جمعية البنوك في الأردن

ASSOCIATION OF BANKS IN JORDAN

40th
Annual Report

40

YEARS

1978 - 2018

2018

His Majesty The King
Abdullah II bin Al-Hussein

His Highness The Royal Prince

Al-Hussein bin Abdullah

Board of Directors of the Association of Banks in Jordan

The ABJ's Board of Directors consisted of the following excellencies as at the end of 2018:

- Mr. Hani Al-Qadi, Arab Jordan Investment Bank, Chairman.
- Mr. Mohammad Musa Daoud, Jordan Ahli Bank, Vice-Chairman.
- Mr. Nemeh Sabbagh, Arab Bank, Member.
- Mr. Ammar Al-Safadi, Housing Bank for Trade and Finance, Member.
- Mr. Musa Shihadeh, Jordan Islamic Bank, Member.
- Mr. Kamal Al-Bakri, Cairo- Amman Bank, Member.
- Mr. Muntaser Dawwas, InvestBank, Member.
- Dr. Adnan Al-Araj, Blom Bank, Member.
- Miss. Nour Jarrar, Citi Bank, Member.
- HE. Dr. Maher Sheikh Hasan, Central Bank of Jordan, observer.

General Director:

Dr. Adli Kandah

Members

Membership in the Association is mandatory for all Jordanian banks and branches of non-Jordanian banks operating in Jordan. Membership in the Association at the end of 2018 comprised the following banks:

First: Jordanian banks

No.	Member Name	Established in	Website
1	Arab Bank	1930	www.arabbank.com.jo
2	Jordan Ahli Bank	1956	www.ahli.com
3	Cairo Amman Bank	1960	www.cab.jo
4	Bank of Jordan	1960	www.bankofjordan.com
5	The Housing Bank for Trade & Finance	1974	www.hbtf.com
6	Jordan Kuwait Bank	1977	www.jordan-kuwait-bank.com
7	Arab Jordan Investment Bank	1978	www.ajib.com
8	Jordan Commercial Bank	1978	www.jcbank.com.jo
9	Jordan Islamic Bank	1978	www.jordanislamicbank.com
10	Investbank	1989	www.investbank.jo
11	ABC Bank	1989	https://www.bank-abc.com/world/Jordan
12	Bank Al-Etihad	1991	www.bankaletihad.com
13	Societe General _ Jordan	1993	www.sgbj.com.jo
14	Capital Bank	1996	www.capitalbank.jo
15	Islamic International Arab Bank	1997	www.iiabank.com.jo
16	Safwa Islamic Bank	2009	www.safwabank.com

Second: Non-Jordanian banks

No.	Member Name	Established in	Website
1	Egyptian Arab Land Bank	1951	www.arakari.com.jo
2	Rafidain Bank	1957	www.rafidain-bank.org
3	Citi Bank	1974	www.citibank.com/jordan
4	Standard Chartered Bank	2002	www.standardchartered.com
5	Bank Audi	2004	www.bankaudi.com.jo
6	National Bank of Kuwait-Jordan	2004	www.nbk.com
7	BLOM Bank	2004	www.blom.com.jo
8	Al Rajhi Bank	2011	www.alrajhibank.com.jo

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Statement of ABJ Chairman

Dear ABJ members;

It is my pleasure to present to you the 40th annual report of the ABJ's activities and achievements in 2018, and its audited financial statements for the fiscal year ending on 31/12/2018, in addition to the auditors' report addressed to your esteemed association.

Dear members,

The ABJ registered many exceptional achievements in 2018, which reflected the vision and aspirations of our board of directors. The new board started its term with an ambitious three years strategic plan that serves member banks and meets their expectations in the first place, helps to advocate the banking sector's interests and promote its distinguished performance, and acts as the steering and galvanizing factor for the ABJ activities and work. The strategic plan focused on six main compoenets: fostering member banks' interests; researches and publications; training and education; public relations; enhancing inter-bank relations; and, developing and modernizing the ABJ to enhance its capacity to serve member banks. This plan had the support and blessings of all member banks and it was unanimously endorsed in the extraordinary meeting that the general assembly held in August last year.

As regards fostering the interests of member banks, the ABJ was able to play an active role in mobilizing public opinion and advocacy of issues related to banking, especially in what concerns the different legislations that affect banks, such as the income tax laws and the different financial and commercial legislations in the kingdom. The ABJ followed up many drafts of the income tax law and contacted representatives of different economic sectors in Jordan to discuss issues in common and means of enhancing cooperation between them and the Jordanian banking sector, and to consult about the tax system in Jordan and its potential direction.

The board of directors represented the ABJ in the meetings and dialogue sessions with the government and the house of representative, where it argued about the demands and perspective of member banks as regards the tax law and the tax system in general. It beefed up its arguments through detailed studies of the draft tax laws and their negative impact on banks and the Jordanian economy in general. The ABJ was keen on having continuous consultations and coordination with banks on all issues of common interest to reach a common and unified vision that reflects banks' vision regarding different legislative, legal, regulatory and supervisory issues.

The ABJ held in Oct. 2018 a ceremony to commemorate its 40th anniversary, where it highlighted the most important achievements, initiatives and programs that it had launched since its creation in 1978. The ceremony also honoured a number of leading bankers in recognition of their distinguished efforts to advance banking in Jordan and the Arab world.

As for training and education, the ABJ made sure to hold a number of training activities in 2018 that ranged between induction lectures, training programs, workshops, high level and specialized seminars of issues of great importance to banks. Training focused on the latest advancements in banking.

To enhance inter-bank relationships, the ABJ held in 2018 an array of meetings and events that brought together representatives of member banks. We arranged a bank conclave at the beginning of 2019 that was attended by chairpersons of boards of directors, general and executive managements of member banks, the CBJ Governor and his two deputies and higher managements at the CBJ.

In the field of public relations, the ABJ issued a number of press releases, press statements and clarifications aiming to give Jordanian public opinion facts, figures and accurate information about all that concerns banks and became a subject for rumors. The association was also keen on representing the banking sector in the different events, conferences and seminars at the local, regional and international levels. It delivered speeches and working papers relevant to all aspects of banking in Jordan.

According to directions of the board of directors, and based on the strategic plan, the ABJ contracted a special PR company to launch a package of media messages that promote Jordanian banking sector and reflect its bright picture.

A new and up to date website was launched at the end of 2018. A plan to develop the Banks Magazine was drawn and carried out to include interviews with key economic and banking figures and a monthly comprehensive economic report is published to cover financial, banking and economic developments in the kingdom. As regards studies and researches, the ABJ was keen on improving its publications both in quantity and quality to cover the most important aspects of banking and to reflect the financial, banking and economic developments in Jordan. The ABJ published distinguished reports and booklets in 2018, along with specialized studies and researches that were distributed on member banks and relevant parties, as well as published online on the ABJ website.

This is a quick and concise briefing of the most important achievements of the association during 2018. We will continue with our strategy in the coming years with the same enthusiasm to achieve all that is good to our member banks.

Dear members,

In celebrating the 40th anniversary, the ABJ is proud of the achievements and huge leaps that banks operating in Jordan have been achieving during their long history, especially in the past 40 years. The number of banks in the kingdom rose from 13 banks in 1978 to 24 banks in 2018. The number of branches inside the kingdom rose from 98 branches to more than 820 branches. Banks' assets registered a tremendous growth from JD637 million in 1978 to JD50.9 billion at the end of 2018. Deposits in banks grew from JD449 million in 1978 to JD33.8 billion, and credit facilities rose from JD333 million to JD26.1 billion during the same period. Banks operating in Jordan were able to maintain their strength and stability and register good profitability rates that reflect the distinguished and efficient performance of our member banks.

To conclude, I take this opportunity to extend my deepest appreciation and gratitude to our banks and the central bank for their quick responses, efficient communication and their continued full support of the association.

Hani Al-Qadi

Chairman

Statement of General Director

The Board of Directors endorsed in March 2018 the ABJ's strategic plan of 2018-2021, which continues the approach to strategic planning that the association adopted since 2010, and reflects the vision and aspirations of the new board of directors.

The ABJ was adamant to follow up and implement all goals and componenets of the strategic plan's first year as best as possible. The ABJ will certainly continue to implement the strategic goals and components of the remaining years.

The association continued in 2018 its mission to review and follow up the different issues that were submitted to it, especially by member banks, through its ad hoc technical committees. It continued to coordinate with different concerned parties responding to ABJ's remarks and suggestions, proposed in the name of its member banks.

The ABJ further followed up the different issues of monetary and financial policies, and the legislations relevant to Jordanian banking sector, the financial sector and the macro economy. As part of fulfilling this job, the ABJ issued studies, clarifications and press releases on a number of those issues.

In the field of financial and banking training and education, the ABJ held a series of training events and activities on banking-relevant issues that amounted to 14 workshops, 7 training courses and programs, and 2 induction sessions in 2018.

As for studies, the ABJ issued in 2018 publications, reports and studies relevant to Jordanian banking sector. Publications include the 39th annual report in Arabic and English, 5 booklets of different subjects under the ABJ Booklet series, in addition to a pamphlet on the 40th ABJ anniversary called Highlights of ABJ Achievements, Initiatives and Programs, a pamphlet on the ABJ Publications in the period of 2006-2018. The ABJ also published a study on *the Draft Amendments of Income Tax Law # 34 of 2014: Effects of amending the law on banks, individuals and the national economy.*

Finally, I seize this opportunity to extend my thanks and gratitude to the chairman and members of board of directors who spared no effort to help the ABJ with their ideas and distinguished expertise. Thanks also go to all member banks for their fruitful cooperation with the association. I also extend my deepest thanks and appreciation to all ABJ staff for their efforts to advance the work of our association.

Dr. Adli Kandah

General Director

Chapter One

Economic Developments at World and Local Levels in 2018

A - Outline of Developments in World and Regional Economy

- **World Economy:** World economy witnessed a slight slowdown in 2018, as the growth rate registered 3.7% in 2018, compared with 3.8% the year before. This slowdown in world economy is the result of regressed growth rates in developed, developing and emerging economies by 1%. A further slowdown in world growth rate is forecasted in 2019 to reach 3.5%, with a trivial improvement expected in 2020 to register 3.6%.

- **Advanced Economies:** Growth rates in advanced economies regressed from 2.4% to 2.3% in 2018, despite the increase in the US growth rate that reached 2.9% compared with 2.2% in 2017. Growth rate in Japan fell down from 1.9% to 0.9% in 2018; growth in the Eurozone regressed from 2.4% to 1.8%. In the UK, it relapsed from 1.8% to 1.4%. In Canada, it regressed from 3.0% to 2.1% in 2018. Growth in the remaining developed countries maintained its rate of 2.8%. Growth rate of advanced economies is expected to regress to 2.0% in 2019 and 1.7% in 2020, as a result of foreseen growth regression in the USA, Japan, Euro Zone, Canada and the remaining developed economies.

- **Developing and emerging economies:** Growth rates in developing and emerging economies regressed from 4.7% to 4.6% in 2018, as a result of declining growth in emerging European economies and developing economies from 6.0% to 3.8%. Growth rates in Latin America and the Caribbean fell down from 1.3% to 1.1%. Forecasts of developing and emerging economies indicate a slowdown in 2019, where growth rates are expected to reach 4.5%. However, economic performance will improve in 2020 to reach 4.9%.

- **Middle East and North Africa region (MENA region):** Growth rate in the MENA region rose in 2018 to reach 2.0%, up from 1.8% in 2017. Projection for 2019 is a rise to 2.5%.

%	Estimates		Projections	
	2017	2018	2019	2020
World	**3.8**	**3.7**	**3.5**	**3.6**
Advanced Economies	**2.4**	**2.3**	**2.0**	**1.7**
United States	2.2	2.9	2.5	1.8
Euro Area	2.4	1.8	1.6	1.7
Japan	1.9	0.9	1.1	0.5
United Kingdom	1.8	1.4	1.5	1.6
Canada	3.0	2.1	1.9	1.9
Other Advanced Economies	2.8	2.8	2.5	2.5
Emerging Market and Developing Economies	**4.7**	**4.6**	**4.5**	**4.9**
Commonwealth of Independent States	2.1	2.4	2.2	2.3
Emerging and Developing Asia	6.5	6.5	6.3	6.4
Emerging and Developing Europe	6.0	3.8	0.7	2.4
Latin America and the Caribbean	1.3	1.1	2.0	2.5
Middle East, North Africa, Afghanistan, and Pakistan	2.2	2.4	2.4	3.0
Sub-Saharan Africa	2.9	2.9	3.5	3.6
Middle East and North Africa	1.8	2.0	2.5	-

** Source: IMF, WEO, January 2019.*

B - Economic developments in Jordan in 2018

The basic indicators of Jordanian economy registered a weak performance in 2018. Growth rate slowed down to reach 1.9% in 2018, which is below the rate of the year before. Inflation rate rose to 4.5%, unemployment rate rose to 18.6%, foreign direct investments regressed by about 48%, expatriates' remittances slightly regressed by 1.1%. Public finances indicators showed a setback in the public budget deficit by 2.7%, and a rise in total public debt by 3.8% in 2018.

External sector's performance improved in 2018, as total exports rose by 3.5%, imports declined by 1.4%, thus deficit in the trade balance fell down by 4.2%.

As for monetary and banking indicators, CBJ foreign reserves registered a setback of 5.9% from their levels of 2017. Banking sector's indicators registered a visible growth in all indicators, including the growth in assets, facilities and deposits.

Despite the afore-said, projections of Jordanian economy of 2019 include an improved economic performance in general, a decline in the inflation rate, a setback in the public budget deficit and the trade balance, in addition to an increase in foreign reserves.

The most important indicators of Jordanian economy in 2018 are reviewed below:

First: Main Economic Indicators

- **GDP Growth:** Initial estimates indicate the GDP growth in constant prices reached 1.9%, lower by 0.2% of registered GDP growth in 2017, which was 2.1%, reflecting the sluggish economic growth in Jordan.

%	2014	2015	2016	2017	2018
GDP growth rate (at constant prices)	3.4	2.6	2.0	2.1	1.9

- **Consumer Price Index:** The index grew in 2018 to reach 124.7 points, up from 119.3 points the year before, which reflects a rise in inflation rate in 2018 to reach 4.5%, compared with 3.3% in 2017.

%	2014	2015	2016	2017	2018
Inflation Rate	2.9	-0.9	-0.8	3.3	4.5

- **Share price index weighted by market capitalization of free float shares:** The Share Price Index Weighted by Market Capitalization of Free Float Shares decreased by 218 points approximately at the end of 2018, reaching 1908.8 points, compared with 2126.8 in 2017. The decline is 10.2% of its level by the end of 2017.

- **Unemployment rate:** Unemployment rate kept going upwards to 18.6% in 2018, compared with 18.3% in 2017, 15.3% in 2016, and 13.0% in 2015.

%	2015	2016	2017	2018
Unemployment Rate	13.0%	15.3%	18.3%	18.6%

- **Foreign Direct Investment in Jordan:** Foreign Direct Investment in Jordan declined tangibly in the first 3 quarters of 2018, reaching JD533.5 million, compared with JD1024.1 million in the first three quarters of 2017. This is a decline of 47.9%.

JD Million	2015	2016	2017	The first three quarters		Percentage Change %
				2017	2018	
Foreign Direct Investment in Jordan	1,136.2	1,102.6	1,441.1	1,024.1	533.5	- 47.9%

- **Workers' Remittances:** Workers' remittances indicated a decline of 1.1% in 2018, reaching JD2606.3 million, compared with JD2635.4 million in 2017.

JD Million	2015	2016	2017	2018	Percentage Change %
Worker Remittances	2,423.3	2,365.7	2,635.4	2,606.3	-1.1%

Second: Performance of Public Finance

The most important developments of public finance can be summarized as follows:

- **Budget Deficit:** Deficit after foreign aid declined by 2.7% in 2018 to reach JD727.6 million, compared with a deficit of JD747.9 million in 2017. Budget deficit constitutes 2.4% of GDP at the end of 2017, compared with 2.6% in the year before.

JD Million	2014	2015	2016	2017	2018
Total Revenues and Grants	7267.6	6796.8	7069.6	7425.3	7839.6
Total Expenditures	7851.1	7722.7	7948.2	8173.2	8567.3
Deficit Excluding Grants	-1820.0	-1812.1	-1714.6	-1455.9	-1622.3
Deficit Including Grants	-583.5	-925.9	-878.6	-747.9	-727.6
Deficit Including Grants / GDP %	2.3	3.5	3.2	2.6	2.4

- **Net Domestic Public Debt:** The total net domestic public debt of the central government rose in 2018 by 5.3% to reach JD16.22 billion, compared with JD15.40 billion at the end of 2017. Accordingly, the percentage of net domestic public debt constituted 53.9% of GDP at the end of 2018.

- **External Public Debt:** The balance of external public debt rose by 1.8% in 2018 to reach JD12.09 billion, compared with JD11.87 billion at the end of 2017. Therefore, the percentage of external public debt accounted for 40.2% of GDP at the end of 2018.

- **Total Public Debt:** The total public debt grew in 2018 by 3.8%, reaching JD28.31 billion, compared with JD27.27 billion in 2017. Thus, the percentage of total public debt accounted for 94% of GDP at the end of 2018.

JD Million	2014	2015	2016	2017	2018
Net Domestic Public Debt	14,621.5	15,486.3	15,793.7	15,402.1	16,220.7
In Percent of GDP	57.5	58.1	57.5	53.3	53.9
External Public Debt Outstanding	8,030.1	9,390.5	10,299.0	11,867.2	12,087.5
In Percent of GDP	31.6	35.3	37.0	41.1	40.2
Gross Public Debt	22,651.6	24,876.8	26,092.7	27,269.2	28,308.3
In Percent of GDP	89.0	93.4	93.8	94.3	94.0

Third: Performance of External Sector

The external sector witnessed the following developments:

- **Exports:** The volume of total exports (Domestic exports + re-exports) rose by 3.5% in 2018, reaching JD5518 million, compared with JD5333 million in 2017. The rise is due to growth of domestic exports by 3.6% and the growth of re-exports by 2.6% in 2018 compared with 2017.

- **Imports:** Imports declined by 1.4% in 2018, reaching JD14353 million, compared with JD14553 million in 2017.

- **Trade Balance Deficit:** Due to the growth in total exports and the decline in imports, the Trade Balance Deficit declined by 4.2% in 2018 to reach JD8834 million, compared with a deficit of JD9220 million at the end of 2017.

JD Million	2014	2015	2016	2017	2018
Domestic Exports	5163.0	4797.6	4396.5	4504.2	4668.4
Re-Exports	790.2	763.8	963.0	828.9	850.1
Total Exports	5953.2	5561.4	5359.5	5333.1	5518.5
Imports	16280.2	14537.2	13720.4	14553.7	14353.2
Trade Balance	-10326.9	-8975.8	-8360.8	-9220.6	-8834.7

Fourth: Monetary and Banking Indicators

The most important developments that the monetary and banking sector witnessed are:

- **Local Liquidity:** Local Liquidity (M2) went up at the end of 2018 by JD402 million, or 1.2%, to reach JD33.36 billion, compared with JD32.96 billion at the end of 2017.
- **Foreign Reserves Balance at the Central bank:** CBJ's foreign reserves fell down at the end of 2018 to reach USD 11.52 billion, compared with $12.25 billion by the end of 2017. Thus, foreign reserves at the CBJ declined by $729 million, or 5.9% of its level at the end of 2017. This amount of reserves is enough to cover the kingdom's imports of goods and services for 6.3 months approximately.

(US$ Million)	2014	2015	2016	2017	2018
Official reserves of foreign currencies	14078.8	14153.5	12883.1	12252.5	11523.6
Coverage of imports (in months)	7.1	8.3	7.4	6.9	6.3

- **Licensed Banks' Assets:** Licensed banks' assets registered a rise of 3.6% by the end of 2018, reaching JD50.9 billion, compared with JD49.1 billion by the end of 2017.
- **Capital Accounts & Allowances:** the balance of capital, reserves and provisions at licensed banks grew by 3.6% at the end of 2018 to reach JD7836 million, compared with JD7564 million at the end of 2017.
- **Credit Facilities:** Credit facilities granted by licensed banks grew by JD1371 million, or 5.5% by the end of 2018, reaching JD26.1 billion, compared with JD24.7 billion by the end of 2017.
- **Deposits:** The balance of total deposits at licensed banks rose by 2.0%, reaching JD33.8 billion at the end of 2018, compared with JD33.2 billion at the end of 2017.

JD Million	2014	2015	2016	2017	2018
Total Assets	44868.1	47133.2	48383.5	49102.5	50893.2
Capital Accounts & Allowances	6773.7	7107.8	7261.2	7564.2	7836.4
Total Credit Facilities	19274.5	21103.5	22905.8	24736.8	26108.1
Total Deposits	30261.0	32598.5	32900.0	33197.7	33848.1

Fifth: Prospects of Jordanian Economy in 2019

Despite the challenges that Jordanian economy faced in 2018, the outlook for 2019 has positive projections that have to do with an array of factors that might improve the macroeconomic performance. Those factors include reopening of borders with Iraq and the relevant trade and investment agreements it entails, expanding and enlarging the trade agreement with the EU, in addition to other efforts to reduce energy generating costs. All of those factors herald a stable recovery in a number of fields including investment, export, competitive edge and economic growth.

IMF's report of Regional Economic Outlook: Middle East and Central Asia, published in November 2018, has the following projections for Jordanian economy:

- Economic growth rate in Jordan will experience some improvement in 2019, to reach 2.5% compared with 2.3% in 2018.
- Inflation rate is expected to reach 2.3% in 2019, compared with 4.5% in 2018.
- Public budget deficit as a percentage of GDP is expected to make some recovery in 2019 and register 2.7% of GDP, compared with 2.9% in 2018.
- Trade balance deficit will decline to 8.6% of GDP in 2019, compared with a deficit of 9.6% in 2018.
- According to Jordan's agreement with the IMF, CBJ foreign reserves are expected to rise to $14 billion at the end of 2019.

Chapter Two

Monetary and Banking Developments in 2018

First: Developments of Monetary Policy in 2018

A. CBJ decisions relevant to interest rates on monetary policy instruments in 2018

- **Raising interest rates on monetary policy instruments 25 points in March 2018**

CBJ's Open Market Operations Committee decided to raise the CBJ main rate and the interest rates on all monetary policy instruments by 25 base points as of Sunday, 25/3/2018, to become as follows:

- CBJ main rate: 4.25% annually.
- Overnight deposit window in Jordanian dinars 3.25% annually.
- overnight repurchase agreements: 5.00% annually.
- Rediscount interest rate: 5.25% annually.

The CBJ kept its interest rates on the refinancing program that targets SMEs (mid-term advances program for banks) as is at 1.75% for projects inside the capital and 1% for projects in other governorates.

- **Raising interest rate on overnight deposit window by 25 points in June 2018**

CBJ's Open Market Operations Committee decided to raise interest rate on the Overnight deposit window in Jordanian dinars by 25 base points as of Tuesday, 19/6/2018, to become 3.50% annually.

The committee also decided to keep the remaining main interest rates on CBJ's monetary policy instrument as is, unchanged.

The decision to raise the interest rate on deposit window aims to enhance monetary and financial stability in the kingdom and increase the appeal of instruments in Jordanian dinar against other currencies.

Keeping the other main interest rates unchanged aims to strengthen the CBJ's goal to motivate economic growth by continuing to provide banks with liquidity at appropriate costs that enhance this goal.

Keeping interest rates on CBJ's refinancing program that targets SMEs (mid-term advances program for banks) as is aims to alleviate the costs of financing beneficiary projects to help enhance their role in triggering economic growth and pushing the employment wheel forward.

- **Raising interest rates on monetary policy instruments by 25 points in Oct. 2018**

The CBJ's open market operations committee decided to raise the interest rates on all monetary policy instruments by 25 base points as of Monday, 1/10/2018, to become as follows:

- The CBJ main rate: 4.50% annually
- Overnight deposit window by 3.75% annually.
- Overnight repurchase agreements: 5.25% annually.
- Rediscount interest rate: 5.50% annually.

To maintain an environment that is stimulating to economic activities, especially SMEs, the committee decided to keep interest rates on CBJ's refinancing program that targets SMEs (mid-term advances program for banks) unchanged at 1.75% for enterprises inside the capital and 1% for enterprises in the remaining governorates..

The committee further decided to enlarge the program's umbrella to include the sectors of health, transportation (transport companies), education (vocational, technical and technological training), in addition to the sectors already included in the program which are industry, tourism, agriculture, renewable energy, IT and engineering consultancies.

The decision is part of the national endeavours to train and rehabilitate human resources and raise their competitive edge in the local and external labour markets. It also aims to raise the quality of health services and transportation services rendered to citizens to improve their living standards.

- **Raising interest rates on monetary policy instruments by 25 points in Dec. 2018**

The CBJ's open market operations committee decided to raise the interest rates on monetary policy instruments by 25 base points as of Monday, 24/12/2018, to become as follows:

- The CBJ main rate (repurchase agreements one week maturity): 4.75% annually
- Overnight deposit window interest rate by 4.00% annually.
- Overnight repurchase agreements: 5.50% annually.
- Rediscount interest rate: 5.75% annually.

To guarantee continued supply of money to lending to targeted sectors at low costs appropriate for Jordanian economy and to enhance an investment environment stimulating to sustainable economic growth, the committee decided to keep interest rates on CBJ's refinancing program that targets SMEs (mid-term advances program for banks) unchanged at 1.75% for enterprises inside the capital and 1% for enterprises in the remaining governorates.

B. Draft instructions issued by CBJ in 2018

- On 7 Jan. 2018, the CBJ addressed the ABJ as regards the former's intent to amend Article 6/d of the first chapter of Instructions on Dealing with customers in a Fair and Transparent Manner # 56/2012 of 31 Oct. 2012. The letter asked the ABJ to review the draft amendment in consultation with banks operating in Jordan and to provide the CBJ with the feedback. The ABJ addressed member banks asking for remarks and suggestions, which it arranged properly. The ABJ asked the CBJ to hold a meeting comprising those concerned in the CBJ and member banks to discuss the banks' suggestions and remarks and answer their inquiries before the final amendment on article 6/d is endorsed. The CBJ did hold the meeting and discussed the reasons and details of the said amendment and answered banks' inquiries on the amendment.
- On 9 May 2018, the CBJ addressed the ABJ for a feedback on the Instructions on triangulation of customers in e-payment processes. Therefore, the ABJ addressed member banks asking for their remarks on the instructions, arranged the remarks and suggestions of banks and sent the same to the CBJ.

- On 18 Dec. 2018, the CBJ addressed the ABJ to ask for a revision of the draft instructions on awards linked to saving accounts in consultation with banks operating in Jordan and to provide the CBJ with the feedback. The ABJ circulated the draft instructions on member banks for their feedback. The ABJ sent the remarks to the CBJ.

C. Most important CBJ circulars and instructions in 2018

The CBJ issued in 2018 a group of circulars and instructions relevant to the Jordanian banking sector. The following is some of them:

- Instructions on Revised Capital Adequacy Standard for IIFS according to (IFSB-15) #72/2018 on 4 Feb. 2018.
- Instructions on ATMs #6-2018 on 11 April 2018.
- Instructions on applying IFRS 9, # 13-2018 on 6 June 2018.
- Instructions on anti money laundering and terrorism financing relevant ot licensed banks #14-2018 on 26 June 2018.
- Instructions on dealing with foreign currencies and main precious metals based on margin benefiting customers #16-2018 on 18 July 2018.
- Manual for cloud computing.
- Circular #27/3/2502 on 15 Feb. 2018 to operating banks on amending article 6/d of Instructions on Dealing with customers in a Fair and Transparent Manner # 56/2012 of 31 Oct. 2012.
- Circular #10/1/16722 on 16 Dec. 2018 on exceeding the term specified in article 9/b of Instructions on Dealing with retail, big companies and SMEs customers in a Fair and Transparent Manner.

Second: Banking Developments in 2018

Indicators of banks operating in Jordan registered tangible development in 2018. Assets, deposits and credit facilities rose in the said year; capital balance, reserves and provisions of banks grew by 3.6%; financial strength indicators showed the financial strength and soundness of banks in Jordan. Interest rates on monetary policy instruments rose in 2018, the weighted average of interest rates on call deposits went up, while the weighted average of interest rates on loans and advances went down.

Inter-bank lending rates (JODIBOR) showed the rise in the interest rates of all maturities in 2018.

Checks presented for clearing declined in terms of number and value in 2018, compared with 2017. Returned checks also declined in terms of quantity and increased in terms of value in 2018 compared with the year before.

The following is a detailed explanation of bank developments in 2018:

A. Development of Assets and Liabilities of Banks Operating in Jordan

The balance of assets/ liabilities of licensed banks registered an increase of 3.65% at the end of 2018, reaching JD50.89 billion, compared with JD49.10 billion at the end of 2017.

1. Domestic Assets

Domestic assets of licensed banks rose at the end of 2018 by JD 1891.8 million (4.35%), compared with its level at the end of 2017. Therefore, the balance of licensed banks' domestic assets reached JD 45.33 billion by the end of 2018, compared with JD 43.44 billion by the end of 2017.

This rise in domestic assets is the result of increase in claims on the private sector (resident) by approximately JD 1170.9 million, or 5.2%, reaching JD 23.7 billion at the end of 2018, in addition to the increase in claims on the public sector by about JD888.2 million (8.6%), reaching JD11.18 billion at the end of 2018, while reserves decreased by about JD802 million, or 13.7%, reaching JD5.05 billion compared with 5.85 billion at the end of 2017, which mainly resulted from the decline of banks' balances at the central bank in Jordanian dinar by about JD798 million (14.9%).

2. Foreign Assets

Assets of licensed banks in foreign currencies decreased by about JD101.1 million, or 1.79% at the end of 2018, compared with the end of 2017. Therefore, the foreign assets balance of licensed banks registered JD5.56 billion, compared with JD5.66 billion at the end of 2017.

This decline is due to the decrease in balances with foreign banks by JD228.1 million (5.61%), and in the securities portfolio (non- resident) by JD8.1 million (1.1%) compared with 2017, and the decline in the item of "other foreign assets" by JD60.1 million, or 43.58% compared with 2017. However, Cash in vaults (foreign currencies) rose by JD40.1 million (19.9%); credit facilities to private sector (non-resident) increased by JD155.1 million (31%).

Consolidated Balance Sheet of Licensed Banks

JD Million	2017	2018	Change	Percentage Change %
Assets				
Foreign Assets	**5661.7**	**5560.6**	**-101.1**	**-1.79%**
Cash in Vaults (In Foreign Currencies)	201.6	241.7	40.1	19.89%
Balances with Foreign Banks	4064.8	3836.7	-228.1	-5.61%
Portfolio (Non-Resident)	757.2	749.1	-8.1	-1.07%
Credit Facilities to Private Sector (Non-Resident)	500.2	655.3	155.1	31.01%
Other Foreign Assets	137.9	77.8	-60.1	-43.58%
Domestic Assets	**43440.8**	**45332.6**	**1891.8**	**4.35%**
Claims on Public Sector	10292.6	11180.8	888.2	8.63%
Claims on Private Sector (Resident)	22502.9	23673.8	1170.9	5.20%
Claims on Financial Institutions	302.9	372.0	69.1	22.81%
Reserves	5850.5	5048.5	-802.0	-13.71%
Deposits with CBJ in Foreign Currencies	840.1	857.5	17.4	2.07%
Unclassified Assets	3651.8	4200.0	548.2	15.01%
Total of Assets	**49102.5**	**50893.2**	**1790.7**	**3.65%**
Liabilities				
Demand Deposits	**8444.5**	**7952.7**	**-491.8**	**-5.82%**
Public Non-Financial Institutions	30.4	26.7	-3.7	-12.17%
Municipalities and Village Councils	21.6	25.3	3.7	17.13%
Non-Banking Financial Institutions	64.2	111.0	46.8	72.90%
Social Security Corporation	66.5	73.4	6.9	10.38%
Private Sector (Resident)	8261.8	7716.3	-545.5	-6.60%
Time and Saving Deposits	**20161.6**	**21106.4**	**944.8**	**4.69%**
Public Non-Financial Institutions	220.0	219.0	-1.0	-0.45%
Municipalities and Village Councils	58.2	50.7	-7.5	-12.89%
Non-Banking Financial Institutions	245.3	279.2	33.9	13.82%
Social Security Corporation	983.6	1329.3	345.7	35.15%
Private Sector (Resident)	18654.5	19228.2	573.7	3.08%
Foreign Liabilities	**6799.1**	**7369.7**	**570.6**	**8.39%**
Central Government Deposits	**955.9**	**946.8**	**-9.1**	**-0.95%**
Credit From CBJ	**527.4**	**753.8**	**226.4**	**42.93%**
Capital Accounts & Allowances	**7564.2**	**7836.4**	**272.2**	**3.60%**
Unclassified Liabilities	**4649.8**	**4927.4**	**277.6**	**5.97%**
Total of Liabilities	**49102.5**	**50893.2**	**1790.7**	**3.65%**

Source: Central Bank of Jordan, Monthly Statistical Bulletin.

B. Banks' Assets, Liabilities in Foreign Currencies

Assets of licensed banks in foreign currencies increased from JD10.16 billion in 2017 to JD10.68 billion in 2018. This is an increase of 5.04% compared with the year before. The rise is basically due to the rise in the item of Securities Portfolio by JD 472.6 million (25.09%).

Foreign Currency Assets of Licensed Banks

JD Million	2017	2018	Change	Percentage Change %
Cash in Vaults	201.6	241.7	40.1	19.89%
Balances with CBJ	840.1	857.5	17.4	2.07%
Balances with Banks	4454.5	4086	-368.5	-8.27%
Portfolio	1883.6	2356.2	472.6	25.09%
Credit Facilities	2524.5	2840.5	316	12.52%
Other	259.6	294.5	34.9	13.44%
Foreign Currency Assets	**10163.9**	**10676.4**	**512.5**	**5.04%**

Source: Central Bank of Jordan, Monthly Statistical Bulletin

Licensed banks' liabilities in foreign currencies rose by about JD988.7 million to reach JD11.25 billion in 2018. This is an increase of 9.64% compared with the year before.

Foreign Currency Liabilities of Licensed Banks

JD Million	2017	2018	Change	Percentage Change %
Customers' Deposits	7555.5	8180.5	625.0	8.27%
Central Government	121.1	122.9	1.8	1.49%
Public Entities	21.3	42.4	21.1	99.06%
Non-Banking Financial Institutions	17.0	27.9	10.9	64.12%
Private Sector	7396.1	7987.3	591.2	7.99%
Cash Margins	432.5	519.6	87.1	20.14%
Deposits of Banks	1957.6	2190.3	232.7	11.89%
Other	313.9	357.8	43.9	13.99%
Foreign currency liabilities	**10259.5**	**11248.2**	**988.7**	**9.64%**

Source: Central Bank of Jordan, Monthly Statistical Bulletin

C. Capital, Reserves and Provisions

Capital, reserves and provisions of banks operating in Jordan registered a growth of 3.6% at the end of 2018, reaching JD7836.4 million, compared with JD7564.2 million at the end of 2017.

D. Credit facilities granted by licensed banks

The outstanding balance of the total credit facilities granted by licensed banks rose from JD 24.74 billion by the end of 2017 to JD26.11 billion by the end of 2018. This is an increase of JD 1371.3 million, or a percentage of 5.54%.

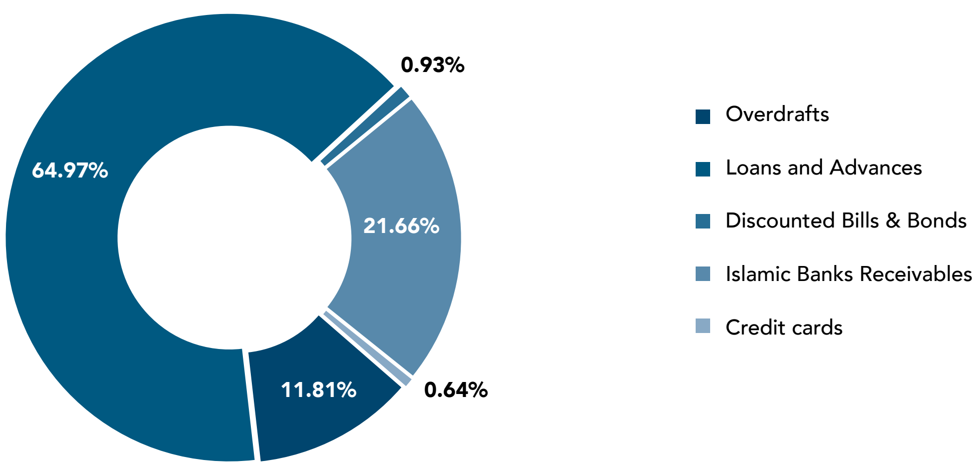
Credit facilities granted by banks operating in Jordan were mainly loans and advances, which represented almost 65% of total credit facilities. Islamic banks' receivables constituted 21.7% of total facilities. Overdrafts accounted for 11.8%, while discounted bills and bonds represented 0.9%. It is noteworthy that credit cards accounted only for 0.6% of total granted credit facilities.

Distribution of Credit Facilities according to Type

Credit Facility Type	2017		2018		Percentage Change %
	JD Million	Relative Importance %	JD Million	Relative Importance %	
Overdrafts	2672.4	10.80%	3082.2	11.81%	15.33%
Loans and Advances	16364.7	66.16%	16962.1	64.97%	3.65%
Discounted Bills & Bonds	207.2	0.84%	242.7	0.93%	17.13%
Islamic Banks Receivables	5340.1	21.59%	5653.8	21.66%	5.87%
Credit cards	152.4	0.62%	167.3	0.64%	9.78%
Total of credit facilities	**24736.8**	**100.00%**	**26108.1**	**100.00%**	**5.54%**

Source: Central Bank of Jordan, Monthly Statistical Bulletin

Distribution of Credit Facilities according to Type as the end of 2018



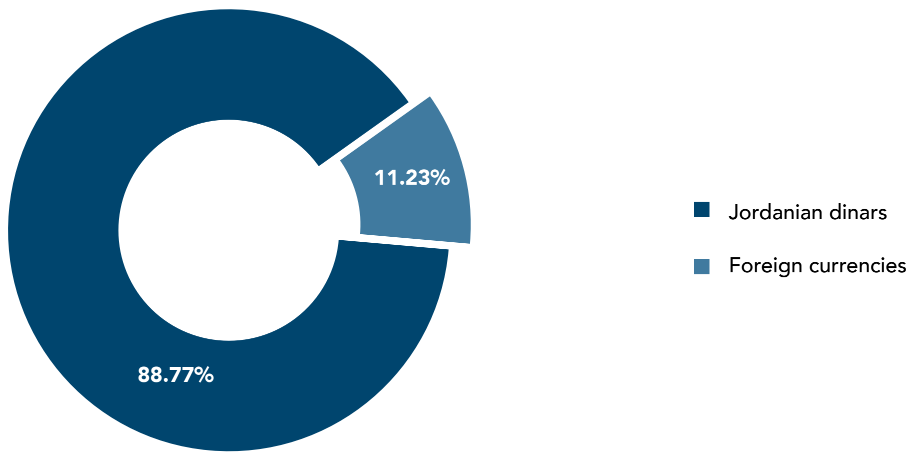
As regards the development of credit facilities according to the currency used, credit facilities in Jordanian dinar accounted for 88.8% of total facilities by the end of 2018, compared with 89.5% in 2017. Accordingly, the relative importance of credit facilities in foreign currencies registered 11.2% of total credit facilities in 2018.

Distribution of Credit Facilities by Type of Currency

Credit Facilities by Type of currency	2017		2018		Percentage Change %
	JD Million	Relative Importance %	JD Million	Relative Importance %	
Jordanian dinars	22141.4	89.51%	23176.6	88.77%	4.68%
Foreign currencies	2595.4	10.49%	2931.5	11.23%	12.95%
Total	**24736.8**	**100%**	**26108.1**	**100%**	**5.54%**

Source: Central Bank of Jordan, Monthly Statistical Bulletin

Distribution of Credit Facilities by Type of Currency at the end of 2018



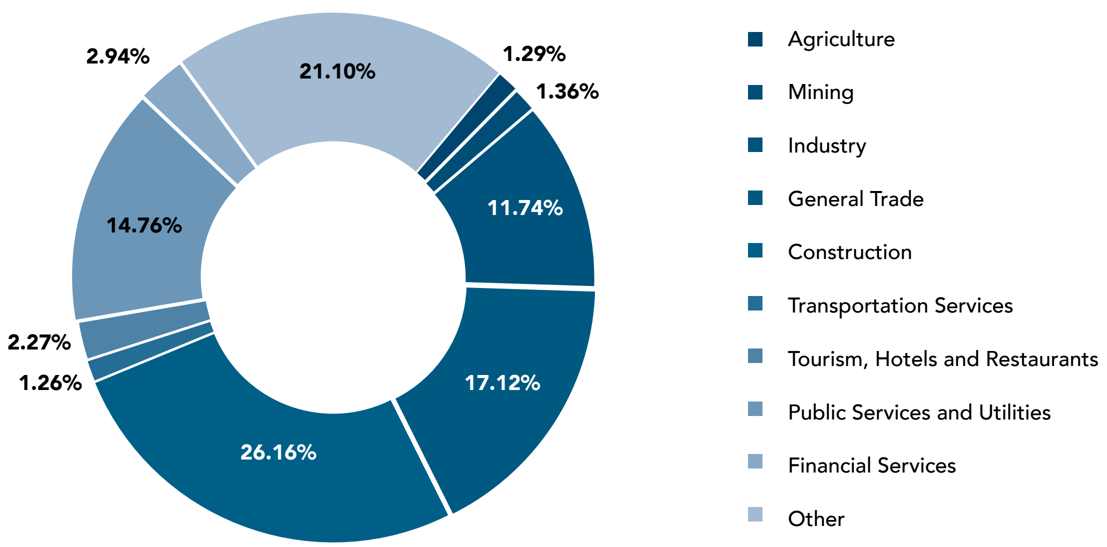
In what concerns the distribution of credit facilities according to the type of economic activity at the end of 2018, four main sectors of constructions, general trade, services and utilities, and industry accounted for 69.8% of total credit facilities. Constructions sector's facilities increased by JD229.4 million (3.48%) compared with its share in 2017. Credit facilities granted to general trade sector increased by JD239 million (5.65%). Facilities granted to industrial sector increased by JD340 million (12.48%). Facilities granted to the sector of services and public facilities rose by JD145.7 million (3.93%.) Credit facilities balance registered under the item of "Others", which is mainly facilities granted to individuals, rose by JD234.7 million (4.45%.)

Distribution of Credit Facilities by Economic Sector

Sectors	2017 JD Million	2017 Relative Importance %	2018 JD Million	2018 Relative Importance %	Percentage Change %
Agriculture	337.3	1.36%	336.7	1.29%	-0.18%
Mining	255.2	1.03%	355.7	1.36%	39.38%
Industry	2724.2	11.01%	3064.2	11.74%	12.48%
General Trade	4230.9	17.10%	4469.9	17.12%	5.65%
Construction	6601	26.68%	6830.4	26.16%	3.48%
Transportation Services	354.3	1.43%	328.8	1.26%	-7.20%
Tourism, Hotels and Restaurants	619.7	2.51%	592.1	2.27%	-4.45%
Public Services and Utilities	3707.2	14.99%	3852.9	14.76%	3.93%
Financial Services	632.5	2.56%	768.2	2.94%	21.45%
Other	5274.5	21.32%	5509.2	21.10%	4.45%
Total	**24736.8**	**100.00%**	**26108.1**	**100.00%**	**5.54%**

Source: Central Bank of Jordan, Monthly Statistical Bulletin

Distribution of Credit Facilities by Economic Sector at the end of 2018



E. Deposits at Licensed Banks

The balance of total deposits at licensed banks rose at the end of 2018 by JD650.4 million, a percentage of 1.96%, to reach approximately JD 33.85 billion, compared with JD33.2 billion at the end of 2017.

The rise in total deposits' balance at the end of 2018 is the result of the increase in private sector's deposits by JD 315.4 million (1%), thus reaching JD31.18 billion compared with JD30.86 billion at the end of 2017, and the increase in public sector's deposits by JD 335 million (14.3%), thus reaching JD2.67 billion, compared with JD2.34 billion by the end of 2017.

As regards the structural development of the main types of deposits (demand, saving, and time deposits), time deposits had the highest percentage among deposits and accounted for 55.6% of total deposits by the end of 2018, compared with 53.1% in 2017. Demand deposits accounted for 27.7%, saving deposits accounted for 16.7%, of total deposits by the end of 2018.

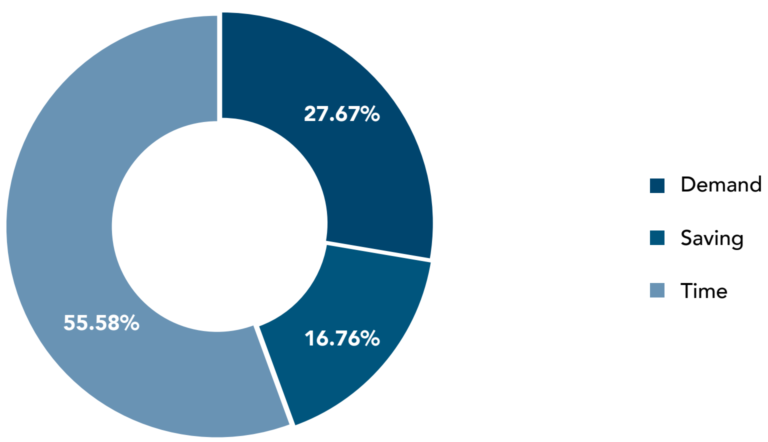
Distribution of Deposits according to its Major Types

Deposit Type	2017		2018		Percentage Change %
	JD Million	Relative Importance %	JD Million	Relative Importance %	
Demand	9833.2	29.62%	9364.1	27.67%	-4.77%
Saving	5739.3	17.29%	5671.5	16.76%	-1.18%
Time	17625.2	53.09%	18812.5	55.58%	6.74%
Total Deposit	**33197.7**	**100%**	**33848.1**	**100%**	**1.96%**

Source: Central Bank of Jordan, Monthly Statistical Bulletin

In regards of deposits development in terms of currency types in 2018, the deposits in foreign currencies increased by about JD 625 million, which is an increase of 8.3% of their value at the end of 2017. Deposits in Jordanian dinar slightly increased 0.1% of their value by the end of 2017.

Distribution of Deposits according to its Major Types at the end of 2018

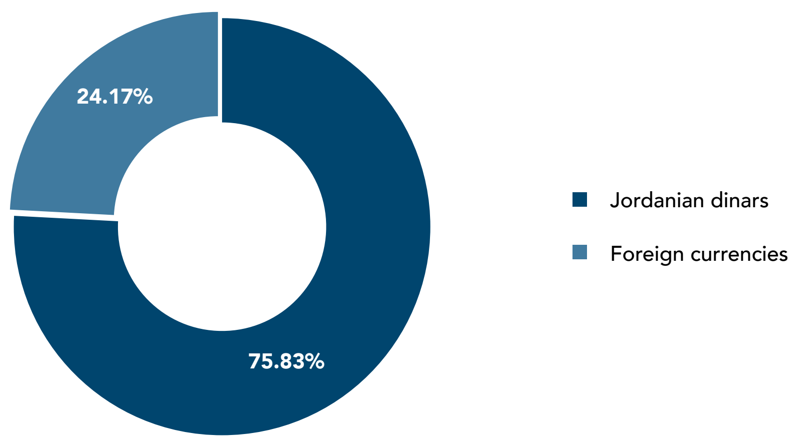


Distribution of Deposits according to Type of Currency

Type of Currency	2017		2018		Percentage Change %
	JD Million	Relative Importance %	JD Million	Relative Importance %	
Jordanian dinars	25642.2	77.24%	25667.6	75.83%	0.10%
Foreign currencies	7555.5	22.76%	8180.5	24.17%	8.27%
Total Deposits	**33197.7**	**100%**	**33848.1**	**100%**	**1.96%**

Source: Central Bank of Jordan, Monthly Statistical Bulletin

Distribution of Deposits according to Type of Currency at the end of 2018



F. Indicators of Banks' Financial Strength

The latest data on indicators of financial strength of banks operating in Jordan show the following:

- Non- performing debts increased to 4.6% in the first half of 2018, compared with 4.2% at the end of 2017.
- The coverage percentage of non-performing debts reached 74.1% in the first half of 2018, compared with 75.4% at the end of 2017. The uncovered part of non-performing debts constituted 5.0% of shareholders' equity in banks in the first half of 2018, compared with 4.1% at the end of 2017.
- Capital adequacy rate reached 17.15% in the first half of 2018, compared with 17.8% at the end of 2017. This percentage is much higher than the minimum requirements of the CBJ and the Basel Committee.
- Banks operating in Jordan realized an annual return on assets (ROA) of 1.2% in the first half of 2018, the same ROA registered at the end of 2017.
- The annual return on equity (ROE) of banks operating in Jordan reached 9.8% in the first half of 2018, compared with 9.1% at the end of 2017.

- Legal liquidity rate at banks operating in Jordan reached about 126.7% in the first half of 2018, compared with 130.1% at the end of 2017. However, this is still higher than the minimum requirements of CBJ which is 100%.

Financial Soundness Indictores

Indicator (%)	2013	2014	2015	2016	2017	6/2018
Nonperforming Loans/Total Loans	7.0%	5.6%	4.9%	4.3%	4.2%	4.6%
Coverage Ratio	77.0%	77.6%	74.7%	77.9%	75.4%	74.1%
NPLs Net of Provisions/Equity	5.6%	4.3%	4.5%	3.6%	4.1%	5.0%
Capital Adequacy Ratio	18.39%	18.4%	19.06%	18.5%	17.80%	17.15%
Liquidity Ratio	149.1%	152.2%	149.0%	137.8%	130.1%	126.7%
ROE	9.9%	11.0%	10.3%	8.9%	9.1%	9.8%
ROA	1.2%	1.4%	1.3%	1.1%	1.2%	1.2%

G. Structure of Interest Rates

1. Development of interest rates on monetary policy instruments

The CBJ raised interest rates on monetary policy instruments a number of times in 2018 to become as follows:

- CBJ Main Rate rose from 4.00% at the end of 2017 to 4.75% at the end of 2018.
- Interest rate on Overnight Window Deposit in Jordanian dinar increased from 3.00% annually at the end of 2017 to 4.00% annually at the end of 2018.
- Overnight repurchase agreements rose from 4.75% annually at the end of 2017 to 5.50% annually at the end of 2018.
- Rediscount interest rate was raised from 5.00% to 5.75% annually.

2. Weighted Average of Interest Rates on Deposits

- **Demand deposits:** The weighted average of interest rates on demand deposits declined at the end of 2018 by 5 base points compared with its level by the end of 2017, reaching 0.29%.
- **Saving deposits:** The weighted average of interest rates on saving deposits rose by the end of 2018 by 16 base points compared with its level by the end of 2017, reaching 0.71%.
- **Time deposits:** The weighted average of interest rates on time deposits rose at the end of 2018 by 75 base points compared with its level at the end of 2017, reaching 4.55%.

3. Weighted Average of Interest Rates on Credit Facilities

- **Overdrafts:** The weighted average of interest rates on overdrafts fell at the end of 2018 by 44 base points compared with its level at the end of 2017, reaching 8.33%.
- **Loans and advances:** The weighted average of interest rate on loans and advances de-

clined at the end of 2018 by 18 base points compared with its level at the end of 2017, reaching 8.46%.

- **Discounted bills and bonds:** The weighted average of interest rate on discounted bills and bonds declined at the end of 2018 by 89 base points compared with its level at the end of 2017, reaching 9.34%.
- **Prime Lending Rate:** The prime lending rate rose at the end of 2018 by 74 base points compared with its level at the end of 2017, reaching 9.57%.

Structure of Interest Rates

(%)	2014	2015	2016	2017	2018
Weighted Average of Interest Rates on Deposits					
Demand	0.43	0.32	0.26	0.34	0.29
Saving	0.79	0.62	0.56	0.55	0.71
Time	4.11	3.06	3.04	3.80	4.55
Weighted Average of Interest Rates on Credit Facilities					
Overdrafts	9.15	8.01	7.60	8.77	8.33
Loans and advances	8.84	8.24	7.83	8.64	8.46
Discounted bills and bonds	9.95	8.70	10.42	10.23	9.34
Prime Lending Rate	8.72	8.37	8.37	8.83	9.57

4. Interbank Lending Interest Rate (JODIBOR)

Developments in Interbank Lending Interest Rate (JODIBOR) in 2018 indicate the following:

- A rise in the average overnight lending interest rates in 2018 by 51 points compared with 2017, reaching 3.700%.
- A rise in the average lending interest rates for one week in 2018 by 63 points compared with 2017, reaching 4.223%.
- A rise in the average lending interest rates for one month in 2018 by 56 points compared with 2017, reaching 5.064%.
- A rise in the average lending interest rates for three months in 2018 by 67 points compared with 2017, reaching 6.010%.
- A rise in the average lending interest rates for six months in 2018 by 82 points compared with 2017, reaching 7.037%.
- A rise in the average lending interest rates for one year in 2018 by 65 points compared with 2017, reaching 7.313%.

Average Inter-Bank Lending Interest Rates (JODIBOR – Declared Rates)

(2006 – 2018)

Year	O/N	One Week	One Month	Three Months	Six Months	One Year
2006	5.552	5.885	6.372	6.814	7.364	7.780
2007	5.904	6.219	6.492	6.756	7.005	7.411
2008	5.066	5.419	5.748	6.107	6.397	6.939
2009	3.438	3.797	4.363	4.916	5.459	6.176
2010	2.236	2.409	2.783	3.257	3.745	4.414
2011	2.668	3.073	3.435	3.840	4.235	4.871
2012	3.658	4.126	4.498	4.812	5.229	5.762
2013	4.131	4.581	5.046	5.574	6.076	6.660
2014	3.258	3.788	4.455	5.035	5.573	6.038
2015	2.495	3.120	3.851	4.516	5.132	5.640
2016	2.036	2.755	3.587	4.368	5.055	5.650
2017	3.186	3.591	4.501	5.338	6.218	6.659
2018	3.700	4.223	5.064	6.010	7.037	7.313

Source: The declared rates in the JODIBOR daily bulletin issued by ABJ.

H. Clearing of Checks

A historical Overview of Check Clearing

The Central Bank of Jordan provides licensed banks with the service of check clearing pursuant to its law # 23 of 1971 and its amendments in Paragraph B of Article 37. The system of check clearing passed through different stages. It was done manually until July 1997, when the system of automatic clearing took over until July 2007. A quantitative step happened when electronic clearing was adopted and checks were collected at the same day starting from 4 Nov. 2007. Electronic clearing is defined as the process of exchanging information (which includes checks' data, images and symbols) electronically via the CBJ's Electronic Clearing Center, as well as defining the net balances resulting from this process in a specific time. Checks are collected between banks at the same day according to the following:

- Checks deposited by customers from 8:00 AM until 12:00 noon are collected at the same working day. The customer is allowed to withdraw the check's value the following working day.
- Checks deposited after 12:00 noon are collected the following working day.

The service of check clearing through the electronic clearing system is done under the legal cover of the CBJ Law, the Electronic Transactions Law, and the Principles and Rules of Work and the Electronic Clearing ad hoc Instructions.

The goal behind the electronic clearing is to move out of the automatic clearing system to the electronic clearing system, to stop circulation of paper checks for the purposes of clearing at the stage of depositing them in banks, and to collect checks at the same due date for all Jordanian governorates, in addition to increasing confidence in checks as an instrument for payment and curbing as much as possible the volume of returned checks.

The electronic clearing system had benefits at two levels: banks and customers. As regards banks, the benefit is knowing beforehand the exact financial position of the bank, the optimal employment of money at banks, getting precise information and statistics on checks and a swift and precise archiving system, limiting the risks of transporting paper checks, and the possibility of getting images and data on checks through this system, easily and quickly. The system works around the clock, therefore, there is enough time to send checks whatever their number is.

As for customers, checks are collected the same day in which they are deposited. They could know if the check is accepted or returned the same day. The check's amount is credited in the beneficiary's account the same day (if it is deposited before noon) or the following working day if deposited after 12:00 noon, in addition to increased confidence in dealing with checks.

Development in Check Clearing

Checks presented for clearing declined in terms of number and value in 2018, compared with 2017. The number of checks declined from 10315.5 thousand checks in 2017 to 10231.7 thousand in 2018. The value of presented checks also declined for the same period from JD45990.6 million to JD43840.5 million.

Circulated and Returned Cheques Through the Electronic Clearing (2017 – 2018)

Description	2017	2018	Percentage Change %
Circulated Cheques			
Number (thousand)	10315.5	10231.7	-0.81%
Value(JD million)	45990.6	43840.5	-4.68%
Returned Cheques			
Number (thousand)	482.5	479.1	-0.70%
Value(JD million)	1590.9	1700.6	6.90%
The ratio to the number of Circulated Cheques (%)	4.68%	4.68%	-
The ratio to the value of Circulated Cheques (%)	3.46%	3.88%	-
Returned Cheques for insufficient balance			
Number (thousand)	302.0	299.9	-0.70%
Value(JD million)	997.6	1064.7	6.73%
The ratio to the number of Returned Cheques (%)	62.59%	62.60%	-
The ratio to the value of Returned Cheques (%)	62.71%	62.61%	-
Returned Cheques for another reasons			
Number (thousand)	180.5	179.2	-0.72%
Value(JD million)	593.4	635.9	7.16%
The ratio to the number of Returned Cheques (%)	37.41%	37.40%	-
The ratio to the value of Returned Cheques (%)	37.30%	37.39%	-

Source: Central Bank of Jordan/ Monthly Statistical Bulletin

As regards returned checks, their number declined in 2018 compared with 2017 in terms of quantity by 0.7%, while they rose in terms of value for the same period by 6.9%. As regards the percentage of returned checks to checks presented to clearing, it amounted to 4.68% in 2018. The percentage of the number of Checks returned for insufficient balance out of checks presented for clearing amounted to 62.6% of total returned checks. 37.4% of them were returned for other reasons. The percentage of the value of returned checks to checks presented for clearing amounted to 3.88% in 2018, 62.6% of them were returned for insufficient funds and 37.4% of them were returned for other reasons.

Chapter Three

Highlights of ABJ Activities and Achievements in 2018

The ABJ continued in 2018 its mission to review and follow up the different issues sent to it for consideration, especially those presented by member banks. The ABJ's technical committees reviewed those issues and submitted banks' remarks on the same to concerned parties, whose response was highly serious. The ABJ's feedback, submitted in the name of banks, was frequently endorsed.

In the field of training, the ABJ organized many training events on banking issues that comprised 14 workshops, 7 training courses and programs, and 2 inductive sessions in 2018.

As regards studies, the ABJ issued in 2018 a number of publications, reports and studies relevant to the Jordanian banking sector. The ABJ's 39th Annual Report was published in Arabic and English; 5 booklets of the ABJ Booklet Series were published to review various issues; to commemorate its 40th anniversary, another booklet highlighted the most important achievements, initiatives and programs of the ABJ, as well as a booklet about the ABJ's publications in the period of 2006 to 2018. The ABJ also published a study on the draft amended income tax law #34 of 2014.

The following is the most important ABJ activities in 2018.

A. Issues and Advocacy

ABJ follows up draft amendments of income tax law in 2018

The ABJ undertook to follow up all draft amendments of the income tax law that were issued in 2018, starting from the first draft issued in May, until the final draft that was endorsed by the House of Representatives in Dec. 2018.

The ABJ asked for member banks' feedback on the different draft amendments of the income tax law. Later on, it compiled the banking sector's remarks into one document and addressed relevant parties about the issue, including the deputy prime minister, CBJ Governor and director of the Legislation and Opinion Bureau.

The ABJ prepared many studies and position papers that express the banking sector's opinion as regards the different draft amendments of the income tax law, demonstrating the negative consequences that raising the income tax rates would have on the national economy in general, including the different economic sectors. It published those studies in newspapers and distributed them to member banks and the different relevant parties, including the government, the House of Representatives, the Chambers of Commerce and Industry, the CBJ, the Opinion and Legislation Bureau, etc.

It is worth mentioning that the ABJ took part in the discussions that the government conducted with the different economic sectors as regards the draft income tax law. The ABJ chairman and board of directors held meetings with the head and members of the parliamentary Economy and Investment Committee to discuss the draft amendments to income tax law, to convey the opinion of the Jordanian banking sector and to clarify the predicted effects of such amendments on the banking sector in particular and the national economy in general. ABJ chairman Hani Al-Qadi summarized the banking sector's most important demands and remarks on the draft law.

ABJ Board of Directors Meets Parliamentary Economy and Investment Committee to Discuss Draft Amended Income Tax Law

ABJ chairman and board members as well as representatives of some banks in Jordan held a meeting with the head and members of the Economy and Investment Committee at the Lower House of Parliament to discuss the draft amended law of the current income tax law.

The meeting, held on 7 Oct. 2018, was also attended by the Minister of Finance, General Director of the Income and Sales Department, HE CBJ Governor and some senators.

Head of parliamentary Economy and Investment Committee Kheir Abu Seileek underlined the vital role the banking sector plays in economy, saying it is a Jordanian success story. The banking sector, he said, is one of the most efficient sectors that helped Jordan achieve its financial stability. "Jordan is one of the countries that most maintains its financial stability," he said.

On his part, ABJ chairman Hani Al-Qadi said Jordanian economy is based on banks; the banking sector was, is and will always be the backbone of Jordanian economy and the main supporter of the economic development in Jordan.

Banks, he went on to say, account for more than 95% of financing sources of Jordanian economy. They are the biggest financier of the Jordanian government through their huge portfolio of government bonds. The volume of credit granted to individuals amounted to JD9.5 billion at the end of 2017. Credit was granted as housing, real estate and cars loans. It helped people to own and purchase cars, houses and real estate, in addition to personal and consumption loans that people get for the purposes of marriage, education, health, etc. This has helped in meeting the urgent needs of citizens and in improving their living standards.

As regards the financial soundness and strength of banks in Jordan, Al-Qadi stressed that Jordanian banking sector is one of the main pillars of the monetary, financial and economic stability in the kingdom. He quoted the UAB's recent statement which said that the Jordanian banking sector is one of the safest banking sectors in the Arab region.

Commenting on the legislative developments on the income tax law in the last five months, Al-Qadi said the successive draft amendments raised the levels of uncertainty and confusion as regards the direction and prospects of the national economy, which in turn affected the plans and programs of numerous businesses in the kingdom, and spread a state of reluctance and frustration among citizens.

The clearest evidence of this state, he said, is the Amman Stock Exchange whose indicators began a downward journey since May, the date of the first intent to amend the law was announced; the share price index fell by 10.7% and the trading volume declined by more than 50% of the year before.

As regards the tax rates imposed on banks according to the draft amended law, Al-Qadi said studies show that the tax rates imposed on banks by the current law in force is 35%, which is very high and indeed one of the highest in the world. This rate does not guarantee fair and equal treatment with other sectors. Raising it to 37%, according to the amended draft law, will have huge negative repercussions on banks, individual and corporate borrowers, and the national economy at large.

Raising the tax rate contradicts the principles of justice and equality by subjecting banks to the highest tax rate, taking into consideration that the banks' profitability is modest compared to other economic sectors in the kingdom, or with the banking sectors in Arab neighbouring countries.

Al-Qadi underlined the ABJ study that stressed that raising the tax rates would affect banks' ability to raise their capital, would also contribute to declining credit facilities granted by banks, which amount to JD175 million annually.

Raising this rate, he added, would mean additional burdens on banks to raise the interest rates on lending by 42 base points at least, which would reflect negatively on individual and corporate customers. Raising the interest rates is not an additional income to banks as some people think, rather it aims to maintain the interest rate margin that banks make, which is modest compared with countries in the region.

Subjecting distributed profits and capital profits of public shareholding companies to taxation would target the banking sector in the first place, as more than two thirds of profits that public shareholding companies distribute are from banks. This is double taxation. It would restrain investment in shares of Jordanian banks, push local capital to immigrate and the foreign shareholders to move their investments to other countries, thus affecting negatively the already regressing ASE performance.

The number of Jordanian shareholders in Jordanian banks exceeds 71 thousand shareholders; the biggest of them is the Social Security Investment Fund (SSIF) as one eighth of the SSIF's assets (almost JD1.3 billion) are invested in banks' shares.

Raising taxes on distributed profits and capital profits of banks, and raising tax rates on banks' income would lead to declining return on SSIF's investments in banks' shares. It would negatively affect all working people in Jordan as they have diesct and indirect investments in the banking sector.

As regards raising income tax deduction of interest on deposits from 5% to 10%, Al-Qadi said this would affect banks' ability to attract deposits, and negatively affect banks' competitiveness in the region, which may lead deposits to immigrate from Jordan. The upward direction of the interest rates would automatically increase tax returns without having to raise the interest rate on them.

As regards imposing a 1% social solidarity tax on taxable income, Al-Qadi said this is redundant as banks' expenditure on the different fields of social responsibility in 2017 amounted to JD18 million, which is 3.3% of their net profits. This is much higher than the proposed social solidarity tax of the law.

Al-Qadi summarized the demands of Jordanian banking sector as regards the amended tax law in three main points: keeping the tax rate on banks' income as is in the valid law and not raising it to 37%; distributed profits and capital profits of public shareholding companies should not be subjected to taxation; and finally keeping as is in the present law the deduction rate of income tax on deposits interest and commission rates and the profits of deposits taking part in banks and financial companies investments which do not deal with interest and not to raise it to 10%, as proposed in the amendments.

The chairman said the government is facing a group of difficult decisions and it needs to endorse out of the box economic policies that address the outcome of longtime economic disorders and distortions. As for alternative solutions and policies, Al-Qadi said "The best way to solve economic problems is to stimulate economic growth which leads to boosting economic activity and helps achieve total employment, improves the competitiveness of economy and its attraction for investment, and increases total demand in the kingdom.

Al-Qadi urged the government to take serious measures to rationalize public expenditures to make them even with public revenues. Each time the government proposes amendment to the income tax law, he said, it claims the main reason behind it is to reduce the buget's deficit. Yet this goal is never achieved.

The ABJ, he went on to say, had already proposed ways to reduce deficit, with new and creative alternatives to finance projects that do not lead to increased budget deficit.

Increased budget revenues could be done through more acceptable measures, such as fighting income and sales tax evasion, officially estimated to be JD650 million annually, which is double the forecasted revenues of the amended tax law.

ABJ takes part in Civil Society Events on Draft Income Tax Law

The ABJ General Director Dr. Adli Kandah took part in the discussion of the draft amended income tax law of 2018 that the Jordan Chamber of Commerce organized with private sector bodies.

Attendees reviewed the draft law to come out with a comprehensive study that includes private sector's perspective of the law and its repercussions on economic sectors.

The meeting recommended the formation of a steering committee to draft the private sector's recommendations. The ABJ General Director was named as the association's representative in the committee.

The ABJ General Director took part in a similar meeting organized by the Jordanian Businessmen Association to discuss the effect of the proposed income tax law on economic development and the volume of investment in the kingdom.

Dr. Adli Kandah also participated in a meeting organized by the Economic and Social Council on the same issue of the proposed income tax law of 2018.

The ABJ Clarifies confusion on individuals' debts

The ABJ issued a statement on 9 Oct. 2018 to clarify confusion around the issue of loans granted to individuals in Jordan, which some news and news analyses in the local dailies stir.

News reports, the statement said, include contradictory and erraneous information that reflect inaccurate interpretation of the content and indications of percentages.

The statement said the outstanding balance of indivuduals' debts to banks and non-banking financial institutions in Jordan amounted to JD10.44 billion at the end of 2017. This is an increase of 8.9% of the year before, 2016. These debts constitute 67.4% of the total annual income of Jordanian households. If assumably the household's income is JD10 thousand per year, debts on the household is estimated at JD6740. The outstanding individuals' debts at Jordanian banking sector reached JD9.45 billion at the end of 2017, more than 2016 by 8.2%. This balance is 61.1% of total annual income of Jordanian households.

The statement underlined that the afore-mentioned percentages are the ratio of total balance of individuals' debts to their disposable annual income. They do not represent the ratio of the annual burden of the individual's debt to the income, which is measured by the value of annual installments and interest fees that the borrower pays, which is an average of 40% of the borrower's annual income.

Therefore, the ABJ categorically rejects claims that indivuals' debts consume 67.4% of income, as this percentage is the ratio of debt to income and not the ratio of installments and interest fees to income. The difference between the two is huge.

The statement pointed out that banks operating in Jordan apply a main condition in individuals' debts, which is that the ratio of total debt burden does not exceed 50% of monthly income in maximum. This means that the total value of loans' installments and interest fees that the individual pays should not exceed half of his/her monthly income.

ABJ Clarifies Procedures of Raising or Lowering Interest Rates on Customers

The ABJ issued on 30 Sep. 2018 a statement to underline and clarify that raising or lowering interest rates on individuals' loans is done within a specific mechanism according to ABJ's instructions on transparent and fair treatment of customers.

All banks operating in Jordan are committed to those instructions which are clarified and explained to customers in the agreement they sign with the bank, it went on to say.

The statement came to refute accusations in the media that some banks acted in anticipation of a CBJ decision to raise the interest rates.

The statement brushed off allegations that borrowers enjoy no protection. Banks cannot raise interest rates on borrowers arbitrarily, the statement said. Changing interest rates is limited to a specific number of times to which the bank is bound and it is determined by contracts according to instructions and laws in force.

The ABJ insisted that banks have never raised interest rates except within mechanisms specified by CBJ instructions.

In this regard, the ABJ stressed that the imperative factor that banks observe in their banking actions is the genuine interest rate margin, which reflects all financing costs of mandatory reserves, non-performing loans and the cost of deposit guarantees. The present average of the true interest rate margin is 3.24%, a low margin compared with those of banks operating in the region, according to an in-depth study the ABJ recently conducted.

The ABJ reiterated that "raising the interest rate aims to maintain the interest rate margin between the interest rates on deposits and loans."

The end beneficiary of this action, it stressed, is the depositors.

ABJ, Follow up Guarantees issues

The ABJ followed up in 2018 the issue of bank guarantees in which the government is beneficiary, especially in what concerns the prime minister's decision to approve of a unified wording of guarantees, as the committee headed by the minister of finance recommended, and to make a computerized system that electronically follows up the issuance, renewal and confiscation of guarantees.

The Ministry of Public Works and Housing (MPWH) formed a committee consisting of the MPWH Secretary General, head of Guarantees Section, Director of Financial Affairs, Director of Support Operations and Director of Legal Affairs to review the prime minister's decision.

The main points of the Committee's recommendations are to create a computerized system to follow up guarantees and to draw a proper mechanism for coordination between banks and beneficiaries.

The ABJ would continue all developments to reach tangible results that meet the requirements of member banks.

ABJ Discusses Security Proposals to Enhance Protection of Banks and Branches in Jordan

ABJ's board of directors followed up with great concern the issue of reinforcing protection and security of banks and their branches in Jordan in coordination with security agencies.

The board of directors held a number of meetings to discuss points of enhancing protection of banks operating in Jordan and their branches, in coordination with the security committee formed by the Minister of Interior.

The board also held many meetings with the Minister of Interior, Public Security Director and Gendarmerie General Director in the presence with the CBJ Governor. The board, in consultation with member banks, approved of a number of precautionary and deterrence measures that would help enhance security of banks and branches.

ABJ, ASE Discuss Means of Stimulating Stock Market

ABJ Board of Directors held a meeting with the chairman of Amman Stock Exchange Board Dr. Jawad Anani and the CEO of ASE Nader Azar on 9 Jan. 2018 to discuss means of activating the stock market and the role that banks could play in this regard.

Motivating ASE should start at the level of policies that address disorders and weaknesses, the ABJ said. When this is done, the next step is implementation.

The association called for an exit strategy from the treasury bonds which is banks purchasing some of the shares from the market that guarantees banks will be able to sell them when they want to.

The ABJ drew attention to the fact that high interest rates on deposits attracts people to this option, meaning that investors in the stock market would move to deposit in banks, especially with forecasts of continued rise in interest rates in the market. This is apt to weaken the stock market.

On his part, Dr. Anani said the ASE is on the verge of getting privatized, which would activate the financial market.

Anani mentioned some facts and figures. Free float shares in banks represent approximately 34% of shares. They account for 15% in some banks. Credit facilities that banks grant to finance purchase of shares constitute 0.6% of total granted facilities. The volume of securities portfolio of banks reached JD11 billion in Nov. 2017, while banks' investments in shares reached JD994 million, 9.1% of its investments. This is low compared with banks' investment in bonds.

CBJ instructions, he said, allow banks to invest 50% of its authorized capital, which is almost $2.5 billion. There is a clear difference between the permitted investment and the actual investment, he added.

As regards government bonds and ways of dealing with them, Anani said government securities owned by banks can be liquidated in the secondary market only, as a way of activating the market. This means that trading in government securities should be in the secondary market.

He urged banks to create investment funds and make use of their experience in this field and in the field of serving their customers to promote ASE in Jordan and abroad. He further called on banks to create a big bloc in the financial market to be the main market activator and leader.

Banks' contribution in the market is less than before, he said. The ASE, he added, is keen on having banks investing more in the market. The stagnant conditions of the market is a big problem; for 9 years no initial public offering was done.

On his part, the ABJ Chairman Musa Shehadah said as regards treasury bonds, legislations stipulate that a bank should announce its intention to sell or purchase treasury bonds one month ahead of selling or buying. Consequently, this announcement will allow speculators to be prepared to make profits at the expense of banks and pressure prices according to speculators' interests.

Shehadah suggested that the ABJ would ask for member banks feedback as to ways of activating banks' investment in ASE, so that the ABJ board would approve and submit to the ASE' board of directors.

To implement this recommendation, the ABJ asked member banks for their opinion and suggestions to boost banks' role in activating ASE. The ABJ arranged the suggestions into one report that reflects the Jordanian banking sector's perspective and suggestions vis-à-vis this issue. The report was then sent to the ASE board chairman.

ABJ Chairman Meets Deputy Prime Minister on Income Tax Law

ABJ Chirman of Board of Directors met on 24 July 2018 with Deputy Prime Minister, HE Dr. Rajai Muasher.

The meeting was part of the series of discussions that the government held with different economic sectors in the kingdom on the draft income tax law.

The meeting was also attended by the Minister of Finance, Dr. Izzeddin Kanakrieh and Spokeswoman of the Government, Jumana Ghneimat, and some ABJ board members.

Muasher called on banks operating in the kingdom to take part in the public-private partnership projects that the government approves to reduce the expenditures that the government bears on the one hand and to activate genuine partnership that leads to socio-economic development.

Deputy prime minister mentioned 15 projects that the government is going to implement within the framework of public-private partnerships.

He called on the ABJ to bring forward proposals and suggestions for new financiang models to cover the government's financing needs, and to study the legislative and procedural requirements to enable banks to implement those projects.

Banks should drop the conventional model of banking and expand using soft financing that the CBJ offers at supported interest rate. He further asked banks to study factors that negatively affect banking in terms of increasing the total costs on banks, and to study the world ratios of individuals' borrowing to their income.

As regards the new income tax law, Muasher said the government wants to hear banks' opinion as regards the whole tax issues, to pin down gaps in tax evasion and avoidance, review procedures of tax management and ways of submitting tax returns, so that we can handle the issues of tax evasion and avoidance.

Tax evasion is a huge problem, Muasher said. If we have handled it properly we would have avoided many decisions that we had previously taken. Tax management should be reconsidered, he admitted.

There is some positive points in the withdrawn draft law, he said. Moving the proof of tax burden from the tax payer to the tax officer is a positive point.

He told attendees that government has JD8 billion financial obligations that include current expenditures and debt service. The goal of the dialogue on the income tax law is to reach a new economic approach that achieves economic growth and justice, not money collection. "We aim to have justice in distributing tax burden," he said.

The first decision of the government, he added, was to study the tax burden in terms of volume and distribution. The current distribution of tax burden is not fair. The sales tax which does not distinguish between the rich and the poor is 4 times the volume of income tax. Therefore, he reiterated, we need to reconsider the structure of tax burden to reach an income tax base where principles of social justice are applied.

Deputy Prime Minister said a new income tax law would be drawn in light of the outcome of didcissions with economic sectors.

On his part, ABJ Board Chairman Hani Al-Qadi expressed appreciation of the government's response to withdraw the draft income tax law that economic sectors called for. Different studies stressed that it would have disasterous effects on economic growth and economic sectors in the kingdom, he said. "It deters investment and adds huge burdens on individuals, especially the middle class," he added.

The banking sector is the backbone of Jordanian economy; it is the principal supporter of economic development in Jordan, he said. Banks constitute 95% of financing sources of the Jordanian economy; they are the biggest financier of the government through their government bonds portfolio.

He added that Jordanian economy is based on banks, especially in light of the relatively big size of the banking sector compared with the size of the national economy. Banks' assets constitute

173% of GDP; deposits in banks form 117% of GDP; and, credit facilities granted by banks form 87% of GDP as at the end of 2017.

Al-Qadi highlighted the financial soundness and strength that the banking sector enjoys, saying this is one of the most important pillars of the monetary, financial and economic stability in Jordan.

Jordanian banking sector is totally ready to cooperate with the government to achieve the interests of the national economy, he said. Banks will always be the main partner of the government in achieving development and economic goals, which is part of the pivotal role that banks play in the economy.

The next stage is critical at different levels. Banks understand that the government is facing a package of difficult decisions, and that it needs to follow out-of-box economic policies that address the outcome of years of economic disorders and distortions.

The magical recipe to solve all economic problems is to stimulate economic growth. High growth rates achieve full employment, increase economic competitiveness and attraction for investments, and increase total demand in the kingdom. This simply means less unemployment rates and greater profits to businesses and higher tax revenues to the treasury.

The ABJ Chairman reiterated that any new draft income tax law should target stimulating economic growth which noticeably slowed down to reach unprecedented levels in the past two decades. It should also achieve justice in distribution of tax burden and enjoy popular support and acceptance to avoid any internal disorders.

The best way to reach such a law, he said, is through dialogue and continued coordination with the different economic players in the private sector. This is the true public-private partnership that leads to general consensus on the law.

As regards the total economic approach in the kingdom, Al-Qadi suggested that supervisory and regulatory bodies in Jordan should launch creative initiatives that help confront economic obstacles and challenges, and help to alleviate burdens on citizens while achieving the interests of our national institutions, alleviating some burdens on the government and helping stimulating economic growth.

Finance Minister Kanakrieh underlined the importance of monetary and financial stability in the kingdom, saying the government believes that it is better not to raise taxes or to increase its expenses and cover them with increased revenues and taxes.

He said the government began to review its expenditures and it seeks to fight tax evasion.

ABJ board members stressed in their interventions that increasing tax burdens on banks in addition to the continuous raise of interest rates will be reflected on increasing borrowing costs, especially on individuals. Taking into account that the total loans granted to individuals amount to JD10 billion, the debt burden would then rise to 67% of average per capita income.

They said that banking sector is suffering from regressed demand on borrowing, that the rate of failure to settle individuals' debts began to increase. They warned against raising the cost of borrowing whether from banks, leasing companies or microfinancing companies, especially those that target women.

For banks to continue working, they said, they should reflect any increase in the tax costs on their final products. The national economy, the citizen and banks themselves will pay for this increase. It should be understood, they said, that the Jordanian banking sector is the least among many Arab and foreign banks in terms of returns and profits.

ABJ board members further stressed the importance of not raising tax rates on banks. They highlighted the importance of compliance by the income tax law on the part of professionals and craftsmen, and amending means of paying sales tax to the treasury to be relient on the e-payments.

ABJ Addresses Banks on the Campaign of Enhancing Financial Education

As per the CBJ Governor's letter of 20 March 2018 concerning the CBJ's intention to launch a campaign to raise awareness of community financial education with the participation of banks operating in the kingdom, at the rate of three working days to visit 3 Jordanian universities in the period of 22-26 April, 2018;

And as per the CBJ's request sent to the ABJ to coordinate with banks operating in Jordan to review the possibility of taking part in the suggested awareness campaign and providing the relevant requirements, as a preliminary step to hold a meeting at the CBJ with banks' representatives to coordinate and prepare the campaign;

The ABJ addressed member banks to inquire about their willingness to take part in the campaign. The ABJ then provided the CBJ with the names of banks which confirmed their willingness to take part in the campaign's events and the names of the banks' candidates to participate.

The campaign is part of activities implemented on the Arab Financial Inclusion Day.

B. Training Events and Activities

The ABJ held in 2018 a number of training activities and events that targeted strengthening human resources of member banks, raising their capacity and equipping them with the skills and knowledge of the different developments in fields relevant to banking. The following is the most important training events and activities that the ABJ conducted in 2018.

1. Workshops

The ABJ organized 14 specialized workshops in 2018, which tackled different issues and fields relevant to banking. The following is a detailed description of the workshops:

ABJ, SignCom hold introductory workshop for video sign interpretation of hearing-impaired persons

The ABJ, SignCom and the Higher Council for the Rights of Persons with Disabilities (HCD) held on 15 Jan. 2018 a workshop on the electronic app (SignCom) that targets the hearing-impaired persons.

The app aims at creating a bank environment capable of providing requirements that guarantee access of 60 thousand hearing-impaired persons to financial services just as normal-hearing people do. This is done by placing video calls with a professional Sign Language interpreter via SignCom mobile application, and consequently, the interpreter will make a voice call with the bank employee to be the communication intermediate.

The app enables hearing impaired people to open a bank account in a way that guarantees them privacy and confidentiality that normal-hearing people enjoy, thanks to the new app that links the bank employee with the applicant through a certified sign interpreter.

With the official launching of SignCom, the deaf and dumb can open a bank account without having witnesses or bringing family with them. This is a first ever application of this process at the international level, making Jordan a pioneer in this field.

ABJ General Director Dr. Adli Kandah said the workshop, held with SignCom, aims to increase the access of hearing-impaired persons to bank services. Therefore, the workshop is an orientation of this app that offers video call interpretation of the sign language users.

The workshop, he added, is part of the ABJ's assigned mission of implementing the National Financial Inclusion Strategy, which targets increased financial inclusion of people with special needs by facilitating their access to financial services, while maintaining at the same time the confidentiality and privacy of their dealings with banks.

In this regard, he pointed to the CBJ's Instructions to Bank Services Provided to People with Disabilities # 66 of the year 2016 issued on 25 Oct, 2016, based on the Banks' Law and the CBJ Law, which was the first step.

After the issuance of the instructions, the law for the Rights of Persons with Disabilities # 20 of 2017 was issued. Article 43 thereof provided that "No person may be excluded or restricted from accessing bank and credit services based on his/her disability or because of it."

The article goes on to say that "Banks and credit companies should provide bank services, information and data to persons with disabilities in a facilitated manner while respecting their right to the privacy and confidentiality of their accounts, on equality basis."

It also provided for endorsing the signature of visually impaired persons being by signature, stamp or electronic fingerprint on bank transactions, without resorting to a testimony, provided that bank transactions done by visually and hearing impaired persons are documented audio visually and made available for them.

The article stipulates that documented bank transactions are to be kept for 6 months. It further cited that banks' buildings and facilities should be easily accessible to enable the disabled to benefit of services, and human resources in banks should be trained to have efficient communication with the disabled whenever necessary for the easy provision of services.

Dr. Kandah explained that documenting bank transactions should be done according to the provisions of Article 43 of the said law, as they are the first to be mentioned in the instructions that the CBJ issued previously. As the law is relevant to banks, dealings should comply with item 2 of paragraph A of Article 43.

Available data, he said, show that the requirements for implementing this provision are technically not available; no bank has provided the audio visual equipment for documentation as required by law.

Therefore, he went on to say, "This workshop is necessary for banks as it introduces an electronic application that enables banks to comply with the technical requirements provided by law."

On his part, SignCom Chief Executive Ra'fat Saifi said the video call app is the first of its kind in the world and the Arab region to provide bank services to the hearing impaired persons, in addition to other apps that provide other services. They all facilitate the deaf person's access to services, especially financial services, in an environment of secrecy and confidentiality, on an equal foot with the ordinary-hearing persons.

He said Jordan is the first country in the world to download this app to provide bank services that include opening a bank account and issuing credit cards for the hearing –impaired, providing them with equal services.

Saifi thanked the ABJ which cooperated in getting together all those concerned with the app: the HCD and banks operating in Jordan. He expected the app to be popular with the hearing impaired people in the world, if such a service is complementary to tourism and medical services. It would attract tourists with disabilities, who constitute 15% of the world population, one third of whom is the hearing impaired.

The app, he explained, can be beneficial on different levels: the private sector with government services, and private sector services such as banks, hotels, restaurants, hospitals, pharmacies, etc. The app provides a distinct communication environment that guarantees privacy through 30 sign interpreters who are certified by the HCD.

Abdallah Jaloudi, HCD representative in the workshop, said the CBJ was one of those who took initiative to lay down the instructions on bank services provided to persons with disabilities, and asked banks to carry them out.

Statistical data of 2015, Jaloudi pointed out, indicated that 11.2% of Jordanians have disabilities. If we add to them children below 5 years who were excluded from the disability question of the consensus, the percentage would rise to match the international percentage of 15%.

Jaloudi explained that, according to the field's literature, the disability environment includes the disabled and their parents who are affected by the disability of their children. This increases the number of the disabled and those affected by them to almost 3 million people.

The concerned law, its domains and the electronic app from SignCom empower any disabled person to undertake the full responsibility of opening an account and managing his/her financial services without the need for a witness or an attorney. Naturally, the mentally disabled are excluded as they need a guarantor to benefit of those services, HCD representative said.

Banks representatives taking part in the workshop said the CBJ instructions enabled them to open accounts for persons with disabilities, especially the deaf and dumb, although with a bank officer present with the clerk who opens the account, without having to have a witness.

They praised SignCom app that facilitates communication between the hearing impaired person and the bank employee, especially as the communication and opening account process is documented in video.

It is worth mentioning that Cairo Amman Bank is the first bank to apply the app in Jordan, with five of its branches providing the service.

Training Course for Lawyers on activating e-registration of Lawsuits

In response to Ministry of Justice's activation of the electronic registration of civil and execution lawsuits, the ABJ held a training workshop to lawyers in member banks on 31 Jan. 2018 on using electronic services and registering electronic lawsuits. 70 lawyers attended the workshop.

Workshop on Banking, Financial Crimes, Ways of Fighting them

The ABJ, in cooperation with the Criminal Investigation Department at the Public Security Directorate, held a workshop on the latest developments in banking and financial crimes and means of fighting them on 31 Jan. 2018.

The workshop was held under the patronage of Deputy PSD Director for managaement and human resources, Dr. Salem Oleimat, deputizing for PSD director.

Training focused on fighting financial and banking crimes, electronic crimes and ways of fighting them. Participants were introduced to the latest developments in forgery, bank fraud, hacking of banks' websites, fake messages and illegitimate access to banks' servers and data.

Deputy Director of Criminal Investigation Department, Col. Dr. Imad Zu'bi said banking sector is one of the most important sectors of the national economy. Thanks to the expanded and diversified activities, it has become our window to the world; its strength has become a standard to judge the soundness of economy and its ability to attract local and foreign capital.

He added that the techniques and ways of modern crimes make it a must to share expertise and knowledge and to cooperate with concerned parties to fight crimes properly. Fighting bank and financial crimes, he insisted, requires a participatory approach by developing means of cooperation and partnership with concerned players at the local and national levels, in addition to expanding and diversifying sources of information by cooperating and coordinating with the different data bases in concerned parties, especially banks.

On his part, ABJ General Director said financial and banking crimes witnessed quality developments, as perpetrators developed their criminal ways to counter security measures that banks and financial institutions take. We witnessed a clear transformation from the conventional forms of financial crimes, based on fraud and forgery in financial documents and instruments like forgery of checks, counterfeiting currencies and forgery of signatures, and armed robbery and theft to the different types of electronic crimes, especially in light of the incessant development in IT.

This transformation stirred an increased interest in cyber security in different world countries. Electronic crimes target cyber space in general, so countries work to fight any attempt to destroy, reveal, change, disable, rob or abuse weak points or illegitimate access to the companies' assets and data.

Dr. Kandah pointed to the continuous and non-stop coordination between member banks and the CBJ on the one hand, and the relevant departments at PSD on the other, in terms of reporting, circulating, information exchange, training and raising capacities.

Such an interactive and participatory relationship led to a decrease in the rates of financial crimes in Jordan, compared with neighbouring countries. It led to an increased awareness and capacity of bank employees to deal with the different kinds of banking and financial crimes.

Workshop on Monitoring Tools for Intraday Liquidity Management

The ABJ organized a workshop on Monitoring Tools for Intraday Liquidity Management (BCBS 248): Principles for Sound Liquidity Risk Management and Supervision (BCBS 144 Principle 8).

The workshop was conducted in cooperation with Focus Solutions and in partnership with Smart Stream on 26 Feb. 2018 at the ABJ headquarters.

The ABJ General Director opened the workshop. International experts in this field lectured in the workshop, and explained the requirements and methodology applied in the G20.

Banks worldwide will be obliged to implement those tools in 2019.

Directors of risk management, treasury, operations and IT departments in member banks took part in the workshop.

Workshop on TAMWEELI Jordan

The ABJ, in cooperation with Middle East Investment Initiative (MEII), organized a workshop on 5 March 2018 to launch TAMWEELI Jordan and introduce banks to the services and programs that the MEII offers to serve SMEs' entrepreneurs, especially start-ups and women-led businesses and enable them to access banks and the different services, products and solutions that banks have.

Directors of facilities and SMEs' departments in banks operating in Jordan took part in the workshop.

ABJ General Director Dr. Adli Kandah opened the workshop that was attended by Joseph Sahweel, the MEII project director in Jordan and Palestine.

The general director welcomed those present and said the workshop is part of the ABJ's activities to raise banking awareness and education and cope with the latest developments to serve

Jordanian banking sector.

Such a workshop would enhance financial inclusion or comprehensive financing, which is providing financial services at reasonable costs to vast segments of the deprived and people of limited income.

Dr. Kandah mentioned that 50% of adult people in the world and 66% of adult Jordanians do not have bank accounts or loan accounts.

As for the initiative, Dr. Kandah said it covers two main gaps that banks suffer from: the first is the lack of financial and accounting statements at a great number of micro, small and medium sized businesses. The second is the difficult access to banks and their services. Hence the initiative to provide services of raising awareness and education of those businesses in financial and accounting fields and addressing the accounting illiteracy that those businesses suffer from. The initiative provides at the same time a website that allows those businesses to submit financing applications to banks.

It is worth mentioning that MEII is a non-profit organization that works in the Middle East and North Africa to provide technical and financial assistance programs that stimulate sustainable economic activity and create long-term job opportunities.

The initiative is two-folded in Jordan: the first is the technical assistance program that helps entrepreneurs with accounting and book keeping by having an accounting program that automizes and organizes their financial data and figures. The program provides assistance to entrepreneurs to grasp the financial performance of their projects, thus helping the lending institutions (banks and financing companies) when assessing the credit applications, as with this the project has data that reflect its situation. The second fold is the e-forum www.Tamweeli.org, a website that helps entrepreneurs to fill their own applications for credit and facilities to be submitted to lending institutions on line, especially those who are new to the banking sector. This enhances the goal of financial inclusion and integrating women to banking sector.

The site offers access to those who really seek financing by contacting them through the website. It works with the credit applicants to fill most information required by lending institutions to assess applications, especially the financial statement as done in the first part.

Workshop on Latest Cyber Security Developments

The ABJ held a workshop on cyber security on 7 March 2018 that aimed to discuss investment in cyber security, the digital transformation and CBJ instructions on cyber security.

It also aimed to enhance interest in cyber security that protects banks and customers.

Nader Qahoush, Head of Examiners at the Central Bank of Jordan, and representative of BMB Reach Ruba Darwish lectured in the workshop.

ABJ General Director Dr. Adli Kandah said strengthening cyber security in banks is extremely important to beef up security of banks and financial institutions. It is a national necessity and a priority for the CBJ. It was discussed in Amman lately at the level of Union of Arab Banks he mentioned.

He went on to say that the workshop aims to focus on instructions on adapting with cyber risks that the CBJ issued, the strategy that banks should adopt, protection of personal data in addition to investment in cyber security and digital transformation.

He stressed that there is a general satisfaction worldwide as to the level that Jordanian banking sector reached in terms of digital transformation and preparations for the 4th industrial revolution.

Yet, he added, it is important to raise preparations at the security level. Tools of prevention, protection and addressing challenges of cyber security should be developed.

On his part, CBJ's Head of Examiners Nader Qahoush said CBJ's instructions on cyber security are not new. In each and every occasion, the CBJ focuses on information security to develop electronic environment and protect information security.

The CBJ pins great importance on cyber security because of the technological revolution that banking is experiencing, especially with the mobile phone becoming one of the bank apps to serve customers. The CBJ instructions can be considered as warning against cyber risks.

Qahoush said CBJ's earlier instructions on governance focus on cyber attacks and the importance of protection. As the central bank became responsible for e-payment companies, insurance companies and small and medium sized lending as well, the new instructions include all those enterprises along with banks.

The motives behind the most important hacks of banks in the Arab region were financial gains, blackmail of financial institutions, in addition to political or ideological goals or to serve competition goals between banks and financial institutions, he said.

He pointed to examples of the biggest hacking operations in the Arab region, including stealing of customers' data and affecting the reputation of the bank, and stealing data of pre-paid cards and payment cards.

CBJ's instructions aims to cope with developments in cyber threats and violation and to develop tools to face cyber threat, as hackers constantly develop their means of violation and hacking, especially with the expansion in using mobile phones, which is a target for hackers.

Available data on social media are an opportunity to hackers to make use of them to effect their security, he said.

Required methodology to strengthen cyber security and identify those risks requires identification of sources of cyber threats, attacks detection, enhancing precautionary and protective supervision, revealing already completed violations, analyzing them and responding to them as quick as possible and with utmost care.

He underlined the importance of having a recovery strategy for banks and financial institutions after addressing the effects of a cyber attack, and the importance of spreading cyber security of all workers in such institutions.

On her part, Operations Manager at BMB Reach, Ruba Darwish highlighted the increasing importance of digital economy, which makes banks' electronic transfers extremely important. Many electronic tools blend now with banking and financial work such as paying through mobile phones, smart watches, ATMs. This requires huge investments to provide the required level of protection and prevention against cyber attacks and violations.

She stressed that cyber security is not an issue of simple IT, it is rather an important cause for the business sector. Providing the supporting environment for business forecasts, she said, show that the cost of cyber violations and threats against world economy, especially financial institutions, would amount to $8 trillion by 2020, which requires beefing up investments in building a cyber security system to protect banks and financial institutions around the world.

Induction workshop to AmwalCom

The ABJ held a workshop in cooperation with AmwalCom website to introduce the first electronic website in Jordan that compares bank offers targeting individuals.

The workshop was held on 3 June 2018 at the ABJ headquarters.

Workshop on Updates, Amendments in Basel requirements and IFRS9

The ABJ, in cooperation with Qawasmi &Co (KPMG), organized a workshop on updates and amendments on Basel requirements on 11 July 2018.

Representatives of risk, financial departments and departments concerned with changes in requirements and standards in banks took part in the workshop that aimed at discussing Basel requirements and IFRS9 and the expected effect on banks. So, the workshop reviewed the most important elements that affect the international financial reporting standards, and the relationship of IFRS9 with regulatory capital, the best international practices in implementing the said standard, classification and measurement of financial instruments affected by the standard, scenarios of macroeconomy and stress tests, in addition to supervisory environment and the commercial impact relevant to banks and liquidity management and relevant legislations.

Participants also discussed amendments on Basel 3 Requirements in response to the financial crisis, Basel IV requirements and their effect on banking, and the importance of this standard, the timeframe and the next steps.

ABJ General Director Dr. Adli Kandah said Basel III is a central element in the Basel Committee's response to the financial crisis, as it tackles a number of weaknesses in the regulatory frame of the pre-crisis era. It provides a foundation for a flexible banking system that helps to avoid accumulating systematic weaknesses.

The framework allows the banking system to support the real economy through the economic cycle, he said. The first stage of Basel III reforms, he added, focused on a group of elements of regulatory framework, including improvement of the quality of regulatory capital of banks and raising capital requirements, determining the minimum for the leverage ratio, minimizing liquidity risks through liquidity coverage ratio and the net stable funding ratio, strengthening risk control, especially market and credit risks, adding macroprudential elements to the regulatory framework through capital reserves and minimizing systematic risk and risks of domestic systematically important banks.

Dr. Kandah pointed to the final reforms introduced to Basel III, making it known as Basel IV, saying they aimed to improve the world regulatory framework, and restoring credibility in measuring risk-weighted assets and improving the ability to compare the capital ratios of banks by enhancing the strength and sensitivity of risks relevant to credit risk methodologies, credit assessment, operation risks, restricting usage of internal model methodologies, introducing capital buffers to leverage ratio, especially to international systematically important banks, and replacing the current framework of Basel II with a more risk-sensitive framework based on the amended standard methodology of Basel III.

As regards IFRS, the general manager said the International Accounting Standards Board (IASB) issued in July 2014 the final draft of this standard to replace the earlier IFRS for financial instruments, IAS 39, when it becomes effective in 2018.

IFRS 9 includes requirements of recognition and measurement, impairment, derecognition and general hedge accounting. in general. It links accounting treatment to risk management activities. It mainly works to measure assets and financial liabilities by three main topics: classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

He also mentioned that the standard requires making provisions based on expected loss impairment model of losses or failure in collecting some assets and not on the actually made losses as is the usual case.

Although the IFRS 9 leads to improving the quality of financial reporting, he said, yet it includes some challenges that may face banks, especially as regards way of determining standards of measuring the fair value and the difference between the fair value and the market value. Furthermore, applying the standard leads to some banks making bigger amount of provisions, which might affect banks' profits and consequently the regulatory capital, which in turn might lead to a weaker ability of banks to lend.

Dr. Kandah stressed that holding this workshop shows the ABJ's keenness on following up the different developments in banking and cope with all banking updates at the local and world levels and transfer them to bank employees.

Workshop on Cyber Security

The ABJ, in cooperation with Selmar Group and Fortalice Solutions, organized a cyber security symposium on 22 July 2018 at the association's headquarters.

The symposium, which was under the patronage of CBJ Deputy Governor, Dr. Adel Sharkas, aimes to raise awareness of cyber risks and threats, hacking tests and strategies of data protection. It also gave a briefing of the proper product of those risks.

Kane Billy lectured in the symposium in which directors of risk, IT security and operations departments in member banks took part.

Workshop on Data Analysis and Decision Taking in Banks

The ABJ, in cooperation with Smart Consulting Co from Singapore, organized a workshop on Data Lead Decision Takers in Banks.

The workshop, which was held on 30 July 2018, focused on banks using data analysis in the fields of risk management, marketing and circumvention. Case studies in the field of data analysis of products and services in banks were discussed.

A number of executive management representatives in banks and directors of risk, facilities, technical services and IT services departments attented the workshop.

Training Workshop on Commercial Insolvency Law #21 of 2018

The ABJ held on 14 Aug. 2018 a training workshop on the Commercial Insolvency Law #21 of 2018.

Workshop on Jordan Potential Efficiencies and Opportunities

The ABJ, in cooperation with Bloomberg, organized on 17 Sep. 2018 a workshop on Jordan Potential Efficiences and Opportunities.

Workshop on Credit Card Risks

The ABJ held at its headquarters on 1 Dec. 2018 a workshop on credit card risks to students of financial and banking faculty at the University of Philadelphia.

30 male and female students took part in the training program where they were briefed on credit card risks relevant to threats to information security.

Workshop on IFRS 16: Leases

The ABJ, in cooperation with KPMG, organized on 20 Dec. 2018 at its ABJ headquarters a workshop on the International Financial Reporting Standard 16, concerned with leases.

Directors of financial and administrative departments in banks, the CBJ, Jordan Securities Commission, Companies Control Department and Sales and Income Tax Department attended the workshop.

The workshop was inaugurated by ABJ General Director Dr. Adli Kandah, who welcomed the KPMG Jordan Managing Partner Hatem Kawasmy and attendees of member banks, the CBJ and financial and government institutions.

The workshop, he said, is crucial as it clarifies the significance of this standard for all business sectors, as it affects the financial position statement (general budget) of the institution.

Kawasmy said the International Accounting Standards Board promulgated in 2016 the International Financial Reporting Standard 16 that will be effective as of 1 Jan. 2019.

This IFRS is extremely important as it will affect the financial statements of all companies that have leasing. There will be capitalization of all lease contract in the lessee's registers, therefore it would substantially affect the financial position statement, income statement and the cash flows of many companies. Banks will be affected by the implementation of IFRS 16 because of the lease contracts they have for their major work and activities.

2. Courses and Training Programs

The ABJ organized 7 training programs in 2018. The following is details of the courses and training courses.

Training Course on Procedures of Implementing FATCA Requirements, Risks of Non-Compliance

The ABJ held a specialized training course on Procedures of Implementing the Foreign Account Tax Compliance Act (FATCA), its requirements and risks of non-compliance.

Legal and banking expert Salem Khaza'leh lectured in the course that lasted from 12 Feb. to 14 Feb. 2018.

The course gave a detailed clarification of the act, the purpose of implementing it, the definition of foreign financial institutions and non-financial foreign entities mentioned in the law, the classification of foreign financial institutions according to their compliance with the act, and identifying American holders of bank accounts.

It also included requirements of tax compliance in terms the income tax law and the double taxation law, and practical applications to comply with FATCA requirements, understanding the obligations of Jordanian banks and penalties imposed on non-compliance.

The course also included issues of the role of compliance, operations, risk management and IT officers; the natural and legal persons subject to the act; cases that require providing forms and tax returns and ways of submitting them; and, challenges facing Jordanian banks for not complying with FATCA.

The course worked to deepen banks representatives' knowledge of FATCA provisions and its practical, procedural and legal aspects.

Training course on CBJ Instrctions and Orders on Financing, Dealing with Companies, Investment Funds, Local and Foreign Legal Persons

The ABJ organized a training course during the period of 19-21 March 2018 on the CBJ Instrctions and Orders relevant to Financing and Dealing with Companies, Investment Funds, and Local and Foreign Legal Persons.

The course aimed to enhance participants' knowledge of those instructions and raising workers' capacity in banking transactions, granting credit, and management of bank contracts in line with the CBJ instructions.

The course reviewed the provisions and legal and procedural aspects of the Central Bank of Jordan's Law and Banks' Law relevant to granting bank credits to companies, funds and legal persons; the instructions, circulars and memos issued by the CBJ on this issue; and the legal, contractual and supervisory effects, obligations and duties of banks and their personnel, and contraventions and their penalties.

Participants included a number of directors, heads of units and sections, and employees in departments of credit and bank facilities, executing bank contracts, corporate credits, and employees in internal auditing and revision in legal departments of banks.

Training Course on Elements and Components of Commercial Insolvency Law, its Consequences on Lending, Financing and Collaterals in Jordanian Banks

The ABJ organized a two-days training course on the "Elements and Components of Commercial Insolvency Law and its consequences on Lending, Financing and Collaterals in Jordanian Banks."

The course took place during the period of 13 – 14 May 2018.

Training Course on The Law of Guaranteeing Rights by Moveable Property

The ABJ organized a training course on the Law of Guaranteeing Rights by Moveable Property #20 of 2018, during the period of 2 – 4 July 2018.

Training Course on Negotiations Skills, Collecting and Handling Bad Loans

The ABJ organized in the period of 12-15 Aug. 2018 a training course on Negotiations Skills and skills of Collecting and Handling Bad Loans, in which Dr. Mohammad Othman lectured.

Participants included employees from departments of Consumer Banking, Big companies and SMEs, Credit Supervision and Revision; collection, credit risks and customer service departments and legal departments of member banks.

The course aimed to introduce participants to the technical skills required to collect bad debts. Covered issues included negotiations for collecting bad debts; management of collection and restoring bad debts; bad loans and debts; ways of handling settlement of bad debts; supervision, following up and revision as a precautionary measure to curb credit failure; classification of non performing credit facilities; calculating non-performing debt provisions; and, suspending interest and commission rates.

Training Course on New Anti- Money Laundering and Terrorism Financing Instructions

The ABJ organized a specialized training course, lectured by Lawyer Salem Khaza'leh, on the new instructions on fighting money laundering and terrorism financing instructions addressed to licensed banks #14/2018.

The course, which lasted from 24-26 Sep. 2018, included the CBJ instructions, developments on those instructions, suspicious cases in light of the Law on Fighting Money Laundering and Terrorism Financing # 46 of 2007 and its amendments, and the CBJ instructions in this regard.

The course aimed to enhance the participants' knowledge of the legal applications that protect banks' rights and interests, as well as raising the capacities of those dealing with the legal aspects of the issue.

Participants included bank employees who deal with customers in opening accounts, operations, credit, and those who work in internal auditing and revision.

Training Program on Compliance Rules, Standards, Procedures and Role in Jordanian Banks in light of CBJ Instructions, Memos, Orders and Basel Committee Principles on Banking Supervision

The ABJ organized a specialized training program targeting bank employees of the north region on Compliance Rules, Standards, Procedures and Role in Jordanian Banks in light of CBJ instructions, memos and orders and Basel Committee Principles on Banking Supervision.

The program, lectured by Lawyer Salem Khaza'leh, was held at Irbid Chamber of Industry during the period of 17-19 Dec. 2018.

The program focused on the importance of compliance by the CBJ instructions in this regard and the principles of Basel Committee on banking supervision, and the tasks and duties of compliance control and the types of risks.

The training program aimed to equip participants with the necessary knowledge of the concept of compliance in banking institutions, the requirements of compliance jobs in banks, the proper practices of compliance. It also explained the methodology of supervisory bodies in assessing the efficiency and capacity of compliance department in banks, and how well they go hand in hand with the best international practices in the field.

3. Other Training Events

The following are the two induction sessions that ABJ organized in 2018:

Induction Session on A Survey Study of Consumer Banking Services in Jordan in 2017

The ABJ held on 27 March 2018 an induction session on the Survey Study of the Market of Consumer Banking Services in Jordan in 2017, that was conducted by Arab Advisors Group on the consumer banking services market in Jordan in 2017.

A Roundtable on the Role of Banking Sector in Financing Water Projects

The ABJ held on 4 Nov. 2018 a roundtable with representatives of the water sector in Jordan to discuss the role of Jordan's banking sector in financing water projects.

The meeting was attended by the Ministry of Water and Irrigation's Secretary General, Eng. Ali Soboh and other MOWI figures, representatives of member banks, Water Authority, Jordan Valley Authority, USAID and Mercy Corps.

The roundtable came after the publication of an ABJ study on Banks' Financing of Projects in the Water Sector of Jordan, as Prime Minister Omar Razzaz encouraged MOWI to meet with the ABJ and discuss the main points that could strengthen the role of the banking sector in financing water projects to be implemented in the kingdom and to compete with foreign banks in this regard.

ABJ General Director, Dr. Adli Kandah, said financing water projects is a top priority and concern to Jordan, especially as Jordan is one of the poorest countries in water resources. This fact of water poverty means that the water sector faces numerous challenges relevant to balancing the limited and under-developed water resources on the one hand, and the increased demand on water for all usages on the other.

Providing the necessary financing to water projects is one of the main pillars of the MOWI strategy for 2018-2020. The strategy aims to provide financing to its priority capital projects in the water sector in cooperation with creditors and donors, to draw the investment map and provide financing to priority capital projects that would help achieve water security.

"Banks fully recognize the gravity of the water issue in Jordan, so they are aware of the importance of studying and identifying the most important challenges of the sector, including the financing challenge," Dr. Kandah said.

Therefore, he added, the ABJ took the initiative to study the situation and prospects of bank financing targeted to projects in Jordan's water sector. The study was based on a survey of 9 questions on the role of banks operating in Jordan in financing water projects in the period of 2013-2017. Eighteen banks out of 25 banks operating in Jordan responded, which is 72% of total banks, he said.

The General Director pointed to some important outcomes that could be built upon and developed to increase the financing volume of water projects, thus leading to improving the sector's performance and achieving the national water security at the medium and long terms.

MOWI Secretary General, Eng. Ali Soboh, highlighted the urgency of water issue in Jordan, as there is a dire need to enhance and diversify water resources in the kingdom.

Soboh told attendees that Jordan suffers from a water deficit of 400 million cubic meters, which forces it to resort increasingly to underground water reserves.

As regards financing the water sector, the secretary general said a lot of major projects are done through big foreign banks that grant loans backed by their governments. There is a number of existing projects that Jordanian banks can enter into in cooperation with other parties, such as the 25 million JD- Husban project that aims to dig wells and desalinate water to provide Amman and adjacent areas with potable water. The project will be implemented on a BOT basis, he added.

Soboh highlighted other mega projects, for example, the second project to bring Dissi water to Amman, and the desalination project of the Red Sea waters whose initial cost is JD 1.4 billion.

The water issue in Jordan is closely linked to that of energy, as the government tends to adopt renewable energy resources in the different processes of water projects, the MOWI Secretary General said.

Banks would be provided with the MOWI investment plan to consider financeable projects, he said.

Representatives of member banks attending the meeting highlighted obstacles facing financing water projects, especially as regards pricing, the volume and term of financing, and the risks relevant to those projects.

Further, they underlined the necessity of having greater roles for the Ministry of Finance and the CBJ in supporting financing, especially as the water projects require international cooperation and the presence of supportive international institutions.

C. Other Events, News

ABJ Holds The Ordinary General Assembly Meeting, Elects New Board

The ABJ held the annual ordinary general assembly meeting of member banks on 26 March 2018, in which the new ABJ board of directors was elected, the Board's Report on ABJ Work in 2017 was approved, as well as the ABJ's budget of 2018.

The general assembly had earlier opened the door for candidates for the new board of directors. 14 banks stepped in and 9 of them won the election to the membership of board. The newly elected board included the Arab Jordan Investment Bank (AJIB), Jordan Ahli Bank, Arab Bank, Housing Bank for Trade and Finance, Jordan Islamic Bank, Cairo Amman Bank, InvestBank, Blom Bank, CitiBank, in addition to the CBJ as an observer.

Chairman of AJIB, Mr. Hani Al-Qadi, won as the chairman of ABJ Board for the term of 2018-2021, while Mr. Mohammad Musa, the CEO and General Manager of the Jordan Ahli Bank, won as vice-president.

The ABJ General Assembly further discussed the Board of Directors' Report on ABJ work in 2017, which it approved as well as the general budget. The assembly also endorsed the auditor's report and the budget of 2018. It also approved the board of directors' decision to collect 75% of fees borne by member banks, whose number is 25 banks.

The general assembly discussed challenges and major issues that face the banking sector.

Upon the conclusion of the general assembly's meeting, the new board of directors held its first meeting chaired by Al-Qadi, who expressed thanks and appreciation to the former board for its efforts to enhance the ABJ's role in serving the banking sector in particular and the Jordanian economy in general.

Al-Qadi stressed that the new board will continue rendering services to member banks, enhancing the role of the ABJ and the banking sector in the Jordanian economy and strengthening the ABJ relations with sister and friendly associations.

ABJ Board Approves Strategy of 2018-2021

The ABJ approved in March 2018 the ABJ's strategic plan of 2018-2021, which reflects the vision and aspirations of the new board.

The strategy is composed of six components. The first component focuses on fostering the interests of member banks by meticulously following up the issues of concern to banks, organizing meetings with relevant parties on issues of concern to banks, and monitoring and following up laws that could affect banks. The second component focuses on research and publications, by having in-depth research papers and updating publications that are written by the association, digitalizing them and improving their quality and content. The third component is training and education, by patronizing and organizing seminars on the latest issues of interest to banks. The fourth component is focusing on public relations by launching a promotional campaign that sheds light on banks' contributions to society and the pivotal role they play in national economy, addressing mass media and highlighting the ABJ's achievements in the past 40 years, and upgrading the ABJ's website. The fifth component underlines enhancing inter-bank relations by organizing periodic events and meetings that discuss the situation of the banking sector. The last component is developing the internal work of the ABJ.

ABJ Board Meets CBJ Governor

Chairman and members of ABJ's Board of Director held a meeting on 14 Aug. 2018 with the CBJ Governor, HE Dr. Ziyad Fareez.

The meeting was driven by the new board's keenness on keeping contact with the governor and briefing him on the board's vision, and strategic direction for the next three years.

ABJ's Board Chairman Hani Al-Qadi pointed to the special relationship between the CBJ and banks operating in Jordan, which is an example of partnership and fruitful and constructive cooperation that help achieve the higher national interests.

He further praised banks' compliance to all CBJ requirements, and hailed the CBJ's high flexibility and response to the remarks, suggestions and inquiries of banks, which produced a stable and strong banking sector that enjoys the highest level of commitment and compliance.

Al-Qadi described the relationship between the CBJ and ABJ as historical and distinguished. Joint committees, correspondence, different meetings and events enhanced the relationship and raised the level of coordination and cooperation between the CBJ and the ABJ, as the efficient connecting link with member banks.

The banking sector is the backbone of Jordanian economy, Al-Qadi said. It is the main supporter of economic development in Jordan. Banks constitute more than 95% of financing sources of Jordanian economy. They are the biggest financier of the Jordanian government through their huge portfolio of government bonds. Jordanian economy, he went on to say, is based on banks, especially in light of the relatively big size of the banking sector.

The chairman praised the distinguished performance of Jordanian banking sector which maintained its strength and stability over the past years. He also praised the sector's handling of the different local and regional developments and its ability to overcome the economic challenges and shocks that the Jordanian economy faced.

Banks have been able to register a continued and sustainable growth in all respects in the last ten years, especially in terms of deposits, assets and credit facilities, in addition to the tangible improvement in banks' financial strength indicators. All of those facts, he said, underline the strength of Jordanian banking sector and its financial soundness and strength, which are the most important component of monetary, financial and economic stability of the kingdom.

Al-Qadi touched on the level that the social corporate responsibility reached in banks. Banks, he said, strive to adopt the concept of sustainability, thus issuing sustainability reports in line with the Global Reporting Initiative (GRI).

Al-Qadi further reviewed the most important achievements of the new board. He also briefed the Governor on the general features of the ABJ's strategic plan for the next three years, which the board elected in March approved to reflect its vision and aspirations for the whole of its term.

He further stressed that achieving those goals requires the cooperation of member banks and the support of the CBJ to achieve the interest of the Jordanian banking sector and the national economy.

PAF, Banks Operating in Jordan Sign MOU on "Green Prints"

Princess Alia Foundation (PAF) and bankis operating in Jordan signed a Memorandum of Understanding (MOU) on 18 July 2018 at the ABJ headquarters.

The MOU aims to implement the foundation's initiative "Green Prints" to recycle paper, which was launched in 2017 as a socio- environmental initiative to support public schools.

HRH Princess Alia, head of PAF, signed the MOUs with representatives of banks taking part in the initiative. ABJ Chirman Hani Al-Qadi, ABJ General Director Dr. Adli Qandah, and Education Ministry Secretary General for Administrative and Financial Affairs Sami Salaytah, attended the memo signing.

HRH Princess Alia voiced her appreciation of the banks for their participation in and commitment to the Green Prints initiative, which recycles paper to support governmental schools.

ABJ Chairman said that Princess Alia Foundation's launching of the initiative is part of its attempt to restore balance to the environment as a way of guaranteeing a better future for next generations. "This is the core of sustainable development as a comprehensive concept," he said.

The past five years witnessed a clear tendency on the side of banks in Jordan to move on from the concept of social responsibility to sustainable development, he said. The latter concept includes identifying, measuring and announcing the effects arising from practicing banking on the three main components of development: environment, society and economy, he explained.

Education Ministry Secretary General for Administrative and Financial Affairs Sami Salaytah stressed the public- private partnerships in implementing initiatives serving schools. Banks were pioneers in this respect, he said.

He added that there are so far 200 schools benefitting from the initiative, most of which are located in the Jordan Valley, where they are included in air-conditioning through solar-generated electricity. He expressed his thanks to the Association of Banks in Jordan for adopting the initiative.

Obaida Hammash, of Princess Alia Foundation, gave a briefing of the foundation and its initiatives, including the Green Prints and the sustainable energy to schools. She underlined the foundation's intent to add 100 new schools to the initiative.

Hammash mentioned other initiatives that the foundation launched, such as supporting women societies by granting them revolving loans; the Al Ma'wa for Nature and Wildlife in Soof/ Jerash governorate to protect wild animals from extinction, protect natural forests and bio diversity; and the therapeutic program "Growing together," that is based upon the basic principles of the Horse Boy Method to treat and rehabilitate autistic children with the help of horses, and supporting local NGOs.

ABJ Chairman takes part in The Road to Basel IV: Finalising Post Crisis Reforms

ABJ Chairman Hani Al-Qadi took part in the banking forum The Road to Basel IV: Finalizing Post Crisis Reforms, that the Union of Arab Banks organized in Jordan during 9 and 10 Oct. 2018.

In his opening speech, Al-Qadi said that Basel III is a central element in Basel Committee's response to the world financial crisis, as it addresses a number of weaknesses and failures in the pre-crisis regulatory framework and provides the regulatory foundation of a flexible and more resilient banking system that is able to back a genuine economy.

The first stage of Basel III reforms published in 2010, he said, focused on addressing some major failures in the pre-crisis regulatory framework, including improving the quality of banks' regulatory capital, increasing capital requirements to ensure banks' ability to bear losses at stress times, and enhancing risk control by reviewing risk-weighted assets Pillar 1, and adding the other macroprudential elements to the regulatory framework, and limit the leverage as part of the requirements of risk-weighted capital, in addition to introducing a global framework to alleviate the risks of excess liquidity risks through Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

Al-Qadi said Basel Committee for Banking Supervision issued in Dec. 2017 the final version of Basel III framework, which finalizes the first stage of reforms that the committee introduced. It became to be known as Basel IV.

The goal of those revisions, he reiterated, is to restore confidence and credibility in the calculation of risk weighted assets and improve the comparability of banks' capital ratios through enhancing the robustness and the sensitivity of the standardized approaches for credit and operational risks, constraining the use of internal model approaches by placing limits on certain inputs used to calculate capital requirements, and introducing new buffers for the leverage ratio to further limit the leverage of globally systemically important banks.

Al-Qadi said the new revisions of Basel III address a number of weaknesses and failures in the pre- financial crisis regulatory framework and provide the foundation for a flexible and more resilient banking system that is able to alleviate the effect of future banking crises and accumulated systematic weaknesses, back a genuine economy and contribute to economic growth.

The revisions are expected to be implemented by 1 Jan. 2022. They will be completely implemented by 1 Jan. 2027.

The most important effect of implementing the new requirements of Basel IV, Al-Qadi said, is the regressing capital adequacy ratio at banks. Therefore, banks are required to enhance their capital buffers and raise their capital adequacy ratios from 20% to 30%.

Talking about Jordanian banking sector, Al-Qadi said the capital adequacy ratio amounted to 17.8% at the end of 2017, a ratio that is much higher than Basel requirements of 10.5%, and the CBJ requirements which are 12%.

Therefore, should the decrease be implemented because of expected Basel IV requirements, the capital adequacy ratios of Jordanian banks would still remain higher than the minimum ratios required.

Al-Qadi pointed out that stress testing of banks operating in Jordan in 2017 underlined the strength and robustness of capital adequacy ratios, and their ability to absorb different shocks and risks resulting from credit risks and credit concentration risks and market risks. The high ratios of capital adequacy, he went on to say, make them highly capable of responding to different stress testing, to the requirements of IFRS 9, which help to comply with the new requirements of Basel IV within specified terms.

UAB, ABJ Hold Cyber Security Forum

The Union of Arab Banks (UAB), in cooperation with the CBJ and ABJ, held in Amman during the period of 6 -7 Feb. 2018, the Cyber Security Forum.

CBJ Governor Dr. Ziyad Fariz, who patronized the forum, underlined in the opening speech the importance of activating means of protection against electronic crimes, to include risk management and identification of potential sources of cyber information and threats.

He also stressed the importance of employing the necessary tools and solutions for the early detection of weaknesses in the environment of work.

The governor revealed that the CBJ is considering setting up a response team for cyber incidents at the level of financial and banking sectors. The proposed team aims to intensify efforts and optimize use of capabilities to enhance the protection of financial and banking sectors. The team would be sharing and exchanging information for the early detection of security incidents, so that there could be a rapid response to contain and stop incidents from spreading, if possible.

Since cyber security is facing many technical, political and socio-cultural challenges, Fariz said, it is time to intensify efforts of regulatory bodies at the national, regional and international levels to endorse and develop cyber security strategies, and to cooperate and coordinate with all sectors at the national level.

Using technology for criminal ends, he added, leaves negative effects on ICT infrastructure, especially that of the financial sector.

Nowadays, cyber security is a national priority. All over the world, countries work to implement their cyber security policies for different sectors, including the financial and banking sectors, to fight electronic crimes, electronic financial fraud, etc, as part of the cyber risks that all countries confront.

UAB Board Chairman Sheikh Mohammad Jarrah Al Sabbah said networks are an attractive goal for hackers as they are interconnected and open to the world at large. This very nature of networks has led to the increase of cyber attacks in number and scope and made attacks a great threat to the survival of the whole financial sector.

Increased dependence on technology, he added, leads to gains in efficiency in financial institutions and enhances financial merger. However, he said, it generates a set of new risks that develop fast and take different forms; and one of the major risks is electronic or cyber attacks.

Electronic attacks hit an unprecedented level. Merrill Lynch estimates that cyber crimes cost world economies some $575 billion a year.

Al Sabbah drew attention to the grave electronic attacks that occurred last May, whose victims were more than 150 countries. Attacks affected more than 250 thousand computers and caused a hiatus in vital institutions that deal with the daily lives of people. The UK's National Health Service was the subject of a vast attack that paralyzed computers all over the country and created chaos in tens of hospitals. The attack included important facilities, railways, communications, vehicles companies, and many more.

Estimates of corporate expenditures on electronic security reached $74 billion last year, he said. Forecasts of revenue growth in security-related devices, software and services are to reach $100 billion in 2020.

Deputy Chairman of ABJ board of directors Kamal Bakri said the issue of cyber security captures a world-wide attention. It is on the priority list of the agendas of supervisory and regulatory bodies and the financial institutions around the world.

On the international level, Bakri pointed to the a set of fundamental elements for cyber security in the financial sector that the G7 finance ministers and central banks governors commissioned to help banks adapt their cyber security ways with their operational and regulatory environment.

Bakri added that the FSB working plan for 2017 included the need to monitor cyber risks resulting from financial technology (Fin Tech), and setting supervisory and regulatory aspects from the perspective of financial stability.

He also pointed to the FSB report issued on the Hamburg G20 summit in July 2017, which stressed the need to mitigate the negative effects that cyber risks have on financial stability.

Bakri said that in June 2016, the International Organisation of Securities Commissions ("IOSCO") issued guidance for administrators of benchmarks on cyber resilience of financial markets' infrastructure. The guidelines identified the six main elements of the regulatory framework to combat cyber risks, which are governance, risk and control assessment, monitoring, information sharing, response and recovery.

Bakri further highlighted developments in this field. The Committee on Payments and Market Infrastructures (CPMI) and the International Association of Insurance Supervisors (IAIS) published in June 2016 guidelines on the cyber adaptation of the infrastructure of financial markets. The guidelines said the regulatory framework of cyber risks is based on 6 components: governance, identification, protection, diagnosis, response and recovery.

The IAIS published in 2016 a paper to raise the awareness of insurance companies and supervisors of the challenges of cyber risks.

The FSI conducted a survey for bank supervisors in 73 countries around the world, to identify the main challenges that the macro economy and financial stability face in their countries.

The survey findings, he added, showed that risks emanating from fin tech and cyber risks are among the greatest challenges facing financial stability.

Some views, he explained, have it that there is no need for specific instructions to guard against cyber crime risks, as they consider them just like any other risks that financial institutions face. The ever-evolving nature of cyber risks makes it impossible to be regulated as the very instructions would become obsolete and inefficient with time. The existence of instructions may force banks to be content with merely following a compliance approach in dealing with instructions of cyber risks, without making any additional effort out of the box of those instructions in this regard.

The second point of view, he said, calls for laying down specific instructions and having regulatory framework for cyber risks that can properly deal with their specific nature and increased importance, especially in light of the increasing digital nature of financial domains.

At the Jordanian level, the CBJ drafted instructions of resilience to cyber risks for banks and financial institutions. The instructions aim at strengthening the capability of banks and financial institutions to predict, endure, contain and quickly recover from any cyber attack.

On his part, the UAB Secretary General Wissam Fattouh underlined the critical necessity of Arab banks' adoption of measures that protect against electronic attacks and strengthen operations' resilience to hacking, which is increasing with the constant development of technologies and software.

Deputy CBJ Governor Dr. Adel Charkas said it is important to invest in cyber security. This is a vital requirement for all countries, without exception, to protect their citizens, institutions and infrastructure against violations and vicious electronic attacks.

Charkas said the CBJ as a monitoring and supervisory body works to increase capabilities to face challenges of accelerating development of modern technologies in the IT systems of banking and financial sectors. These endeavours aim to control and curb systematic risks that might threaten financial systems infrastructures; thus enhancing the elements of financial stability in the kingdom.

Jordan, he said, had taken many steps in the past years to enhance cyber security and protect against cyber risks that might violate the security of IT systems in the kingdom.

In 2012, he went on to say, the Ministry of Information and Communications Technology launched the national strategy on information and cyber security. The ABJ created the Committee on Information Security and Risks, whose members include the CBJ and banks operating in Jordan. The legal frameworks of information security were updated and developed to enhance the IT systems and confront the risks they face, hence the Law on Electronic Transactions was issued in 2015 and the Law on Electronic Crimes was amended in 2017.

The CBJ played an active role in enhancing cyber security, he said. It multiplied its efforts in recent years to confront threats to cyber security, forcing all banks operating in the kingdom to implement the Payment Card Industry Data Security Standard (PCI DSS), with a compliance scheme of no more than one year.

Charkas mentioned that the CBJ asked banks to develop and operate means and tools capable of protecting bank assets, interests and customers by identifying and sharing information and responding to any attempts of hacking. The CBJ underlined the necessity for due diligence to help protect against risks of cyber attacks and ascertaining some security measures that should be followed.

ABJ Uses Solar Energy to supply Building with Electricity

The ABJ completed installing photovoltaic solar system to supply its building in Wadi Saqra with clean electricity. The implementing company supplied the ABJ building with a photovoltaic system panels that transfer solar energy into electricity.

Implementing the project is part of the ABJ's interest in lowering electricity costs that the association bears. The return on investment is two years from the installation date. After turning on the system, the ABJ's monthly electricity bill went down from JD1300 to merely JD1.25.

ABJ Chairman, General Director Take Part in SMEs Forum

ABJ Board Chairman and its General Director took part in the Forum on SMEs and their effect on empowering women that the UAB organized in Amman on 7 Aug. 2018.

ABJ Chirman Hani Al-Qadi said in an opening speech that women empowerment has become one of the main issues of international interest in the past decades. Many studies, he said, underlined the close correlation between women empowerment and economic development. It is estimated that women account for one fifth of GDP in the MENA region; increasing the economic participation of women would mean accounting for 80% to 90% of economic growth.

As regard the best practices in banking targeting women-owned SMEs, Al-Qadi said there are 90 international financial institutions, 70% of them are commercial banks, that intensify their efforts to reach women as the next emerging market. The most successful banks in this field are characterized by having executive leaderships that understand opportunities in the market of women and allocate the necessary provisions to access it; taking care of the proper channels of distribution to women which bring them the highest level of comfort; providing non-financial services to women owners of businesses, such as building leadership skills and raising their capacities and self development; in addition to the fact that those banks measure their effectiveness by Key Performance Indicators (KPIs) to assess the business status relevant to women-owned SMEs.

In Jordan, he said, banks play a direct role in increasing the economic empowerment of women, either through the direct employment, or through bank dealings with women. Women constituted 34.6% of total banks employees at the end of 2017, which is relatively high when comparing it with the percentage of women to the total workers in Jordan, estimated at 10%. In terms of bank dealings with this segment, women account for 33% of total depositors; deposits of women form 27% of total deposits in banks operating in Jordan in 2017. The percentage of women borrowers is 20% of total borrowers; the value of loans granted to women is 17.4% of total loans granted to consumers. The percentage of credit cards granted to women is 20.5% of total cards issued to consumers.

Al-Qadi presented experiences of banks operating in Jordan and their role in enhancing women economic empowerment. One fifth of banks operating in Jordan, he said, provide products and services tailored especially for women. All banks deal with women customers just like any male customer, in terms of the value and ceiling of financing, the required collaterals and the resettlement terms, thus reflecting the fair dealing that banks adopt in gender equality. Furthermore, 60% of banks in Jordan adopted initiatives relevant to the economic empowerment of women in the past three years.

On his part, the ABJ General Director Dr. Adli Kandah presented a working paper on the Role of the Banking Sector, International Financial Institutions and Risk-Guarantee Institutions in Supporting and Financing SMEs. The paper highlighted the necessity to develop the financial skills of SMEs, provide comprehensive technical assistance to increase their administrative, productive and marketing capacities, and amend legislations and laws necessary to the growth of SMEs.

Dr. Kandah called for increased cooperation between the different local and international parties that support SMEs to provide the right guarantees programs, and low-cost money for banks to use in financing SMEs, in addition to providing promotional advantages to facilities granted to those businesses.

The general manager underlined the importance of creating more sectorial funds that target financing or guarantees to financing granted to SMEs, as well as providing financing on the basis of equity or capital venture. He further underlined the necessity to encourage non-banking financial institutions, especially leasing companies, to expand financing SMEs.

SMEs are generally characterized by the high risks and low collaterals they have to guarantee financing. This may limit their ability to access credit, especially bank credits. Facilitating SMEs' access to credit can be done through a package of financing solutions, including: loan guarantees for SMEs through international financial institutions, loan guarantee companies or risk guarantee funds; providing advances to banks for the purpose of relending them to SMEs through international financial institutions or central banks; and, focusing on unconventional (indirect) ways of financing such as capital ventures.

The CBJ is having an efficient role in supporting and encouraging MSMEs through MOPIC and regional and international financial institutions to mobilize financing to SMEs that reaches $320 million at competitive interest rates and appropriate maturities. It received $190 million of this financing, $134 million of them was used until the end of 2017 as they were lent to almost 15 thousand MSMEs. Those fundings helped to create 4500 new job opportunities. The CBJ will withdraw the remaining amounts of $130 million in 2018 and 2019.

The CBJ provided the necessary facilities and support to facilitate banks' benefit of the $120 million credit line provided by the EBRD, taking into consideration that the EBRD signed agreements with 3 Jordanian banks with an amount of $60 million.

The General Manager told participants that the CBJ has financing programs targeting industry, tourism, renewable energy, agriculture, IT, engineering consultations sectors (including SMEs) at an interest rate of 1% to businesses outside Amman and 1.75% for businesses in the capital. The total value of those programs is JD1.1 billion. Almost 740 businesses benefited of those programs until May 2018 with a total value of JD513 million.

In the field of providing the necessary guarantees to finance SMEs, the JLGC was restructured to increase its capital and develop the necessary collaterals to finance SMEs, which lead to doubling the number and value of guaranteed businesses by the company.

The JD50 million- Start-ups Fund was established by providing the necessary guarantees to ensure start-ups get the funding they need through the JLGC. The CBJ provided the JLGC with JD100 million to create the fund for export credit guarantees that provides the required guarantees for exports facilities.

In cooperation with MOPIC and the JLGC, a special fund to invest in the equity of entrepreneurial start-ups was set up with a value of $100 million.

ABJ General Director Takes part in Dealing With Correspondent Banks Forum in Khartoum

ABJ General Director Dr. Adli Kandah took part in the Forum on Requirements of Dealing with Correspondent Banks that the UAB organized in Khartoum, Sudan, in the period between 19 and 20 Feb. 2018.

Dr. Kandah had a working paper in the forum on The Situation of Arab Banks' Relations with Correspondent Banks and their Reflection on Arab Banking and Financial Sector.

He called for countries to look into initiatives to address motives behind withdrawal of correspondent banks, especially those relevant to the profitability of correspondent banks and fears of risk assessment. He encouraged Arab banks concerned with withdrawal of correspondent banks to take measure to enhance the respondent banks' ability to risk management, improve communication between correspondent and respondent banks, enhance regulatory and supervisory frameworks and implementing them in line with international standards, especially in regard of fighting money laundering and terrorism financing, and eliminating obstacles facing sharing of information.

The paper also encouraged the public sector to create temporary mechanisms to provide services of payments settlement, in case all banks in a certain country loses their relationships with correspondent banks, including means backed by the public sector.

Dr. Kandah stressed that international standards of fighting money laundering and terrorism financing should be properly understood and accurately implemented. Some of the wrongful concepts, he explained, is to describe the concept of mitigating risks as an issue of fighting money laundering.

Mitigating risks should not be a pretext to any bank to avoid implementing the risk-based approach, he said. FATF requires financial institutions to end their relations with customers on one-by-one basis, in case it is not possible to decrease risks of money laundering and terrorism financing. Ending relationships with whole segments of customers regardless of their risks and without taking measures to mitigate those risks are not in line with the standards of FATF.

As regards Arab countries, the ABJ General Director pointed out that many Arab countries were not affected, or were slightly affected, by the decreasing relationship with correspondent banks. Those countries include Kuwait, Lebanon, Morocco, Saudi Arabia and UAE.

39% of Arab banks experienced a decrease in the volume and scope of their relationships with correspondent banks, while 55% of them did not experience any tangible change, and 5% of them witnessed an improvement in their relationships with correspondent banks. The IMF, World Bank and FSB exerted efforts to facilitate international dialogue to coordinate response in the field of policies and supporting initiatives that aim to stop relationships with correspondent banks from reaching an awkward position.

At the Jordanian level, Dr. Kandah said the ABJ conducted a survey study on Jordanian banks to explore any change in their relationships with correspondent banks in the last three years, 2015-2017. The study included 11 out of 16 banks. 42% of respondent banks said their relationships with correspondent banks witnessed noticeable improvement, while 25% said the relationship experienced no change, and 33% said their relationships with correspondent banks regressed in the past 3 years.

75% of banks said correspondent banks asked for or imposed restrictions or conditions as a pre-requirement to continue the relationship. Countries with whose banks the relationships regressed are: the USA, Germany, France, Britain, Switzerland, and Scandanavian countries.

Dr. Kandah said all banks that witnessed regression in relationships with correspondent banks were able to find alternatives and other correspondent banks that replaced the earlier banks.

ABJ General Director Participates in Conference on Palestinian Banking Sector in an Arab Neighbourhood

ABJ General Director took part in the conference on Palestinian Banking Sector in an Arab Neighbourhood that the UAB organized in Amman between 21 and 22 March 2018.

The General Director said in a keynote speech on the relationship between the Palestinian and Jordanian banking sectors that Palestinian banking sector faces multiple challenges, just like any other economic sector, despite the good banking indicators and the great growth opportunities of the sector.

The most important challenge is the Palestinian- Israeli relationship and their financial and economic spill over on Palestine.

The relationship between Palestinian banking sector and correspondent Israeli banks are defind by the Paris Protocol on Economic Relations. For political reasons, Israeli banks threat to suspend or end relationships with Palestinian banks and refuse to accept the cash surplus accumulated in Israeli schekel at Palestinian banks, which threatens the financial and banking stability and increases liquidity risks in banks operating in Palestine.

The Palestinian government, he said, resorted to dependence on local sources of financing and the direct borrowing from the banking sector. The government acconted for 21% of total credit given by Palestinian banks in 2016, which is 84% of total equity rights of banks in Palestine.

Credit granted to public sector employees in Palestine accounts for 19% of total credit granted in 2016, and it constitutes at the same time 77% of total equity rights of banks in Palestine.

Credit structure, he said, increases the concentration of credit risks, and the exposure of banks to the Palestinian Authority. It causes an increase in public sector's competition with the private sector on credit facilities.

Kandah described the relationship between Jordanian and Palestinian banking sectors as strong and close. Out of 15 banks operating in Palestine, there are 7 Jordanian banks: the Arab Bank, Cairo- Amman Bank, Bank of Jordan, Housing Bank for Trade and Finance, Jordan Ahli Bank, Jordan Commercial Bank, Jordan Kuwait Bank. This number of Jordanian banks in Palestine reflects their big role in financing the Palestinian economy.

In comparing Palestinian banking sector's indicators with those of the Jordanian banking sector, we find that the size of Palestinian banking sector is 20 to 25% of the size of the Jordanian banking sector in terms of assets, facilities, deposits, capital and net profit, he said.

The number of branches and offices of banks operating in Palestine is 337 branches and offices. The number of ATMs is 622 machines. Banking indicators, he said, show that Palestinian banking sector was able to strike a noticeable growth in past years. Assets grew to $15.8 billion at the end of 2017, compared with $10 billion at the end of 2012; this is a growth rate of 9.3% as an annual rate.

ABJ General Director Participates in a Workshop on Banks' Role in Supporting Private Sector's Participation

ABJ General Director Adli Kandah took part in a Workshop on Banks' Role in Supporting Private Sector's Participation, organized by the EU's SWIM-H2020 in Beirut, Lebanon.

Dr. Kandah presented a working paper on the Role of Banks in Financing Water Sector's Projects: The Case of Jordan, in which he pointed to the ABJ study on the same subject. The study found out that increasing the volume of financing granted to Jordanian water sector requires the concerted efforts of many parties, including the government, the CBJ, the MOWI, Water Authority and water companies, in addition to donors and supporters of Jordan's water sector, especially international financial institutions.

The study called for the government to guarantee credit facilities granted to water projects, or to provide partial financing to increase the volume of financing to the sector. The government role improves the volume of financing, facilitating the terms and maturities of financing and extending the settlement dates, decreasing colaterals that banks might request, in addition to stimulating public-private partnerships.

The study, he said, stressed the importance of having a sufficient government coverage to finance projects, especially the big projects, to encourage multilateral financial institutions to finance local projects and provide long term plans and budgets by MOPIC and MOWI that highlight the trends and prospects of the water sector. Government could consider granting tax incentives and advantages to banks against credit granted to water projects. The CBJ can encourage such credits by dealing more flexibly with lending in local and foreign currencies, creating special programs or agreements to support the water sector at low interest rates, just like the CBJ's Refinancing Program that targets SMEs.

Making a breakthrough in financing water sector projects requires donors and supporters to contribute to providing the financial and technical support, and providing technical assistance to companies working in the sector, and providing guarantee programs to credit granted to water projects.

The contractor's role is also important as an experienced contractor can increase the size of credit granted by banks through increasing the size of the first installment that project owners usually offer, thus reducing the debt burden and risks on banks. The contractor should also submit a clear structure for project implementation so that it could be financeable, and project developers should have good reputation and capacities in the public-private partnership projects.

The general director said the EU expressed interest to share Jordanian banks' experience in financing water projects with those concerned in the EU headquarters in Brussels and the EU Office in Amman to reproduce the experience in other places. The Jordanian experience in this field is rich and mature compared with experiences in other countries.

D. Special Coverage

ABJ Celebrates 40th Anniversary, Honours Leading Bankers

The ABJ celebrated in Oct. 2018 its 40th anniversary under the patronage of CBJ Governor Dr. Ziad Fareez. The ceremony included a briefing of the most important achievements, initiatives and programs that the ABJ launched since its launching in 1978. A number of leading bankers received honours.

ABJ Chairman Hani Al-Qadi said Jordanian banking sector has been able to register leaps and great achievements throughout its history, and during the past forty years in particular; the number of banks in Jordan rose to 24 banks in 2017, up from 13 banks in 1978, the year the ABJ was established. The number of bank branches rose to 818 branches, up from 98 branches in the same period.

Total bank assets rose to JD49.1 billion by the end of 2017, up from JD 637 million in 1978; deposits increased to JD 33.2 billion, up from JD 449 million in the same period of comparison, he added.

Credit facilities granted by banks, which Al-Qadi said it increased to JD 24.7 billion, up from JD 333 million in the said period. The consolidated financial statements of banks are "much greater" than figures and indicators, especially in light of the geographic spread of Jordanian banks at the world level, which covers the five continents, he added.

The chairman highlighted Jordanian banking sector's ability to evade the repercussions of the world financial crisis that affected most world economies as well as the biggest banks whether in developing or developed countries, saying that this is one of "landmarks" in the process of Jordanian banking.

Surpassing those crises and their repercussions confirms the strength and resilience of Jordanian

banking sector and its wise leaderships, “which made our banking sector gain increased respect all around the world as it came out of those crises stronger and more resilient,” he said.

Jordanian banking sector held its responsibilities towards the national economy by financing and contributing to projects. It was also proactive in starting individual or group initiatives in social responsibility. Banks in Jordan come first in social responsibility activities compared to other sectors; social responsibility contributions by banks account for 3.3% of their net profits in 2017, “thus reflecting the evident interest of banks in enhancing social responsibility practices,” he said.

The ABJ, Al-Qadi said, registered many achievements that served banking and its growth and development in Jordan and were to the benefit of member banks. The ABJ was the home, voice and umbrella for its member banks, he said.

H.E. Dr. Rajai Muasher

H.E. Dr. Umayya Toukan

Mr. Abdul Hameed Shoman

Mr. Abdulkadir Al-Qadi

Mr. Tawfiq Fakhouri

H.E. Al-Sharif Faris Sharaf

The ABJ played an active and efficient role in mobilizing opinion and advocacy of many issues relevant to banking, especially the different legislations that affect banks. Mobilization and advocacy took the form of statements, announcements and clarifications that ABJ published in all mass media, print and audio-visual, to clarify all confusion about member banks.

Al-Qadi's speech touched on the ABJ's role in promoting Jordanian banking sector. It represented the banking sector in many meetings, boards, higher steering committees and technical committees in the government, public sector and the CBJ. Thus, the ABJ was the platform from which banks' voice was heard in what concerns economic, monetary and financial policies.

Al-Qadi further reviewed ABJ achievements in the field of training and developing human resources of banks operating in Jordan. He also talked about its role in providing studies and publications that cover the most important aspects of banking and reflect economic, monetary and financial developments in the kingdom. He hailed the distinguished relationship between the ABJ and member banks on the one hand and the CBJ on the other, as a strong and efficient relationship, saying that communication channels between the two are open from both sides.

Al-Qadi added that it has been for one decade now that the ABJ adopted the strategic planning approach as a main tool of achieving its vision and main goals and to meet the needs and expectations of member banks. The ABJ's first strategy was drawn in 2009. The present board of directors adopted the fourth strategic plan of the ABJ for 2018-2021, which reflects the future vision of the current board of making a quality addition to the previous achievements of the ABJ.

Honours were bestowed on a number of leading bankers, including former CBJ governors and banks' former chairmen for their outstanding efforts to advance Jordanian and Arab banking sectors.

Banks Magazine Interviews ABJ Board Chairman

Banks Magazine had an interview with HE Hani Al-Qadi, the ABJ Chairman of Board of Directors, upon his election as the new Board Chairman for the term of 2018-2021. The following is the full text of the interview:

How do you assess the economic developments in Jordan during the first half of 2018?

Actually, the macro indicators of our national economy give a clear picture of those developments. So, we have now to judge whether they are acceptable and meet our ambitions or not. The GDP grew by 1.9% in the first quarter of the year, encountered by an inflation rate of 4.1% at the end of May. Such a growth neither reflects ambitions nor meets expectations of the public budget of the new year. The growth rate is less than the year before, 2017, which was 2%, and less than the population growth which is almost 3.2%, according to the latest reports. It is even far from the expected growth in the Budget Law of 2018, which is 2.5%. This means that citizens would not feel the effect of such a modest growth, of which inflation is part; it also means the limited ability of economy to create new jobs. The sharp evidence of this is the rise in unemployment rate to 18.5%, with rises to more than 30% among the youth, males and females.

This negatively affects all sectors. The modest growth reflects sluggish demand in the local market which affects in turn production in the industrial and services sectors, and trade, especially imports. Thus, public revenues decrease, deepening the budget deficit and increasing the need for borrowing to finance the deficit, which means escalating the structural economic problems.

In light of those developments, I believe that such a modest growth rate as 1.9% requires everybody, in the government and the private sector, to reconsider the priorities that should be worked on by using all available tools and potentials, and to make incentivizing economic growth the priority and main goal. Economic growth should go back to what it used to be some 10 years ago, i.e. prior to world financial crisis, which ranged between 5% and 7%. Only then we would achieve the sub-goals at the macro and micro economic levels. Job opportunities would be created, revenues increased, budget deficit decreased or at least the growth in public debt would stop.

When looking at the external trade indicators, growth in the total exports (exports and re-exports) slowed down. Exports grew by 2.3%, which is much less than the targeted goal of the budget, which is 5.5%. Total imports declined by 2.5%, against an expected growth of 2.6%. The deficit in the trade balance shrank by almost 5% in the first four months of the current year, yet the rise in oil prices and the 30% increase of oil imports in the same period restricted the massive setback in the imports. This is a huge evidence of the shrinking demand in the local market. The indicators of this situation would be reflected on the growth of the second quarter of this year, which is expected, with the enforcement of economic measures to increase revenues which began late in the first quarter, to cause a slowdown, if not setback, in growth. This requires the government to exert more efforts to propose solutions and adopt unconventional policies to save the long-dormant economy.

In light of these developments, how do you assess banks' performance in general, especially since the beginning of this year?

Banks, just like other economic sectors, are affected by the challenges facing the national economy at the international, regional and local levels. At the level of international challenges, the most important challenge is that oil prices exceeded $75 per barrel, which created more burdens on the Jordanian economy, already 96% dependant on energy imports in the form of crude oil, oil products and natural gas. As for the regional challenges, the effects of the Syrian and Iraqi crises are still suffocating the national economy, despite the positive developments in Iraq and the Syrian government's approaching control of most Syrian territories. Jordanian exports to Iraq have not restored its past easy flow into the neighbouring country, coupled with more sharp competition with other exporting countries. Exports to and through Syria are still on a hiatus, especially with the escalating military operations in the Syrian south.

In light of all those regional factors, the Jordanian economy is paying the price. Banks are affected by the setback in total economic activities. Yet, they maintained a positive performance whose results appeared in the first quarter of this year. This is due to the mature nature of the banking sector, the wise bank managements and their ability to deal with economic challenges, transforming them into opportunities that are positively reflected on banks, shareholders and consequently on the national economy.

As regards developments in the local market, they can be summarized as the slowdown in growth, which we mentioned earlier, the setback in foreign and local investments, and the sluggish growth in tourism income and expatriate remittances. All of those factors shed a dark shadow on the macroeconomic indicators.

What spurs hope are the Gulf initiatives announced last June, which include the Saudi, Emirati and Kuwaiti initiative of USD 2.5 billion, divided as annual cash assistance of $150 million for five years, loan guarantees for the World Bank and international financial institutions, and a deposit at the CBJ. There is also the Qatari initiative of providing 10 thousand jobs for Jordanians in Qatar, and investing $500 million in development projects of priority in the kingdom, which would provide more permanent and temporary job opportunities and attract more investments into Jordan. Those two initiatives gave support to Jordanian economy and enhanced Arab and foreign investors' confidence in Jordanian economy.

The CBJ, in cooperation with banks operating in Jordan, showed a professional response to the IFRS-9, which came in the aftermath of the world financial crisis on the international banking sector, especially in what concerns calculating the provisions of loan impairment in the facilities value to cover realized and expected losses in the future. This is a way of protecting banks and shareholders on the one hand, and the national economy on the other. Therefore, we expect that with the implementation of those standards, non-performing loans would slightly rise at the short term, then fall down once again at the mid and long terms.

Jordanian banking sector had been able to achieve a distinguished performance and maintain its strength and stability over the past years. It had been able to deal with different local and regional developments, surpass all economic challenges and shocks that faced it in recent years.

Despite that, financial statements of banks operating in Jordan show that they sustained a growth in all aspects in the past ten years. Total bank assets grew by an annual average of 6.3% during the period of 2008 – 2017, reaching JOD 49.97 billion by the end of April 2018. Deposits in banks operating in Jordan grew by an annual average of 7.7%, reaching JOD 33.87 billion in April 2018. Credit facilities granted by banks in the past ten years grew by 8.2% annually, reaching JD 25.39 billion by the end of April 2018.

As regards the indicators of banks' financial strength, they confirm the strength and resilience of the Jordanian banking sector and its financial strength and soundness. The ratio of non-performing debts to total debts registered a tangible fall down, from 8.5% in 2011 to 4.3% by the end of 2016, which reflects the rise in the quality of assets of banks operating in Jordan. The percentage of coverage of non-performing debts reached 78% by the end of 2016, which is an elevated percentage that reflects the rise in banks' provisions and their ability to cover more than three fourths of non-performing debts. The capital adequacy ratio in banks operating in Jordan reached 18.5% by the end of 2016, which is much higher than the minimum regulatory limits required by the CBJ or the Basel Committee. This reflects the strength of the capital foundations of banks. As regards the legal percentage of liquidity, they went down compared with previous levels to reach 137.8%, yet it is still higher than the minimum required limit by the CBJ, which is 100%. The decrease in the liquidity percentage is due to the rise in the banks' gearing of funds and the evident growth in the credit facilities granted by them.

The average return on equity (ROE) reached 8.9%, while the average return on assets (ROA) amounted to 1.1% in 2016, which reflect the good profitability in the Jordanian banking sector.

The above-mentioned indicators show that the Jordanian banking sector is stable, highly efficient and capable of facing challenges, which enhances confidence in the sector and makes it one of the main pillars of stability in Jordanian economy as a whole.

Jordan had made a progress in financial inclusion according to World Bank indicators. It progressed to 42.5% in 2017 compared with 24.6% in 2014 among adults. How do you read this progress and what are the reasons behind it in your opinion?

I believe Jordan had gone a long way in increasing the percentage of financial inclusion, especially among women and young people. Yet, despite all the progress made, there is still a long way to go and effort to be made. We should continue the efforts of the CBJ, the ABJ and banks operating in Jordan in general to narrow the gap between those included in financial services and those excluded from them.

The CBJ's Financial Inclusion Strategy aims to increase the number of those included in financial services, especially among women and young people, spreading financial education and awareness among the young people and creating the supportive infra and legislative environments for it.

The initiative that the ABJ launched shed light on the importance of increasing the financial inclusion, which stimulates economic growth by increasing participation of women and marginalized sectors in the market place. All of these, along with the CBJ's response and development of e-payments environment played a role in improving Jordan's ranking in financial inclusion.

Banks, on their turn, played a role by offering products designed for women that meet their financing needs, and other products designed for the young people and professional people of different walks of life. Banks also increased their branching and offices to serve the biggest number of people in their places, helping to reach this percentage. But I think we still need to take more measures, especially in what concerns requirements of opening a bank account.

You've assumed your post as the new ABJ Chairman, what is your plan to serve the banking sector?

The ABJ's strategy 2018-2021 is drawn to help achieve the principal goal of the ABJ as set in its bylaws, which includes advancing banking by fostering interests of member banks and coordinating between them to achieve their common interest, developing and updating means of performing bank services, and enhancing the concepts and customs of banking and following unified systems and procedures for this purpose.

Hence, the strategy that we drew focuses on six main elements: fostering interests of members; following up issues of government guarantees and the pending cases with Amman Municipality; issuing a position paper on the draft income tax law and its effect on national economy; coordination with the Social Security Investment Fund; and, contacting with national institutions and civil society organizations.

As regards researches and publications, the ABJ would conduct in-depth researches that help meet the needs of member banks, and update the association's publications, including Banks' Magazine, which will have a monthly economic report. The ABJ would focus on the digitalization of publications, improve their quality and content, and continue publications in both Arabic and English.

In the field of training and education, the ABJ will sponsor and organize seminars, including those for the higher executive managements, on issues of concern to banks that cope with developments, in technical fields and the supporting environment in particular.

As regards the public relations activities, the ABJ will launch, as part of activities marking its 40th anniversary, a promotional campaign that sheds light on banks' contributions to society and their pivotal role in national economy.

In this regard, the ABJ will organize periodic events to enhance inter-banks relationships, and brainstorming sessions to discuss the situation of the banking sector that include banking leaders. It would pay tribute to pioneering figures in banking, and celebrate the 40th anniversary of the ABJ that was established in 1978.

The strategy does not overlook the ABJ's modernization and reforming. So, the ABJ would review its governance foundations, draft its goals to be in line with those of its regional and international peers, and amend the policies and procedures of human resources and drawing performance indicators for them.

The strategy is expected to optimize the ABJ role in serving member banks, increase the level of interaction and coordination among banks and relevant parties such as the CBJ, the Jordanian government and parliament, in addition to the ABJ's desired role of reflecting the bright picture of Jordanian banking sector and its role in serving the national economy.

As a chairman of a bank and the ABJ, what are the main challenges affecting the growth of Jordanian banking sector?

Jordanian banking sector had been able to strike a remarkable performance and maintain its strength and stability during the past years. It was able to handle the different local and regional developments and surpass economic challenges and difficulties that affected Jordan's economy in the last years.

The financial statements of banks operating in Jordan show that they achieved continuous growth in all respects in the past ten years.

The most important challenges facing the growth of the Jordanian banking sector is the macroeconomic situation in the first place. Economic challenges, especially in regard of the slowdown in economic growth, the recoiling expansion in projects and investments, and the borders closure have direct effects of decreased demand on credits that banks grant to different economic sectors.

There are challenges relevant to the legislative structure in general, especially those related to the instable tax laws and approaches emerging every once in a while to raise the tax rates on banks. Tax rates on banks rose from 30% to 35% in the Income Tax Law of 2014, and now we have a new draft income tax law, introduced last May, to raise the rate to 40%. The government withdrew this draft law but prospects of future draft law are still obscure.

The time following the world financial crisis which continues till now established a great set of changes in the banking industry. It carried many organizational changes that aim to safeguard the soundness of the world financial system, and increase its resilience to facing crises. All of those changes produced a great package of regulations, instructions and monitoring circulars that constituted a case of over regulation in banking industry at the local and international levels. This has raised the compliance costs on banks. Examples of those regulations are the Basel Committee standards; instructions, regulations and circulars of the CBJ; the IFRS9 and COBIT5, and many more.

Despite the opportunities they carry, the accelerating developments in the Fin Tech impose additional challenges on banks. The nature and scope of conventional banking risks experience great changes with time as there is increasing reliance on fintech, especially the strategic risks, operational and electronic risks and the compliance risks.

What is the plan that you adopted to develop the skills of bank employees in light of the fintech and the incessant efforts to fight money laundering and terrorism funding?

The fintech is receiving an evident attention of banks and the central bank. The CBJ started recently the Fintech Regulatory Sandbox that aims to create an incubator for entrepreneurs to encourage innovation and development in the field of fintech; enhance competitiveness in digital financial services, efficiency and safety in money transfer movements; and, enhance access to official financial services while maintaining the integrity and stability of the financial sector and protecting the rights and data of the financial consumer. This incubator exemplifies the high response of the CBJ to developments in fintech and the great openness of the banking sector to those developments.

I believe that dealing with challenges and risks that might arise of the fintech should start with the regulatory agencies and spread to include banks as a whole. The efforts should include enhancing financial soundness and strength by more supervisory coordination and sharing cross-border information whenever possible and implementing supervisory programs to ensure that the banks have governance structures and efficient risk management processes in a way that allows identifying, managing and monitoring risks that may arise of the usage of fintech.

As regards bank employees, it is necessary that monitory and supervisory agencies assess the current training programs targeting employees to ensure that their knowledge, skills and tools are sufficiently appropriate and efficient to control the risks of new technologies and models of innovated work. Banks relying on those innovative technologies should ensure that there are efficient IT processes and other risk management and supervisory environment processes that efficiently address the new sources of risk.

As regards efforts to fight money laundering and terrorism financing, it should be noted that Jordan's interest in fighting money laundering and terrorism financing dates back to the 1990s, when the Banks Law # 28 of the year 2000 was issued to include provisions on money laundering process. According to the said law, banks in Jordan are obliged to report immediately to the CBJ any financial transaction that implies or concerns an illegitimate action or crime. In 2004, the CBJ created a section for suspicious financial transactions within the bank monitoring department, which was later transformed into the Anti- Money Laundering and Terrorism Financing Unit that was officially established on 17 June 2007, pursuant to the Anti- Money Laundering Law # 46 of 2007. The National Anti- Money Laundering and Terrorism Financing Committee was formed according to the provisions of Article 5 of the Anti- Money Laundering Law, headed by the CBJ Governor with 9 members from relevant agencies.

Jordan is one of the countries that are most complying with fighting money laundering and terrorism financing at the regional and world levels. Jordan ranked first at the Arab level and 36th at the world level at the Basel Anti- Money Laundering Index in 2017, among 146 countries that the AML Index comprises. Jordan, furthermore, is not listed with countries that have strategic defaults in fighting money laundering that the FATF issued in their report of February 2018.

Finally, the CBJ issued updated instructions to fight money laundering and terrorism financing, which amended instructions in force since 2010. The new instructions are in response to the amendments on the FATF recommendations of 2012, and the developments in local and international markets, and aim to enhance and reinforce the frame of fighting money laundering and terrorism financing in the kingdom.

The most important amendments of the new instructions are framing and enhancing work with risk-based approaches. Banks are obliged to conduct a comprehensive assessment of their money laundering and terrorism financing risks at an annual basis according to a methodology approved by their boards of directors; a methodology through which risks of money laundering and terrorism financing are identified, assessed and understood as regards customers, countries, geographical regions, products, services, processes and channels of providing service.

The scope and severity of the job of risk management should be proportionate with the nature, volume and complexity of the bank's processes and activities and the level of risks of money laundering and terrorism financing that it has. The job of risk management should also match and complement the bank's holistic frame of risk management.

Instructions underlined the necessity of having policies, restrictions and procedures to manage and reduce risks of money laundering and terrorism financing, and to take the due diligence steps that match the degree of risks and the customers' classification. The new instructions detailed the required procedures to scrutinize and identify clients and the timing of this scrutiny. They stressed the necessity of identifying the identity of the actual beneficiary and taking the reasonable measures to ascertain this identity depending on the nature of the customer's risks. The instructions demanded putting in place a risks system to identify who among its customers or actual beneficiaries are listed in the category of political figures who represent risks, whether citizens or foreigners, and the required procedures in case it is proved that any of them is classified under the category of high risk customers.

Instructions also demanded continuous training plans and programs in the field of fighting money laundering and terrorism financing for bank employees of all ranks, along with allocating an independent annual budget endorsed by the board of directors to finance training and qualifying employees.

It is noteworthy that a number of specialized seminars, workshops and training courses was held for bank employees in Jordan, covering the different aspects of fintech and fighting money laundering and terrorism financing. Those programs are held either separately in the training center available in each bank to target the employees of the same bank, or through the ABJ and the Institute of Banking Studies programs that target employees in the banking sector in general.

Training all over the past years supported the knowledge, skills and capacities of bank employees and informed them of all developments relevant to those issues.

How do you assess the involvement of the banking sector in general in financial inclusion and enhancing banking services?

The CBJ, and banks operating in Jordan are greatly interested in enhancing and improving the financial inclusion in the kingdom. This is evident in the efforts to launch a comprehensive national strategy for financial inclusion that aims to protect consumers, enhance financial education among school children and society, support SMEs' access to sources of financing, develop electronic payment systems, and empower women to access sources and tools of financing, in a way that helps to bridge the gender gap.

In 2015, a national steering committee was formed, headed by the CBJ Governor and composed of public and private sectors' representatives to supervise the drawing and implementation of the national financial inclusion strategy.

In Sep. 2016, the CBJ announced its commitment to Maya Declaration on financial inclusion during the Global Policy Forum on financial inclusion that was convened by the Alliance for Financial Inclusion in Fiji. That announcement included two main goals of financial inclusion: increasing the percentage of financial inclusion in the kingdom from 24.6% for adults to 36.6% by 2020, and reducing the gender gap in accessing financial services from 53% to 35%. The CBJ further pledged another nine sub-goals to achieve those two main goals. At the same month, the foundation stone was put in position to start working on the national financial inclusion strategy, by launching six working teams emerging out of this committee to cover the main elements: digital financial services, micro financing, SMEs' financing, financial education and awareness, protection of financial consumer, and data and research.

The teams prepared a document on the strategic vision of the financial inclusion in Jordan, which was launched during the high-level second regional conference co-organized by the CBJ and the Arab Monetary Fund in cooperation with the GIZ under the patronage of HM Queen Rania Al-Abdullah.

The document represented a road map and a foundation stone to draw and draft the national financial inclusion strategy in a way that aims to improve social welfare to match the elements of the national agenda and the strategic approaches of the kingdom. In Dec. 2017, the national financial inclusion strategy for the years 2018-2020 was launched.

In conjunction with the CBJ efforts, the ABJ undertook a number of steps that would achieve and enhance the financial inclusion in the kingdom. Those can be arranged in five elements:

1. Spreading financial and banking education, by making and publishing studies and reports that raise banking awareness and banking and financial education;

2. Enhancing the financial inclusion of women, by publishing an in-depth study of the role of banks and financial institutions in the economic empowerment of women;

3. Enhancing the financial inclusion of SMEs, by organizing lectures, seminars, workshops and training programs that aim to raise awareness of the importance of SMEs in Jordan, reviewing the most important international practices and experiences in the field of financing those businesses, and developing banking products offered to them. The ABJ further held a huge number of meetings for banks and other relevant parties to discuss issues of financing SMEs, publishing specialized studies on SMEs in Jordan.

4. Enhancing financial inclusion among the youth. The ABJ signed a number of MOUs with

Jordanian universities to train students, organize introductory lectures in universities and schools on issues relevant to Jordanian banking sector and its services and products.

5. Enhancing the supportive environment of the financial inclusion in the kingdom, by taking part in the different local and international events and activities that target enhancing financial inclusion and contribute to spread financial culture, in addition to the ABJ being a member of the steering and technical committees on financial inclusion.

Banks operating in Jordan are a main partner of the CBJ in achieving the financial inclusion and implementing the plans, policies and programs of enhancing financial inclusion in the kingdom, especially as banks constitute 94% of financial institutions in the kingdom. Therefore, they bear the greatest burden in transforming strategies into reality. Banks have adopted in advance many initiatives that help achieve financial inclusion, such as:

- Developing a great number of banking services, products and solutions that meet the needs of different segments in society, in addition to developing specialized services for women, young people, start-ups and MSMEs.
- Adopting and using the latest electronic channels to enable customers in remote areas to access and benefit of banking services, such as banking services through the ATMs, mobile phones and others.

The ABJ Interviews CBJ Governor Dr. Ziyad Fareez

Banks' Magazine, a specialized monthly banking magazine issued by the Association of Banks in Jordan conducted an interview with HE Dr. Ziyad Fareez, the CBJ Governor.

Dr. Fareez is a seasoned economist with a long career in public posts, including the post of deputy prime minister, where he left an apparent impact and print of prudent decisions in all the posts he assumed. He was the Minister of Planning from April to December 1989; the Minister of Industry and Trade until 1991; then returned as the Minister of Planning for four years. In 1995, he incorporated the Exports and Finance Bank (currently Capital Bank) and chaired its board of directors.

Between 1996 and 2000, Dr. Fareez assumed the post of CBJ Governor. At the beginning of 2001, he became the CEO of the Arab Banking Corporation- Jordan, and held this post until November 2005, when he returned to government to assume the post of deputy prime minister/ Minister of Finance until 2007. Later, he became the chairman of board of directors of First Investment Group, then once again the chairman of Capital Bank. In 2012, he was appointed the CBJ Governor, a post he assumes until to date.

The following is the full text of the interview with the CBJ Governor, Dr. Ziyad Fareez:

The realized economic growth is around 2%, which is lower than population growth. What are the reasons behind this fact? What are the requirements for restoring the growth momentum?

Indeed, the achieved economic growth is beneath the possible rate ever since that we were affected by the ramifications of the world financial and economic crisis, yet it stayed close to our expectations. The political and security circumstances in the region affected negatively our economic performance, and increased the state of uncertainty of local and foreign investors, which led to a slowdown in investments in the kingdom. Closure of Iraqi and Syrian borders, consequently closing trade roads to Europe via Syria, led to a setback in national exports, as the costs of exports increased as they had to take long and costly maritime routes in terms of transportation and insurance rates.

The mass overflow of Syrian refugees into the kingdom aggravated challenges facing Jordan in terms of public budget, debts, straining of resources and basic services like health, education, transportation and water.

As a result, the economic growth rate fell down from above 6.4% in the period of 2000 to 2009, to an average of 2.5% in the period of 2010 to 2017. Those growth rates are insufficient to overcome challenges of the national economy, especially if they are less than population growth rates, which were unnatural because of the refugee overflow and reached 5.5% in average during that period. Therefore, the economic growth rates were not sufficient to increase employment rates and decrease unemployment rates, or to increase the average per capita income and achieve comprehensive and sustainable economic growth.

To face this harsh reality, we adhered to the approach of economic reforms out of conviction that this is the best way to overcome challenges facing our economy. So, we have adopted the national economic reform program in cooperation with the IMF since 2012. In this framework, we took a series of important reformative steps, especially in the public budget and energy fields, and reduced distortions in the public budget. While we all realize the harshness of some of those reform measures on Jordanians, yet they helped us overcome a great deal of the repercussions of economic challenges. I am fully confident that we would reap more fruits of those reforms at the medium run, especially with the stability of regional circumstances, evidenced by the reopening of land borders with Syria and Iraq, the matter that will positively reflect on our national exports. This requires us to strengthen the investment environment in the next stage, while ensuring that we benefit of the reconstruction era expected to start in the region, and of the bilateral and multilateral free trade agreements as much as possible, whether in trade exchange or in joint investments. We should also attempt opening new markets for Jordanian exports and regaining our traditional markets, in addition to focusing on implementing the government's priorities for the next two years, which are part of a wider reform program that extends to the next five years.

Inflation rate exceeded 4.0% at a monthly level, and 4.5% since the beginning of this year. Are you worried about this rate? Have you adopted any monetary measures to contain this inflation?

Inflation is one of the most important indicators that the CBJ monitors, as it greatly affects macro economy and consumers, thus reflecting on the purchasing power of citizens. There are two sources of inflation: internal and external. The external includes the effect of imports' prices, including oil and its products, and related services. Those factors affect the demand aspect in economy. There are internal factors for inflation, resulting from government decisions to lift subsidies on a group of commodities and services, or to amend sales tax rates, and others.

Inflation resulting from administrative decisions is temporary; its effect vanishes at the short term. Usually, central banks do not take measures to face such kinds of inflation, as it is not accompanied with changes in the medium and long term inflation forecasts.

It is noteworthy that despite the continuous rises in the monthly inflation rates since the beginning of this year, the highest of those rises was in July where it registered 5.7% rise. Yet, this average began to slowdown in the last three months to register about 4.0% in October compared with the same month the year before. Inflation is expected to be about 4.5% in the whole year of 2018.

In cases that require the central bank to interfere, the bank would use various monetary policy instruments to affect the inflation level and to help maintain fiscal stability in general. In the forefront of those instruments is the short term interest rates and the open market operations that the bank uses to manage liquidity in the banking system in harmony with local economic developments and interest rate developments in the regional and international markets.

Everyone is convinced with the necessity of financial reform in the revenues and expenditures sides, and with having distortions in the tax system structure between direct and indirect taxes. Do you think that amendments to the income tax law are the most important approach to financial reform, or are there other approaches?

Everyone knows that the distortions in the public budget, along with the rise in debts, are the biggest challenges facing Jordanian economy. The current expenditures in the budget are mostly non-productive; salaries, pensions and debt service consume the biggest part of expenditures. The low allocations for capital expenditure (did not exceed JD1.2b for this year and most previous years), are not all spent and therefore they are reallocated to the year after; hence the contribution of capital expenditures in triggering economic growth is still below expectations.

On the side of revenues, the budget suffers many problems, the most important of which is the weak power to collect collectible dues that the law calls for. This is due either to weak collection authorities or to the taxpayers' ability to avoid or evade taxes, in addition to the inefficient collection of due amounts arising of final court decisions. Therefore, reform should proceed hand in hand with reducing expenditures and making them more productive, and increasing revenues.

The amended income tax law is a main pillar of economic, and not only financial, reforms. Its aim is to realize the principle of social equality and justice. The draft law contains positive amendments, such as the mandatory billing of the seller or the service provider. This would be reflected in the increased collection efficiency of income tax. At the same time, this is a monitoring tool for the sales tax. It achieves both goals at the same time.

The draft law also toughens penalties on tax evasion, raises collection efficiency by stimulating the voluntary commitment of taxpayers, facilitates procedures of registration and submitting tax forms by using up to date technologies. All of those measures would increase the income tax revenues and their share in tax revenues, along with reducing the share of sales tax at the medium run in the tax revenues. The final goal of this reform is to achieve positive results vis-à-vis the treasury, the public expenditures and the public debt.

Everybody is in agreement that financial reform should be comprehensive. It should go beyond amending the income tax law; rather, it should include the whole tax system, including measures required from the tax administration to increase the collection efficiency and enforce tax laws. An element of the distortion in the structure of tax revenues is the fault in enforcing the current income tax law by the tax authorities.

Public debt accounted for 95.4% of GDP by the end of Sep. 2018. Do you agree that the public debt ceiling should remain unspecified, as the Public Debt Law left it to the council of ministers to decide whether to exceed the ceiling of 80% or not?

It is true that the Public Debt Law contains a ceiling for public internal and external debts, which is 80% of GDP. But it left the implementation of this article to a decision by the council of ministers, which it did not take until now.

The economic reform program has a main goal, which is the gradual reduction of the ratio of public debt to GDP to reach 79% in the medium run. To reach this goal, we should adhere to implementing the procedures of financial reform, control disorders in the public budget and address tax distortions, and to the constant updating of the strategy of administering public debt according to local and world economic developments.

In this context, I would like to underline the necessity of focusing also on reducing the volume of public debt along with deciding a ceiling for its ratio to GDP, and harnessing the other goals, the most important of which is to raise economic growth rates, to achieve this prime goal. There is no doubt that reducing the volume of debt reduces the debt service and reduces government's competition with the private sector on available liquidity at the banking sector, thus giving more space for investments by the private sector. Our success in achieving those two goals would enhance financial stability, which would have positive effects on the different components of the national economy. Naturally, the issue of reducing debts requires full reform of the national economy to address the basic distortions that it suffers from, especially in the energy sector.

How do you assess the relationship between the government and the IMF? Is it that of advice and directions in light of the IMF's expertise or is it mere dictations on their part?

The relationship between Jordan and the IMF is based on consultation and not dictation. It is the government who asked for the IMF's help to implement the national economic reform program that aims to overcome the distortions that the national economy still suffers from. Cooperation with the IMF does not aim to get the technical expertise, which is available in Jordan. Help is requested because of IMF's important role in mobilizing financing required from the international financial institutions and donor countries to help implement the necessary reforms.

We encountered the difficulty of pressing and sometimes shocking circumstances because of the world financial and economic crisis and the hiatus in the flow of Egyptian gas to Jordan, the Euro zone crisis and the real estate crisis in Dubai. After that, we had the Arab Spring followed by the setback in investment flows into Jordan, the setback in tourism activity and the expatriates' remittances and the regression in Jordanian exports. All of those setbacks had left dangerous effects that forced us to take the bitter medicine to heal; we have to face their ramifications and take the right measures.

Certainly, implementing reforms would lead to surpass the shock effects and achieve the required growth, which would mean increased revenues and reduced deficit between revenues and expenditures, thus decreasing reliance on debts, whether internal or external, and consequently increasing the level of self-reliance.

It is worth mentioning in this respect that Jordan's commitment to implementing economic reforms agreed upon with the IMF would increase the level of assuredness that the local and foreign investors feel, and facilitate Jordan's access to foreign aid, reduce risk levels and improve the kingdom's credit rating by international institutions, hence enabling the government to borrow from international money markets at reasonable costs.

How is the decision of amending the interest rates taken by the CBJ? What are the most important indicators and factors that you take into consideration when taking this decision? Are there any indicators on an increase in interest rates at this time?

In deciding to amend the interest rates, the decision of the CBJ's Committee on the Open Market Operations is usually based on a thorough and in-depth review of developments in the different macroeconomic indicators at the local level, especially the monetary and financial ones, in addition to studying the developments in regional and world economies, including interest rates and measures of central banks in those countries. The CBJ is keen on guaranteeing that liberated assets in

Jordanian dinar enjoy proper interest rate margin compared with interest rates on liberated instruments in foreign currencies, as this is a way of maintaining the attraction of Jordanian dinar as a local savings pot.

The CBJ raised interest rates on its monetary policy instruments three times in 2018, and four times more in 2017, but at the same time it kept interest rates on its financing program unchanged. It even added other sectors to benefit of this program to provide suitable financing channels for economic activities at suitable costs and maturity dates.

As a result of the CBJ's balanced policies to maintain the dinar attraction while at the same time enabling banks to provide financing at reasonable costs, we find that interest rates on deposits rose by more than interest rates on facilities, the matter that led to a decline in the interest rate margin, which is measured as the difference between interest rate on loans and advances and the interest rate on time deposits. This margin registered 400 base points by the end of Sep. 2018, compared to 484 base points at the end of 2017, which is a decline of 84 base points from the end of 2017.

Jordan has made a progress in electronic payments field as the amount of e-payments exceeded JD8b. What are the new developments in this field and what are the developments that make Jordan maintain its distinction in those services?

Indeed, the success that the kingdom made in the field of developing the electronic payment environment is unprecedented at the level of developing countries. A national payments system was developed by electronically presenting and collecting bills. This system has proved to be remarkably successful; payments through this system are expected to reach JD10b.

The CBJ worked to develop the financial sector's infrastructure, including electronic payments systems, as part of its interest in enhancing financial inclusion by providing digital financial services, especially with the smart link between eFAWATEERcom and JoMoPay. This was prone to enable citizens who do not have bank accounts to get all services provided by eFAWATEERcom and making all those services accessible to all governorates in the kingdom.

RTGS was launched by using ISO 20022, making Jordan the first at the regional level and the second at the international level in implementing this standard in 2016. This had paved the way for the banking sector to have safe and efficient clearing and settlements and to continue developing more products already in the market.

Automated Clearing House (ACH), an automatic payment, transfer and delegating system that provides a safe infrastructure to do retail payments between member banks (including the CBJ) and their customers, was also introduced. The system includes debit and credit transfers, management of debits and payments of government, financial institutions and other institutions.

The CBJ also completed the FinTech Regulatory Sandbox as an entrepreneurship incubator to promote innovation and development in fintech, enhance competitiveness in digital financial services arena, and efficiency, competence and safety in the cash flow movement, and enhance access to official financial services while maintaining the integrity and stability of the financial sector, and protecting the financial consumer's data and rights. The CBJ also backs initiatives and innovations that use the latest technologies, including the block chain technology, with priority given to the easy, safe and efficient access to digital financial services, while enhancing cyber security controls of financial services in general.

How do you assess the situation of Jordanian banking system?

As you well know, Jordan has a strong and sound banking system, resilient to shocks and high risks because banks have high levels of capital, the highest in the Middle East. Banks in Jordan also have comfortable levels of liquidity, thanks to the close cooperation with the managements of licensed banks. The banking system was able to maintain the soundness and strength of its financial and administrative conditions despite the world financial and economic crises and the regional instability, accompanied with risks, challenges and setbacks in the economic growth rates of the kingdom.

The CBJ paid the resilience of the banking system in Jordan utmost attention, thus imposing a number of banking policies on local banks. Those measures include issuing Basel III requirements for capital; justice and transparency instructions for dealing with customers that were circulated to all banks in 2012, to raise the disclosure level of banks' transactions with all customers, especially small customers; issuing the corporate governance instructions for banks that aim to identify and achieve the corporate goals of banks, the safe management of banks' operations, to protect the depositors' interests, and adhere to their responsibility towards shareholders and other stakeholders (small shareholders.) As previously mentioned, the Jordanian banking system has financial soundness and strength as many financial strength indicators show. The most important of those indicators are the capital adequacy rate, that was 17.8% at the end of 2017, which is high and even higher than percentages imposed by the CBJ (12%) and the minimum requirements of Basel III.

Despite the economic growth slowdown in the kingdom in last years, Jordanian banks have been able to maintain the ratio of non-performing debts to the total debts within low limits that reached 4.2% by the end of 2017. The percentage of provisions for non-performing loans reached 75.4% at the end of 2017. The CBJ makes sure to keep high liquidity rates, higher than required legal rates, in banks. Liquidity rates registered 130.1% at the end of 2017.

The CBJ has launched many initiatives to provide the necessary financing for economic activities, especially within the Economic Policies Council's Financing Committee. How do you assess those initiatives and the level they have reached?

The CBJ realized early the necessity of having soft and stable channels of financing in the national economy to help some significant sectors, like the SMEs, to access credits at appropriate costs and maturities. The need for those channels became clear after the world financial crisis that was accompanied by the limited liquidity available for lending in banks and banks' strict behaviour in granting credits.

In light of this, the CBJ adopted a long term soft financing program through which there is a refinancing of loans that banks grant to economic sectors included in the program at fixed and preferential interest rates for 10 years. Currently, nine sectors benefit of this program: industry, tourism, renewable energy, agriculture, IT, engineering consultations, health, transport (transportation companies) and education (vocational and technical). The volume of loans granted through this program amounted to JD 592.2m, out of JD1.2b available for financing in the program.

In addition to that, a number of initiatives were launched in cooperation with relevant parties, the latest was creating the $98 million- Employment and Entrepreneurship Fund. The EEF launch is a quality addition to the business environment in Jordan as it helps to achieve socio-economic development and create job opportunities, especially to young people. EEF would help in shrinking the credit gap that faced many start-ups as it diminishes difficulties they have in accessing credit, especially credit in big amounts. The EEF does not compete with existing funds; rather, it helps and backs them to stimulate the sector, especially as it focuses its credit granting on economic feasibility rather than collaterals that hinder the growth of businesses. The EEF will provide backing mechanisms to incubators of start-ups and provide credit to funds that finance this type of activities. In parallel, the provisions of loan guarantee program of start-ups were raised from JD50 million to JD100 million.

Jordanian banks further created two investment companies, namely, the Commercial Banks Investment Company, with a capital of JD100 million, and the Islamic Banks Investment Company, with a capital of JD25 million, to invest in medium sized businesses. This would be reflected in a positive way on all economic activities.

To enhance the role and programs of the Jordanian Loan Guarantee Corporation (JLGC), the CBJ, in cooperation with banks, raised the JLGC capital by 200% to reach JD30m. It further raised the guarantees ceiling of industrial and services financing program from JD550 thousand to JD1m, by doubling the provisions of the program from JD5m to JD10m. Furthermore, the CBJ lent the JLGC 100 million dinars to invest in government bonds and benefit of their returns in enhancing Export Credit Guarantee Program. In addition to this, and in cooperation with the Ministry of Planning and International Cooperation, a number of agreements were concluded with regional and international institutions with a value of $440m to provide credit lines to SMEs that are re-lent through licensed banks. Some $252m (57.3%)of this sum were lent. More than 15 thousand businesses benefitted of this program and created 4500 job opportunities, 64% of them are outside Amman.

To provide comprehensive credit database about customers of banks and other financial companies that provide credit to help SMEs get the necessary financing, the CBJ licensed in Dec. 2015 the first credit bureau, which started to work at the end of 2016.

In the aftermath of the world financial crisis, different financial and economic policy makers began to focus on financial inclusion and access to financial services. What are the most important achievements of CBJ in this respect?

The CBJ is keen on enhancing the financial, social and political stability and economic development by spreading awareness on using available financial products and services in the best way possible and in a safe and smart way.

Out of this interest, the CBJ started a project to spread and strengthen financial culture in all segments of the Jordanian society. Targeted segments for financial education are schools, higher education institutions, women and rural communities, developing businesses, the work place, and through mass media, social media and the internet.

For the first time in the region, the CBJ launched at the end of 2017 the national financial inclusion strategy for 2018-2020. The strategy has five main components: digital financial services, microfinance, financing SMEs, financial education and awareness, and protection of financial consumer.

I would like to speak a little more here on the issue of financial consumer protection and its importance in achieving financial inclusion. The CBJ established a specialized department for this purpose at the end of 2016, since the comprehensive framework of financial consumer protection leads to increased trust and competition in the financial and banking systems, consequently improving the quality of financial services provided to customers. It also helps to encouraging individuals to use financial services.

The absence of mechanisms to protect customers of the financial sector will make them vulnerable to arbitrary practices and they might end up with financial services that do not fulfill their interests. So what is required is a system for the financial consumer protection that contributes to provide proper financial products in a transparent framework with credible pricing and fair treatment. Such a framework would also maintain the confidentiality of customers' data, creating mechanisms to solve complaints and conflicts. This system would also take customers' needs into consideration, especially if they do not have the necessary financial education.

The public has heated discussions now about the high debts of individuals. We would like your Excellency to explain this issue and evaluate the debts' situation of individuals?

Individuals seek to raise their living standards by getting their credit needs for housing or consumption purposes. This is reflected positively on their ability to spend and consequently stimulating economic growth. On the other hand, this helps banks to do the due diversification of their products, consequently leading to minimize risks and enhance profitability. However, at the same time, the excessive rise in an individual's debt compared to his/her income has negative effects on financial and economic stability in any country. This increases lending risks and bad debts at banks and other financial institutions. This also leads to weakening individuals' ability to spend, thus negatively affecting economic growth, and increasing the risks of moral hazards and adverse selection, forcing bank to refrain from granting credits; thus causing further setbacks in expenditures and economic growth.

The volume of individuals' debts and banks' behaviour in Jordan are surely far from those elements. The CBJ pays extreme attention to this issue and follows it up constantly. We have the sufficient tools to early detection of any risks and to intervene effectively to direct them to maintain our financial stability.

In monitoring the development in the ratio of individuals' debts to their income in Jordan in the last five years, it was noticed that this ratio registered the highest at the end of 2015, where it stood at 69.4%. Then it began to decline until it reached 67.4% at the end of 2017. This is a moderate ratio and less than the world average of this type of debts. It should be noted that this ratio does not represent the debt burden level for the borrower, nor does it mean that all Jordanians are debtors by 67.4% of their income. What it means is that the total balance of individuals' debts constitutes 67.4% of their available annual income. The percentage that measures the annual burden on the borrower, which is the value of monthly installments and interest, is in average 40% of the borrower's monthly income. This is within the acceptable and safe limits. As said before, banks do not allow excessive debt of individuals and they set ceilings within their credit policies that guarantee the burden of debt service does not exceed 50% of the individual's income.

It is noteworthy that the growth rate of individuals' debts witnessed a noticeable decline in 2018, as it grew by 2.3% only in the first nine months of 2018, compared with a growth rate of 6.5% for the same period of 2017, and a growth rate of more than 11% in the years before 2017.

E. ABJ Publications in 2018

The ABJ issued in 2018 the following publications:

The Annual Report: The ABJ issued its 39th annual report of 2017 in English and Arabic, which included development of the Jordanian banking sector in 2017 in terms of liquidity, assets, liabilities and capital. It also included an analysis of the comparative performance of banks operating in Jordan and the new services they delivered in the same year. It tackled also the development of human resources and the number of bank branches all over the kingdom. The report shed light on the prospects of regional and world economy and the core of world and local economic developments, and highlighted the main ABJ activities in the said year.

ABJ Booklet Series:

Booklet #1: Bank Relationships with Correspondent Banks and their Reflection on Arab Banking Sector with a Focus on the Case of Jordan. This issue shed light on many aspects of relations with correspondent banks: services of correspondent banks; the importance of relations with correspondent banks and their developments; and, reasons behind some global banks' withdrawal from correspondent banks' relations.

Booklet #2: Future Prospects of the Youth from an Economic Perspective. This booklet was issued with the importance of young people in the background as the main engine of socio-economic development, and the main human resource of innovation and creativity. They are the backbone of society.

Booklet #3: Comparative Performance of Banks Operating in Jordan during 2016 and 2017. The booklet handled the development of banks' performance in terms of the main items of the financial position statement, income statement, measures of profitability and branching in 2017, compared with 2016.

Booklet #4: Survey Study on the Role of Banks in Financing Projects in the Water Sector: the Case of Jordan. It tackled the situation and prospects of bank financing targeting water projects in Jordan.

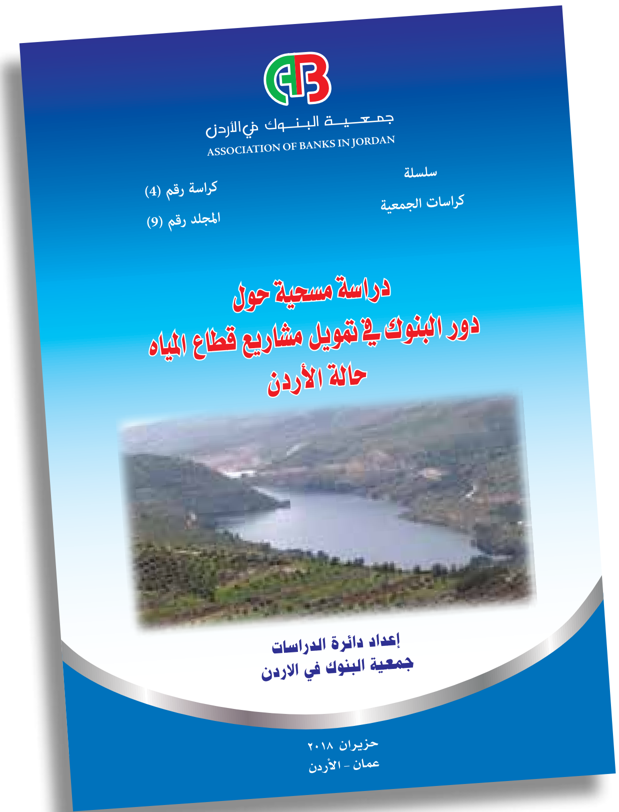
Booklet #5: The Most Important Indicators of Consolidated Financial statements of Banks Operating in Jordan, 2016-2017. It summarized the most important developments in items of consolidated financial statements of banks operating in Jordan in 2017 compared with 2016.

Highlights of the most Important ABJ Achievements, Initiatives and Programs on its 40th Anniversary. This handbook is a documentation of the most important landmarks in the ABJ march. It explores the most important aspects of the ABJ work in the last 40 years. It also shows the most important developments in the process of Jordanian banking sector in the same period.

ABJ Publications in the Period of 2006-2018. This handbook contains a comprehensive and brief description of the ABJ publications in the period of 2006-2018, including the studies, researches, reports, booklets and books in English and Arabic.

A Study on the Draft Amendments of Income Tax Law #34 of 2014: Consequences of Amendments on Banks, Individuals and the National Economy. The study covered the most important amendments on the Income Tax Law #34 of 2014; the real situation of profitability of banks operating in Jordan, and banks' total contribution to the tax yield. It also discussed the consequences and reflections of draft amendments on the bank sector, individuals, Amman Stock Exchange and the negative effects on foreign investments. The study proposed a worthy package of alternative solutions and recommendations.


جمعية البنوك في الأردن
ASSOCIATION OF BANKS IN JORDAN
إضاءات على أبرز إنجازات ومبادرات وبرامج جمعية البنوك في الأردن
بمناسبة مرور أربعين عاماً على تأسيس الجمعية
40 YEARS 1978 - 2018


جمعية البنوك في الاردن
ASSOCIATION OF BANKS IN JORDAN
سلسلة
كراسات الجمعية
كراسة رقم (4)
المجلد رقم (9)
دراسة مسحية حول
دور البنوك في تمويل مشاريع قطاع المياه
حالة الأردن
إعداد دائرة الدراسات
جمعية البنوك في الاردن
حزيران ٢٠١٨
عمان - الأردن


جمعية البنوك في الاردن
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كراسة رقم (3)
المجلد رقم (9)
سلسلة
كراسات الجمعية
الأداء المقارن للبنوك العاملة في الأردن
خلال عامي ٢٠١٦ و٢٠١٧
البنوك الاسلامية
البنوك التجارية الأجنبية
البنوك التجارية الأردنية
إعداد دائرة الدراسات
جمعية البنوك في الاردن
أيار ٢٠١٨
عمان - الأردن

Chapter Four

Financial Statements and Auditors' Report of 2018

Independent Auditor's Report

To the Members of Association of Banks in Jordan

(Independent Sole Association)

Amman- Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Association of Banks in Jordan (the Association), which comprise the statement of assets and liabilities as at 31 December 2018, the statement of revenues and expenses and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with the Association's bylaw and the accounting policies set out in (note 2).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Association's bylaw and the accounting policies set out in (note 2), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association’s ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However future events or conditions may cause the Association to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The Association maintains proper books of accounts which agree with the financial statements.

Amman – Jordan

3 March 2019

Association of Banks in Jordan

(Independent Sole Association)

Statement Of Assets And Liabilities

at 31 December 2018

	Notes	2018	2017
Assets		**JD**	**JD**
Non-Current Assets-			
Property and equipment	3	1,477,730	1,378,521
Current Assets-			
Accounts receivable and other current assets	4	29,613	27,212
Cash on hand and at banks	5	2,003,328	2,189,579
		2,032,941	2,216,791
Total Assets		**3,510,671**	**3,595,312**
Association's equity And Liabilities			
Association's equity-			
Accumulated surplus	6	3,285,056	3,269,739
Liabilities-			
Non - Current Liabilities-			
End of service indemnity provision	7	68,934	64,867
Current Liabilities-			
Accrued expenses		359	2,909
Accounts payable		8,833	5,899
Restricted fund	8	147,489	251,898
		156,681	260,706
Total Association's equity and Liabilities		**3,510,671**	**3,595,312**

The attached notes from 1 to 11 form part of these financial statements

Association of Banks in Jordan
(Independent Sole Association)
Statement of Revenues and Expenses
For The Year Ended 31 December 2018

	Notes	2018	2017
Revenues-		**JD**	**JD**
Membership fees		805,772	547,243
Banks magazine income		47,054	49,081
Workshops and seminars income		33,250	40,100
Interest income		78,595	70,187
Other income		-	730
Gain from sale of property and equipment		5,117	-
Total revenues		**969,788**	**707,341**
Expenses -			
Banks magazine expenses	9	(58,416)	(61,840)
Workshops and seminars expenses		(19,056)	(26,590)
Administrative expenses	10	(876,999)	(727,487)
Total expenses		**(954,471)**	**(815,917)**
Net surplus (deficit) in revenues over expenses for the year		**15,317**	**(108,576)**

The attached notes from 1 to 11 form part of these financial statements

Association of Banks in Jordan

(Independent Sole Association)

Statement Of Cash Flows

For The year Ended 31 December 2018

	Notes	2018	2017
Operating Activities		**JD**	**JD**
Net surplus (deficit) in revenues over expenses for the year		15,317	(108,576)
Adjustments for:			
Depreciation	3	63,763	54,369
Provision for end of service indemnity	7	4,067	6,181
Interest income		(78,595)	(70,187)
Gain from sale of property and equipment		(5,117)	-
Changes in working capital –			
Accounts receivable and other current assets		(2,401)	(1,699)
Accrued expenses		(2,550)	1,680
Other current liabilities		2,934	1,107
Net cash flow used in from operating activities		(2,582)	(117,125)
Investing Activities			
Received interest income		78,595	68,454
Purchase of property and equipment	3	(162,972)	(61,181)
Proceeds from sale of property and equipment		5,117	-
Net cash flow (used in) from investing activities		(79,260)	7,273
Net decrease in cash and cash equivalents		(81,842)	(109,852)
Cash and cash equivalents at 1 January		1,937,681	2,047,533
Cash and cash equivalents at 31 December	5	1,855,839	1,937,681

The attached notes from 1 to 11 form part of these financial statements

Association Of Banks In Jordan

(Independent Sole Association)

Notes To The Financial Statements

31 December 2018

(1) General

The Association of Banks in Jordan (ABJ) was established on 1 October 1978 and registered at that time as an ordinary association in accordance with the provisions of the Societies and Social Charities law number (33) for the year 1966 and its amendments law number (9) for the year 1971. In 2000, the Banking Law number (28) was issued, whereof Article 95 stipulated the creation of an association named the Association of Banks. By virtue of this law, the association's new bylaws number (35) of 2005 was issued on 29 March 2005 announced in the official newspapers no. 4707 on 18 May 2005, hence becoming an association pursuant to the Banking Law. The association objective is to develop the banking business through the following:

1. Looking after the interests of members and coordinating between them in order to achieve their common benefit.
2. Improving and modernizing the methods of delivering banking services.
3. Deepening the understanding of banking business and its norms as well as following unified regulations and procedures for this purpose.

(2-1) Basis of Preparation

The financial statements have been prepared in accordance with the association bylaw and the accounting policies shown below and under the historical cost convention.

The financial statements have been presented in Jordanian Dinar ("JD") which is the functional currency of the association.

(2-2) Significant Accounting Policies

Property and Equipment

Property and equipment are stated at cost on purchase date or at fair value on the donation date. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets using annual percentages as follows:

	%
Buildings	2
Equipment and tools	20
Furniture and fixtures	10
Vehicles	15

When the carrying value exceeds the estimated recoverable amounts, the assets are written down to their recoverable amounts, and impairment loss is recognized in the statement of revenue and expenses.

Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash on hand and cash at banks less due to banks.

Revenue Recognition

- Revenues from the annual membership registration fees are recognized on accrual basis.

- Revenues from the Banks magazine is recognized once collected.

- Other revenues are recognized on cash basis.

- Interest revenue is recognized as interest accrues using the effective interest method.

Provisions

Provisions are recognized when the association has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

End of Service Indemnity

End of service indemnity is calculated based on employment contracts equivalent to one month salary per year after deducting the associations contribution in social security.

Saving fund contribution

Saving fund contribution is calculated in accordance with saving fund regulations which represents 10% from the basic salary plus family allowance.

Expenses

Expenses are recognised on accrual basis.

Income Tax

The association is exempted from income tax in accordance with the Income Tax Law number (34) of 2014.

(3) Property and Equipment

	Land	Buildings	Equipment and tools	Furniture and fixtures	Vehicles	Total
	JD	JD	JD	JD	JD	JD
2018 -						
Cost-						
At 1 January 2018	326,477	1,566,413	210,908	266,650	64,280	2,434,728
Additions	-	-	137,522	3,950	21,500	162,972
Transfer from advance payment to suppliers	-	-	4,400	-	-	4,400
Disposals	-	-	(5,117)	-	-	(5,117)
At 31 December 2018	326,477	1,566,413	347,713	270,600	85,780	2,596,983
Accumulated depreciation-						
At 1 January 2018	-	622,909	191,723	207,246	38,729	1,060,607
Depreciation charged for the year	-	31,148	16,387	9,544	6,684	63,763
Disposals	-	-	(5,117)	-	-	(5,117)
At 31 December 2018	-	654,057	202,993	216,790	45,413	1,119,253
Net Book Value	326,477	912,356	144,720	53,810	40,367	1,477,730
Advance payment on property and equipment	-	-	-	-	-	-
Net Book Value at 31 December 2018	326,477	912,356	144,720	53,810	40,367	1,477,730
2017 -						
Cost-						
At 1 January 2017	326,477	1,557,388	196,132	233,670	64,280	2,377,947
Additions	-	9,025	14,776	32,980	-	56,781
At 31 December 2017	326,477	1,566,413	210,908	266,650	64,280	2,434,728
Accumulated depreciation-						
At 1 January 2017	-	591,761	181,931	199,292	33,254	1,006,238
Depreciation charged for the year	-	31,148	9,792	7,954	5,475	54,369
At 31 December 2017	-	622,909	191,723	207,246	38,729	1,060,607
Net Book Value	326,477	943,504	19,185	59,404	25,551	1,374,121
Advance payment on property and equipment	-	-	4,400	-	-	4,400
Net Book Value at 31 December 2017	326,477	943,504	23,585	59,404	25,551	1,378,521

(4) Accounts Receivable and Other Current Assets

	2018 JD	2017 JD
Accounts receivable	13,622	8,647
Prepaid expenses	7,562	5,337
Accrued interest income	7,097	11,896
Refundable deposits	1,432	1,432
Less: provision for doubtful debts	100	100
	29,613	27,212

(5) Cash And Cash Equivalents

	2018 JD	2017 JD
Cash on hand	1,500	1,500
Current accounts**	145,672	206,123
Banks deposits*	1,856,156	1,981,956
	2,003,328	2,189,579
Less: Martyr Pilot Moath Al Kasasbeh's Scholarships Fund and Financial Inclusion Conference Fund (Note 8)	(147,489)	(251,898)
	1,855,839	1,937,681

* Banks deposits include the following:

- An annual deposit at Jordan Commercial Bank amounting to JD 1,703,186 as of 31 December 2018. (2017: JD 1,631,502), with an interest rate of 4.625% (2017: 3.875%).
- A monthly deposit at Arab Bank amounting to JD 124,828 as of 31 December 2018. (2017: JD 223,272) with an interest rate of 2.625% (2017: 2.19%).
- A monthly deposit at Housing Bank for Trade and Finance amounting to JD 28,142 as of 31 December 2018 (2017: JD 127,182) with an interest rate of 1.95% (2017: 2.07%).

** Current accounts include restricted amount of JD 145,672 related to Martyr Pilot Moath Al Kasasbeh Scholarship Fund and Financial Inclusion Conference Fund.

(6) Accumulated Surplus

	2018 JD	2017 JD
Beginning balance	3,269,739	3,378,315
Surplus (deficit) for revenues over expenses for the year	15,317	(108,576)
Ending balance	3,285,056	3,269,739

(7) End OF Service Indemnity Provision

The movement on this provision is as follows:

	2018 JD	2017 JD
Beginning balance	64,867	58,686
Provision for the year	4,067	6,181
Ending balance	68,934	64,867

(8) Restricted Fund

The movement on this item is as follows:

	2018 JD	2017 JD
Martyr Pilot Moath AlKasasbeh's Scholarships Fund*	147,028	203,398
Financial Inclusion Conference Fund**	461	48,500
	147,489	251,898

* This item represents the contributions from member banks in the association in Martyr Pilot Moath AlKasasbeh's Scholarships Fund, whereby in 2015, the association signed an agreement with the Ministry of Higher Education and Scientific Research on behalf of member Banks in order to provide one time 52 scholarships for Jordanian students registered in official Jordanian universities. The movement on this account is as follows:

	2018 JD	2017 JD
Banks' contributions received	203,398	275,148
Amounts paid	(56,370)	(71,750)
Ending balance	147,028	203,398

** This item represents the contributions from Banks for supporting the Financial Inclusion Conference which was held by the Central Bank of Jordan in December 2017.

The movement on this account is as follows:

	2018 JD	2017 JD
Beginning balance	48,500	-
Additions	-	48,500
Amounts paid	(48,039)	-
Ending balance	461	48,500

(9) Banks magazine Expenses:

	2018 JD	2017 JD
Printing	40,481	43,283
Compensations	17,375	18,075
Others	560	482
	58,416	61,840

(10) Administrative Expenses

	2018 JD	2017 JD
Salaries and wages	396,741	350,899
Meetings and parties	37,499	11,081
Depreciation	63,763	54,369
Social security contribution	39,076	35,944
Medical expenses	33,535	38,519
Printing and stationery	30,434	30,234
Saving fund contribution	26,865	25,227
Internet and telecommunication	26,617	21,444
Maintenance and cars expenses	24,309	19,854
Cleaning and security	20,286	19,446
Campaigns	19,960	-
Presents	38,266	4,579
Hospitality	9,973	11,654
Water and electricity	7,864	17,962
Property tax	7,050	7,050
Transportation and travel	6,187	9,907
End of service indemnity	4,066	6,181
Professional fees	37,878	2,378
Fuel	2,081	6,379
Others	44,549	54,380
	876,999	727,487

(11) Income Tax

The association is exempted from income tax in accordance with Article (4-A) of the Income Tax Law number (34) of 2014.