



Central Bank of Jordan

**Instructions of Liquidity Coverage Ratio
(LCR)**

No. (5/2020)

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First: References and Scope of Application

These instructions aim to promote liquidity risk management in the short term by ensuring that the bank has an adequate stock of unencumbered High Quality Liquid Assets (HQLA) that can be converted easily and immediately into cash to meet its liquidity needs for 30 day stress scenarios.

These instructions are issued pursuant to the Provisions of article (99/B) and article (42/A) of the Banking Law of 2000 and its amendments. The Central Bank's requirements for the liquidity coverage ratio are generally in line with Basel III framework.

1. These instructions shall be applicable to all licensed banks operating in the Kingdom including foreign banks' branches, where all banks are required to submit liquidity reporting forms to the Central Bank of Jordan at the levels shown below:
 - Banking group including branches and subsidiaries inside and outside Jordan.
 - Jordan branches.
2. The consolidation mechanism for the purposes of applying the liquidity coverage standard:
 - When applying the requirements cited in these instructions on a consolidated basis, for retail and small businesses deposits in branches and subsidiaries abroad, the assumptions for retail and small businesses deposits specified in the instructions issued by the relevant supervisory authorities are applied.
 - If the branches and subsidiaries are in countries that do not apply instructions of liquidity coverage ratio that are in line with Basel Committee guidelines, the bank must act on the assumptions cited in these instructions.
 - In case of any restrictions or suspicions regarding the ability of banks with foreign branches and subsidiaries to use the surplus liquidity of those branches and subsidiaries (like money exchange controls, and minimum limits for local uses in the host countries), as well as restrictions that prevent the parent bank in Jordan from supporting the liquidity of foreign branches and subsidiaries, then the bank must

determine whether there are legal, supervisory or contractual restrictions that prevent usage of high quality liquid assets at the level of the banking group, and calculate only the assets that can be easily transferred as high quality liquid assets. The bank must have a documented framework to ensure that its high quality liquid assets are free from any restrictions at all times. The bank can calculate the high quality liquid assets owned by any of its branches or subsidiaries when counting the liquidity coverage ratio on a consolidated basis, with no more than the net cash outflows of the branch or subsidiary. The surplus liquidity required to satisfy the needs of the total ratio at a consolidated level will not be taken into consideration if there are restrictions on its usage.

Second: Requirements and Calculation Method of Liquidity Coverage Ratio

1. The bank must have an adequate stock of unencumbered liquid assets that can be converted immediately into cash to meet its liquidity needs for the next (30) days under specific stress scenarios. At a minimum, these liquid assets should enable the bank to continue performing its activities until Day 30 of the specified stress scenario, by which time it is assumed that the bank management had acted appropriately to solve the liquidity crisis
2. The Liquidity coverage ratio is calculated according to the equation below:

$$\frac{\text{(High Quality Liquid Assets (HQLA))}}{\text{Net Cash Outflows over the next (30) calendar days}}$$

3. Banks must maintain at all times a LCR in the minimum of (100%) for all currencies and for Jordanian dinar¹ separately. The bank should calculate the LCR for significant currencies² on both levels (consolidated and branches in Jordan). Limits stated in these instructions are the minimum limits for applying the liquidity coverage ratio standard.
4. In all cases where the LCR falls or is expected to fall below the established minimum, the bank must immediately inform the Central Bank of Jordan and take corrective measures according to the contingency plan approved by the bank's board of directors or the duly authorized party for the foreign bank's branch.
5. The assumed stress scenarios in these instructions represent the minimum supervisory requirements for banks; banks should develop their own stress tests that suit their size, activities and the complexity of their operations to assess the level of liquidity that the bank should maintain in addition to the minimum set in these instructions. Such internal stress tests should incorporate longer time horizons than the ones mandated by this ratio.

¹ The local currency of foreign existences is the main currency of the country.

² A currency is considered "significant" if the aggregate liabilities (On and off balance) denominated in that currency amount to 5% or more of the Bank's total liabilities (On and off balance) in all currencies.

Third: Components of LCR Numerator

High Quality Liquid Assets (HQLA) and those which are compliant with the Islamic Sharia for Islamic banks:

1. Assets are considered to be HQLA if they can be easily and immediately converted into cash at little or no loss under stress.
2. The bank must ensure that there are no operational restrictions preventing the liquidation of these assets in a timely manner during stresses. The bank must also demonstrate its ability to immediately use high quality liquid assets as a source of available liquidity and convert them into cash (through selling them in financial markets or repurchase markets) to fill the gap between cash inflows and outflows during periods of stress, and banks must ensure that their appropriate internal policies and procedures are in line with the following operational requirements:
 - 2.1. All high quality liquid assets should be unencumbered. “Unencumbered” means free of legal, regulatory, contractual or other restrictions on the ability of the bank to liquidate, sell, transfer, or assign the asset. Liquid assets should not be pledged to secure or collateralize the trading positions of banks, or considered as a mean of credit enhancement, nor should they be used to cover operational costs (such as rents and salaries).
 - 2.2. The bank should periodically liquidize a proportion of these assets through repo in order to verify the possibility of liquidating high-quality assets in the market and the effectiveness of liquidation processes.
 - 2.3. Assets received in reverse repo and securities financing transactions held by the banks, which are not re-pledged and are legally and contractually available for the bank's use, can be considered part of HQLA.
 - 2.4. Assets that have been pre-positioned, deposited with or pledged to the Central Bank or a public sector entity (but have not been used to generate liquidity) can be included in HQLA.
 - 2.5. The HQLA should be under the control of the department responsible for managing liquidity of the bank (such as the Treasury Department), and the bank's management should ensure that:
 - The relevant department has continuous authority and legal and operational capability to liquidize any asset in the 30-day period.
 - - The authority of such department related to liquidity and HQLA control is documented clearly in the bank's policies and procedures.
 - 2.6. A bank is permitted to hedge market risks associated with HQLA. In such cases, the bank should take into account the cash outflows resulting from the hedge process when

calculating the market value of the assets in the event of early liquidation of the hedge position as a result of selling the asset.

3. HQLA that the bank is holding through the reporting period should be calculated irrespective of their residual maturity. High quality assets have two categories: “Level 1” and “Level 2”; “Level 1” assets can be included without limit, while “Level 2” assets can only comprise up to 40% of total HQLA (sum of “Level 1” and “Level 2”).
4. “Level 2” assets comprises two categories:
 - Level 2A assets
 - Level 2B assets
5. As part of “Level 2” assets, banks can include Level 2B assets to a maximum (15%) of the total HQLA. These assets should be taken into account when calculating the maximum limit determined for “Level 2” assets, meaning that the total “Level 2” assets ((A) and (B)) shall not exceed the (40%) prescribed for “Level 2” assets.
6. The maximum limits applied to “Level 2B assets” are calculated after applying the relevant haircuts and after taking into account short-term securities financing transactions and collateral swap transactions maturing within 30 days that involve the exchange of HQLA.
7. “Level 1” and “Level 2” assets should fulfil the following conditions:

7.1. “Level 1” assets:

- “Level 1” assets are included at fair value and can be fully included without a maximum cap and they are not subject to any haircuts.
- “Level 1” assets are limited to:
 - A. Banknotes and coins
 - B. Balances retained by the Central Bank³ of the country in which liquidity risks arise.
 - C. Debt/ Sukuk instruments and those instruments which are Sharia compliant for Islamic banks that can be liquidated and are issued or guaranteed by governments, central banks, public sector institutions, the International Monetary Fund, Bank for International Settlements, the European Central Bank, the European Commission, or development banks if the following criteria are met:
 - Assigned a risk weight of (0%) under the Instructions of Regulatory Capital in accordance with Basel III Standard No. (67/2016) dated 31/10/2016 and according to the Instructions of Regulatory Capital in

³ In this context, balances retained by the Central Bank include: on- demand deposits (comprises unencumbered balance of (35 %) of legal cash reserves), overnight deposits, and term deposits that meet the following conditions :

- are repayable within 30 days or explicitly and contractually repayable on notice from the depositing bank; or
- under which the bank can borrow on a term basis or on an overnight

Other term deposits with central bank are not eligible as HQLA.

accordance with the amended standard No. (15) Issued by the Financial Services Board No. (72/2018) dated 4/2/2018

- Traded in repo or financial markets
- Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions
- They should not be issued by a bank, financial institution, or one of its subsidiaries (except for debt/ Sukuk instruments and those instruments which are Sharia compliant for Islamic banks issued by a qualified bank / financial institution such as a public sector institution under the Instructions of Regulatory Capital in accordance with Basel III Standard No. (67/2016) dated 31/10/2016 and according to the Instructions of Regulatory Capital in accordance with the amended standard No. (15) Issued by the Financial Services Board No. (72/2018) dated 4/2/2018, if all the above criteria are met).

D. For countries that are assigned a risk weight of a percentage other than (zero%) according to the above-mentioned instructions: Debt/ Sukuk instruments and those instruments which are Sharia compliant for Islamic banks that are in local currency, and issued by the government (including the Government of the Hashemite Kingdom of Jordan) or the Central Bank (including the Central Bank of Jordan) in the country in which the bank's liquidity risks arise.

E. For countries that are assigned a risk weight of a percentage other than (zero%) according to the above-mentioned instructions: Debt/ Sukuk instruments and those instruments which are Sharia compliant for Islamic banks that are in foreign currencies, and issued by the government (including the Government of the Hashemite Kingdom of Jordan) or the Central Bank (including the Central Bank of Jordan), with no more than the net cash outflows value in the respective foreign currency resulting from the stress scenario due to the bank's operations in the country in which liquidity risks arise.

7.2. “Level 2” assets:

- “Level 2” assets are subject to the requirement that they comprise no more than (40%) of the overall HQLA (sum of “Level 1” and “Level 2”) after applying haircuts.
- **Level 2A assets:** a (15%) haircut is applied to the market value of each Level 2A asset included in HQLA.
- **“Level 2A assets” are limited to:**
 - A. Debt/ Sukuk instruments and those instruments which are Sharia compliant for Islamic banks that can be liquidated and are issued or guaranteed by governments, central banks, public sector institutions or multilateral development banks if the following criteria are met:

- Assigned a risk weight of (20%) under the Instructions of Regulatory Capital in accordance with Basel III Standard No. (67/2016) dated 31/10/2016 and according to the Instructions of Regulatory Capital in accordance with the amended standard No. (15) Issued by the Financial Services Board No. (72/2018) dated 4/2/2018.
- Traded in repo or financial markets
- Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions (the maximum decline of price is no more than 10%, or the increase in haircut does not exceed 10% over 30 days during a relevant period of significant liquidity stress)
- Not issued by a bank, financial institution, or one of its subsidiaries (except for debt/ Sukuk instruments and those instruments which are Sharia compliant for Islamic banks issued by a qualified bank/ financial institution such as a public sector institution according to the Instructions of Regulatory Capital in accordance with Basel III Standard No. (67/2016) dated 31/10/2016 and according to the Instructions of Regulatory Capital in accordance with the amended standard No. (15) Issued by the Financial Services Board No. (72/2018) dated 4/2/2018, if all the above criteria are met).

B. Debt/ Sukuk instruments and those instruments which are Sharia compliant for Islamic banks that can be liquidated (including commercial paper⁴) and covered bonds⁵ that are issued by companies and satisfy all of the following conditions:

- In case of Debt instruments or Sharia compliant Sukuk for Islamic banks, they shall not be issued by banks, financial institutions, or one of their subsidiaries.
- In case of covered bonds: they shall not be issued by the bank itself or any of its subsidiaries.
- They shall have a long-term credit rating of at least (AA-) or its equivalent, from a qualified external credit rating institution according to the Instructions of Regulatory Capital in accordance with Basel III Standard No. (67/2016) dated 31/10/2016 and according to the Instructions of Regulatory Capital in accordance with the amended standard No. (15) Issued by the Financial Services Board No. (72/2018) dated 4/2/2018, and in the absence of a long-term credit rating, they must have a short-term rating equivalent in quality to a long-term credit rating.

⁴ Corporate debt securities (including commercial paper) do not contain complex products or subordinated debts.

⁵ Covered bonds are the bonds issued and owned by a bank or mortgage institution, and subject by law to a general control dedicated to protecting bondholders. Proceeds arising from the issuance of these bonds must be invested in accordance with the law in the assets that can cover the claims related to these bonds, throughout the validity period of the bonds. In the event of failure of the issuer, these bonds are to be used as a priority to offset the principal amount and the interest payments due (yield for Islamic banks).

- They are traded in repo or financial markets
 - They shall have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions (the maximum decline of price is no more than 10%, or the increase in haircut does not exceed 10% over 30 days during a relevant period of significant liquidity stress)
- C. Bonds issued by the Jordan Mortgage Refinance Company
- **Level 2B assets that are limited to:**
- A. Debt/ Sukuk instruments and those instruments which are Sharia compliant for Islamic banks (including commercial papers) that are issued by non- financial institutions that satisfy all of the following criteria after being subjected to (50%) haircut:
- Not issued by banks, financial institutions, or one of their subsidiaries.
 - Have a long-term credit rating between (A+) and (BBB-) or its equivalent, and in the absence of a long-term credit rating, they must have a short-term rating equivalent in quality to a long-term credit rating.
 - Traded in repo or financial markets
 - Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions (the maximum decline of price is no more than 20%, or the increase in haircut does not exceed 20% over 30 days during a relevant period of significant liquidity stress)
- B. Equity shares of corporate capitals and those compliant with the Islamic Sharia for Islamic banks that satisfy all of the following criteria after being subjected to (50%) haircut:
- Not issued by a bank, a financial institution, or one of its subsidiaries.
 - Are traded within the official market and centrally cleared
 - Part of a major stock index in Jordan or the country in which the liquidity risks arise
 - Listed in Jordanian Dinar or in the currency of the country in which the liquidity risks arise.
 - Traded in repo or financial markets
 - Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions (the maximum decline of price is no more than 40%, or the increase in haircut does not exceed 40% over 30 days during a relevant period of significant liquidity stress)
- C. If banks wish to include other assets in Level 2B assets, a prior approval must be obtained from the Central Bank of Jordan.

Fourth: Components of LCR Denominator

- Net cash outflows is defined as the total expected cash outflows minus total expected cash inflows over the subsequent (30) days. Total expected cash outflows are calculated by multiplying the outstanding balances of various categories and types of liabilities in and off-balance sheet by the cash outflow rates⁶ as shown in these instructions. Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rate of the expected cash inflows for each of them without exceeding (75%) of total expected cash outflows.

Net cash outflows over (30) days = total expected cash outflows - Minimum Value of [Total expected cash inflows ; (75%) of total expected cash outflows]

- if an asset is included as part of the “HQLA” (i.e. the numerator), the associated cash inflows cannot be counted as cash inflows (i.e. part of the denominator)

Fourth/A: Cash Outflows:

1. Retail Deposits:

- 1.1. Retail deposits and investment accounts of Islamic banks are defined as deposits placed with a bank by a natural person. Deposits from legal entities, individual proprietorships and solidarity companies are counted in the category of deposits from wholesale clients for the purposes of calculating the liquidity coverage standard. Retail deposits include demand deposits, savings deposits, term deposits and investment accounts of Islamic banks (except for those stipulated in the paragraphs no. (1.2) and (1.3) below).
- 1.2. For cash outflows related to retail term-deposits with residual maturity or a notice period of more than (30) days, they are excluded from the total expected cash outflows in the absence of a contractual agreement that gives the right to the depositor and the holder of the investment account for Islamic banks to withdraw deposits during the (30) days related to the liquidity coverage ratio and/ or in cases where fines are imposed in the event of withdrawal.
- 1.3. The Central Bank of Jordan may apply run-off rate higher than (0%) on all or part of the deposits mentioned in paragraph (1.2) above if there is a concern that depositors and investment account holders for Islamic banks would withdraw their deposits similarly to demand deposits, or if there is a possibility of the bank

⁶ The outflow / inflow ratios represent the rates of withdrawal and cash inflows under stress conditions for different classes of assets and liabilities. When calculating cash outflows, these ratios express assumed ratios expected to be withdrawn from liabilities, and when calculating cash inflows, these ratios express the size of the expected inflows that can be achieved under specified stress scenarios.

agreeing to the customer to withdraw the deposits before their maturity date to avoid reputational risk.

1.4. Retail deposits and investment accounts for Islamic banks are divided into “stable” and “less stable” deposits, with minimum run-off rates for each category as described below.

1.4.1. Stable deposits are the deposits that are fully insured⁷ by a deposit insurance scheme, where:

- There are relationships between the bank and the depositors that make deposit withdrawal highly unlikely, or
- The deposits are in transactional accounts (e.g. accounts where salaries are automatically deposited).

Deposits with Islamic banks that fall within the deposit guarantee limit of the Deposit Insurance Corporation are considered among the deposits referred to above despite not being covered by the corporation.

Stable deposits are subjected to a run-off rate of (15%), and all other deposits that do not meet these criteria are treated as less stable deposits.

It is worth noting that the presence of deposit insurance scheme alone is not sufficient to consider retail deposits and investment accounts for Islamic banks as stable deposits if these deposits do not meet at least one of the two conditions mentioned above.

In the event that the bank is not able to determine which of the retail deposits or investment accounts of Islamic banks qualify as stable deposits according to the above definition, then it must register those deposits in the least stable deposits completely.

⁷ “Fully insured” means that 100% of the deposit amount is covered by a deposit insurance scheme. Deposit balances up to the deposit insurance limit are treated as fully insured, and are subjected to a run-off rate of (15%) if these deposits satisfy one of the two conditions mentioned above, and any amount in excess of the deposit insurance limit is to be treated as less stable deposits.

1.4.2. Less stable deposits: run-off rates for less stable deposits are applied as follows:

| Amount of Deposit^{8 9} | Run-off rates for retail deposits and investment accounts for Islamic banks in local currency (%) | Run-off rates for retail deposits and investment accounts for Islamic banks in foreign currencies (%) |
|--|--|--|
| 50000 Jordanian Dinars or less | 20 % | 25 % |
| More than (50000) to (100000) Jordanian Dinars | 25 % | 30 % |
| More than (100000) to (500000) Jordanian Dinars | 30 % | 35 % |
| more than (500000) Jordanian Dinars | 35 % | 40 % |

2. Unsecured wholesale deposits, investment accounts of Islamic banks and other funds:

2.1. This category includes deposits and liabilities raised from non-natural persons (including individual proprietorships) and are not secured (per a contractual agreement) by assets owned by the bank in case of bankruptcy, liquidation or resolution. Obligations related to Sharia- compliant derivatives and hedge contracts for Islamic banks are excluded from this definition; the concept of retail deposits mentioned in paragraphs (1.2) and (1.3) above applies to these deposits and liabilities.

2.2. For the purposes of calculating liquidity coverage standard, unsecured wholesale deposits, investment accounts of Islamic banks and other funds are categorized into the classes mentioned in paragraphs from (2.2.1) to (2.2.4) based on the sensitivity of the funds sources to the rate offered by the bank (yield rates for Islamic banks) and the credit quality and solvency of the bank. The categories of these deposits are treated as the following:

2.2.1. Unsecured deposits, investment accounts of Islamic banks and other funds provided by small businesses customers:

- This category consists of deposits and other funds made by (nonfinancial) small businesses customers. “Small businesses” are

⁸ Taking into account any options involved related to the money provider's ability to request funds prior to their contractual maturity date

⁹ On an aggregate basis at the customer level

defined as deposits that have the same characteristics of retail accounts under the Instructions of Regulatory Capital in accordance with Basel III Standard No. (67/2016) dated 31/10/2016 and the Instructions of Regulatory Capital in accordance with the amended standard No. (15) Issued by the Financial Services Board No. (72/2018) dated 4/2/2018. If a bank is unable to fulfill the conditions mentioned in the definition within the above instructions, the total aggregated deposits of the customer to be included in this category must be less than (250000) dinars.

- The following run-off rates apply to these deposits:

| Type of deposit | Run-off rates for retail deposits and investment accounts for Islamic banks in local currency (%) | Run-off rates for retail deposits and investment accounts for Islamic banks in foreign currencies (%) |
|---|--|--|
| (50000) Jordanian Dinar or less | 20 % | 25 % |
| More than (50000) to (100000) Jordanian Dinar | 25 % | 30 % |
| More than (100000) to (500000) Jordanian Dinar | 30 % | 35 % |
| more than (500000) Jordanian Dinar | 35 % | 40 % |

- the term deposits and **investment accounts of Islamic banks** provided by small businesses customers are treated as retail term- deposits indicated in paragraph (1.4.1) above

2.2.2. Operational deposits generated by clearing, custody and cash management activities:

- Certain banking activities related to payment and settlement accounts require the customers to make or keep deposits with a bank in order to secure these transactions. A run-off rate of (25%) apply to these deposits if the customer has a substantive dependency on the bank to make such activities and these deposits are required to secure these activities. The Central Bank of Jordan may decide not to allow the banks to utilize this percentage in certain cases, such as the concentration of these deposits in a specific number of customers.

- The qualifying activities for the (25%) percentage referred to are clearing, custody and cash management activities that meet the following criteria:
 - ✓ Reliance of the customer on the bank as an independent third party intermediary in order to perform these services over 30 days. However, this condition would not be met if the bank is aware that the customer has other back-up arrangements.
 - ✓ These services must be provided under a legally binding agreements to customers.
 - ✓ The termination of such agreements shall be subject either to a notice period of at least 30 days or switching costs to be borne by the customer in case of withdrawing the operational deposit before 30 days.
- Qualifying operational deposits generated by such activities are:
 - ✓ Deposits required to underlie services provided by the bank and not offered in the market by the bank as a separate product with the aim of generating interest (yield for Islamic banks)
 - ✓ Deposits held in specifically designated accounts and priced without offering an economic incentive to the customer.
- Any excess balances above the funds required to cover these clearing, custody and cash management activities do not qualify for the run-off rate of (25%). However, only the part of the deposit balance that serves a customer's operational needs qualify to be treated as stable deposits. Excess balances should be treated in the appropriate category for (non-operational) deposits. If a bank is unable to determine the amount of the excess balance, then the entire deposit should be assumed to be non-operational deposit.
- Banks must develop appropriate methodologies for identifying excess balances in the operational accounts that are excluded from this treatment as illustrated above. These methodologies must be conducted to assess the risks of withdrawing from these deposits in light of the bank's stress conditions. The methodologies should take into account several factors such as when customers have more balances than their payments and average account balance before specific payments are made.
- Operational deposits would have a cash inflow rate of (0%) given that these deposits are required by customers for operational activities, and are therefore not available to the bank to repay other liabilities.

- If the deposit arises out of transactions with correspondent banks¹⁰ or from the provision of prime brokerage services, the deposit will be treated as if there were no operational activity for the purposes of determining a run-off rate.
- The bank can treat the entire insured portion of operational deposits resulting from clearing, custody and cash management activities in the same way of treating stable retail deposits, i.e. it is subjected to run-off rate of (15%).
- The activities that may generate operational deposits are divided into the following (however, the presence of such an activity does not necessarily qualify the deposit to be an operational one, considering that it depends on the customer reliance on the bank, the activities and practices that are actually applied):
 - ✓ “Clearing Activities” refer to the services provided by the bank that enable the customer to transfer cash (or securities) to final recipients through settlement and clearing systems. Such services include exclusively: activities of transmission, overdraft and settlement.
 - ✓ “Custody Activities” refer to the services that provide safekeeping of assets on behalf of customers. Such services are limited to settlement of securities transactions, transfer of contractual payments, processing of collaterals, receipt of dividends and other income, funds and stock transfer, and agency services including payment and settlement services (excluding correspondent banking).
 - ✓ “Cash management Activities” refer to those products and services provided to a customer to manage cash flows, assets and liabilities, and conduct financial transactions necessary to the customer’s ongoing operations. Such services are limited to payment remittance, collection and aggregation of funds, payroll administration, and control over the disbursement of funds.

2.2.3. Unsecured deposits, **investment accounts of Islamic banks** and other funds provided by nonfinancial institutions, governments, central banks, development banks, and public sector institutions:

¹⁰ correspondent Banking refers to the arrangements whereby the bank maintains deposits owned by the other bank, and provides payments and other services in order to settle transactions in foreign currencies (such as the so-called (Nostro and Vostro accounts) used to settle transactions in currencies other than the local currency of the other bank, in order to clear and settle payments). As for the main brokerage services, it is a package of services provided to major investors, specifically institutional hedge funds, and these services usually include (clearing, settlement, custody, financing (margin or repurchase) and capital injection).

- This category comprises all unsecured deposits, **investment accounts of Islamic banks** and other funds made by non-financial institutions (that are not categorized as small businesses) and (both domestic and foreign) governments, central banks, development banks, and public sector institutions, that are not specifically held for operational purposes (as defined above). The run-off rate for these deposits is (40%). However, if the entire amount of the deposit is fully insured, a run-off rate of (20%) is applied to the deposit.

2.2.4. Unsecured deposits, **investment accounts of Islamic banks** and other funds provided by other companies:

- This category consists of all deposits, **investment accounts of Islamic banks** and other funds from other institutions (including banks, securities firms, insurance companies, etc.), trustees¹¹, beneficiaries¹², special purpose entities, and subsidiaries of the bank¹³. The run-off rate for this category is (100%).
- All Sharia compliant securities, bonds, Sukuk and other debt instruments issued by the bank are included in this category (i.e. run-off rate of (100%)) regardless of the holder, unless the bonds are sold exclusively to a retail customer and held in retail accounts (including small businesses customers accounts treated as retail deposits according to (paragraph 2.2.1) above), in which case the instruments can be treated as retail or small businesses customer deposits, whichever is appropriate, provided that there are restrictions that prevent buying or holding those instruments by parties other than retail or small businesses customers.
- With regard to customer cash balances arising from the prime brokerage services, they should be considered separate from any other balances related to client protection schemes imposed by regulatory authorities, and should not be netted against other customer exposures included for this standard.

¹¹ The trustees (investment trustee) are defined as the legal person who practices the follow-up and monitoring of the management of clients' investment to ensure their conformity with the client's investment principles and objectives stipulated in the investment agreement signed between the client and the investment manager.

¹² Beneficiaries are defined in this context as a legal entity that receives, or is entitled to receive, benefits under a will, insurance policy, retirement plan, pension, trust, or any other contract.

¹³ This category includes cash outflows from deposits and other debt instruments (liabilities side) from subsidiaries of the bank, unless the financing is part of an operating relationship or deposit with a subsidiary of a company that are not among the financial institutions

3. Secured Funding:

- 3.1. “Secured funding” is defined as liabilities that are collateralized by legal rights to specifically designated assets owned by the bank, and which are used in the case of bankruptcy, insolvency or liquidation.
- 3.2. The following table includes the Run-off Rates applied to outstanding secured funding that mature within (30) days, including short-term customer positions that do not have a specific contractual maturity date:

| Secured Funding Transactions | Amount to add to cash outflows (%) |
|--|---|
| Secured funding by Level 1 assets or with central banks. | (0%) |
| Secured funding by Level 2A. | (15%) |
| Secured funding with government, PSEs, (have a risk weight of 20% or lower) or development banks that are not secured by Level 1 or 2A assets. | (25%) |
| Secured funding by other Level 2B assets and not with government, PSEs, or development banks | (50%) |
| All secured funding except for those mentioned above | (100%) |

4. other cash outflows:

- 4.1. The net cash outflows arising from Sharia compliant derivatives and hedge contracts for Islamic banks should receive a run-off rate of (100%). Banks should calculate, in accordance with their existing valuation methodologies, contractual cash inflows and outflows resulting from Sharia compliant derivatives and hedge contracts for Islamic banks. Cash flows may be calculated on a net basis (i.e. inflows can offset outflows) by counterparty, only where a valid master netting agreement exists. Banks should exclude from such calculations the liquidity requirements that would result from increased collateral needs due to market value movements or falls in value of collateral posted. Options should be assumed to be exercised when they are ‘in the money’ to the option buyer.
- 4.2. If payments of Sharia compliant derivatives and hedge contracts for Islamic banks are collateralized by HQLA, then cash outflows should be calculated based on the net of any cash inflows or flows arising from the collaterals provided for the derivatives that would result from contractual obligations to provide cash or collaterals for the bank. This applies in case the bank is legally entitled and operationally capable to re-use the collateral in

generating new cash flows in order to avoid duplication in calculating cash inflows and outflows. An example on this is the cash security deposits that the bank maintains with third parties in exchange for these derivatives.

4.3. The cash outflow rates listed below are applicable in the following cases:

- Liquidity requirements related to Sharia compliant derivatives and hedge contracts for Islamic banks, financing contracts, and other contracts resulting from credit downgrading of the bank: Banks must review in detail the derivative contracts and financing agreements and determine the conditions that require providing additional guarantees or early payment in the event of credit downgrading of the bank up to 3-notch. A cash outflow rate of (100%) is calculated on the value of additional collaterals required for these contracts or cash outflows, when the credit is downgraded.
- A cash outflow rate of (20%) is applied in order to cover the potential for valuation changes on posted collaterals securing Sharia compliant derivatives, hedge contracts and other transactions for Islamic banks. This is applicable on all collaterals **other than Level 1 assets.** In the event of reciprocal derivative contracts, the collaterals provided between the two parties, which can be re-used without restrictions, are cleared. For the purposes of calculating the cash outflow rate, it is based on the par value of the asset after applying the applicable deduction rates. An example on this is the decrease in HQLA value as a result of the fluctuation of the value of any other assets, which are guarantees for financial derivatives and other transactions other than Level 1 assets.
- A cash outflow rate of (100%) is applied to collaterals that could be recalled by the counterparty at any time in case their value exceeds the value of the collateral required to cover the existing derivative contracts.
- A cash outflow rate of (100%) is applied to contractually required collaterals which the counterparty has not yet demanded.
- A cash outflow rate of (100%) is applied to the amount of HQLA collateral submitted to the bank in case it can be substituted for non-HQLA without the bank's consent.

4.4. A cash outflow rate of (100%) is calculated for Asset-backed securities, covered bonds, other structured financing instruments, and Sharia compliant Sukuk for Islamic banks, that mature within the 30- day period and are issued by the bank, assuming that there are no possibilities of re-financing.

4.5. A cash outflow rate of (100%) is calculated on the payments maturing within a period of (30) days against asset-backed commercial papers, securities investment vehicles and other similar financing instruments. In cases where assets can be recovered or the need to provide financing arises, an outflow rate of (100%) will be applied to the recovered assets or the requested financing, when there are Sharia compliant derivative contracts and hedge contracts for Islamic banks or the like within these structures, which allow the “return” of assets or part of the assets provided within these structures (assuming there is no possibility of refinancing). An example of this is bonds for which the asset may be recovered, or the buyer may request finance in exchange for the purchased bonds.

5. Drawdowns on Committed Credit and Liquidity Facilities

- 5.1. These facilities are defined as contractually irrevocable (“committed”) or conditionally revocable agreements. This does not include unconditionally revocable drawdowns on credit and liquidity facilities, which are included in other potential future financing obligations for the purposes of these instructions.
- 5.2. When calculating the value of the facilities mentioned in the previous paragraph, the value of any HQLA provided by the customer or which the customer is contractually obliged to provide as a collateral in case of withdrawing these facilities is deducted. This is done on the assumption that the bank can use the assets provided as a collateral, and that there is no correlation between the probability of withdrawing these facilities and the market value of the assets provided as collateral. In these cases, the value of the assets provided as a collateral that are not included in the HQLA will be deducted according to these instructions.
- 5.3. For the purposes of these instructions, the outstanding liquidity facility is any undrawn (unutilized) facility provided to the customer to refinance a debt in situations where such a customer is unable to rollover that debt in financial markets. To calculate liquidity coverage standard, the amount of the commitment to be treated as a liquidity facility is the amount of the currently outstanding debt of the customer maturing within a (30)- day period, and the portion of the debt that does not mature within this period is excluded from the above definition. The facilities provided to companies to enhance their working capital should not be considered as liquidity facilities, but rather as credit facilities. Any other undrawn facility is considered as a credit facility.
- 5.4. Any facilities provided to finance the bank’s own assets such as hedge funds, special purposes entities, or any other financing vehicles dedicated to finance

the bank itself shall be considered entirely as a liquidity facility to other legal entities.

5.5. The following cash outflow rates are applied to the drawdowns on committed irrevocable credit and liquidity facilities and conditionally revocable drawdowns that are expected to be withdrawn within the (30)- day period:

- (5%) of the undrawn portion of the committed credit and liquidity facilities provided to retail and small businesses customers.
- (10%) of the undrawn portion of the committed credit facilities provided to non-financial institutions, governments, central banks, public sector entities, and multilateral development banks.
- (30%) of the undrawn portion of the committed liquidity facilities provided to non-financial institutions, governments, central banks, public sector entities, and development banks.
- (40%) of the undrawn portion of the committed credit and liquidity facilities provided to banks.
- (40%) of the undrawn portion of the committed credit facilities provided to other financial institutions including securities firms, insurance companies, trustees, and beneficiaries.
- (100%) of the undrawn portion of the committed liquidity facilities provided to other financial institutions including securities firms, insurance companies, trustees, and beneficiaries.
- (100%) of the undrawn portion of the committed credit and liquidity facilities provided to other companies (including special purposes entities and other companies not included in the prior categories).

5.6. Contractual obligations to extend funds within a 30- day period: a cash outflow rate of (100%) is applied to any contractual credit facilities obligations to financial institutions (that are not mentioned elsewhere in any item in these instructions)

5.7. If the total of all contractual obligations (funds, credit and liquidity facilities) to retail and non-financial institutions clients (not mentioned in the prior categories) exceeds (50%) of the total inflows due from these clients in the 30- day period, then an outflow rate of (100%) is applied to the difference.

6. Other Contingent Funding Obligations

- 6.1. A cash outflow rate of (5%) is applied to unconditionally revocable "uncommitted" credit and liquidity facilities.
 - 6.2. A cash outflow rate of (5%) is applied to obligations related to trade finance instruments (including guarantees, credits and acceptances) and which include import and export bills and direct guarantees related to trade finance obligations such as shipping guarantees.
 - 6.3. A cash outflow rate of (5%) is applied to obligations not related to trade finance instruments (including guarantees, credits and acceptances).
 - 6.4. A cash outflow rate of (50%) is applied to obligations used to cover customer short positions by other customers' debit accounts when there is no HQLA as collateral.
 - 6.5. A cash outflow rate of (5%) is applied to any non- contractual obligations not included in the instructions above.
 - 6.6. Lending commitments, such as direct import or export financing for non-financial institutions, are excluded from this treatment and banks will apply the outflow rates specified in paragraph (5.5).
7. A cash outflow rate of (100%) is applied to any contractual cash outflows due within a period of (30) days that are not mentioned above - including cash deposits maturing within the next (30) days - other than operating expenses that are not covered by this standard such as interest, and return payments for Islamic banks; and outflows to cover unsecured collateral loans, uncovered short positions, or dividends. The bank must clarify the details of the components of this category to the Central Bank.

Fourth/B: Cash Inflows:

1. When considering its cash inflows, the bank should only include contractual inflows including interest, and return payments for Islamic banks from outstanding fully performing exposures for which the bank has no reason to expect a default within the next 30- day period. The potential cash inflows arising from non-recurring operations are not included in the net cash inflows.
2. Banks need to monitor the concentration of inflows across wholesale counterparties in order to decrease the concentration ratios of these inflows in the context of their liquidity risks management.
3. The amount of inflows that can offset outflows is capped at (75%) of total expected cash outflows, which requires the bank to maintain a minimum amount of stock of HQLA equal to (25%) of the total cash outflows.

4. Assets-secured lending, including reverse repos and securities borrowing (including alternative arrangements of reverse repos and funding of Sharia compliant securities for Islamic banks):

4.1. The bank should assume that maturing reverse repurchase or securities borrowing agreements fully secured by Level 1 assets will be rolled-over, so the inflow rate of these transactions will be (0%). For reverse repurchase or securities lending agreements upon maturing that are secured by Level 2 assets, their cash inflows will be considered equivalent to the haircut for the specific assets. As for any maturing reverse repurchase or securities lending agreements secured by non-HQLA assets, the bank should assume that these agreements will not roll-over; thus, their total value will be listed as cash inflows upon maturing.

4.2. The assets-secured lending transactions including reverse repos and securities borrowing, in case the collateral is not used to cover short positions, are subjected to their respective inflow rates:

| lending transactions secured by the following asset category: | Inflow rate (if collateral is not re-used to cover short positions) |
|--|--|
| Level 1 assets | 0% |
| Level 2A assets | 15% |
| Level 2B assets | 50% |
| Margin lending backed by any other collateral | 50% |
| Other collaterals | 100% |

4.3. If the collateral obtained through reverse repos or securities borrowing transactions, which mature within a 30- day period, is re-used to cover short positions that could be extended beyond 30 days, the bank should assume that the reverse repo or securities borrowing arrangements will be rolled-over and will not give rise to any cash inflows (0%).

4.4. With regard to the bank’s short positions, if the short position is being covered by an unsecured securities borrowing, then the bank should allocate (100%) of the cash outflows or high quality liquid assets to collateralize the loan, or cash to close out the short position by purchasing securities. It should be recorded as other contractual outflows of (100%) according to paragraph (7.6). If, however, the bank’s short position is being covered by a collateralized

securities financing transaction, the bank should apply a cash inflow rate of (0%).

5. Committed Facilities:

- 5.1. No cash inflows are assumed from credit facilities and liquidity facilities provided to the bank from banks or financial institutions for its own purposes. Accordingly, the cash inflow rate for these transactions is (0%).

Forth/C: Other Cash Inflows According to Counterparties Categories:

For all other types of transactions, either secured or unsecured, the bank should apply cash inflow rates according to types of counterparties as the following:

1. With regard to loan payments, the bank should only include cash inflows from performing loans. As for revolving credit facilities, it is assumed that the existing loan is rolled over and that any remaining (unused) balances are treated in the same way as the committed facilities according to paragraph (5.5) of item (5).
2. Cash inflows from loans with no specific maturity date (i.e. have non-defined or open maturities if any) should not be included. Therefore, no assumptions are applied as to maturity date of these loans. An exception to this would be the minimum payments of principal, fees or interest (yield for Islamic banks) associated with the loan, provided that such payments are contractually due within 30 days. These minimum payment amounts should be captured as cash inflows and the rates cited below in the following paragraph (items (3.1) and (3.2)) are applied.
3. The banks should apply the below rates to cash inflows that mature within 30 days according to categories of counterparties:
 - 3.1. Retail and small businesses customers cash inflows: (50%) of contractual inflows.
 - 3.2. Other wholesale inflows cash inflows:
 - (100%): for banks, financial institutions, and central banks counterparties.
 - (50%): for non-financial institutions, governments, public sector entities, multilateral development banks counterparties.
 - 3.3. Operational deposits: Deposits held at other financial institutions for operational purposes (such as clearing, custody, and cash management purposes) will be subjected to inflow rate of (0%).
4. With regard to cash inflows from securities maturing within 30 days that are not included in HQLA, these inflows should be treated in the same category as cash inflows from banks and other financial institutions (i.e. 100% cash inflow). In addition, inflows from the release of balances held in segregated accounts in accordance with regulatory requirements for the protection of customer trading assets should be included in the same category, if these balances are held in HQLA. Level 1 and Level 2 securities maturing

within 30 days should be included in the stock of high- quality liquid assets, provided that they meet all requirements mentioned in item (Third) /paragraphs (1) - (8) of these instructions.

Forth/D: Other Cash Inflows:

1. Cash inflows from Sharia compliant derivatives and hedge contracts for Islamic banks: the net cash inflows should be subjected to an inflow rate of (100%). The amounts of derivatives cash inflows and outflows should be calculated according to the methodology described in paragraph (4.1) of item (4) above.
2. With regard to Sharia compliant derivatives and hedge contracts for Islamic banks which are collateralized by HQLA, the cash inflows should be calculated net of any cash or contractual outflows resulting from contractual obligations that would require the bank to post cash or collateral, if these contractual obligations would reduce the stock of HQLA, in order to avoid duplication when calculating cash inflows or outflows.
3. Other contractual cash inflows: Other cash inflows should be included, with detailed statement of those inflows, and are subject to a cash inflow rate of (100%). As for cash inflows related to cash flows not related to the basic activity of the bank, they will not be taken into account when calculating the net cash outflows for the purpose of calculating the liquidity coverage standard.

Fifth: General Provisions

1. Banks must maintain at all times the minimum requirements for the liquidity coverage ratio, and provide the Central Bank with liquidity forms as follows:
2. The Central Bank is provided with liquidity forms at the level of Jordan branches on a weekly basis in case the ratio is less than (120%), and on a monthly basis in case the ratio is (120%) or more, attached to it a statement stating the daily values calculated for this ratio for all the week's / month's days.
3. The Central Bank is provided with liquidity forms at the level of the banking group on a monthly basis.
4. The stress tests scenario arising under the liquidity coverage ratio should be considered as the minimum regulatory requirements, and each bank should conduct its own stress tests as part of its liquidity risk management process in order to identify risk factors that may lead to radical fluctuations in liquidity positions. Accordingly, banks should be able to assess the levels of liquidity to be maintained, which may be greater than the regulatory minimum limits due to the risks specific to each bank.
5. Banks are obligated to provide the Central Bank of Jordan with the liquidity coverage ratio at the level of the branches in Jordan and the banking group starting from 31/7/2020 on a trial basis, as the requirements during the trial period are limited to providing the Central Bank of Jordan with the statements specified according to these instructions at the end of each month.

It is assumed that the banks during this period have taken the necessary measures to calculate the required percentage in these instructions, and all the requirements mentioned in these instructions shall be binding on the banks as of 1/1/2021.
6. Banks are obligated to disclose the liquidity coverage standard on the semi-annual and final financial statements of the bank on the basis of the average of all working days for Jordan branches and the average end of each month for the banking group during the period of those data for Jordan branches, and in a comparative manner with what it is on the date of that data starting from the financial statements as of 30/6/2021.
7. The value of the items shall be disclosed after and before the application of flow rates and the total HQLA shall be disclosed after the adjustments, i.e. after applying the haircuts and the maximum limits for Level 2B assets and the total of Level 2 assets. In addition, net cash outflows are disclosed after applying the maximum cash inflows in addition to the liquidity coverage ratio.

8. Banks are obligated to provide the Central Bank with the non-encumbered assets report, along with the semi-annual and final financial statements of the bank based on the situation at the end of the reporting period. The report should include non-encumbered assets data that can be included as HQLA or used as guarantee to obtain financing with appropriate cost, so that only the assets, on the management and liquidation of which the bank has documented operational policies and procedures, are included, in order to allow using such assets for the above-mentioned purposes without any obstacles.
9. Banks are obligated to provide the Central Bank with a deposit concentration report, along with the semi-annual and final financial statements of the bank on the basis of the situation at the end of the reporting period, so that it includes the largest (25) depositors with the bank. The bank must also include the report with customers' deposits if the total customer's deposits exceed (1%) of the total assets of the bank, so that deposits are collected at the level of each customer.
10. Central Bank of Jordan shall be referred to for the cases that are not covered in these instructions.

Qualitative Requirements

In addition to adhering to the quantitative requirements stated in these instructions, banks must adhere to the following qualitative requirements in accordance with the corporate governance frameworks and the risk management structure of the bank. The qualitative requirements for liquidity risks include, at a minimum, the following:

1. A general strategy and policies approved by the bank's board of directors / or the regional management of foreign banks, that reflect the general framework for managing liquidity risk, in addition to adequate and documented procedures for managing these risks and effective systems that allow identifying, measuring, following up and controlling liquidity risks over a suitable timeframe, including daily risk management.
2. Working on preparing and adopting policies and procedures that include specific methodologies relating to implementing the aspects that are not clearly defined in these instructions, as the Central Bank will subsequently evaluate these policies and methodologies and verify their suitability.
3. The bank should determine acceptable levels of liquidity risk in accordance with the general strategy, financial position of the bank and its financing capabilities, and verify their appropriate distribution among business lines and activities, and obtain the approval of the Board of Directors on them.
4. The bank should prepare a financing contingency plan approved by the board of directors and / or by the regional management of foreign banks that clarifies the policies to face the liquidity crises and the measures that the bank will take to address the decrease in the liquidity coverage ratio with a clear timeframe.
5. The bank applicable policies must include the method for pledging assets, how to manage and classify them into pledged and unencumbered assets, as well as defining procedures and controls that ensure identification, follow-up and management of all risks associated with mortgaging those assets.
6. The bank's systems should allow extraction of appropriate reports regarding liquidity on a daily basis and present them to the top management in the bank. These systems should also contain, at a minimum, specific information related to unrestricted assets, guarantees and cash flows.

Banks continue to adhere to the legal liquidity ratios specified in accordance with the provisions of Instructions No. (37/2007) dated 11/11/2007, and Instructions for Liquidity based on the Maturity Ladder No. (41/2008) dated 23/6/2008.



Liquidity Coverage Ratio Calculation Form

| | |
|---|---|
| | |
| Bank | |
| level | |
| Date of Data | |
| <p>This form consists of (7) pages as shown below, the bank is responsible to fill in all data accurately and submit it to the Central Bank for all currencies and in Jordanian dinar, as follows:</p> | |
| Jordan Branches Level | <p>At the beginning of each week, if the percentage is less than (120%), and on the 1st day of every month if the percentage is more than (120%), attached by a statement of the daily values calculated for this percentage for all the week/ month days.</p> |
| Banking group level/ consolidated | <p>On a monthly basis, provided that it shall be reported to the Central Bank on the 10th day of every month.</p> |
| <ol style="list-style-type: none"> 1 Summary of information related to liquidity coverage ratio 2 Details of HQLA 3 Cash Outflows 4 Cash Inflows 5 Maximum limit adjustments applied to Level 2A and 2B assets 6 Derivatives cash inflows and outflows 7 Cash outflows resulting from the value decline of collateral securing derivatives | |
| Bank's designated officer name | |
| Phone / mobile number | |

**Summary of information related to calculation of the liquidity coverage ratio
(LCR)**

| Item | Amount (in thousands) |
|---|------------------------------|
| Total HQLA before adjustments | - |
| Total HQLA after adjustments | - |
| Total cash outflows | - |
| Total cash inflows before applying the cap of (75%) | - |
| Total cash inflows after applying the cap of (75%) | - |
| Net cash outflows | - |
| | |
| Liquidity Coverage Ratio | |

| High Quality Liquid Assets (HQLA) | | | | | Details of the market value for each item before haircut (by currency) | | | | |
|--|---|--------------------------------|---------------|----------------------|---|-----|------|-------|--------|
| References in the instructions | Item | Amount (market value) (JOD) | Haircut ratio | Amount after haircut | JOD | USD | Euro | pound | others |
| "Level 1" assets: | | | | | | | | | |
| Third / 7 / 7.1 | Banknotes and coins | | 0 % | - | | | | | |
| | Balances retained by the Central Bank comprising of: | | | | | | | | |
| | On - Demand deposits comprising unencumbered balance of (35 %) of legal cash reserves | | 0 % | - | | | | | |
| | Term deposits maturing within (30) days or are explicitly and contractually repayable on notice from the depositing bank; or under which the bank can borrow on a term basis or an overnight deposits, other term deposits with the central bank are excluded | | | 0 % | - | | | | |
| | Islamic Debt /Sukuk instruments comprising of: | | | 0 % | - | | | | |
| | Islamic debt /Sukuk instruments that are assigned a risk weight of (0%) under the Instructions of Regulatory Capital in force that satisfy the criteria prescribed in the instructions, and are issued or guaranteed by governments, central banks, public sector institutions, the International Monetary Fund, Bank for International Settlements, the European Central Bank, the European Commission, or development banks | | | 0 % | - | | | | |
| | Islamic debt /Sukuk instruments that are in local currency and issued by the government (including the Government of the Hashemite Kingdom of Jordan) or the Central Bank (including the Central Bank of Jordan) in the country in which the bank's liquidity risks arise, and that for countries with a risk weight of a percentage other than (zero%) according to the Instructions of Regulatory Capital in force. | | | 0 % | - | | | | |
| Islamic debt /Sukuk instruments that are in foreign currency and issued by the government (including the Government of Jordan) or the Central Bank (including the Central Bank of Jordan) with no more than the net cash outflows in the respective foreign currency resulting from the stress scenario due to the bank's operations in the country in which liquidity risks arise, and that for countries with a risk weight of a percentage other than (zero%) | | | 0 % | - | | | | | |
| Sum of "Level 1" assets | | - | - | - | - | - | - | - | - |
| "Level 2A" assets | | | | | | | | | |
| Third / 7 / 7.2 | Islamic debt /Sukuk instruments comprising of: | | | | | | | | |
| | Islamic debt /Sukuk instruments issued or guaranteed by governments, central banks, public sector institutions or development banks, and are assigned a risk weight of (20%) according to the Instructions of Regulatory Capital in force and satisfy the criteria prescribed in the instructions. | | 15 % | - | | | | | |
| | Islamic debt /Sukuk instruments issued by a qualified bank / financial institution such as a public sector institution according to the Instructions of Regulatory Capital in force and satisfy the criteria prescribed in the instructions | | 15 % | - | | | | | |
| | Islamic debt /Sukuk instruments including commercial papers and covered bonds issued by companies and satisfy the criteria prescribed in the instructions | | 15 % | - | | | | | |
| Bonds issued by the Jordan Mortgage Refinance Company | | 15 % | - | | | | | | |
| Sum of "Level 2A" assets | | - | - | - | - | - | - | - | - |
| "Level 2B" assets | | | | | | | | | |
| Third / 7 / 7.2 | Islamic debt /Sukuk instruments (including commercial papers) issued by non- financial institutions and satisfy the criteria prescribed in the instructions. | | 50 % | - | | | | | |
| | Equity shares of corporate capitals that satisfy the criteria prescribed in the instructions. | | 50 % | - | | | | | |
| | Other assets (approval of the Central Bank of Jordan is required) | | 50 % | - | | | | | |
| Sum of "Level 2B" assets | | - | - | - | - | - | - | - | - |
| Sum of High Quality Liquid Assets (HQLA) | | - | - | - | - | - | - | - | - |
| The adjustments of maximum limit so that the sum of (Level 2A assets and Level 2B assets) does not exceed (40%) of the overall High Quality Liquid Assets, and the sum of Level 2B is no more than (15%) of total High Quality Liquid Assets, as calculated in page no. (5). | | | | - | | | | | |
| Sum of High Quality Liquid Assets after haircut and subtracting the value of maximum limit adjustments applied to Level 2A and 2B assets.. | | | | - | | | | | |

| Cash Outflows | | | | | Details of the amount for each item before haircut (by currency) | | | | |
|----------------------------------|--|--------|-----------------------------|---------------------|---|-----|------|-------|--------|
| References in instructions | Item | Amount | Run-off rate of deposits | Calculated value | JOD | USD | Euro | pound | others |
| fourth /A/1 | Retail deposits /investment accounts of Islamic banks in Jordanian Dinar | | | | | | | | |
| 1.4.1 | 1 Stable Retail deposits | | 15 % | - | | | | | |
| 1.4.2 | 2 Less Stable Retail deposits according to the following sections: | | | | | | | | |
| | A 50000 Jordanian Dinars or less | | 20 % | - | | | | | |
| | B More than (50000) to (100000) Jordanian Dinars | | 25 % | - | | | | | |
| | C More than (100000) to (500000) Jordanian Dinars | | 30 % | - | | | | | |
| | D More than (500000) Jordanian Dinars | | 35 % | - | | | | | |
| | Retail deposits /investment accounts of Islamic banks (in foreign currency evaluated in Jordanian Dinar) | | | | | | | | |
| 1.4.1 | 3 Stable Retail deposits | | 15 % | - | | | | | |
| 1.4.2 | 4 Less Stable Retail deposits according to the following sections: | | | | | | | | |
| | A 50000 Jordanian Dinars or less | | 25 % | - | | | | | |
| | B More than (50000) to (100000) Jordanian Dinars | | 30 % | - | | | | | |
| | C More than (100000) to (500000) Jordanian Dinars | | 35 % | - | | | | | |
| | D More than (500000) Jordanian Dinars | | 40 % | - | | | | | |
| fourth /A/ 2 | Unsecured wholesale deposits/ investment accounts of Islamic banks and other funds (in Jordanian Dinars) (1) | | | | | | | | |
| 2.2.1 | 5 Unsecured wholesale deposits, and investment accounts of Islamic banks and other funds provided by small businesses customer sunder the definition in the instructions and according to the following sections: | | | | | | | | |
| | A Stable deposits / joint investment accounts of Islamic banks provided by small businesses customers that are treated as retail term deposits | | 15 % | - | | | | | |
| | B 50000 Dinars or less | | 20 % | - | | | | | |
| | C More than (50000) to (100000) Dinars | | 25 % | - | | | | | |
| | D More than (100000) to (500000) Dinars | | 30 % | - | | | | | |
| | E More than (500000) Dinars | | 35 % | - | | | | | |
| | Unsecured wholesale deposits/investment accounts of Islamic banks and other funds (in foreign currency evaluated in Jordanian Dinar) | | | | | | | | |
| | 6 Unsecured wholesale deposits, investment accounts of Islamic banks and other funds provided by small businesses customer sunder the definition in the instructions and according to the following sections: | | | | | | | | |
| | A Stable deposits / investment accounts of Islamic banks provided by small businesses customers that are treated as retail term deposits | | 15 % | - | | | | | |
| | B 50000 Dinars or less | | 25 % | - | | | | | |
| | C More than (50000) to (100000) Dinars | | 30 % | - | | | | | |
| | D More than (100000) to (500000) Dinars | | 35 % | - | | | | | |
| | E More than (500000) Dinars | | 40 % | - | | | | | |
| 2.2.2 | 8 Operational deposits resulting from clearing, custody and cash management activities | | 25 % | - | | | | | |
| 2.2.3 | 9 The (fully secured) portion of operational deposits resulting from clearing, custody and cash management activities | | 15 % | - | | | | | |
| | 10 Unsecured deposits, investment accounts of Islamic banks and other funds that are not held for operational purposes, including the followings: | | | | | | | | |
| | A deposits made by non-financial institutions that are not categorized as small businesses that are not fully secured | | 40 % | - | | | | | |
| | B deposits made by non-financial institutions that are not categorized as small businesses that are fully secured | | 20 % | - | | | | | |
| | C deposits made by (domestic and foreign) governments that are not fully secured | | 40 % | - | | | | | |
| | D deposits made by (domestic and foreign) governments that are fully secured | | 20 % | - | | | | | |
| | E deposits made by central banks that are not fully secured | | 40 % | - | | | | | |
| | F deposits made by central banks that are fully secured | | 20 % | - | | | | | |
| | G deposits made by development banks that are not fully secured | | 40 % | - | | | | | |
| | H deposits made by development banks that are fully secured | | 20 % | - | | | | | |
| | I deposits made by public sector institutions that are not fully secured | | 40 % | - | | | | | |
| | J deposits made by public sector institutions that are fully secured | | 20 % | - | | | | | |

| Cash Outflows | | | | | | Details of the amount for each item before haircut (by currency) | | | | |
|----------------------------|-----------|--|--------------------------|------------------|-----|---|------|-------|--------|--|
| References in instructions | Item | Amount | Run-off rate of deposits | Calculated value | JOD | USD | Euro | pound | others | |
| 2.2.4 | 11 | Unsecured deposits, investment accounts of Islamic banks and other funds provided by other companies, including the followings | | | | | | | | |
| 3 | A | deposits made by banks | | 100 % | - | | | | | |
| | B | deposits made by securities firms | | 100 % | - | | | | | |
| | C | deposits made by insurance companies, trustees , beneficiaries, and other companies | | 100 % | - | | | | | |
| | D | deposits made by special purpose entities | | 100 % | - | | | | | |
| | E | deposits made by subsidiaries of the bank | | 100 % | - | | | | | |
| | F | securities, bonds, Sukuk and other debt instruments issued by the bank (3) | | 100 % | - | | | | | |
| | 12 | Secured liabilities that include the followings: | | | | | | | | |
| | A | Secured liabilities by Level 1 assets. | | 0 % | - | | | | | |
| | B | Secured liabilities with central banks as the counterparty | | 0 % | - | | | | | |
| | C | Secured liabilities by Level 2A. | | 15 % | - | | | | | |
| | D | Secured liabilities with government, public sector institutions (have a risk weight of 20% or less) or development banks that are not secured by Level 1 or 2A assets. | | 25 % | - | | | | | |
| | E | Secured liabilities by other Level 2B assets and not with government, public sector institutions, or development bank as the counterparty | | 50 % | - | | | | | |
| | F | All secured liabilities except for those mentioned above | | 100 % | - | | | | | |
| 4 | 13 | other cash outflows: | | | | | | | | |
| | A | The net requirements of Sharia compliant derivatives and hedge contracts (as calculated in page (6) of this form) | | | - | | | | | |
| | B | Value of the required additional guarantees or cash outflows of Sharia compliant derivatives and hedge contracts, financing contracts, and any other contracts resulting from credit downgrading of the bank | | 100 % | - | | | | | |
| | C | Liquidity requirements to cover the potential for valuation changes on collaterals posted by the bank in Sharia compliant derivatives, hedge contracts and other transactions, for all collaterals other than Level 1 assets (as calculated in page (7) of this form). | | | - | | | | | |
| | D | collaterals that could be recalled by the counterparty at any time in case their value exceeds the value of the collateral required to cover the existing contracts | | 100 % | - | | | | | |
| | E | contractually required collaterals which the counterparty has not yet demanded | | 100 % | - | | | | | |
| | F | HQLA collaterals submitted to the bank in case it can be substituted for non-HQLA collaterals without the bank's consent | | 100 % | - | | | | | |
| | G | Asset-backed securities, covered bonds, other financing instruments, and Sharia compliant Islamic Sukuk that mature within the (30) day period and are issued by the bank, assuming that there are no possibility of re-financing | | 100 % | - | | | | | |
| | H | payments maturing within a period of (30) days of asset-backed commercial papers, securities investment vehicles and other similar financing instruments | | 100 % | - | | | | | |
| 5 | 14 | Drawdowns on committed credit and liquidity facilities (4) including the followings: | | | | | | | | |
| | A | the unutilized portion of the committed credit and liquidity facilities provided to retail and small businesses customers | | 5 % | - | | | | | |
| | B | the unutilized portion of the committed credit facilities provided to non-financial institutions, governments, central banks, public sector entities, and development banks | | 10 % | - | | | | | |
| | C | the unutilized portion of the committed liquidity facilities provided to non-financial institutions, governments, central banks, public sector entities, and development banks | | 30 % | - | | | | | |
| | D | the unutilized portion of the committed credit and liquidity facilities provided to banks | | 40 % | - | | | | | |
| | E | the unutilized portion of the committed credit facilities provided to other financial institutions including securities firms, insurance companies, trustees, and beneficiaries | | 40 % | - | | | | | |
| | F | the unutilized portion of the committed liquidity facilities provided to other financial institutions including securities firms, insurance companies, trustees, and beneficiaries | | 100 % | - | | | | | |
| | G | the unutilized portion of the committed credit and liquidity facilities provided to other companies including special purposes entities and other companies not mentioned in the prior categories | | 100 % | - | | | | | |
| | H | Contractual obligations to extend credit facilities within a (30) day period that are not mentioned elsewhere in any item in the instructions | | 100 % | - | | | | | |
| 7 | 15 | The <u>difference</u> between sum of all contractual obligations (funds, credit and liquidity facilities) to retail and non-financial institutions customers (not included in the prior categories) and the total cash inflows from these customers due in the (30) day period <u>if the sum of all these mentioned contractual obligations exceeds (50%) of the total maturing cash inflows.</u> | | 100 % | - | | | | | |

| Cash Outflows | | | | | | Details of the amount for each item before haircut (by currency) | | | | |
|----------------------------|---|---|--------|--------------------------|------------------|---|-----|------|-------|--------|
| References in instructions | Item | | Amount | Run-off rate of deposits | Calculated value | JOD | USD | Euro | pound | others |
| 6 | 15 | Other potential future financing obligations that include the followings: | | | | | | | | |
| | A | unconditionally "uncommitted" revocable credit and liquidity facilities | | 5 % | - | | | | | |
| | B | obligations related to trade finance transactions (including guarantees, credits and acceptances) and which include import and export bills and direct guarantees related to trade finance obligations such as shipping guarantees | | 5 % | - | | | | | |
| | C | obligations not related to trade finance transactions (including guarantees, credits and acceptances) | | 5 % | - | | | | | |
| | D | obligations used to cover customer short positions (overdrawn account) by other customers' debit accounts when there is no HQLA as collaterals | | 50 % | - | | | | | |
| | | any <u>non- contractual</u> obligations not included above | | 5 % | - | | | | | |
| | E | Any contractual cash outflows due within a period of (30) days that are not mentioned above (including cash deposits maturing within the (30) days) other than operating expenses that are not covered by this standard. <u>The bank must provide the details of the components of this category to the Central Bank.</u> | | 100 % | - | | | | | |
| Total Cash Outflows | | | - | - | - | - | - | - | - | - |
| 1 | It does not comprise obligations related to Sharia compliant derivatives and hedge contracts of Islamic banks | | | | | | | | | |
| 2 | The deposits that have the same characteristics of retail accounts under the Instructions of Regulatory Capital in accordance with Basel III under CBJ's instructions No. (67/2016), and according to the Instructions of Regulatory Capital in accordance with the amended standard No. (15) Issued by the Financial Services Board No. (72/2018) dated 4/2/2018. If a bank is unable to fulfill the conditions mentioned in these instructions, the total aggregated deposits of the customer to be included in this category must be less than (250000) dinars | | | | | | | | | |
| 3 | All Sharia compliant securities, bonds, Sukuk and other debt instruments issued by the bank are included in this category (i.e. run-off rate of (100%)) regardless of the holder, unless the bonds are sold exclusively to a retail customers and held in retail accounts (including small businesses customers' accounts treated as retail deposits), in which case the instruments can be treated as retail or small businesses customer deposits, whichever is appropriate, provided that there are restrictions that prevent buying or holding those instruments by parties other than retail or small businesses customers | | | | | | | | | |
| 4 | Taking into account deducting the value of any HQLA posted as a collateral or those that the customer obliged to provide as a collateral, and there is no correlation between the probability of withdrawing these facilities and the market value of the assets provided as collateral,, that are not included in the HQLA according to these instructions | | | | | | | | | |

| Cash Inflows | | | | | | Details of the amount of each item before haircut (by currency) | | | | |
|---|-------------|---|--|---------------------|-----------------------------|--|------------|-------------|--------------|---------------|
| References in instructions | Item | | Amount (JOD) | Run-off rate | Amount after haircut | JOD | USD | Euro | pound | others |
| Fourth/ B/ 4/ 4.2 | 1 | The cash flows arising from secured lending transactions including the followings: | | | | | | | | |
| | A | Secured lending by Level 1 assets | | 0 % | - | | | | | |
| | B | Secured lending by Level 2A assets | | 15 % | - | | | | | |
| | D | Secured lending by Level 2B assets | | 50 % | - | | | | | |
| | E | Margin lending transactions secured by any other collaterals | | 50 % | - | | | | | |
| | F | secured lending backed by other collaterals | | 100 % | - | | | | | |
| 5.1 | G | Committed credit and liquidity facilities provided to the bank from banks or other financial institutions for the bank's own purposes | | 0 % | - | | | | | |
| Fourth/ C | 2 | Other cash inflows according to counterparties categories including the followings: | | | | | | | | |
| | 3.1 | A | cash inflows from retail and small businesses customers | | 50 % | - | | | | |
| | | B | Cash inflows from non-financial institutions, governments, public sector entities, and development banks. | | 50 % | - | | | | |
| | 3.2 | C | cash inflows from banks, other financial institutions, and central banks | | 100 % | - | | | | |
| | 3.3 | D | Operational deposits held at other financial institutions | | 0 % | - | | | | |
| | | E | cash inflows from securities maturing within (30) days that are not included in HQLA and cash inflows from the monetizing of balances held in segregated accounts in accordance with regulatory requirements for the protection of customer trading assets should be included in the same category, if these balances are held in HQLA | | 100 % | - | | | | |
| Fourth/ D | 3 | Other Cash Inflows including the followings: | | | | | | | | |
| | 1 | A | Net cash inflows resulting from Islamic Sharia compliant derivatives/ hedge contracts and as calculated in page no. (6) of this form. | | | - | | | | |
| | | B | Other contractual cash inflows (with detailed statement of those inflows) | | 100 % | - | | | | |
| Total cash inflows (before applying the 75% cap of total cash outflows) | | | - | - | - | - | - | - | - | |
| Total cash inflows (after applying the 75% cap of total cash outflows) | | | | | - | | | | | |

Maximum limit adjustments applied to Level (2A + 2B) assets without exceeding (40%) of total High Quality Liquid Assets, so that Level 2B assets do not exceed (15%) of High Quality Liquid Assets.

| Item | Amount (market value) | Amount after haircut |
|---|--------------------------|-------------------------|
| Adjustments of maximum limit applied to “Level 2” assets without taking into account short-term securities financing transactions and collateral swap transactions maturing within (30) days that involve the exchange of HQLA. | | |
| Adjustments of maximum limit applied to Level (2A + 2B) assets, without exceeding (40%) of High Quality Liquid Assets | | - |
| Adjustments of maximum limit applied to Level 2B assets, without exceeding (15%) of High Quality Liquid Assets | | - |
| Total | | - |
| Adjustments of maximum limit applied to “Level 2” assets taking into account short-term securities financing transactions and collateral swap transactions maturing within (30) days that involve the exchange of HQLA. | | |
| Adjustments of maximum limit applied to Level (2A + 2B) assets, without exceeding (40%) of High Quality Liquid Assets | | - |
| Adjustments of maximum limit applied to Level 2B assets, without exceeding (15%) of High Quality Liquid Assets | | - |
| Total | | - |
| Adjustments of “Level 1” of High Quality Liquid Assets = value of “Level 1” assets resulting from short-term financing and lending transactions that involve replacing any HQLA in exchange for any of “Level 1” assets (including cash). | | - |
| Adjustments of “Level 2A” of High Quality Liquid Assets = value of “Level 2A” assets resulting from short-term financing and lending transactions that involve replacing any HQLA in exchange for any of “Level 2A” assets. | | - |
| Adjustments of “Level 2B” of High Quality Liquid Assets = value of “Level 2B” assets resulting from short-term financing and lending transactions that involve replacing any HQLA in exchange for any of “Level 2B” assets. | | - |
| Maximum limit adjustments represent the greater value between (Adjustments applied to High Quality Liquid Assets without taking into account short-term securities financing transactions and collateral swap transactions maturing within (30) days that involve exchanging of HQLA) and (Adjustments applied to High Quality Liquid Assets after taking into account short-term securities financing transactions and collateral swap transactions maturing within (30) days that involve the exchange of HQLA) | | - |

Derivatives cash inflows and outflows

| Derivatives cash flows | Amount (JOD) | Haircut ratio | Amount after haircut |
|--|-----------------|---------------|----------------------|
| Total derivatives cash outflows (Gross basis) | | | |
| Total derivatives cash inflows (Gross basis) | | | |
| Net of derivatives cash outflows (net of contractual cash inflows and HQLA collateral where applicable) | | 100 % | - |
| Net of derivatives cash inflows (net of contractual cash inflows and HQLA collateral where applicable) | | 100 % | - |

Cash outflows resulting from the value decline of collateral securing derivatives

| Derivatives cash outflows | Contractual amount (JOD) | Haircut ratio | Amount after haircut |
|--|-----------------------------|---------------|-------------------------|
| Collaterals (except Level 1 assets) posted by bank to counterparty for the derivatives | | | |
| Collaterals (except Level 1 assets) posted by counterparties to the bank for the derivatives | | | |
| Net value of collaterals | - | 20 % | - |