

This document has been translated for knowledge purposes only, but for legal purposes, the Arabic version is adopted.

**We, Abdullah II Ibn Al-Hussein, King of the Hashemite Kingdom of Jordan Pursuant to Article (31) of the Constitution, and by virtue of the decision adopted by the cabinet on 27/10/2021, ,we command the enactment of the following Bylaw:**

**Bylaw No. (107) of 2021  
Finance Companies Bylaw  
Issued pursuant to Article (65)  
of the Central Bank of Jordan Law No. (23) of 1971**

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**Article (1):**

This Bylaw shall be called the "Finance Companies Bylaw for the Year 2021" and shall enter into force after the lapse of one hundred and eighty days as of the date of its publication in the Official Gazette.

**Article (2):**

- A. The following words and phrases wherever stated in this Bylaw shall have the meanings assigned to them hereunder unless the context indicates otherwise:
- |                       |   |  |
|-----------------------|---|--|
| Bank                  | : | The Central Bank of Jordan   |
| Board                 | : | The Board of Directors of the Bank.  |
| Governor              | : | The Governor of the Bank.  |
| Company               | : | The financial company engaging in finance activity and is licensed in accordance with the provisions of this Bylaw   |
| Finance activity      | : | The activity that involves the granting of direct credit, including microfinance, financial leasing, factoring, mortgage finance, mortgage refinance, lending based crowdfunding and those that are carried out in accordance with the Islamic Jurisprudence "Sharia" rules.                         |
| Microfinance activity | : | Providing loans to low-income segment or persons who are unable to obtain financial services wholly or partially from the banking sector, whether these parties are individuals, companies, or small or micro enterprises, according to the standards determined by the Bank.                        |
| Financial leasing     | : | An activity practiced by the lessor by owning the leased property from its own or borrowed money, and leasing it to a lessee in return for a rental fee to enable the lessee to possess the leased property, using it and benefit from it in accordance with the provisions of the leasing contract. |

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- Lease-to-own (Ijara Muntaheya bil tamleek) : Financial leasing in accordance with the Islamic Jurisprudence “Sharia” rules.
- Factoring : A financial activity involving the company's purchase of current and future financial rights arising from the sale of goods or the provision of services.
- Mortgage finance : Granting loans for the purpose of buying, building, improving, expanding or maintaining a real estate against real estate guarantees.
- Mortgage refinancing : Refinancing the real estate loan portfolios with banks and finance companies in return for transferring their rights in the mortgage or against certain guarantees determined by the Bank.
- lending based Crowdfunding : Collecting an amount of funds from several people to give credit or facilitate obtaining it via an electronic platform.
- The lessor : The company licensed to engage in the activity of financial leasing or lease-to-own.
- Major Shareholder : The person who controls no less than (5%) of the company's capital.
- The Board of Directors : The Board of Directors of the Public Shareholding Company and the Private Shareholding Company, the management committee of the Limited Liability Company and the Joint Partners, and the Supervisory Board of the company Limited by Shares, as appropriate.
- B. The words and expressions (Orders), (Person), (Control), (Effective Interest), (Subsidiary), (Affiliate) and (Deposit), wherever stated in this Bylaw, shall have the meanings defined in the Banking Law, unless the context indicates otherwise.
- C. The definitions (The lessee) and (The leased), wherever stated in this Bylaw, shall have the meanings defined in the Financial Leasing law, unless the context indicates otherwise.
- D. The definitions (Payment Services) and (E-payment System), wherever stated in this Bylaw, shall have the meanings defined in the Bylaw of Electronic Payment and Money Transfer, unless the context indicates otherwise.

**Article (3):**

- A. The provisions of this Bylaw shall be applied to companies that engage in finance activities.
- B. The following entities are excluded from the provisions of this Bylaw:
1. Banks licensed in accordance with the provisions of the Banking Law.
  2. Cooperative societies and charities that provide funding.
  3. Payment and Electronic Transfer of Funds companies that issue and manage credit payment instruments.
  4. Life insurance companies when granting finance to life insurance contract holders.

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**Article (4):**

- A. To grant licensing, the company is required to be one of the following legal forms:
  - 1. Public shareholding.
  - 2. Private shareholding.
  - 3. A branch of a foreign company that engages in the finance activity of the parent company.
- B. The provisions of Paragraph (A) of this Article do not apply to companies whose objectives are limited to financial leasing or lease-to-own (Ijarah Muntahia Bittamleek).

**Article (5):**

- A. The financial activities of the company shall be defined as follows:
  - 1. Microfinance Company:
    - a. Granting loans.
    - b. Granting finance in accordance with the Islamic Jurisprudence "Sharia" rules.
    - c. Insurance Agent for its clients in accordance with relevant legislations.
    - d. Payment Services Provider Agent in accordance with the requirements specified by the Bank.
    - e. Lending based Crowdfunding.
    - f. Any activity that involves training the company's clients who obtain a loan or finance.
  - 2. Specialized Finance Company:
    - a. Granting direct credit.
    - b. Financial leasing or lease-to-own.
    - c. Mortgage finance.
    - d. Factoring.
    - e. Payment Services Provider Agent in accordance with the requirements specified by the Bank.
    - f. Lending based Crowdfunding.
    - g. Any of the activities referred to in this clause that are carried out in accordance with the Islamic Jurisprudence "Sharia" rules.
  - 3. Mortgage Refinance Company:
    - a. Mortgage Refinance.
    - b. Mortgage Refinance according to the Islamic Jurisprudence "Sharia" rules.
- B. The governor may approve the practice of any other activities or services the company requests to add.

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**Article (6):**

- A. The company shall be prohibited from engaging in any of the following activities:
1. Accepting any form of deposits.
  2. Industry or commerce business, except within the limits of what enables it to carry out its licensed business in accordance with the provisions of this Bylaw.
  3. Exchange Money or finance intermediary activities.
  4. Granting a loan or finance to any of the partners or shareholders against his/ her shares in the company as a guarantee.
  5. Granting a loan or financing for the purpose of purchasing shares or securities.
  6. Issuing and managing credit payment instruments, and operating and managing any electronic payment system.
  7. Any other finance activity that it is not licensed to practice.
- B. In addition to what is stated in Paragraph (A) of this Article:
1. The mortgage finance company or the mortgage refinance company is prohibited from engaging in real estate investment or real estate development and valuation business.
  2. The mortgage refinance company is prohibited from engaging in lending based crowdfunding activity.
  3. The specialized finance company is prohibited from engaging in microfinance activity or mortgage refinance.
  4. The factoring company is prohibited from purchasing the financial rights arising from cash lending operations.

**Article (7):**

To grant the company license, its minimum paid-in capital must not be less than:

- A. Five hundred thousand (500,000) dinars for a company that engages in lending based crowdfunding to facilitate access to credit only.
- B. Two million (2,000,000) Dinars for a specialized finance company that engages in lending based crowdfunding activity and does not engage in factoring, financial leasing or mortgage finance activities.
- C. Two million (2,000,000) Dinars for the microfinance company.
- D. Five million (5,000,000) Dinars for a specialized finance company that does not practice mortgage finance or financial leasing activity.
- E. Eight million (8,000,000) Dinars for a specialized finance company that engages in mortgage finance activity and financial leasing activity or either of them.
- F. Twelve million (12,000,000) Dinars for the mortgage refinance company.

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**Article (8):**

- A. The license application shall be submitted to the Bank on the form designated for this purpose, including the following information and documents:
1. The company's memorandum of association, articles of association, proposed name, and the headquarters address.
  2. The names of its founders, their addresses and nationalities, the curriculum vitae of each of them if they are natural persons, the registration certificate of legal persons, in addition to the amount of ownership and its percentage in the company's capital, and proof of the financial solvency for each of them, with a statement if any of the founders is an affiliate with another founder.
  3. A registration certificate or any official document issued and duly ratified by the competent entities in the country of registration, showing the nationality of the parent company, its shareholders, the nature of the activities and purposes of each of them if they are legal persons and those authorized to sign on their behalf if the company is a subsidiary of a foreign company.
  4. The authorized capital of the company and the amount thereof earmarked for subscription if the company is a public shareholding company, the number of authorized shares, their types, categories and nominal value if the company is a private shareholding company, and the paid-up capital of the limited liability company.
  5. The organizational structure of the company.
  6. The annual financial statements audited by a chartered accountant for each legal entity founder, for the last two years or for the duration of practicing its business, if less than two years.
  7. A feasibility study that includes the business plan for three years, provided that it includes the finance activities and services intended to be practiced, the details related to them, the branches that the company intends to open, in addition to the estimated financial statements for the first three years and the basis of their preparation and the company's credit policy.
  8. A written acknowledgment by the company's founders or their representatives by virtue of which they commit to abide by the conditions, standards and requirements specified under the provisions of this Bylaw relating to the Board of Directors and the Senior Executive Management.
  9. Any other information, data, requirements, documents or terms the Bank deems necessary.
- B. An application for licensing a branch of a foreign finance company shall be submitted according to the form designated for this purpose, including, in addition to what is stated in Paragraph (A) of this Article, the following information and documents:
1. Documents that prove the registration of the parent company, the ownership structure of its shareholders, their nationalities, those authorized to assign on behalf of the

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- company, and its license granted to it by the competent authority in its home country, duly ratified.
2. A detailed list of branches of the parent company.
  3. A written approval of the board of directors of the parent company to open a branch in the Kingdom.
  4. A written approval from the competent entity in the home country, if any, for the branch to work in the Kingdom, if its legislations require that.
  5. The audited annual financial statements of the parent company for the last three years.
  6. The commitment of the parent company that it will notify the Bank of any negative impact that may occur and affect the soundness of its financial position.
- C. The Board shall issue its decision regarding preliminary approval of said application or rejection thereof within a period not exceeding three months as of date of submitting the complete application.
- D. After the issuance of the preliminary approval decision for the license application, the applicant shall provide the Bank with the following:
1. Evidence of full payment of the capital.
  2. Proposed names for senior executive management.
  3. Evidence that the company registration procedures have been completed.
  4. Any other requirements or conditions determined by the Bank.
- E. The preliminary approval shall be revoked *ipso facto* if the applicant for licensing does not fulfill all requirements and terms necessary for licensing, within six months from the date of obtaining the preliminary approval, unless the Board agrees to extend this period for a similar period.

**Article (9):**

- A. The Board shall issue its decision regarding the final approval of the company's license within a period not exceeding sixty days from the date of completing the requirements set forth in Paragraph (D) of Article (8) of this Bylaw.
- B. The licensing shall be for an indefinite duration and non-transferable.

**Article (10):**

- A. The board may issue a decision revoking the license of the company in any of the following circumstances:
  1. Should it appear that the licensing has been granted based on incorrect or misleading documents or information submitted in the licensing application or any of its attached documents.
  2. If the company has not commenced its activities within six months from the date of obtaining the licensing, unless it has obtained an extension from the Board.

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3. If the company failed to implement the procedures and to comply with the penalties imposed by the Bank in case of violating the provisions of this Bylaw, or if the company carries out any unsound and unsafe transactions that affect the interests of partners, shareholders, creditors or borrowers.
  4. If the Company submits an application to revoke its license.
  5. If the Company is merged with another company, or when all or most of its assets are sold or if liquidated.
- B. In addition to what is stated in Paragraph (A) of this Article, the Board may revoke the license of a foreign company's branch in any of the following circumstances:
1. If the parent company at its head office ceases to engage in finance activity.
  2. Bankruptcy, liquidation or insolvency of the parent company.
  3. If there is any change in the nationality or ownership of the parent company and such change would negatively affect its branch operating in the Kingdom.
  4. If the financial position of the parent company shows deficiencies and the Bank decides that this deficiency negatively affects the activity of the branch in the Kingdom.
  5. If it is proven to the Bank that the competent authorities in the country of the head office of the parent company do not apply international standards and guidelines in the supervision of finance activities.
- C. shall the Bank decides to revoke the company's license, it shall inform the company of this decision and announce it for a period of no less than three consecutive days by any means the Bank deems appropriate.

**Article (11):**

- A. Finance activity in accordance with the provisions of Islamic Jurisprudence "Sharia" rules may not be exercised except through a company registered for this purpose only.
- B. The Islamic finance company shall appoint an Islamic Jurisprudence "sharia" Supervision board that shall comprise no less than three members who are qualified and knowledgeable, and meet the conditions that the Bank decides that they should meet.
- C. The supervision board shall be charged with the following duties:
  1. Monitoring the company's work and activities in term of being compliant with Islamic jurisprudence "sharia" rules.
  2. Providing opinion on contracts formulas required for the company's work and activities.
  3. Providing opinion in any matters referred thereto according to specific orders of the Bank.

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**Article (12):**

Each founder member of the company shall:

- A. Be of good conduct and behavior, and has never been convicted of any felony or misdemeanor violating honor or public orders or morals.
- B. Has never been declared bankrupt or insolvent inside or outside the Hashemite Kingdom of Jordan unless he has been rehabilitated.
- C. The license granted to the founder to engage in any of the finance activities from the Bank has not previously been revoked.
- D. He/ she must not have been previously prohibited from working in any of the companies subject to the bank's supervision.

**Article (13):**

- A. The chairman or any member of the company's board of directors shall meet the following conditions:
  1. Shall not be less than 25 years old.
  2. Shall be of good conduct and behavior, and has never been convicted of any felony or misdemeanor violating honor or public orders or morals.
  3. Shall not be a member in any board of directors, general/ regional manager or an employee of any other finance company within the Kingdom unless it is a subsidiary of the company.
- B. Those appointed as a general manager of the company, a regional manager, a deputy assistant for them, or whoever occupies any of the positions of the senior executive management in the company shall:
  1. Exercise full-time employment while appointed therein.
  2. Be of good conduct and behavior, and has never been convicted of any felony or misdemeanor violating honor or public morals.
- C. In addition to the conditions set forth in Paragraphs (A) and (B) of this Article, the Bank shall determine the criteria of soundness, competence, qualifications and experience to be available in the Chairman and the member of the Board of Directors of the company, members of the Islamic Jurisprudence "sharia" Supervision board and any of the members of the senior executive management. The Bank also determines the number of members of the Board of Directors and the independent members thereof, and the requirements and conditions of this independence, in accordance with instructions issued for this purpose.
- D. If a decision is issued to revoke the company's license or liquidate its business, it is not permissible for anyone who was a member of its board of directors or its general manager to work in another company subject to the bank's supervision without the prior written approval of the governor.



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**Article (14):**

The company shall be committed to the following:

- A. Declaration of rights over movable assets in the electronic register established at the Ministry of Industry, Trade and Supply in accordance with the provisions of the valid Guaranteeing Rights in Movable Assets Law and the Registering Rights over Movable Assets Bylaw.
- B. Shall submit to the Bank the financial statements audited by its chartered accountant, within a period not exceeding two months from the end of the fiscal year.
- C. Not to distribute, recommend or announce any dividends before covering all the founding expenses, and amortizing any losses incurred by them, regardless of the type of these losses.
- D. Obtaining the prior written approval of the governor for any of the following circumstances:
  1. The foreign company branch transferring its profits to its head office in its home country.
  2. Employment of a non-Jordanian.
  3. Employ a former employee of the Bank during the two years following the termination of his/ her service.
  4. Before approving, recommending or announcing any dividends.
  5. The company ceases its activities wholly or partially.
  6. Opening, closing, or transferring a branch, whether temporarily or permanently.
  7. Establishing or owning any subsidiary.
  8. Amendment of the company's capital.
  9. Amendment of any of the Company's purposes.
  10. Merger with any other company.
  11. Liquidation of the business of the company.
  12. Undertaking any amendment to the company's memorandum of agreement or articles of association.
  13. Any change in the ownership of the company or transfer of its shares/stocks, whether through one or more procedures, directly or indirectly, if this transfer leads to a person's ownership of an effective interest in the company's capital or an increase in that interest's percentage.
- E. Inquire about the customer in accordance with the provisions of the Credit Information Law in force.
- F. Providing the Bank with the data it requests at the specified times according to the forms, controls and orders it determines.
- G. Maintaining duly organized records of its operations.
- H. Documenting operations with its clients and keeping information and data related to their transactions for the period stipulated in the valid legislation.

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- I. Using electronic archiving systems and keeping electronic records or the original of books, records, statements, documents, correspondence, telegrams, notices and any papers related to its financial business for the period prescribed in the legislation in force, provided that the provisions of the Electronic Transactions Law are observed.
- J. Maintaining the confidentiality of data and information relating to its clients and not disclosing any data or information. The company shall direct its employees and contractors to sign an undertaking obligating them to maintain the confidentiality of data and information related to its clients. The following are excluded from the confidentiality provisions:
  - 1. Duties to be performed by chartered accountants and consultative entities appointed by the company or the Bank according to the provisions of this Bylaw.
  - 2. Activities and procedures undertaken by the Bank pursuant to the provisions of its law and according to the provisions of this Bylaw or any of the legislation in force.
  - 3. Sharing information for the purposes decided by the Bank.
  - 4. Disclosing the client's data and information upon the request of a competent court or the prior written consent of the customer.

**Article (15):**

Neither the chartered accountant of the company nor its legal counsellor or its agent shall be a debtor or a guarantor of a debtor of the company.

**Article (16):**

The Bank may determine the percentages and criteria for verifying that companies carry out their activities in a safe and sound manner according to orders issued to that purpose.

**Article (17):**

The Bank may issue orders published in the Official Gazette determining the following:

- A. The minimum and maximum limits for interest rates and returns charged by the company on loans and financing granted to customers irrespective of the provisions of any other Bylaw with regard to interest or Murabaha.
- B. The minimum and maximum limits for commission rates charged by the company for activities and services provided to customers.

**Article (18):**

- A. If the company does not appoint a chartered accountant to audit its accounts within four months from the beginning of the fiscal year, the Bank may appoint an external chartered accountant to audit its accounts and determine their fees that should be paid from the company itself.

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- B. The Bank may oblige the company to replace its chartered accountant in any of the following circumstances:
  - 1. If the size and nature of its business requires that.
  - 2. If he/ she commits violations of a professional conduct.
  - 3. If the soundness of the company's financial position requires that, or as a result of applying the governance rules, or for the purpose of protecting the interests of those dealing with it.
- C. The Bank may appoint a second chartered accountant to review and audit the company's accounts if the Bank deems such necessary, provided that the Bank specifies in this case the task entrusted to him/ her, the duration of his/ her work and his/ her fees that the company is obligated to pay.
- D. The company's external chartered accountant shall inform the Bank in writing if it becomes apparent to him/ her that there are violations of the provisions of this Bylaw and the instructions issued pursuant thereto or any other legislations.
- E. The Bank may issue orders specifying the conditions that must be met by the company's external chartered accountant, the scope of his/ her work, his/ her tasks, the documents and reports that must be provided to the company and the Bank, and the dates.

**Article (19):**

- A. The Bank, with the purposes of monitoring and supervising the company may conduct an inspection of it or of any of its subsidiary companies, or may assign a chartered accountant or consultant for this purpose at the company's expense.
- B. The company's management shall cooperate with the Bank or any other entity assigned by the Bank to inspect it in order to view any data or information related to the inspection.
- C. If the Bank finds, through monitoring and inspection operations, that there is a defect in the company's operations, the Bank may appoint a consultant to monitor the company's business, provided that the appointment decision shall specify his/ her duties, authorities and fees that the company is obligated to pay.

**Article (20):**

- A. Microfinance companies licensed by the Bank prior to the effective date of the provisions of this Bylaw are considered as if they are licensed under it, provided that they rectify their positions according to the provisions of this Bylaw during a period that shall not exceed one year from the effective date of this Bylaw.
- B. Specialized finance companies and mortgage refinance companies shall rectify their positions according to the provisions of this Bylaw within two years from the effective date of this Bylaw, and the governor may extend the period for one time only.
- C. After the existing finance company completes the rectification of positions in line with the provisions of the Bylaw, it shall submit a licensing application on the form designated for

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this purpose, signed by the Chairman of the Board of Directors and to which the following shall be attached:

1. A copy of Memorandum of Association and Articles of Association.
2. Organizational structure of the company, and the financial and administrative authorities.
3. Evidence that the conditions and standards defined in this Bylaw are met, with respect to the Board of Directors, Senior Executive Management, and Islamic Jurisprudence "Sharia" Supervisory Board.
4. Annual financial statements of the company audited by its chartered accountant for the last three years.
5. Annual financial statements for each legal entity shareholder audited by a chartered accountant. In the event that the company is a public shareholding company, these statements shall be attached for each major legal shareholder for the last two years or for the period of carrying out its business if the period is lesser.
6. The future action plan, including the expansion and branching plan, the activities and services provided and related details, estimated budgets for three years, and the assumptions and principles used in calculating forecasts and estimates.
7. Any other information, data, requirements, documents or conditions that the Bank deems necessary.

**Article (21):**

- A. In the event that the company or its subsidiaries violate any of the provisions of this Bylaw and the instructions issued thereunder, or undertake unsound or unsafe transactions, the Bank may take any of the procedures or impose any of the sanctions provided for under the Banking Law.
- B. The Bank may inspect or examine the accounts and records of any person suspected of practicing finance without a license, In this case the Bank may take any of the procedures or impose any of the sanctions provided for under the Banking Law.

**Article (22):**

- A. It is prohibited for any person to engage in finance activities unless he/she is licensed by the Bank in accordance with the provisions of this Bylaw.
- B. It is prohibited for any unlicensed person to use any phrase indicating the practice of the finance activity specified in this Bylaw or its synonyms, whether in Arabic language or any foreign language, nor shall they use in their papers, documents and advertisements thereof any term, drawing, form or any expression related to engagement in finance activity or implying such an activity.

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**Article (23):**

The company must add after its name the expression (microfinance), (specialized finance), or (mortgage refinance) or any word or expression indicating the practice of finance activity, as appropriate.

**Article (24):**

The fiscal year of the Company begins at the beginning of January of each year and ends at the end of December of the same year.

**Article (25):**

The Bank may issue the instructions necessary to implement the provisions of this Bylaw, which include the following aspects:

- A. Risk management and classification of assets
- B. Internal control systems.
- C. Preparation of financial reports according to the international reporting standards.
- D. Procedures and requirements for combating money laundering, terrorism financing and weapons proliferation.
- E. Owning and investing in real estate.
- F. Any restrictions on the company's ownership and investments.
- G. The maximum limit of credit granted by the company to any member of its board of directors, its Islamic Jurisprudence "sharia" Supervision board, its senior executive management or to the Related Counter Parties.
- H. Requirements and controls for the operation of lending based crowdfunding activity.

**Article (26):**

The Microfinance Companies Law No. (5) of 2015 shall be cancelled, provided that the instructions and orders issued pursuant thereto remain valid until they are cancelled, amended or replaced by others in accordance with the provisions of this Bylaw.