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**Instructions for Managing and Marketing Portfolios and Investment Funds  
In Foreign Currencies on Behalf of Clients**

**No. (34/2007)**

**Issued by the Central Bank of Jordan**

**Pursuant to the Provisions of Article (99/B) of the Banking Law**

I list hereunder the controls that the banks should comply with when providing management and marketing client portfolios and investment funds in foreign currencies as follows:

**First: Managing Portfolios and Investment Funds in Foreign Currencies:**

Banks are allowed to manage client portfolios and investment funds in foreign currencies based on their non-discretionary instructions (orders) or discretionary authorization, within a detailed investment policy agreed upon between the two parties according to the following conditions:

1. The bank's Board of Directors shall adopt a written policy that specifies the principles of managing portfolios and investment funds in foreign currencies, including operating principles, desired investment instruments and active controls, including operating controls that reduce the risks of these investments. The banks shall provide the Central Bank of Jordan with this policy within three months from the date of issuing these instructions, including any amendments that may be modified in the future.
2. The bank may use market derivatives such as forward contracts, futures, options and others, provided that the bank does not sell option rights in the absence of appropriate hedging procedures. Investment in these instruments shall comply with the bank's general investment policy.
3. The bank is prohibited from extending credit facilities to clients or to allow them to use existing credit facilities to finance investment operations in these portfolios or funds, or to use their shares in them as collateral.
4. Benchmarks shall be specified as points of reference for each portfolio/fund managed by the bank, based on a discretionary authorization from clients in a manner that permits judgment of results.
5. The bank shall specify portfolios or investment funds for each operation prior to execution, using a special record for this purpose.

6. These services shall be entrusted to technically qualified personnel operating according to clear instructions authorized by the bank management.
7. The bank shall have an independent back office to settle completed operations, in addition to another independent middle office to monitor clients' account status. It is imperative that these operations be subjected to the bank's internal auditing procedures, to assure compliance with approved policies and procedures.
8. Legal agreement forms shall be adopted to organize the relationship between the bank and the client in both Arabic and English (on the same form), in a clear and legible manner, explicitly including all risks to which the client may be exposed, as well as operating conditions, including commissions, charges and expenses, specifying the bank's responsibility in managing these portfolios or funds.
9. The bank shall commit to providing clients with detailed and clear periodic reports on their accounts (at least monthly) or in case of a material drop in the performance of the portfolio / fund below the performance standards or upon request.
10. The bank shall maintain records of clients' instructions (orders) received in writing, by fax, by internet or on recorded telephone conversations, for a period that complies with current legislation and provisions in this regard, and in a manner that may be easily retrieved if required.
11. The need to make available detailed, updated and clear publications for clients about portfolios and investment funds, including types and distribution rates of investments, magnitude of expected risks, and commissions, fees and charges borne by the client.
12. Marketing advertisements shall be in various media to present these services clearly and with a high degree of transparency.
13. The bank is prohibited from entering as counterparty in operations carried out in favor of clients. The bank's function is to act as a mediator.
14. The need to separate bank accounts from client accounts as far as portfolios and joint investment funds. Portfolios and investment fund accounts shall be classified as part of the bank off-balance sheet items.
15. Maintain all documents supporting accounting entries made for portfolios and investment funds for clients in a manner that makes them easily retrievable.
16. Present investment product portfolios as part of the daily foreign currencies position statement sent to the Central Bank.

## **Second: Marketing Investment Funds in Foreign Currencies:**

Banks are allowed to market foreign currency investment funds provided the Central Bank is duly informed, and that the following must be complied with:

1. The bank's board of directors shall adopt a written policy that specifies the principles for marketing investment funds regarding types to be marketed and the magnitude of risks involved therein.

2. The bank is prohibited from extending credit facilities to clients or to allow them to use existing credit facilities to finance investment operations in these portfolios or funds, or to use their shares in them as collateral.
3. Detailed, updated and clear publications shall be made available for clients. Such publications shall be highly transparent, especially regarding returns and risks. Clients should be familiar with these publications and sign them, attesting to knowledge of their content and to taking the full responsibility, while fully comprehending the role of the bank as a promoter of these funds, without any liability as to the results of this promotion.
4. Records shall be maintained including information regarding investments that the bank is promoting.

**Third: General Provisions:**

1. Continuous training of staff responsible for managing and promoting portfolios and investment funds shall be observed.
2. A register shall be maintained including client complaints regarding their investments in these portfolios and funds.
3. The provisions of these instructions apply to licensed and operating banks in the Kingdom foreign branches of these banks are not subject to these instructions.
4. These instructions are applicable as of this date, and Memorandum number (3/93) dated 5/1/1993 and all other relevant instructions shall be repealed.

Respectfully,

The Governor  
Dr. Umayya Toukan