

ABJ's Activities in 2012





The Association of Banks in Jordan (ABJ) continued its mandate to follow up the different issues brought to its attention, by member banks in particular. Specialized technical committees held an in-depth discussion of these issues and submitted banks' comments on them to relevant authorities, who had a highly serious reaction to this feedback; a number of remarks and suggestions brought by the ABJ on behalf of its member banks had been taken into consideration.

In the field of training, the ABJ held a number of sessions, seminars, workshops, training courses and lectures during 2012 on issues of concern to the banking system in Jordan.

As regards studies, the ABJ published a number of publications, reports and studies that concern the Jordanian banking system. The following is some of the ABJ's most outstanding activities during 2012.

A. Public Policy Issues

◆ The Draft "Instructions to Deal in a Transparent and Equitable Way with Clients"

The ABJ, in coordination with the Central Bank of Jordan organized on Sunday, Aug. 26th, 2012, a meeting of member banks, also attended by a representative of the CBJ, to discuss CBJ's draft instructions of dealing in a transparent and equitable way with clients.

Member banks were requested, after due discussion of draft instructions, to provide the ABJ with their final feedback on the instructions. The ABJ then collected these remarks and summarized them in a detailed matrix with the items of draft instructions and the banks' remarks and/or suggestions thereon. Those remarks were then sent to the CBJ which took the feedback into consideration when the final endorsement of those instructions was done.

B. Meetings of ABJ's Committees

◆ Banks create a founding committee for the Credit Information Bureau

Jordanian banks formed a founding committee for a credit information bureau chaired by the General Director of Bank Al-Etihaad Nadia Al Saeed, with the membership of the Director General of Cairo Amman Bank Kamal al Bakri, the representative of ICT sector Khaled Al Hudhud, the representative of micro-finance sector Muna Sukhtian, the Director General of Jordan Capital bank Haitham Qamhie, and the director of International Finance Corporation (IFC) Dr. Ahmad Ateeqa.

The ABJ chairman Marwan Awadh told the committee that the role that the ABJ is entrusted with is merely that of coordination; it is neither executive nor administrative or legal.

He reviewed the most important steps taken by the ABJ to help create credit information bureau, including conducting a comparative study between Jordan and other countries, and organizing a series of meetings with relevant authorities and the CBJ.

Awadh hailed the great role assumed by the IFC to help create the credit information bureau.

He pointed out to the issuance of the credit information law and its bylaws, which constitute a clear-cut and comprehensive legislative framework that permits the establishment of such a company, stressing that banks are open to everyone and that there is no monopoly of banks over the future company since the said law allows any party to request a license to create a credit information bureau.

The chairman underlined that proposed shares in the bureau are only tentative and provisional and can be modified, saying that the ABJ's role in creating the bureau will stop after the agreement on forming the founding committee is concluded.

He drew attention to the fact that the ABJ had previously run a request for proposal of interest for internationally acclaimed companies in the field of credit information, in response to which it received nine requests of interest that are left for the founding committee to review as soon as it is formed.



The head of the Executive Technical committee Nadia Saeed highlighted the importance of having a credit information bureau and its pivotal role in providing the services of credit information and limiting risks on credit.

Al Saeed stressed the importance of having a low and competitive cost for credit information so that it will not be eventually reflected on clients, adding that services expected to be offered by the bureau are not limited to information but they can be developed to include credit points' service.

She pointed out that the first step to create a credit information bureau is to agree in principle on underwriting in the company so that it can be licensed by the Ministry of Industry and Trade and to establish the founding committee, then the committee would complete the establishment procedures, including reviewing bids offered by international companies. A tender document would then be drafted to include the terms of reference, the scope of services, past experiences and quotations model that would bring the lowest prices possible.

She told attendees that what is required of them is to confirm their desire to have shares in the bureau, and to vote on the formation of the founding committee which will open bids and identify the next steps, including appointing a legal advisor.

Awadh asked attendees to confirm their willingness to take part in the said bureau; Jordan Loan Guarantee Corporation confirmed its participation, while telecommunications and electricity companies asked for more time to confirm participation. Awadh suggested that the founding committee of the bureau consist of the same members of the executive technical committee, taking legal considerations into account. He stressed that suggested names are only provisional and changeable after all parties confirm their participation.

On her part, Al Saeed explained that what is required in the meantime is to get a confirmation of all parties that want to participate in the company, and to approve of the mandate to be given to the founding committee to perform the following tasks:

- a. Appointing a legal advisor and a lawyer to start procedures of the company's registration and to pursue the requisite legal actions;
- b. Appointing IFC as a technical advisor and expert for the next stages of registering the company;
- c. Reviewing letters of interest sent by strategic partners and making a choice between them;
- d. Preparing terms of the tender to be sent to relevant companies in light of item c/2 in cooperation with the IFC;
- e. Entering into negotiations with bidders to name the strategic partner who won the bid, in cooperation with the IFC;
- f. Concluding the draft final agreement of partnership and operation and submitting it to shareholders for their approval; and
- g. Registering the company at its final form and terms and conditions according to the operation and partnership agreement mentioned in item f, and getting the necessary approvals.


She pointed out that she will provide all relevant parties with the form of participation confirmation and delegation of powers after consulting with Kamal Al Bakri.

◆ A committee formed to draw a strategic plan for the ABJ

The ABJ's board of directors formed a committee from among its members to draw a new strategic plan for the association, after a thorough discussion of what was achieved of the ABJ's executive plan for the period of 2010-2012.

The committee formed was under the chairmanship of the ABJ's chairman of board of directors Bassem Khalil Al Salem with the membership of the Bank of Jordan's Chairman of board of directors/ General Director Shaker Fakhouri, the director general of Jordan Commercial Bank Mahdi Allawi, the director general of the Housing Bank for Trade and Finance Omar Malhas and the ABJ's director general Dr. Adli Qandah.

The committee held its first meeting on Apr. 9th, 2012.



◆ Al-Salem chairs meetings of the brainstorming team to discuss training, development and studies at the ABJ

The chairman of ABJ's board of directors Bassem Khalil Al Salem chaired on May 14th, 2012 a meeting of the brainstorming team that focused on issues of development, training and studies as well as defending the interests of member banks.

The team asserted that the Institute of Banking Studies (IBS) should develop its programs; it proposed arranging a meeting with the IBS' director to discuss current and future training programs and to provide them with the training needs of member banks so that the institute can design the proper programs.

As regards defending member banks' interests, Al Salem stressed that reviewing relevant banking legislations is possible and even welcome by the central bank which pledged to study any remarks given by banks.

Al Salem underlined that any amendments that can be done should be adapted to the requirements of the current stage as well as to be reflected on the macro-economic performance of the kingdom. He also suggested that banks should be a partner in the Banks' Magazine in terms of publishing their own studies in the magazine.

The brainstorming team proposed conducting a comprehensive evaluation of banks operating in Jordan, to pinpoint their strengths and weaknesses and identify challenges and opportunities facing the banking sector. The team also suggested conducting studies on the micro level to cover banks' needs of some issues to be proposed by the committee formed for this purpose.

Participants agreed that each member of the working team should carry out an initial evaluation stemming from the actual situation and aspirations of its bank, to be discussed in the coming meeting. They stressed a profound agreement exist among banks in this regard.

Representative of the Arab Banking Corporation (ABC) Noor Jarrar was requested to draft a description of the training needs of banks taking part in the meeting as a sample that corresponds to the needs of other banks.

The team had already held a meeting on Sunday, May 6th, 2012, headed by Al Salem and attended by the ABJ's director general Dr. Adli Qandah and directors of studies and planning in member banks, to discuss that most important pillars of the ABJ's strategic plan for the coming period that aims at advancing the banking sector and increasing its competitiveness with the regional banking sector.

The meeting decided to create a small-sized working group of banks to discuss the main subjects on the table, keeping the door open for any more participants from member banks to join.

◆ ABJ holds a meeting for directors of training and human resources at banks and the IBS

The ABJ held on Sep.10th, 2012 a meeting for directors of training and human resources departments at member banks and the Institute of Banking Studies to inform the IBS of the training needs of banks. The meeting was attended by ABJ's Vice-Chairman Nadia Al Saeed, the ABJ's director general Dr. Adli Qandah and the IBS director general Riyadh Al Hindawi.

Dr. Qandah underlined the fact that the relationship between the IBS and ABJ is that of cooperation, striving to understand the strategic perspective of banks to upgrade and develop the IBS' services in what suits the banking sector's needs.

He said that the meeting aims at understanding the remarks of the IBS as the new administration of the Institute is about to draft a new strategic plan to develop its activities.

Attendees stressed the need to create a permanent banking committee that holds periodic meetings with the IBS' administration to keep it perpetually informed of the banks' training needs and the most required training programs. They also suggested a liaison officer in each bank to facilitate cooperation and coordination with the IBS.

Attendees stressed that training needs should be identified according to specialization, administrative post, and



administrative category. They also stressed the necessity of adopting training programs for all job levels so that it would be easier to nominate the employee for the training program or to evaluate him/her.

They also pointed out to the urgency of having specialized evaluation mechanisms to evaluate the extent to which employees benefited from training programs, especially those related to specialized banking and technical issues, as they are highly in demand and most lecturers in these issues are highly proficient in the Jordanian banking system.

Attendees expressed disappointment of the training programs in the soft skills, describing them as underdeveloped and not up to date. They stressed that banks prefer to take part in competitive training centers because they can see the advanced quality and method of training compared with what the IBS offers.

ABJ and IBS representatives at the meeting requested expansion in the specialized academic banking programs, especially the diploma degrees and Islamic banking programs, as well as granting these certificates the necessary accreditation so that those programs are improved and updated. They advised in this regard to benefit from the reputable experience of the Bahrain Institute of Banking Studies.

Attendees also called for concluding cooperation agreements with international centers so that new and substantial issues can be laid down and highly efficient international trainers can be procured to train bank employees on the most important banking issues.

They stressed cooperation between banks and the IBS to hold an international training program, just like what the Bank of Jordan, the IBS and the Euro Money did before, the matter that will distribute the burden of costs between banks.

They recommended evaluation to be conducted twice during training: at the first day of training and at the last day. In this way, they emphasized, concerned people can improve or redress any negative points noticed about the training program and general opinions on the negative and positive points of the program can be obtained.

They also recommended having training rooms that are equipped with the best training programs and have a relaxed training setting, since the available rooms are outdated and need tremendous maintenance and renovations.

Attendees also recommended the IBS to cooperate with banks as regards choosing the training hours convenient for each bank and suitable for the nature of its work.

On his part, Dr. Hindawi expressed interest in all these remarks, saying the IBS would study the possibility of including them in the coming strategic plan. "The IBS intends to organize a meeting for banks in Nov. 2012 to inform them of its plan for the coming years," he pointed out.

C. Seminars, Lectures and Training Courses

1) Workshops:

The ABJ organized a number of workshops that can be wrapped up as follows:

◆ ABJ organizes a workshop on the FATCA

The ABJ organized on March 4th, 2012 a workshop on the Foreign Account Tax Compliance Act (FATCA), in cooperation with Deloitte and Touche. The workshop focused on the requirements that banks and financial institutions willing to implement this act should fulfill before the act comes into force by the beginning of 2014.

The workshop was attended by representatives of banks, the CBJ and Deloitte and Touche Jordan.

ABJ's Chairman of Board of Directors Marwan Awadh said the Foreign Account Tax Compliance Act, issued in 2010, requires non-American financial institutions to provide the Internal Revenue Service (IRS) with detailed information on American citizens that have banking accounts outside the USA.

He went on to say that the US Treasury Department and the IRS issued on Feb.8th, 2012 proposed draft regulations that provide a clearer road map for non-American financial institutions to implement this act.



The purpose of this law is to identify the American taxpayers who have financial assets and accounts outside the USA, and to ensure they settle taxes due on these foreign assets and accounts.

Awadh said the draft regulations gave clearer step-by-step process to financial institutions regarding the requirements of implementing the law. General remarks and feedback on FATCA were taken into account and the Treasury Department expressed its intention to facilitate the proposed requirements to implement this law by foreign financial institutions. He pointed out that international financial institutions welcomed the efforts of the US Treasury to facilitate the implementation requirements, urging relevant institutions to reconsider its current approach to implement the law.

“It will not be an easy job for financial institutions as this requires changes in systems and operational processes of non-American financial institutions and its relationship with clients,” Awadh said.

Awadh urged local banks not to delay the implementation of FATCA requirements and to take strategic decisions and choices in order to have a fully-considered implementation of the law’s requirements. He told participants that many financial institutions across the globe are currently reviewing the possible effects of proposed regulations to estimate the possible costs and resources required to enable them to comply by these regulations, including a detailed revision at the level of business units to verify tax burdens of American clients, and the current ability of procedures and systems to make the necessary identification and documentation of American citizens.

Awadh drew attention to the fact that to abide by this law means that the current processes of opening accounts and the processing systems of transactions and procedures of “know your client” used by foreign banks will be affected. “Compliance officials need to evaluate the possible effects of these regulations and draw a plan to manage and redress any possible risks relating to noncompliance with the terms of this law,” he went on to say.

Representatives of Deloitte and Touche Middle East Ali Kathemi and Omar Hmeid gave a detailed presentation of developments in the implementation of the FATCA, its requirements and the road map to comply by it. They stressed big financial institutions in the world are interested in implementing the law, taking as example the Deutsche Bank which requested its corresponding banks to define their position regarding the law so that it can decide to stop dealing with any bank or financial institutions that do not implement the law.

It is worth noting that the law requires foreign financial institutions to notify the IRS of any transfers or selling processes or income relating to any American citizen that works or resides outside the United States, and to deduct 30% there from as taxes for the US government.

Deloitte representatives answered questions of banks on the legal and technical details of the said law.

◆ ABJ, IFC Hold Seminar on SMEs’ Funding

The ABJ, in cooperation with the International Finance Corporation (IFC), organized a training seminar on funding small and medium sized enterprises (SMEs) in the period of 10-12 Dec. 2012.

ABJ’s general director Dr. Adli Kandah said the issue of SMEs’ funding gained increasing attention in the past few years by governments, banks and international corporations because of the SMEs’ essential contribution to economic development.

In Jordan, micro, small and medium size enterprises (MSMEs) account for 98% of the enterprises. They employ 65% of the labour force approximately and contribute about 40-50% of the GDP, Dr. Kandah said.

Despite that, Dr. Kandah added, SMEs have low access to finance and account for 10 percent only of the bank lending in Jordan.

However, he stressed there are local and international initiatives to address these issues and facilitate the access to the different financing options in banks that represent 95 percent of total funding transactions.

Dr. Kandah thanked the IFC and its representative Dr. Ahmad Attiga for the fruitful cooperation with the ABJ and the banking sector in general, as the workshop’s agenda focuses on instruments of advancing SMEs’ funding in Jordan.

On his part, IFC Country Manager in Jordan Dr. Ahmad Attiga said cooperation between the IFC and ABJ



helps to shed light on the national strategy to support SMEs in Jordan, pointing out to the IFC's achievements in creating a suitable environment for SMEs to work and thrive and get the necessary funding.

"The IFC helped Jordanian government in developing a legislative environment that supports micro finance in different aspects," Attiga said. The first legislations that passed the necessary procedure are the leasing law and the credit information law, the latter is extremely important for banks and enterprises, especially SMEs, he added.

He told participants that a credit information bureau is about to be established in Jordan where investors will be procured to establish the first such company in the kingdom in the first quarter of the coming year, pointing out that there is a draft law to use moveable property as a guarantee for debts, which will be one of the most important instruments that facilitates access to funding.

Thirty bankers, representing SMEs finance, accounts, operations, risks and credit departments, took part in the three-day workshop. Experts and lecturers in the workshop: Saleem Qamar, Andrew McCartney and Kleetos Giorgio developed a thorough understanding of SME banking operations and international best practices with key focus areas on; business models for SME Banking, identifying Market Opportunities, Customer Management, Products and Services, Sales, Credit Risk Management, and IT and MIS.

◆ Non-performing credit facilities' workshop

On Monday May 7th, 2012

◆ Challenges of e-payment and ways of development

27/8/2012

2) Training Courses:

The ABJ organized a number of training courses and programs during 2012 on the following issues:

◆ ABJ holds a training course on risks of bank credits

The ABJ organized a training course on the "legal and financial risks faced by bank credits, its guarantees and ways of dealing with them," during the period of 21-23 May 2012.

The course was lectured by advocate Salem Khaza'leh and attended by employees of credit and facilities, banking contracts, corporate credits, management of credit risks, internal audit and revision and legal departments.

The course aimed at informing participants of the practical, procedural and legal aspects of granting safe bank credits, enhancing their knowledge of legal, practical and procedural rules of drafting, documenting and amending banking contracts related to credits, and the legal eligibility of bank clients to sign, amend or cancel banking contracts.

The course also aimed at boosting employees' efficiency in banking operations, managing banking contracts, credit risks and credit management in terms of dealing with legal and financial risks related to banking credit and ways of facing and dealing with them.

Furthermore, participants were triggered to discover and identify points that should be abided by upon granting or renewing bank credits, protecting bank guarantees and building a base of terms of reference that the bank should abide by in dealing with credit risks and problems, and providing workers in corporate credits with the necessary knowledge and experience to evaluate the bank's position towards companies if an error happens in documenting the bank's rights or if administrative or financial blunder occurs, and drafting plans to deal with these possibilities.

The course covered issues of financial and legal risks faced by banking credits, guarantees and ways of dealing with them in terms of risks related to the method of contracting, legal boosters upon granting banking credit, risks related to the method of studying and analyzing credit applications, risks related to fraud, forgery and misleading



that some clients might refer to, and ways of discovering and addressing them, the method of analyzing financial statements, comparing them and ways of identifying and dealing with their significance, documents and required boosters for contracting, ways of dealing with them, studying them along with risks related thereto.

The course also covered risks confronted by banks as regards banking guarantees, whether real estates, moveable properties, deposits, monies at third party, or assignments and ways of dealing with them; methods of follow up and monitoring of clients after granting credits; safe ways of demand and collection; procedural, practical and legal aspects that the bank should abide by in preparing and documenting processes of granting credits and signing, renewing, implementing or revoking bank contracts.

◆ ABJ, IFC hold training on governance in banks

The Association of Banks in Jordan, in cooperation with the International Finance Corporation (IFC) held a training seminar on governance and risk management in banks that targeted members of boards of directors and higher managements in banks operating in Jordan.

The seminar, which was held during the period of 25-26 June 2012, focused on good banking governance, risk management and compliance, accounts revision, financial institutions' governance and enhancing monitoring environment.

Director of financial services and risk management at Ernest and Young Middle East and North Africa Dr. Sandeep Srivastava said the seminar aims at developing a working model in good governance between banks and focusing on the substantial issues in governance practices at the Middle Eastern level.

"Market was divided into different levels, with a focus on SMEs, Islamic funding corporations and family businesses," he said, adding that there is also a focus on continuing to build the institutional capacities, a tribune for bankers to raise the level of discussion in the issues of good governance in banks and the practical solutions in this regard.

He expressed confidence that the training program would improve the capacities of banks' governance teams by way of discussing practical solutions that can be applied in Jordanian banks and getting acquainted with the experiences of financial institutions in dealing with the issues of risks and governance and the lessons learned in this respect.

"The program gives a deep insight on the consecutive governance practices in all levels of operation," he told Banks' Magazine.

"The issue of corporate governance is not new," he said. However, he added, "it was not totally grasped until the global financial crisis broke out and it was clear that managements committed mistakes in limiting the implementation of good governance to the higher administrative levels. The training program, he explained, focuses on how to deal with difficulties that face the implementation of good governance principles and their application in the daily transactions of banks.

The training program included the principles of the Basel committee on enhancing the standards of good governance in banking and financial institutions. It also included the efficiency of monitoring and management in banks by focusing on the auditing committees, risk procedures and compliance requirements, along with ensuring that the internal auditing procedures are efficient and sufficient, as well as indentifying goals of the committees of auditing, internal borrowing, conflict of interests and the practices of good governance.

Participants discussed the concept of corporate governance; benefits that institutions reap out of implementing the OECD principles of governance; the organizational perspective of governance in banks and comparing it to the requirements of Basel II and the best practices in this field.

They also discussed the applications of corporate governance in the Middle East and North Africa region as well as the models of governance in private, governmental and Islamic banks.

The program stressed the need to install efficient and professional systems of governance in which the role of the board of directors is clarified, especially as regards risk management and drawing a framework to risk



management. It also highlighted the significance of the organizational and administrative environment of the internal monitoring, the external auditing and the banking auditing committees.

◆ **Lecture on King Abdullah II Prize of Excellence for the private sector**

on Feb 1st, 2012.

◆ **Training program on CBJ's instructions and orders on credit facilities**

During the period of 6-8 Feb, 2012, lectured by HE Salem Khaza'leh.

◆ **Training program on the legal liability of banks and bank employees on processes of money laundering, funding terrorism and suspected cases in light of the Jordanian law on combating money laundering and terrorism funding no 46 for the year 2007 and its amendments, and the CBJ's instructions,**

During the period of 12-14 March 2012. HE Salem Khaza'leh directed the program.

◆ **Applied and legal aspects of documentary credits in light of UCP600**

During the period of 18-20 June 2012. Lectured by HE Salem Khaza'leh.

◆ **Training program on the practical application of liquidity risk management and the self assessment process of capital adequacy (ICAAP) according to Basel III requirements**

During the period of 14-16 Oct. 2012. It was held in cooperation with Isnad Company.

◆ **Training program on Islamic Sukuk**

11-16 Nov. 2012, in cooperation with Dar Al Khibrah.

3) Forums:

The ABJ organized the following forums during 2012:

◆ **ABJ, Dar Al Khibrah organize a seminar on amendments of Islamic Funding Sukuk Law**

The ABJ, in cooperation with Dar Al Khibrah for Banking Consultations, held on July 1st, 2012 a seminar to discuss the draft Islamic Funding Sukuk Law.

The seminar was attended by lawyers, experts in the field of Islamic sukuk industry, Sharia advisors, and representatives of financial and monitoring institutions such as Jordan Securities Commissions, the CBJ and the Companies' Control Department, and the higher management of a number of conventional and Islamic banks.

Participants discussed the different aspects of the Islamic Sukuk Law, including its significance in enhancing the Islamic securities market and boosting the role played by Islamic financial instruments, and the incentives that it comprises of, such as the tax exemptions on transactions and profits.

Participants' feedback focused on the multiple references in the law, the expansion in creating institutions as a result of the establishment of many committees and commissions that are granted the jurisdiction of taking decision as to issue sukuk without paying attention to the successful experience of Islamic banks working in the kingdom in this regard.

Therefore, participants recommended the endorsement of a law that caters for the convenient legislative environment and the legal framework of the Islamic sukuk. They also suggested amendment of the fifth article of the draft law to become the enforced verdict, as is the case of what is provided for in the valid banks' law and the



comparative laws of sukuk.

Furthermore, they recommended reconsidering the legal nature of the sukuk, therefore amending the draft law's articles so that the issuance is entrusted in one party, which is either the commission or the Jordan Securities Commission.

Participants drew attention to the fact that the draft law was confined to the funding sukuk; it did not mention funding and investment although there are many investment formulas in the draft law such as the Musharakah and Mudarabah, which are all based on musharakah, the securities in which its holders are owners of a specified property in common.

Participants made it clear that the draft law contains numerous terms that are not defined, and that there is an evident conflict between the central Sharia commission and the companies control department.

◆ ABJ organizes Third Forum on Corporate Social Responsibility

The ABJ organized on 22 Oct. 2012 the Third Forum on Corporate Social Responsibility under the patronage of CBJ governor Dr. Ziyad Fareez.

Participants discussed local banks' efforts in the field of corporate responsibility. Jordan Islamic Bank, Housing Bank, Arab Bank and standard Chartered Bank presented their experiences with the corporate responsibility issues such as the Jordanian Hashemite Fund for Human Development, Al Hussein Fund for Excellence, JEDCO and Our Lady of Peace Organization.

Fareez said raising the concept of social corporate responsibility to the level of communal partnership is gaining increasing attention.

He noted that interest in this concept is not just for humanitarian or societal considerations but because it is a major component that enables banks to build a sustainable economic model that guarantees feasible economic proceeds at the long term.

"Social responsibility is a duty, not charity," Dr. Fareez said, calling all national institutions, banks in particular, to enhance its position as a vital partner of relevant authorities to build the country and adopt initiatives in all aspects of social work.

Social corporate responsibility is a development issues and one of the most outstanding indicators of sustainable development that is built on integration and interaction between roles played by national institutions whether government bodies which provide the right environment and structures, civil society or the private sector that is active in achieving economic growth and development.

Social responsibility of banking institutions starts from the efficient management of available resources, the efficient funding of economy and the fair treatment of clients which contributes to raising economic growth rates and improving the income level of individuals through supporting financing programs, especially those targeting SMEs to serve individuals and productive families.

He praised Jordanian banks' efforts to take part in many social and humanitarian initiatives, saying that people's expectations of banks are great, so they should multiply their efforts to help society in overcoming current conditions and facing challenges to achieve stability and sustainable economic growth.

Meanwhile, he called banks to exert more efforts in the field of social responsibility, and the central bank would help them in this regard.

On his part, ABJ chairman Bassem Khalil Al Salem said the social responsibility forum is an annual initiative of the association of banks to highlight and enhance the roles of social responsibility of banks working in Jordan.

"It is like a hold back to review the achievements and future trends of banks in the field of social responsibility and to discuss ways of upgrading and activating this role to bring benefit to the society as a whole," he said.

He indicated that the concept of social responsibility is based on achieving the interests of all, whether consumers, employees or managers, in addition to maintain the environment in which institutions work. "Social



responsibility requires corporations to have roles that are greater than charity; it requires active participation in the different national programs whether in the health, education, culture or sports fields, as well as a commitment to protecting environment and working according to the principles of transparency and accountability.

Al Salem expressed disappointment that the corporate social responsibility role is still below expectations; the private sector is the strategic depth of the national economy and the main pillar of it. In light of the increasing burdens of the government and the increasing levels of debts and deficit in public budget, he added, it is urgent that the private sector becomes a partner of the public sector in supporting the social and developmental goals.

However, banks in Jordan adopted the social corporate responsibility as an institutional approach and approved of culture. He pointed out that banks working in Jordan were pioneers in shouldering their responsibilities towards society and assuming a pioneering and creative role in facing social challenges, and in providing support to the different segments of society. Thus, they are in the fore ranks in terms of social contributions compared to other sectors.

Banks in Jordan enjoy the highest degrees of transparency according to international standards and international best practices, he said. This underlines banks' commitment to all stakeholders: shareholders, depositors, borrowers, employees, treasury and local society.

Banks are the backbone of Jordanian economy; they are the strongest and most vigorous sectors as they contribute to providing the main channels of the fiscal policy and consequently they work to improve the efficiency of the macro-economic policies, he said.

Al Salem went on to say that banks assume their responsibilities towards the total and sustainable economic development by attracting savings and promoting saving and investments, and working to distribute economic resources in an efficient and active way. Banks, he pointed out, provide the necessary funding for public and private sectors enterprises, take interest in funding Micro, medium and small size enterprises (MMSEs), as well as funding of green, environment-friendly projects.

The total value of sums spent by banks on social responsibility initiatives amounted to JOD 37 million in 2011, which represents 9-10 percent of the banks' annual net profits. The initiatives covered the sectors of education, development, poverty, child and woman, family and people of special needs, sports, health, culture, arts, environment, tourism, and religious domains. They also included giving support to cultural, social and economic institutions.

ABJ director general Dr. Adli Kandah said the association organizes annually this forum to shed light on the role played by banks in the field of corporate social responsibility, the benefits that the civil society organizations reap out of these activities and the ways of developing these activities as best as they could be.

CEO of Topaz International, Dr. Ghassan Abdallah, reviewed the mechanism and methodology of the integrated society and the social responsibility manual of banks.

He called participants to consider specialized projects that can become the nub for sustainable development, and to focus on the needs of society. In this regard, he stressed the need of the society to have a say in the kind of projects that are implemented so that they can interact with and achieve their goals in fighting poverty and need.

◆ **ABJ, UAB, WUAB hold a forum on “Executive Measures to Implement FATCA, Developments in International Standards of Curbing Money laundering adopted by FATCA, and Recommendations on Financial Sanctions and Tax Evasion”**

The ABJ, in cooperation with the Union of Arab Banks (UAB) and World Union of Arab Bankers (WUAB), held in the period of 13-15 Dec. 2102 a forum on “Executive Measures to Implement FATCA, Developments in International Standards of Curbing Money laundering adopted by FATCA, and Recommendations on Financial Sanctions and Tax Evasion.”

100 banking experts from 12 countries participated in the forum that was organized in the Dead Sea area.

Vice-governor of the central bank Dr. Maher El Sheikh said that Jordan and its central bank pays great attention



to ensure its banking system is free from illegal transactions, money laundering and tax evasion.

“This is because of our solid belief that any temporary benefits resulting from illegal transactions will be far less than risks resulting from these transactions and affecting the corporation or the sector itself,” he said.

The American government issued a draft law for tax compliance to curb tax evasion by American citizens who have accounts outside the USA. “Although the law targets Americans, yet it will increase the cost of compliance or fines in case of non-compliance by financial institutions working outside the USA,” Dr. Sheikh said.

There is a big debate on this law at the local, regional and international levels as its implementation has many repercussions and difficulties, the most important of which, he added, is the legal challenge of the confidential nature of bank accounts. Revealing information of clients’ accounts, as the American new law requires, also adds new financial burdens on banks and needs working procedures to identify clients.

He expected a greater interest in this subject as a result of regional and international developments, especially with the need for more revenues and the issues of curbing money laundering and funding of terrorism.

“Effects of political changes and financial crises in the Arab world cannot be overlooked regarding the banking system,” he said. “These might lead to risks of money laundering and funding terrorism that threat to destabilize countries,” he added.

Greater exerted efforts of all relevant parties are needed to fight the developed ways of money laundering especially through banks and to create a safe financial and economic environment through a monitoring system and the efficient implementation of international recommendations and standards that are able to protect the financial system.

Sheikh referred to steps taken by the kingdom to fight money laundering and funding terrorism, such as endorsing relevant international and regional conventions in this regard, and creating a specialized unit of anti-money laundering and funding terrorism to be a link with institutions prone to exploitation for money laundering processes.

On his part, the UBA secretary general Wissam Fattouh reviewed the first steps of enacting the FATCA in 2010 to encourage tax compliance of Americans living outside the United States.

This act, he pointed out, entitles the American Internal Revenues Service (IRS) to curb tax non-compliance by Americans living outside the USA by using non- American financial institutions which will identify accounts of American citizens and collect taxes on them for the IRS.

The law will include American citizens, those who have a green card and those who actually reside in the USA, in addition to foreign entities in which U.S. taxpayers hold a substantial ownership interest.

FATCA binds banks and financial institutions such as credit funds, exchange bureaus and investment funds to inform the IRS of their American clients who have account balances of more than \$50 thousand for individuals and \$250.000 for companies, as well as giving information on Americans’ contributions that exceed 10 percent of the company’s capital.

Fattouh said foreign banks and financial institutions are obliged to sign special agreements in which they annually provide information on the accounts of American citizens.

“UBA and WUAB urged Arab financial institutions to review the American act as soon as possible because its implementation requires legislative and organizational amendments, especially the “know your client” instructions, so that they can cope with the law’s requirements,” he said.

“Implementing the law requires signing a direct agreement between the bank and the IRS,” he said. “If banks do not comply,” he said, “the IRS would deduct 30 percent off from transfers done to those non-complying banks through American banks.”

Fattouh concluded that financial institutions should cope with the law to avoid sanctions and the bad stigma that might inflict the banking sector.

The ABJ director general Dr. Adli Kandah said the United States is determined to implement FATCA; this is



evident from the implementation of countries such as France, Germany, Spain, the UK, Italy, Switzerland and Japan of the compliance models.

However, he pointed out that some countries, such as Canada, vehemently oppose the law. Yet the USA is implementing the law without having drastic modifications on it.

Although the implementation of the law is voluntary, he said, it is evident that the financial institutions that ignore FATCA will end up isolated out in the cold.

Kandah proposed three models to implement FATCA to facilitate the identification of the American accounts and providing information thereon to the IRS.

He pointed out that the ABJ responded promptly to the requirements of FATCA; it organized along with Deloitte and Touche two workshops to review the tax compliance law and the requirements that banks and financial institutions willing to implement the law should perform before the act comes into force at the beginning of 2014.

Kandah said that banks agreed that each bank or financial institution would follow up this subject on its own, taking the advice of specialized advisors and signing direct agreements with the IRS.

D) Other activities and news:

◆ Awadh takes part in the financial and economic committee meetings to discuss public budget

ABJ chairman of board of directors Marwan Awadh took part in the meetings held by the Lower House of Parliament's Financial and Economic Committee to discuss the public budget of the fiscal year 2012, the budget of the governmental units for 2012, and the Audit Bureau's reports for the years 2009 and 2010.

The chairman's participation was requested by the prime minister as part of a series of meetings the committee held with ministries, public institutions, independent governmental units and civil society organizations that represent the private sector, including the association of Banks.

◆ CBJ governor meets banks' chairmen and general managers

The Central Bank of Jordan's (CBJ) governor Dr. Ziyad Fareez met the chairmen of board of directors and the general managers of banks on Feb. 1st, 2012, to keep them informed of the CBJ's intentions regarding the fiscal and banking policies in the next stage.

Fareez reviewed the economic situation, focusing on challenges facing Jordanian economy in light of the negative repercussions of the ongoing developments at the regional and international arenas.

He pointed out that the CBJ intends to continue its policy of boosting the kingdom's fiscal stability, whose main components are controlling inflation rates and the stable exchange rate of the Jordanian dinar through maintaining an interest rates structure that is in harmony with the economic and international economic developments, and a comfortable level of foreign reserves, and finally to seek the adaptation of these goals with the goals of economic growth.

He assured attendees that the CBJ will uphold the policy of enhancing the strength of the Jordanian banking sector and increasing its competitiveness by having efficient systems of risk management, good governance and having sufficient level of capital and liquidity to face any unexpected risk.

He said that banks are aware of the goals intended by CBJ's measures, especially the monitoring measures, which aim at safeguarding a strong banking system that is able to play its pivotal role in the economic activity.

As regards achieving the goals of fiscal and banking stability, the governor said despite the uncertainties stemming from the world economic crisis and the regional political developments, the inflation rate went back to 4.4 percent in 2011, compared to 5 percent in 2010.

Subsidy policy helped in reigning inflation in 2011, he said. The CBJ has a comfortable level of foreign



reserves that reached \$10.5 billion approximately that can cover six months imports.

The banking system continued to finance the different economic activities in the kingdom; private sector credits grew by about 10 percent in 2011, which is in line with the volume of economic activity in Jordan, in addition to the reduced interest rates on credits that contributed to the low margin between the interest rates on credits and deposits. The overall indicators of the banking system, said Fareez, reflect a high level of strength.

As regards the direction of the fiscal and banking policy, Fareez stressed that the CBJ will continue to adopt the necessary policies to face the current challenges in a way that guarantees achieving fiscal and banking stability. He underlined the fact that surpassing these challenges requires harmony between the macro-economic policies and the cooperation and support of banks to enhance confidence in Jordanian economy. "Achieving fiscal and financial stability is the main pillar of the sustainable economic growth that is certain to boost domestic savings and investments and attract foreign investments," he stressed.

Providing funding for private sector investments to trigger economic activity is the responsibility of both the CBJ and banks; they are on top of the fiscal and banking policies, the governor said.

He also urged banks to take benefit of facilities and credit lines targeting SMEs in Jordan as they are very important in stimulating economic activity, and the CBJ will, in turn, boost the role played by the Jordan Loan Guarantee Corporation in encouraging banks to grant credits.

On their side, the chairmen and general managers expressed their awareness of the role that banks should play in this stage, and their readiness to stimulate savings and encourage investment through the financing instruments available to them according to the best practices in banks.

They also stressed that success in this strive relies on the extent to which the public economic policies are clear, not only the fiscal policy but also the policies of reducing deficit and trade and investment policies to reinforce the role of the private sector in development.

At the end of the meeting, the governor expressed appreciation of the banks' role in achieving social and economic development; urging banks to enhance their role in the corporate social responsibility and to continue holding such meetings to serve national economic interests.

◆ ABJ Board of Directors Meet GAFCO Consultative Committee

The board of directors of the Association of Banks in Jordan met on Feb. 5th, 2012 the consultative committee of the General Association for Foodstuffs Merchants (GAFCO) to discuss the issue of checks returned for insufficient funds.

This issue affects badly foodstuffs merchants as the legal procedures to settle the returned checks lawsuits might take five years.

The board of directors told the committee that this issue is expected to be eased once the credit information bureau is created, blaming the problem in part on merchants themselves who should know better their clients and choose them through a systematic and proper way just as banks do.

The board said that banks follow a very strict procedure in giving check books to clients; their dealings with a bank should not be less than three months or even six months so that the bank can have sufficient time to know the client. Banks are also obliged not to give check books to clients on the black list reserved for clients who have returned checks.

◆ Meeting of General Assembly

The general assembly of the Association of Banks in Jordan elected on March 6th, 2012 its new board of directors for the period of three years.

The elected board of directors consists of the Arab Bank, the Housing Bank for Trade and Finance, Jordan Kuwait Bank, Commercial Bank, Cairo Amman Bank, Capital Bank, Kuwait National Bank, in addition to the



central bank as an observer.

The chairman of board of directors of Capital Bank Bassem Khalil Al Salem was elected as ABJ's chairman of board of directors, and the general manager of Al Ittihad Bank Nadia Al Saeed as vice-chairman.

The general assembly also endorsed the ABJ's final accounts, the annual report and the estimated balance of 2012.

The ex-chairman of the ABJ's board of directors Marwam Awadh, who chaired the meeting, reviewed ABJ achievements of the past three years, the conferences that the ABJ organized whose peak was the forum on corporate social responsibility, and starting the procedures of establishing a credit information bureau which will be launched in the near future after the constituent committee was established for this sake.

Awadh stressed that the achievements of the ex-board of directors is a new addition to the work of the boards of directors and it establishes a new basis for the ABJ's future boards of directors.

◆ PM meets representatives of commercial sectors, unions and professional associations

Prime Minister Awn Khasawneh met on March 24th, 2012 at the Amman Chamber of Commerce the board of directors of Amman Chamber of Commerce (ACC), and representatives of the commercial sector, unions and service and commercial societies.

Ministers of finance, labour, energy and mineral resources and ministry of industry and trade were also present along with the chairman of ABJ's board of directors and a number of the board's members.

The meeting focused on the problems that the sector faces, as the prime minister stressed the government's keenness on institutionalizing relations with the private sector in all possible ways by periodic meetings, direct dialogues and legislations.

He told participants that the government sent a bill on public-private sector partnership to the lower house of parliament for endorsement and that it held meetings with a number of economic sectors as well as Arab and foreign investors.

Khasawneh took notes of the demands of commercial sectors and the challenges they face, in response to which he said the concerns of economic sectors are almost the same; they revolve around legislations and energy.

He went on to say that the government will shortly discuss draft laws on investment and consumer protection in consultation with the private sector.

He also told participants that the government is currently in the process of reviewing electricity rates, taking into consideration the special nature of some productive and service sectors.

In addition to that, he said, the government will seriously reconsider in consultation with all stakeholders the tenants' law for the benefit of the two sides of the law: the tenants and the owners, as it represents a public interest. "We promise to reconsider this law, despite our recognition of the importance of stable laws and legislations, since this law was previously endorsed by the House of Representatives," he added.

Participants called for justice and equity for all, especially as the prime minister is an international judge renowned for integrity and justice.

◆ CBJ Governor's Annual Meeting with Bankers

The Association of Banks in Jordan (ABJ) organized on June 18th, 2012 the annual meeting of the central bank's governor with bankers, which included a discussion of the economic developments and challenges faced by Jordanian economy.

CBJ's Governor Dr. Ziyad Fareez reviewed challenges faced by the kingdom because of the repercussions of the international financial and economic crisis, including the decline in demand on Jordanian exports, in investment flows into the kingdom, as well as the decline in expatriates' transfers and tourism income.



Fareez pointed out to the consequences of the “Arab spring” which formed additional challenges, created uncertainty and contributed to deepen the decline in investments.

Other challenges facing the kingdom, Fareez said, include the delay in foreign aid, the halt of Egyptian gas and the oil price hikes. These elements aggravated negative effects on the public budget, debts and the balance of payments.

“Growth rates in Jordan slowed down visibly in the past two years; unemployment rates remained higher than those in the Middle East,” Fareez went on to say.

“The reason behind increased faltering SMEs in particular is due to the slowdown in economic activity and the increase in costs, the matter that led to an increase in the level of non-performing debts in banks,” he explained.

Fareez told attendees that there are three main challenges to maintain economic and financial stability: containing the increasing deficit of the public budget, maintaining fiscal stability and safeguarding the stability and safety of the banking system.

As regards the challenge in the public finances, Fareez pointed out that the main elements that caused the recoil in this sector is the expansion in government expenditures, the decrease in domestic revenues and the retreat from the policy of liberalizing oil prices, accompanied by the halt in Egyptian gas and the increase in oil prices.

Redressing this challenge, he went on to say, requires addressing the above-mentioned elements, so that expenditures are reduced and oil prices are liberalized and government subsidies are directed to the needy, as well as improving revenues by increasing the efficiency of tax collection, curbing tax non-compliance and reconsidering the income tax law, taking into consideration the need not to negatively affect economic growth and investment.

Pegging the Jordanian dinar to the U.S. Dollar is the best policy that suits Jordanian economy to safeguard fiscal stability, he said.

As for the balance of payments’ pressures, Fareez said the CBJ had been able to face pressures of the last two years with a high level of foreign reserves, and it still has a safe and comfortable level of reserves that enables Jordan to face current pressures, as the CBJ’s foreign reserves can cover the kingdom’s imports for five months.

In this regard, Fareez confirmed that public finances pressures are to a great extent due to the halt of Egyptian gas pipelines accompanied by the hike of oil prices. “These pressures are temporary and the kingdom’s energy bill is expected to decrease, also especially as there are prospects of a decrease in oil prices at the short and medium term levels,” he said.

Despite the regression in domestic demand, outside demand regained momentum as is evidenced by the growth in tourism revenues and Jordan expatriates’ transfers, Fareez added, saying that prospects are that regional developments will lead to a boom in tourism and Jordan having a preferential advantage in foreign investments and labour. “Resumption of aid from the Gulf countries to support investment projects in the kingdom will boost foreign reserves and reflect positively on the balance of payments and economic growth,” he said confidently.

In what concerns maintaining the soundness and stability of the banking system, CBJ governor said the central bank’s monitoring policies and the wise policies of licensed banks led to safeguard a sound and strong banking system that has a good level of profitability and adequacy that can provide the necessary funding for Jordanian economy.

“Despite the increase in non-performing debts, the latest data show a stable percentage and the banking system as capable of handling it” by creating a sufficient level of provisions that does not affect banks’ profitability, which lately improved, he explained.

The CBJ is currently conducting a revision of the policies and instructions of good corporate governance and drafting proper standards in this regard for boards of directors and banks’ managements, in addition to drawing comprehensive criteria for the fair treatment of clients according to international best practices, Fareez.

The governor expressed discontent as regards fiscal developments. “The growth rate of private sector’s facilities and the growth of the monetary mass are less than their growth rates the year before,” Fareez explained, adding that credits targeting productive sectors had humble growth rates.



“The current stage requires increased efforts by the banks and the CBJ to trigger the credit market and encourage investments,” he added.

On its part, the governor said, the CBJ developed a number of new instruments that helps to affect the liquidity level in the financial market, the interbank lending and to enable banks to optimize their usage of liquidity. Examples of these new instruments are repurchase agreements for one week, the CBJ buying or selling of government financial instruments according to the requirements of economic activity, taking into consideration the objectives of the CBJ’s fiscal policy.

Fareez also reviewed the most important procedures adopted by the CBJ to provide financing for sectors that are the most affected by economic conditions and that play an important role in economic growth, including the renewal of initiatives targeting the industrial sector’s facilities and reducing interest rates on its activities, providing incentives to provide the necessary financing of SMEs, redirecting the work of the Jordanian Loan Guarantee Corporation to guarantee SMEs’ loans, and the support given to the establishment of the credit information bureau.

CBJ governor urged the Association of Banks to submit any initiatives or proposals to the central bank or the government that aim at backing the different sectors and boosting growth to guide economic policies to increase investments and job opportunities.

He also called on the ABJ to expand its role in social responsibility to include economic institutions in addition to banks, especially at this stage, saying that the central bank will always back this desired role of the ABJ.

On his side, the chairman of ABJ’s board of directors Bassem Khalil Al Salem said the association is keen to make this reunion of bankers with the CBJ’s governor as a chance to discuss developments in Jordanian economy and its financial, fiscal and economic policies.

Al Salem praised the governor’s incessant backing of banks’ role in development, highlighting the role played by the CBJ in maintaining the strength and stability of this sector, as well as the wise fiscal policies of the CBJ which meet the requirements of this stage in quality and quantity and cope with changes in the domestic and international economic and financial conditions.

Al Salem also thanked ex- chairman of the ABJ for the role he played in cementing relationships with official departments and institutions concerned with economy and society. These efforts, he said, had big influence in meeting the needs of the banking system and coping with developments.

Al Salem also reviewed the intricate and difficult conditions which Jordanian economy suffers from, pledging that the private sector is ready along with the state’s institutions to shoulder its responsibility in triggering economy back to its active state with all possible means.

The chairman summarized the causes of this economic crisis as: the setback in the volume of demand; the weak investments in the kingdom; and, finally, the weak state of laws and legislations that govern some promising sectors.

Al Salem stressed the vital role banks can play in pushing economy forward by investing in the accumulative experiences in this sector, particularly in identifying the promising sectors and hurdles they face.

“The banking sector is always ready to work side by side with all government bodies to reach solutions to stimulate growth and create a lucrative investment environment for domestic as well as foreign investors,” he said.

As regards the relationship between banks and the central bank, Al Salem pointed out that it has always been an example of the fruitful and constructive cooperation that seeks the higher national interests and helps to develop the legislative environment and the infrastructure of the banking system as well as boosting its competitiveness at the regional level.

◆ HRH Princess Basma visits ABJ

HRH Princess Basma bint Talal, the president of the higher committee for charity paid on July 3rd, 2012 a visit to the association where she was briefed by Chairman Bassem Khaleel Al Salem on the corporate social responsibility that banks assume and their role in serving the society, especially through the annual contribution



to the “Charity Campaign” headed by HRH.

Al Salem expressed appreciation of efforts exerted by HRH Princess Basma in enhancing the values of social solidarity, saying that all economic institutions should work together to achieve these goals and that the activities of corporate social responsibility should be institutional and guided by the campaign that Princess Basma organizes annually.

Al Salem told HRH that the ABJ organizes an annual forum that sheds light on the importance of social responsibility for banks and highlights the role of national institutions in enhancing the values of solidarity. The forum’s message, he said, is that social responsibility is not just giving cash and in kind assistance, it is also providing job opportunities and achieving sustainable economic development, and, at the same time, preserving environment.

Prince Basma, on her part, thanked banks for the role it plays in society. She drew attention to the campaign’s role in helping the needy as a gesture of solidarity and goodwill that monotheistic religion call for and the society adopts as institutions and wealthy and charitable people, especially in the holy month of Ramadan.

“What the campaign is doing,” she said, “embodies the solidarity and cooperation between our countrymen.” She called everybody to take part in this humanitarian and charitable effort that the campaign is doing as a duty towards the needy in all parts of Jordan.

◆ ABJ’s Director General takes part in KINZ conference

ABJ’s Director General Dr. Adli Kandah took part in the third exhibition and conference of management of banknotes that was organized by the Arab International Company for Investments and Consultations (KINZ) in cooperation with the German G&D Company specialized in manufacturing the cash machines and the systems of detect counterfeit and printing banknotes.

The conference, which was held on 3-4 April 2012, aimed at informing participants of the latest developments in the technology of cash machines and anti-counterfeiting.

Dr. Kandah submitted a paper on Jordanian banking sector, in which he reviewed electronic systems applied by Jordanian banks which prove their keenness on applying the state of art technologies, whether in counting money, classifying banknotes, ensuring they are not counterfeit or identifying the client through the eye print.

◆ ABJ’s Director General Takes Part in the Euromoney Conference

ABJ’s Director General Dr. Adli Kandah took part in the Euro money Conference Jordan 2012, which was held on 8-9 May 2012.

The conference, attended by 400 local and international personalities, discussed challenges facing Jordanian economy, the high costs of energy, the scarcity of natural resources in the kingdom, and the ability to create economic growth.

The participants also discussed developments of American economy, the financial crisis at the euro zone and challenges facing the world but affecting Jordanian economy.

In an intervention, Dr. Kandah said Jordanian financial market witnessed a setback at the start of the world financial crisis that was evidenced by the general indicator decrease of 39.6 percent and the decline in the trade volume from 19.23 billion dinar in 2008 to 2.76 billion dinar in 2011.

Kandah said that banks are among the most important financial institutions in Jordan that protected themselves against international financial and economic shocks, as a result of the wise monitoring policies of CBJ and the banks’ managements that strictly follow a detailed risk management policy.

Kandah went on to review growth indicators: growth in assets amounted to an average of 10.3 percent annually during the period of 2001-2011; capital growth registered 13.6 percent; deposits grew by 10.4 percent; credit facilities grew by 12.3 percent during the same period.



As for financial strength indicators as at the end of June 2011, capital adequacy ratio reached 18.2 percent; liquidity rate was 145.5 percent; the coverage rate was 56.3 percent; while the non-performing debts reached 8.5 percent.

Kandah stressed that licensed banks play a major role in financing economic activities, as they provide more than 90 percent of the financing resources in the kingdom. Debts due on the public sector represent 21 percent of banks' assets at the end of March 2012, while debts due on resident private sector reached about 40 percent of assets. The capital percentage of banks working in Jordan amounted to about 41.6 percent of GDP by the end of 2011, while banks' assets reached about 184 percent of GDP, deposits recorded 116 percent, banks' facilities 77.4 percent and the loans to deposits ratio reached 65 percent.

He pointed out that the CBJ sent a circular to banks working in Jordan to apply the stress testing since Sep. 2012 in accordance with Basel II requirements. He also pointed out to the efficiency of risk management departments in banks which increased banks' capability to predict problems, face them and mitigate their effects. As regards banks' capital and their ability to meet their needs, Kandah said deposits represent about 56 percent of the total assets, the remaining money that is lent represent 29 percent of total assets, 16 percent of which are liabilities in foreign currencies while shares represent 15 percent of total assets.

When comparing liabilities with assets, it is found that excess liquidity of banks at the central bank represent 9.4 percent of the total assets, while the ratio of facilities to deposits reach 65 percent, which makes them, after deducting legal allocations, sufficient to cover any unpredictable withdrawals of deposits.

Despite the decline in assets in foreign currencies from \$10.5 billion by the end of 2011 to \$9.3 billion by the end of March 2012, yet the level of foreign currency reserves is still comfortable and enough to cover requirements of external trade for no less than approximately six months.

Kandah mentioned that the CBJ issued a circular in Oct. 2011 requesting banks to study the effect of implementing Basel III requirements and send outcomes to the CBJ. However, the decision was postponed until the end of June 2012, provided that they are applied to banks' financial lists by the end of 2011.

◆ ABJ's Director General Participates in Jordan Economic Prospects Conference

ABJ's Director General Dr. Adli Kandah took part in the fourth Jordan Economic prospects Conference which was held in the period of 7-8 May 2012.

Kandah presented a paper on the structure of the Jordanian banking sector as the conference's theme revolved around the institutional reforms in economic policies.

In his paper, Dr. Kandah reviewed developments witnessed by the banking sector; the most important indicators for banks and their significance in Jordanian economy; SMEs role in economy and their share from financing and the necessity of providing them with the necessary financing especially through the SMEs loan guarantees program.

He urged the quick establishment of the credit information bureau that provides the credit register of companies and enables banks to take financing decisions with transparency and efficiency.

◆ ABJ's Director General Participates in EBRD and the Seminar on Trade facilitation

ABJ's Director General Dr. Adli Kandah took part in the Conference of the European Bank for Reconstruction and Development (EBRD) that was convened at the Dead Sea shore on May 28th, 2012.

He also took part in the seminar organized by the European Bank on May 29th, 2012 to brief the Jordanian banking sector of the financing operations provided by the bank and the prospects of cooperation with Jordanian banks, especially in the trade facilitation program (TFP).

Dr. Kandah told European bankers that Jordan is usually described as an emerging and small economy that has a limited industrial base and suffers from the scarcity of natural resources.



Jordan's natural resources are the phosphate, potash and fertilizers, while its economy largely depends on income generated by tourism and the expatriates' transfers, in addition to foreign aid whether grants or loans. These together, he added, are the most important sources of foreign currency.

Kandah highlighted the various external shocks that encounter Jordan such as the hike in the oil and foodstuffs prices, which was aggravated by the repeated interruption of Egyptian natural gas flow, while revenues from tourism and expatriates' transfers witnessed a slowdown as a result of the tensions in some regional countries.

Jordan's economy, he went on to say, grew by 2.6 percent in 2012; it is expected that growth rate in 2012 would reach 2.75 percent. On the other hand, he said that the inflation rate amounted to 4.4 percent in 2011, expecting inflation to reach 6 percent in 2012.

Kandah briefed participants on the economic reform program in Jordan which, he said, is an example for emerging economies which surpassed the problem of the scarcity of natural and material resources. Jordan was able to boost its relations with neighbouring Arab countries by joining the Greater Arab Free Trade Zone, concluding a number of bilateral trade agreements.

Jordan also entered into an association agreement with the European Union, concluded a free trade agreement with the United States and joined the World Trade organization in the year 2000. In addition to that, Jordan signed free trade agreements with the EFTA countries, Singapore, Turkey and Canada.

The volume of external trade reached approximately 17.7 billion dinar at the end of 2011, which represents 86.8 percent of the GDP; the kingdom's imports represent 63.4 percent of GDP while the exports did not exceed 27.6 percent of the GDP, this makes deficit in trade balance reach 7.4 billion dinar, i.e. 35.8 percent of GDP.

Kandah reviewed the structure of Jordanian banking sector; the number and types of banks working in Jordan, noting that the banking system maintained its strength and stability and registered tangible development, especially in the safety and strength of the banking system and its indicators in profitability, capital base, and the rate of non-performing loans.

Kandah indicated that there is a noticeable growth in assets, deposits and facilities granted by banks in Jordan; he also mentioned Jordan's membership in the EBRD in 2012 to become one of the receivers of the bank's investments. This, he expected, would support Jordan's efforts in implementing political and economic reforms.

The TFP, he added, would boost external trade between Mid and east Europe, the Commonwealth of Independent States, and southern and Eastern Mediterranean by providing guarantees for international commercial banks to do that, taking into consideration the political and commercial payment risks from transactions done by participating banks in countries in which the EBRD works.

Dr. Kandah expected an improvement in the external trade balance, by increasing exports and encouraging banks to grant more loans to external trade.

The conference was convened to discuss political and economic transition experiences which East European countries passed through. It came up with a number of recommendations that would lead to a smooth transition both politically and economically.

◆ ABJ's Director General, General Director of Blom Bank Participate in Capital & business TV Talk show

ABJ's Director General Dr. Adli Kandah and Blom Bank director general Dr. Adnan Al Araj took part in the TV talk show Capital and Business, produced and aired by Jordan TV to discuss economic issues.

Kandah and Al Araj stressed the role played by banks in financing economic activities within the criteria of lending to safeguard both the shareholders' rights and the deposits of depositors.

They also confirmed the vital importance of paying SMEs greater attention because of their efficiency in investing the working capital and of their power to generate new job opportunities, saying that banks cooperate in financing SMEs with the Jordanian Enterprise Development Corporation (JEDCO) in the context of SMEs Loan Guarantees Program that is currently implemented in cooperation with the Ministry of Planning and International Cooperation (MoPIC).



Responding to a question on developments in the creation of a credit information bureau, Kandah said that the ABJ organized a number of meetings with banks and financial companies interested in credit information issues after the issuance of credit information law.

The result of these meetings, he added, was the procurement of interested companies which have the necessary technical experience to contribute to establish the bureau.

Both Dr. Kandah and Dr. Araj stressed the significance of credit information for banks, companies and economy at large. Providing specific information about the record of the loan applicant, whether an individual or a company, would lead to speed up answering the loan application, answering the requests of serious and deserving borrowers, and guaranteeing the best employment of money lent by banks and reduces the number of non-performing loans that are currently getting close to the ceiling that is risky to banks, they said.

Araj said that accusing banks of withholding to give credits is not true or realistic; the banks reached the level of lending the whole value of time deposits which constitute the largest part of private sector's deposits at banks, as well as a great chunk of demand deposits; this, in addition to the mandatory reserves, constitute a big pressure on liquidity available to any bank.

A large percentage of loan applications were answered in 2011, Dr. Kandah said, noting that in general there is a slowdown in borrowing from banks.

◆ ABJ's Director General Participates in a Conference on Developments in Traditional and Islamic Banking

ABJ's Director General Dr. Adli Kandah took part in a conference on the facts, challenges and prospects of traditional and Islamic banking, organized by Business and Finance Administration Faculty at Al alBays University.

The conference, which convened from 14-16 May 2012, aimed at upgrading banking procedures to redefine the future of Islamic and traditional banking industry.

Kandah, in a paper presented to the conference on the reasons, repercussions and lessons learnt of the international financial crisis, reviewed the crisis and its international, regional and domestic effects, as well as the steps taken to face its repercussions and consequences.

He stressed the need to always be ready for crises, especially when global economy experiences long periods of prosperity.

Kandah called for more reasoning of the idea and practices of globalization to optimize its benefits and reduce its disadvantages. "The most successful method is to cement and reinforce international financial institutions, to build national reserves to face exceptional scenarios and crises, and not to focus on one sector," he said.

◆ ABJ's Director General Submits a paper on Basel Applications

ABJ's Director General Dr. Adli Kandah, in a paper on the influence of transition from the application of requirements of Basel I to Basel II and getting ready for Basel III on cash liquidity, said that the CBJ pushed for cooperation and coordination with monitoring institutions in general and the Arab monitoring institutions in particular to implement the requirements of Basel II which enhanced the work of Jordan's banking system.

In the same context, Dr. Kandah said the CBJ prepared a number of working papers and submitted them to the Arab Monetary Fund (AMF) to ensure the importance of increased cooperation and coordination between monitoring authorities in the world and to convene periodic meetings to enhance the procedures of monitoring focused on in the requirements of Basel I and II.

Dr. Kandah stressed that to activate risk management in banks, the CBJ worked at the end of 2009 to issue pressing tests, especially after the repercussions of the international financial and economic crisis.

As regards Basel III requirements which suggest a capital increase, an upgrading of the liquidity criteria to



enhance the organizational and monitoring environment and the risk management in banks, Dr. Kandah stressed that these elements, if complied by, will increase stability, reduce risks and increase the operation efficiency in banks.

However, he pointed out in his working paper to challenges facing the requirements of liquidity risks, which are the need to build a system to automate procedures of preparing liquidity control reports to become at a daily basis, in addition to the need to create a data bank for risks and monitoring of the percentage of liquidity coverage.

In Jordan, he said, the CBJ issued in Oct. 2011 a circular to banks working in Jordan on the Basel III applications, in which it asked banks to conduct a study on the effects of its applications on banks and giving the CBJ their feedback, taking into consideration the capital adequacy ratio, the net permanent financing, and the percentage of liquidity coverage. However, he said, the CBJ postponed in another circular the feedback until June 2012.

◆ ABJ's Chairman Meets a WB Delegation

Chairman of ABJ's Board of Directors met on July 24th, 2012 a World Bank (WB) delegation who conducts a study on the private sector's financing priorities within the SMEs sector.

The WB is studying these needs to implement financing programs to the kingdom as part of the technical and financial aid package that the WB adopted lately, which also includes SMEs.

Al Salem told the delegation that the most important enterprises that need financing are those that have high added value, especially those that depend on human resources as the main inputs of production.

He added that pharmaceuticals, IT, and services sectors are the sectors that most need financing as SMEs because of the high added value in them.

He also stressed the SMEs importance to economy in light of their ability to create job opportunities and to optimize investment in financial resources.

◆ ABJ's Director General Takes Part in a Jordanian-Iraqi Seminar

The Arab Thought Forum (ATF) organized on Jan. 15th, 2012 a seminar on "Developing Economic Cooperation between Jordan and Iraq," that aimed at developing cooperation between these two countries.

ABJ's Director General Dr. Adli Kandah expressed the association's readiness to organize a meeting with the Association of Banks in Iraq, which includes bankers and officials from both countries to discuss ways of cooperation and solve all pending issues.

Kandah proposed creating three sub-committees of the follow-up committee. The first is technical to identify pending problems that investors in both countries suffer from in all economic sectors: common projects, transport, trade, visas, security, cash flow, agriculture, debts and other issues. The committee would prepare a matrix of these problems according to the sector and identify authorities concerned with each problem. In this way, problems could be dealt with, solved and impediments would be overcome, provided that the matrix is submitted to the expanded committee for prior endorsement and suggesting practical solutions. This will be followed by meetings with concerned parties to brief them on those problems and discuss ways of their overcoming.

Kandah also proposed forming a committee that comprises of investment encouragement boards, business councils and investors in both countries, to promote investment opportunities, identify investment opportunities and provide economic feasibility studies, as possible, to circulate to investors from public and private sectors in both countries.

He further suggested an incentives' committee, so that the tax, financial, economic, legislative, moral and procedural incentives that can be granted in both countries would be reviewed to encourage investors to expand their investments and have new ones that are of benefit to both countries.

ATF Deputy Secretary General Dr. Fayez Khasawneh suggested implementing this through a model of one industrial or agricultural project, with a proposal of its dimensions, tasks, organization and management.



Advisor of North Bank in Iraq's board of directors Osama Chalabi stressed the need to have the central banks of the two countries in a committee specialized in banks and banks' problems.

Dr. Kandah expressed the ABJ's readiness to host a seminar in its headquarters to discuss those problems.

The committee agreed to form a mini-committee to draft the final conclusions and study suggestions submitted in the meeting, which comprised of advisor of North Bank Iraq Osama Chalabi, economic advisor and ATF member Dr. Jawad Anani, economic advisor at the Prime Ministry- the National Investment Commission in Iraq Abdallah Bandar, ABJ's Director General and ATF member Dr. Adli Kandah, representative of the Iraqi National Business Council Dr. Ali Habib, the acting CEO of Jordan Investment Board Dr. Awni Rshood, ATF member and advisor on oil and economy in Iraq Kamal Shafeeq Qaisi, secretary of Iraqi Economists Society and representative of Al Riyadh Investment Companies Mohsen Fahem Farhood, in addition to the ATF general secretariat.

◆ ABJ Participates in Workshop on Basel III

ABJ's Director General Dr. Adli Kandah took part in a workshop dealing with Basel III requirements for banks, organized by Albatross Consulting in the period of 25-26 Feb. 2012.

The workshop, which was targeting employees of risk management and finance at banks, focused on Basel III requirements for monitoring banks, their role in improving banks' capabilities of facing shocks, and improving the level of good governance and transparency.

The workshop also focused on studying the effect of implementing these requirements on banks, according to the directives of the central bank.

ABJ's Director General Dr. Adli Kandah said international financial crises rang a bell for monitoring authorities to take reform measures to protect banking systems from crises and their aftermaths.

He pointed out to the housing market crisis of 2008, the real estate crisis of Dubai and finally the sovereign debts crisis at the Euro zone which affected economic and banking sectors, especially in the Arab region, saying, however, that Jordanian banking system was not badly affected by the financial and economic crisis as the local banks did not invest in financial derivatives of international markets.

The CBJ, he said, took notice of the urgency of implementing international criteria, especially Basel, and issued a circular to this effect asking banks to study the effect of implementing Basel III on a number of financial indicators, especially the capital adequacy, return on investments, profit distributions and others.

Banks have until the end of next June to submit the study; and the workshop will enable participants to prepare complete studies according to Basel requirements and CBJ directives in this respect.

Banking situation is very comfortable in Jordan, except for the indicator of non-performing debts which went up to 8.5 percent in June 2011 compared to 4 percent prior to the outbreak of the international financial crisis, he said, describing this percentage as "worrisome" to banks, monitoring system and macro economy.

Other indicators, he said, were positive such as assets' growth, facilities, shareholders' rights and profitability.


The workshop discussed the regulatory protection margin, the economic cycle, the systematic risk margin, the coverage of liquidity and financing ratio, and the mechanism of preparing hypotheses for future financial data.

It also handled hypotheses of independent financial statements that should be in line with the strategic plan and the valuation of organizational capital according to Basel III.

◆ Yarmouk University Honours ABJ's Director General

Yarmouk University Alumni Club (YUAC) honored on Dec. 18th, 2012 ABJ's Director General Dr. Adli Kandah who graduated with honours from the Economics and Administrative Sciences Faculty in 1984-1985.

The YUAC expressed its pride in the distinguished alumni who serve their homeland with knowledge and experience.



It is noteworthy that Dr. Kandah completed his Masters Degree from the Turkey and the PhD from the University of Glasgow.

◆ The ABJ Receives Arab, European Banking and Financial Delegation

ABJ's Director General Dr. Adli Kandah held a meeting with a delegation of the Arab Monetary Fund (AMF), the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) to brief them on the role played by the ABJ.

The meeting also discussed the interbank market activities, interest rate structure, Jordan Interbank Offered Rate (JODIBOR) and its link to the overnight lending rate implemented by the central bank.

Dr. Kandah stated that there exists a big connection between the announced rate in the morning for one night on the ABJ's website and the one night interbank interest rate on its deposits in the Central Bank, which means that the JODIBOR one night rate can be deemed an indicator for the short term interest rate.

Dr. Kandah also touched upon the volume of assets in the working banks, and the distribution of its credit facilities by sector, and the deposits distributed between commercial, foreign and Islamic banks.

He also pointed out that the shares of Islamic banks in the financial market range between 12-15 percent in terms of assets, credit facilities and deposits. Additionally, he mentioned that SMEs share of in the total credit facilities granted by banks is still considered small and does not exceed 10 percent.

He told the delegation that there are many programs and mechanisms for loans and loan guarantees that are implemented in collaboration between the banking system, some international organizations and the government represented by the Ministry of Planning and International Corporations, Ministry of Industry and Trade and Jordan Enterprise Development Corporation, in addition to other mechanisms implemented in cooperation with the Central Bank and other banks to trigger offering more finances to this sector.

Kandah further stated that the banking system is in good shape due to the committed and proper credit policies which are up to the standards and requirements of the Jordan Central Bank, praising the wise monitoring of the Central Bank and the big cooperation between member banks, the CBJ and the ABJ.

Kandah also brought up the open market operations launched by the CBJ to regulate liquidity through buying and selling of governmental financial instruments.

◆ ABJ Receives US Student Delegation

The ABJ received on March 11th, 2012 a student delegation from the Business Faculty of the Utah University in the USA.

The delegation paid a visit to Jordan to get acquainted with the business environment in Jordan as part of the university attempts to help business students understand strategies adopted to be competitive in sectors of concern to students, and how economic, political, social and cultural circumstances affect these strategies.

The delegation, consisting of 13 students, the faculty's dean, manager and vice-manager, met ABJ's Director General Dr. Adli Kandah who briefed them of the main developments in Jordan's economy, particularly in light of the international financial and economic crisis and its aftermath, the Euro zone crisis and the repercussions of the Arab spring that deepened the state of uncertainty in the region's markets.

He also touched upon the Jordanian banking environment and the role of banks in economic development, in addition to the main banking indications in terms of deposits, loans and facilities offered by banks.

◆ ABJ Receives Chinese Banking Delegation

A Chinese banking delegation paid on 22 March 2012 a visit to the association of banks to get acquainted of the Jordanian banking experience and prospects of cooperation with local banks in light of the increasing Chinese



economic activity in the Middle East and North Africa, and the possibility of adopting Jordan as a banking hub for Chinese transactions in the region.

The delegation, which represents the International Chinese Chamber of Commerce, expressed appreciation of relations between the two countries and desire to improve the bilateral business environment.

ABJ chairman Bassem al Salem said the economic situation in Jordan is positive despite the regional political disturbances.

He added that Jordan is an emerging economy, and despite the scarcity of natural resources, its infrastructure is developed and it is one of the main exporters of potash and phosphate in the world.

Jordan, under the leadership of King Abdullah, adopted economic reforms where the private sector played an essential role to liberalize the economy. The GDP scored 8 percent growth during the period of 2004-2008; however, it regressed after the world economic crisis to reach 2.4 percent in 2011.

The banking sector's indicators are positive as regards profitability and capital in addition to the growth of credit facilities by 9.7 percent in 2011 and that of deposits by 8.3 percent.

These indicators, he said, are an evidence of the confidence in the banking system and the Jordanian economy in general.

He added that Jordan was in the forefront of countries that liberalized its economy and earned the respect of everyone as it was an example of emerging economies capable of achieving success despite the hardships of scarce resources.

The ABJ's Director General Dr. Adli Kandah gave a presentation on Jordan's banking system and the structure of banks, commercial, Arab, international and Islamic banks. He referred to the importance of banks in Jordan's economy and its contribution to the GDP as its assets constituted 186 percent of GDP. However, he added, most of these indicators regressed because of the effect of the international financial crisis on Amman Stock Exchange (ASE).

Knadah said the investment environment in the banking sector is stimulating for the ownership of foreigners and working in banks through taking possession of existing banks, through the ASE or by opening new branches for foreign banks in the kingdom.

Banks' assets doubled in the past decade along with the noticeable growth in deposits and facilities; however, he added, the hardships accompanying the financial crisis led to an increase in non-performing debts to about 8.5 percent.

The head of the Chinese delegation, the vice chairman of the ICC hailed Chinese-Jordanian relations in the different political and economic areas, saying Chinese banks are looking forward to work with their Jordanian counterparts in financing the activities of Chinese companies whose activities are growing throughout the past years in the MENA region.

Al Salem stressed banks' readiness to deal with Chinese businesses, promising to constitute a committee for networking between the Chinese International Chamber of Commerce and the Jordan Investment Board on projects in which the Chinese can invest in Jordan.

◆ ABJ meets EBRD Representatives

ABJ's Director General Dr. Adli Kandah held a meeting with representatives of the European Bank for Reconstruction and Development (EBRD) to discuss developments of Jordanian banking system and ways of boosting bilateral relations.

The visit aimed at understanding opportunities, challenges and approaches of the banking system in the region, as part of the study conducted by the European Investment Bank's economic department on banks in the Middle East.

EBRD representatives discussed the structure of Jordanian banking system and its operational processes. They



also discussed the conference to be held at the Dead Sea on May 28th, 2012 on transition to transition issues.

Furthermore, the meeting discussed bilateral cooperation especially in organizing a seminar on the financing of trade and SMEs.

Another meeting was held with the representatives of the European Investment Bank on mechanisms and fields of investment that the bank can provide to Jordan.

◆ ABJ participates in JEDCO meeting

The ABJ took part in a meeting organized by the Jordan Enterprises Development Corporation (JEDCO) aimed at introducing parties working in the field of supporting and developing the private sector in Jordan and the representatives of the different relevant sections at the American Embassy in Amman.

Attendees exchanged ideas on facilitating and developing economic relations between relevant parties in the kingdom and their counterparts in the USA. The meeting, which was held on 22 April 2012, was attended also by the American ambassador in Amman, the ABJ's vice-chairman Nadia Al Saeed and the ABJ's Director General Dr. Adli Kandah.

◆ ABJ Issues Study on Banks' Corporate Responsibility

The ABJ issued a study on the social corporate responsibility of banks working in Jordan in the years 2010 and 2011, which revolved on the banks' contributions to social responsibility.

The study demonstrated an increase of 14 percent in the amounts spent by banks on social responsibility initiatives, thus reaching the amount of 36.9 million dinar in 2011, compared with 32.4 million dinar in 2010.

The total contribution of banks in social responsibility initiatives constitutes 9-10 percent of their net profit in the years 2010 and 2011, the study found out.

Social responsibility initiatives cover various fields, including persons of special needs, cultural and artistic domains, professional fields, women and children, social and charity services, environment, tourism, cultural and religious tourism, development and poverty combating, sports, health, education and giving support to cultural, social and economic organizations.

The first part of the study, ABJ Director General Dr. Adli Kandah said, gave a theoretical background on social corporate society as regards the concept, the motives and the dimensions. The second part, he added, discussed the reality of this practice and the role of banks in this regard, where it reviewed banks, their social responsibility, the volume of their contributions and their distribution on the different sectors.

This section also covered types of social corporate responsibility and the characteristics of banks' practices in this field.

◆ ABJ issues the Directory of Banking Services, Products and Solutions Offered by Banks in Jordan

The ABJ launched on Sep. 2nd, 2012 its Directory of Banking Services, Products and Solutions Offered by Banks in Jordan, which highlights developments in banking services until 2012.

ABJ chairman Bassem Khalil Al Salem said in the launching that this guide, the first of its kind in Jordan as well as the region, comes in response to developments witnessed by the banking services in Jordan in quality as well as in quantity, to give sufficient information on banking services, their characteristics, and the banks that offer them.

He expressed hope that this guide would enhance banking knowledge of banks' clients, as individuals or as enterprises, and achieve its goal of being a promotional guide as well.

In addition to shedding light on bank services in Jordan, Al Salem added, the guide also aims at increasing competitiveness between banks so that better services and products will be provided and new ones will be



introduced.

Issuing this guide, he said, is in line with the values that the ABJ seeks to enhance, such as developing methods of bank services and creative ideas that give quality and excellence to these services.

On his side, ABJ Director General Dr. Adli Kandah said the guide offers a new and exclusive data base that has never been provided in such a comprehensive and detailed way. The guide, he stressed, will enable all relevant parties, whether banks or clients of different categories, to make the utmost benefit from available information as the guide is in accordance with international and local standards of justice and transparency.

The guide is divided into three sections. The first section is composed of two chapters that give a general idea about the banking system and the emergence of banking services, their concept and characteristics.

The second section reviews services, products and solutions offered by commercial banks, while the third section reviews the services, products and solutions offered by Islamic banks.

E) ABJ Publications in 2012:

The ABJ issued the following publications in 2012:

◆ The Annual Report:

The ABJ issued its 33rd Annual Report which included developments of the banking system in 2011, as regards liquidity, assets, liabilities and capital.

It also included analysis of comparative performance of banks working in Jordan, the new banking services offered by banks, the development of human resources in banks and the number of banks' branches all over the kingdom.

The report shed light on the prospects of world economy, regional economy and a summary of international developments and national economic developments, as well as the main activities carried out by the Association of Banks.

◆ Directory of Banking Services, Products and Banking Solutions Offered by Banks in Jordan

It is the first directory of its kind at the local and regional level; it includes detailed and comprehensive information on the different services and products offered by banks, and its classification (commercial, Islamic), the type of service and the service supplier.

The information is also categorized according to beneficiaries, individual (retail), and big, small and medium size enterprises.

◆ ABJ Booklet Series:

- Booklet # 1: Speeches of HE Bassek Khalil Al Salem and HE Dr. Ziyad Fareez

This booklet has the two speeches of Al Salem, the ABJ chairman, and Fareez, the CBJ governor at the annual meeting of bankers with the CBJ governor organized by the ABJ on 18 June 2012.

The speeches have a full and comprehensive summary of the different banking, fiscal, financial and economic developments in Jordan in recent years.

- Booklet #2: The Comparative Performance of Banks Operating in Jordan in 2011.

This booklet has a full summary of developments witnessed by Jordanian banking system in 2010; it discussed the development of banks' performance as regards the main items of the financial position, income list and profitability measures in 2011.



- Booklet #3: The Social Responsibility of Banks Operating in Jordan in 2010 and 2011

This booklet demonstrates the great role assumed by banks in the field of social corporate responsibility.

- Booklet #4: Foreign Accounts Tax Compliance Act (FATCA)

The booklet clarifies the provisions of FATCA, those who are targeted by this law, the consequences for non-compliance to this law, and the most important models for its application.

- Booklet #5: Consequences of Raising Income tax on banks and Imposing Progressive Tax

This booklet is issued among all the controversy over amending the income tax law and raising tax on banks, including the principle of progressive taxation in collecting treasury revenues.

It discusses the reality of banks' profitability in recent years to show that banks are not the most profitable sectors in the kingdom, and they are less profitable than banks of neighbouring countries. Yet, banks pay the highest tax rate among all sectors in Jordan, and higher than tax rates imposed on banks in the neighborhood.

The booklet also discussed expected consequences of imposing progressive tax on banks.