

**No.: 10/1/3758**

**Date: 19/7/1442 Hijri**

**Corresponding to: 3/3/2021**

Instructions for granting credit facilities in foreign currency and controls for granting credit facilities to persons who do not engage in an activity inside the Kingdom and/ or to finance activities outside the Kingdom

No. (2/2021)

**After Greetings,**

Pursuant to the Central Bank of Jordan's keenness to continue its approach by following up on the review of the instructions and circulars issued by it, and with the aim of framing the instructions and circulars regulating the process of granting banks direct facilities in foreign currency and granting credit facilities to persons who do not engage in activity inside the Kingdom and/or to finance activities outside the Kingdom and merging them into one document. I attach hereto the amended instructions relating to the granting of these facilities, which included further clarification of a number of requirements relating to the granting of above facilities.

These instructions are effective as of its date, and the bank must provide us with the data related to the above instructions on a quarterly basis starting from the end of March, 2021, according to the forms prepared for this purpose which attached to these instructions.

**Respectfully,**

**Governor**

**Dr. Ziad Fariz**



## Central Bank of Jordan

Instructions for granting credit facilities in foreign currency  
and controls for granting credit facilities to persons who do  
not engage in an activity inside the Kingdom and/ or to  
finance activities outside the Kingdom

No. (2/2021)

**First: Reference**

These instructions shall be called (Instructions for Granting Facilities in Foreign Currency and Controls for Granting Credit Facilities to Persons who do not engage in an Activity Inside the Kingdom and/ or to Finance Activities Outside the Kingdom). It issues pursuant to the provisions of Articles (4/b/6) and (44/a) of Central Bank Law No. (23) of 1971 and its amendments, and Article (99/b) of Banking Law No. (28) of 2000 and its amendments.

**Second: Determinants of granting direct credit facilities in foreign currency**

- A. Banks are permitted - in accordance with sound loan-related banking rules and practices- to grant direct credit facilities in foreign currency (including syndications loans and credit facilities granted in foreign currency vs cash collaterals in foreign currency) to finance the following activities:
  - 1. All exportation economic activities and services that generate cash inflows into the Kingdom in foreign currency.
  - 2. All re-exportation activities of commodities passing through the Kingdom (transit trade), that generate cash inflows into the Kingdom in foreign currency.
- B. Direct credit facilities granted in foreign currency in the above-mentioned cases should not be used in financing buildings.
- C. When granting direct credit facilities in foreign currency in accordance with the above, the following must be achieved:
  - 1. The payment should be in the same currency with which the facilities were granted.
  - 2. The bank has evidence that the above activities are capable of generating cash inflows into the Kingdom in foreign currency of not less than the value of the installments and interests of the credit facilities granted, and that the source of these inflows is from outside the Kingdom. Provided that the necessary arrangements are made to deposit these flows to the client's account with the granting bank or the agent bank in the syndications loans and documenting this.

**Third: Determinants of granting credit facilities to persons who do not engage in an activity inside the Kingdom and/ or to finance activities outside the Kingdom**

- A. Banks are prohibited from granting any direct or indirect credit facilities in Jordanian dinars or foreign currency to persons who do not engage in activity inside the Kingdom and/ or for the purposes of financing activities outside the Kingdom, including off-shore companies and non-operating foreign companies and entities.

- B. The following are excluded from the above prohibition:
1. Opening letters of credits and financing them for the purpose of supplying commodities outside the Kingdom without passing through the Kingdom's lands. provided that all necessary arrangements are taken to deposit these inflows to the client's account with the granting bank or the agent bank in the syndications loans. Provided that the necessary documentation is carried out by the bank and that all documents and reinforcements that confirm the bank's control over foreign currency inflows from abroad are provided. It is the responsibility of the bank to verify the existence and application of an appropriate credit risk management policy in this regard.
  2. Indirect credit facilities between banks.
  3. Indirect credit facilities that include performance related Contingencies, as stated in the Regulatory capital instructions in accordance with Basel III Standard No. (67/2016).
  4. Credit facilities in Jordanian dinars or in foreign currency for companies registered in free, developmental or private zones that established in accordance with the legislations in force in particular, Provided that the bank has evidence that the activity of these companies is capable of generating cash inflows into the Kingdom in foreign currency in a way that exceeds the value of the installments and interests of credit facilities granted in foreign currency and that the source of these inflows is from outside the Kingdom. provided that all necessary arrangements are taken to deposit these inflows to the client's account with the granting bank or the agent bank in the syndications loans. Provided that the necessary documentation is carried out by the bank and that all documents and reinforcements that confirm its control over the foreign currency inflows arising from these activities are provided.
  5. Guarantees issued at the request of off-shore companies as a legal requirement for the purposes of their registration in accordance with the provisions of Article (7) of the Off-shore Companies Bylaw No. (105) of 2007.
  6. International *Murabaha* in foreign currency with Islamic banks.
- C. The bank must take all necessary measures to avoid any legal risks to the bank as a result of dealing with persons who do not engage in activity inside the Kingdom. The Bank is committed to the requirements of the effective Anti-Money Laundering and Terrorist Financing instructions, including with regard to identifying the real beneficiary of banking operations that occur on those accounts, and that the transactions on those accounts do not involve the exercise of activity inside the Kingdom.

#### **Fourth: General provisions**

1. Jordanian banks are prohibited from arranging the granting of any direct or indirect credit facilities in Jordanian dinars or foreign currency through their branches and subsidiaries operating outside the Kingdom to persons residing inside the Kingdom to finance activities or services inside the Kingdom for purposes other than those permitted in accordance with these instructions.
2. It is prohibited to open letters of credits or issue bank guarantees (letters of guarantee) in foreign currency at the request of a resident in favor of another resident inside the Kingdom, and this does not preclude considering the foreign currency as an account currency only to determine the amount committed in Jordanian Dinars in local letters of credits and guarantees. Exceptions are made to cases where the projects are financed by external or international entities, which stipulate that bank guarantees (letters of guarantee) and/ or letters of credits be issued in foreign currency within the financing conditions.
3. Taking into account the commitment to the maximum permissible limits of credit facilities granted in foreign currency and the limits of credit in accordance with the instructions in force in particular.
4. Banks must rectify the credit facilities in violation of these instructions, up to the maximum maturity date of those facilities.
5. The bank must keep the monthly data related to the facilities granted in foreign currency in accordance with the forms prepared for this which attached to these instructions, and to provide us with this data on a quarterly basis, starting from March, 2021. Provided that it reaches us no later than the fifteenth of the month following this data. The bank will continue to provide us with the required information within forms No. (3/a) and (3/b) attached to these instructions only until the credit facilities in violation of these instructions are rectified on the effective date of these instructions.
6. The following instructions and circulars shall be canceled as of the effective date of these instructions:
  - Memorandum No. (166/87) dated 9/9/1987.
  - Circular No. (10/2/3/3/19465) dated 10/12/2002.
  - Circular No. (10/2/5098) dated 21/5/2006.
  - Item (Fourth/1) of the Instructions for Managing Banks' Assets/Liabilities in foreign currencies No. (32/2006) dated 6/12/2006.
  - Circular No. (10/3/12001) dated 17/9/2009.
  - Instructions on direct facilities in foreign currencies granted to the exportation and Re- exportation sectors No. (53/2011) dated 9/2/2011.
  - Circular No. (10/1/857) dated 16/1/2020.





**Form no. (2)**

**b. The credit facilities that are excluded according to item (Third/B/2-6) are listed as total amounts**

Amounts are equivalent in Jordanian dinars

<b>Item No</b>	<b>Item title</b>	<b>The value of the facilities</b>
Item (Third/B/2)	Indirect credit facilities between banks	
Item (Third/B/3)	Indirect credit facilities that include performance Related Contingencies, as stated in the Regulatory Capital Instructions in accordance with Basel III Standard No. (67/2016)	
Item (Third/B/4)	Credit facilities in Jordanian dinars or foreign currency for companies registered in free, developmental or private zones that established in accordance with the legislations in force in particular.	
Item (Third/B/5)	Guarantees issued at the request of Off-shore companies as a legal requirement for the purposes of their registration in accordance with the provisions of Article (7) of the Off-shore Company's bylaw No. (105) of 2007	
Item (Third/B/6)	International <i>Murabaha</i> in Foreign Currency	
<b>Total</b>		



**Form no. (3)**

**a. Credit facilities granted by branches of Jordanian banks and subsidiaries companies operating outside the Kingdom that are violate the instructions and subject to correction procedures by the bank to comply with the instructions**

Amounts are equivalent in Jordanian dinars

Violation details (indicate which section of the instructions was violated)	Client name / Client code (in case this is not possible due to the provisions of banking Confidentiality)	Facilities Type	Direct Facilities					The nature and periodicity of payment	The purpose of the facilities	The nature of the client's activity (detailed)
			Amount	Grant Date	Facility Due Date	Grant Currency	Payment Currency			
			Granted							
			Used							
			Granted							
			Used							
			Granted							
			Used							
			Granted							
			Used							
<b>Total</b>			<b>Granted</b>							
			<b>Used</b>							

**Form no. (3)**

**b. Credit facilities granted by branches of banks operating in the Kingdom that are violate the instructions and subject to correction procedures by the bank to comply with the instructions**

Amounts are equivalent in Jordanian dinars

Violation details (indicate which section of the instructions was violated)	Client name	Facilities Type	Direct Facilities					The nature and periodicity of payment	The purpose of the facilities	The nature of the client's activity (detailed)
			Amount	Grant Date	Facility Due Date	Grant Currency	Payment Currency			
			Granted							
			Used							
			Granted							
			Used							
			Granted							
			Used							
			Granted							
			Used							
<b>Total</b>			<b>Granted</b>							
			<b>Used</b>							