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# REGULATING OF DIGITALIZATION AND CORPORATE GOVERNANCE IN JORDANIAN LAW

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## INTRODUCTION

The rapid changes in technology have had a profound impact on company law, and particularly on corporate governance. One way in which corporate governance has been affected by technology is through the increasing use of electronic means for making and communicating decisions by members, directors, and other stakeholders of a company. The creation of a legal framework for the use of this technology to aid and increase the levels of efficiency and effectiveness of governance is essential if a secure, more transparent, and lower-cost way of reaching and making decisions affecting companies is to be achieved. This examination focuses on the law in Jordan that is designed to achieve this objective but assesses its effectiveness and the ways in which it may be made more helpful to those wanting to take the step towards electronic corporate governance. The conclusion is that the current legal framework in Jordan is inadequate and needs to be changed in order to provide for the necessary transition.

One reason for the current inadequacy in Jordan appears to be that lawmakers have not understood fully and appreciated the burgeoning developments in the commercial use of technology to achieve a better and more effective corporate governance system. However, another important reason for this lack of legal development appears to be the result of implementation and compliance issues caused by the considered provisions of the laws and the particular corporate environment that has already given rise to corruption and inconsistent judicial decisions. For these reasons, this work seeks to address the question of how Jordan can move from its current position of a paper-based commercial environment to the position where any actions or inactions of its corporate directors and the protection of its shareholders and creditors can be effectively monitored and thus become more transparent, more accountable, and ultimately operational.

### 1.1. Background and Rationale

Silvie Delcourt has lamented the fact that discussions about corporate governance have almost systematically been restricted to governance relationships inside companies, thus introducing a certain element of dualism and taking as their frame of reference the way in which such internal governance should be organized to meet the requirements of outside stakeholders and has reiterated the paramount importance of the corporation's external relationships, most notably the corporation/society relationship. In his attempt to create a new corporate governance paradigm, Baums has described the historical context in which the normative model of corporate governance has developed, initially ignoring and later regulating the relationship between the company and its outer stakeholders to protect the interests of a broader spectrum of stakeholders than merely the controlling shareholder.

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### 1.2. Research Aim and Objectives

This research is aimed at analyzing the relevant provisions of the Companies Law, the Companies Control Law, the Electronic Transactions Law, and the Companies Register Law, as well as the instructions, by-laws, decisions, and circulars issued by the ministers responsible for implementing these laws to identify any gaps that may exist between regulating electronic corporate governance in Jordanian law and how to address these gaps. Hereunder are the objectives of this research. 1. Regulate electronic corporate governance in Jordan as a means to alleviate the lack of corporate governance and increase investments in its stock exchange, as well as organizations' spending on social responsibility toward the environment. 2. Align Jordanian law with global and regional trends toward regulating corporate governance in a more advanced and modern manner. 3. Reform, restyle, and reinstate the study issued in 2007, which is considered outdated and has reached the brink of obsolescence with the introduction of advanced electronic transactions with the government to a level that is unparalleled in most parts of the world, compared to the backwardness of the initiatives undertaken by private sector companies in Jordan regarding the regulation of electronic corporate governance in their practices. In achieving the purposes of this study, questions were to be answered concerning the proposed research questions of the study, where, with every close, questions are asked, "What are the problems and what brought them about?" "What is to be done now, and how should it be done?" and "How can it be carried out and enforced?"

## 2. Corporate Governance: Concept and Evolution

It is essential to shed light on the concept of corporate governance before embarking on discussing it electronically. This area seems to be one of the most overloaded in legal and non-legal literature amid general acceptance of its importance. Such importance stems from a particular phenomenon known as "separation of ownership from management." A typical corporation is owned by a large number of shareholders, but its daily affairs are run by a limited number of managers. The need to ensure that the managers act honestly, loyally, and diligently in the interest of shareholders has brought about the idea of corporate governance.

Corporate governance is defined as "the means by which businesses are directed and controlled." There is a clear distinction between private and public kinds of business in this context. Private corporate governance involves asking the question "who is governing the company?" It raises the leadership and structural issues. In contrast, public corporate governance is about "how corporations really work." The dichotomy of corporate control and corporate performance is described as universal problems of corporate governance. The idea is fully grasped with the notion that "the corporate governance structure can represent appropriate methods for creating wealth."

No truly original ideas appear standing behind the theory known today as modern corporate governance, although many theories force us to behave as if new ideas were being applied. Recent disputes in corporate governance around the world may be due to thinking that corporate governance discussion is new, while it is confirmed that "a glance in the rear-vision mirror does much to confirm that corporate governance behavior is a function of the business and corporate culture involved, rather than any set of rules or principles, and that the overall business environment provides some chain linkage."

Traditionally, it is accepted that the legal concept of corporate governance has its genesis in the United States. This is not a problem because most laws developed for business are American laws. However, the typical German GmbH or the Austrian GmbH is never seen as representative of corporate

governance in the same way that the German or Austrian joint-stock companies are treated. Since the 1970s, the United States has been the focus of corporate governance attention around the world. The place which this elaborate system of rules and enforcement mechanisms occupies among corporate governance theories is sustained by external pressures on the corporation - like pressure from society as a whole, from the workforce, or from the customers.

Corporate governance is a multi-system of checks and balances intentionally used to control decision-making and resource allocation in an organization, which may also be defined as a set of rules by which companies are governed. The practice of using this system reflects the essential role of the market for corporate governance. The concept of corporate governance is worth mentioning; however, although it touches on capital markets and corporate bonds, it does not deal specifically with the role of electronic tools in corporate governance. Resolutions and corporate actions depend on where the company is incurred. It is estimated that "about half of the assets, the outstanding stock, and part of the public debt are issued and traded," making this structure a significant part of the corporate governance environment, and inherently vulnerable to the impact of these new electronic tools.

### 2.1. Definition and Importance

The phrase "electronic corporate governance" is novel and is rarely articulated. If corporate governance can be performed electronically apart from hard copy voting and traditional meetings, then it is more efficient and cheaper than the traditional method of corporate governance. The use of the electronic mechanism for the practice of corporate governance and the exercise of shareholders' rights makes the role of shareholders more effective, efficient, less costly, and more active in management decisions. Moreover, electronic corporate governance has another role, which is its use in implementing corporate social responsibility. This role can be fulfilled by making it easy for listed companies to disclose information about corporate social responsibility. The disclosure process can be of two types: voluntary and/or mandatory to ensure truthfulness and transparency.

The study of electronic corporate governance is essential for the legislature, corporate directors, and shareholders. It is important for the legislature to regulate this new area without flaws. For corporate directors and shareholders, the study of electronic corporate governance can foster an analysis of the potential benefits and challenges of electronic corporate governance. However, electronic corporate governance is the subject of various legal disciplines such as company law, banking, taxation, securities laws, audit and accounting, data protection, and employment law, and consequently must be taught as an interdisciplinary course and discussed from an interdisciplinary perspective. The primary aim of this paper is to analyze legal problems dealing with the implementation of electronic corporate governance in public housing companies. Its main aim is to compare the electronic voting adoption and the governance models.

### 2.2. Historical Development

This research analyzes corporate governance of public joint stock companies in the Hashemite Kingdom of Jordan. Corporate governance is a choice of system through which owners or investors in a corporation manage their base of capital. It has been a focal concern as a strategic matter of the company. As a result, this paper tries to examine the characteristics and governing aspects of corporate governance in particular public shareholding companies, where the shares are in the custody of depositors in the Jordan capital market. Consequently, and for ease of reference, the paper employs a normative approach of analysis to answer the question: What is the corporate governance system of public shareholding companies in the Hashemite

Kingdom of Jordan? The paper depends substantially on the descriptive or analytical modes to gather, present, and discuss the needed data and views using primary and secondary sources.

To investigate electronic corporate governance in the light of the Jordanian regulations, this part reviewed the Jordanian Corporate Law and the Activities of Electronic Transactions Law. An analysis of these laws in the perspective of dealing with corporation procedures was addressed. The capital market institutions and regulations that control corporations were also studied. The Historical Development of Corporate Law in Jordan: Jordan drew its corporate entities from the former foreign occupation authorities. Since these authorities have different corporate characteristics and possibly may not conform to local economic requirements and the nature of the national society, there was a need for the formation of comprehensive legislation to regulate all corporate entities frequently traded on the Jordanian capital market, which follows a free market economy.

## 3. Electronic Corporate Governance: Overview

Electronic corporate governance is a new topic in corporate law. Recent developments in technology law led corporate law to take into account cyberspace and to adapt its rules to fit the digital and internet era. E-corporate governance has started to be the hot spot of corporate law-related conferences and seminars. There is no specific definition of electronic corporate governance; simply, it means the implementation of the principles and mechanisms of corporate governance via electronic mediums and applications or using the internet in all aspects of the activity of the corporations' board of supervisors, constituent bodies, and shareholders. Using these up-to-date media platforms makes the process and results of corporate governance more transparent and current. It does not mean that the principles of corporate governance (transparency, accountability, and independence) are new or suddenly appeared, but using social media as a new tool makes it more effective. These media are cheap, easy, non-face-to-face communications, and they are rapidly accessible, so they favor the improvement of corporate governance in two main aspects, namely, quantity (more people or legal entities participating) and quality (integrity and real independence).

### 3.1. Definition and Scope

The definitions of terms differ from one jurisdiction to another because of the differing ways that the laws of countries and the doctrines of legislation are understood. However, the new information era has brought a deepening understanding of the meaning of various terms, especially those whose meanings are not specifically provided for by legislative texts in order to regulate the modern practices of corporate governance and to address some of its peculiarities. Section 3.1 of this chapter seeks to elucidate the meaning of important terms in this study. 3.1.1. Legal Foundations of Corporate Governance Corporate governance is based on several legal foundations, including domestic company legislation, capital market regulation, minor corporate governance documents, the corporate social responsibility movement, recommendations and guidelines introduced by business organizations, and minority shareholder litigation.

### 3.2. Benefits and Challenges

In this section, the advantages of regulating and adopting electronic corporate governance are described. In fact, corporate governance beneficiaries can include regulators, companies, shareholders, and stakeholders, who might benefit from the establishment of, and compliance with, a fair corporate governance code in electronic form. In particular, companies can show the level of their commitment and integrity of value maximization to attract more investors and technology experts. Investors might enjoy superior performance, superior value, and a

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decrease in risk, which can lead to a lower cost of capital, while stakeholders can enjoy many advantages. Despite the significant advantages of electronic corporate governance, some financial executives seem to be ignoring web-based reporting. Directors in a Jordanian private firm believe that e-corporate governance is more about compliance and public firm transparency. Another concern is that competition can increase, particularly in companies that use the internet to increase their transparency and functionality, which significantly affects their effectiveness and profit per share. Therefore, companies in the West seem to significantly resist electronic-based governance transparency.

The extensive use of modern information and communication technology enhances the transparency, professionalism, and efficiency of the corporation, lowers the information asymmetry, and is beneficial for the insurance companies, which reduces the cost of capital. The establishment of a transparent corporate governance code significantly reflects the degree of corporate governance regulation and the disclosure quality of corporate information. Directly, the reporting quality offers a high level of disclosure more frequently, offering more transparent disclosure and a high level of frequency of disclosure. Moreover, the implementation of a state-of-the-art electronic-based corporate governance code significantly increases the intensity of the insider trade market, especially since the insider trade law is minimal. Indirectly, an electronic-based corporate governance code plays an effective role in protecting and resolving the agency problem between managers and shareholders. In other words, the governing body requires an observable action report, completed on the web and included in the list of blackouts released by governance. Due to the high quality of the data and the high degree of compliance in electronic corporate governance, the prediction of international institutional investor shares can be improved, and the announced announcements of insiders of the company can beat the price per share average. It can also facilitate the exploitation of ongoing market-driven investment strategies, allowing intelligent investors to achieve significant profits from insider hindsight transactions.

**4. Legal Framework for Corporate Governance in Jordan**

Jordan has embarked on economic reforms that have resulted in a significant transformation in various sectors of its economy. The country has seen significant improvements, particularly in areas such as the liberalization of major economic activities, institutional strengthening, and the creation of an attractive investment climate. In line with this privatization policy and improving the investment environment, the corporate governance framework should also be improved. This should act as an inducement for wider international investment and mitigate some of the risks to which investors are subject.

Jordanian financial regulation is still in its infancy, particularly where shareholder protection and control issues are concerned. As a result, the Jordanian legal framework for corporate governance is still underdeveloped, being based on a series of vague fragments, not the generous set of principles and standards found in developed corporate governance codes. The new Jordanian Financial Markets Law aimed at modernizing the stock market has adopted a number of international principles and standards that increase the transparency and disclosure requirements of companies. However, the Jordanian legal framework for electronic corporate governance contains gaps and lacks sensitivity to the emerging governance challenges. These challenges include issues associated with membership requirements, authentication of the electronic signatures of board members, the application of traditional corporate governance principles, the voting process, quorum and proxies, and the role of shareholders. These are issues common to corporate governance in traditional and

electronic settings. The question of whether corporate governance laws are currently able to adequately regulate electronic trade and to facilitate the use of electronic tools in the Jordanian corporate sector is therefore of some significance.

### 4.1. Current Regulations and Laws

Jordan has established a solid foundation concerning e-commerce, which is mainly found in the Electronic Transaction Law of 2001. This law was enacted to establish a legal infrastructure to facilitate and promote transactions made by electronic means. Nevertheless, the Jordanian legal approach to dealing with electronic transactions was cautious. The E-Transaction Law has limited application; it applies only to the formation of contracts and the recognition of transactions that have already been conducted by other means. In addition, the law leaves some highly pertinent issues to other applicable laws, such as trademark, intellectual property, and securities laws. The E-Transaction Law fails to present a direct exception or application to the Civil Code or the Companies Law. Jordan, unlike other countries, refrains from giving an explicit legal effect to e-interactions within the company at the same level as traditional methods.

With this regulation, we can see that Jordan grants the same value to e-transactions as other transactions that have been entered into using traditional methods, provided that specific legal entity requirements are fulfilled. For instance, the Law of Electronic Communication preserves the right to send documents by traditional means if these documents are required to be sent in their original format. Likewise, the E-Transaction Law has decided to protect the safety of paper documents and their handwritten signatures by stating that the legal requirement of signatures will be fulfilled due to a secure electronic signature. Despite having the electronic transaction law and guaranteeing e-commerce in the traditional sale/purchase context, there are many intercompany relationships that take place within a single company, making such a transaction part of corporate governance. Paradoxically, there is no particular academic or legal scholarly work on how these e-transactions can be applied to company management. Currently, the best tool to address this problem is that Jordanian companies have started to pass bylaws that allow them to adopt electronic communication.

### 4.2. Key Principles and Guidelines

As emerged from the mentioned soft law, only the key principles can be seen as the overarching frame regulating corporate governance. The non-binding nature and typical sources limit the regulatory property of soft law. It is not surprising that these key principles were primarily drawn from the existing sets of norms issued by international organizations. Generally, the key principles consist of recommendations, which represent the abstract generalization of detailed guidance on corporate governance. Therefore, it is advisable to consider the main features of the key principles largely adopted in national governance codes worldwide. The principles are of a recommendatory nature since their detailed provisions are already prescribed by the imperative norms of the Jordanian Company Law, the company's articles of association, intermediaries, including those that issue shares, intermediaries that are contacted by the company, the clearing system, and any other stakeholders.

The inclusion of the principle in question is not accidental. The legal provision of the object of study suggests that the Company Law generally reflects the interactions between the company and its shareholders or stakeholders, as well as the interactions of the shareholders among themselves. With regard to the importance of going concern, an urgent need to safeguard shareholder rights has been taken up by the authorities, as an increasing number of investors are entrusting their resources to the financial reporting interests of publicly traded

companies, predominantly due to an investor protection policy of the market, an efficient organization, and a cost-effective relationship network with issuers and investors, and recognized standards for corporate behavior. The subrogation of the company to shareholders and reshaping the investment policy to more entrepreneurial interests emphasize corporate governance and investor protection. Such focus on investors calls therefore for the integration of the corporate governance responsibilities of the inside oversight functions, inherent to the position of the board and its committees, in the E-CG framework. The collected feedback on the common principles recommends a corporate governance framework provided by a governance structure consistent with other existing laws, regulations, and codes, access to relevant information, and protection of proprietary rights.

## 5. Need for Electronic Corporate Governance Regulations

Numerous studies have emphasized that corporate governance mechanisms should evolve to match the challenges presented by technological advancements. Thus, companies should adopt these advancements to promote good governance. Society, governments, and regulators expect corporations to leverage technology to meet standards imposed by regulators. Effective corporate governance systems in a technologically advanced corporation require that management adopt corporate governance mechanisms that acknowledge advances in technology. The emergence of high-standard corporate governance measures relating to classified boards, the requirement for independent directors, the demand for financial experts on audit committees, the ability for shareholders to ratify executive compensation, the presence of nominating and governance committees, and staggered board tenure would require coverage in the adoption of electronic corporate governance standards and related disclosures. Such improvements are essential given that disclosure plays a significant role in attaining the underlying objectives of improved corporate governance.

### 5.1. Advantages and Disadvantages of E-Corporate Governance

Moving towards or adopting electronic corporate governance is not without benefits or drawbacks. By the same token, despite the relative importance of these models of corporate governance to reduce the cost of corporate and agency transactions and the risk associated with the principal-agent conflict, these models are subject to risks themselves in different forms. The claim here is that the electronic corporate governance structures are necessary to reduce economic risks in different forms and increase the value of firms not only within the context of the Jordanian Company Law but also within corporate bodies in other countries.

There is consensus between international juridical bodies and other parties that electronic corporate governance provides companies with different opportunities to improve their governance. Throughout their personal businesses, shareholders may participate more often in the decision-making process. The effect of this level of participation of shareholders in the exercise of joint control exceeds the level of participation in traditional AGMs. One of the reasons for the increased level of participation will be the use of the technology itself, which will not burden many shareholders with the costs of traveling long distances, whether regional or international, to participate in the general meeting.

### 5.2. Global Trends and Best Practices

Accountability, as a component of good governance principles and as a corporate governance pillar, positively contributes to the enhancement of the relationship between corporate control parties and their associated interests. Thus, accountability plays an important role in the public perception of the corporation's underlying governance system. E-

governance encompasses a wide range of practices at the firm to enhance its effectiveness and efficiency. The objective of firm e-governance is to develop a structure that increases the firm's value, gives all parties an inherent right of auditing, and assures other corporate participants that unnecessary risks are being managed effectively. This leads us to study e-governance as a theoretical measure establishing an accountable environment where executives are trustworthy and provide assurances to all involved parties that will lead to value enhancement.

It should be noted that the Jordanian corporate governance code lays down the principle that listed companies should have in place an efficient and effective system for the communication and dissemination of information. In this connection, the Internet is cited as a form of communication and dissemination of corporate information, including for shareholders. The code suggests maintaining a corporate website. However, the code is vague and does not cover the provision of a corporate financial calendar, news, and other governance materials. Additionally, the code seems ignorant of electronic details and rules concerning general meetings. Despite these deficiencies, the Jordanian Securities Law permits the use of electronic means to attend meetings, vote on General Assembly items through e-voting services, and communicate with the company. In light of the general and broad provisions of the code and the Securities Law, there is no detailed regulation of e-governance in the Kingdom. Nevertheless, it is clear that Jordan, as a progressive country, endeavors to promote the idea of corporate governance.

## 6. Comparative Analysis of E-Corporate Governance Laws

This section aims to scrutinize Jordanian e-corporate governance in the context of the relevant Model Law. It evaluates the concepts, principles, provisions, and requirements of Jordanian e-corporate governance from a comparative standpoint. Moreover, it compares the system and regulating modes of this report to the experiences of six countries, mainly the UK, and some provisions of the corporate legislations of Egypt, Qatar, and Kuwait.

The study found that Jordan did not borrow from foreign corporate governance legislative models when drafting the enabling commercial laws that address the workings of the modern corporate firm. This does not mean that one should jump to the conclusion that matters need to be improved. However, given that information technology has the potential to effect substantial changes in the structure of corporate ownership and governance, such a conclusion cannot go unchallenged. Meanwhile, the rapid development of information technology and the evolution of related financial technology require an update of the legal basis and practices of corporate governance that offer legal protection to investors regarding their rights.

### 6.1. International Examples

In a global context, the U.S. experience is the most influential with respect to major technical and governance developments. Other countries have moved more recently and with varying impact to set and enforce standards in these areas. The U.S. attention began with major financial scandals in large corporations to set mechanisms of transparency and accountability. The main U.S. legislation addressing these concerns is the Sarbanes-Oxley Act of 2001, which addressed reporting standards and imposed auditor independence standards based on best practice terms. Moreover, implementing the Act required the Securities and Exchange Commission to examine existing governance systems so that it provides advice on disclosure and governance. Despite the strict regime, the approach adopted smacks more of one that focuses on minimal rather than optimal standards. The fault cannot be laid at the feet of the U.S. authorities alone; it lies with significant sections of the corporate sector where short-termism and an absence of

accountability are endemic. The U.K. might be seen as having adopted a more measured response than its U.S. counterpart. In a sense, they took a step back before moving forward. Moreover, the U.K. experience offers a "living laboratory" where we may be able to see longer-term effects of particular initiatives. There, the contemplation of the U.S. measures contrasted with an Enron-like crisis at a more "mature" phase. Policy makers were then in a rush; for them, the U.K., with the combined codes of best practice and the Sarbanes-Oxley measures still to be assimilated, may be a model that has reached a complete mellowing point. An example of this approach was the agreement by the code drafting bodies to move forward with the compliance statement legislation that applying mandatory listings to non-state-owned sectors would have allowed minority shareholders to recognize, in company accounts, the effect of social, environmental, and ethical risks and opportunities rather than delegate these to authorities. Prompting action is shareholders' desire for better risk data on which to make more informed investment choices.

### 6.2. Relevance to Jordanian Context

The above discussion focused on the different proxy voting systems, mainly electronic proxy voting. Different legal systems have established legal frameworks to regulate these systems. Some countries regulate more than one of the aforementioned systems. Other countries regulate only one, while some countries do not have any detailed statutory rules at all. This study focuses only on the traditional proxy voting rules contained in Company Law No. 22 of 1997 and does not contain any detailed provisions on the new electronic systems.

The main study therefore attempts to highlight the idea of embedding electronic corporate governance into Jordanian law to fill the current legal loophole in this aspect. Thus, the aforementioned discussion can help in comparing the different electronic proxy voting systems and in identifying the most suitable one that can achieve the objective of filling the weakness in Jordanian company law. In this context, one of the objectives of the study is to suggest practical solutions. Moreover, the discussion of both the legal perspective of the different proxy voting systems and the relevance of these systems to the overall mechanism of the company can help in understanding the feasibility of embedding electronic corporate governance in Jordanian company law.

## 7. Proposed Framework for Electronic Corporate Governance in Jordan

Conclusion This article has attempted to bring the concept of electronic corporate governance under the purview of Jordanian corporate governance. Applying corporate governance to information technology within lexically developed countries has provided a number of concerns about it. Issues involve the division of responsibilities between the board of directors, management, shareholders, auditors, regulators, and facts about them, as well as developing corporate governance with respect to leading management. This issue was the issue of increasing advantage with participation and independence. While it is necessary and important to communicate with the board of directors about corporate governance, the Companies Act did not treat companies directly. Therefore, by synchronizing the prepared rules with corporate governance structures, it is possible to change policies and regulations on corporate governance and their effectiveness, thereby increasing the health and stability of the federal economy.

Taking into account the concepts of corporate governance technology and the use of electronic corporate management, the authors proposed clarity, transparency, independence, and responsibility. When the use of technology does not produce practices of weak governance or a bad governance framework in the corporation of attention, it corrupts through the quantum veil the practices of the control function. A model for incorporation is integrated

into the framework of electronic government proposals in an authorized manner in Jordan because the concept of self-regulation did not align with the principle of corporate governance in Jordan. The main goal of this proposal is to ratify the time and place where technical options of international law are verified. The proposal is presented by representing the practices and with respect to the information technology established by the board of supervisors. Finally, the transition to a point where information is converted into a game, the skepticism provided by the expression of unexpected events remains the same.

### 7.1. Key Components and Mechanisms

The increasing use of the internet and information and communication technology (ICT) has greatly influenced and shaped corporate governance practices on a global level. The practice of legal e-commerce has been taking place at the corporate governance of transnational corporations for quite a long time; however, it has been neglected in the domestic law of developing countries. Therefore, despite its importance, electronic corporate governance has so far been neglected as a subject of study in Jordanian law. Meanwhile, there is an acute need to incorporate relevant electronic corporate governance to enable local public shareholding companies (PLCs) to catch up with correlative practices. This is to be accomplished through modifying and/or adding to the Jordanian corporate governance code, such as the package of securities and electronic transactions recommendations and laws recently implemented.

This chapter gives an overview regarding the discussion of electronic corporate governance and its expected importance for Jordanian PLCs through the analysis of relevant existing Jordanian regulations. After classifying the most significant key components and mechanisms of electronic corporate governance in light of comparing the Jordanian corporate governance code with related recognized codes abroad, it then considers the need to develop electronic corporate governance and proposes potential new approaches to merge its significant components and/or mechanisms in Jordanian law. These proposals are made with the aim of ensuring that the main listed reliability and control of Jordanian PLC shares and the investing public are enhanced, yet simultaneously ensuring that electronic methods of electronic corporate governance are given the due legal and moral respect and recognition that they deserve.

### 7.2. Implementation Strategies

This part sets out the implementation strategies that Jordan may follow in enacting corporation law principles. It includes some policy determinants and identifies the most critical issues for establishing e-corporation law. Policymakers need to address the complexity of the e-transformation, thereby enhancing Jordan's corporate regulatory framework. E-corporate governance entails many challenges to corporate law reform. It is not enough to introduce only new provisions on electronic surveillance, electronic decision-making, and e-shareholder meetings. Policymakers should weigh all the changes related to the e-corporation system and how to apply them. Otherwise, the corporation law reform would have little chance of being effective. The following tools are addressed that might be used to implement these regulatory issues: protocols for international exposure of best practices; codes supported by international benchmarks; model legislative text; the encouragement of alternative model rules that satisfy corporate objectives; regulation; incentive structures; and infrastructure for corporation reengineering. The underlying principles of any policy approach should include offering choice and flexibility to corporations needing to meet different business needs; ensuring corporate protection and shareholder interests; and enhancing corporate accountability. The private sector may not hold such objectives. However, unless the government takes action, the corporation that

introduces e-corporation technologies may risk having to adhere to unfair rules. From the legal perspective, a key part of Jordan's current reform lies in designing an enabling regulatory structure. We have to broaden the debate. In ensuring that Jordan remains a reputable and globally competitive place for commercial decisions, its ultimate goal is promoting e-corporation.

## 8. Challenges and Future Directions

This article provides a brief overview of the legal framework of e-corporate governance in Jordan. It reviews the corporate governance model adopted by the Companies Act of 2002 in order to explain the implications of this model on several e-corporate governance features. It discusses recent legal amendments to the Companies Act that address e-corporate governance issues. This article also discusses the overall approach adopted by public regulatory authorities in regulating e-corporate governance in Jordan.

In light of the above, there is a broad consensus that the legal framework of e-corporate governance in Jordan (and other jurisdictions) should be sound, clear, flexible, and supervisory. Accordingly, this article discusses six challenges and future directions of e-corporate governance regulation in Jordan. These challenges and future directions are relevant to both future legal reforms and potential regulatory actions taken by administrative agencies in issuing implementing rules and regulations that put the recent legal amendments into effect. The six challenges and future directions discussed in this article are the terminology of e-regulation, the adaptability of the recent e-amendments, the regulatory status quo of e-corporate governance in Jordan, the ambiguity of the recent e-amendments, the domestic implications of the recent e-amendments, and the lack of legal arbitration of e-corporate governance issues in Jordan.

### 8.1. Technological Obsolescence and Cybersecurity Risks

Although emerging technologies can provide significant benefits, they can also lead to technological obsolescence in corporate governance processes. The latter introduces particular risks associated with the misuse and abuse of such processes. These include the use of majority shareholdings for undisclosed activism through the manipulation of the collective decision-making power of shareholders and the interference in the will formation process of minority shareholders. Additionally, they can lead to the use of bots as a source of content to inform investing decisions.

Technological obsolescence can be addressed through a contextually facile regulation of emerging electronic technologies in corporate governance. To achieve this, the underlying issues of technological obsolescence should be addressed and the potential risks should be mitigated. However, to give effect to the proposed technology-neutral corporate governance mechanism, it is more important to focus on the stability of the collective decision-making and will formation of shareholders, not on what technological tools to use in this regard, as will be discussed below.

### 8.2. Potential Solutions and Innovations

Jordanian law has already embraced electronic transactions. In 2001, the Electronic Transactions Law essentially removed the electronic writing from the registration requirements. Although any natural or legal person in Jordan may create and hold a company, one of the restrictions placed on shareholder rights is that these shareholders may not meet and vote by electronic means. The Jordanian business community and the public generally have questioned the relevance of the ten-year-old registration restrictions. The case for the relaxation of the registration requirements sounds all the more compelling when revisited in light of the new policy context, which essentially supports e-governance and the goal

of the Information Society. Jordan has also effectively embraced its commitment to move the country to a new and reconfigured approach to embracing the Information Society. Surprisingly, given the broad commitment to the information society so manifest in a range of different policy areas, including business, Jordan still operates traditional company registration requirements, which do not reflect the new reality of widespread access to the Internet. Having boilerplate provisions has been the subject of much academic, as well as legal, debate. Yet, having e-provisions in company law signals the vitality of the Company's Acts, a willingness to engage in a more thorough and regular reconsideration of the medium-term effects of e-communication and e-governance, affords the prospect of more innovative and dynamic ways of combining public service norms and attitudes to corporate stakeholders with a sustained concern for the economic consequences of corporate form, and operating in the sort of turbulent sector where the pace of market-driven change presently operates provides daily and rigorous stress tests for the broader concept of the market regulator and wider regulatory state.

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