

No:10/2/2/10
Date: 7/8/2005

Instructions of Money Penalties over the Banks'
Investments in Securities
Circular No. (21/2005)

Pursuant to the provisions of the articles (38 and 88/B/4) of the Banking Law No. (28) of the year 2000, the instructions concerning banks' acquisitions of securities and shares in company capital No. (12/2002) dated March 27, 2002 and in execution of the board of directors' resolution No. (67/2005) dated July 25, 2005 and as the period given to the banks to rectify the violations concerning the ratio of total investment in shares to capital has expired, we have decided the following:

- 1- In the case that the banks' investments in stocks and shares directly or indirectly exceed the maximum limit determined in Article (38/A/3) of the Banking Law No. (28) of the year 2000, a monthly basis cash Fine amounting to 0.002 of the violation amount will be imposed (calculated on the basis of purchasing cost).
- 2- In the case that a bank's investment in stocks and shares of any company directly or indirectly exceed the maximum limit determined in Article (38/A/1) of the Banking Law No. (28) of the year 2000, a monthly basis cash Fine amounted to 0.005 of the amount of the violation will be imposed (calculated on the basis of purchasing cost).
- 3- In the occurrence of the above two imposed violations, the higher Fine will be imposed, aggregation of both Fines is not allowed.
- 4- In addition to the exclusions stated in the article (38/B) of the Banking Law No. (28) of the Year 2000, the banks' contributions in companies under liquidation are excluded from the provisions of these instructions, if the bank completely ensures the precaution to the decline in the value of these contributions.
- 5- The follow up on the banks complying with the above limits, and subsequently imposing the money penalties, are done according to the monthly reports. In the case Jordanian banks' branches abroad cause a violation, or a violation caused by indirect investments of the bank (through the subsidiary companies inside the Kingdom), the

banks should provide the Central Bank of Jordan with monthly reports (instead of quarterly reports) for the purposes of follow up and imposing fines.

- 6- For the purposes of implementing the provisions of article No. (88/B/4) of the Banking Law No. (28) of the year 2000, the month is considered as the unit of capturing violations and charging money penalties.
- 7- Money penalties stated are calculated on a monthly basis starting August 31, 2005.
- 8- Banks should continue taking a prior approval from the Central Bank before investing in the capital of any other bank or company, which accepts deposits, such contribution, must be subject to the determined ratio stated in the Article (38/A/2) of the Banking Law No. (28) of the year 2000.
- 9- The banks should commit to the article (39) of the Banking Law No. (28) of the year 2000, which states that banks must notify the Central Bank within fifteen days as from the date of acquiring the stocks and shares, which exceed 5 percent of any company's capital.
- 10- These instructions should come into force as of this date; any other contradicting instructions shall be repealed.

Governor
Dr. Umayyah Toukan