

Pursuant to Article (31) of the Constitution, and by virtue of the decision adopted by the Council of Ministers on 14/12/2014, We, Abdullah II, Ibn Al-Hussein , King of the Hashemite Kingdom of Jordan, order that the following bylaw be promulgated:

**Bylaw No. (5) of the year 2015
Microfinance Companies bylaw
promulgated pursuant to Paragraph (G) of Article (12) and Article (65) of the Central
Bank of Jordan Law No. (23) of the year 1971**

Article (1): This bylaw shall be called the " Microfinance Companies Bylaw " of the year 2015, and shall be enforced after the lapse of four months from the date of its publication in the Official Gazette.

Article (2): A- The following words and expressions shall have the meanings indicated below, wherever mentioned herein, unless the context indicates otherwise:

Bank: The Central Bank of Jordan.

Board: The board of directors of the bank.

Company: The financial company engaging in microfinance activity and licensed according to the provisions of this bylaw.

Microfinance activity: Provision of financing and financial activities to persons of low-income and persons who are unable to obtain financial services wholly or partially from the banking sector, whether these parties are individuals, microenterprises or small enterprises according to standards determined by the bank.

Member: A member of the board of directors of the company or a member of the management committee.

Senior executive management: General director of the company and his deputy and assistants thereof and the financial manager and those with same equivalent positions.

B- The words and expressions "deposit", "orders" and "subsidiary" wherever stated in this bylaw, shall have the meanings defined in the banking law in force , unless the context indicates otherwise .

Article (3): A- No person shall engage in microfinance activity unless be licensed to do so by the bank in accordance with the provisions of this bylaw.

B- It shall be prohibited for any unlicensed person to use in any way the expression "microfinance" or the synonyms thereto, whether in the Arabic language or any other foreign language, nor shall they use in their papers, documents and advertisements thereof any term or expression related to engagement in microfinance activity or implying such activity, unless the context indicates that the particular use is not related to microfinance activity.

Article (4): A- For licensing the company, the following conditions shall apply:

1- The company shall be a limited liability company or a private Shareholding company , or a branch of a foreign company that engages in microfinance activity in accordance with the terms and requirements determined by the bank for this purpose.

2- The minimum amount of its paid-up capital shall be two million Jordanian dinars, and the bank may amend this amount from time to time.

B- For licensing of the non-profit company, the minimum amount of its paid-up capital and the surplus existing in equity shall be two million Jordanian dinars, and the bank may amend this amount from time to time.

Article (5): A- The founders of the company shall submit a licensing application to the bank on the form designated for this purpose, which include the following information and documents:

1- The name of the company, its memorandum of agreement, articles of association, the headquarters address and number of branches thereof.

- 2- Each founder's name, nationality and the nature of their activities, in addition to the amount and percentage of each founder ownership of the company capital and proof of the financial solvency.
- 3- The authorized capital of the company.
- 4- The organizational structure of the company and an acknowledgment by the founders that the requirements and standards specified in this bylaw relating to the senior executive management do indeed exist.
- 5- Projected budgets for the first three years.
- 6- The financial statements audited by a certified accountant for each founder of legal entity for the last two years (if available).
- 7- Specifications of the activities and services provided by the company as well as the related details.
- 8- Any other requirements, terms or documents as the bank deems necessary.

B- The licensing application shall not be accepted unless it is complete in regard to the necessary requirements, terms and documents. The board shall issue its decision regarding preliminary approval of said application or rejection thereof within three months from the date of application's acceptance. The applicant shall be notified of the decision.

C- The preliminary approval shall be revoked ipso facto if the applicant for licensing does not fulfill all requirements and terms necessary for obtaining final licensing, within six months from the date of obtaining the preliminary approval.

Article (6): A- The board shall issue its decision regarding final approval after verification of the company's registration and its completion of terms, requirements and documents stipulated in this bylaw within a period that shall not exceed (60) days from the date of submitting the final licensing application. If the decision for approval is not issued within this period, then this shall be considered as a decision of rejection.

B- The licensing shall be for an indefinite duration and shall be non-transferable.

Article (7): A- The board shall issue a decision revoking the license of the company in any of the following circumstances:

1. If the licensing has been granted based on incorrect information submitted in the licensing application or any of its accompanying documents.
2. If the company has not commenced its activities within six months from the date of obtaining the licensing, unless the company submitted a request to extend this period at least one month in advance of the expiry thereof. The extension shall be activated twice at the most and for a period not longer than three months as a maximum each time.
3. If the company has submitted an application for the revocation of its license.

B- The bank shall inform the company of its license revocation and shall publish its revocation decision within seven days from the issuance date in two daily local newspapers at least, which are most widely circulating according to the classification endorsed by the General Supplies Department which is issued on the first day of each year and shall be published in the Official Gazette.

Article (8): A- According to its licensing, the company shall engage in the following financial activities:

1. Granting loans.

2. Granting financing in accordance to the Islamic Jurisprudence "Sharia" rules, pursuant to regulations issued thereby by the bank for this purpose.
3. Undertaking the activities of an insurance agent for its customers in accordance with relevant legislations in force.
4. Undertaking the activities of an agent for its customers to provide services related to mobile payment services in according to relevant legislations in force.
5. Any other activities or services approved by the bank.

B- The company shall not accept any form of deposits.

Article (9): A- The company that engages in financing according to the Islamic Jurisprudence "Sharia" rules shall appoint an Islamic Jurisprudence "sharia" Supervision board that shall comprise not less than three members who are qualified and knowledgeable, and its opinion shall be binding to the company.

B- The board shall be charged with the following tasks:

1. Monitoring the compliance of the operations and activities of the company with Islamic jurisprudence "sharia" rules.
2. Giving opinion on the text of contracts required for operations and activities of the company .
3. Considering any matters referred thereto according to specific orders of the bank, and giving its opinion regarding such matters.

Article (10): A- The company shall not cease its activities wholly or partially for any reason until it has obtained the prior written approval from the board.

B- The company shall not open nor close or transfer a branch, whether temporarily or permanently, without the bank prior written approval.

C- The company shall not establish any subsidiary unless it has obtained the bank prior written approval.

Article (11): The company must clearly use the expression "microfinance" in its name. It shall be prohibited to use any word or expression that does not indicate the nature of activities and services that the company is licensed to engage in.

Article (12): In addition to the provisions of the companies law in force, anyone to be appointed as a chairman or a member of the company's board of directors (or the management committee) shall meet the following requirements:

A- Shall not be less than 25 years.

B- Shall be of good conduct and reputation.

C- Shall not be a member in the board of directors or management committee, general manager or an employee of another company engaged in microfinance activity within the Kingdom unless it is a subsidiary of the company.

D- Shall possess the qualifications and experience in accordance with the standards and terms determined by the bank, pursuant to the regulations issued thereby for this purpose.

Article (13): Those appointed in senior executive management shall:

A- Exercise full-time employment while appointed therein.

B- Be of good conduct and reputation.

C- Possess the qualifications and experiences in accordance with the standards and terms determined by the bank, pursuant to the regulations issued thereby for this purpose.

Article (14): The bank may verify the veracity of information relating to the members of the board of directors , management committee or senior executive management of the company.

Article (15): The prior written approval of the bank shall be obtained for any of the following:

- A- Amendment of the company's capital.
- B- Amendment of any of the Company's purposes.
- C- Merger with any other company.
- D- Liquidation the business of the company.
- E- Undertaking any amendment to the company's memorandum of agreement or articles of association.

Article (16): **A-** The company or any subsidiary thereof shall be subject to oversight , supervision including inspection by the bank, or shall be subject to inspection by a certified accountant or any consultative entity appointed by the bank for this purpose at the company's expense.

B- The company shall commit to cooperating with the parties aforementioned in paragraph (A) of this article, in a manner that facilitates completing their tasks. The company shall provide the data and information requested by the bank which enables the bank to oversee and supervise the company.

Article (17): **A-** The company shall submit to the bank the financial statements audited by its certified accountant, within a period not exceeding two months from the end of the fiscal year.

B- Neither the certified accountant of the company nor its legal counsel shall be a debtor or a guarantor of a debtor of the company.

Article (18): The bank may determine the maximum limit of credit granted by the company to any member of its board of directors or management committee or senior executive management, in accordance with regulations issued pursuant to the provisions of this bylaw.

Article (19): A- The bank may issue orders published in the Official Gazette in which it determines the following:

- 1- The minimum and maximum limits for interest rates and the dues charged by the company on loans and financing granted to customers according to the Islamic Jurisprudence "Sharia" rules irrespective of the provisions of any other bylaw with regard to interest or Murabaha.
- 2- The minimum and maximum limits for commission rates charged by the company for activities and services provided to customers.

B- If the bank does not determine the interest rates, dues and commissions stipulated in paragraphs (1) and (2) of this article, then the company may charge its customers the interest rates, dues and commissions irrespective of the limits stipulated in the Murabaha bylaw.

Article (20): A- The company shall maintain the confidentiality of the data and information relating to its customers. The company shall be prohibited from divulging directly or indirectly any data or information about any customer, unless the company obtains the written consent of the customer, upon a decision issued by a competent judicial authority, or due to one of the permissible situations pursuant to the provisions of this bylaw. This prohibition shall remain in effect even if the relation between the customers and the company was terminated for any reason.

B- Any person who by virtue of his profession, position or work, is privy either directly or indirectly to data and information relating to the customers of the company, shall maintain the confidentiality of such

information and data. Such persons include bank employees certified accountants and any consultative entity appointed by the company or the bank.

Article (21): The following cases shall be excluded from the provisions of article (20) of this bylaw:

- A- Legally assigned duties to be performed by certified accountants and consultative entities appointed by the company or the bank according to the provisions of this bylaw.
- B- Activities and procedures undertaken by the bank pursuant to the provisions of this bylaw.
- C- Disclosure by the company ,wholly or partially, of data and information specific to the customer's transactions that is necessary for proving the customer's right in a judicial dispute arising between them regarding these transactions.

Article (22): The companies' controller shall coordinate with the bank to verify that the purposes of establishing any company and its activities do not contradict the provisions of this bylaw.

Article (23): Companies shall adjust their capital, administration, businesses and activities, and undertaking the necessary amendments to their memorandum of agreement and articles of association, according to the provisions of this bylaw during a period that shall not exceed two years from the effective date of the provisions of this bylaw. This period may be extended with prior approval from the bank and for no more than one year. Upon the date of completing such adjustment, companies shall be considered licensed pursuant to the provisions of this bylaw.

Article (24): Shall not apply to the provisions of this bylaw, cooperative and charitable organizations established according to the relevant legislations and which provide financing within the realm of microfinance activity.

Article (25): The bank may take any of the procedures or impose any of the sanctions provided for under the banking Law in force, including revocation of licensing, in the following cases:

- A- Violation by the company and its subsidiaries of the provisions of this bylaw or any regulations issued thereunder.
- B- Undertaking of unsound and unsafe transactions by the company and its subsidiaries.

Article (26): The bank shall issue the regulations necessary to implement the provisions of this bylaw, which include the following aspects:

- A- Treating the customers of microfinance companies fairly.
- B- Risk management and classification of assets.
- C- Internal control systems.
- D- Corporate governance.
- E- Preparation of financial reports according to the international standards.
- F- Credit information sharing.
- G- Procedures and requirements for anti money laundering and terrorism financing.

14/12/2014

Abdullah II, Ibn Al-Hussein