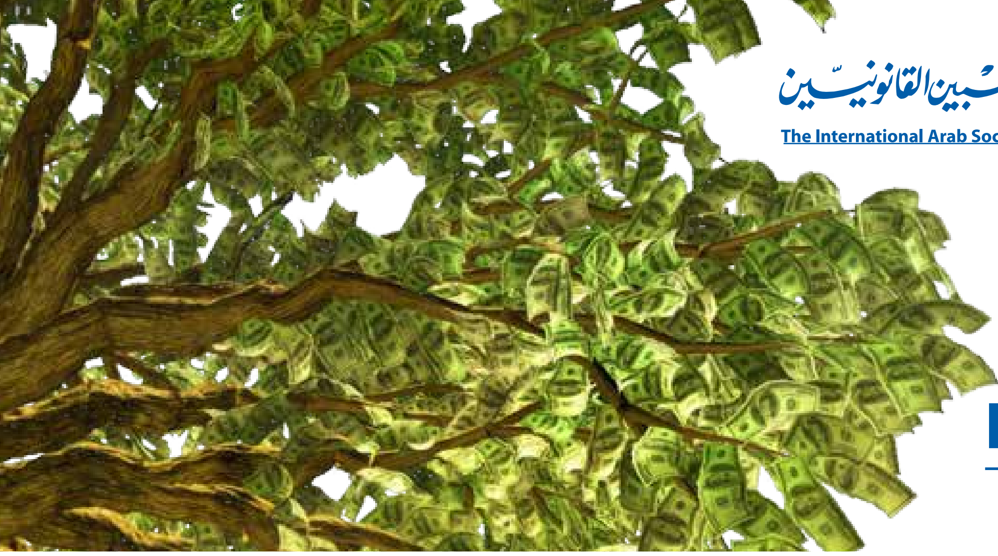

المجمع الدولي العربي للمحاسبين القانونيين

The International Arab Society of Certified Accountants (IASCA)

عضو في طلال أبوغزاله فاوندیشن

Member of TAG-Foundation

IASCA Newsletter

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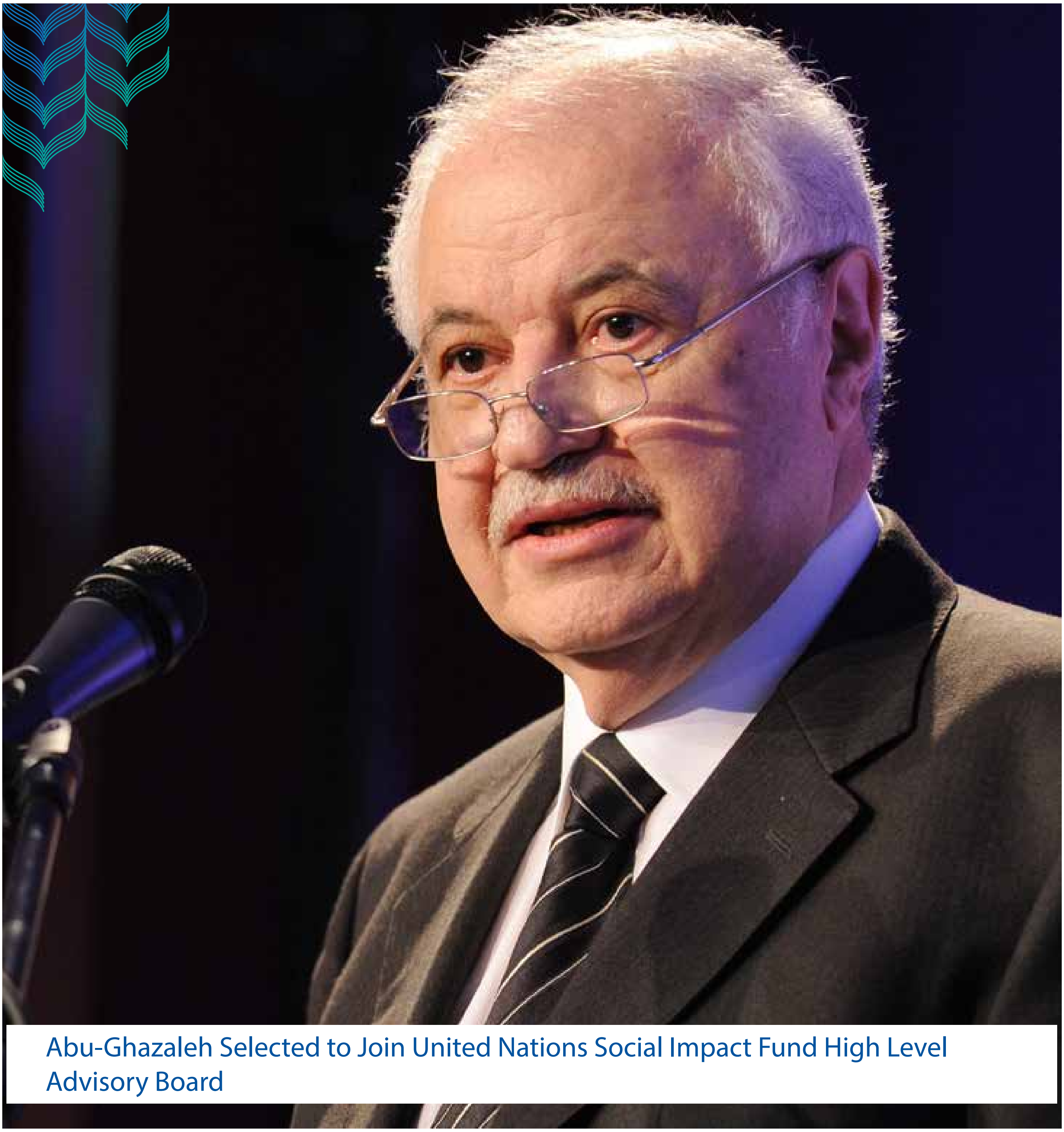
YOUR GATE TO ACCOUNTING, AUDITING AND CODE OF ETHICS



Abu-Ghazaleh Selected to Join United Nations Social Impact Fund High Level Advisory Board

IN THIS **EDITION:-**

Abu-Ghazaleh Selected to Join United Nations Social Impact Fund High Level Advisory Board

AMMAN- Upon an official invitation from the UNDP UN Under Secretary-General Ms. Helen Clark and the UNDP Director, Regional Bureau for Asia and the Pacific Mr. Haoliang Xu, HE Dr. Talal Abu-Ghazaleh, chairman of Talal Abu-Ghazaleh Organization (TAG-Org) will serve as a member of the United Nations Social Impact Fund High Level Advisory Board (UNSIF-HLAB).

As expressed in the invitation letter, Dr. Abu-Ghazaleh's selection was based on his exemplary leadership, profound insights and expertise deemed indispensable in enabling UNDP-UNSIF to maximize its overall social, economic and policy value for the government, the UN and the financial and impact investing sector. The letter addressed Dr. Abu Ghazaleh: "Acting as a critical advisor and friend of UNSIF, you have the opportunity to jointly shape the direction of UNSIF policy initiatives, investment strategy and impact, with a group of renowned and committed leaders."

The acknowledgement of Abu-Ghazaleh's commitment to social development and achievements were highlighted in the letter stating: "Your commitment to bettering society, and in particular nurturing youth and expanding opportunities for all, is inspiring. Under your leadership, the Talal Abu-Ghazaleh Organization and the Talal Abu-Ghazaleh Foundation are strengthening the minds and hearts of generations to come, setting the foundation for a robust knowledge-based economy. Your experience with leading a highly successful "hybrid" model of a for- profit organization with a pro-social mission will be invaluable to the United Nations Social Impact Fund that looks to use blended financing to support entrepreneurs around the world as they contribute to a strong and resilient world."

Dr. Abu-Ghazaleh, who is also a member of the Jordanian Senate responded "I am pleased and honored to join your UNSIF-HLAB. Your objectives are at the core of TAG-Org's mission. Having served as UN ICT TF co-chair and UNGAID chair, I would propose that you consider the use of ICT as an enabler in achieving the objectives."

Dr. Abu-Ghazaleh's consistent adherence to emphasizing the necessity for ICT was further articulated in his declaration that Development of Information and Communication Technology (ICT) and enhancing its use are considered the cornerstone of a country's economic structure.

It is noteworthy to mention that Senator Abu-Ghazaleh has chaired more than 14 UN taskforces and initiatives including UN ICT TF co-chair and UNGAID chair, and he was Vice chair with Their Excellences Kofi Anan and Ban Ki Moon of the UN Global Compact as well as being a member of several UN programs, most recently being named Special Ambassador to the World Tourism Organization (UNWTO).

In 2016, during the UNDP's celebration marking the 50th Anniversary of its founding and the 40th Anniversary since the start of its operations in Jordan, Dr. Abu-Ghazaleh was honored for his role in advancing the UNDP's development goals.

TAG-Org cooperates with the UNDP on various projects, most notably in the fields of capacity building which aims to achieve sustainable development for Jordanian youth and Syrian refugees. In 2016, the Ministry of Planning and International Cooperation launched a UNDP funded study on the "Indirect Impact of the Syrian Refugee Crisis on the Jordanian Economy" which was prepared by Talal Abu-Ghazaleh & Co. Consulting (TAG-Consult).

The UNDP-UNSIF supports the financing for Sustainable Development Goals (SDGs) agenda, and was established in November 2016.

Redeemable Shares
By Dr. Rafiq Tawfiq Al Dweik- ASCA (Jordan) BOD Members

AMMAN- Article (68 /b bis) of the Jordanian Companies Law No. (22) for the year 1997 as amended titled (types of shareholding options) provided that: The Memorandum of Association of a Private Shareholding Company may stipulate its right to issue redeemable shares either upon the Company or shareholder's request or upon the availability of certain conditions.

However, the said law did not include any clarifications, controls or provisions related to the issuance of this type of shares and the method of dealing with them in terms of accounting and legal methods of disposition of this type of shares. Also no any by-law or regulations were issued until the date pursuant to the said law to support the provisions of the law to address the deficiency referred to.

Following are some lights on this type of stock and some of the provisions related to it according to the practices applied in other countries and what is stated in the literature regarding the redeemable shares:

- Redeemable shares includes a purchase option that allows the issuing company to dispose of these shares exclusively on or after the agreed upon call date (call option). These shares are called back by cancellation and payment of their current value in addition to the accrued dividends.
  - Call Date of shares for payment or exchange with another type of shares:
    1. The call date of shares for payment or replacement is not necessarily the date of amortizing of the shares, as this may be done at a later date as the date mentioned is the first date for taking a possible action in this regard, and the issuer company in this case can determine the date of payment or replacement at any later date, or not to set any date at all.
    2. In some cases, the date of amortization or replacement to be decided by the Board of Directors of the issuing company.
    3. If the prospectus contains a maturity date, the issuing company in this case shall be bound by the amortization or payment process.
- The prospectus for the issue of redeemable shares should include:
  1. The Call (Date of payment) and related options.
  2. The party that has the right to determine the Call Date is it the right of the shareholder or the right of the issuing company?
  3. The price of the payment is it at par value or at the present value of the shares as at the Call Date?
  4. The percentage of dividends and the method and timing of payment, including the right of the issuing company to accumulate dividends in case of lack of liquidity for distribution.
  5. Options available to the shareholder either to exchange redeemable shares by ordinary shares or to any other type of issued shares and / or liquidating their value at the Call Date.
  6. Preferential treatment enjoyed by the redeemable shares in terms of receiving periodic dividends and of receiving of the shares' value in the event of liquidation of the company or any other related matters.
- The Company issues Preferred redeemable shares for a specified period of time. These shares are often issued when the company has plans for growth or expansion; in this case, capital increase is used rather than leveraged to avoid the consequences of more debt.
- The shareholders may choose the right time to redeem the value of the redeemable shares at the end of the agreed period (Call Date). The shareholder has the option, either to exchange of shares with ordinary shares, or to receive the shares' value in cash. In this case, the shareholder will redeem the par value of the redeemable share in addition to the shares' dividends.
- The Call Option of the redeemable shares may be of the right of the issuing company. Therefore, the issuing company exercises this right if the borrowing interest rates are reduced and become less than the proportion of the dividends of the agreed upon redeemable shares. In this case, the company will replace the shares with debt.

- Redeemable shares are usually given preferential treatment over other categories of shares. These include preferred payments on ordinary shares. These repayments include periodic dividend payments, as well as repayments made when the company is eventually liquidated. Creditors' rights are first repaid and then after the more are used to repay redeemable preferred shares. In most cases, redeemable preferred shares are preferred to other categories of preferred shares as well.
- In some cases, the Call Option depends on the occurrence of a certain event, such as the death of the shareholder, in such case, if the option of amortizing option is the right of the issuer, it is likely to exercise this right if it has sufficient liquidity and the issuer wants to reduce the number of shares of capital. As the redeemable shares are amortized, the company will shrinks the value of the dividends without affecting the normal return on the ordinary shares.

Redeemable shares represent a hybrid model for the following reasons:

- Although this type of shares has the priority to be paid back, but it does not have a voting power in the General Assembly Meetings, as it is often considers redeemable shares a hybrid form of sources of funds that falls between the shares and debt.
- This type of shares is issued for a fixed period of time just like debt, and holders of these shares are paid dividends instead of interest.
- The redeemable shareholders have no rights in the assets of the company nor the right to interfere in the management of the company.

Changes in shares prices:

- The prices of both ordinary shares and redeemable preferred shares remain volatile, mainly due to the change in the company's profitability position.
- Retrospective redeemable shares have the right to receive specific dividends, while ordinary shares will receive all remaining dividends and returns after payment of the rights of creditors and redeemable shareholders.
- The redeemable shareholders must carefully assess the potential differences in the price before they can exchange their redeemable shares with ordinary shares.

Reasons for issuing redeemable shares

1. Not to increase the ceiling of leveraged transactions.
2. Flexibility in determining the percentage of distributable dividends.
3. Finding a type of shares that do not have voting power.
4. Make room to issue shares to administrators, employees or family members.

Articles of the Jordanian Companies Law relating to redeemable shares

1. Article (68 bis) of the Jordanian Companies Law No. (22) for the year 1997 as amended provides as follows:
   Share Types and Shareholding Options
   A. Subject to any provisions in this part, the Company may, according to its Memorandum of Association, issue various types and categories of shares which differ in their terms of nominal value, voting force and method of profit and loss distribution among shareholders. These shares also differ in respect of their rights and priorities upon liquidation and their aptitude to be converted into other types of shares besides their related rights, advantages, priorities and other restrictions, provided that these be implied or summarized in the shares' certificates if found.
   B. The Memorandum of Association of a Private Shareholding Company may stipulate its right to issue redeemable shares either upon the Company or shareholder's request or upon the availability of certain conditions.
   C. Any type or category of the Company's shares may have priority over other categories and types regarding profit distribution. Furthermore, these shares may be entitled to a lump sum or a specified percentage of the profit that are subject to conditions and periods set by the Memorandum of Association. Moreover, any of these types and categories may have priority in receiving profits due to them, for any year during which no profit was distributed, in addition to profits due in that fiscal year.
   D. The Memorandum of Association of a Private Shareholding Company may provide for the possibility of converting or replacing any share type or category issued by it into any other type or category upon the request of the Company or a shareholder or upon the fulfillment of a certain condition according to rates and method set in the Company Memorandum of Association.
   E. A Private Shareholding Company may buy any shares it had previously issued. It may also re-issue or sell same for the price deemed proper by the Board of Directors or cancel them and accordingly decrease its capital on the basis

set out in its Memorandum of Association and this Part. Company owned shares shall not be taken into consideration for the purpose of ascertaining a quorum for attendance at the General Assembly's meeting and for taking decisions therein, provided that the Securities Law and regulations and instructions issued pursuant thereto are observed.

F. Subject to the Company's Memorandum of Association, the Securities Law and regulations and instructions issued in pursuance, a Private Shareholding Company may issue share options that permit their holders to buy or request the Company to issue shares. The options' conditions, date of implementation and implementation prices of same shall be determined in the Company Memorandum of Association or pursuant to a decision by the Board of Directors provided that it is authorized to do so by the extraordinary General Assembly.

2. Article 86 (bis) of the same law provides that:

Gross Losses

"If a Private Shareholding Company is exposed to gross loss so that it becomes unable to meet its obligations towards its creditors, the Board of Directors shall invite the Company extraordinary General Assembly to a meeting to issue a decision, either to liquidate the Company, or issue new shares, or any other decision which would guarantee its ability to fulfill its obligations. If the General Assembly is unable to take a definite decision in this respect during two consecutive meetings, the Controller shall give the Company a one-month grace period to take the required decision. In the event the Company fails to do so, it shall be referred to the Court for compulsory liquidation in accordance with the provisions of this Law".

3. Article (89/a) of the same law provides that:

Application of other Provisions " Provisions related to Public Shareholding Companies stipulated in this Law shall apply to a Private Shareholding Company, unless an express provision is provided for in this Part, or Articles or Memorandum of Association. "

4. Article 186 of the same law stipulates that:

Distribution of Profit and Compulsory Reserve

1. The Public Shareholding Company may not distribute any dividends to its shareholders except from its profits, and after settling the rotated losses of the previous years. The Company shall deduct an amount equivalent to 10% of its annual net profit for the compulsory reserve account. No profits shall be distributed to shareholders before the deduction of such an amount. These deductions may not cease before the total amount accumulated in the account of the statutory reserve has become equal to one quarter of the Company subscribed capital. However, the Company may, with the approval of the General Assembly continue to deduct this annual ratio until this reserve equals the subscribed capital of the Company in full.

2. A Public Shareholding Company may not distribute its compulsory reserve amongst its shareholders. However, the Company may use the said reserve to secure the minimum limit of profits as required by the agreement of Companies having concessions, for any year, where their profits at the said year cannot secure that minimum limit. The Company's Board of Directors must return to that reserve the amounts which have already been deducted there from whenever the profits of the Company allow that in the following years. The Council of Ministers may, shall the need arise, partially use the compulsory reserve of the Company, as the case may be, to cover its payments for the purpose of settling surplus profits realized for the government that are in excess of the profit stipulated in accordance with the concession agreement in which it is a party provided that such reserve is returned in accordance with the provisions of paragraph (a) of this Article.

Accounting standards that address redeemable shares

1. IFRS did not address the accounting treatment of this type of shares.
2. The Accounting Standards Codification ASC 480 issued by the Federal Accounting Standard Board (FASB) addresses the accounting treatment of this type of shares under the following principles:
   A. If the terms of issuing redeemable shares include any condition that may ultimately result in the payment of such shares, the shares in the financial statements shall be classified as liabilities rather than equity instruments.
   B. If the terms of the issuing redeemable shares may ultimately result in non-payment of the value of these shares, the shares are classified in the financial statements as temporary equity instruments and are classified as equity in a separate item.

IACPA May 2017 Exam Results Released

AMMAN - The International Arab Society of Certified Accountants (IASCA) announced the exam results of the International Arab Certified Public Accountant (IACPA)-May 2017 cycle with 20% pass rate.

Mr. Salem Al-Ouri- Executive Director of IASCA said that the exam marking process was carried out by a specialized committee of experts, professionals, and academics in accounting, auditing, economics, financial management, and legislation.

IACPA exams are held twice a year in June and December at more than 36 centers around the Arab world. Candidates should complete four papers in (Economic, finance, accounting, auditing, and Regulations in order to pass the IACPA exam.

IACPA Curriculum has been developed in accordance with the International Accounting Standards and International Auditing Standards in collaboration with a host of consultants from IASCA. The qualification has been accredited by the UAE, Yemen, Syria, Lebanon, Sudan, Qatar, Kurdistan Region (Iraq) in order to become a licensed professional accountant.

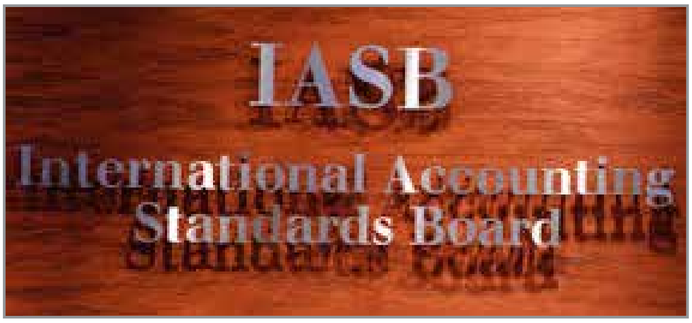
General Insurance: The Wide-ranging Implications of IFRS 17

LONDON - The new accounting standard for insurance contracts, IFRS 17, will have wide-ranging implications for (re)insurers, and many firms are preparing for significant changes to their business operations.

After 20 years in the making, the International Accounting Standards Board (IASB) has published the new accounting standard for insurance contracts, IFRS 17. It will be effective from January 1, 2021, with prior-year comparative reporting required. Here we provide a taster of the key changes to the recognition and valuation of insurance contracts that will affect general insurers.

Currently, comparisons across different industries, products, companies and jurisdictions are difficult. The IASB wants to achieve consistent accounting for all insurance contracts by all companies around the globe (although the US has opted out and US GAAP will persist) and enable comparability with non-insurance products.

Not only will this affect general insurers' operations, but it will also introduce changes to the presentation of results in the financial statements as well as potentially having an impact on the financial results themselves.



General measurement model

The general measurement model for liabilities under IFRS 17 is known as the building block approach (BBA) and all (re)insurance contracts will be measured as the sum of:

- 'Fulfilment' cash flows (updated at each reporting date), which are defined as:
  - The present value of probability-weighted expected cash flows (best estimate cash flows); plus
  - An explicit risk adjustment for insurance risk
- Contractual service margin (CSM), which is the expected profit from the unearned portion of the contract

Under the BBA, the CSM is amortized and profits are recognized over time as insurance services are provided over the coverage period of the contract (over the term of the policy). However, losses from onerous (or, more simply, 'loss making') contracts are recognized immediately. After the end of the coverage period, any future profit or loss from the run-off of the liabilities (which, in general insurance, usually extends past the end of the coverage period) will flow straight through into the income statement.

IASB Begins Second Phase of IFRS 13 Review with Call for Information

LONDON - The International Accounting Standards Board (IASB) has issued a request for stakeholders to tell the Board about their experience with the accounting standard that explains how to measure the 'fair value' of assets and liabilities, IFRS 13. The aim is to check whether the Standard meets its objectives.

This request is part of the Board's Post-implementation Review (PIR) of IFRS 13 Fair Value Measurement. The objective of a PIR is to assess whether an accounting standard works as intended and achieves its objectives. This assessment involves analyzing how the requirements in the standard affect investors, companies and auditors. The PIR also helps detect areas of a standard that may present challenges that could result in inconsistent application of the requirements.

The PIR of IFRS 13 consists of two phases. In the first phase, the Board identified topics for further analysis in the second phase. The second phase starts with a Request for Information (RFI) published today, and focuses on:

- disclosures about fair value measurements;
- further information about measuring quoted investments in subsidiaries, joint ventures and associates at fair value;
- application of the concept of the 'highest and best use' when measuring the fair value of non-financial assets; and
- application of judgment.

In addition, this RFI explores whether there is a need for further guidance on measuring the fair value of biological assets and unquoted equity instruments.

Hans Hoogervorst, IASB Chairman, said: Post-implementation Reviews form an important part of our work to maintain IFRS Standards, and I encourage our stakeholders to share their experience with IFRS 13.

IFRS 13 defines fair value and sets out, in a single IFRS Standard, how fair value should be measured and which disclosures are required about fair value measurements. The Standard was issued in May 2011 and became effective from January 1, 2013.

http://www.ifrs.org/news-and-events/2017/05/iasb-begins-second-phase-of-ifrs-13-review-with-call-for-information/

Overall Effect of IFRS 9 on Financial Profiles of GCC Banks is Manageable, says S&P

DUBAI - The impact of International Financial Reporting Standard (IFRS) 9 "Financial Instruments" on the financial profiles of the rated banks in the Gulf Cooperation Council (GCC) will be manageable, according to a recent report by S&P Global Ratings.

Due to be implemented on January 1, 2018, IFRS 9 requires banks to take a more forward-looking approach to provisioning. At the moment, banks are required to set aside specific provisions only when they incur losses, or when the counterparty or financial asset defaults on its obligations. Under IFRS 9, banks will have to set aside provisions in advance, based on their loss expectations.

"Our view that the impact of IFRS 9 will be manageable is due in part to the relatively conservative approach that GCC banks already take to calculating and setting aside loan-loss provisions. Some banks, for example those in Kuwait, take a conservative approach as part of local regulatory requirements to set aside general provisions for all their lending portfolios," said S&P Global Ratings credit analyst Mohamed Damak.

According to S&P's base-case scenario, rated GCC banks will have to set aside additional provisions equivalent to 17 per cent of their net operating income on average following the adoption of IFRS 9. Excluding banks with no provision shortfall, the same measure rises to 27 per cent under the base-case scenario. However, these results mask significant differences between banks.

The least affected rated banks would be in Kuwait. This is because the regulator already requires banks in Kuwait to set aside a general provision on their performing facilities equivalent to one per cent of cash facilities and 0.5 per cent of non-cash facilities.

The most affected rated banks would be in Qatar, primarily due to the specific cases of a couple of Qatari banks that have either seen a significant deterioration in their asset quality indicators, or an increase in past due but not impaired loans, over the past couple of years.

In a statement, S&P clarified that it calibrated its assumptions based on rated GCC banks' balance sheet structures. The same methodology and assumptions might not be applicable to other banks or other jurisdictions.

CPI Financial
Document CPIFIN0020170530ed5u0005q

http://www.cpifinancial.net/news/post/41352/overall-effect-of-ifrs-9-on-financial-profiles-of-gcc-banks-is-manageable-says-s-p

FOR MORE INFORMATION

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