

No. 10/19995  
Date: 5/12/2000

**Instructions of Banks' Acquisition of Insurance Companies**  
**Circular No. (5/2000)**  
**Issued by the Central Bank of Jordan**  
**Pursuant to the article (99/B) of the Banking Law**

Pursuant to the provisions of clause (b) of article (37) of the Banking Law no. (28) for year 2000, I have decided the following:

First: The Bank, with a prior written approval from the Central Bank of Jordan, is allowed to own an insurance company or companies, according to the provisions of the Companies Law and Securities Law, with the following commitments:

- 1) Submitting a request of endorsement to the Central Bank for the acquisition, supported with an economic feasibility study is justifying the acquisition of the insurance company.
- 2) The acquisition of the company should not result in reducing the capital adequacy ratio below the minimum ratio specified by the Central Bank.
- 3) Fulfilling the requirements of the Central Bank regarding the adequacy of reserves and provisions.
- 4) Realizing net profit during the three years preceding the acquisition.
- 5) The acquisition decision should be approved by the general assembly during an unusual meeting.

Second: If the Central Bank approves the acquisition process, the Bank should commit to the following:

- 1) The volume of direct and indirect credit facilities extended to the company should not exceed the ratio identified by the Central Bank's instructions.
- 2) Both the company that is contributing to the bank's capital and the director general are not allowed on the Bank's board of directors.
- 3) Providing the Central Bank with any amendments which could take place on the memorandum of agreement, with the internal regulations of the company and the activities it will conduct, taking into consideration that all of the above must be consistent with the related laws and instructions.

- 4) The insurance company should not provide any type of banking activities, which are solely confined to banks.
- 5) Periodically providing the Central Bank with inspection reports from both the Insurance Commission and the company's external auditor.

Third: The Central Bank of Jordan has the right to impose any additional conditions as it sees fit.

Fourth: The banks are allowed to apply for the acquisition of existing insurance companies as of the date of issuance of these instructions. However, they are not allowed to apply for establishing new subsidiary insurance companies before the end of June 2002.

Fifth: These instructions shall come into effect as of this date.

Governor  
Dr. Umayya Toukan