatizations currently underway; many which have passed through the restructuring and privatization phases. Currently, the Royal Jordanian privatization project is on schedule. The privatization of the electricity sector implemented a long-term strategy that was adopted by the government for the development of local energy sources and optimum performance. Finally, privatization has also started on previously owned projects by the Ministry of Supply (the mills, silos, regular and refrigerated warehouses) which will be converted into a public shareholding companies fully owned by the government.

The government sold most of its shares in a number of companies, including the hotel, industry, and livestock sectors, and it is expected to continue to sell its shares in other companies in the year 2001.

ASE PERFORMANCE IN 2000

I: The Secondary Market:

Indicators of the secondary market (which include the first market, second market, third market, transactions off the trading floor, bonds market, and the mutual funds market) registered a decline in their levels compared to 1999. The secondary market volume was JD 362.7 million for 2000; a decline of 27.9%. The value of traded shares in the first, second, and third markets constituted the major part of this volume, that was approximately JD 334.7 million with a decline of JD 54.7 million or 14.1%, table (1).

Table (1)
Trading Volumes of the Secondary Market (1996-2000)*
(JD Million)

Year	Stock Market	Bonds Market	Off-Floor Transactions	Mutual Funds	Total
1996	248.6	5.1	28.9	-	282.6
1997	355.2	2.0	67.7	-	424.9
1998	464.4	4.1	69.8	-	538.2
1999	389.4	4.1	109.5	0.1	503.1
2000	334.7	7.2	20.5	0.2	362.7

* Years (96-99) for stock market do not include third market data

Following is a review of the secondary market activities in 2000:

A- First and Second Market:

There were 163 companies listed on ASE by end of 2000, 12 more than the 151 that were listed in 1999. The following companies were listed:

1. Asharq Al-Arabi Insurance
2. Jordan Investment Trust
3. Arab Real Estate Development
4. Jordanian Duty Free Shops
5. Al-Salam International Transport & Trading
6. Real Estate Development

7. Al Dawliya For Hotels & Malls
8. International Silica Industries
9. Gerasa Insurance,
10. Mediterranean Tourism Investment
- ~~10~~.11. Jordan Central
- ~~11~~.12. Arab Jordan Group Insurance
- ~~12~~.13. International Detergent Manufacturing

The shares of the Central General Trading & Storage Company were de-listed.

The shares of 153 companies were traded this year. The share prices of 32 companies rose, 111 declined and 10 stabilized.

The trading volume in the first & second markets dropped 26.1% to JD 287.8 million during 2000, compared to JD 389.4 million in 1999.

Trading Volume by Sector

The banks and financial companies sector had the greatest trading volume with JD 128.6 million, or 44.7% of the total trading volume. The industry sector followed with a trading volume of JD 101 million, or 35.1% of the total trading volume. The services sector had a trading volume of JD 54.1 million, or 18.8%. Finally the insurance sector with a trading volume of JD 4.1 million or 1.4% of the total trading volume, table (2).

Figure (1)
Trading Volume of the First & Second Markets (1996-2000)

Table (2)
Trading Volume of the First & Second Markets by Sector (1996-2000)
(JD Million)

Year	Banks	Insurance	Services	Industry	Total	% Chg
1996	83.1	3.1	51.0	111.4	248.6	(41.7)
1997	165.5	4.5	55.2	130.0	355.2	42.9

1998	192.7	5.9	47.0	218.8	464.4	30.7
1999	128.0	7.6	50.8	203.0	389.4	(16.1)
2000	128.6	4.1	54.1	101.0	287.8	(26.1)

Figure (2)
Trading Volume of First & Second Markets by Sector, 2000

The number of traded shares in 2000 amounted to 178.3 million shares, compared to 271.1 million shares in 1999, a decrease of 34.2%. At the sector level, industry led, with 99.3 million traded shares, or 55.7% of the total number of traded shares in first & second markets. The services sector came second with 43.3 million traded shares, or 24.3% of traded shares, followed by the banks and financial companies with 32.6 million shares, or 18.3% of total shares traded. Finally the insurance sector traded 3.1 million shares, or 1.7% of the total number of traded shares. The decrease in traded shares was accompanied by a fall in the number of executed transactions, which was 133,085; a drop of 13.9%, table (3).

Table (3)
Trading Volumes of the First & Second Markets (1996-2000)

Year	No. of Traded Shares (million)	No. of Transactions (thousand)	No. of Traded Days	Turnover Ratio %
1996	162.5	163.3	246	17.7
1997	191.1	138.0	248	17.8
1998	247.9	137.7	244	18.6
1999	271.1	154.6	242	19.1
2000	178.3	133.1	243	11.6

The volume of the daily trading average declined to JD 1.2 million, a decrease of 25% compared to the daily average of 1999. The daily average of traded shares declined to 733,700 shares, decreasing 34.5% compared to the previous year. The

daily average of executed transactions, fell to 548 transactions, a decrease of 14.3 % from 1999.

The turnover ratio, representing the number of traded shares as a percentage of the number of subscribed shares, went down in 2000 to a total of 11.6% for the year, compared to 19.1% in 1999. The turnover ratio was the highest for the industrial sector with 15.8%, followed by the services sector with 9.7%, the banks and financial companies sector with 7.3%, and finally the insurance sector with 4.7%. It should be noted that the ten most-traded companies in terms of the traded shares represented 32.7% of the total number of traded shares in the first & second markets. The ten highest-traded companies by volume formed 61.3% of the total trading volume in the first & second markets.

General Share Price Index

The general share price index, weighted by market capitalization, dropped to 133.1 points by end of 2000, compared to 167.4 points at the closing of 1999, a decline of 20.5%. At the sector level, the index for the industry sector declined by 21.9% and for the banks and financial companies sector by 21.1%. For service sector, the index dropped by 9.8%, and for the insurance sector by 3.2%, compared to 1999, table (4).

Table (4)
Price Index Weighted by Market Capitalization (1996-2000)
(1991 = 100)

Year	Banks	Insurance	Services	Industry	Total	% Chg
1996	194.4	120.8	115.3	116.2	153.5	(3.6)
1997	232.3	122.9	116.6	115.5	169.2	10.3
1998	281.7	124.7	109.0	76.9	170.1	0.5
1999	251.9	123.7	110.6	96.2	167.4	(1.6)
2000	198.7	119.7	99.8	75.2	133.1	(20.5)

Figure (3)
Price Index Weighted by Market Capitalization (1996-2000)
(1991 = 100)

The un-weighted (simple) index of share prices declined to 57.6 points by end of 2000, as compared to 64.2 points at the closing of 1999, a decline of 10.3%. At the sector level, the index for the banks and financial companies declined by 13.5%, the industry sector dropped by 10.5%, the services sector by 8.4%, and the insurance sector by 7.9%, table (5).

Table (5)
Un-weighted Price Index (1996-2000)
(1991 = 100)

Year	Banks	Insurance	Services	Industry	Total	% Chg
1996	145.8	123.6	97.8	65.2	89.7	(17.8)
1997	125.5	122.2	93.9	52.1	77.7	(13.4)
1998	109.4	123.6	79.0	40.4	64.7	(16.7)
1999	97.6	114.1	86.5	40.9	64.2	(0.9)
2000	84.5	105.1	79.2	36.6	57.6	(10.3)

Market capitalization of companies listed on the ASE by end of the year went down 15.2% to JD 3509.6 million, compared to JD 4137.7 million by end of 1999. At the sector level, the market capitalization of the service sector rose by 19.4% and the insurance sector by 1.6%, while the market capitalization for the banks and financial companies sector dropped by 20.8%, and industry sector by 19.1% table (6).

Table (6)
Market Capitalization of the Listed Companies at the ASE by Sector
(1996-2000)

(JD Million)

Year	Banks	Insurance	Services	Industry	Total
1996	1695.7	69.6	338.5	1357.4	3461.2
1997	2001.8	71.4	400.1	1388.6	3862.0
1998	2621.9	88.5	442.1	1004.2	4156.6
1999	2346.6	95.6	470.2	1225.4	4137.7
2000	1859.4	97.1	561.3	991.9	3509.6

It should be noted that the largest ten companies constituted 66.6% of the market capitalization of the companies listed at the ASE.

Figure (4)
Market Capitalization of the Listed Companies at the ASE
(1996-2000)

B- Third Market

This market was established by virtue of listing directives on 15 June 2000. Out of 29 companies on this market, 16 companies were traded. The trading volume was JD 46.9 million, the number of traded shares reached 50 million, and 221 transactions took place.

C- Bonds Market:

The market value of traded bonds during this year reached JD 7.2 million, compared to JD 4.1 million last year. During the same time, the number of traded bonds rose to 197.6 thousand bonds, an increase of 131.3% compared to the previous year.

The market value of development bonds traded during this year amounted to JD 2.0 million, representing 27.8% of the total trading value of bonds. The market value of traded corporate bonds amounted JD 5.2 million and represented 72.2%, table (7).

Table (7)
Trading Volume in the Bonds Market (1996-2000)
(JD million)

Year	Development Bonds	Corporate Bonds	Total
1996	4.5	0.6	5.1
1997	1.9	0.1	2.0
1998	2.3	1.8	4.1
1999	0.8	3.3	4.1
2000	2.0	5.2	7.2

D- Off-the Trading Floor Transactions

Off-the trading floor transactions which were previously executed through the legal department of the ASE are now implemented through Securities Depository Center (SDC), including inheritance and family transfers (ascendants and descendants) and companies excluded from trading.

Data indicate a decrease in the volume of off-the floor transactions, which reached JD 20.5 million for this year, with a drop of 81.3% compared to the previous year. The number of transferred shares represented 10.8 million with a drop of 67.6% compared to 1999.

The value of inheritance transfers amounted to JD 11.8 million, or 57.6% of the total transfers, followed by family transfers at a value of JD 6.1 million or 29.7% of the total transfers, and transfers of companies excluded from trading at a value of JD 2.6 million, or 12.7% of the total transfers.

E- Mutual Funds Market

There was one mutual fund listed on the ASE by end of 2000. The trading volume reached JD 200,700 and 2,000 investment units.

II: Non-Jordanian Investment

The total value of shares bought by non-Jordanian investors during 2000 was nearly JD 53.0 million, representing 15.8% of the overall trading volume, while the value of shares sold by them amounted to nearly JD 64.8 million. Thus, the net of non-Jordanian investment in 2000 shows a negative balance of JD 11.8 million, compared to a positive balance of JD 15.5 million in 1999.

Arab investors purchased nearly JD 38.6 million, or 72.8% of the total value of purchases by non-Jordanians, while the value of non-Arab purchases amounted to nearly JD 14.4 million, constituting 27.2% of the total of non-Jordanian purchases. Arab sales amounted to nearly JD 35.6 million, 54.9% of total non-Jordanian sales, while the value of non-Arab sales amounted to nearly JD 29.2 million, representing 45.1% of the total of non-Jordanian sales.

Therefore, non-Jordanian ownership in companies traded in ASE by end of 2000 represented 41.7% of total market value, 36.1% for Arab investors and 5.6% for non-Arab investors. At the sector level, the shares of the banking sector amounted to 55.2% of total shares, the insurance sector to 17.9%, the services sector to 21.3%, and the industrial sector to 30.2%, table (8).

Table (8)
Non-Jordanian Ownership at the Shareholding Companies
By Sector (1996-2000)

Year	Banks	Insurance	Services	Industry	Total
1996	47.7	16.5	7.3	21.8	32.8
1997	53.8	16.0	9.3	26.0	39.1
1998	56.4	15.1	11.6	28.1	43.9

1999	56.6	15.6	14.0	30.5	43.1
2000	55.2	17.9	21.3	30.2	41.7

III: The Primary Market

In the primary market, the shares issuance volume for 2000 amounted to JD 83.3 million, compared to JD 53.3 million in 1999, an increase of 56.3%. The volume of corporate bond issues for 2000 was JD 69.5 million, compared to JD 35.3 million in 1999, an increase of 96.9%. No development bonds were issued in 2000, while treasury bond issues for this year increased to JD 80.0 million, from JD 40.0 million in 1999. In total, primary market issues have increased from JD 128.6 million in 1999 to JD 232.8 million in 2000, table (9).

Table (9)
Value of Primary Market Issues (1996-2000)
(JD million)

Year	Shares			Bonds				Total
	Newly Established	Established	Total	Development	Corporate	Treasury	Total	Shares+Bonds
1996	112.0	75.7	187.7	19.0	-	-	19.0	206.7
1997	89.2	238.1	327.4	-	-	29.0	19.0	356.4
1998	15.8	31.7	47.5	43.0	53.5	20.0	116.5	164.0
1999	2.2	51.1	53.3	-	35.3	40.0	75.3	128.6
2000	-	83.3	83.3	-	69.5	80.0	149.5	232.8

ASE ACCOMPLISHMENTS DURING THE YEAR 2000

I: Regulations and Directives Issued by ASE

1- Directives for Trading in Securities at ASE

The ASE issued new directives for trading in securities during the year 2000. These directives were issued pursuant to the Securities Law no. 23 of the year 1997 and came into force on March 26, 2000. The directives set out the procedures for trading in securities on the ASE through the electronic trading system. The main features of these directives are:

- a) Organizing the client–broker relationship through obliging brokers to conclude a written agreement with their clients prior the execution of any transaction on behalf of their clients.
- b) A broker must keep an official log of authorizations. This log shall contain all authorizations for its clients or for its portfolio, which must bear sequential numbers. When entering orders into the trading system, in order to keep priorities, brokers must take into consideration the sequence of the orders, and must enter the client reference.
- c) According to these Directives, securities in the ASE are traded in the following pricing groups:

- **Continuous Pricing Group**

A continuous pricing group is a group of securities traded during the trading session at various prices throughout the various phases of the session. Orders of this pricing group are entered in the pre-opening phase, and appear on the Market by Order Book without affecting any trading. The system calculates an Indicative Equilibrium Price (IEP) following each entry, which immediately appears on the window of every Market by Order Book. If the execution is within the permissible limits of price change, the entered buying and selling orders of this pricing group, are executed in the opening phase at the last IEP of each security at that particular moment. The opening price is the last IEP at which execution took place in the opening phase of this pricing group. Once the opening phase of this pricing group ends, trading continues until the end of trading session.

- **Fixing Pricing Group**

A fixed pricing group is a group of securities traded at a limited price during the trading session, representing the last IEP upon opening. Orders of this pricing group are entered in the pre-opening phase and appear on the Market by Order Book without affecting any trading. The system calculates an IEP following each entry which immediately appears on the window of every Market by Order Book. If the execution is within the permissible limits of price change, the entered buying and selling orders of this pricing group are executed in the opening phase at the last IEP of each security at that particular moment.

- d) These Directives introduce the concept of the IEP: the price of equilibrium between offered and demanded quantities, which is calculated by the system after entering, altering, or canceling any order on a security.

The IEP shall be calculated according to the following criteria:

1. The price that achieves the largest executable volume of trading. Where more than one price meets this condition, the criteria mentioned in the next sub-paragraph (2) shall be used.
2. The price that achieves the smallest un-executable volume of trading. Where more than one price meets this condition, the criteria mentioned in the next sub-paragraph (3) shall be used.
3. The closest price to the previous closing price.

When calculating the IEP, the volume of all orders, including the hidden quantities, shall be accounted for.

- e) These Directives introduced new classifications of orders when entered into the trading system. Orders shall be divided in terms of prices into:

- 1) **Open Price:** The price of an order sent in the pre-opening phase to buy or sell a security at the opening price (IEP)
- 2) **Market Price:** The order price sent to buy or sell a security at the best prices available at the other end, which is the best-offered price in case of sending a buying order, or the best-demanded price in case of sending a selling order.
- 3) **Limited price:** The highest price accepted by the buyer in case of buying, and the lowest price accepted by the seller in case of selling.

Orders shall be divided in terms of time validity as follows:

1. Fill And Kill (FAK) or Fill Or Kill (FOK): a FAK order shall be entered during a continuous trading session. It shall be on the basis of immediate execution of a possible quantity at the price limited in the order, and cancellation of the remaining un-executed quantity. a FOK order shall be entered during a continuous trading session. It shall be on the basis of immediate execution of the quantity in full at the price limited, or its cancellation in case of non-execution of the quantity in full.
 2. Order for one day: this order shall be valid until the end of the same trading session.
 3. Fixed date: this order shall be valid until a fixed date which shall not exceed the end of the trading session of the last day of the month.
 4. Good Till Cancel (GTC): Orders entered with GTC time validity shall be valid until the end of the trading session of the last day of the month.
- f. These directives determined the concept of block trades, which is trading between two brokers or through one broker (in the case of cross execution) for the purpose of buying and selling any security, in one block. By these directives, a block trade shall be executed according to the following conditions:
1. The trade must be executed (bought or sold) in one block, upon the client's order and authorization.
 2. The value of securities must not be less than the minimum allowed for this company by the Board of Directors. (prescribed by JD 200,000)
 3. The authorization must be in writing by the client.
 4. A single person must own the security.

For a block trade to be executed, both sides must enter the trade within the time allotted for trading block trades in the designated window. In the event one side fails to enter the block in the allotted time, the order will be canceled. The broker executes a block trade at the closing price for the same day or at rate higher or lower than the closing price as set by the Board of Directors for this purpose (5%).

- G. Allow the surveillance team at ASE to perform his duties in the best and most efficient ways.

2- Directives for Listing Securities on ASE

On 15 June 2000, ASE started implementing the Directives for Listing Securities on ASE for the year 2000, issued by virtue of the provisions of

Article 26 (a) of the Securities Law no. 23 of 1997. The issuance of said Directives has ushered in new concepts in line with international standards by way of market divisions and listing requirements. Under these Directives, traded shares of public shareholding companies on ASE shall be divided to three markets according to various criteria, namely; paid-in capital, market value, per annum earned profits, distributed profits, shareholders' equity, turnover ratio and trading days.

First Market

Companies whose shares are to be traded on the First Market must meet the following conditions:

- 1) The company's capital or market value must not be less than JD2 million,
- 2) The company's net shareholders' equity must not be less than its paid-in capital,
- 3) The company must have made net before tax profits for at least two of the last three fiscal years,
- 4) The company must have distributed profits or bonus shares at least once over the last three years,
- 5) Company's shares must have been listed on the Second Market for a full year at least.
- 6) The company's turnover ratio of shares over the last twelve months must not be less than 10%, and the company's trading days of shares must not be less than 15% of overall trading days for the same period.

Second Market

The listing requirements for the Second Market state that the to-be-listed company's net shareholders' equity must not be less than 50% of its paid-in capital and one full year must have elapsed since it was granted the right to start business.

Third Market

The new Directives have introduced the concept of trading shares of un-listed companies through what is known as the "Third Market." Upon obtaining the right to start business, a company can file an application with the ASE to trade its shares through this Market. The company shall not be listed on the ASE until it fulfills the listing requirements on the Second Market and submits an application for listing to ASE. Under this new concept, trading shares on ASE of newly established companies shall be permissible, upon completion of the set-up phase and initiation of business. This would provide a means for liquidizing the shares of such companies, including new IT companies, in an easy, smooth and fair-priced manner, since prices of shares would be determined by market supply and demand.

The new Directives also include provisions on companies that were listed on both the Regular and the Parallel Markets at the time of transfer to the new Markets. Companies listed on ASE at the time of enforcement of these Directives which do not fulfill the listing requirements on either the First or the Second Markets shall be considered as listed on the Second Market, provided that they adjust their conditions within the time period prescribed by the Board of Directors of ASE (two years).

Likewise, companies which are listed on the Regular Market and whose paid-in capital amounts to JD 20 million or more shall be considered as listed on the First Market, provided that they adjust their conditions according to these Directives within the time period prescribed by the Board of Directors of ASE (two years).

Furthermore, the Directives have given ASE some leniency in dealing with companies arising from privatization in a way commensurate with their performance and achievements. The Board of Directors of ASE has been granted the power to exempt recently privatized companies and companies which have been recently converted from limited liability companies and limited partnership in shares to public shareholding companies from the concept of gradual transfer from one Market to another, and have allowed for their direct listing on the First or Second Markets. The rationale for this leniency is that most of these companies are relatively big and solvent.

The new Directives also cover matters relating to the listing requirements of bonds and investment funds, and regulate the listing of Jordanian securities on foreign exchanges and foreign securities' listings on ASE. Additional powers have been vested in ASE vis-à-vis its relation with public shareholding companies. The new Directives now obligate public shareholding companies to supply ASE with the same statements and information required by to the Jordan Securities Commission (JSC) on financial statements and information and resolutions issued by the company that might affect the prices of its securities.

3- ASE Internal By-Law for Disputes Settlement

This By-Law was issued in pursuance of the Securities Law No. 23 of the year 1997 and went into force on 1/9/2000. The basic feature of this By-Law is to set up a clearly defined mechanism to resolve disputes arising between ASE members (financial brokerage companies) as well as between them and their clients through arbitration. This By-Law represents a qualitative leap in the resolution of disputes related to securities and falls in step with ASE's endeavors to attain international standards in this field, since almost all of the

regional and international stock exchanges adopt arbitration as a means to resolve securities disputes.

ASE opted for arbitration as a means to resolve disputes between financial brokerage companies and between brokerage companies and their clients for the numerous advantages presented by this system. Arbitration secures impartial and independent arbiters, who have experience in and knowledge of the subject matter of dispute from all its technical aspects, which would save time, effort and money as compared to resorting to the regular judiciary channels. Arbitration ensures swift procedures and confidentiality to the litigants, which is of particular importance when related to the financial situation or reputation of a litigant. Furthermore, the award is binding and enforceable and secures a final resolution to the dispute.

The main features of this by law are:

- a) The disputes resolved by this by-law are:
 1. Disputes arising between a client and a brokerage company in relation to the agreement drafted between the former and the latter, in accordance with the provisions of the Securities Law and regulations and directives issued by virtue thereof. Such disputes shall be referred to arbitration if the agreement contains an arbitration clause that provides for the referral of disputes to arbitration procedures in accordance with these By-Laws, or if the parties agree, once a dispute arises, to refer the dispute to arbitration in accordance with these By-Laws. The client may in all events request that a dispute between himself and any brokerage company be referred to arbitration in accordance with these By-Laws.
 2. Disputes arising between brokerage companies with regard to financial brokerage activities, if the parties agree that the dispute shall be resolved through arbitration procedures or if either of the two companies requests that the dispute be resolved through arbitration.
- b) The By-Laws do not prohibit parties from resorting to administrative procedures within the ASE or to optional conciliation to resolve disputes that are subject to arbitration, to facilitate procedures if the dispute can be resolved prior to initiation of arbitration procedures.
- c) Disputes subject to arbitration procedures in pursuance of these By-Laws shall be resolved through a single arbitrator or a panel of three arbitrators, agreed to by the parties.
- d) The By-Laws stipulate that the arbitration panel must apply relevant Jordanian legislation to the subject matter of dispute. As for procedures, the arbitration

panel shall apply procedures provided for in these By-Laws, and in case there is no provision, the relevant Jordanian legislation shall be reverted to.

4- Directives for ASE Financial Brokers' Guarantee Fund

ASE has issued its Directives on the Financial Brokers' Guarantee Fund pursuant to Article 26 (b) of the Securities Law. The Directives shall enter into force on January 1st of 2001.

A Brokers' Guarantee Fund (BGF) was set up to cover any default of buying brokers or any deficit in the balance of sold securities of selling brokers that ensues from trading securities on ASE. The Directives also stipulate that every brokerage firm that operates on ASE shall commit to pay an initial contribution to the BGF amounting to JD 15,000 (fifteen thousand), in addition to an on-going deduction of 0.0001 (one per ten thousand) of the brokerage company's daily trading volume. Thus, firms with a larger volume of trading pay a higher contribution, which strikes a fair balance among firms. The maximum amount paid by the BGF on behalf of any brokerage firm shall not exceed JD 150,000 (one hundred fifty thousand) for each transaction. Special procedures are to be followed by the BGF to cover any deficit within specified time limits, and any brokerage firm that fails to pay its dues to the BGF, including delay fees incurred according to the Directives, shall be suspended from trading on ASE.

In order to be fair to all brokerage companies' contributors to the BGF, the Fund's revenues shall be added to the balances of the members, each according to its contribution. Commitments due to the BGF from a faltering member shall be deducted from the said member's contribution. If the said member's contribution is not sufficient to cover its commitments, the difference shall be covered from the contributions of other members, each according to its share of contribution in the BGF. To avoid investment risks to the BGF funds, the Directives restricted investment of such funds to either government securities or bank deposits.

These Directives represent an important leap towards promoting confidence in the Jordanian capital market. Indeed, setting up the BGF largely contributes to securing sound settlement of executed trades on the ASE and providing full assurance to dealers that their deals would be settled in a timely fashion. This enhances local and foreign investors' confidence in the Jordanian capital market's abidance to international standards, its capacity to meet its investment requirements, and safe entry and exit from the market.

5- The Instructions For Sale Of Securities By Public Auction

In 2000, ASE issued the Instructions for Sale of Securities by Public Auction. The directives shall enter into force on January 1st of 2001. The Instructions were drawn up to regulate the sale of fractions of stocks of a company that arise from the increase or decrease of its capital through ASE. Under the Instructions ASE shall be in charge of executing sales of securities that are ordered by courts or relevant official parties.

6- Amend the Fees And Commissions of the ASE:

In order to develop and deepen the bonds market and to urge companies to list their corporate bonds, ASE reduced the annual commission in return for listing corporate bonds to the rate of 0.0001 (one per ten thousand) of the nominal value of said bonds, provided that the maximum amount collected does not exceed JD (1000).

The commission was lowered from its original fee of 0.0002 of the nominal value with a maximum amount JD 2000.

II- The Electronic Trading System (ETS)

Since the beginning of the year 2000, ASE has followed up all matters pertaining to the electronic trading system and set a schedule to initiate the electronic trading system. The schedule includes an intensive training program for brokers including simulation trading sessions and a theoretical and practical test for the brokers who will deal with the system.

The ASE launched the electronic trading system on March 26, 2000. The Chairman of the Jordan Securities Commission (JSC), the ASE Chairman, the Executive Director of Paris Bourse, the Commissioners of the JSC, the members of the ASE Board of Directors, and the CEO of the ASE attended the first electronic trading session. This event represented a significant leap for ASE in terms of keeping pace with international stock exchanges, where the electronic trading is the primary alternative to manual trading.

The electronic system upgrades and expedites trading in securities while providing transparency and safety for traders and investors in the stock exchange. The system tracks all selling and buying orders and matches the supply and demand for securities, electronically setting and applying the price. The application of the electronic trading system shall give considerable

flexibility and different information to the brokers, which in turn facilitates the execution of transactions with fairness, speed, and ease.

ASE has also placed large screens to display to the public the process that takes place on the electronic trading floor. In addition, the ASE has provided a direct linkage to the international news agencies for transmittal of trading information live and direct to all parts of the world.

Electronic trading started with ten companies' shares. Gradually, ASE moved the companies' shares from manual trading to electronic trading on consequent groups. One hundred public shareholding companies were moved on June 15 to the electronic trading system, thus representing the last group of companies to undergo such shift. With the decision to shift trading of bonds and investment units to the ETS, ASE has thus completed the transfer of all listed companies, bonds, and investment units from manual to electronic trading, and completely cancelled the Manual Trading System.

The conversion from manual to electronic trading at ASE ushered in more efficient and swifter trading in securities, while securing transparency and security to dealers and investors. The ETS gives brokers a lot of flexibility and information that keep them abreast of executed and un-executed transactions and enable them to analyze the situations of traded companies, facilitating fair, swift, and smooth execution. Furthermore, the ETS assists in monitoring trading, disseminating on-line information and increasing the market's depth and liquidity.

III: Remote Trading

Remote trading is being introduced in order to facilitate trading and improve dealers performance at ASE and to provide brokerage firms and dealers in securities with more flexibility and ease, ASE has up finalized all necessary procedures for remote trading. Remote trading is channeled through the offices of licensed brokerage firms as they gradually move their operations from the electronic trading floor to their home offices.

As of October 2000, ASE started implementing remote trading with 6 brokerage companies currently operating on ASE. Switching from the electronic trading floor to offices of brokerage companies continues gradually. ASE completed shifting from the Electronic Trading Floor to Remote Trading through the offices of licensed financial brokerage firms by the end of the year 2000. The offices of brokerage firms in Amman were connected with the Electronic Trading System through leased lines; the offices of brokerage companies located in the Housing Bank Complex were linked to the same system via fiber optics.

Hence, licensed brokers can trade securities from their offices without having to be physically present in the Hall, which will always be available for use in case of technical failures in the brokers' systems.

Brokerage companies have also equipped special halls for their clients to enable them to directly follow up on trading transactions. Dealers can now monitor market movements through the screens of operating brokerage companies, including banks licensed for financial brokerage. This step is important to facilitate trading and improve dealers performance at ASE.

IV: Disclosure And Information Dissemination

Since its inception, ASE has given special attention to introduce itself and disseminate its news at all local and foreign levels. The following was done within this framework:

1. ASE has completed the second phase of its website project which was established at 1999, thus enabling interested parties to have on-line access to share prices through the site's Ticker Tape. ASE also provides daily, weekly, and monthly trading reports on the site. ASE website has been attracting a growing number of visitors. The number of ASE's website visitors increased remarkably during the year 2000, reaching approximately 1.2 million during December 2000. The ASE board of directors agreed to broadcast live trading information through the internet and mobile phone services in pursuance of contracts with other parties which also allow them to put the ticker tape on their web site for free.
2. ASE issued the Public Shareholding Companies Guide on a laser CD which includes general information, financial statements for five years, and financial ratios.
3. ASE issued the Guide for Listed & Traded Companies 2000. Each listed and traded company's name both in Arabic and English, serial number, Reuters' code, telephone and email address are indicated therein. This guide includes the Market on which each shares are traded, number of subscribed shares, market capitalization, shareholders' equity, total assets, net income after taxes, cash dividends, and financial ratios, namely, Price/Earnings, Price/Book Value, Dividend/Yield, Return on Investment and Return on Equity for both 1998 and 1999. This Guide was issued and published for the first time in 2000.
4. ASE continued to issue a monthly Newsletter in 2000. The Newsletter covers ASE news each month, Board of Directors decisions, information about the volumes of trading, indexes and foreign investment, as well as the most significant economic news, and Arab and international stock

exchanges news. The first edition of the Newsletter was issued in August 1999. The ASE continued to issue the monthly statistical bulletin.

5. In 2000, the ASE continued to broadcast trading information through Bloomberg & Reuters. Investors can watch the trading information live and direct anywhere in Jordan or the world.

V: Accepting New Members At ASE

During 2000, a number of companies licensed by JSC to practice financial brokerage activities were accepted as members in ASE. These companies were:

1. The Jordan Islamic Bank, a public shareholding company with a capital of JD 38.5 million. The license granted covered its work as a commissioned broker and a broker buying and selling for its own portfolio, a broker underwriting new securities issuances, and a financial consultant broker for investment in securities.
2. Atlas Investment Group Services, a limited liability company with a capital of JD 1.265 million. The license granted covered its work as a commissioned broker and a broker buying and selling for its own portfolio.

VI: Listing Securities at ASE

ASE continues urging public shareholding companies to list their securities on ASE. During 2000 the following companies agreed to list their shares on the ASE, with a combined total capital of JD 33.8 million.

- Asharq Al-Arabi Insurance, with a capital of JD 2 million.
- Jordan Investment Trust, with a capital of JD 15,354,498.
- Arab Real Estate Development, with a capital of JD 3,850,220.
- Jordan Duty Free Shops, with a capital of JD 4.51 million.
- Real Estate Development, with a capital of JD 4 million.
- Salam International Transport & Trading, with a capital of JD 2,937,564.
- International Detergent Manufacturing, with a capital of JD 1,125,612.

Also, during 2000 the shares of the following companies were accepted to trade through the third market with a total combined capital of JD 81.1 million.

- National House For Press and Media, with a capital of JD 4 million.
- Jordan Dead Sea Industries, with a capital of JD 30 million.
- Trust International Transport, with a capital of JD 3,455,200.
- First Telecommunication Group, with a capital of JD 1,642,500.
- Jordan Magnesia, with a capital of JD 30 million.

- Ittihad Schools, with a capital of JD 12 million.

Also, listing of the following bonds was approved with a value of JD 131.95 million

- Zara Investment Corporate Bonds, with a value of JD 10 million.
- Jordan Mortgage Refinance Corporate Bonds, with a value of JD 4.45 million.
- Al- Dawliyah For Industrial Trade And Tourist Investments Corporate Bonds, with a value of JD 7 million.
- The Jordan Worsted Mills Corporate Bonds, with a value of JD 7 million.
- Middle East Complex For Engineering Electronics And Heavy Industries Corporate Bonds, with a value of JD 5 million.
- Union Chemical & Vegetable Oil Industries Corporate Bonds, with a value of JD 3.5 million.
- Jordan Hotels & Tourism Corporate Bonds, with a value of JD 10 million.
- Agricultural Lending Foundation Bonds, with a value of JD 10 million.
- Water Authority Bonds, with a value of JD 30 million.
- Central Bank of Jordan Treasury Bonds, with a value of JD 40 million.
- Citibank/Jordan branch corporate bonds, with a value of JD 5 million.

VII: Cooperation with Arab and International Institutions

As part of ASE efforts to strengthen ties of cooperation with international and Arab capital market institutions, ASE has participated in several meetings and lectures held at both Arab and international levels. In this context, the Union of Arab Stock Exchanges and Securities Commissions, in cooperation with ASE, has organized a lecture on a projected Arab Financial Markets Network, which aims to collect the live trading information, buying and selling orders, financial information, news and analysis for exchange members in the network and transmit this information to brokers and investors in the Arab markets. In addition, ASE participated in the Middle East Conference for Linking Global Markets hosted by the NASDAQ with delegates from Middle East stock exchanges, which aims to increase mutual cooperation within these exchanges.

ASE attended the sixth annual meeting of the General Assembly of FEAS, which took place in Skopje, Macedonia. Means of cooperation among member countries and exchange and dissemination of information through the FEAS Data Center (FDC) that FEAS had set up to serve its members were discussed

ASE participated in the Emerging Markets Committee Meeting organized by Jordan Securities Commission (JSC) in cooperation with International Organization for Securities Commissions (IOSCO). Many Arab and international countries and capital markets were presented in this meeting.

ASE participated in the stock exchanges' seminar organized by the Bahraini Middle East Center for Securities and Training in coordination with Abu Dhabi and Dubai stock exchanges. The discussion focused on main features of the Arab stock exchange and cross-listing among them. Recent technical and legislative developments on ASE were also noted during this seminar.

ASE prepared a lecture for the training course organized by The Euromoney in association with ASE. The recent developments in the Jordanian capital market and within ASE were mentioned in this lecture.

Pursuant to its continuous efforts to develop the Arab Capital Markets Data Base, the Arab Monetary Fund (AMF) has sent a technical mission to ASE to download its new Oracle-based software, which has been developed for the purpose of transferring daily data to AMF database. Database correspondents have been trained on the new software, and daily reports are emailed on a daily basis to AMF database.

8- Interaction With Local Community

With a view to sustaining interaction between ASE and the local community, and convinced of the need to raise awareness of its vital role in support of the national economy, ASE participated in several meetings, activities and lectures in a number of local economic institutions and centers during the year 2000.

The ASE presented a lecture to the Association of Certified Financial Professionals on electronic trading. A lecture titled, "Recent Developments at the ASE" was also presented at Jordanian Development Center, and many other lectures regarding the ASE and its recent developments were presented at universities, institutions, and schools in Jordan.

In addition, ASE received groups of students from different Jordanian universities and schools. The students were given tours through the electronic trading floor and were briefed on trading mechanisms and latest developments at ASE. All of these public awareness events occurred alongside routine national and international media activities.

ARAB AND INTERNATIONAL STOCK EXCHANGES

International and Emerging Stock Exchanges

Most international stock exchanges concluded 2000 with a poor performance. The indexes of these exchanges registered a decrease in their share prices. The World Index calculated by Morgan Stanley Capital International Perspective (MSCI-P) for the world as a whole went down for this year by 14.0%. MSCI-P index for Europe, Asia and the Far East decreased by 16.0% in 2000 as compared to 1999.

As for emerging markets, 2000 witnessed a sharp decline in their performance. All indexes calculated by the International Finance Corporation (IFC) registered a decrease in comparison to 1999. IFC Composite Index for emerging markets, including Jordan, the Regional Index for Asia, and the Regional Index for the Middle East and Africa recorded a decline of 30.0%, 37.8%, and 9.6%, respectively, as compared to the closing of 1999, table (10)

Table (10)
Performance of Stock Indexes at End 2000
Compared With End 1999

Index	% Change
World Index - MSCI-P	-14.0%
Europe, Asia, Far East - MSCI-P	-16.0%
IFC - Composite Index	-30.0%
IFC - Regional Index Asia	-37.8%
IFC - Regional Index ME & Africa	-9.6%

Within this context, most of the American exchanges recorded dramatic setbacks in 2000 compared with 1999.

Nasdaq composite index (dominated by IT and Internet stocks) dropped by 39.3% (the largest drop since calculating the index in 1971). Stock prices in New York Stock Exchange declined by 6.2% according to Dow Jones index, while stock prices at Chicago Stock Exchange increased by 13.2%. Stock prices in Copenhagen, Zurich and Toronto increased by 22.8%, 7.5% and 6.2% respectively compared with 1999.

As for Helsinki Stock Exchange, HEX index declined by 10.6%, FT-SE100 index of London Stock Exchange went down by 10.2% (the biggest decline since 1994), while DAX index of Frankfurt Stock Exchange dropped by 7.5% driven by the decline of the stock price of Deutsche Telecom. CAC40 Index of Paris Stock Exchange witnessed a slight decline of 0.5%. NIKKIE index of Tokyo Stock Exchange and Hang Seng Index of Hong Kong Stock Exchange dropped by 27.2% and 11.0% respectively as a result of the decline in IT and Internet stock prices. Table (11)

Table (11)
Performance of International Stock Exchanges at End 2000
Compared With End 1999

Exchange	Index	% Change
New York	DJIA	-6.2%
Nasdaq	Nasdaq - Composite	-39.3%
Helsinki	HEX	-10.6%
London	FT- SE 100	-10.2%
Paris	CAC40	-0.5%
Tokyo	NIKKIE	-27.2%
Frankfurt	DAX	-7.5%

According to IFC reports, most stock exchanges registered a decrease in share price indexes valued in US Dollars during 2000. 32 stock exchanges recorded a drop in their share prices against a rise in share prices of six exchanges. The share price indexes of Indonesia, Korea, Thailand, Istanbul, Taiwan and Greece stock exchanges valued in US Dollars for the closings of the year 2000 went down by 59.3%, 57.0%, 55.7%, 51.7%, 47.4% and 44.6% respectively, as compared to the closings of the year 1999, while the stock exchanges in Nigeria, Venezuela, China and Slovakia rose by 61.4%, 26.5%, 23.0% and 3.5% respectively.

Market capitalization, valued in US Dollars, as it stood at the end of 2000 for stock exchanges in Madrid, Copenhagen, Oslo and Hong Kong increased by 17.0%, 14.7%, 3.3%, and 2.5% respectively, as compared to end of 1999, while the market capitalization of Istanbul, NASDAQ, Tokyo, London, Frankfurt, and Paris stock exchanges dropped by 38.2%, 31.2%, 29.1%, 12.8%, 11.3% and 3.7% respectively, as compared to 1999.

Arab Stock Exchanges

The performance of Arab stock exchanges in 2000 was weak. Arab Monetary Fund Composite Index valued in US Dollars dropped by 10.6% in 2000 compared to 1999. Available figures of share prices valued in local currencies indicate that share prices on Tunis Stock Exchange went up by 75.9%, compared to 1999. In Saudi Arabia Stock Market, share prices went up by 9.9% and Egyptian stock exchanges witnessed a slight increase of 0.3% in share prices.

Share prices in Muscat, Bahrain, Beirut, Casablanca and Kuwait stock exchanges registered a drop by 19.6%, 18.4%, 17.6%, 15.3% and 6.5% respectively, as compared to 1999, table (12)

Table (12)
Performance of Arab Stock Exchanges at End 2000
Compared With End 1999

Exchange	% Change
Tunis Stock Exchange	75.9%
Saudi Stock Market	9.9%
Egyptian Stock Exchanges	0.3%
Kuwait Stock Exchange	-6.5%
Casablanca Stock Exchange	-15.3%
Beirut Stock Exchange	-17.6%
Bahrain Stock Exchange	-18.4%
Muscat Stock Exchange	-19.6%
Amman Stock Exchange	-20.5%

Market capitalization for listed shares valued in US Dollars increased in some Arab stock exchanges at the end of 2000. The market capitalization in the Saudi Arabia, Tunis and Kuwait stock exchanges showed an annual increase of 10.2%, 6.5% and 1.3% respectively, while the market capitalization in Casablanca, Muscat, Beirut, Bahrain and Egypt stock exchanges went down by 20.6%, 18.2%, 17.6%, 7.5% and 6.8% respectively, compared with those figures from the end of 1999.

Figure (5)
Arab Stock Exchanges Performance at End 2000
Compared With End 1999

Figure (6)
Performance of International Stock Exchanges at End 2000
Compared With End 1999