

Jordan

Fiscal Year 2025

Capacity Development Activities

Central Bank Operations

Monetary Operations and Liquidity Forecasting

In February, METAC continued its support to Central Bank of Jordan (CBJ) to implement quantitative MCM tools for central bank liquidity forecasting and fitting the demand curve for central bank liquidity. The CBJ also sought guidance on enhancing the size and efficiency of the interbank market while maintaining the exchange rate peg as the nominal anchor. The mission proposed two monetary policy implementation options to achieve this: a parsimonious floor system or a return to a mid-corridor system. In both scenarios, the MCM tools will aid the decision-making process to calibrate the appropriate size of open market operations.

Financial Supervision and Regulation

Developing regulation on Interest Rate Risk in the Banking Book (IRRBB)

The project started on 13-17 October with a workshop aiming to build supervisors' knowledge on the topic to help the Central Bank of Jordan (CBJ) to develop the regulation recommended by Jordan's Financial System Stability Assessment FSAP report, issued in April 2023. The workshop covered the key concepts of the Interest Rate Risk in the Banking Book (IRRBB) and presented the measurement approaches. It also presented the Basel Committee's principles for banks and the supervisor on interest rate risk and discussed its integration in the Supervisory Review Process and its impact on capital surcharge. The mission agreed with the CBJ to produce a first draft of IRRBB regulation that METAC will review in a prospective mission in early FY26. This will help strengthen banks' management and supervisory assessment of interest rate risk which became a supervisory priority amid a higher interest rate environment.

Developing SRP Risk Rating Methodology for Banks

METAC continued with the CBJ the multi-step medium-term project on developing SRP risk rating methodology for banks, which will be conducted virtually until the end of fiscal year 2025. The virtual activity will be followed by an in-person mission in early FY26 to finalize the overall SRP architecture, the various building blocks and launch the testing process. During October 20-30, METAC reviewed the first two chapters of the rating methodology (i) SRP overall architecture and (ii) credit risk. Other chapters on liquidity, operational risk, internal control and governance, profitability and business model, and market risk will follow in the coming months. The completion of this multi-step project will support the CBJ supervisory approach to move towards Risk-based Supervision, which will help address some of the FSAP report's recommendations on banking supervision.

Enhancing Regulation on Transactions with Related Parties

From 26 to 29 January, METAC assisted the Central Bank of Jordan (CBJ) in enhancing regulation on Transactions with Related Parties. The mission aimed at closing the regulatory gaps identified by the Jordan Financial System Stability Assessment (FSAP) issued in April 2023. The enhanced regulation

revised the scope of application to include foreign branches of Jordanian banks, enlarged the definition of related parties to align with Basel requirements and reduced the present relatively high prudential limit on banks' aggregate exposure to related parties. It also enhanced governance requirements, developed reporting requirement, and advised on the effective supervision of related party transactions. The mission helped enhancing regulatory and supervisory frameworks for related parties, which will strengthen good governance practices.

Developing SRP Risk Rating Methodology for Banks

In April, METAC continued its support to the Central Bank of Jordan in developing a risk rating framework for banks, inspired by the European Supervisory Review and Evaluation Process (SREP) methodology. This is a multi-phase, medium-term project conducted in a hybrid format, aimed at advancing the CBJ's transition to a more risk-based supervisory approach. During the current phase, the mission reviewed the manual on key elements of the Supervisory Review Process (SRP), including its overall structure, as well as components covering credit risk, liquidity, business model, and operational risks. The mission provided recommendations to enhance and streamline these components. An upcoming mission, scheduled for May, will focus on discussing the recommendations and finalizing Step One of the three-step SRP roadmap.

Real Sector Statistics

Improving quarterly GDP estimates and using administrative source data in National Accounts compilation

In response to a request from the Department of Statistics of Jordan, a METAC mission assisted the national accounts staff on improving the quarterly GDP estimates and in using administrative source data in national accounts compilation during 20-31 October. In addition, the mission provided guidance on the backcasting methods for the implementation of International Standard Industrial Classification of all Economic Activities (ISIC) Rev 4 in the quarterly GDP estimates, series 2008-2024.

Revenue Administration

Review of the Jordan Customs Golden List Program

In December 2024, METAC conducted a Review of the Jordan Customs Golden List Program, an Authorized Economic Operator program. The initiative offers participating companies benefits from customs in return for compliant behavior. The review was conducted in hybrid fashion, with initial desk research followed up with an in-country visit. It included discussions with both the Golden List team in customs and participating companies.

Measuring the Non-Observed Economy

The mission during February assisted the Jordanian Department of Statistics in analyzing data sources and developing methods for the compilation of the non-observed economy in Jordan's national accounts.

Government Finance Statistics and Public Sector Debt Statistics

Improving the Compilation and Dissemination of Government Finance Statistics

The technical assistance mission during 12-16 January focused on enhancing the quality and timeliness of general government reporting. A team comprising more than 20 officials from various Ministry of Finance departments engaged in the discussion and evaluation of GFS issues. The mission introduced

the key concepts of the Government Finance Statistics Manual 2014 (GFSM 2014) framework, analyzed the current comprehensiveness and consistency of Jordan's GFS, and identified gaps and areas for improvement. The mission also held consultations with the Department of Statistics and Central Bank of Jordan, which are important stakeholders in official statistics. The authorities plan to implement the mission's recommendations over the next 15 months.