

No.: 27/3/2502

Date: 29/5/1439 Hijri

Corresponding to: 15/2/2018

Circular to banks operating in the Kingdom

After Greetings,

Pursuant to the Central Bank of Jordan's keenness to apply the best international standards and practices aimed at developing the reference interest rates used in pricing credit products that include variable interest rates, please be informed that it has been decided to amend Article (6 / d) of Chapter One of the Instructions on Dealing with Customers Fairly and Transparently No. (56/ 2012) dated 31/10/2012, to read as follows:

- “ - In case the client chooses the product that includes a variable interest rate, such rate shall be linked to the monthly average of the effective interest rate in the interbank lending market (Overnight Interbank Rate) announced by the CBJ. In the event that there are no transactions in the interbank market for a month or more, banks continue to operate at the last published monthly average of the effective interest rate in the interbank lending market. Banks may reflect the effect of the change in the interest rate on the one- night repurchase agreements announced by the Central Bank on this average. This should be clearly included in the contracts signed with clients.
- Islamic banks have the right to use the change in the discount rate announced by the Central Bank as a reference indicator for credit products that include variable return. This should be clearly included in the contracts signed with clients.
- The bank must clearly clarify the variable and fixed part of the interest / return rate in the contracts signed with customers, and commit not to amend the fixed part throughout the validity period of the contract signed with the client. In addition, the bank must specify the date of the periodicity of changing the variable interest / return rate so that it is not less than three months, and commit not to change the periodicity for the duration of the validity period of the contract signed with the customer on all customer's contracts.

- Banks are not allowed to set a minimum reference rate.”

The provisions of this circular shall apply to all credit products that are granted or to be renewed under new contracts for retail customers as of 1/7/2018. Note that banks have the right to continue using JODIBOR on all existing contracts with clients before this date, regardless of the maturity period, and also to continue using JODIBOR in the event of an increase in loans granted to clients (Top-Up) before 1/7/2018 unless this requires signing new contracts with clients.

Respectfully,

**Governor
Dr. Ziad Fariz**