Egypt's Legal Framework to Enhance Mergers and Acquisitions in Jordan

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ABSTRACT

This study conducts a systematic comparative legal analysis of the merger and acquisition governance frameworks in Jordan and Egypt. Recognizing that both countries share a civil law heritage and face similar challenges in economic development, the study posits that the more detailed and sophisticated Egyptian regulatory approach offers valuable lessons for Jordanian reform. The research employs a comparative legal methodology, comparing the key pillars of the two systems: company laws, securities regulations, acquisition laws, and judicial interpretations, particularly concerning the treatment of contracts and stakeholder rights post-merger. The analysis reveals that while both systems agree on fundamental principles such as the principle of succession, the Egyptian framework demonstrates greater development in areas such as mandatory offerings, minority shareholder protection, independent financial advice, and creditor engagement procedures. A marked divergence is observed in the treatment of post-merger leases, highlighting differing policy priorities. The findings suggest that the Jordanian legal framework, embodied in the Companies Law No. 22 of 1997, could be significantly improved by selectively incorporating Egyptian best practices. The article concludes by proposing a structured "legislation transfer" strategy for Jordan, recommending the adoption of mandatory tendering rules along the lines of the Egyptian model, improved disclosure regulations, and a more balanced approach to third-party contracts, while adapting these imports to the specific context of the Jordanian market. This research offers a practical and regionally informed roadmap for achieving and strengthening legal harmonization.

Keywords: Comparative law, mergers and acquisitions, Jordan, Egypt, legislation transfer, shareholder protection, acquisition rules, legislative reform.

INTRODUCTION

In their efforts to modernize company law and attract investment, judicial authorities often conduct comparative analyses, learning from the successes and failures of their counterparts. For Jordan, embarking on an ambitious vision for economic modernization and looking to its regional peers with shared legal traditions and economic aspirations is a logical step. The Arab Republic of Egypt provides a compelling case for such a comparison (Arab Republic of Egypt 1981; Arab Republic of Egypt 1992) The a larger and more mature capital market and a longer history of regulating complex corporate transactions, Egypt has developed a more detailed and intrusive legal framework for mergers and acquisitions (M&A). Both Jordan and Egypt operate within a broad spectrum of civil law systems, have corporate laws rooted in similar French models, and are striving to establish themselves as investment hubs. This shared context makes the Egyptian experience highly relevant, if not directly replicable.

This article argues that a focused and critical comparison of the Jordanian and Egyptian M&A frameworks can offer specific and actionable insights for Jordanian legislators and regulators. While previous studies have pointed to general shortcomings in Jordanian law, few have provided a detailed comparative analysis within a functionally comparative regional system to identify concrete models for improvement (Mathlouthi, Qozmar,

Flayyih, Odeh, Alsabatin, & Aljahdali, 2024). This study fills this gap. It goes beyond simply listing differences to analyze the underlying policy rationales and practical outcomes of each approach. The central thesis is that the regulatory mechanisms in Egypt – particularly those run by the Financial Regulatory Authority – offer a proven model that Jordan can adapt to address the weaknesses it has identified in transparency, minority protection and fairness in the market, thereby accelerating legal reform without reinventing the wheel.

Jordan's pursuit of a more robust governance framework for mergers and acquisitions, as outlined in the attached Article 1, faces the challenge of designing effective reforms. The problem lies not only in recognizing the gaps in the Companies Law No. 22 of 1997, but also in identifying what needs to be addressed (Awaisheh, Al-Dabbas, Alhasan, Odeibat, & Kurdi, 2024). Formulating entirely new legal concepts risks unintended consequences and may not resonate with regional or international investors familiar with more established models. Jordan needs an innovative and prudent reform plan, proven in a similar environment and aligned with regional practices to facilitate cross-border transactions.

Having revised its capital market and corporate governance rules over the past two decades, Egypt addressed many of the issues Jordan now faces and enacted legislation to address them. These include: regulating mandatory takeover bids to protect minority shareholders, enforcing strict pre-transaction disclosure requirements, managing the impact of mergers on various stakeholders (from employees to lessors), and defining the role of independent financial advisors. However, a comprehensive analytical comparison of how Egyptian laws address these points with the current Jordanian approach is lacking (Kandriana, Sukardiawan, Rifaid, Arifin, & Wildan 2025). Without this analysis, Jordanian reformers risk either adopting foreign models ill-suited to their context or pursuing piecemeal amendments that fail to build a coherent and modern system. The fundamental problem, therefore, lies in the absence of a detailed roadmap from a regional peer that Jordan could use to guide its legislative modernization process, ensuring the effectiveness of reforms and their cultural and legal compatibility.

METHODOLOGY

This research employs the comparative law methodology, specifically a functional and analytical approach to compare two distinct legal system (Al-Khuli, 2019). The process is structured to ensure a balanced and in-depth comparison:

Step 1: Selection of Comparators and Identification of Tertium Comparationis. The systems of Jordan and Egypt are selected based on shared legal heritage (civil law), regional proximity, and comparable economic development goals. The common ground for comparison (tertium comparationis) is the set of legal functions an M&A framework must perform: regulating procedure, protecting stakeholders, ensuring transparency, and resolving disputes.

Step 2: Data Collection (Dual-Track): Data is collected in parallel for both jurisdictions.

Primary Sources (Jordan): Companies Law No. 22/1997, Securities Law No. 18/2017, JSC regulations.

Primary Sources (Egypt): Companies Law No. 159/1981, Capital Market Law No. 95/1992, FRA decrees on takeover bids and merger controls.

Secondary Sources: Scholarly works analyzing each system (Al-Sabbagh, 2019) for Egypt; (Al-Eisawi, 2018) for Jordan.

Case Law: Key rulings from the Jordanian Court of Cassation (e.g., on leases: 944/1994) (Jordanian Court of Cassation, 1995; Jordanian Court of Cassation, 1994) and the Egyptian Court of Cassation (e.g., on contract succession) are examined to understand practical application.

Step 3: Analytical Framework & Comparison: The collected data is organized thematically within a structured analytical framework covering: (I) Regulatory Architecture, (II) Takeover & Offer Rules, (III) Minority & Creditor Protection, (IV) Disclosure & Valuation, (V) Post-Merger Contractual Effects. Each theme is analyzed

for both countries, highlighting similarities, differences, and the perceived strengths/weaknesses of each approach.

Step 4: Synthesis and Recommendation Development: Insights from the comparative analysis are synthesized. The efficacy of Egyptian solutions is assessed not in isolation but for their potential "fit" within Jordan's legal ecosystem. Recommendations are developed using a selective legal transplant model, identifying which Egyptian mechanisms are most suitable for adoption, suggesting necessary modifications, and proposing a sequence for implementation.

FINDINGS AND DISCUSSION

The comparative analysis uncovers a spectrum from general principles in Jordan to detailed regulation in Egypt.

Key Findings

Regulatory Density: Egypt's framework is more detailed, with specific executive regulations from the FRA governing tender offers (mandatory and voluntary), setting clear thresholds (e.g., acquisition of 30% of shares triggers a mandatory offer to all shareholders), and dictating the content of offer documents. Jordan's rules in the Securities Law are less prescriptive.

Protection Mechanisms: Egypt explicitly mandates a "fairness opinion" from an independent financial advisor for major M&A deals, a requirement absent in Jordan. Egyptian law also provides more structured avenues for creditor objection during the merger process.

The Lease Contract Dichotomy: This area reveals a fundamental policy divergence. Jordanian jurisprudence (Rulings 944/1994, 998/1995) treats lease contracts as personal, terminating upon the merger of the lessee company, requiring new landlord consent. Egyptian courts and legal thought lean towards viewing a commercial lease as an asset of the enterprise, which transfers automatically to the successor company to ensure business continuity, offering landlords protection through objection rights and contractual penalty clauses instead.

Universal Succession & Labor Contracts: Both systems strongly agree on the principle of universal succession and the automatic transfer of employment contracts, protecting workers' rights seamlessly (Jordanian Ruling 284/1995; Egyptian Labor Law Art. 69).

DISCUSSION

The findings suggest that Egypt's approach is characterized by a preventive regulatory philosophy, aiming to structure transactions fairly from the outset through rules (e.g., mandatory bids, independent advice). Jordan's approach is more remedial, relying on general principles and ex-post judicial resolution when disputes arise. The Egyptian model likely reduces information asymmetry and power imbalances during the deal phase, while the Jordanian model offers flexibility but at the cost of predictability and increased litigation risk.

The lease contract divergence is particularly instructive. It reflects a deeper policy choice: Jordan prioritizes property rights and owner autonomy (a "landlord-friendly" approach), potentially making mergers involving leased premises more complex. Egypt prioritizes business continuity and investment stability (an "enterprise continuity" approach), viewing the going concern value as paramount. For Jordan, adopting a middle path—perhaps by statutorily defining conditions under which a lease survives a merger unless the landlord objects on limited, specified grounds—could be a reform worth considering.

The discussion emphasizes that "copy-paste" transplantation is inadvisable. Egypt's larger market and more powerful regulatory authority (FRA) can enforce dense rules. Jordan must consider the capacity of its Jordan Securities Commission (JSC) and the scale of its market (Amman Stock Exchange). Therefore, adaptation is key. For instance, Egypt's 30% mandatory bid threshold might be adjusted for Jordan's market liquidity, and the implementation of complex FRA-style regulations would need to be phased (Badran, 2013).

CONCLUSION AND RECOMMENDATIONS

A Blueprint for Synergy

This comparative study concludes that Egypt’s M&A legal framework serves as a valuable and relevant repository of best practices from which Jordan can draw inspiration for its own reform agenda. The Egyptian experience demonstrates that detailed rules, when well-designed, can enhance market fairness and efficiency.

To leverage this comparative insight, the paper proposes the following targeted recommendations for Jordan:

1. Adopt a Codified Takeover Code: Inspired by Egypt’s FRA rules, the JSC should issue a comprehensive "Takeover and Merger Regulations" document. This should clearly define thresholds for mandatory offers, standardize the content of offer prospectuses, and establish a clear timetable for bids.

2. Institutionalize Independent Financial Advice: Amend the Companies Law or Securities Law to require a mandatory fairness evaluation from an independent advisor for all public company M&As, with the report made available to all shareholders.

3. Reform Post-Merger Contract Rules: Legislatively clarify the status of key contracts. For employment, codify the automatic transfer principle. For leases, consider a reform that balances landlord and tenant interests, perhaps by making leases transferable unless the landlord demonstrates substantial prejudice, with a right to reasonable compensation.

4. Enhance Creditor Engagement Procedures: Move beyond passive publication to a system where the merger plan must be sent to major known creditors, granting them a formal period to seek court-ordered safeguards if their repayment is jeopardized.

5. Strengthen the JSC's Mandate: To effectively administer a more detailed rulebook, consider empowering the JSC with greater supervisory and review authority over M&A transactions, similar to the FRA's role, ensuring it has the necessary resources and expertise.

By strategically integrating these Egyptian-inspired reforms, Jordan can construct a more resilient, transparent, and equitable M&A framework, fostering a corporate environment that is both dynamic and trustworthy, fully aligned with the aspirations of its Economic Modernization Vision.

(Note: Each article, when fully fleshed out with detailed analysis, case discussions, and expanded references, will meet the 13-page target, with this structure providing a solid and publishable foundation.)

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