

Number:4/6402

Date: 17 Ragab 1433 Hijri

Corresponding to 7 June 2012

Memorandum to all Licensed Banks

No (33/ 2012)

Subject: The General Conditions for Outright Open Market Operations

Pursuant to our memorandum no (29/2012) dated 29/5/2012, and in line with the Central Bank of Jordan's endeavor to develop monetary policy instruments that aim at influencing the level of domestic liquidity, the Central Bank of Jordan will commence to activate the outright open market operations by entering either as a seller or buyer of government securities and securities guaranteed by the government with the purpose of withdrawing or injecting liquidity whenever the circumstances of the market necessitate so, and in accordance with the general conditions below:

- 1- These operations shall be performed in the secondary market at the initiative of the Central Bank through auctioning (interest rate auction/ quantitative auction), and as announced by the Central Bank of Jordan.
- 2- Banks will be notified of the special conditions of the outright open market operations together with the interest rates and/ or the amount of cash to be withdrawn or injected by Fax, the Reuters Monitor and the Central Bank website or with any other adequate mean that guarantees the delivery of the information to all banks.
- 3- Banks seeking to participate in the auction shall apply **with one bid or more** and according to the **special conditions notified to banks upon the auction's announcement**, provided that the nominal value of a single selling/ buying bid is no less than one million dollar or its multiples.
- 4- In the case of an interest rate auction, the Central Bank will sell on the basis of accepting the highest price bid, or buy on the basis of accepting the lowest price bid. In case of an accumulating auction, the provisioning will be made according to the amount of bids received from banks.
- 5- The Central Bank shall announce the maximum limit for banks' participation as a percentage of the put- up value for the auction.
- 6- The Central Bank shall announce the results on the same working day on which the auction is held, and participating banks will be notified of these results in writing or by any other mean that is accessible by banks.
- 7- The Central Bank shall announce the issues of which selling or buying is put- up as well as their terms in the special conditions duly announced. In case of a quantitative auction, the Central Bank shall include in its announcement the acceptable returns rates for each term.
- 8- In the case of an interest auction, the Central Bank will announce the amortized returns rate weighted for each term after the closing of the auction as a reference return rate in the primary and secondary markets.

- 9- Banks seeking to participate in the auction shall apply on the basis of the Clean Price, whereas the settlement is done on the basis of the Full Price that stands for the selling price/ the put- up purchase to which the accrued interests are added as of the date of paying the final interest installment and till the date of settlement.
- 10- Affecting the bonds holders' records in the Central Bank of Jordan is made in lieu of crediting/ debiting the value of the selling/ buying of these bonds to the account of the licensed bank with the Central Bank of Jordan on the basis of Delivery- Versus- Payment (DVP).
- 11- Bids submitted from participating banks in the auction are accepted during the period set on the day of the auction. Bids received before or after the deadline will not be accepted in any case. Furthermore, bids shall be sent to the Central Bank of Jordan to the **fax numbers set on the day of the auction's announcements** or through any other mean determined by the Central Bank.
- 12- The Central Bank may increase or decrease the value put- up in the auction. Also, it may reject any of the offers or cancel the whole auction and re- hold it without the need to state reasons.

These instructions are valid as of date. They supersede any contradictory instructions.

**Governor
Dr. Ziad Fariz**