



Banking Law No. 28 of 2000 and Amendments

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Article 1

This law shall be called the "Banking Law of 2000", and shall enter into force on the date of its publication in the Official Gazette.

Article 2

- a. The following words and expressions shall have the meanings indicated below, wherever they appear in this law, unless the context indicates otherwise:

Central Bank The Central Bank of Jordan.

Board The Board of Directors of the Central Bank.

Governor The Governor of the Central Bank.

Bank A company licensed to engage in banking activities, in accordance with the provisions of this law, including branches of foreign banks licensed to operate in the Kingdom.

Islamic bank A company licensed to engage in banking activities, in accordance with the regulations and principles of Islamic Jurisprudence, and any other activities and operations pursuant to the provisions of this law.

Financial company A company whose memorandum of agreement and articles of association state that its objectives include financial activities, with the exception of accepting unconditional deposits.

Deposit Funds turned over by any medium of payment by one person to another person who agrees to return said funds upon demand or in accordance with agreed-upon terms. The depositary thus acquires ownership of the funds and the right to dispose of them, with the obligation to return to the depositor the equivalent amount in the same currency as that of the deposit.

Credit The provision of funds by a bank to a client as a consideration for the right to demand repayment with interest and any other amounts due, as well as any guarantee, collateral, or commitment issued by the bank.

Banking activities Accepting deposits from the public and using these deposits in full or in part to grant credit, or for any other activities designated by the Central Bank as banking activities pursuant to special orders issued for this purpose.

Islamic banking activities The business of accepting deposits and other banking services as well as financing and investment based on other than interest, and compatible with the rules and principles of Islamic Jurisprudence.

Orders Instructions or decisions issued by the Central Bank to implement the provisions of this law.

Regulatory capital The total value of the components defined by the Central Bank, for the supervisory purpose of



meeting the requirements of the capital adequacy ratio pursuant to orders issued by the Central Bank. **Person** A natural person or legal entity.

Administrator A member of the board of directors of a bank, whether serving on his own behalf or representing a legal entity, or the general manager of a bank or any other bank officer.

Control The direct or indirect capacity to influence effectively the actions or decisions of another person.

Effective interest Control of at least 10 percent of the capital of a legal entity.

Affiliate A person that controls or is controlled by another person, or each of two persons is controlled by a third person.

Subsidiary A company that one or more persons with a joint interest own at least 50 percent of its capital or hold an effective interest that allows said person or persons to control its management or general policies.

Related parties Two or more persons that constitute a single banking risk because one controls the other or owns at least 40 percent of the other person's capital, they have exchanged mutual guarantees, the settlement of their loans is from a single source, their loans are from the same project, or where other similar circumstances take place. For the purposes of this law, related parties shall be considered as a single person.

- b. Wherever they occur in this law, the terms "securities," "financial advisor," "investment trustee," and "investment manager" shall have the meanings defined in the Securities Law in force.

General Provisions

Article 3

- a. The provisions of this law shall apply to anyone who engages in banking activities, although the Central Bank may issue special orders to exclude certain persons from having to comply with particular procedures or requirements, based on the nature or size of their activities, the source of their funds, or any other consideration.
- b. Islamic banks shall be subject to the provisions herein particularly applicable to Islamic banks. The provisions of this law and other relevant laws shall apply to Islamic banks, provided that they do not conflict with the provisions herein particularly applicable to Islamic banks.
- c. The Central Bank may, if it deems this necessary, subject any financial institution to the provisions of this law, by means of special orders issued for this purpose.

Article 4

- a. No person shall engage in banking activities without first obtaining a final license from the Central Bank, in accordance with the provisions of this law.
- b. No person that is not licensed to engage in banking activities shall accept deposits without a prior written approval of the Central Bank.
- c. No financial institution shall engage in any activity in conflict with the orders of the Central Bank, issued pursuant to the provisions of Article 3 (c) of this law.
- d. It shall be prohibited for any person to use the word "bank" or its equivalent in any form, whether in Arabic or any foreign language, or to use in its documents or advertisements any term or expression, related to or suggesting banking activities, except in the following cases:



1. Where such use is permitted by any law or international agreement to which the Kingdom is a party.
 2. Where the context indicates that the particular use of such term is not related to banking activities.
 3. Where the Council of Ministers issues a resolution allowing the particular use, upon a recommendation of the Governor.
- e. No person shall release false or misleading information related to the acceptance of deposits.

Article 5

- a. Anyone violating the provisions of Article 4 of this law shall be penalized pursuant to a decision by the Board with a fine ranging from a minimum of 500 Dinars to a maximum of 3,000 Dinars per day, commencing on the first day of the violation and continuing throughout its duration.
- b. If the violation continues despite the imposition of the penalty stipulated in paragraph (a) of this Article or if the violation recurs after the penalty has been imposed, the Board is authorized to take measures it deems necessary to stop the violation, including the closure of the place of business of the violating person.

Bank Licensing

Article 6

- a. It is provided that, to be licensed, a bank must be a public shareholding company, with the following exceptions:
 1. A branch of a foreign bank.
 2. A subsidiary.
 3. An offshore company.
- b. Bank licensing shall be carried out by a decision issued by the Central Bank pursuant to the requirements and provisions of this law.
- c. Where a bank is a subsidiary of another bank, it shall be licensed according to the requirements and provisions of this law and pursuant to any requirements and provisions prescribed in the orders of the Central Bank.
- d. Where a bank is an offshore company, it shall be licensed in accordance with the requirements and stipulations of a special regulation issued for this purpose and any other requirements and provisions prescribed in the orders of the Central Bank.

Article 7

- a. The incorporators' committee shall present an application for bank licensing on the form designated by the Central Bank for this purpose, demonstrating the following:
 1. The authorized capital of the bank and the amount thereof earmarked for subscription.
 2. The four-part name of each incorporator. If the incorporator holds a minimum of 5 percent share of the bank's capital, additional information shall be submitted including his place of residence and his curriculum vitae. Any incorporator affiliate to another shall be declared as such.
 3. Any additional information and data required by the orders of the Central Bank or deemed necessary by the Central Bank for approving the licensing application.
- b. The following must be attached to the licensing application:
 1. The memorandum of agreement and the articles of association of the bank.
 2. The bank's organizational structure, business plan, and scope of activities.



3. The proposed projected budgets for the first three years of the bank's operation and the criteria adopted for their preparation.

Article 8

The Central Bank shall determine the minimum amount for both authorized and subscribed capital of the bank. The Central Bank may from time to time amend these limits for all or some banks in view of the requirements of banking safety and development.

Article 9

- a. The Central Bank shall issue its decision regarding a licensing application within three months of the application date be it in the form of a preliminary approval or in the form of rejection. The applicant for licensing shall be notified of the decision.
- b. If the Central Bank issues a preliminary approval of the licensing application, it must specify the requirements and provisions necessary for obtaining the final licensing, including the following:
 1. The minimum amount of the bank's authorized capital and the amount thereof earmarked for subscription.
 2. Full payment of subscribed capital.
 3. Completion of all incorporation procedures of the bank.
 4. Proposed names for the general manager of the bank and other senior managers.
 5. Statement of equipment, supplies, and real estate required for the operations of the bank.
 6. Any other requirements and provisions determined by the orders of the Central Bank.
- c. The preliminary approval shall be revoked *ipso facto* if the applicant for licensing does not meet all requirements and provisions necessary for obtaining final licensing, within one year of obtaining the preliminary approval.

Article 10

- a. If the requirements and provisions for final licensing stipulated in Article 9 (b) of this law are met, the Central Bank shall issue a final licensing to the bank within three months of the date of a new application in which the licensing applicant confirms that such requirements have been met.
- b. The Central Bank shall grant a final license for an indefinite duration. It is provided that the final license shall not be assignable.

Article 11

- a. A foreign bank shall submit an application for licensing for one or more of its branches to operate in the Kingdom pursuant to the orders of the Central Bank and provided that the foreign bank meets the following conditions:
 1. It must be licensed to accept deposits in its home country.
 2. It must enjoy a good reputation and a strong financial position.
 3. It must have the approval of the competent authority in the country of its head office to operate in the Kingdom.
 4. Supervision by the competent authorities in its home country must be based on sound banking supervision, the minimum of which must be the application of internationally recognized banking supervisory standards.
 5. It must pledge that the branch thereof licensed to operate in the Kingdom shall comply with all legislation in force.
- b. The Central Bank shall issue its decision regarding the application for licensing a foreign bank branch in accordance with the requirements and procedures followed in licensing Jordanian banks as well as any other requirements it deems necessary for this purpose.



Article 12

- a. A foreign bank branch shall not launch any of its banking activities until it has transferred to the Kingdom in one lump sum the equivalent of half of the capital stipulated for a Jordanian Bank. The Central Bank may from time to time increase such amount up to the amount of capital stipulated for a Jordanian Bank.
- b. Upon commencing its activities in the Kingdom through one or more branches, a foreign bank shall appoint a resident regional manager at its branch or branches in the Kingdom. Such appointment shall be based on an official document providing that he shall be fully responsible for the activities, assets and management of the branch before the Central Bank and other official agencies. A certified true copy of such document shall be lodged with the Central Bank.
- c. A foreign bank branch must notify the Central Bank of any change occurring in the bank's nationality, memorandum of agreement or articles of association.

Article 13

The Central Bank shall charge the fees outlined below, the value of which will be determined according to a special regulation:

1. License application fee.
2. Fee for issuing a final license.
3. Annual fees due from a bank and each of its branches and offices.

Article 14

The Central Bank shall maintain a special record for each bank, which will include the bank's name and the addresses of its head office, branches and offices. It shall also maintain copies of the documents stipulated in Article 7 of this law.

Article 15

- a. A bank must keep at its head office the following:
 1. Its memorandum of agreement and articles of association, and any amendments thereto.
 2. A record of the shareholders and the number of shares held by each of them.
 3. Documents of the minutes of meetings and resolutions of the board of directors, and the reports of the audit committee.
 4. Documents of the minutes of meetings and resolutions of the general shareholders committee.
 5. The bank's annual reports, statements of accounts and financial position, and the reports of the external auditors.
 6. Any data required by the Central Bank.
- b. A foreign bank branch shall maintain any data and documents specified in the orders of the Central Bank.
- c. A bank shall document its transactions with its clients and shall maintain information and data regarding such transactions including a separate daily journal for each of them.

Article 16

No bank may introduce any changes to its memorandum of agreement or articles of association until it has obtained a prior written approval of the Central Bank.

Article 17

- a. No bank may cease its activities for whatever reason until it has obtained a prior written approval of the Central Bank.
- b. A bank may not open a new branch or office within or outside the Kingdom nor close or transfer such a branch or office without a prior written approval of the Central Bank.



Article 18

The Central Bank may issue a decision revoking the license of a bank in any of the following circumstances:

- a. Where the final license has been granted on the basis of false information in the application for licensing or in its attachments, particularly with regard to incorporators with effective interests or administrators proposed to work for the bank.
- b. Where the bank has failed to commence its activities within twelve months from the date of obtaining a final license, or has after commencement declined to accept deposits.
- c. Where the bank has refused to implement any of the procedures required by the Central Bank pursuant to Article 88 of this law.
- d. Where the bank has applied for the revocation of its license. The Central Bank shall decide of what it deems appropriate regarding such an application within sixty days from the date the application was submitted.
- e. Where the license of another bank with an effective interest has been revoked.
- f. Where the bank has merged with another bank or has sold all or most of its assets.

Article 19

The Central Bank may specifically revoke the license of a foreign bank branch in any of the following circumstances:

- a. Where the head office of the foreign bank has declined to accept deposits.
- b. Where any change has occurred in the nationality, ownership memorandum of agreement and articles of association of the foreign bank.
- c. Where the foreign bank's financial position is weakened.
- d. Where any change has occurred that the Central Bank views as having a negative impact on the activities of the foreign bank branch in the Kingdom and its operational progress.
- e. Where it has been established that the relevant authorities in the country of its head office have not applied sound standards of banking supervision.

Article 20

The Central Bank shall notify the bank of its license revocation and shall publish its revocation decision within seven days from the issuance date in at least two local daily newspapers and the Official Gazette.

Organization and Management of Banks

Article 21

The board of directors of a bank shall assume the responsibilities of formulating and monitoring the general policies of the bank. It shall enjoy the authorities provided for in the Law of Companies in effect. It shall particularly assume the following duties and responsibilities:

- a. Defining objectives and drawing plans to be carried out by the executive management of the bank.
- b. Selecting an executive management capable of managing the activities of the bank competently and effectively.
- c. Adopting a written credit and investment policy, which defines criteria and terms for granting credit facilities and principles of investment. The Central Bank shall be provided with a copy of such a policy and a copy of any amendments thereto.
- d. Monitoring the implementation of the policies of the bank and verifying the accuracy of measures taken to achieve such policies.
- e. Ensuring that no member of the board of directors or an officer in its senior management would gain any personal benefit at the expense of the bank's interests.



- f. Adopting measures to ensure the accuracy of all information provided to the Central Bank pursuant to its law and in accordance with the provisions of this law.
- g. Adopting sufficient measures to ensure compliance with the provisions of this law and any other legislation related to the bank's operations and activities.
- h. Issuing internal regulations and instructions to specify the functions and authorities of its various organs in order to achieve administrative and financial control over its operations.

Article 22

- a. In addition to the provisions of the Law of Companies, the chairman and each member of the board of directors of a bank shall meet the following special requirements:
 - 1. His age is not less than twenty-five years.
 - 2. He is of good conduct and reputation.
 - 3. He is not a member of the board of directors, a general manager, a regional manager or an officer of another bank unless it is a subsidiary of the bank.
- b. The Central Bank shall have the right to object to the nomination of any person for membership in the board of directors of a bank if it finds that he does not fulfil any of the requirements stipulated in paragraph (a) of this Article.

Article 23

A member of the board of directors of a bank shall forfeit his membership pursuant to a decision by the Central Bank in any of the following cases:

- a. If he no more fulfils any of the conditions for membership pursuant to the provisions of the Law of Companies in effect and this law.
- b. If the Board has requested the removal of the chairman or any of the members of the board of directors of a bank, provided that the removal is justified by the interests of depositors or shareholders.

Article 24

Anyone who has forfeited his membership in the board of directors of a bank for any of the reasons provided for in Article 23 of this law may not become a member of the board of directors of any other bank or work for a bank without the prior written approval of the Board.

Article 25

- a. Anyone to be appointed a general manager of a bank, or an officer in a senior position specified as such by the Central Bank shall, throughout the duration of his employment:
 - 1. Be of good conduct and reputation.
 - 2. Shall not be a member of the board of directors of another bank unless it is a subsidiary of the appointing bank.
 - 3. Must apply himself exclusively to the management of the bank.
 - 4. Must have the skills and financial experience required for the business of the bank.
- b. The Central Bank may oppose any of the appointments noted in paragraph (a) of this Article if it finds that any of the requirements of appointment were not met.

Article 26

The general manager of a bank shall have the following obligations:

- a. Effecting internal control on the conduct of the bank operations and ensuring compliance with laws, regulations, and directives in force.



- b. Providing the board of directors of the bank with periodical status reports, ensuring that all of the bank's activities are carried out according to the board of director's policies, and recommending to the board of directors any proposals he deems necessary for improving the business of the bank.
- c. Providing the Central Bank with information and data required by the provisions of this law and the regulations and orders issued pursuant thereto.

Article 27

If a decision is made to revoke the license of a bank or to liquidate its operations, no former member of the board of directors or the general manager of that bank may work in another bank without the prior written approval of the Board.

Article 28

Subject to labour legislation, a bank must obtain the approval of the Central Bank to employ a non-Jordanian. The Central Bank is authorized to determine the number of non-Jordanian employees and their ratio to the total number of employees at a bank.

Article 29

A bank may not employ a former employee of the Central Bank during the two years following the termination of his service without obtaining a prior written approval of the Central Bank.

Article 30

- a. Any bank administrator shall *ipso facto* forfeit his position or employment upon his conviction by a competent court of a felony, or of a misdemeanour involving moral turpitude or a breach of trust, or if he has issued a check without coverage.
- b. A member of the board of directors, the general manager or the manager of a bank shall *ipso facto* forfeit his position or employment if he has failed to settle his due debts to the bank.
- c. A person who has forfeited his position or employment for any of the reasons referred to in paragraph (a) of this Article may not work in any bank or be a member of its board of directors.
- d. A person who has forfeited his position or employment for any of the reasons referred to in paragraph (b) of this Article may work in any bank or be a member of its board of directors provided that he has obtained a prior written approval of the Central Bank.

Article 31

- a. If a bank administrator, or his wife or a relative of his up to the third-degree, has a personal interest in any dealing or contract to which the bank is a party, or if any of them has an effective interest in a company to which such dealing or contract is related, the bank administrator shall disclose such interest in writing, and shall not participate in any meeting wherein the deal or contract is discussed.
- b. If, in violation of the provisions of paragraph (a) of this Article, the bank administrator fails to disclose such interest in writing, the bank shall resort to the competent court on its own initiative, or upon a request of the Central Bank, to contest the validity of the contract in question if it contains terms damaging to the bank's interest. The competent court may nullify the contract or amend its terms in such a way as to uphold the bank's interests. The Central Bank may also issue a written order to the bank to terminate the administrator's service or relationship with the bank.

Article 32

- a. An "auditing committee" shall be formed in each bank by decision of its board of directors comprising a chairman and two members selected by the bank board of directors from among its members other than those entrusted with executive tasks within the bank. It shall continue to



function throughout the tenure of the board of directors and shall assume the following duties and authorities:

1. Monitoring the extent of comprehensiveness of the external audit of the bank's operations, and ensuring coordination between the external auditors in case they are more than one.
 2. Reviewing the observations in the reports of the Central Bank and the reports of the external auditor, and following up measures taken in their respect.
 3. Studying the annual plan of the internal audit and reviewing the notes in the inspection reports and the internal audit reports, and following up measures taken in their respect.
 4. Reviewing the financial statements of the bank before presenting them to the board of directors, particularly, verifying the orders of the Central Bank regarding the adequacy of doubtful debts' provisions and securities portfolios' provisions, as well as giving opinion on the non-performing debts of the bank and on those proposed to be classified as bad debts.
 5. Ascertaining the accuracy and soundness of the accounting and control procedures and the extent of compliance therewith.
 6. Ensuring full compliance with the laws, regulations, and orders governing the activities of the bank.
 7. Considering any matter referred to the committee by the board of directors of the bank, or considered by the committee as a necessary matter to discuss and give an opinion on.
- b. The committee shall function under the supervision of the board of directors, to which it shall submit its reports and recommendations as concluded in the course of discharging its duties.

Article 33

- a. Upon an invitation of its chairman, the auditing committee shall meet at least once every three months, whenever it is necessary, pursuant to a decision of the board of directors of the bank, or upon a request of its other two members. A committee meeting shall be legal where at least two members are attending. The recommendations of the committee shall be passed by unanimous or majority vote.
- b. The secretary of the board of directors of the bank shall act as the secretary of the committee.
- c. The head of the internal audit department of the bank shall be called to attend the meetings of the committee. The committee may also invite any person to attend a meeting for his opinion to be considered in a specific matter.
- d. For the purposes of this article, the Central Bank shall issue special orders to regulate the activities of foreign banks' auditing committees or their representatives, with a view to enable the committee to perform the duties and exercise the authorities provided in paragraph (a) of Article 32 of this law at its branch or branches operating in the Kingdom.
- e. The board of directors of the bank shall determine the appropriate remuneration of the auditing committee members.

Article 34

- a. It shall be subject to invalidation any transfer of bank shares whether in a single transaction or several transactions, directly or indirectly, if the transfer results in conferring ownership of an effective interest of a person or increasing the percentage of his effective interest in the capital of the bank, if made without a prior written approval of the Central Bank.
- b. The provisions of paragraph (a) of this Article shall be applicable to the transfer of shares to related parties.

Article 35



- a. The Governor, after consultation with banks operating in the Kingdom, shall designate the weekly holidays and the daily business hours.
- b. The Governor may, in emergencies and on special occasions, declare the closure of banks, and all or any of their branches, for the period specified by him.

Requirements and Conditions for the Operation of Banks

Article 36

- a. A bank shall at all times maintain the minimum regulatory capital as determined from time to time by the Central Bank.
- b. A bank shall maintain sufficient liquidity to meet its business requirements, and shall diversify its assets to reduce its risks. It shall perform its activities in accordance with sound management and accounting methods and in conformity with the requirements of this law and the regulations and orders issued pursuant thereto.

Article 37

- a. A bank may practice the following financial activities, subject to its licensing by the Central Bank:
 1. Accepting deposits in various types.
 2. Granting all types of credit, including financing commercial transactions.
 3. Providing payment and collection services.
 4. Issuing and administrating instruments of payment, including bank acceptances, debit and credit cards, and travellers' checks.
 5. Dealing in selling and purchasing of money and capital market instruments to its own account or for its customers' accounts.
 6. Purchasing and selling debts with or without the right of recourse.
 7. Financing through leasing.
 8. Dealing in foreign exchange at forward and spot markets.
 9. Management of security issues and underwriting, distribution of and dealing in security issues.
 10. Providing management and consultative services for investment portfolios and investment trustee services, including the management and investment of funds for others.
 11. Management and safekeeping of securities and precious items.
 12. Providing financial agent or advisor services.
 13. Any other related banking activities approved by the Central Bank in special orders issued thereby for this purpose.
- b. A bank may have one subsidiary or more practicing any of the non-banking financial services pursuant to a written approval of the Central Bank.

Article 38

- a. A bank, whether acting alone or in collaboration with others and whether it is acting directly or indirectly, shall be prohibited from the following:
 1. Holding in a company whose objectives do not include acceptance of deposits, an ownership stake exceeding the ratio prescribed by the Central Bank. Such ratio shall not in any case exceed 10 percent of the company's subscribed capital.
 2. Owning shares without a prior written approval of the Central Bank, in any other bank or company that accepts deposits. Such ownership shall not in any case exceed 10 percent of either its own subscribed capital or of the subscribed capital of the bank or company in which the bank owns shares. This prohibition shall not apply to shares already owned by banks in excess of this percentage upon entry of this law into force.



3/a. Owning capital shares in companies, the total of which exceeds the percentage decided by the Central Bank. In all cases, this total shall not exceed 50 percent of the subscribed capital of the bank. Where a bank has exceeded this percentage, it shall be allowed a period of five years from the effective date of this law to rectify its state of affairs.

3/b. Should the participation of any bank in the capital of all the companies exceeds the ratio of (50%) of its subscribed capital, then the Governor may allow this bank to raise the participation to a ratio not exceeds in all cases (50%) of the Bank's regulatory capital.

* This article has been amended by the law No (61) of 2006 published in the Official Gazette No (4792) dated 16/11/2006. The amendment is to consider what stated in paragraph (3) to be (3/a) and adding paragraph (3/b) as stated above.

b. The following shall not count in the percentages provided for in paragraph (a) of this Article:

1. The shares acquired by a bank in settlement of a debt owed thereto, provided that the bank shall dispose of such shares within two years from acquisition. The Central Bank may, in exceptional cases, extend this period for a maximum of two consecutive years.
2. Securities registered in the name of a bank yet owned by one or more of its clients, with due observance to any orders issued by the Central Bank in this regard. Such securities shall not be regarded as assets of the bank.
3. Any stocks and shares a bank may own in accordance with the provisions of this law, in the capital of a subsidiary, provided that the subsidiary is a bank or a financial institution.

Article 39

With due observance to Article 38 of this law, each bank that acquires at least 5 percent of the stocks and shares in the capital of any company must notify the Central Bank accordingly within 15 days of the date of the acquisition.

Article 40

a. A bank shall be prohibited from the following:

1. Collaborating with others in order to dominate financial, monetary or foreign exchange markets.
2. Engaging in industry, commerce, or services excluding financial activities.
3. Requesting any person to enter into a contract with an affiliate of the bank as a condition for obtaining financial services of any type.
4. Granting credit to any person in excess of the limit set by the Central Bank, or arranging financing for such person by a third party with the intent of enabling him to discharge his obligations to an affiliate of the bank.
5. Underwriting or issuing securities with the intent of enabling a person to discharge his obligations to an affiliate of the bank.
6. Granting credit to a person to enable such person to pay the value of his securities or any interest or accruing returns if the bank or an affiliate of the bank has been the underwriter or issuer of such securities.
7. Purchasing or recommending the purchase of securities in its capacity as an investment manager or financial advisor within 60 days form the date of subscription if the underwriting, issue or distribution of the securities has been undertaken by the bank or an affiliate of the bank.
8. Granting credit to a person or increasing the amount of credit already granted thereto in order to enable such person to purchase securities, which the bank or its affiliate has pledged to cover, issue, or distribute.
9. Granting loans for the construction or purchase of real estates in excess of 20 percent of the total deposits of the bank in Jordanian Dinars.



10. Granting credit to a client guaranteed by the shares of the client in the bank.
- b. A bank shall, without the prior written consent of the Central Bank, refrain from purchasing from an affiliate thereof, the following:
 1. Any assets of the affiliate.
 2. Any securities to be underwritten, issued or distributed by the affiliate.
 3. Any securities underwritten, issued or distributed by the affiliate during the preceding twelve months.

Article 41

Banks shall adhere to the limits set by the Central Bank on the following:

- a. Risk ratios applicable to their assets, risk weighted assets, components of capital, reserves and off-balance sheet accounts.
- b. The loan to regulatory capital ratio permitted for banks to grant to a person and his affiliates or related parties.
- c. The ratio of total loans granted to the prime ten clients of a bank to the total amount of loans granted by the bank.

Article 42

- a. Banks shall comply with the orders of the Central Bank relating to the following:
 1. The minimum limit set by the Central Bank for the total liquid assets, or specific types of such assets, to the total assets of the bank including guarantees and securities, or specific types thereof, existing in favour of the bank, or relative to the total liabilities of the bank or specific types thereof.
 2. Requirements concerning the classification and valuation of assets, and the reserves to be maintained on the basis of such classification and valuation.
 3. The duration set by the Central Bank for considering the income of loans as non-realized, so that such income may not be counted as bank income unless it is realized in cash.
- b. The Central Bank shall impose a fine on any bank that does not maintain the minimum liquid assets pursuant to paragraph (a) item 1 of this Article. Such fine shall be charged for the amount of the shortfall that occurs each day for the period of the violation on the basis of the rediscount rate plus a margin determined by the Central Bank in special orders issued for this purpose. The Central Bank may also apply any of the measures or penalties provided for in Article 88 of this law if the violation continued for more than seven days or occurred more than once in a year.

Article 43

Notwithstanding the provisions of any other legislation, provisions allocated against non-performing loans shall be deducted from taxable income, provided that the allocation is approved by the Central Bank.

Article 44

- a. A bank shall display prominently at its head office, branches, and offices the interest rates on the deposits of its customers and the types and rates of interest and commissions charged on credit granted to its customers, including interest rates for preferred customers.
- b. A bank shall supply its customer with copies of the contracts concluded therewith and any notices, information or statements concerning the customer's accounts held at the bank.

Article 45

Credit granted by a bank to any financial company that has a relationship with the bank shall be subject to the conditions and restrictions prescribed in the orders of the Central Bank. A relationship between



a bank and a financial company shall be regarded *ipso facts* as exerting if either of them has a direct or indirect effective interest on the other.

Article 46

- a. A bank may not conclude a deal with a person it has a relationship with, if such a deal can be undertaken in more favourable terms to the bank with a third party who has no such relationship with the bank. A person shall *ipso fact* be considered to have a relationship with a bank in any of the following cases:
 1. Where the person is an administrator of the bank or has a common business interest with an administrator of the bank.
 2. Where the person is the spouse of an administrator of the bank, or a relative of the administrator or his spouse up to the third degree, or has a common business interest with any of those aforementioned.
- b. Despite the provisions of paragraph (a) of this Article, a bank may not grant a loan to a person or persons having a relationship with the bank if the total sum of the various types of credit the bank has granted to them exceeds the amount prescribed by special orders of the Central Bank to be issued for this purpose.

Article 47

Without a prior written consent of the Central Bank, a bank may not grant credit or financial assistance exceeding the limits and percentages prescribed in the orders of the Central Bank to any administrator in the bank or in any subsidiary of the bank.

Article 48

- a. A bank may not acquire real estate except for the needs of conducting its business or housing and serving its employees. This shall not preclude the leasing of a portion of its real estate upon a prior written approval of the Central Bank.
- b. There shall be excluded from the provisions of paragraph (a) of this Article, any real estate acquired by a bank in settlement of a debt owed thereto provided that the bank shall give-up its ownership within two years from acquisition. The Central Bank may, in special cases, extend such period for a maximum period of two consecutive years.

Article 49

The general manager of the bank, or an officer authorized by him, shall send a letter to the registration departments requesting the removal of the lien mark made against the properties of the debtor and the guarantors immediately upon full settlement of the amounts secured.

Islamic Banks

Article 50

- a. The objects of an Islamic bank shall be the following:
 1. Providing banking services and practicing financing and investment on a basis excluding interest taking and/or giving in all forms and situations.
 2. Developing means of attracting funds and savings and allocating them to sharing in investment in a banking system founded on a basis other than interest.
 3. Providing services aiming at reviving social solidarity organized on the basis of mutual benefit.
- b. The memorandum of agreement and articles of association of an Islamic bank must be compatible with all of the provisions in this law pertaining to Islamic banks.



Article 51

Without prejudice to the provisions pertaining to Islamic banks, the Central Bank may issue orders it deems necessary to lay down special restrictions and ratios to be adhered to by an Islamic bank upon practicing its activities and business pursuant to this law.

Article 52

The Islamic banking activities, which an Islamic bank may practice, shall include the following:

- a. Accepting monetary deposits in various accounts, whether credit accounts, mutual fund accounts, or private investment accounts.
- b. Issuing mutual *muqarada* bonds or specified *muqarada* bonds, or setting up investment portfolios or investment funds.
- c. Finance and investment activities based on other than interest through the following:
 1. Financing, fully or partially self-liquidating operations in various fields, including forms of financing in *mudharaba*, diminishing *musharka*, *murabaha* for purchaser's order, and other financing methods approved by the Islamic Jurisprudence Supervision Board and not opposed to by the Central Bank.
 2. Investing funds as requested by the depositors with the resources available to the Islamic bank in accordance with the joint *mudharaba* system. An Islamic bank may in certain cases undertake a specified investment under a special agreement.
 3. Investing of funds in various projects.

Article 53

An Islamic bank shall comply with the following conditions and restrictions:

- a. That its operations and activities shall be compatible with recognized jurisprudence opinions, that is the jurisprudence rules which an Islamic bank adheres to, selected from the rules laid down by various Islamic schools of jurisprudence as serving best the common interest, without exclusively deriving from a specific school, and as may be endorsed for this purpose by the Islamic Jurisprudence Supervision Board of the bank.
- b. That its operations and activities shall not be conducted on the basis of interest in its two following forms:
 1. The interest on debts received or paid in all cases of lending and borrowing, including amounts payable by the borrower not related to an effort undertaken for the consideration of an appreciable effort according to recognized Islamic jurisprudence opinions.
 2. The interest on sales in banking in cases where the sales involve forward exchange of different currencies.

Article 54

Subject to any orders issued by the Central Bank, an Islamic bank, in the course of pursuing its objects, may perform any of the following acts and activities:

- a. Engaging in all traditional or innovated interest-free banking activities for the account of the bank itself or for others inside or outside the Kingdom, provided that the bank complies in this respect with the rules adhered to by other banks.
- b. Performing the role of testamentary guardian in estate management, and will execution according to the provisions of the Islamic jurisprudence rules and the laws in effect and in cooperation with the competent religious agency.
- c. Assuming the role of trustee in the field of social services for the purposes of strengthening the bonds of cohesion and mutual compassion among groups and individuals, including the provision of *qardh hasan* for productive purposes in any field, and the establishment and management of funds specified for valued social purposes.
- d. Any operations and activities that enable it to achieve its objects, particularly:



1. Incorporation of companies in various fields, especially those complimentary to the Islamic bank's activities.
2. Acquiring, selling, investing in, leasing and renting, movable and immovable properties, including, development of land, owned or rented, for agriculture, industry, tourism or housing without the need for obtaining any approval required under the Law on Legal Persons' Disposal of Immovable Property in force.
3. Setting up self-insurance funds and reciprocal insurance funds in favour of an Islamic bank or those who have dealings with it in various fields.
4. The management of property and other assets predisposed to banking management on a *wakala* -for-fee basis.

Article 55

- a. An Islamic bank shall maintain an account in an investment risk fund to cover any losses in the mutual investment accounts exceeding the total investment earnings in a given year. Such fund shall be sustained by the following:
 1. Deducting not less than 10 percent of the net investment earnings realized by various operations carried out during the year.
 2. Increasing the percentage provided for in item 1 of this paragraph pursuant to an order of the Central Bank. The rate amended by increase shall become effective in the fiscal year following the year in which the amendment was decided.
- b. The deductions shall cease when the total amount in such fund becomes twice the amount of the paid-up capital of the Islamic Bank or reaches such other amount as may be determined by the Central Bank.

Article 56

- a. Subject to the provisions of Article 101 (c) of this law, where the Central Bank has decided to liquidate an Islamic bank pursuant to the provisions of this law, the Deposit Insurance Corporation shall assume the liquidation according to the liquidation provisions provided for in the law of the said corporation to the extent that these provisions are not in conflict with the provisions contained in this law particularly applicable to Islamic banks.
- b. Notwithstanding the provisions of any other legislation, the obligations and debts due from an Islamic bank under liquidation shall be settled as follows:
 1. The entitlements of depositors in the mutual fund accounts shall be settled in accordance with their respective terms. The entitlements of owners of *muqaradha* bonds, investment portfolios, or investment funds, shall be settled in accordance with the terms pertaining respectively to each issue thereof. It is provided however that, beforehand, such entitlements shall be charged with their respective shares of the expenses and disbursements of the liquidator, and subsequently charged with their respective liabilities. Upon covering all the expenses and losses incurred by the investments for which risks the investment risk fund has been set up to cover, the balance remaining shall revert to the *Zakat* Fund.
 2. The entitlements of depositors in specified investment accounts, and of the holders of specified *muqardha* bonds shall each attach to its respective specific project. Such entitlements shall be subject to the outcome of their respective projects on the basis of "gains against losses," provided that, beforehand, the related expenses and liquidator's costs shall be deducted therefrom.
 3. Without prejudice to the provisions of items 1 and 2 of this paragraph, the liabilities and debts due from an Islamic bank under liquidation shall be paid in the following order:
 - a. The balance of expenses and disbursements incurred by the liquidator in the liquidation process.



- b. The entitlements of the officers and employees of the Islamic bank in terms of salaries, remunerations, and any other labour compensation provided for in the Labour Law.
- c. Any taxes and duties payable to the Government.
- d. The entitlements of the depositors in the credit accounts.
- e. The entitlements of the creditors and any other funds deposited with the bank for purposes other than investment and sharing in the profits accruing therefrom.
- f. The entitlements of the investors in mutual fund accounts.

Article 57

Provided that the provisions of Article 56 of this law have been observed, the rights of shareholders in an Islamic bank under liquidation shall be liquidated by distributing the remaining funds among the shareholders proportionately with the shares owned by each.

Article 58

- a. In order to discharge its obligation to comply with the rules of Islamic jurisprudence pursuant to its memorandum of agreement and articles of association, an Islamic bank shall appoint, by decision of its general assembly of shareholders, a board to be designated as the Islamic Jurisprudence Supervision Board. The board shall comprise not less than three members and its opinion shall be binding on the Islamic bank. It shall be charged with the following tasks:
 1. Monitoring the compliance of the operations and activities of the Islamic bank with Islamic jurisprudence rules.
 2. Giving opinion on the text of contracts required for the operations and activities of the bank.
 3. Considering any matters referred thereto pursuant to specific orders of the Central Bank.
- b. The Islamic Jurisprudence Supervision Board shall appoint one of its members as its chairman. It shall convene upon an invitation of its chairman, upon a decision of the board of directors of the Islamic bank or upon the request of two of its members. Its meetings shall be deemed legal if at least two of its members are present in cases where it is comprised of three members. If the number of the board members exceeds three, a meeting shall be deemed legal if a majority is present. In any case, the board resolutions shall be adopted by unanimous or majority vote of its members.
- c. The Islamic Jurisprudence Supervision Board or any of its members may not be discharged unless a reasoned decision is issued by the board of directors of the Islamic bank in a two-third majority vote of its members provided that the decision is endorsed by the general assembly of the bank shareholders.
- d. The Islamic bank shall notify the Central Bank of any decision appointing or discharging the Islamic Jurisprudence Supervision Board.

Article 59

- a. All investment dividends of the Islamic bank shall be regarded as income liable to tax at the rate applicable to banks.
- b. Investment dividends distributed to holders of investment deposits, *muqaradha* bonds, investment portfolios, and investment funds shall be liable to income tax as applicable personally to each holder.
- c. The income provided for in paragraph (b) hereof shall be subject to exemption annually at 10 percent of each average of the investment deposit balance and the balance of the value of *muqaradha* bonds, investment portfolios and investment funds at the end of the relevant fiscal year. The Council of Ministers may amend this percentage, as it deems appropriate.

Accounts and Financial Statements

Article 60



- a. A bank shall comply with the orders of the Central Bank pertaining to:
 1. Maintaining systematically organized records of its operations.
 2. Organizing its accounts in accordance with recognized accounting principles, preparing its financial statements comprehensively to reflect the actual financial position of the bank and its branches and subsidiaries with due compliance with any special requirements specified by the Central Bank in this regard.
- b. The Central Bank may publish in full or in part and at the times it decides, statements and information furnished to it by banks, provided that such publication does not disclose the activities of a bank, unless the Central Bank has obtained a prior written consent thereof.

Article 61

- a. The Central Bank shall annually prepare a list of auditors of the highest rating as classified under the legislation in effect. A bank shall select and appoint from such list an auditor to audit its accounts for the relevant fiscal year to perform the following:
 1. To assist the bank to maintain correct records and accounts as required under Article 60 of this law.
 2. To review and scrutinize the adequacy of the internal auditing and the internal control procedures and providing recommendations thereon.
 3. To submit an annual report on the results of auditing the accounts of the bank, showing the actual financial position of the bank, and attaching to the report his opinion of such accounts. The Bank shall directly be furnished with copies of the report.
 4. Furnishing the Central Bank with a certificate stating his opinion of the bank's doubtful debt provisions and any deficit in the provisions required for the assets of the bank pursuant to the orders issued by the Central Bank for this purpose.
 5. Furnishing the Central Bank with any additional information or statements on the position of the bank.
 6. Notifying the Central Bank in writing immediately upon observing any matter having an adverse effect on the bank's financial position or administrative situations.
 7. Notifying the Central Bank immediately upon observing any violations of law committed by the board of directors or an administrator of the bank or a subsidiary thereof upon observing illegal operations or any operations that would entail losses to the bank or the subsidiary.
- b. If, for any reason, a bank has failed to appoint a certified auditor pursuant to paragraph (a) of this Article for the maximum period of four months from the beginning of the fiscal year, the Central Bank shall be authorized to appoint a certified auditor to audit the accounts of the bank against fees to be determined by the Central Bank and paid by the bank.
- c. The Central Bank, if it deems this necessary, may appoint a certified auditor to review and audit the accounts of a bank in addition to the auditor appointed pursuant to paragraphs (a) or (b) of this Article. The Central Bank shall specify the task assigned to such auditor, the time for completing the work and the fee to be borne by the bank.

Article 62

- a. A bank shall annually deduct to the credit of its regulatory reserve 10 percent of its net profits in the Kingdom. It shall continue the deduction until the reserve becomes equivalent to the subscribed capital of the bank. This deduction shall be in lieu of the mandatory reserve provided for in the Law of Companies.
- b. A bank may not distribute profits to shareholders before it covers all the incorporation expenses and the expenses not related to tangible assets, or before writing off any losses incurred regardless of their type. Such expenses and losses may, upon the consent of the Central Bank, be covered within a period not exceeding five years.



Article 63

Notwithstanding the provisions of any other legislation, the board of directors of a bank shall submit to the Central bank the financial statements of the bank duly certified by the certified auditor, within a period not exceeding two months from the end of the fiscal year. Furthermore, the board of directors shall, subject to legal accountability, obtain a prior written approval of the Central bank of the following:

- a. The end of period balance of accounts, certified by the certified auditor, before its presentation to the general assembly of shareholders.
- b. The declaration and publication of such accounts in any media.

Article 64

A bank shall be prohibited from distributing any profits to the shareholders from the components of its regulatory capital, if such distribution entails non-compliance with the prescribed minimum regulatory capital.

Article 65

Notwithstanding the provisions of any other legislation, the general assembly of shareholders of a bank may not decide to distribute any profits to the shareholders in excess of those approved by the Central Bank.

Article 66

With due observance to the provisions of Article 63 of this law, a bank, after the general assembly of its shareholders has approved its accounts for the fiscal year ended shall:

- a. Publish its end of year balance of accounts and its auditor's report in two domestic daily newspapers within six months from the end of the fiscal year. If it has branches abroad, it shall publish its aggregate end of year balance of accounts similarly as aforesaid alongside its end of year balance of accounts pertaining to the Kingdom.
- b. Display the end of year balance of accounts provided for in paragraph (a) of this Article with a list of the names of the members of its board of directors on a conspicuous spot at its offices and branches for at least three months during the fiscal year following the year ended.

Article 67

The branch of a foreign bank must publish the aggregate end of year balance of accounts of its parent company and the parent company's branches outside the Kingdom alongside its end of year balance of accounts within the Kingdom.

Article 68

A bank shall furnish the Central Bank with a copy of its annual report, which shall include:

- a. The statements required under the Law of Companies and the Law of Securities and instructions issued pursuant thereto.
- b. The amount of capital shares belonging to each of the chairman and members of the board of directors of the bank and their relatives up to and including those of the third degree.

Article 69

A bank shall comply with the orders of the Central bank to furnish the Central Bank with:

- a. A statement of the bank's financial position, liquidity, solvency, earnings, operations, and administrative state of affairs, including the remuneration of the members of the board of directors and the senior administrators as specified by the Central Bank.
- b. The end of period balance of accounts and financial position reports of its subsidiaries.

Inspection and Auditing



Article 70

- a. A bank and any subsidiary thereof shall be subject to inspection by the Central bank or by auditors appointed for inspection by the Central Bank at the bank's expense. The bank and its subsidiaries shall cooperate therewith to enable them to perform their tasks in full.
- b. If the bank to be inspected is a branch of a foreign bank or a subsidiary thereof, it shall be subject to the inspection of the competent supervisory authorities in the country of its head office or regional office, in addition to the inspection of the Central Bank.
- c. The Central Bank and the auditors appointed thereby, shall, during their inspection of a bank and any of its subsidiaries, be authorized of the following:
 1. To examine and obtain copies of any accounts, records, and documents, including minutes of the meetings and resolutions of the board of directors and the auditing committee.
 2. To ascertain that the statements of accounts of a foreign bank branch operating in the Kingdom include the consolidated budget, end of year balance of accounts and the income statement of the parent company and its branches in other countries.
 3. To request the bank's administrators, agents and subsidiaries to provide them with any information, which the Central Bank or the appointed auditors deem necessary for this purpose.

Article 71

The Central Bank may issue orders to enable its inspectors and agents to visit the offices of financial companies, examine their accounts, records, and documents and take any measures they deem necessary to ascertain that the operations and activities of such companies are not in conflict with the provisions of this law.

Banking Confidentiality

Article 72

A bank shall observe full confidentiality regarding all accounts, deposits, trusts, and safe-deposit boxes of its customers. It shall be prohibited from providing directly or indirectly any information thereon except upon a written consent of the owner of such account, deposit, trust or the safe-deposit box, or an heir of his, upon a decision issued by a competent judicial authority in a current litigation, or due to one of the permissible situations pursuant to the provisions of this law. This prohibition shall remain in effect even if the relationship between the bank and the client has terminated for any reason whatsoever.

Article 73

All present and former administrators of the bank shall be prohibited from providing any information or data on the clients or their accounts, deposits, trusts, safe-deposit boxes, or any of their transactions, or disclosing or enabling others to have access to such information and data in situations other than those permitted under this law. Such prohibition shall apply to anyone who by virtue of his profession, position or work, directly or indirectly, may have access to such information and data, including employees of the Central Bank and auditors.

Article 74

The provisions of Articles 72 and 73 of this law shall not apply to the following:

- a. The duties provided in law to be performed by the auditors appointed by the general assembly of a bank or by the Central bank pursuant to the provisions of this law.
- b. The acts and measures undertaken by the Central Bank pursuant to this law or the Central Bank Law.



- c. The issuance of a certificate or statement on the reasons for the refusal to cash any check upon request of an entitled person.
- d. The exchange of information pertaining to clients on their debit balances in order to provide necessary data to ensure safety of credit granting, checks retained unpaid or any other act deemed necessary by the Central Bank due to its relevance to the safety of banking. It is provided that the exchange of information is between banks, the Central Bank or any other companies or entities approved by the Central Bank for the purpose of facilitating the exchange of such information.
- e. Disclosure by a bank, in full or in part, of statements on transactions of a client necessary to substantiate a claim of the bank in a judicial dispute between the bank and the client in respect of such transactions.

Article 75

A person who has violated the provisions of Article 72 or Article 73 of this law shall be punished with imprisonment for a period not less than six months, a fine not less than ten thousand Dinars and not more than fifty thousand Dinars, or with both penalties.

Merger of Banks

Article 76

- a. The provisions in the Law of Companies in effect pertaining to the Merger of companies shall be applicable to the merger of banks in all matters not particularly provided for in this chapter.
- b. A bank may not launch any procedure of merger without first obtaining a prior written consent of the Central Bank.

Article 77

Where the general assembly of a bank has agreed to merger pursuant to the provisions of the Law of Companies, such decision shall be binding on all shareholders. The remedy to anyone who has consequently sustained damages shall be limited to claiming compensation.

Article 78

The Central Bank shall appoint the experts and specialists to participate in the valuation committee to be formed by the Minister of Industry and Trade to finalize the merger pursuant to the Law of Companies.

Article 79

- a. Subject to the provisions of the Law of Companies, the following shall *ipso facto* be vested on the merging bank or the bank emerging from a merger:
 - 1. All accounts, deposits, and outstanding financial facilities of all kinds at the merged bank altogether with their personal and real securities, without the need to obtain the consent of any client, surety, mortgagor, beneficiary, or any other person.
 - 2. All rights and obligations of the merged bank under lease contracts, employment contracts, or any other contracts whatsoever.
- b. The bank emerging from a merger shall replace the merged bank in all matters and actions including lawsuits and judicial proceedings initiated by or against the merged bank.

Article 80 *

Notwithstanding the provisions of the Law of Companies in force:

- a. In case a bank sustains financial problems substantially affecting its financial position, the Central Bank may issue a decision to merge the bank with another bank, subject to the consent of the latter.



- b. The Central Bank shall replace the merged bank's board of directors, its ordinary general assembly, and its non-ordinary general assembly in all phases of the merger.
- c. A special committee constituted by the Central Bank shall act to estimate the assets of the merged bank.

* This article has been amended by temporary law No (46) of 2003 published in the Official Gazette No (4600) dated 1/6/2003 and which become permanent by law No (24) of 2006 published in the official Gazette No (4756) dated 16/4/2006.

Article 81

The Central Bank may grant incentives to encourage merger, including the provision of soft loans subject to the terms and guarantees that the Central Bank may decide.

Article 82

- a. A bank, may, subject to the prior consent of the Central Bank, acquire all or part of the assets and rights or the liabilities and obligations of another bank, including:
 - 1. Any banking facilities granted by the bank to its clients, or pledges issued to beneficiaries together with all personal and real securities thereof, without the need to obtain the consent of any client, surety, mortgagor, beneficiary, or any other person, and without the need to comply with any valuation or other formalities which may be provided for in any other legislation.
 - 2. Any other rights or obligations, regardless of their type, including lease rights. If the rental is less than the prevailing rental of a comparable property, such rental shall be adjusted to become equal therewith.
- b. Any acquisition effected pursuant to the provisions of paragraph (a) of this Article shall be tantamount to merger for the purposes of benefiting from the exemptions and privileges of merger under this law and the Law of Companies in effect. For this purpose, the provisions applicable to the merged bank shall apply to the selling bank, and the provisions applicable to the merging bank or the bank resulting from merger shall apply to the acquiring bank.

Article 83

Subject to the banking confidentiality provisions, the chairmen of the boards of directors of banks seeking to merge or to effect acquisition under the provisions of this law, or their delegates specifically authorized for this purpose, may exchange among themselves necessary information concerning the operations of their respective banks to complete the study of the contemplated merger or acquisition. Such persons shall be personally responsible and legally accountable for maintaining the confidentiality of the information, which they may become aware of in this regard.

Liquidation

Article 84

- a. The Central Bank shall be the only agency authorized to issue a decision to liquidate any bank, notwithstanding the provisions of the Law of Companies or any other law.
- b. The Central Bank may issue a decision to liquidate a bank in any of the following cases:
 - 1. Where the bank has committed a violation or more which may entail squandering of its assets or damage to its depositors' rights.
 - 2. Where the bank has become unable to meet the demand on its deposits or to fulfil any of its obligations.
 - 3. Where the total losses of the bank have exceeded 75 percent of its subscribed capital.
 - 4. Where a decision is issued revoking its license.



- c. The general assembly of shareholders of a bank may not issue any resolution pertaining to the liquidation of the bank unless a prior written consent of the Central Bank is obtained.
- d. Any liquidation decision shall be published in the Official Gazette and two domestic daily newspapers within no more than seven days of the date on which the decision is issued.
- e. The bankruptcy provisions contained in the Law of Commerce in effect or any other law, which may amend or replace such law, shall not be applicable to banks.

Article 85

Notwithstanding the provisions of the Law of Companies, and subject to the provisions of Article 101(c) of this law, if the Central Bank has decided to liquidate a bank pursuant to the provisions of Article 84 of this law, the Deposit Insurance Corporation shall be the sole liquidator of such bank.

Article 86

- a. A decision issued by the Central Bank to liquidate a bank shall be appealable to the Supreme Court of Justice within 30 days as of the date of its publication in the Official Gazette. The appellant shall satisfy any of the following requirements:
 - 1. Owning not less than 10 percent of the subscribed capital of the bank.
 - 2. Having deposits not less than 10 percent of the total deposits held at the bank.
 - 3. Being a creditor of the bank of not less than 10 percent of the total debt liabilities of the bank.
- b. Should the Supreme Court of Justice decide to overrule a liquidation decision, the bank before resuming business, shall comply with any special requirements or conditions stipulated by the Central Bank.

Article 87

If the Central Bank has decided to revoke the license of, or liquidate, a branch of a foreign bank, the parent company of the branch may not dispose of, or transfer abroad, any assets or funds of the branch until all of the obligations incurred by the branch in the Kingdom have been discharged.

Corrective Measures and Penalties

Article 88

- a. The Central Bank may take any measure or impose any penalty of those provided for in paragraph (b) of this Article in the cases where it is realized that a bank or any of its administrators has committed any of the following violations:
 - 1. Contravention of the provisions of this law or any regulations, instructions, or orders issued pursuant thereto.
 - 2. Conducting by the bank or one of its subsidiaries unsound and unsafe operations against the interest of shareholders, creditors, or depositors thereof.
- b. Subject to the provisions of paragraph (d) of this Article, if any of the violations provided for in paragraph (a) of this Article is committed, the Governor may take one or more of the measures or impose one or more of the penalties provided below:
 - 1. Addressing a written warning.
 - 2. Instructing the bank to submit a satisfactory program of measures to be taken thereby to eliminate the violation and rectify the situation.
 - 3. Instructing the bank to cease certain activities, or forbidding the bank from distributing dividends.
 - 4. Imposing a fine on the bank not exceeding one hundred thousand Jordanian Dinars.
 - 5. Instructing the bank to temporarily suspend from service any administrator, other than a member of its board of directors, or to dismiss such administrator, depending on the gravity of the violation.



6. Removing the chairman or any member of the board of directors of the bank.
 7. Dissolving the board of directors of the bank and placing the bank under the management of the Central Bank for a period not to exceed twenty-four months*. The Governor may extend the said period for up to twelve additional months.
 8. Revoking the license of the bank.
- c. Before taking any of the measures or imposing any of the penalties prescribed in items 4, 5, 6, 7, and 8 of paragraph (b) of this Article, the Governor shall obtain the prior consent of the Board.
 - d. Any interested party may contest measures or decisions of the Central Bank, provided for in paragraph (b) of this Article, to the Supreme Court of Justice within thirty days as of the date the measure was taken or the decision issued.
 - e. Should it be decided to take any measure or to impose any penalty provided for in this Article, this shall not preclude the civil and criminal accountability under the provisions of any other legislation.

* This article has been amended by temporary law No (38) of 2004 and which become permanent by announcement in the Official Gazette No (4717) dated 17/8/2005.

Concluding Provisions

Article 89

The fiscal year of a bank shall commence at the start of January and shall end at the end of December of the same year.

Article 90

- a. Banks licensed by the Central Bank by the date of enforcement of this law shall be regarded as licensed under this law.
- b. The Jordanian Islamic Bank for Finance and Investment and any other Islamic bank already licensed by the enforcement date of this law shall be regarded as licensed under this law.
- c. The financial companies licensed by the Central Bank before the date of enforcement of this law shall continue operating and shall be subject to all provisions of this law.

Article 91

The branches of a bank in the Kingdom and the administration offices of such branches shall be regarded for the purposes of this law as a single bank.

Article 92

- a. The Central Bank may set up an electronic system for the transfer of funds in coordination with banks. The Central Bank shall then be free to use such payment and collection system for paying and receiving, and shall inform concerned banks accordingly.
- b. Notwithstanding the provisions of any other legislation, all means of evidence shall be permitted in banking cases, including electronic data, computer printouts and telex correspondence.
- c. Banks may maintain, for the period prescribed by law, reduced copies (microfilm or other devices of modern technology) to replace original books, records, statements, documents, correspondence, cables, notices, and other paper work related to their financial operations. These reduced copies shall be as authoritative in evidence as the original.
- d. Banks that use computers or other modern technological equipment in the organization of their financial operations shall be exempt from maintaining commercial books provided for in the Law of Commerce in effect. The information derived from such devices or other modern methods shall be regarded tantamount to commercial books.



- e. All banking activities and financial operations shall, by virtue of their inherent nature, be regarded as commercial, irrespective of the civil or commercial capacity of the client in a contract or transaction with the bank. Such operations shall be subject to the law of Commerce in effect but shall not be subject to the rules of *AL-Murabaha* Regulation.
- f. Notwithstanding the provisions of any other legislation, and unless prevented by agreement, a bank may assign to another person any right of the bank or credit granted to a client of the bank and its real and personal guarantees. The bank may also accept any assignment of right thereto without the need to obtain the consent of the debtor, the client, the mortgagor, or the surety unless it is agreed otherwise.
- g. Notwithstanding the provisions of any other legislation, the Central Bank may issue special orders preventing banks from accepting checks drawn thereon if such checks are not issued on the forms of the banks or if the checks do not fulfill certain other requirements prescribed by the orders of the Central Bank to facilitate the clearance service among banks.

Article 93

- a. If a bank learns that the execution of any banking transaction or the receipt or payment of funds is related to or could be related to any crime or illegitimate act, the bank shall immediately notify the Central Bank accordingly.
- b. Notwithstanding the provisions of any other legislation, upon receiving a notice pursuant to paragraph (a) of this Article, or upon knowledge from another source that the bank has been asked to execute a banking transaction or to receive or pay funds related or could be related to a crime or an illegitimate act, the Central Bank shall issue an order to such bank to refrain from executing the transaction or receiving or paying the funds for a period not exceeding thirty days. In the meantime, the Central Bank shall notify any official or judicial authority of the matter.
- c. Disclosure of information by a bank under the provisions of this Article shall not be regarded as a breach of the obligation to maintain banking confidentiality. Such bank or the Central Bank shall bear no consequent liability.

Article 94

The Controller of Companies shall coordinate with the Central Bank to ascertain that the objects and activities of any financial company in the process of incorporation are not in conflict with the provisions of this law.

Article 95

- a. An association designated the "Association of Banks" shall hereby be established and shall have the status of a legal person.
- b. The Association shall assume coordination and ensure cooperation among banks. Upon a recommendation of the Central Bank, a regulation shall be issued pursuant to the provisions of this law to determine for the Association its functions, requirements for its membership, activities, the formation and meetings of its general assembly and board of directors, admission fees, annual membership subscriptions, and fines for delay in the payment of either.
- c. The Association provided for in paragraph (a) of this Article shall be the legal and factual successor of the Association of Banks in Jordan, which is registered pursuant to the provisions of the Law of Social Associations and Organizations No. 33 of 1966. All assets, movable and immovable property and rights shall revert to the Association of Banks, and all liabilities shall be assumed thereby.
- d. Until the regulation referred to in paragraph (b) of this Article is issued, the charter of the Association of Banks in the Kingdom in effect at the enforcement date of this law shall remain in effect, and its board of directors shall continue in office to conduct the affairs of the Association until a new board of directors is elected pursuant to the provisions of that regulation.



Article 96

- a. Subject to the provisions of any other legislation, any person serving as an auditor of a bank or as an attorney at law or legal counsel under a general power of attorney or an annual contract may not be a debtor or a guarantor of a debtor of the bank or one of its subsidiaries.
- b. Further, an attorney or legal counsel of a bank may not be a member of the board of directors of the bank or an affiliate company thereof or have any interest in any of them.

Article 97

- a. The Central Bank shall collect the fines imposed on a bank under this law or any other law.
- b. Fines shall be charged to the account of the bank held at the Central Bank and shall be transferred monthly to the Treasury account.

Article 98

Banks and financial companies shall modify their administration, organization, operations, and activities, and introduce necessary amendments to their memoranda of agreement and articles of association to become compatible with the provisions of this law within two years from the date of the enforcement of this law, by resolutions of their boards of directors without having to convene their general assemblies to endorse such decisions.

Article 99

- a. The Council of Ministers shall, upon the recommendation of the Central Bank, lay down the regulations necessary for the implementation of the provisions of this law.
- b. The Central Bank shall issue the orders, which it deems necessary to implement the provisions of this law to be individually or collectively applicable.

Article 100

The provisions of the Law of Companies in effect, or any other law which may replace it, shall apply to banks to the extent that such provisions are not in conflict with the provisions of this law and the regulations and orders issued pursuant thereto.

Article 101

- a. The Law of Banks No. 24 of 1971 and amendments shall be repealed. However, the regulations, orders and instructions issued pursuant thereto shall remain in effect until they are replaced, amended, or repealed.
- b. The Jordanian Islamic Bank for Finance and Investment Law No. 62 of 1985 shall be repealed.
- c. If the liquidation of a bank is decided before the promulgation of a special law establishing the Deposit Insurance Corporation, the Central Bank shall, in such case, exercise all of the authorities vested in law on the liquidator.

Article 102

The Prime Minister and Ministers shall be entrusted with the implementation of the provisions of this law.