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Instructions for Margin Trading in Foreign Currencies and Major Precious Metals for the Benefit of Customers

No. (16/2018)

Issued under the Central Bank of Jordan's Board Decree No. (123/2018) Dated 5 July 2018 Pursuant to the Provisions of Article (5) of Law No. (1) of 2017 and Amendments thereto for Regulating the Dealing at Foreign Stock Exchanges

Below is a list of controls that banks are required to adhere to when providing the service of margin trading in foreign currencies and major precious metals for the benefit of their customers, whether upon customers orders or bank orders based on an authorization from customers, as follows:

1. The bank's Board of Directors shall adopt a detailed and written policy and work procedures that define the principles for margin trading in transferable foreign currencies and major precious metals between the bank and its customers (whereby the types of foreign currencies and precious metals to be traded are identified).
2. Banks are prohibited from granting customers (or those related to them) credit facilities or using existing credit facilities to finance margin trading, provided that customers are to sign an undertaking indicating thereof.
3. Banks shall acquire from their customers a preliminary margin in major transferable foreign currencies, no less than (15%) of the open positions' value in foreign currencies and precious metals.
4. The preliminary margin shall be calculated based on the total of short or long positions, whichever is higher.
5. To monitor the margin, its value shall be amended immediately with the realized and unrealized profits/losses, whereby the bank shall comply with the following:-

- a. If the percentage of the margin decreases at any point of time below (10%) and up to (5%), the customer is asked to raise the margin to fulfill the percentage specified in item (3) in a period not exceeding two business days.
 - b. If the percentage of the margin decreases at any point in time below (5%), a partial (or full) liquidation of the client's position shall be immediately undertaken in a manner that preserves, at the minimum, this percentage.
 - c. Regularly ensure that the percentage of the margin (preliminary, amendment and liquidation) is above the percentage that the bank is required to maintain with the foreign bank through which the transactions are covered.
6. The need to have automated systems for calculating the various margin percentages, thus enabling the bank to monitor those percentages and carry out a partial or full liquidation of positions, as well as obtain details on the transactions individually and collectively, in addition to extracting daily statements for the clients.
 7. Examining and testing the adopted trading system to check whether it meets the monitoring requirements including users' permissions, segregation of duties, provision of necessary monitoring reports, and establishment of adequate controls to ensure examination of the program and infrastructure prior to their operation, so that to ascertain their adequacy. Moreover, the internal control systems shall guarantee the effectiveness and soundness of the information technology management accompanying them with the bank. This shall be done in accordance with the Instructions of Internal Control Systems No. (35/2007) Dated 10 June 2007 and any instructions amending or superseding thereof, as well as Circular no. (10/1/3344) dated 21 March 2005 related to e- banking business risk management and any other circulars issued thereto.
 8. Adherence to providing clients with detailed and clear reports about their accounts regularly, at least on a monthly basis, or upon request.
 9. Pledging to assign the management of these services to qualified technicians who work based on clear and approved instructions by the bank management.
 10. The presence of an independent back office that handles the settlement of executed operations, as well as another independent middle office that handles the process of monitoring the status of clients' accounts, particularly compliance with the set margin percentages.
 11. Adopting the form of a legal agreement that clearly and understandably regulates the relationship between the bank and the customer, and in a manner that includes clearly and explicitly includes all risk to which the customer may be exposed, as well as the trading conditions including fees, commissions and other expenses and specifying the responsibility for managing the margin accounts.
 12. The risk management department at the bank shall review the agreements referred to in the aforementioned paragraph regularly to ensure that risks arising from agreements reached with correspondents are transferred to agreements signed with clients in order to guarantee that the bank is not liable for any contractual risks, in addition to the need for subjecting these transactions to the bank's internal audits in order to ensure compliance with policies and procedures in effect

13. The bank shall not enter as a counterparty in the transactions that it conducts for the benefit of customers. The bank's role shall be limited to that of the mediator providing these services
14. Maintaining documents that support all the accounting records related to the margin trading in an accessible manner.
15. The cash margins (the margin) shall be classified in a separate item under cash margins while customer's positions in margin trading are classified under off-balance sheet accounts.
16. Maintaining customers' instructions, whether written, faxed, emailed or through recorded telephone calls, for a period consistent with the provisions of relevant legislation in force and in a manner that is easily referred to when needed.
17. The provisions of these instructions shall apply to banks operating in the Kingdom. External branches of these banks are not being subject to these provisions.
18. These instructions shall come into force as of date, and the provisions of Instructions for Margin Trading in Foreign Currencies and Major Precious Metals for the Benefit of Customers No. (31/2006) Dated 18 October 2006 shall be repealed.

Governor

Dr. Ziad Fariz