

Instructions on Legal Liquidity no (37/2007)

Issued by the Central Bank of Jordan pursuant to the Provisions of Article (45/A) of Central Bank Law and Articles (42/A/1), (42/B) and (99/B) of Banking Law

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In line with the Central Banks of Jordan's desire that the legal liquidity ratio reflects the liquidity situation of banks more clearly, I hereby decide the following:

First: Each bank must maintain at all times liquid assets in the minimum of (100%) of its weighted liabilities, and liquid assets in Jordanian Dinar in the minimum of (70%) of its total weighted liabilities in Jordanian Dinar. The legal liquidity ratio is calculated as follows (and according to the attached form):

A) Numerator: the total of the following items:

- 1- Cash in registry.
- 2- Net of balances with the Central Bank.
- 3- Net of balances and deposits with local banks and other banking institutions.
- 4- Net of balances and deposits with foreign banks, headquarter and foreign branches.
- 5- Government Securities (The Hashemite Kingdom of Jordan).
- 6- Securities guaranteed by the government of the Hashemite Kingdom of Jordan.
- 7- Bonds issued by the Jordan Mortgage Refinance Company.
- 8- Securities with a residual maturity of one year or less and issued by sovereigns rated (AAA) according to the rating of Standard and Poor's or its equivalent according to Moody's and Fitch or according to any other rating agency approved by the Central Bank of Jordan; provided that these securities are issued in the same currency of the issuer country.

-The following is subtracted from the numerator:

- 1- Repurchased certificates of deposits issued by the Central Bank of Jordan
- 2- Securities sold with a repurchase agreement for later dates (Repos)
- 3- Any pledged or retained securities.
- 4- Balances allocated to meet the external branches' capital.
- 5- Balances and deposits retained by the Central Bank of Jordan and/or local banks and other financial institutions and/or foreign banks, headquarter and foreign branches.

B) The denominator of the ratio is the total of the following items after being weighted by the weights shown beside each item:

- 1- Total customers deposits: 30%.
- 2- Deposits of banks and other financial institutions with a residual maturity of year or less: (100%).
- 3- Deposits of banks and other financial institutions with a residual maturity of more than one year: (30%).
- 4- Deposits of headquarter and foreign branches per residual maturity according to the following:
 - Less than one month: (75%)
 - One month to 6 months: (65%)

- More than 6 months to a year: (50%)
- 5- Borrowed amounts (including subordinated loans) and debt securities per residual maturity according to the following:
 - Less than one month: (75%)
 - One month to 6 months: (65%)
 - More than 6 months to a year: (50%)
- 6- Bills payable: (30%)
- 7- Un-utilized credit facilities ceilings: (30%).
- 8- Issued letters of credit, acceptances and payable guarantees: (30%).
- 9- Other guarantees and forward contracts: (3%).

- The credit liabilities corresponding to repurchase agreements of Central Bank's certificates of deposits and/or any other securities as well as loans borrowed from the Jordan Mortgage Refinance Company are all subtracted from borrowed amounts referred to in item (First/B/5) above.

Second: The proceeds of subscriptions in companies' stocks are excluded from the numerator and denominator of the legal liquidity ratio. It should be noted that the display of these proceeds must be in an independent line on the side of liabilities in the monthly assets and liabilities statement of the bank, numbered (2/11) and titled (Subscriptions Trusts).

Third: For the purpose of implementing these instructions, the margin referenced in Article (42/B) of Banking Law is set at an annual rate of (3%).

Fourth: This ratio is calculated daily according to the attached table and must be submitted to the Central Bank weekly on the following day of each weekend. In the case of a fall from the required minimum legal liquidity ratio in all currencies or in the Jordanian Dinar referred to in Paragraph (First) above, the bank must submit the table daily and for the dates set by the Central Bank.

Fifth: These instructions will be in force as of 1/1/2008 and the following instructions and circulations will be cancelled by that date:

- Instructions on Legal Liquidity no (15/2002) date 18/12/2002.
- Our Circulation no (10/2/2/13500) date 28/11/2004.
- Our Circulation no (10/2/2/1088) date 31/1/2005.
- Our Circulation no (10/2/2/397) date 16/1/2007.

Attached: Legal Liquidity Ratio Form

Governor
Dr. Umayya Touqan

Legal Liquidity Ratio for date											
	Weight factors	Sunday		Monday		Tuesday		Wednesday		Thursday	
		Total	Jordanian Dinar	Total	Jordanian Dinar	Total	Jordanian Dinar	Total	Jordanian Dinar	Total	Jordanian Dinar
Numerator: the total of liquid assets											
+	Cash in registry	100%									
+	Net balances with the Central Bank	100%									
	Total of balances with the Central Bank after subtracting the following	100%									
-	Repurchased certificates of deposits issued by the Central Bank of Jordan	100%									
-	Balances retained by the Central Bank of Jordan	100%									
+	Net of balances and deposits with local banks and other banking institutions	100%									
	Total of balances and deposits with local banks and other banking institutions after subtracting the following	100%									
-	balances and deposits retained by local banks and other banking institutions	100%									
+	Net of balances and deposits with foreign banks, external headquarter and branches	100%									
	Total of balances and deposits with foreign banks, external headquarter and branches after subtracting the following:	100%									
-	Balances allocated to meet the external branches' capital	100%									
-	Balances and deposits retained by foreign banks, external headquarter and branches	100%									
+	(The Hashemite Kingdom of Jordan) Government Securities	100%									
+	Securities guaranteed by the government of the Hashemite Kingdom of Jordan	100%									
+	Bonds issued by the Jordan Mortgage Refinance Company	100%									
+	Securities with a residual maturity of one year or less and issued by sovereigns rated(AAA) according to the rating of Standard and Poor's or its equivalent according to Moody's and Fitch or any other rating agency approved by the Central Bank of Jordan, provided that these securities are issued in the same currency of the issuer country.	100%									
-	Securities sold with a repurchase agreement for later dates (Repos) are subtracted*	100%									
-	Any pledged or retained securities are subtracted	100%									
	The Total of Numerator										
	The denominator of the ratio:										
+	Total customers deposits	30%									
+	Deposits of banks and other financial institutions with a residual maturity of year or less	100%									
+	Deposits of banks and other financial institutions with a residual maturity of more than one year	30%									
+	Deposits of external headquarter and branches according to residual maturity as follows:										
	Less than one month	75%									
	One month to 6 months	65%									
	More than 6 months to a year	50%									
+	Borrowed amounts (including subordinated loans) and debt securities according to residual maturities as follows:										
	Less than one month	75%									
	One month to 6 months	65%									
	More than 6 months to a year	50%									
-	The credit liabilities required for repurchase agreements of Central Bank's certificates of deposits and/or other securities are subtracted										
-	Amounts borrowed from the Jordan Mortgage Refinance Company are subtracted										
+	Bills payable	30%									
+	Un-utilized credit facilities ceilings **	30%									
+	Issued letters of credit, acceptances and payable guarantees	30%									
+	Other guarantees and forward contracts	3%									
	Total of Denominator										
	Ratio=Total of Numerator/Total of Denominator										

*Includes repurchase agreements on any securities listed within liquid assets

**Calculated individually and per customer

1- the total of non-resident private sector deposits reached.....Jordanian Dinar as of the ending of the last working day in the week

2- the total deposits of governmental own-budget and budgetary bodies reached.....Jordanian Dinar as of the ending of the last working day in the week

2- A working day in the week

The minimum set for this ratio is (100%) for all currencies and (70%) for Jordanian Dinar.

