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THE LEGAL SYSTEM FOR VENTURE CAPITAL COMPANIES AND THEIR ROLE IN SUPPORTING SMALL AND MEDIUM ENTERPRISES IN THE JORDANIAN COMPANIES LAW

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Abstract

In light of the latest amendments to the Companies Law, the Jordanian legislator has issued a new type of company called venture capital companies. Where the amended Jordanian Companies Law No. 34 of 2017, and Venture Capital Companies Law No. 143 of 2018 was issued, This type of company is considered one of the modern tools to stimulate and encourage investment. It is based on the search for investment projects that are expected to have a successful future and achieve good future profit returns. Or by adopting innovative and pioneering ideas that can be translated into commercial projects with a profitable return.

The task of this research is to clarify the legal and regulatory aspects of venture capital companies and to what extent according to the Jordanian legislator in its regulation of venture capital companies within the framework of amending the Companies Law And what are the differences between venture capital firms and business accelerators and incubators as a tool to stimulate investment.

Key words : trading companies, the capital , venture capital and Financing .

Introduction

Investment projects occupy great importance in all types of economies, regardless of the nature of the prevailing economic systems. Whether they are developing or developed countries, the investment process in Jordan is one of the most important factors on which the Jordanian national economy focuses in recent years. As the power of the state in our time is measured by the extent of its economic capabilities, which affect the political and social aspect, and are directly proportional to it.

Innovative, small and medium projects gain great importance for their characteristics and features that distinguish them from other projects. However, it faces many difficulties in order to carry out its activities, and perhaps the most important of these difficulties are the financial difficulties, the administrative and technical and logistical difficulties. The financing aspect has occupied great importance, and various studies have proven that financing constitutes the cornerstone for the establishment and expansion of innovative small and medium projects, and that one of the primary reasons for the failure of these projects is the lack of funding and difficulty in obtaining it.

In light of the circumstances that the world has experienced as a result of the (Covid 19) epidemic and the challenges and economic difficulties that accompanied that pandemic, the role of information technology has emerged significantly and clearly, especially in developing countries or with medium economies, The entire world has turned to remote work, the provision

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of electronic services, and the transformation of all government procedures into electronic government , Distance education appeared in schools and universities and the use of electronic payment technology as an alternative to paying with paper money and the use of smart applications for transportation and purchase, as these applications included all aspects of health and economic life.

In light of this, the ideas of smart applications and faltering companies need funding to continue their work and / or come out into implementation They cannot resort to financing through banks and financial institutions due to the difficulty of their conditions, in addition to the lack of sufficient guarantees by troubled companies.

In light of the reality of bank financing, which is characterized by its limited benefit, and in light of the various surrounding circumstances and the profound transformations that the economies of countries in the world are experiencing, an innovative financing alternative to the traditional financing system has emerged. It is represented in the financing of venture capital technology, and the technology of financing through venture capital companies is one of the most important methods developed in financing, As this technology does not depend on providing liquidity only to projects and companies, as is the case with bank financing, but is based on the basis of participation, as the venture capital company finances the project without guaranteeing the return or its amount, and thus it risks funds so that the risks (the owner of the capital) are fully borne or partially the loss in the event of the failure of the funded project, In order to mitigate the risks, the risk (the owner of the capital) is not satisfied with providing cash only, but also contributes to the management of the company to achieve its development and success. Therefore, this type of financing is perfectly suited to small and medium enterprises and projects that seek development and continuity, but they face difficulties. In this field, due to the lack of access to bank loans due to the absence of the necessary guarantees and the high risks of projects, especially in innovative projects.(1).

Venture capital is considered a strategic financing option for investment projects. This type of investment is based on the search for investment projects that are expected to have a successful future and achieve good future profit returns. Or by adopting pioneering and creative ideas that can be translated into commercial projects with a profitable return, where the investing companies enter this type as a partner in the company within certain principles and after a period of time ranging between 3-5 years, they exit the project and recover what was paid In addition to a certain profit.(2)

Venture capital means providing capital that participates in ownership to establish and develop enterprises. Venture capital is usually collected in the form of a direct investment fund that is used to finance investments in private businesses through participation in ownership. This service is provided by investment banks and similar fund-issuing companies, commercial banks and individual financiers.(3)

Companies investing with venture capital, and before entering any country to adopt and participate in a project, take into account the appropriate period of the legislative environment for that country. As there are basic rules upon which venture capital investors work and must be met in order for them to take the initiative in adopting and participating in investments, so

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they face several obstacles related to the legislative structure through which they operate, In the economically developed countries, the main work of venture capital companies is to choose promising and pioneering ideas in the field of advanced technology until they are transformed into a project. Some of the most famous examples of some venture capital companies are: (Google), (Amazon), (Facebook), (Apple), (Intel). In developing countries, financing through venture capital companies is a recent phenomenon that has been noticed in recent years, after the success of the experiences of developed countries, especially the United States of America, England and India, which have a long history in this field, and achieving amazing results through financing through capital technology. Adventure money. (4)

Therefore, providing the appropriate climate and legislative environment for venture capital is the way to attract risky investments and create venture capital funds. This is done by enacting legal and regulatory legislation for venture capital, Accordingly, the Jordanian project, and within the framework of modernizing the system of laws that govern the various types of companies operating in Jordan, issued the amending Law No. 34 of 2017, amending the Companies Law. Under this law, paragraph (f) has been added to Article No. (7) of the Jordanian Companies Law (22) of 1997 and its amendments, which relate to venture capital companies. Article (7/f/2) stipulates that venture capital companies are registered with the Companies Controller in a special register called (Venture Capital Register), and that the provisions of these companies, their capital, business, method of management, distribution of profits, write-off and liquidation are regulated in accordance with a system issued for this purpose.

Based on Article (7/f/2) of the Companies Law, the Venture Capital Companies Law No. (143) of 2018 was issued to represent an important step in the field of empowering small and medium enterprises and entrepreneurship, and to complement the set of legislation related to venture capital.

Therefore, this study will address the feasibility, adequacy and appropriateness of the legal texts contained in the Companies Law No. (22) of 1997 and its amendments, and the Venture Capital Companies Law No. (143) of 2018 in solving the legal and practical problems that may arise when applying these texts in practice, in two topics :

In the first topic , we discuss the concept of venture capital companies and their characteristics. In the second topic , we discuss the historical development of the emergence of venture capital companies and the differences between them and business accelerators and incubators.

The first topic: the concept of venture capital companies and their characteristics

Venture capital is considered an important alternative to the traditional method of financing on loans, and it is mainly based on the method of participation and speculation. Venture capital is also considered a necessary source of financing innovation, and thus it is a major factor for economic growth. Where it represents a basic support for the institutions not listed on the Stock Exchange through the direct contribution to the creation of institutions, the promotion of creative projects and modern technology.(5)

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In order to find out what venture capital companies are and how they are established, we will try in this section to present the characteristics of venture capital companies and give a new look to this company within the last amendment to the Jordanian Companies Law and the system issued according to it. In an attempt to explain and clarify the amended legal texts that included this new type of company, we hope that this study in general will be a good beginning for Arab researchers and investors for further studies that will contribute to the spread of venture capital companies and investment funds in the Arab world, similar to Western countries.

Therefore, in this topic , we will address the nature of venture capital companies and their characteristics through the following two requirements :

The first requirement: What are the venture capital companies?

In this requirement, we will address the definition of the venture capital company and its nature with international organizations and Arab and foreign legislation, in two branches, as follows:

The Organization for Economic Co-operation and Development (OECD), notes that there is no universally agreed upon definition of venture capital. However, the organization defined it as: "the financing of capital for unlisted companies to support the pre-launch stage of the project, especially in entrepreneurial projects based on innovation."(6)

The organization also defined it in its Glossary of Terms as: “A professional activity, that is, that professional activity in asset management, whereby the funds raised from institutional investors or wealthy individuals are invested in promising new projects with a high potential for future growth.”

The European Venture Capital Association (EVCA) defined it as: “Every capital that is invested by a financial intermediary specializing in high-risk private projects characterized by a strong potential for growth, but which does not guarantee immediately with certainty that income will be obtained or that the capital will be recovered on the specified date, in the hope of obtaining a high surplus value in the relatively distant future. In the event of selling the share of these institutions."(8)

According to the National Venture Capital Association (NVCA), it is: “An active investment in long-term private funds in facilities with a strong readiness, made by specialized investors.”(9)

The Association Francaise des Investisseures en capital (AFIC) defines it as: “An investment made by investors in capital by means of private and semi-private funds in young or under construction enterprises, with a large technological content.(10)

Second: Defining Arab and foreign legislation

In the capital law, the Egyptian legislator defined venture capital activities as follows: “The venture capital activity includes financing the activity of companies that issue shares or provide support for them, provide technical and administrative services, or contribute to it and develop projects and institutions for the purpose of converting them into joint stock companies. Or joint stock companies or companies limited by shares, provided that these projects and companies are of a high-risk nature or lack funding, which results in a long-term investment cycle.(11)

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The Egyptian legislator also defined venture capital companies according to the Egyptian Investment Incentives and Guarantees Law No. (8) of 1997 as: Contributing to projects or institutions with the aim of developing them, in order to transform them into joint stock companies or partnerships limited by shares, provided that these institutions and projects lack the necessary funding for them.(12)

While the Algerian legislator defined venture capital companies, according to what was stated in the first chapter of Law No. 06-11 of 2006, venture capital companies as: “Companies that aim to participate in the capital of the company, and in every operation represented in providing shares of private or semi-private funds to institutions in the process of establishment, growth, financing or privatization.” (13)

As for the Jordanian Companies Law No. 22 of 1997, as amended by Law No. 34 of 2017, it defines venture capital companies as: “Companies that are established for the purpose of direct investment or the establishment of funds to contribute to the capital of companies with global growth potential and whose shares are not listed in the financial market, in return for obtaining returns when selling their contribution or shares in the capital of the invested company.”

From a review of the previous definition of venture capital companies, we find that it does not go beyond being a list of the goals of venture capital companies without addressing their administrative and financial characteristics or even the origin of their formation. and shortcomings.

In fact, no matter how hard legal jurisprudence tries to find and define a comprehensive grantor of venture capital companies, it cannot deviate from its definition from enumerating the objectives of the company, and the researcher believes that we can define the venture capital company as: A company of funds that are not listed in the financial market, and consists of two classes of partners. Each class is obligated by the company’s contract to provide its cash share in the company’s capital, whether paid or unpaid, provided that its capital is not less than one hundred thousand dinars, and is established with the intention of financing companies Startups with high growth potential, and the partner’s liability is limited to the category stipulated in the company’s contract and partnership agreement.

The second requirement: the characteristics of venture capital companies in Jordanian law

Although the venture capital company participates with the private joint stock company (14) and the limited partnership company in many legal texts and rules, it has unique characteristics that distinguish it from other types of companies and from the rest of the financing methods. (15) Where the latter is based on providing financing without guaranteeing the return or its amount, thus risking the money and sharing profits and losses (joint-venture), i.e. taking sheep and paying fines.(16)

In light of the extrapolation of the Jordanian Companies Law and its amendments No. (22) of 1997 and the Venture Capital Companies Law No. (143) of 2018 and after reviewing

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the Arab and foreign definitions when looking at the definition of a venture capital company, we can come up with a number of distinctive characteristics:

First: Companies of mixed character:

The jurists classified commercial companies into three types of companies (17)

Money companies, people companies, and mixed companies. Venture capital companies come under the umbrella of mixed companies, which are based on financial consideration and personal consideration at the same time, from two categories of partners, a company of persons in the right of the managing partner and a company of funds in the right of the financing partner.

A- One or more managing partner: he manages the company's affairs, debts and obligations, and he may be a natural or legal person.

B- One or more financier partner who is not involved in managing the company's affairs, conducting its business or signing for it, and is responsible for the company's debts and obligations to the extent of his share in the company's capital, and he may be a natural or legal person.

Second: The consensual nature of venture capital companies (the principle of dominion of will) in complete contrast to commercial companies (with the exception of private joint stock companies whose provisions are predominantly regulatory, The venture capital company, similar to the private joint stock company, came to predominate in its provisions of the consensual nature at the expense of the organizational character, thus weakening the idea of the legal system, and shrinking in front of the contractual idea between the partners. Through the exercise of its commercial activities throughout its life, leading to its liquidation.(18)

The contractual idea (the principle of power of will) for the company came as a response to achieving an attractive investment climate for investors and their requirements, in addition to the legal and economic nature on which venture capital companies are based, in order to escape the regulatory and supervisory restrictions imposed by the state on commercial companies in general.

The principle of management authority is shown to the founding partners in several areas, including:

The signing of a partnership agreement between the partners, through which the partners agree to organize all the company's administrative and financial matters that are not included in the company's memorandum of association and articles of association, and the legislator considered it the priority in applying its provisions in many issues, and the legislator freed the hands of the partners in organizing the contract The incorporation and articles of association without obligating them to form a prescribed form for that, as is the case in the rest of the types of commercial companies.

One of the manifestations of the principle of dominion of will is also when the legislator launched the venture capital system and the hand of the founding partners in determining the amount of the company's capital(20) Provided that the paid-up capital shall not be less than one hundred thousand dinars for the financing partner and one thousand dinars for the managing partner. The legislator also left the method of managing the company for the managing partner

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as agreed upon by the founders in the partnership agreement, its articles of association and articles of association.

Third: The company name includes the name of the managing partner

The name of the company is the name that the partners agree to give to the legal person who creates the company's articles of incorporation in order to appear before others, whereby all the works and pledges that are done for the company's account are signed.(21) In accordance with the text of Article (5) of the Venture Capital Companies Law, the partners are obligated to display the company's name so that the company name may include the name of one or all of the managing partners or any other name approved by the Companies Controller in addition to the phrase (Venture Capital Company). The reason for the legislator's permission for the company's name to include the names of the managing partners or one of them is because these partners are the ones who manage the company. In return, it is not permissible to include in the name of the venture capital company any of the names of the financing partners, and this is what was deduced from the text of the previous article.

This can be justified by the desire of the Jordanian legislator to protect others who deal with the company, as the appearance of the name of the financing partner in the company's name may lead to confusion as to what may be created by the fictitious credit, as those dealing with the company think that this partner has the capacity of a manager and that he is jointly liable and responsible for unlimited liability. For the company's debts, even though he is in fact a financier partner and is responsible for the company's debts within the limits of the share he provided in the company's capital.

If the Jordanian legislator has explicitly stated when regulating the provisions related to venture capital companies that the name of the managing partner may be included in the name of this company, in accordance with the text of Article (5) of the system, but it did not expressly provide that the financing partner may include his name The same applies to the name of the company, but in spite of that, it can be said that the Jordanian legislator, although it did not explicitly stipulate in regulating the provisions relating to venture capital companies that the financing partner may not include his name in the name of the company, in fact he referred to this provision from During the text of Article (16/a) of the Venture Capital Companies Law, which states the following:

"The financing partner is prohibited from participating in the management of the company, acting in its name, representing it, or arranging obligations on it. The financing partner shall be liable with his own money towards the company and the other partners for any damages that may be caused to the company as a result of these actions and actions."

It is natural that the inclusion of the name of the financing partner in the company's name is considered a prohibited act because it leads to impersonation of the managing partner in this company, and therefore the Jordanian legislator considered that the company will be responsible for these actions towards the unfaithful.

Fourth: Dividing the partners' shares into categories

Article (13/e) of the Venture Capital Companies Law, as stipulated in the partnership agreement, the company's contract and articles of association, permits the division of partners'

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shares into categories that differ among themselves in terms of how profits and losses are distributed, the rights of each of them and their priority upon liquidation, and other rights and advantages and priorities.

Thus, the rule of Article (13/e) has given the partners the freedom to divide the shares into categories without restriction or condition. They have the right to issue excellent categories that give its owner more advantages and rights than it gives to the owners of ordinary shares, among which is priority and priority in distributing profits over other shares Or it deserves a lump sum or a certain percentage of the profits, or it has priority in redeeming its shares during the life of the company or upon liquidation, in addition to other advantages and priorities.

Fifth: Venture capital companies are exempted from income tax

The Income Tax Law (21) stipulated in the period (4/a/6) that: "Exempt from tax: income generated by venture capital companies defined and registered in accordance with the Companies Law."

Venture capital companies are unique in this feature from the rest of the types of commercial companies in terms of the income generated. This is a clear indication of the Jordanian legislator's desire to support this type of companies and increase their spread, and to motivate them to continue investing in projects with high growth and return, especially since this experiment is recent in Jordan and it needs to create an economic climate for the success of this experiment.

Sixth: The responsibility of the managing partner in the venture capital company

The responsibility of the managing partner for the company's debts and obligations is one of the most important characteristics of the venture capital company, and this rule means that the company's creditors have a general guarantee on the company's funds and the managing partner's personal funds. his personal funds, and Article (6/a) of the Venture Capital Companies Law referred to this rule.

In addition, the responsibility of the managing partners for the company's obligations in all of their money is jointly with them, and accordingly the company's creditor can ask the managing partners or one of them to pay the police debts without the managing partners or their personal creditors having the right to object to that. Accordingly, the joint and personal liability of the managing partner is one of the essential characteristics that distinguishes the venture capital company from other companies, so every condition that exempts the managing partner from this responsibility is void in relation to others.

Seventh: The partner does not acquire the status of a merchant

As a consequence of the partners in the venture capital company, they do not acquire the status of a merchant, as is the case with the limited partner in the simple partnership company, the shareholder and the partner in limited liability companies and public and private joint stock companies. Merchants, however, Article (14) of the Venture Capital Companies Law stipulated that the managing partner and his representative, if the partner was a legal person, should not be incapacitated and be at least twenty-five years old.

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Eighth: The company's goals

The objectives of the venture capital company are limited to direct investment or the establishment of funds to contribute and invest in the capital of small companies. It is not a loan, but rather a temporary partner.

Ninth: The investment period

The activity of venture capital companies is considered one of the long-term activities, where venture capital companies intervene to finance small and medium companies, finance existing companies, restructure existing companies, or finance troubled companies that have high risks. Venture capital companies have a period of time in the project, in which the period of participation ranges from 3-5 years. Regardless of the size of the project being funded, entry is the ultimate goal of exit, not survival.(24)

It is worth noting here, that with reference to the Jordanian legislation that regulates venture capital companies, whether in the Jordanian Companies Law or in the Venture Capital Companies Law, we note that the Jordanian legislator did not address the period of investment of venture capital companies in The projects and companies invested in, as it did not stipulate the exit mechanism or the time period for the venture capital company to remain in the investee company, and this is a legislative shortcoming.

Tenth: It is not permissible to establish a company, increase its capital, or borrow for its account through public acquisition, nor may it issue tradable shares or offer its shares for trading.

The second topic: the historical development of venture capital companies and their comparison with accelerators and business incubators

The first requirement: the historical development of venture capital companies

The origin of the venture capital profession can be traced back to the Greek Thale's de Milet, who established the first project in agro-industrialization (extraction of olive oil) thanks to the money he obtained from risky lenders Preteurs_ Ridqueurs. The 15th and 16th centuries AD) undertaken by Venture-Capitalists who bought ships and financed voyages. The adventurer in the world is ARD "American Research Development", the American Research and Development Corporation, which specializes in financing emerging electronic companies.

A number of European and East Asian countries followed the American experience and were all behind the establishment of the venture capital opinion sector, where the venture capital sector went through different stages of development, as governments in the fifties provided clear support to the industry in Europe and the United States.

In 1957, the US government established the first Small Business Investment Company with federal funds, which was part of the government's plan to support entrepreneurs through new financial models, and immediately followed by allowing banks to establish their own companies to invest small projects. In the sixties, the number of small business investment companies reached 600.(26)

In the 1960s, an Initial Public Offering (IPO) in the stock market allowed venture capital

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firms to participate more actively in establishing new companies. Thus, venture capital has become an attractive market for families and wealthy individuals.

In the seventies, the venture labor market continued to grow in most of Europe and in the United States of America the venture capital sector suffered from general market problems and others, however, a real revolution occurred in 1957, when the U.S. Congress took a decision to invest part of the pension funds in venture capital firms. Adventurer money.

As for Europe, it was the beginning of the eighties of the last century when the European Venture Capital Association (EVCA) was established in 1983. This period witnessed a review of the new model of venture capital in discovering new sources of financing, such as the pension fund and others. From the financial funds related to the establishments. This model provides a shift from traditional sources of financing, such as individuals and wealthy families. It is worth mentioning that the readers of the 1957 Congress have stipulated the principles of this model, which was followed by legislative and regulatory changes that resulted in an improvement in the climate for venture capital.(27)

Now the United States of America is the largest market for venture capital in the world, followed by the United Kingdom, and this type of financing has proven its contribution to saving some economies of some countries after the United States and the United Kingdom, the Netherlands and India, Realizing that the work of venture capital represents a vital catalyst in the development of many new industries, and therefore it constitutes an important factor in the growth of the economy and the achievement of wealth, as various countries, including the developing countries, have begun to create an environment for successful industries of venture capital, so most developing countries have obtained Supporting donor agencies that provided facilities to access the latest technology in this regard, Since the nineties of the last century, countries have been quick to adopt this type of financing and technology within the legislative system, which is a recent phenomenon in developing countries such as: Tunisia, Egypt, Algeria and the Arab Gulf states. That in 2014, the United Arab Emirates and Saudi Arabia attracted more than 75% of the volume of investments in the field of investment in venture capital, while the ratio reached 1% in each of Morocco, Lebanon and only 2% in Tunisia, while the ratio was only 6% in Egypt .(28)

At the end of 2017, Jordan introduced an amendment to the Companies Law, pursuant to Amended Law No. (43) of 2017, to explicitly provide for the creation of a new form of companies, venture capital companies, and so far no company has been registered under this name according to the records of the Companies Control Department. Although there are a few venture capital firms operating in Jordan, they are registered as venture capital firms abroad.

Noting in this regard that success is not a permanent feature of this type of company, as this experience has clearly not succeeded in the economies of some countries such as: Italy, Spain, Germany, Australia, Norway and Russia, according to the statistics of the Organization for Economic Cooperation and Development (OECD). The United States of America over others, including Europe, in the field of venture capital.(29)

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The second requirement

Similarities Between Venture Capital Firms and Business Incubators & Accelerators

Venture capital provides financial, technical, administrative and financial support by providing the necessary financing cover for new or existing troubled companies promising growth with high risks, to contribute to overcoming the causes of default and achieving high returns, then the company sells its share, achieving a profit commensurate with the degree the risk you took.

If risk capital has all this importance, business incubators and accelerators are no less important than it, as it is considered one of the most effective mechanisms in implementing economic development programs, through its success in providing care and support to emerging projects promising growth and increasing their chances of success. One of the mechanisms that have proven feasibility and importance in accompanying and developing small and medium enterprises by providing them with all the support factors they need, and supporting, developing and developing small and medium enterprises by providing them with all the support factors they need, and helping them to face the problems and difficulties that often lead to their failure. and its inability to fulfill its obligations.

Where **business incubators** are defined as “an integrated package of services, facilities, support and advice mechanisms provided for a specific period of time by an existing institution with its experience and relations, for the initiators who wish to start establishing a small institution in order to reduce the burdens of the launch phase.”

As for **business accelerators**, it has been defined as “a new form of incubating startups, it helps startups succeed in the early stages of their business development through the support services they provide to them.” It is also defined as “groups of expert businessmen who provide services, office space, directions, guidance, administrative services, knowledge, and expertise to startups as needed, to help them succeed in the first phase of their project life.”(32)

Venture capital, business incubators and accelerators have the ability to finance and participate in profits and losses, that is, to participate in the good and the bad. They share many characteristics, most notably providing financial, technical and administrative support, participating in the project from the launch stage to the exit stage, and sharing the outcome of the investment process Providing sponsorship and support for emerging projects promising growth and increasing their chances of success. In order to compare venture capital and business accelerators and incubators in order to distinguish between them, the comparison must be divided into several angles as follows:

First: A comparison between venture capital and business accelerators and incubators in terms of historical origin, importance and objectives:

The comparison in terms of historical origin: In the middle of the last century with the precedence of venture capital, these technologies appeared in their modern form at the same time, and their first appearance was in the United States of America, which is the origin of these technologies and is still on the throne at the global level, meaning that The emergence of venture capital does not differ in time in terms of antiquity, nor in place in terms of application, from

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the emergence of business incubators and accelerators.

The comparison in terms of importance: The importance lies in supporting new and technical projects, developing human resources, optimizing their capabilities and competencies, encouraging their initiatives, creating job opportunities, developing innovative ideas, especially in new technological fields, generating activity and wealth on a large scale by establishing a vital sector of projects, and contributing to Marketing inventions and technology transfer, encouraging technological innovation and spreading a culture of risk taking. Venture capital companies, business incubators and accelerators also provide advice in management, planning, training, marketing, provide technical support through researchers, technicians and assistive technical tools, and help projects obtain the necessary funding, which is precisely what business incubators and accelerators and venture capital have in common. The importance, as well as their importance, lies in ensuring the sound start of the institutions and raising the rate of continuity of their activity in the competitive market by reducing the risks of demise and fading and increasing the chances of success.

Comparison in terms of goals: In terms of goals, venture capital companies, accelerators and business incubators intersect in the face of the special needs of new or high-risk projects that have potential for growth and high return, and provide all services and assistance related to the stage of establishment and growth, Increasing success rates, encouraging distinctive ideas and ensuring the sustainability of projects by reducing the costs of starting the activity and finding appropriate solutions to the technical, financial, administrative and legal problems facing the project and reducing the business risks associated with the early stages of starting the project's activity and developing its production. Scientific research and innovations in the form of projects that can be converted into products, providing technical, administrative, legal and financial advice, and developing a complete, preventative and comprehensive plan for the accompanying projects to ensure their sustainability and improve their chances of success, so that their performance will be strong upon graduation from the incubator.

Second: The comparison between venture capital and business incubators and accelerators in terms of financing stages:

In the beginning, venture capital and business accelerators and incubators often go through the stage of searching for projects, studying them, analyzing them, choosing the best ones, starting work, following up on contributions, and the stage of selling contributions, then moving from one stage to another, and so on. Venture money and the technology of business incubators and accelerators in their activity, and that their success is measured by the number of new and graduated projects, within a limited period, which may continue to develop after their exit by providing the necessary assistance to fortify their effectiveness, whether that help represents financial or technical support until it becomes able to achieve A high surplus value commensurate with the degree of risk it was exposed to, and the exit stage for each takes three or four years on average.(33)

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Business incubators and accelerators share several basic elements with the venture capital company, including:

1. **Funding and support in the stage of launching and establishment:** At this stage, projects are in dire need of venture capital, accelerators and business incubators to provide them with financial support and maintain the rest of the other stages due to the high level of risk associated with their business, their lack of additional guarantees and no business record .
2. **Management:** Business incubators and accelerators and venture capital companies participate in project decisions and intervene in directing its course, providing it with specialized knowledge and providing it with advice related to managing the paths of development, and it is not limited to financial support for projects only, but also provides technical, strategic, administrative and marketing support.
3. **Achieving profit:** Achieving profit during a period of time in which projects are able to rely on themselves in managing and managing their affairs is the ultimate goal for venture capital owners, business accelerators and incubators, through one of the exit strategies.(34)

Third: The comparison between venture capital and business incubators and accelerators in terms of project support and financing:

The first function of venture capital, incubators and accelerators is to support small and medium-sized enterprises and raise their chances of success, by providing all kinds of financial, administrative and marketing support, sponsoring new projects in the initiation and growth phase, facilitating project start-up, reaching a community support network and establishing a set of supportive and distinguished services such as Quality, technical and commercial information base, units for testing and measurement, working on their development and marketing the products and services they provide, also by adopting technology-based projects linked to universities and research centers, and working to feed the nascent small projects in their location.(35) Business incubators and accelerators, along with venture capital companies, seek to provide all types of services required for establishing and developing small and medium enterprises, which include: administrative services, specialized services, financing services, and public services. For small and medium enterprises, the problem of financing is one of the biggest obstacles they face, whether in the launch stage or in the stage of growth and expansion, and whose financing is limited to bank loans for which debt, security, risks and credit are a burden.(36)

The adoption of the financing method in venture capital companies in financing these companies is based on the principle of participation and contribution, just like accelerators and business incubators, where the financier bears risks with the investor, profit and loss, and support and financing in business incubators is also more guarantee of the success of these projects, as they are shared in the output The expected profit or loss, in the light of agreed rules and distributive foundations, and venture capital is one of the effective means whose activity and level of interventions are commensurate with the nature of small and medium

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enterprises, given that its activity is linked to areas with high risk and expected return, and venture capital is considered alongside accelerators and incubators Business is a financing alternative to traditional sources such as bank loans, stocks and bonds, and it provides financial financing as well as technical, technological and administrative support for these companies.(37) It provides it with funds, experience and modern methods of management and organization and integrates its funds with the funds of the funded projects, and this is what achieves stimulating financing for these projects to rise and achieve great profits, unlike the method of debt financing fraught with repayment risks, interest rates and other burdens such as the problem of guarantees and others.

Finally :

This study dealt with research on the issue of the legal system for venture capital companies under the amended Jordanian Companies Law No. (34) of 2017 and the Venture Capital Companies Law issued pursuant to it No. 143 of 2018, where the importance of this research stems from the importance of venture capital companies as a tool Funding to stimulate investment and finance plans and projects into reality, and to finance knowledge and pioneering ideas into projects of economic value.

In order to achieve the benefit of research and studies, any scientific study must produce a number of results and recommendations. Therefore, after the researcher completed the study of the legislative framework for venture capital companies, he concluded a number of results and recommendations, which are presented successively as follows:

First: the results

1. Venture capital companies are a new type of commercial company in the Jordanian legislation, the provisions regulating them are being prepared and drafted; Especially those related to the partnership agreement, its contract and its system in a special and exceptional way. The principle of the authority of the will in it is the regulating factor for most of the legal provisions related to the company. The priority in application in many issues in which is the partnership agreement, the articles of association and the articles of association. The idea of the legal system is reduced in front of the contractual idea between the partners. Which will have a big role in encouraging investors to move towards this type of company.
2. In contrast to the few peremptory rules related to the public system, most of the legal rules governing the company's capital and its administrative and financial affairs are complementary rules. In many sites, the companies' system left complete freedom for the partners to include in the partnership agreement, memorandum of association and articles of association what they deem compatible with the interest of their company, to An extent with which we can consider them as a law for the company, and this is evidenced by the inclusion of the phrase (unless the partnership agreement stipulates this) and (unless otherwise stipulated in the articles of association), in which the complementary rules prevail over jus cogens.

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3. The complete freedom granted to the partners to include a provision in the partnership agreement, memorandum of association and articles of association dividing the partners' shares into different categories without restriction or condition, and these shares enjoy different preferences and priorities in the distribution of profits and losses, as if the percentage of profits of the excellent categories is double the percentage of profits of the categories normal.

4. 4. The freedom of the founders of the venture capital company to control the amount of the paid-up capital, provided that it does not fall below the legally established minimum of one hundred thousand Jordanian dinars, because the paid-up capital is the general guarantee for the creditors and not the unpaid capital, while leaving An order to determine the amount of the unpaid capital for the freedom of the founders, provided that it is included, when specified, within the mandatory data of the company's contract and articles of association.

5. 5. The researcher found that the Jordanian legislator did not allow the partners in the venture capital companies to provide shares in kind, in contrast to the rest of the types of commercial companies, and that no partner's contribution to the company may be anything other than cash. without criticism.

6. The researcher concluded that the legislator explicitly permitted the inclusion of the name of the managing partner in the name of the venture capital company, but it did not explicitly state that the name of the financing partner may not be included in the name of the company, but it is understood from the text of Article (16/a) of the Capital Companies Law Venture money stipulates that the financing partner may not take any action that would impersonate the managing partner in the face of bona fide third parties, so it is not permissible to include the name of the financing partner in the name of the company.

7. 7. The researcher found that there is a legislative defect in the text of Article (7/and/3) of the Jordanian Companies Law and its amendments, when the article stipulates that venture capital companies are subject to the provisions of this law in the cases that are stipulated in the provisions of the system, but the legislator did not specify The type of company whose provisions will be referred to in the Companies Law, as we know that the Jordanian legislator regulated in the Companies Law the provisions of all types of commercial companies, so which type will be referred to when a specific case occurs that is not stipulated in the system?

Second: Recommendations

Based on the aforementioned results, the researcher believes that the following adjustments should be made in order to arrive at the regulation of the best provisions for venture capital companies, which are as follows:

1- We recommend amending the text of Article (7/f) of the Jordanian Companies Law and its amendments and the text of Article (4/a) of the Venture Capital Companies Law to become as follows: The capital of troubled small and medium-sized companies with high growth potential and whose shares are not listed in the financial market, in return for obtaining the returns of their shares or their shares in the capital of the invested company.

2- 2- We recommend amending the text of Paragraph (3) of Article (7/f) of the Jordanian Companies Law to read as follows: "Venture capital companies are subject to the provisions of private joint stock companies contained in this law in cases where there is no provision in the

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provisions of the system issued under Clause (1) of this paragraph. This is because the provisions regulating the private joint stock company are as close as possible to keeping pace with and appropriate to the idea of venture capital companies.

3- The researcher suggests the necessity of legislative intervention by amending the text of Article (7/C) of the Venture Capital Companies Law to become as follows: Partnership agreement for another payment period.

4- The researcher recommends the need to intensify the agencies through work and coordination between government agencies and the private sector in order for venture capital companies to reach innovative and pioneering projects that are expected to have a high return and growth, in addition to the state's endeavor to create an appropriate economic, financial and legislative climate for the work of venture capital companies.

5- The researcher recommends the need to work on promoting the idea of venture capital companies to all entities of innovative interest such as universities, colleges, research centers and others, by organizing conferences and seminars to introduce both investors and owners of ideas and projects to the process of financing venture capital technology and its importance in financing innovations and new technology.

6- 6- Finally, the researcher recommends the need to pay attention to venture capital companies by working to improve the legislative framework for venture capital companies, which is characterized by a number of shortcomings that must be worked on to fill the text.

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(15) The Simple Partnership Company: It is a company of persons consisting of two categories of partners, they are the general partners who take charge of the management of the company and the practice of its business, and the silent partners who participate in the capital of the company without having the right to manage the company, and the partners are obligatorily included in the partnership contract.
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