

Number: 4/3296

Date: 9 Raby Al-Thani 1432 Hijri

Corresponding to 14 March 2011

Instructions on Medium-Term Advances Extended to Licensed Banks No (54/2011)

Pursuant to the provisions of Paragraph (B) of Article (41) and Paragraph (A) of Article (44) of the Central Bank of Jordan Law no (23) of 1971 and its amendments, and for implementing the provisions of Article (39/B) of that law, and in line with the Central Bank of Jordan's endeavor to provide medium-term financing to licensed banks for the purpose of re-lending the sector of industry so as to contribute to promoting the economic growth in the kingdom, I hereby decide the following:

First: 1) The Central Bank may extend advances for a term of no more than nine months to licensed banks at the effective discount rate of the day of extending the advance. A single advance must not exceed five million Jordanian Dinars, and the outstanding balance of the extended advance will be renewed after amortized for an identical period upon the request of the licensed bank, with a maximum of five years with the same interest rate determined on the first time of extending the advance.

2) The maximum limit of the total advances allowed to be extended to each bank will be (5%) of the bank's total direct credit facilities in Jordanian Dinar as of the last monthly assets and liabilities statement available on the date of the bank's request for an advance from the Central Bank.

3) A licensed bank is permitted to exceed the percentage referred to Item (2) above provided that it obtains the prior written approval of the Central Bank.

Second: 1) The advances referred to above must be re-lent to companies and/ or industrial institutions (according to the approved definition of the Ministry of Industry and Commerce) to finance industrial activities exclusively, and according to the following procedures:

- 1- All applications for advances from the Central Bank by licensed banks shall be submitted according to the form intended for that purpose which demonstrates the following:
 - A- The reasons of the advance application.
 - B- The amount of the advance.
 - C- The term of the advance.
 - D- The type and amounts of guarantees provided.
 - E- An authorization by the licensed bank to the Central Bank to credit the amount of the advance and any accumulating interests on the current account of the licensed bank on the date of maturity.
 - F- Any further information or data requested by the Central Bank or deemed necessary to make its decision on the advance application.
 - G- The licensed bank pledges to make available whatever the Central Bank deems necessary at any time to solidify the guarantees provided on the advance.

- 2) If the Central Bank declines any submitted guarantees or documents for whatever reason, they will be sent back to the licensed bank as soon as possible so that it may present new documents or submit a new application.
- 3) The Central Bank issues its decision on the applications of extending advances within a period of no more than three working days as of the day of submission, if they meet all requirements.
- 4) The Central Bank may reject any application for advances, any document, and any offered guarantee without the need to state the reason.

Third: The guarantees offered by licensed banks:

- 1- The offered guarantees that the Central Bank may accept should be as follows:
 - A- Expressed in Jordanian Dinar.
 - B- One of the guarantees stipulated in Items (2), (3) and (4) of Paragraph (A) of Article (39) of the Central Bank of Jordan Law no (23) of 1971 and its amendments.
- 2- The advances are extended against accepted guarantees by the Central Bank and in a rate that does not exceed:
 - A- 85% of the value of guarantees submitted according to Item (2) of Paragraph (A) of Article (39) referred to above.
 - B- 90% of the value of guarantees submitted according to Items (3) and (4) of Paragraph (A) of Article (39) referred to above.
- 3- The guarantees submitted to the Central Bank may be different from the guarantees submitted by companies and/ or industrial institutions to licensed banks.
- 4- The guarantees submitted must not entail in its text any differences in its data in terms of amount, maturity, or any other data.
- 5- The guarantees submitted must be duly signed.
- 6- The maturity of guarantees must match with the maturity of the advance.
- 7- The submitted guarantees must clarify its emergence wherever possible.

Forth: The accumulating interests on advances extended to licensed banks will be debited to their current accounts with the Central Bank monthly, and in accordance with the conditions and maturities of these extended advances.

Fifth: The settlement of the advances:

- 1- The licensed bank pledges to pay the value of the advance's installments on their maturity dates, and the monthly interest is calculated on the basis of the outstanding balance of the value of the advance. If the balance of the current account of the bank at the Central Bank is insufficient to settle the advance's

value, the licensed bank shall provide the Central Bank with an irrevocable carte blanche of the following:

- A- Utilizing any other available funds in its other accounts with the Central bank to settle the outstanding amounts.
- B- Utilizing any government securities or securities guaranteed by the government and/ or certificates of deposits issued by the Central Bank and available in its Central Bank's portfolio to cover the due balance and its specified interests as well as any expenses and commissions that the Central Bank endures during the process of debt settlement.
- 2- The licensed bank may settle any part of the advance before its maturity date provided that the paid amount is not less than 10,000 Jordanian Dinars. However, it is permitted to settle with lesser amount provided that the Central Bank's prior written approval is obtained.
- 3- In case that the balance of the advance is settled before maturity, the accumulating interest is debited on the outstanding balance of the advance by the date of settlement.
- 4- The documents attached to the original application and preserved as a guarantee of the advance are returned after settlement.
- 5- The Central Bank may request a full settlement of the outstanding balance of any advance provided that the licensed bank is notified therewith two weeks prior to the settlement date, and the licensed bank pledges to settle once demanded.

Sixth: The bank is responsible for ensuring the following:

- A- Re-lending the advances extended to it in accordance with these instructions to finance industrial activities exclusively.
- B- Not to utilize the extended advances for the purposes of settling outstanding credit facilities with the bank itself or with any other bank.

Seventh: Notwithstanding any contradictory agreement, a bank is prohibited from raising the interest rate agreed upon with the client by the date of extending the credit facilities.

Eighth: The Central Bank may take any procedures or impose any penalties stated in the law if the bank violates the provisions of these instructions.

Ninth: These instructions shall be valid as of date and till March/ 2012. They supersede all contradicting instructions.

Respectfully
Governor
Fares Abed Al-Hamid Sharaf

Number: 4/ 10624
Date: 7 Thul Qeada 1437 Hijri
Corresponding to 10 August 2016

Amended Instructions for the “Instructions on Extending Medium- Term Advances to Licensed Banks no (54/ 2011)”

Pursuant to the instructions on the program of extending medium- term advances to licensed banks no (54/ 2011) dated 14/3/2011 and all subsequent circulations on providing financing to projects operating within the targeted economic sectors (industry, tourism, agriculture, renewable energy, and the IT), and in line with the Central Bank’s endeavor to strengthen the ability of banks to benefit from the program so as to expand the base of its beneficiaries- most particularly small and medium enterprises (SMEs)- and provide them with more flexibility in extending financing to their clients operating in the targeted sectors, it is hereby decided to amend the method of extending medium- term advances to licensed banks and its regulatory stipulations to be as follows:

First: These instructions are deemed a part and parcel of the instructions related to the program no (54/ 2011) dated 14/3/2011 and all its subsequent circulations, and therefore shall be read as one unit.

Second: Amending Item (First/1) mentioned in the instructions on extending medium-term advances to licensed banks no (54/ 2011) to be as follows:

“The Central Bank may extend advances to licensed banks for the purposes of supporting economic sectors, with specific terms and interest rates determined by the Central Bank” and, hence, the Central Bank shall continue to extend advances to banks as part of the program with a term that reaches up to 5 years for the sectors of (industry, tourism, agriculture, and IT), and with a term up to 10 years for the sector of renewable energy.

Third: The mechanism of extending advances as part of the program of extending medium- term advances to licensed banks shall be amended as follows:

- Banks seeking to benefit from the program of medium- term advances should provide the financing in advance to the targeted sectors within the program of their own money resources.
- Banks should directly send the Central Bank an advance application equivalent to the amount of the financing extended by them to beneficiaries and according to the prescribed form.
- The Department of Open Market Operations and Public Debt shall study the application for the advance and ascertain that it meets the instructions of the program and subsequently reach a decision for it.
- In the case of approval of the application that meets the conditions of the program, the advance’s amount will be credited to the banks’ accounts with us within three working days as of the day of our receiving of the application.

Forth: A maximum ceiling for advances financed as part of the program for each client and according to the economic sector is set as follows:

The Sector	The Ceiling of Extended Advances in the program for one client
Industry, tourism, agriculture, IT	2 Million Jordanian Dinars
Renewable Energy	4 Million Dinars

Fifth: Banks must contact the Central Bank to ensure that the applicant of financing does not exceed the set ceilings mentioned in Item Four above.

These instructions are effective as of date.

Governor
Dr. Ziad Fariz