

# Instructions on Interest Rates on Deposits and Credit Facilities no (14/2002)

Issued by the Central Bank of Jordan Pursuant to the Provisions of Article  
(99/B) of Banking Law

**Instructions on Interest Rates on Deposits and Credit Facilities no (14/2002)**  
**Issued by the Central Bank of Jordan Pursuant to the Provisions of Article (99/B) of**  
**Banking Law**

Pursuant to the provisions of Article no (43) of Central Bank of Jordan's law no (23) of 1971 and its amendments, and Article (44) of the banking law no (28) of 2000, and in line with the Central Bank's endeavor to achieve flexibility in approving the interest rates on deposits and credit facilities, in addition to ensuring more competitiveness and transparency in that field, I hereby decide the following:

**First:** Banks shall determine their interest rates on their various deposit types, as well as the interest rates and commissions charged on their various credit facilities' types.

**Second:** Banks must notify customers in writing of the conditions and whole cost of loans including the annual interest rate, fees and various commissions, as well as the amount of loan, its date, maturity date, its conditions as well as penalties on delay in payments.

**Third:**

- A) Each bank shall set weekly and display prominently at all of its branches sufficient data regarding the interest rates it pays on deposits and those it charges on credit facilities according to their maturities, types, conditions, and calculation methods. Banks are obliged to keep effective interest rates as close as possible to their declared interest rates as long as they are valid.
- B) The bank shall set its interest rates on deposits and credit facilities at the beginning of each week and keep them valid for the duration of a whole week. The bank must notify the Central Bank on Tuesday of each week of the interest rates to be approved as of the beginning of the following week, according to attachment no (1).
- C) The bank shall commit to the declared interest rates, and the Central Bank may announce, as it deems, fit the data regarding applied effective interest rates of each bank and the range of deviation from the declared rates.

**Fourth:** Banks shall continue to announce and display prominently their prime lending rates to their customers through various types of media means. Banks shall also commit to put forward and declare a clear and specific definition of their premium customers, provided that such description does not include the government, public institutions, and companies which the government holds more than (50%) of their shares.

**Fifth:** Each licensed bank shall submit to the Central Bank no later than the tenth of the following month the attached forms (2.3).

**Sixth:**

- A) Banks shall abide by the rules stated in attachment (4) which set the following:

- 1- The methods of calculating interest rates and commissions on direct credit facilities in Jordanian Dinar of various types and maturities.
- 2- The methods of calculating interest rates on the various kinds of deposits in Jordanian Dinar and their due payments.

B) Licensed banks shall notify their customers of the methods of calculations demonstrated in item (A) above.

**Seventh:** A) All former instructions related to the subject at hand including our following memorandums and circulars are cancelled:

<b>Memorandum Number</b>	<b>Date of Memorandum</b>
90/11	16/1/1990
90/26	3/2/1990
93/161	28/6/1993
95/160	2/7/1995
Circular no (10/1375)	27/1/2000
Circular no (10/2/3/3/3032)	14/2/2001

B) These instructions are effective immediately.

**Attachment number (1)**

Declared Interest Rates on Deposits and Credit Facilities for the week starting from  
Sunday dated //

**First:** Customer Deposits in Jordanian Dinar:

Deposit Type	Interest Rate%	
	Minimum	Maximum
Deposits on Demand		
Saving deposits		
Time deposit (1 month)		
Time deposit (3 months)		
Time deposits (6 months)		
Time deposits (Up to a year)		

**Second:** Direct Credit Facilities in Jordanian Dinar:

Credit Facility Type	Interest Rate%		
	Minimum	Maximum	Commission Rate
Due in no more than one year			
Due in no more than 3 years			
Due in more than 3 years			

**Attachment no (2)**  
Effective Interest Rates on Deposits and Credit Facilities  
For the month.....of the year.....

**First:** Interest rates on deposits:

A) Interest rates on customers deposits in Jordanian Dinar inside the kingdom:

Deposit Type	Effective Interest Rate%		
	Minimum rate	Maximum rate	Average
Deposits on demand			
Saving Deposits			
Time deposit			
Certificates of deposits			
Total of deposits			

B) Interest rates on customers deposits in Jordanian Dinar at Palestine branches:

Deposit Type	Effective Interest Rate%		
	Minimum rate	Maximum rate	Average
Deposits on demand			
Saving Deposits			
Time deposit			
Certificates of deposits			
Total of deposits			

C) Interest rates on banks' deposits in Jordanian Dinar inside the kingdom:

Account Type	Effective Interest Rate%		
	Minimum rate	Maximum rate	Average
On demand			
Time accounts			
Total of accounts			

D) Interest rates on deposits in US Dollar:

Statement	Effective Interest Rate%		
	Minimum rate	Maximum rate	Average
For customers inside the kingdom			
For customers of Palestine branches			
For banks			

**Second:** Interest rates on direct credit facilities (not taking into consideration credit facilities whose interests are suspended for the purpose of deducing the average).

A) Interest rates on direct credit facilities inside the kingdom:

Account Type	Effective Interest Rate%			
	Minimum rate	Maximum rate	Average	Commission rate
Overdraft				
Loans and advances				
Discounted Bills				
Total of credit facilities				

B) Interest Rates on direct credit facilities at Palestine branches:

Account Type	Effective Interest Rate%			
	Minimum rate	Maximum rate	Average	Commission rate
Overdraft				
Loans and advances				
Discounted Bills				
Total of credit facilities				

C) Interest rates charged on deposits in Jordanian Dinar inside the kingdom:

Account Type	Effective Interest Rate%		
	Minimum rate	Maximum rate	Average
On demand			
Time accounts			
Total			

D) Interest rates charged on direct credit facilities in US dollar:

Statement	Effective Interest Rate%			
	Minimum rate	Maximum rate	Average	Commission rate
For customers inside the kingdom				
For customers of Palestine branches				
For banks				

**Attachment no (3)**

**First:** Interest rates on deposits according to classifications and maturities for the month.....and year.....:

The type and size of deposit	Interest maturity				
	On demand	Less than 3 months	3-12 months	More than one year and less than 3 years	More than 3 years
On demand					
Saving account					
Time deposits:-					
Up to 10.000 JOD					
More than 10.000 and less than 50.000 JOD					
50.000-100.000 JOD					
More than 100.000 JOD					
Certificates of deposits					

\*Note:

- 1) The interest rate is rounded by 2 decimals.
- 2) The interest rate which effectively shows the deposits' segment.
- 3) This table is arranged quarterly for the months (March, June, September, and December) of each year.

**Second:** Local companies' loans, except for banks, distributed according to interest rates (in a Million JOD).\*

Annual effective interest rate%	Approved loans for the previous month				
	Withdrawn time loans				Approved overdraft
	Construction and real estates	Industry	Trade	Other Sectors	
Up to 4					
4-5					
5-6					
6-7					
7-8					



8-9					
9-10					
10-11					
11-12					
12-13					
13-14					
14-15					
15-16					
16-17					
17-18					
More than 18					

\*The amounts represent the total of withdrawn time loans and overdrafts approved during the months March, June, September, and December of each year.

**Third:** Retail loans distributed according to interest rates (in a Million JOD)\*

Annual effective interest rate%	Amounts withdrawn in the previous month according to loans and collaterals					
	Guaranteed loans according to collateral			Other retail loans		
	Real estate mortgages	Car mortgages	Deposits and other collaterals	Transferred payrolls	Credit cards	Other
Up to 6						
6-7						
7-8						
8-9						
9-10						
10-11						
11-12						
12-13						
13-14						
14-15						
15-16						
16-17						
17-18						
18-20						
More than 20						

\* The amounts represent the total of withdrawn loans during the months March, June, September, and December of each year.

## **Attachment (4)**

### **The Principles of Interest and Commissions Calculation**

**First:** Interests and commissions on direct credit facilities shall be calculated according to the following:

#### **A) Discounted bills**

The interest rate and commission are calculated and collected in advance on the principle of the number of days plus (5) days.

#### **B) Overdraft**

Commission is calculated and collected in advance based on the granted ceiling for a whole year. Interest, on the other hand, is calculated and added at the end of each month on the basis of daily balance.

#### **C) Loans**

- 1- Interests are calculated according to maturities of installments and paid with each installment's maturity. In case of a respite grant, interest is calculated and paid during the respite according to the agreement.
- 2- Commission:
  - Commissions are collected as a flat commission and in advance for each year of the duration of the loan which is paid in a single payment.
  - As for loans that are paid on installments for over a year per agreement, the commissions are calculated as a flat commission in advance which cover a year, taking into consideration the value of installments to be collected during the year per the settlement program.

#### **D) Banks syndicated loans**

The calculation and payment of interests and commissions are subject to the contracted agreements intended for that purpose.

#### **E) A year shall be considered (360) days for this purpose.**

**Second:** Interests on deposits are calculated as follows:

- A) **Current accounts/On demand deposits:** interest shall be calculated monthly on the basis of the daily balance.
- B) **Saving deposits:** calculated monthly on the basis of the lowest balance and added per the agreement with the customer on a maximum of every six months, unless the account is closed whereat the interest will be paid as of the date of closing the account on the basis of the lowest balance during the preceding month to the termination.

C) **Time deposits:** the interest rate is calculated according to the duration of the deposit and added by the day of its maturity.

D) **A year shall be considered (365) days for this purpose.**

E) **In the case of partial or full withdrawal of a deposit before its maturity, the interest rate shall be calculated according to the following:**

(Amount of deposit  $\times$  agreed upon interest rate  $\times$  the duration of the deposit) minus (the withdrawn part of deposit  $\times$  the maximum of the interest rate on the same time deposit of the withdrawn deposit declared on the date of withdrawal plus (2%)  $\times$  the remaining duration of the withdrawn deposit), provided that the customer does not lose any amount of the principal deposit placed at interest.

