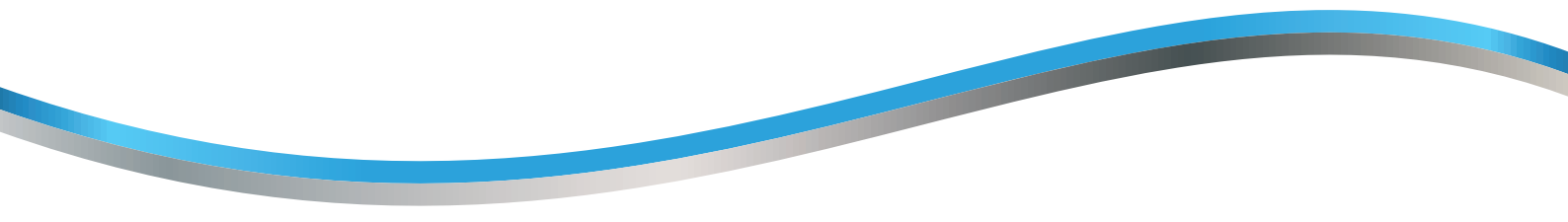

ABJ's Activities in 2013



The ABJ carried on exercising its mandate of discussing and following up the different issues submitted by member banks. Those issues were thoroughly and profoundly discussed by the association's specialized technical committees as they raised banks' remarks to concerned authorities whose response was highly earnest; many remarks and suggestions that the ABJ raised on behalf of its member banks concerning different issues were taken into consideration as a result.

In the field of training, the ABJ held in 2013 a number of meetings, seminars, workshops, training sessions and lectures on issues and subjects of concern to the banking system.

As regards studies, the ABJ published in 2013 a number of publications, reports and studies on the Jordanian banking system. The following are the most outstanding ABJ activities during 2013.

A - Public Policy Issues

❖ The ABJ discusses instructions on fair and transparent treatment of clients

The ABJ held an extended meeting attended by experts from the CBJ, the ABJ and banks working in Jordan on March 27th, 2013 to discuss the banks' remarks and inquiries regarding the instructions on fair and transparent treatment of clients (56/2012), issued by the CBJ.

The meeting came as a result of the ABJ receiving many inquiries regarding some terms of the instructions and the way they can be implemented, especially as the instructions were already issued and will come into force for all banks working in Jordan 180 days after the publication in the official gazette, which means that they will be enforced in May 2013.

Director of ABJ's Studies Department Fadi Mashharawi welcomed attendees from the CBJ and member banks, saying that the purpose of this meeting is to answer the banks' questions and queries regarding the instructions, as well as to give the CBJ a clear picture of the challenges and difficulties that banks might face in implementing those instructions.

On his part, assistant executive manager of CBJ's Banking Supervision Department Arafat Al Fayyumi stressed the CBJ's deep interest in those instructions and its seriousness in implementing the same as they have a great influence on regulating the banks-clients relationship. This is in the interest of banks themselves and those who deal with banks, he said.

He went on to say that the CBJ discussed in advance the draft instructions with banks before they were issued; that most remarks submitted by banks were taken into consideration when the instructions were discussed between ABJ representatives and the CBJ's higher management, and that their remarks were taken into consideration.

Therefore, he emphasized that there will be no postponement for the enforcement date of those instruction. Fayyumi added that the CBJ had not backed off the policy of unfixed commission rates; rather, higher ceilings were calculated from the commission rates already there in banks. The annual percentage rate (APR) reflects all costs borne by the client in one rate.

Fayyumi explained that the objective of those instructions is to manage risks and ensure fairness, transparency and equal opportunities and protecting banks from some excesses, thus guaranteeing the bank's and the client's rights alike.

Sawsan Jarrar, of the CBJ, said she received many inquiries from banks about the implementation, as well as the APR calculation. She explained that APR calculation is a technical issue done through a computerized formula. The APR, she said, is required from both conventional as well as Islamic banks.

Representatives of member banks came up with a number of remarks and inquiries that were answered by CBJ representatives. A proposition by the CBJ explaining how to deal with dormant accounts was given to attendees to consider it and give necessary feedback before it is officially adopted.

Those present at the meeting reached an agreement that banks should directly provide the CBJ with any legal remarks they have on the instructions; they also asked CBJ representatives to discuss the adjournment of instructions' enforcement date with their higher management for two months at least, as this is the demand of all banks. CBJ representatives were also asked to list all questions and inquiries regarding the instructions on the CBJ website so that all banks can browse and benefit of answers thereto.

At the same day, a meeting was held between the CBJ representative Teremmah El Ramahi, Licensing and Capacity Senior Specialist at CBJ National Payments Council, and technicians of member banks to discuss instructions of having fair and transparent dealings with clients.

B - ABJ committees' meetings

❖ ABJ considers protecting checks against forgery

The ABJ held on Jan. 21st, 2013 a meeting that comprised of 53 representatives of member banks and representatives of Central Bank to discuss the issue of forged checks. The meeting was attended by the ABJ general director and the ABJ's financial and administrative director Bassem Adi.

The ABJ Director General Dr. Adli Kandah welcomed attendees, saying that check forgery is witnessing a nonstop increase. This propelled CBJ Governor Dr. Ziyad Fareez to raise it at the most recent session of the National Payments Council. The ABJ board of directors also brought this subject up and decided to invite banks concerned to elaborately discuss the issue to come out with definite recommendations to overcome the problem.

Attendees suggested that adding any new security marks will not curb check forgery, but rather it will increase the burden on the check examiner. The lesser the security markers, the easier it is to detect forgery.

They suggested that the CBJ and banks reconsider the possibility of restoring the original legal status of the check as an unconditional payment order that it is not reused as a credit instrument, and to apply the digit check that is due to be compulsory implemented by the end of this month.

They called for new security marks that can be detected through ECC-based systems as well as resorting to the best choice in check forgery which is the termination date for the check validity which does not exceed five years.

They also suggested adding a magnetic ribbon on the bottom of the check containing account number, bank code and branch code, as is the case in Visa Cards. Furthermore, they demanded equipment that detects security marks just as is the case with banknotes. They also demanded reconsideration of the

collection date of T+0 so that the deposit date is given an additional day to examine those checks. T+1, they said, will allow banks to communicate better with their clients.

They also called for the activation of the fingertip system on the check by being linked to an information center of the banking system as a whole. This, they claim, would create, on the medium and long terms, a data and information base that will make banks highly secure in ECC transactions.

Banks' representatives were asked to provide the ABJ with their feedback on the subject of forged checks.

❖ The ABJ holds a meeting for Information Safety and Risks Committee

The ABJ held on July 8th, 2013 a meeting on the Information Safety and Risks' Committee. The meeting was opened by the ABJ Director General who welcomed members of the Information Safety and Risks' Committee, and stressed the necessity to finalize the ad campaign on the information safety and risks to be promptly presented in full detail to the ABJ's board of directors.

The committee's head Ayman Ghannoum gave a briefing on past meetings, the campaign's theme and the most important points achieved in this regard. He said that the only point of disagreement concerns the campaign's funding: should it be divided equally among banks or should the costs be in proportion with the size of the bank? He proposed in this regard that the campaign be funded by the ABJ's fund and opened the floor for more discussions by the committee members.

Ghannoum underlined the fact that the estimated cost of the campaign for each bank does not exceed 10 thousand dinar. "This is a relatively insignificant amount as banks usually pay higher price for equipment and services to enhance the security and protection of information and reduce their risks," he said.

He also stressed that "one attack could cost the targeted bank much more money, let alone the damage to the bank's reputation."

CBJ representative suggested that the committee agree on available choices and write down their recommendations as a preliminary step to be submitted to the ABJ's board of directors which will choose one of them. He also suggested that the ABJ organizes an event with international companies working in Jordan so that these companies sponsor the event and cover some costs of the ad campaign.

Participants also discussed the possibility of issuing appropriate recommendations. Some of these suggestions included meeting banks' managers to put them in light of the campaign's subject, or that the campaign subject is included in the special agenda of the periodic meeting of banks' managers at the ABJ.

After intensive discussions, recommendations to provide the required budget were provided; namely, that the committee chooses one of the following recommendations for funding:

1. Increasing the participation amount by all banks at the same participation rate decided for each bank, so that the total increase is equal to the budget required for the next year.
2. Launching a project run by the ABJ to provide funding and sponsorship of the campaign by private sector companies that support the campaign's goals.
3. Dividing the required amount equally among all banks.

4. Dividing the required amount into banks in proportion with the size of the bank.

Ghannoum opened the floor to discussing the idea of sponsoring a conference on information safety and risks at Jordan's banking sector. Committee members agreed to this.

❖ ABJ discusses new banks join the JODIBUR

The ABJ held on Wednesday, Aug. 28th, 2013 a meeting for representatives of the ten banks currently participating in the pricing of inter-bank lending rates (JODIBUR). A representative of banks desiring to join the JODIBUR attended the meeting.

The meeting was held to discuss some banks' requests to join the JODIBUR, as the ABJ had previously held a preliminary meeting of the representatives of all banks working in Jordan on July 16th, 2013 which recommended referring this issue to a smaller committee that comprises banks currently participating at the JODIBUR and a representative of banks that want to participate in the pricing process.

Attendees discussed a number of issues, such as the present pricing efficiency and the extent to which the joining of new members would affect it. They recommended that the same pricing mechanism continue to be used, by eliminating the highest and lowest rates from pricing, regardless of the number of banks joining the JODIBUR.

Attendees also underlined some criteria and conditions that should be available in banks endorsed to join the JODIBUR, including diversity, which means having Jordanian and non-Jordanian banks, as well as small and big banks. Some judgment will be made regarding banks wanting to join, as the bank with higher activity volume will be accepted.

❖ ABJ holds a meeting of the legal committee

The ABJ organized on 19-20 Aug. 2013 a two-day meeting of the legal committee at the ABJ headquarters which comprised of 13 representatives of member banks. The new draft of the bill on collaterals was reviewed to come out with unified feedback and recommendations for banks.

❖ Legal committee's meeting

The ABJ held a meeting of its legal committee on Wednesday, Oct. 23rd, 2013, attended by the ABJ Director General and 14 members of the legal committee as representatives of member banks.

Attendees discussed assignments to the Ministry of Public Works where the ministry accepts one draft of assignments but excludes judicial sequestration and any penalties or claims against the contractor, although it is willing to accept any approach that does not prejudice the rights of banks and at the same time safeguards the ministry's rights against contractors and does not contradict judicial judgments.

Participants also discussed acknowledgment of members of board of directors to have attended meetings and voted in call conferences, video conferences and via Skype, as these technological advancements made it possible for people to attend meetings and vote while abroad at the time the meeting was held, or because of their inconvenient travelling schedule.

Attendees also discussed the issue of powers of attorney (POA) issued by Jordanian courts to banks working in Jordan to carry out banking transactions by virtue of these POAs. Currently, they argued, there is no one official and unified way to verify the POAs' validity or the validity of data contained therein, or to verify whether they are still valid or had been revoked as is the case in the Civil Status system or the website of the Companies Control Department, where information can be verified through these systems. There is no such linking system through which banks can verify data contained in the POAs presented.

The committee also discussed the draft law on business restructuring and bankruptcy and liquidation procedures for the year 2012, in addition to the issue of bad debts and prolonged legal procedures of collection, which no longer make the desired pressure that banks want to settle the accounts of their bad clients.

❖ Legal committee meeting

The ABJ held a meeting of the legal committee on Wednesday, Dec. 4th, 2013 attended by the ABJ's Director General and 18 legal committee members as representatives of member banks.

Attendees discussed the issue of board of directors' members having the choice to attend meetings via conference call, Skype and video conference as was decided by the board of directors' meeting held on Oct. 28th, 2013.

The subject of debtors asking for debt restructuring arrangements to hinder execution on bonds securing their debts was discussed as well as the issue of check endorsements.

❖ Banks carry out an awareness campaign on information security and risks and banking technologies

Participants at the Information risks and security committee decided to nominate some bank marketing managers as team members of the media campaign recommended by the committee to raise awareness on information risks, security and its technologies and electronic fraud.

The team comprised of Tareq Haj Hassan of the Arab bank, Hani Khadher of Cairo Amman Bank, Iman Afanah of Jordan Dubai Islamic Bank, Hoda Al Khateeb of Al Ittihad Bank, Khaldoon Rababaah of Capital Bank, Rawan Saeed of Standard Chartered Bank and Basheer Omar of the Housing Bank.

The committee's meeting was held in Jan. 16th at the ABJ headquarters, where the ABJ's Director General stressed the necessity to continue the work to achieve the committee's goals.

He added that the campaign belongs to all banks which might lack the necessary resources to do this job as best as possible. So, he said, a recommendation was made to seek help from specialized parties to do this job for the banking sector and to prepare a presentation to be submitted to the ABJ's board of directors for review.

Head of Committee Ayman Ghannoum had prepared a working paper in cooperation with the media campaign team which comprises of Abeer Batayneh, the Committee's vice-president, the committee coordinator Rami Shaheen and committee members Riyadh Jazmawi, Hisham Shamali, Yanal Sunna' and Ali Kabariti. The draft working paper, which contains proposals on the awareness media campaign

targeting citizens on security information and the working mechanism of the campaign, was distributed before the beginning of the meeting.

Ghannoum gave a short briefing on the importance of spreading awareness and security culture as regards banks and clients dealing with information and risks pertaining thereto. He pointed out that awareness messages were prepared previously targeting clients with the approval of all banks. As information security specialists are not experts in marketing, advertisement and public relations, help was sought from marketing experts to reach an appropriate working mechanism to enhance the level of bank clients' awareness and convey these messages in a clear and easy way to be understood and to spare them falling victims to fraud, hacking and revealing sensitive information.

Ghannoum said that the team suggested a group of marketing directors are nominated to join the team so that work will be done on clarifying the scope and costs of the media campaign, to identify the required scope of work, the requirements and to agree on the appropriate assessments and recommendations, provided that these costs, estimated at less than 10 thousand JOD for each bank, are distributed among all banks.

C - Seminars, Lectures and Training Courses

1 - Workshops

The ABJ organized in 2013 a number of workshops that can be summarized as follows:

❖ ABJ holds a workshop on renewable energy

The ABJ, in cooperation with Electricity Regulatory Commission (ERC) held a workshop on renewable energy on Feb. 25th, 2013 in which representatives from member banks participated. The workshop aimed at shedding light on a number of renewable energy projects, especially the solar and wind energy projects that can make efficient energy consumption and reduce the costs of fossil fuel.

Participants highlighted the fact that their managements are considering the shift from conventional energy into renewable energy as a way to curb the increasing costs of electric power bills.

ERC's representative said that solar power generating plants consist of photovoltaic cells that convert sun rays directly into electric power supplied to the electric grid via special connection systems.

He pointed out that the ERC issued regulations to regulate selling electric power generated from renewable energy to the main grid. These regulations, he added, enable all categories of consumers to install a generation system of power out of renewable resources and link it to the electric grid.

Regulations also provide for the company to install a meter to record consumption rates from both sides. The consumer consumes energy generated through this system and supplies the excess power to the electric grid. This will be registered at the import registry and an offset will be done between the power generator and the power consumer until a financial settlement is reached by paying for the supplied amount according to rates specified by the regulations.

❖ ABJ, Visa hold a workshop on e-payment

The ABJ, in cooperation with Visa Inc, organized a workshop on e-payment, its effect on and role in Jordanian economy on 27 March 2013.

ABJ Director General said that e-payment systems recently witnessed accelerating technological developments that will have distinct prints on the payment conduct, markets' structures and the relationship between this and the fiscal policy. He stressed the importance of developing the capacities and skills of bank employees to cope up with developments in the e-payments market to serve people and the private sector alike.

On her part, Maha Bahoo of the CBJ said the central bank developed legislations on e-payment supervision and the inclusion of new provisions that enable the CBJ to assume this role.

Azzam Alameddin, Senior Director of e-payment at Visa MENA & Francophone Africa briefed attendees on the latest developments that this sector had in the region as well as its positive effects on economies, its role in facilitating issues for clients, businessmen and service providers.

E-payment expert at Visa Violina Shahetiba discussed issues related to the economic and social benefits of e-payments, services of banks and an overview of e-payment systems around the world, the basic requirements of these services, risks of e-payments and fraud.

❖ ABJ holds workshop on Focus Solutions for Compliance Departments

The ABJ, in cooperation with Focus Solutions and Microsoft Jordan, held on Apr.23rd, 2013 a briefing workshop on the Focus Power Compliance in banks, designed to fulfill the needs of compliance departments and meet the risks related thereto.

Imad El Fares of Microsoft Jordan briefed participants on the new mechanism used in international banks and the importance of compliance and risks departments in banking and financial processes.

The workshop also reviewed the recent requirements of the compliance departments, the system and how to use it by applying some procedures.

Rami Qottaineh, the managing partner of Focus Solutions lectured about the importance of identifying the components of compliance risks through identifying all laws, regulations, instructions, orders, criteria, conduct standards and the proper banking practices (the best standards for application) that the bank has to adhere to through its compliance director.

He also explained how the system works by identifying supervision systems based on compliance risks to make sure they are within the acceptable risks, amending or increasing supervision systems so that risks are within acceptable limits, and to specify the party that should be in compliance and to identify the management strategy of those risks.

The technical advisor Ziyad Al Ashram presented the system's role in helping banks and financial institutions in identifying supervision systems and the strategy of managing compliance risks through self assessment and the monthly assessment of compliance risks according to the test's date, as the bank's compliance to components of compliance risks is assessed by the person in charge of it.

He also discussed the system's recognition of the bank's level of compliance at all levels, in addition

to recognizing the extent and level of compliance for each type of compliance risks in a quantitative way, and reviewing the reports relevant to each employee, directorate, group or bank, or according to the components of compliance risks so that weaknesses are identified as well as those responsible for the weaknesses. This will also specify the supervision systems which are insufficient to cover compliance risks, review the bank's strategy on risk management, and provide reports to all administrative levels according to details that the bank wants.

❖ **ABJ, MENAITECH, organize workshop on cloud Computing Systems**

The ABJ, in cooperation with MENAITECH, organized a workshop on Cloud Computing Systems on Nov. 6th, 2013 which was attended by a number of banks' representatives.

MENAITECH representative explained the concept of cloud computing, where all systems are totally operated through the internet in a way that provide clients with reduced operation costs, operation fees, database licensing fees and the accessibility to the database at any time. All systems are governed by security and protection units, accessibility mandates, and flexibility in integration with a number of planning systems. They can also work independently of those systems as the user wants.

He also gave a briefing on MENAITECH products that can benefit the banking sector, such as the personnel management system; the payroll and employees' affairs system; the system of employees' assessment and feedback analysis; the system of self services of manager/ employee on the internet; the system of human resources performance indexes; the system of technical backup unit; and the salaries and self services system with the cloud computing technology.

❖ **Workshop on Basel II, Basel III in cooperation with KPMG**

The ABJ organized on July 2nd, 2013 a workshop on Basel II and Basel III in which Mr. Steven Hall lectured.

The lecturer reviewed the objectives of Basel III and the implementation timetable and explained the elements of liquidity and capital, including the definitions of capital and its instruments, the countercyclical capital buffers, systematically important financial institutions, net stable funding ratio, financial leverage ratio, liquidity coverage ratio, and liquidity risks requirements.

Afterwards, challenges and remarks were discussed.

The workshop also focused on interaction between Basel III, stress testing requirements, the third pillar of disclosure requirements, governance agreements and reflections on management.

Furthermore, it handled the credit risks in view of Basel III regulations, including the cost of modified credit, collaterals management and intermediaries.

❖ **ABJ, IFC hold workshop on international principles of out of court restructuring**

The ABJ, in cooperation with the International Finance Corporation (IFC) organized a workshop on international guidelines for out of court restructuring of staggering companies, ways of implementation, and the most important international practices.

The workshop, which is part of the IFC's project to help Jordanian government to draw general guidelines to facilitate the out of court restructuring of staggering companies and corporations, also discussed practical cases and genuine examples.

The IFC study on arbitration or out of court restructuring, presented in the workshop, said that out of court settlements have many advantages: they enable relevant parties to negotiate a plan without causing a stoppage of the debtor's business; they evade the social and economic results of businesses' failure; they alleviate pressure on courts; and, they help the business community to build confidence in the integrity and transparency of insolvency procedures.

The study said that in many countries that do not apply the rules and principles of out of court restructuring or settlement, you can find a number of businesses that could have continued to work were forced to close down because of the lack of possible and available choices to restructure.

The Reports on the Observance of Standards and Codes (ROSC), prepared by the World Bank to the Jordanian government in 2009, recommended that the Jordanian legislation for insolvency and creditors' rights should include a set of published guidelines that are based on the international best practices so that the out of court restructuring is made easier, as this choice can best maintain the economic value and jobs.

The IFC said the rules of Jordanian laws relevant to insolvency and creditors' rights did not change. Furthermore, it said that the last draft of the law on restructuring, bankruptcy and liquidation for the year 2011 (the draft bill) does not handle the issue of out of court restructuring.

2 - Training courses and programs

The ABJ organized a number of training courses and programs in 2013 on the following subjects:

❖ ABJ holds a course on bank credits' risks

The ABJ held a training course on the "Legal and Financial Risks Facing Bank Credits".

❖ ABJ holds program on instructions on banking transactions

The ABJ organized a training program on "Instructions and Orders issued by the CBJ on Bank Transactions." The program, held from Apr. 8th -10th, 2013, was attended by a number of directors, heads of units and sections, and employees at the departments of operations and banking credits, banking facilities, contracts, corporate credits, and employees of internal auditing and revision at the legal departments of banks.

The program, lectured by Mr. Salem Khazaleh, reviewed the rules and the legal, organizational and procedural aspects of the Central Bank of Jordan's Law # 23 for the year 1971 and its amendments, as well as the Banks' Law # 28 for the year 2000 and its amendments relevant to bank transactions. It also handled the procedural, practical and legal aspects provided for in the instructions, orders, circulars and memos issued by the CBJ related thereto that the bank and its employees should abide by before conducting any bank transactions and credits, or signing, renewing, implementing, or terminating bank contracts whether for companies or individuals in the field of fiscal policy as regards mandatory

cash reserves, interest rates, commission rates, repurchase agreements and banks' issuance of deposit certificates and investment portfolios in Jordanian Dinar.

The program also handled some aspects relevant to organization and banking supervision such as bank capital, capital adequacy, liquidity, concentrations of credit, guarantees and bills, banking risks, and not to blame the CBJ for refusing facilities.

Issues relevant to investment and possession were also discussed in terms of banks' possession of shares and stakes in some companies' capital, banks' ownership of insurance companies and real estate ownerships.

In addition to this, the program dealt with bank operations and services such as the bonded services; conducting operations electronically; banks' financial statements; financial statements of Islamic banks; classification and making of allocations; monthly, quarterly bank statements and the quarterly financial statements; correction procedures; penalties on banks' breaches of law; combating money laundering, funding of terrorism; government seizure of monies lost by limitations and administering frozen deposits; dividing legacies deposited in banks; information on the ownership and trading of financial instruments; adopting the ID card in banking transactions; and, cooperating with diplomatic missions.

The program also focused on the national payment system in the field of checks and clearance; the general conditions for bank accounts in Jordanian Dinar; cancellation of manual signature; information service from the Customer Information Service; Real time gross settlement systems (RTGS); dealing with banknotes, counterfeited banknotes; and, ministries and government entities' accounts at licensed banks.

Khazaleh clarified in this program the legal, contractual and supervisory consequences, as well as the obligations and duties borne by banks and their employees, and the penalties and fines arising from breaches. He also focused on the means and ways of dealing with instructions, memos and orders issued by the CBJ.

❖ ABJ holds training program on managing SMEs' credit risks

The ABJ organized a training program on managing credit risks for small and medium sized enterprises (SMEs), in which Fareed Hirzallah lectured a number of representatives of banks working in Jordan.

The program discussed the concept and definition of risks; sources of risks for banks; types of risks that they face, including credit, market and operational risks, in addition to other banking risks. The program also handled the definition of SMEs; ways of getting information about them and defining their funding needs; and, the role of Jordan Loan Guarantee Corporation in funding SMEs.

The program also defined credit risks and ways of assessing them according to CBJ's instructions to classify credit facilities, calculate reserves for general banking risks and the provision for impairment of facilities, and other negative consequences of non operating facilities and credit risks according to the resolutions of Basel II committee; and the overall calculations of bank's organizational capital; the ratio of capital adequacy, and linking the concept of the bank's organizational capital to credit concentrations.

The program also reviewed types of credit risks that include risks relevant to the funding process itself,

including those relevant to the nature of the borrower's business in terms of its character, reputation and eligibility to borrow, and to analyze its capacities, qualifications and expertise, and to analyze a set of relevant accounts and its relationship with the bank; the risks of short, medium and long termed facilities; the guarantees' risks in terms of the concept of bank collaterals as an element of analyzing the credit trustworthiness of the client; the difference between collaterals and back-ups; the advantages and merits of the bank's getting collaterals; the cases in which banks resort to demanding collaterals; types of bank collaterals; assessing and documenting bank collaterals, and the constant supervision of collaterals.

In addition to these, the program reviewed risks of settlement sources in terms of assessing the main sources of settlement of the funded enterprise and the extent of their adequacy; assessing alternative settlement sources; analyzing the extent of concord between the value and due dates of installments with the dates of cash flows; the risks of financial statements in terms of reading financial statements and their clarifications and the basis of their making; any reservations thereon; analyzing financial statements for some period by using the recognized instruments of financial analysis; reading the main financial indicators relevant to the client's sector; analyzing and reading the feasibility studies of new enterprises and funding structure; risks of legal documentation of the granted credit, along with giving examples on the risks of legal documentation of credits; and, the procedures to curb risks of documenting collaterals.

The program also handled other risks that are irrelevant to the very funding process but rather resulting from the economic and political circumstances; the set of risks resulting from factors relevant to the bank; and, the set of risks relevant to the funding process.

Several topics were discussed with participants that included beautifying financial statements and its effect on their credibility; the companies whose financial data should be audited according to the Jordanian Companies' Law; should banks lend all their deposits at a rate of 100%; types of collaterals accepted for calculating the allocation for impaired assets according to CBJ instructions.

❖ ABJ holds training course on CBJ's instructions and orders on credit facilities

The ABJ organized a 16 training hours' course on CBJ's instructions and orders on credit facilities.

The course, in which Salem Khaza'leh lectured, was attended by a number of directors, heads of units and sections, and employees at the departments of bank credits, credit facilities, bank contracts, corporate credits, and employees of internal auditing and revision at the legal departments of member banks.

The program reviewed the rules and the legal, organizational and procedural aspects of the Central Bank of Jordan's Law # 23 for the year 1971 and its amendments, as well as the Banks' Law # 28 for the year 2000 and its amendments relevant to granting bank credits. It also handled the procedural, practical and legal aspects provided for in the instructions, orders, circulars and memos issued by the CBJ relevant to credit facilities that the bank and its employees should abide by before conducting any bank transactions and granting credits, or signing, renewing, implementing, or terminating bank contracts whether for companies or individuals in a number of fields that include the requirements of granting credit facilities whether upon granting, extending, termination, maturity, or claim; and the technical, supervisory and legal conditions necessary for interest and commission rates, credit concentrations, guarantees, bills, banking risks, not to blame the CBJ for refusing investment facilities and possession; conducting bank

operations electronically; classification of facilities and making of allocations; correction procedures; penalties on banks' breaches of law; combating money laundering and funding of terrorism relevant to credit facilities.

The course explained the legal, contractual and supervisory effects and the obligations and duties borne by banks and their employees; the breaches and penalties resulting from breaches; clarifying means and ways of dealing with CBJ's instructions, memos and orders.

3 - Forums and round-tables

The ABJ organized the following forums and round-tables in 2013:

❖ ABJ holds course on e-fraud in banks

The ABJ organized a specialized course on e-fraud in banks between 19-20 Aug. 2013, in which Hossam El Abed, the ABJ advisor on combating financial, banking and electronic crimes, lectured.

A number of directors of risks and compliance departments, information security, combating fraud, electronic channels, security, supervision, auditing, and legal departments at member banks took part in the course.

The first day of the course focused on the fraud in internet banking services. The fraud mechanism and steps were reviewed, in addition to the theft of customers' bank data; the role of money carriers in fraud and the geographical distribution of fraud operations. Also reviewed were a number of cases and actual cases of fraud in banking services via internet, smart phones and pre-paid cards at the regional and international levels, in addition to the international best practices to be protected from fraud in internet banking, dealing with it and raising the awareness of bank customers of fraud.

The second day handled fraud in teller machines and selling points, where banks' procedures to protect ATMs and their users were reviewed, in addition to the types of fraud, security of ATMs, fraudulent methods of ATMs and how to combat stealing and copying of cards, stopping and combating ATM fraud and the important role played by raising awareness of customers and card holders.

❖ ABJ hosts international seminar on FATCA

The ABJ, in cooperation with Primus Jordan, organized on Sep. 5th, 2013 a seminar on the American Foreign Accounts Tax Compliance Act (FATCA), relevant to compliance with American tax laws.

The seminar was attended by ABJ's Director General Dr. Adli Kandah and Vice President /Chief Marketing Officer at Primus Amer Nasereddin, as well as experts of SAS International Co., in addition to 40 participants of member banks.

The seminar clarified the main objectives of enacting FATCA, namely, to improve offshore tax compliance by all American citizens in a way that all their bank accounts at foreign financial institutions outside the USA are reported to the Internal Revenue service (IRS) so that revenues of IRS are increased. Foreign financial institutions are required to report on data of their US taxpayers' customers to the IRS to deduct tax on these accounts.

Attendees were briefed on the rules, procedures and software that can be used by member banks to comply with FATCA, and the pioneer software solutions that guarantee the optimal standards of compliance, that are due to come into force on July 1st, 2014.

D. Other activities and news

❖ CBJ Governor meets banks' CEOs and general managers

CBJ Governor Dr. Ziyad Fareez met on March 20th, 2013 the chairman of board of directors and the general managers of member banks at the ABJ headquarters to discuss a proposal to issue development bonds to Jordanians and individuals, provided that mechanisms of offering and selling will be thoroughly discussed later by expert bankers.

The meeting was opened by the CEO of the Association of Banks in Jordan Bassem Khaleel Al Salem who welcomed the CBJ governor and attendees. He stressed that the CBJ efficiently confronted funding challenges, the energy crisis and the decrease in foreign currency reserves in 2012. He hailed the steps and procedures taken by the CBJ to contain these crises and to move quickly to the stage of fiscal stability.

Al Salem expressed appreciation of the consultation mechanism that the CBJ adopts with banks working in Jordan to reach decisions that serve the banking system and increase its strength and stability. He also congratulated banks' CEOs and general managers for the outstanding results of banks' performance in 2012.

On his part, Dr. Fareez said that 2012 was a year of a crisis different than any other. At that year, Jordanian economy faced very bitter circumstances, but, "with the cooperation of the banking system we were able to handle those problems". Thanks are due to the good efforts of banks' CEOs and general managers who had performed their tasks tirelessly. Praise should be given to the Jordanian banking system which succeeded in handling the crisis and bringing the Jordanian economy out of the bottle neck situation.

Fareez pointed out that the banking sector's indicators for 2012 were positive and this makes us proud. The rate of non-performing debts, despite exceptional circumstances, went down to 7.5% in 2012 compared to 8.5% in 2011; the coverage rate of non-performing debts went up to 70.6% compared to 52% in 2011. The capital adequacy rate is good as the liquidity ratio kept its value, while the pre-tax profits and post tax profits increased by 20% compared with the year before.

Fareez said the liquidity problem the year before resulted from the facilities growth volume being affected by two major factors: governmental borrowing and bonds on the one hand, and the decrease in economic growth rates, the slowdown in demand and the crisis of 2012 on the other hand. The crisis peaked at the end of 2012, but we were able to face most of the challenges and difficulties by adopting a number of reform policies at the political, economic and social levels, which built and enhanced confidence in our economy. The results of these policies are felt now through the positive signs of the major economic indicators.

"The government and the CBJ endorsed a number of procedures in 2012 that include policies of financial discipline and handling structural distortions in the public budget," he said. The most important

step was lifting fuel subsidies and directing subsidies to those deserving; this is about 3.6% of GDP. “This is the beginning of the financial reform that will be demonstrated in the decrease in financial deficit and will achieve the sustainability of public debt,” he added.

Fareez said the CBJ updated in May 2012 the operational framework of the fiscal policy by launching two instruments: repurchase agreements of different terms (a week, a month) to organize liquidity in the fiscal market and activate inter-bank market; the second instrument is permitting the CBJ to intervene in the secondary market by buying and selling government financial instruments to provide liquidity that can meet the requirements of economic activity. In the framework of these two instruments, he explained, 1.5 billion JOD were pumped in the fiscal market. Interest rates on fiscal policy instruments were raised three times in 2012, the latest of which was in December 2012 to increase the appeal of investment instruments in Jordanian dinar by increasing the actual return on these instruments. A number of incentives were given to licensed banks to support SMEs and re-lend the industrial sector.

The governor underlined that the International Monetary Fund was content, at the first round of revision of the performance of the Jordanian economy, with the macro indicators of the economy. The second installment of the IMF loan, with a value of 384 million JOD, will arrive next April. He expected the rate of economic growth to hit 3.3% approximately in 2013, and the inflation rate to stay on the borders of 6%. He expected that the current inflation rates will not lead to accumulative inflation in the future, saying he also expects that inflation rates will go back to normal starting from 2014.

He added that in case Egyptian gas supplies continue, the deficit in the kingdom’s current account is expected to go down to 10% in 2013, compared with 18% in the year before.

The governor said that despite effected reforms whose consequences and volume far surpassed what was taken by neighbouring countries, yet we are still facing some challenges, the most important of which is to reform the energy sector which still suffers big financial deficit because of the losses of the National Electric Power Company (NEPCO) estimated at about 1.1 billion JOD (4.8% of GDP in 2013).

He called for taking the necessary procedures to reinstate the balanced financial position of NEPCO within the framework of a definite strategy that takes into consideration subsidizing segments of limited income and low consumption, in order to eliminate the last remaining structural distortions.

He pointed out that the 2013 budget was drawn to be in line with the national reforms program and the objectives of financial discipline. “It is a budget with a developmental aspect as it focuses on funding some capital projects, especially those funded by the Gulf support fund grant,” he said, adding that “the budget deficit is still a challenge that should be corrected.”

He noted that the endorsement of a new tax law will contribute to increasing public revenues.

The governor stressed that the greatest outstanding challenge is the prolonged deterioration of conditions in Syria and the big increase in the number of refugees in the kingdom. This means very heavy financial costs to Jordan as the burden suffered by the public finances of the government is doubled.

Despite the increase in liquidity rates available to lending and what the reform program will provide as part of the funding, yet, he said, this is not sufficient to bridge the funding gap as the government is required to resort to external borrowing. The most important ways of borrowing is to issue Eurobonds to

provide the necessary funding for the private sector at a reasonable cost, and to provide required funding needs to cover the public sector deficit in 2013, estimated at 2.4 billion JOD.

❖ ABJ adopts the strategic plan of 2013 and 2014

The ABJ board of directors adopted the strategic plan for the years 2013 and 2014 which comprised of three main pillars.

The ABJ chairman of board of directors Bassem Khaleel Al Salem said the ABJ is keen to demonstrate the genuine image of banks in the kingdom and their pivotal role in supporting Jordanian economy and upgrading this role to cope up with changes that the kingdom and the region witness.

The plan, Al Salem said, will entail 30 projects, both new projects or developed projects from already existing ones. He stressed that the ABJ will pay special attention this year and the coming year to the Islamic banks by creating a special committee on Islamic banks that discusses issues of Islamic banking. The possibility of setting up a chamber for banking arbitration will be considered as an authority to determine specialized banking issues and cases.

Al Salem told the audience that the plan includes a follow up of the SMEs' loan guarantee agreements with The Overseas Private Investment Corporation (OPIC) to gauge the efficiency of their guarantee mechanisms. He also underlined the board of directors' interest in the acceleration of establishing a credit bureau in the kingdom because of the bureau's role in facilitating the borrowing process by the private sector businesses, reducing funding risks faced by banks, and accelerating the pace of desired economic growth.

Al Salem said FATCA compliance is required for banks starting from the coming year. This necessitates the study of compliance requirements and predicting problems that might face banks' efforts to implement the act. "The ABJ will continue its efforts to clarify the mechanisms of implementing the law and the requirements that the banks have to meet in order to comply with the provisions of the law," he said.

The ABJ, he went on to say, intends to organize the second Amman Banking and Economic Forum at the third quarter of the current year with the participation of local and international experts and local and regional institutions. In addition to this, the ABJ will carry on with its training activities in the specialized and highly important banking arenas.

Al Salem continued to brief participants on the plan which also comprises the implementation of a number of specialized studies in macroeconomics and banking developments. He said that the ABJ works to study the program of the credit preparedness arrangements signed between the Jordanian government and the IMF which includes a US\$ 2 billion loan approximately to Jordan. The aim of this study is to follow up the program's developments in light of the economic reform program.

❖ ABJ holds the ordinary general assembly meeting

The ABJ held its ordinary general assembly meeting in which it adopted the financial statements and the budget of 2012 and discussed the ABJ's plan and budget for 2013.

The ordinary general assembly meeting, attended by representatives of ABJ member banks, also discussed the financial report of 2012 and endorsed its financial statements.

The ABJ chairman of board of directors Bassem Khaleel Al Salem highlighted in the meeting the ABJ's achievements in serving Jordanian banking sector and its member banks.

❖ HRH Princess Basma visits ABJ and hails its support of Goodwill Campaign

HRH Princess Basma Bint Talal paid a visit to the Association of Banks in Jordan and met the association's CEO Bassem Khaleel Al Salem and ABJ members and general director.

Princess Basma, the president of the Higher Committee of the Goodwill Campaign, praised the banks' support of the campaign that enabled it to perform its tasks in serving targeted groups of the poor and the needy in the kingdom. She said the campaign appreciates the role played by banks annually to support and back the campaign to achieve its goals in serving society, especially in the holy month of Ramadan.

HRH stressed that Jordanian banks are among the biggest supporters that kept giving annual financial aid to the campaign, the matter that resulted in funding material and study assistance to families and the children of families supported by the campaign.

In the meeting attended by members of the campaign's higher committee, HRH thanked banks for their efforts to back the campaign's humanitarian and benevolent role towards the needy and less fortunate segments of society.

On their part, attendees hailed the Goodwill campaign's efforts to serve the needy countrymen. They pointed up the campaign's developing humanitarian and benevolent work that contributed to fill some gaps in the people's needs.

The ABJ chairman of board of directors Bassem Khaleel Al Salem highlighted banks adherence to its corporate responsibility which is demonstrated in the direct spending on community service programs or through local institutions and activities, atop of which is the Goodwill Campaign.

He highlighted the vitality of the campaign's programs and activities and its humanitarian strides to help society the matter that requires the cooperation of all private sector's institutions to enable the campaign to achieve its social and humanitarian objectives.

On her part, the vice executive director of the Jordanian Hashemite Fund for Human Development (JOHUD) Reem Al Zaben explained JOHUD's objectives, programs and the role of its centers in the different governorates of the kingdom in reinforcing JOHUD's objectives and goals.

She also briefed attendees on JOHUD's achievements the year before which included the implementation of 32 campaigns, providing 728 academic grants and a number of productive projects that contributed to achieve the Goodwill Campaign's goals. Banks had great contributions to those objectives, she said.

A movie on the campaign's achievements was presented to the attendees.

❖ ABJ takes part in a British bank's meeting

ABJ General Director Dr. Adli Kandah took part in a meeting with representatives of the British Coutts & Co Bank organized by the Jordanian Businessmen Association (JBA) in cooperation with the trade section of the British Embassy in Amman.

The bank briefed attendees on the services it offers in the fields of administering private wealth and investments.

Attendees included bank's representatives: Coutts & Co Bank CEO Ms. Lillian Simerley, investment director Norman Philman and private funding director Antonio Brocard.

❖ ERC, ABJ discuss future of renewable energy

The Electricity Regulatory Commission (ERC), in cooperation with ABJ and specialists in the field of energy, organized a workshop titled: Renewable Energy: a Promising and Sustainable Future.

The workshop discussed the challenges of attracting renewable energy technologies to the kingdom. The sessions focused on legislations governing renewable energy; pending and implemented projects; and the role of distribution companies in accelerating the usage of renewable energy by subscribers. The workshop also discussed funding renewable energy projects and the role of development agencies in supporting these projects, in addition to the role of local banks in funding small subscribers.

Minister of Energy and Mineral Resources Eng. Alaa Batayneh said in the opening speech that the council of ministers decided to adopt fixed rates for qualified renewable energy project as an incentive to accelerate their implementation. He also highlighted the importance of speeding up the implementation of the green channel carrier of electricity generated from renewable energy by offering new tenders to upgrade the capacity of the national grid to absorb bigger projects.

Batayneh expressed confidence that Jordan has a mature legislative environment that enables the country to attract green technology; however, he added, bureaucratic procedures of the government delayed the appointment of the necessary personnel to run the renewable energy fund, but work is underway to do that shortly.

He pointed out that electricity meters will be replaced within the next seven years by smart meters as part of the country's approach to use renewable energy. So he called for motivating distribution companies to integrate renewable energy within its assets as a way to increase the spread in the kingdom and to speed up the usage of smart meters at the consumers' residences in compliance with the spirit of the energy efficiency regulations that were recently issued.

Batayneh drew attention to the latest resolution of the council of ministers relevant to adopting purchase rates of renewable energy projects that was issued in the table of the measuring reference endorsed by the ERC as fixed prices to accelerate the implementation of qualified projects. He also called for overcoming obstacles of bank investments in the renewable energy sector, procuring international donors, support green projects, training the necessary technical personnel and drawing the necessary legislations for those usages.

On his part, the ABJ general director said ignoring green economy costs Jordan more than 2% annually of its GDP. He went on to explain that Jordan imports 96% of its energy needs which constitutes 13.5% of annual GDP.

He added that Jordan has a chance to move towards green economy by adopting renewable energy sources and investing in solar energy. However, he said, this requires big investments in green economy sectors that are estimated at about 1.3 billion JOD until 2020.

There are a number of obstacles that might face banks' attempt to fund those investments, which can be overcome by procuring donor international companies to fund renewable energy projects provide technical assistance to green projects' developers, laying down the legislative framework to encourage investments in this field, providing a certain mechanism to guarantee loans granted to renewable energy sectors and to speed up the creation of the Jordanian Fund of Renewable Energy and Energy Efficiency.

ERC Chief Commissioner Mohammad Hamed said Jordan is late in exploiting renewable energy to generate electricity. A lot of countries came first in this field. But the government finalized all the legislative work to govern this sustainable usage of renewable energy; the actual start of solar energy exploitation began with a funding from local banks, the French Development Agency (AFD), the German development agency for renewable energy systems, with technical and financial support from the USAID and the European Union.

Director General of Irbid Electricity Company Ahmad Thinat said distribution companies began to prepare themselves structurally and organizationally to receive requests to link renewable energy facilities. Those companies need to prepare trained personnel that can deal with linkage requirements from technical and financial aspects.

He added that supporting renewable energy projects are one of the most important priorities of distribution companies to serve public interest of both the consumer and the company itself, provided that these projects comply with technical specifications and operational limits of distribution companies, and that those projects guarantee the enhancement of grids' stability and reliability.

He revealed that Irbid Electricity Company proposed a suggestion to the ERC to activate the principle of renewable energy contribution by creating a main generating plant that uses renewable energy sources by a specialized company in this field at a location that caters to its needs and is arranged by the distribution company.

On his side, the Director General at Jordanian Electric Power Company Marwan Bushnaq said the company started the renewable energy works three months earlier when the first subscriber of renewable energy was linked to the grid. The company has currently 39 requests of minor linkage and 15 requests of major linkage from renewable energy sources on the grid.

The Director General of Electricity Distribution Company Mohammad Freihat said 25-27% of economy goes to the electricity bill, so the alternative resources from renewable energy will alleviate the burdens of the energy sector.

❖ Parliamentary financial and economic committee meets ABJ president, director general

The Financial and Economic Committee at the Lower House of Parliament met on Thursday, Feb. 28th, 2013 ABJ's chairman of board of directors and the director general.

The meeting aimed at discussing the public budget law for the year 2013 and getting informed of the banking sector's view of the law's articles, the expenditures and revenues in particular, to guarantee achieving financial stability in the kingdom and reaching the targeted levels of economic growth that serves Jordanian economy as best as it can.

The ABJ chairman Bassem Khaleeel Al Salem said there is a clear attempt by the government to reduce current expenditures and enhance capital expenditure. “This is a positive approach and there is a need for more reduction, if possible, of current expenditures and restructuring of capital expenditures to reflect economic and development priorities and to be more productive as an engine of growth,” he said.

He also called for “adjourning projects that are not a priority and to continue the implementation of projects that are in the pipeline.”

Al Salem said increasing public expenditures by 14% in the 2013 budget is high as this needs an equally high economic growth that can cope up with growth in public expenditures; he also confirmed that reducing the budget deficit into 4.5% of GDP is a positive thing compared to 7.5% in 2012.

However, he expressed his worries about achieving the desired economic growth and encouraging investments, saying that the parliament should give priority to the bill of investment encouragement because of its vitality in stimulating investment and increasing the state’s revenues through taxes and increased employment and fighting unemployment.

He pointed out that improving tax performance is positive, but it needs a governmental action plan to combat tax evasion.

In response to a question by MP Nassar Qaisi on his view of the income tax draft law, especially in what concerns banks, Al Salem said the previous income tax law imposed a 35% tax on banks, but it used to give banks exemptions, especially on government bonds’ profits, the matter that made the actual income tax on banks 26-28%.

He added that the temporary law under discussion by the current parliament imposes a 30% income tax on banks and terminates exemptions; so the actual tax rate is higher by 2-4% compared with the previous law.

He said that reducing taxes on banks was around the exemptions value to stimulate economic activity on the one hand and to prevent banks that have foreign investments to transfer their operation assets abroad, especially to countries where those banks work with no taxes imposed or with lower tax rates such as Palestine (15%) and Lebanon (20%). Transferring banks’ profits abroad, he said, is a loss to the country’s treasury. The temporary law, he reiterated, did not reduce the total amount of income tax paid by banks; it went up from 128 million JOD in 2010 to 158 million JOD in 2011.

He pointed out that although raising taxes on banks might increase tax collection, but, on the other hand, it will increase burdens on individuals and companies as banks reflect the tax on costs and returns on investment accounts. The return on investment rate in the banking sector is among the lowest compared to other sectors such as trading, construction, telecommunications and mining. The average rate on shareholder rights in banks ranges between 8-8.5%, while the rate exceeds 20% in other sectors, which also have lower taxes than those imposed on banks.

Al Salem told MPs that issuing Eurobonds at the local market will not result in a difference in the level of foreign reserves as it will only shift them from the commercial banks’ accounts to that of the CBJ.

In response to a question about reducing deficit by reducing current and capital expenditures, Al

Salem stressed that deficit is a great burden on the public budget, on economy and on citizens. “The way of expenditure is important, especially in what relates to the efficiency of capital expenditure and linking it to productivity and achieving economic growth,” he stressed, wondering about a number of items in the budget such as building public gardens, parks and roads while ignoring an important issue such as energy.

As regards sources of reducing deficit, Al Salem said the deficit source coming from energy should be handled by concentrating on renewable energy projects. As for the deficit resulting from the social safety network, the solution lies in increasing productivity and employment and providing job opportunities, especially to job seekers in the governorates.

Al Salem called for more interest in financial planning for five years, while focusing on the competitive qualities of the Jordanian economy, within a 3 to 5 years program that guarantees targeted growth. As regards SMEs and their funding, he said that there are some initiatives to fund those enterprises such as the American Overseas Private Investment Corporation (OPIC) to provide guarantees for loans granted to projects that reach 75% to SMEs in the governorates and 60% to those in the capital. All banks, he went on to say, established branches and directorates to fund SMEs and guarantee providing such banking services.

MPs of the committee asked the ABJ to prepare a study on taxes imposed on banks to bring them justice, because there is an intention to raise taxes on banks. Al Salem suggested that a workshop is organized on the temporary tax law in cooperation with the economic committee as this issue is important to the economy in general, and on the sales tax that suffers from great evasions.

❖ ABJ director general takes part in renewable energy workshop

The ABJ Director General Dr. Adli Kandah took part in a workshop organized on Feb. 20th, 2012 by the Electricity Regulatory Commission (ERC) under the sponsorship of the Minister of Energy and Mineral Resources.

In a speech at the workshop, held under the title of Renewable Energy: a Promising and Sustainable Future, the ABJ general director said renewable energy has become lately one of the pressing issues, especially in light of the developments that Jordan witnessed such as the hike in energy costs that pressed the budget and people alike, in addition to the expansion in using the different forms of energy and the resulting environmental pollution.

He pointed out that ignoring green economy costs Jordan more than 2% annually of its GDP as it imports 96% of its energy needs which constitutes 13.5% of annual GDP. At the same time, he said, Jordan is among the least efficient nations in energy usage.

He went on to say that investing in the solar energy can reduce energy consumption in the kingdom by 20% over the next twelve years. However, he said, investing in solar energy and moving towards green economy require huge investments estimated at about 1.3 billion JOD until 2020 in the different green economy sectors that include water, renewable energy and energy efficiency sectors that need investments of at least 70% of the above mentioned amount, in addition to the sectors of waste management, transportation, tourism and agriculture.

Participants in the workshop discussed crucial issues relevant to renewable energy; its current situation and its future in the kingdom; the law on renewable energy; renewable energy projects such as the photovoltaic solar cells at Tafeeleh governorate; and the role of distribution companies in facilitating the usage of renewable energy by subscribers.

They also discussed the funding of projects of renewable energy and the role of the French Development Agency (AFD), the German development agency and the IFC in funding those projects, in addition to highlighting Capital bank's experience in funding renewable energy projects. Participants reviewed practical applications of renewable energy for households and agricultural and hotelier sectors. They also discussed specifications and measurements of renewable energy equipment, the manual to link systems of energy sources and funding sources of energy projects.

❖ Kosovo delegation visits ABJ to get insight of Jordanian experience with expatriates

A delegation from the Republic of Kosovo visited the ABJ to get insight of the Jordanian experience in implementing immigration policies, especially in what relates to bank operations.

The Kosovo delegation, whose visit is part of an academic tour organized by the World Bank, also visited the ministries of tourism and antiquities, labour, the Department of Statistics and Jordan Chamber of Commerce.

The ABJ Director General put the Kosovo delegation in light of Jordanian experience in registering the transfers of Jordanian expatriates who are concentrated in the Arabian Gulf countries, and the role of these transfers in backing the kingdom's foreign currency reserves which improved the kingdom's current account.

He also stressed that Jordan gives great importance to its expatriates and encourages them to invest in their own country. For this sake, a conference is organized once every two years to review conditions of Jordanian expatriates and provide them with facilities that enable them to participate in the economic development as best as they could.

The visit, funded by the World Bank, aimed at enabling a team of experts from Kosovo to get informed of the Jordanian experience in handling expatriates' issues as Kosovo is planning to create a ministry specialized in expatriates' affairs and there is a resemblance between Jordan and Kosovo as expatriates' transfers play an important role in economy.

The delegation's interest focused on registration operations of expatriates and their transfers that are done through banks and exchange offices.

❖ Banks participate in Energy Fund meetings

The ABJ Director General took part in the meetings of the administrating committee of the Renewable Energy and Energy Efficiency Fund that was created by the Ministry of Energy and Mineral Resources.

Participants discussed the financial conditions of the fund and the grants of the French Cooperation Agency to support energy management in Jordan, especially in industrial and services sectors; preparations to launch the fund; the World Bank grant to enhance investments in upgrading energy efficiency in the kingdom.

They also discussed the nature of projects implemented by the fund, especially the shift from using conventional lighting to the compact florescent lamps in governmental buildings and houses, as well as encouraging local communities to be energy efficient.

❖ **ABJ President meets ERBD representatives**

The ABJ chairman of board of directors Bassem Khaleel Al Salem met the representative of the European Bank for Reconstruction and Development (EBRD) to discuss engines of economic growth in Jordan, namely, tourism, hotels, therapeutic tourism and pharmaceuticals.

Al Salem also highlighted renewable energy as a promising sector with great potentials, especially with the great role assumed by banks to fund these environment friendly projects. Banks, he said, have a big role in using renewable energy sources in their buildings to reduce costs and contribute to protect environment.

He stressed banks are ready to take part in implementing projects to generate electricity from renewable sources such as the solar and wind energy. These sources generate clean energy, protect environment and meet the increasing need for electricity in economic and social activities, he added.

Al Salem said banks are also ready to fund institutions and individuals that want to install electricity generating systems based on renewable resources and to give them the necessary facilities to implement those projects to meet their needs of electricity and transfer the excess production to the public electricity grid.

❖ **Banks participate in the banking safety net workshop**

A group of banking experts took part in a workshop on banking safety net that was organized by the Public Administration Institute to enlighten banks on this system that intends to lay down a practical framework to protect the banking system through identifying the necessary steps to evade banking crises, safeguard the funding and investment banking operations and to enhance the financial and technical sustainability of banks.

The suggested system, built on a scientific paradigm designed to predict banking crises, enhances bank governance and facilitates internal supervision, especially the supervision of the higher management and the supervision of boards of directors as it follows up the progress of the bank's financial soundness indicators compared with other local and foreign banks as a benchmark.

The system proposes granting the management access to a number of indicators according to their mandates and specialization, and to alert them of any violation or non-adherence to specified work. It also proposes creating a "system unit for protection and early detection at the bank" that enables it to photocopy the outcome of all bank transactions and post it to decision makers, and to give notice to the higher management and members of board of directors of any transgression of the financial and non financial soundness criteria as a result of transactions' activities or decisions that are not well considered.

In addition to that, the system uses the advanced approach of financial analysis, and the analysis of relevant non-financial criteria such as the criteria of productivity, governance and the soundness of macro economy indicators. The system is created as a result of a revision process of the earlier systems of early alert designed by the IMF since the year 2000 and what the G10 endorsed to be implemented by IMF member countries for the year 2007.

The proposed system is an alarm and supervision system of the bank operations to boost governance, enhance banks' stability and consequently to evade banking crises. Therefore, the system aims at laying down a practical framework for banking safety net.

The project suggests creating a system for the bank's financial soundness or a unit for bank safety and early alarm based on the CAPPELO approach as an upgraded formula of the CAMELS theory to protect the banking system of any risks that might arise in the future, and to have early alarm of any risky activities. This will enable the bank to realize the outcomes and effects of all its operations and post them to decision makers, or give notice to the higher management and members of board of directors of any violation of any financial and non financial soundness criteria as a result of transactions' activities or non-fully considered decisions.

In this regard, suggested prototypes to build an alarm system composed of financial soundness indicators (FSIs) did not surpass 54 indicators in the most advanced researches of the IMF, while the proposed prototype developed 67 additional indicators consisting of 120 indicators divided into seven sets for financial analysis (CAPPELO). These include Capital Adequacy, Asset Quality, Productivity, Profits, Efficiency, Liquidity and Openness.

Application of the system needs a database of the bank. It is better that data become available and accessible regularly and periodically, once every month at the latest, so that indicators are more precise and up to date to enable policy makers and decision takers to have close follow up and rectify matters before it is too late. The system also needs annual data for five years back to track development of a bank's operations and compare them to other banks'. It needs servers at the bank and its branches, and a grid that links these servers with the main server, as well as fire wall systems.

The system is expected to make the following benefits: highlight the bank's FSIs and those of the banking system under comparison; highlight the bank's non financial soundness indicators and those of the banking system under comparison; highlight each indicator for comparison's sake and to analyze its effect on the bank, analyze and compare the historical development of the most important indicators and compare them with those of local and foreign banks, assist units specialized in risks, studies and operations in the bank to come up with recommendations, procedures and policies that should be taken when one, some or a set of, indicators reach a certain limit that the financial theory, economic reality, industry criteria or international comparison criteria specify.

According to the proposed system, application needs two specialized teams working side by side: a specialized economic and financial team and an IT and programming team from the bank composed of four persons to work with the financial and economic experts' team who prepare the system. The IT team will prepare the dash board software and propose it for implementation in cooperation with the IT team at the same bank. In addition to this, there is cooperation with ORACL to present this system as part of its products within a data network that is displayed in different media such as the IPAD and cell phones.

❖ ABJ briefs Amman Al- Ahleya University students on developments in Jordanian banking system

The ABJ hosted a delegation from the faculty of Administrative Sciences at Amman Al- Ahleya University and briefed them on developments witnessed by the Jordanian banking sector and its contribution to GDP as it is the biggest funder of economic activities in the kingdom.

The ABJ Director General stressed the vitality of higher education institutions being in touch with market place institutions and acquiring experience to know the role they play in Jordanian economy. “Students of business faculties at Jordanian universities, especially students of finance, banking, economics and accounting, should be in touch with practices in the market place, banks and financial institutions in particular,” he said.

Director of studies Department Fadi Mashharawi briefed students on developments witnessed by all components of Jordanian banking sector. The sector, he said, comprises of the central bank and 26 banks, 13 of which are commercial banks and 4 Islamic banks, in addition to nine foreign banks, 6 of which are Arab banks.

He added that the network of bank branches comprises of 695 branches as by the end of 2011; this is the ratio of one branch for each 9 thousand people. The number of ATMs amounted to 1220 machines. “The most important characteristic of Jordanian banking sector is its openness to foreign investments whose share in the sector amounted to about 60% by the end of 2012,” he told the student delegation.

Mashharawi said the official data show that the market value of banks’ shares at the Amman Stock Exchange amounts to almost 33% of the gross domestic product in 2012, while the banks’ assets constitute 179% of the GDP and facilities granted by banks constitute 81% of the GDP.

He also highlighted the increase in bank assets to 39.3 billion dinar by the end of 2012, compared to 12.9 billion dinar in the year 2000; 84% of these assets are for local banks. Total deposits also went up to 25 billion JOD compared to 8.2 billion JOD for the same period. Facilities rose from 4.5 billion JOD in the year 2000 to 17.8 billion JOD in 2012.

“Jordanian banks are subject to the supervision of CBJ; they implement the supervision resolutions of Basel framework relevant to capital adequacy ratio, net stable funding ratio, liquidity coverage ratio, financial leverage ratio, return on equity rights ratio, and the policy of profit distribution, systems, data and reporting processes, IT and the strategic plan of the bank,” he explained.

He went on to say that indicators of Jordanian banks are positive and are in line with the CBJ instructions and the indicators required by Basel Committee; they even surpass these criteria in some places, he confirmed.

He also highlighted the kinds of services banks provide that cope up with the ever developing market needs.

❖ ABJ takes part in workshop on funding green investment

The Ministry of Environment, in cooperation with consultant Adam Smith International and Vivid

Economics organized a workshop on funding green investments on April 23rd, 2013, in which the ABJ's Director General and five representatives of banks working in the kingdom took part.

The workshop aimed at presenting a study on stimulating the financial sector to expand the range of its funding of green economy, and to come out with recommendations stemming from the study funded by the French Development Agency (AFD).

Representatives of concerned ministries and governmental institutions, civil society institutions, media agencies and banks and business associations took part in the workshop as a preliminary step to raise their recommendations to the prime minister.

❖ ABJ director general participates in a number of local activities

ABJ Director General Dr. Adli Kandah took part in a number of activities organized by official institutions and local societies.

Dr. Kandah took part in the seminar organized by Jordan Enterprise Development Corporation on the program of funding Arab trade and its role in developing inter-Arab trade.

Participants concentrated on the importance of stimulating the funding of inter-Arab trade because of its role in achieving Arab economic development by increasing production and reliance on Arab resources that raise the added value of Arab products and increase the possibility of Arab integration in the fields of industry and trade.

The director general also took part in the Euro-Jordanian conference on the energy rationalization is first, organized by the Jordan Europe Business Association (GEBA).

The conference discussed challenges of fuel price hikes facing Jordan and the region at large and their repercussions on economies and citizens alike.

The conference aimed at raising awareness of the urgent need of using energy, energy efficiency, ways of safeguarding energy resources by taking simple measures and giving the chance to academia, businessmen, experts and decision makers to exchange knowledge, ideas and techniques in the field of energy efficiency.

❖ ABJ participates in session of enterprise investment funding mechanisms

ABJ Director General Dr. Adli Kandah took part in the session that the Economic and Social Council allocated to discuss the mechanism of investment funding of enterprises and plants in Jordan.

The meeting aimed at finalizing discussions on funding mechanisms that are of vital importance to economic activities, especially as the availability of proper funding in terms of size and lending conditions is an obstacle that impedes industrial development.

Participants underscored the importance of providing funding to SMEs, saying that despite the existence of many funding institutions, yet there are no clear terms of reference for those institutions. Building the social capital needs a reconstruction of those institutions, which amount to 34 bodies that deal with micro funding. They also highlighted the importance of redefining the role of those bodies and unifying their references to be under one umbrella of references.

Participants stressed the idea of creating a development bank as a development funding financial institution that includes programs for different funding instruments of SMEs and big enterprises.

❖ ABJ chairman and director general take part in the International Arab Banking Summit 2013

The ABJ chairman of board of directors Bassem Khaleel Al Salem and director general Dr. Adli Kandah took part in the meetings of the International Arab Banking Summit 2013 that was organized by the Union of Arab Banks, in cooperation with the Austro-Arab Chamber of Commerce, under the theme “The role of the Arab Banks in building the Arab civil capacities during the stage of post conflict”.

The summit, inaugurated by the Vice-Chancellor and Minister for Foreign Affairs Mr. Michael Spindelegger, aimed at stimulating partnership with international organizations, enhance the civic capacities in light of the exceptional circumstances in which the Arab region passes and the political and social events that are pressing most Arab countries, and oversee the role of Arab banking sector which is the cornerstone of Arab economy, and its role as an engine of growth for Arab economies.

The summit honoured Mr. Adnan Kassar who was chosen as the Arab banking character for the year 2013.

❖ ABJ holds meeting on investments, funding of renewable energy projects

The ABJ held an extended meeting to discuss the idea of investment in and funding of projects of renewable energy as part of the project of building local capacities in the field of renewable energy, funded by the European Union.

The meeting, which was attended by representatives of all Jordanian banks, was opened by the project’s advisor Dr. Jamal Othman, who said that the meeting comes at a time of hikes in the energy bill and the consequent burdens they entail. This, he added, requires the concerted efforts of all parties to curb the increasing costs of energy.

Othman highlighted the banks’ role in backing and developing special funding programs of renewable energy projects. Then Eng. Emile Assi, the project manager, briefed attendees of the project and its goals.

Eng. Waleed Shaheen briefed participants on the Energy Research Center at the Royal Scientific Society and the future of renewable energy in Jordan. An extended discussion followed and some technical aspects of renewable energy projects were discussed thoroughly such as the electro solar cells and difficulties facing banks as a result of the absence of qualified experts in this field. Shaheen answered the questions of the work team which was composed of Dr. Fawwaz Al Karmi, Dr. Jamal Othman and Eng. Emile Assi.

Attendees expressed interest in opportunities to invest in and fund such projects, whether to provide banks with electricity or to fund investors and small consumers to make use of renewable energy systems.

❖ ABJ takes part in conference on Jordanian economy

The ABJ Director General Dr. Adli Kandah took part in the conference organized by Al-Rakhaa's Businessmen Cooperative Association on Jordanian Economy: a deep insight, with a paper on the role of banks working in Jordan in developing Jordanian economy.

Dr. Kandah said banks give special attention to the instruments and products of SMEs funding because of their importance as an engine of growth in Jordanian economy. SMEs constitute 98.5% of the total enterprises in Jordan; they employ 60% of the labour force and contribute by 50% of the GDP; these are clear indications of their importance to economy.

He added in the conference held on Sep. 7th, 2013 that most Jordanian banks created specialized units that provide special programs to those enterprises. "The volume of bank funding of SMEs amounted to 2 billion dinars in 2012, which is 11.3% of the total facilities granted from banks in Jordan," he pointed out.

As regards the role of banks in Jordanian economy, Dr. Kandah said banks contribute actively in achieving economic development by mobilizing and procuring savings and using those savings to provide the appropriate funding to the private sector, whether big, medium, small or micro enterprises, in addition to the loans for individuals.

He went on to say that banks also provide appropriate funding to the government and public institutions through direct credit facilities and the purchase of treasury bonds and instruments at preferential rates, in addition to funding the external sector and foreign trade, and providing the main channels of fiscal policy. "Banks contribute 90% of the overall funding volume in the kingdom," he stressed.

On the same sphere, the director general said banking sector is the biggest tax payer in Jordan. "Between 2008 and 2011, taxes paid by banks constituted 61.5% of the total taxes paid by all public shareholding companies. This is 43% of the total income tax collected from all companies in Jordan," he explained.

On the organizational and supervision side, he said banks working in Jordan apply the international accountancy standards; they are highly transparent in their disclosures, more than any other banks in the neighbouring countries, especially in regard of non performing debts.

In the same context, he pointed out that the percentage of non performing debts, which began to rise reaching 8.5% in 2011 as a result of the crisis' pitfalls and the economic slowdown locally and internationally, began to fall down, reaching 7.7% by the end of 2012. The percentage of covering non performing debts reached 69.4% at the same period.

❖ ABJ holds a meeting on building an electricity plant for banks

The ABJ held a meeting on Sep. 10th, 2013 with the technical, financial and legal committees in member banks to attend the presentation made by Eng. Khaled Irani and Tareq Awadh on the study on a proposed project to build an electricity generating plant through solar energy, for the benefit of banks.

Committee members were asked to provide the ABJ with the total volume of banks' electricity consumption in kilowatts during 2012 so that the project study is completed and the ABJ can come out with recommendations to its board of directors.

Some banks provided the ABJ with the required data, expressing their initial desire to take part in creating the company.

❖ ABJ holds a meeting on feasibility study of electricity generating plant by solar energy

The ABJ organized on Sep. 23rd, 2013 a seminar on the economies and funding of renewable energy SMEs.

The seminar, which was organized in cooperation with the National Energy Research Center's project on building national capacities in concentrated thermo-solar energy, was attended by a number of institutions interested in this type of funding.

Participants discussed the situation of renewable energy in Jordan; the organizational and legal framework and the renewable energy technologies especially the solar and wind energies; the technical and economic feasibility of renewable energy projects; and practical cases of funding renewable energy projects.

Experts of the National Energy Research Center presented investment opportunities in the field of renewable energy in the kingdom, whether the solar energy all over Jordan or the wind energy in the south and north of Jordan. They also briefed participants on the intended plan to increase renewable energy contribution to the total electricity power production as part of the kingdom's national strategy for energy sector.

❖ ABJ stresses openness among state institutions and safeguarding the state's respect

ABJ chairman of board of directors Bassem Khaleel Al Salem emphasized the components of Prime Minister Abdallah Nsour's meeting with Government Leadership Forum, namely, deepening openness among state institution, combating redundancy in government apparatus and restoring the respect of state that was seriously impaired lately.

He also stressed the importance of the support given by the institutions of the private sector and civil society to this approach because of their role in creating an investment-conducive environment and improving the level and quality of services and productivity in general.

In a statement issued by the ABJ, Al Salem said the ABJ, which represents banks working in the kingdom, believes in the necessity of openness and contact between state institutions in the public and private sectors as this openness leads to having wise decisions that serve the public interest and spares us problems and complications that impede work and suppress productivity.

He went on to say that redundancy that hit some government bodies also affected some private sector institutions. He described it as a plague that should be fought and its pitfalls should be addressed by refining the government apparatus and developing human resources as the main engine of government work.

In the same context, Al Salem praised the new civil service regulations, saying the new mechanism of

employment that is based on annual contracts is an efficient method to refine the government apparatus and upgrade the level of employees. Bloated official institutions led to slow-paced procedures that impeded the investors' interests and gave a general bad impression of the investment environment in the kingdom.

The chairman also called for the restoration of the respect of state that was damaged because of violations committed by some people towards the state's institutions, some economic interests and the obstruction of public facilities work. He considered the restoration of state respect a cornerstone in attracting foreign investments and achieving sustainable development.

E - ABJ Publications in 2013

The ABJ issued the following publications in 2013:

- ❖ The Annual Report: the ABJ published its 34th annual report for the year 2012, which included developments of the banking sector in 2012 in terms of liquidity, assets, liabilities and capital. It also included comparative analysis of banks' performance during 2012 and the new products created by banks as well as 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 global and regional economy and a summary of developments in national and world economies, and the most outstanding activities and achievements of the ABJ during the same year.
- ❖ Study on the Development of Jordanian Banking Sector: the association issued in 2013 the fifth edition of the Study on the Development of Jordanian Banking Sector. The study handled the fiscal policy developments and the development of the banking sector in terms of assets, facilities, deposits and capital in the past ten years. It also handled the banking system's structure as regards the number of banks, branches and ATMs during the period of 2003-2012. It reviewed strength indicators of banks working in Jordan and the most important indicators of Islamic and foreign banks working in Jordan. It discussed bank concentration and the performance development of banks listed at Amman Stock Exchange, the development of interest rates structure and checks clearance during the period of 2003-2012.
- ❖ Disclosure of corporate responsibility and its practices in the Jordanian banking system: the ABJ issued in 2013 the study on Disclosure of Corporate Responsibility and its Practices in the Jordanian Banking System. The study, done in cooperation with Schema, discusses the situation and practices of corporate responsibility issues by banks working in Jordan, with a focus on banks' disclosure of corporate social responsibility activities.
- ❖ The series of ABJ Booklets:
 - Booklet # 1: Comparative Performance of Banks Working in Jordan in 2012. This booklet provides a sufficient summary of all the developments witnessed by banks in the kingdom during 2012 as regards the development of the main items in the statement of financial position, the income statement, profitability criteria and banking branching during 2012.