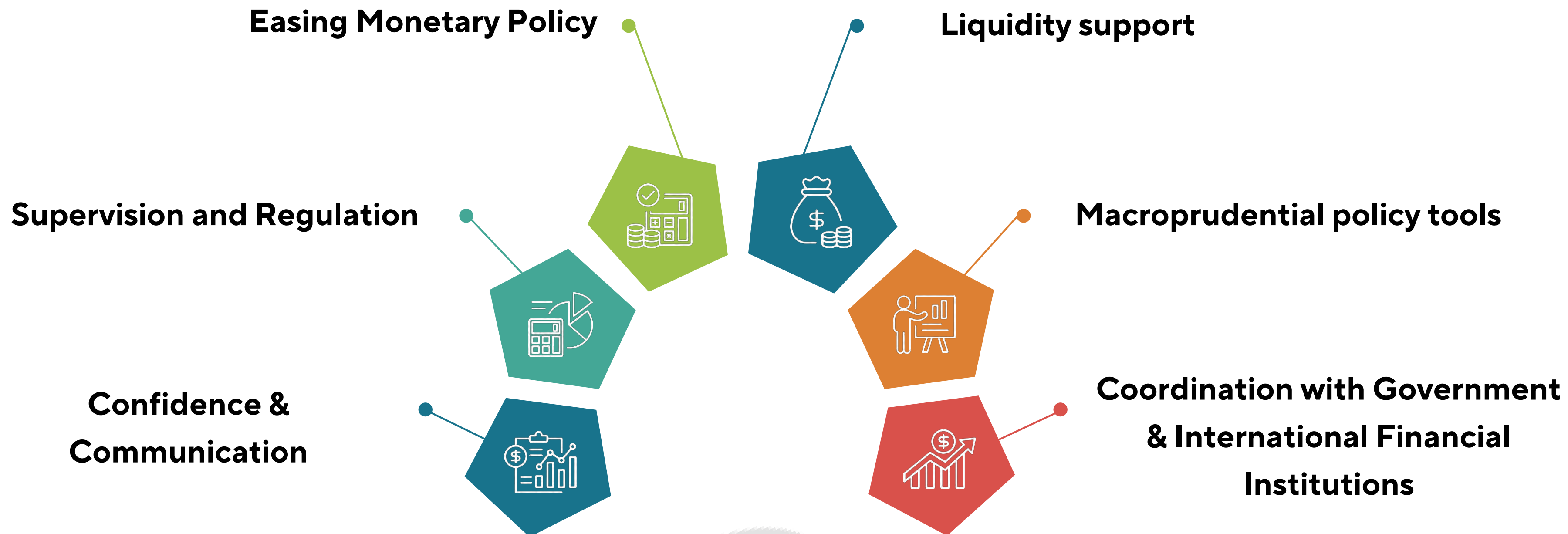


# THE ROLE OF CENTRAL BANKS IN SUPPORTING BANKS DURING CRISES

By : Mr. Mohammad Amaireh



**Central banks' intervention in supporting banks during crises not only provides immediate relief but also ensures the resilience of the banking sector and Financial sector. So, Central Banks adopt the following measures :**





# Role of the Central Bank of Jordan (CBJ) in supporting banks during covid-19

The Central Bank of Jordan adopted a bundle of precautionary measures aiming at containing the negative repercussions of covid-19 on the local economy. These measures are summarized into:



**Lowering the required reserve ratio from 7% to 5%, providing additional liquidity to banks in the amount of JD 550 million.**

**Conducting repurchase agreements (Repo) with banks in the amount of JD 500 million for maturities reaching a year.**

**Reducing interest rates several times.**

**1. Injecting additional liquidity to the banks with an amount of JD 1,050 million**





## 2- Deferral of credit Facilities' installments:

Allowing banks to defer due installments for the affected companies and individuals without charging any commissions or delay interests on these accordingly.

Allowing banks to reschedule the indebtedness of clients, without a down payment or delay interests.



### **3- Reducing the financing cost of the CBJ's development program, valued at JD 1.4 billion, to support the economic sectors, benefited 1200 companies and created 12,000 new jobs.**

**01**  
Reducing the interest rates of the program from 1.75% to 1.00% inside the capital , and from 1.00 to 0.50% for projects in other governates.



**02**  
Increasing the maximum maturity from 5 years to 10 years.



**03**  
Raising the maximum limit of advances for all sectors to become JD 3 million, while maintaining the ceiling for the renewable energy and transportation sectors at JD 4 million.



**04**  
Including the export sector within the scope of program.



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**4- Supporting SMEs through a financing program amounting to JD 700 million benefited 3600 companies, and safeguarded 75,000 workers.**

## **5- POSTPONING THE DISTRIBUTION OF CASH DIVIDENDS FOR BANKS**



**In 2020, the CBJ asked banks to postpone the distribution of cash dividends to strengthen their capital base to absorb potential losses and increase lending capacity to participate in supporting companies and households during the pandemic.**

# THE ROLE OF CBJ IN BANKING CRISIS MANAGEMENT

## 1. Developing the Banking Crisis Management Guide in 2016 that includes:

**Identifying the weak banks.**



**Criteria for determining when a bank become non-viable.**



**Selecting the appropriate resolution technique based on least-cost analysis.**



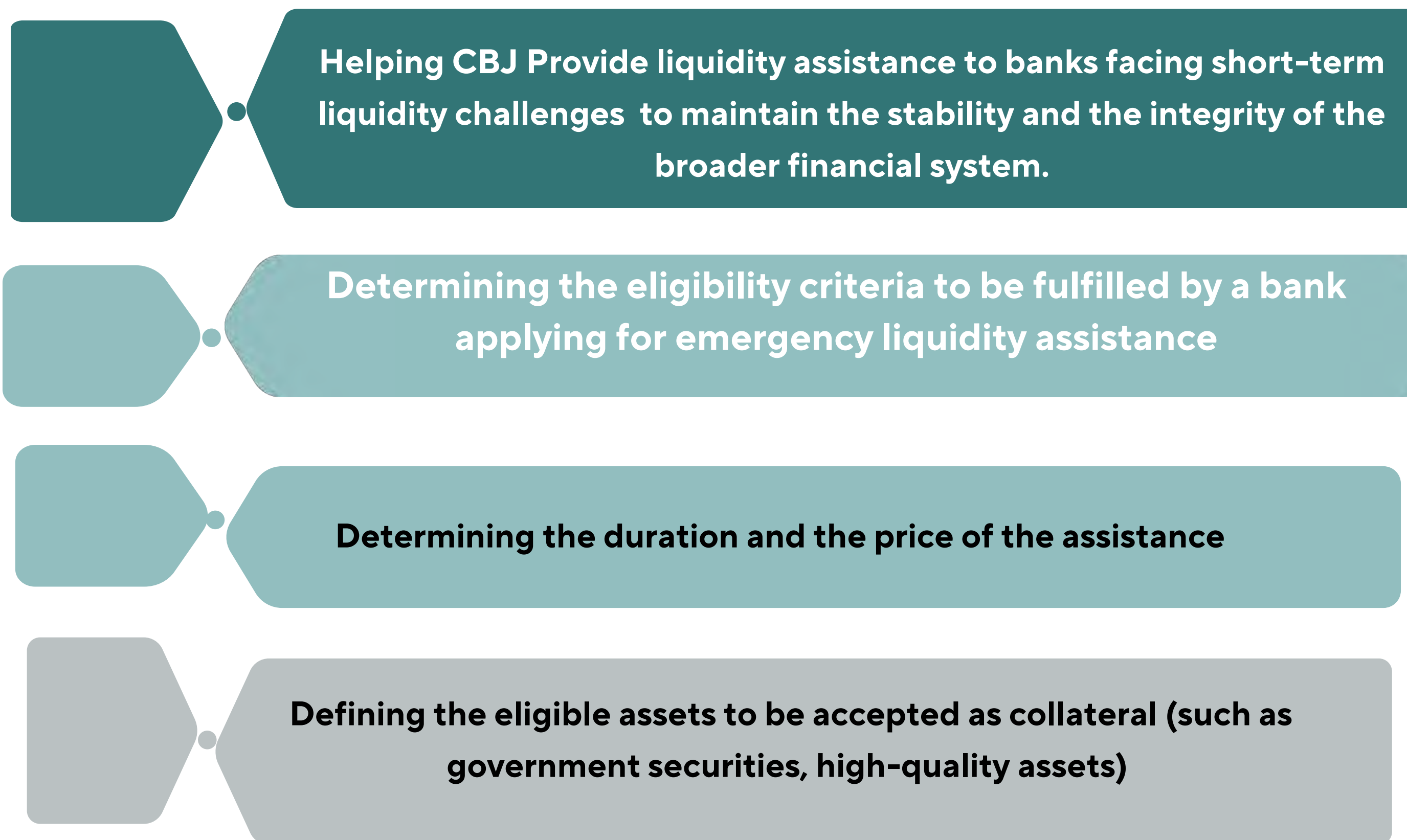
## **2. Establishing a Banking Crisis Management Committee :**



Comprising the Central Bank of Jordan, Ministry of Finance and the Jordan Deposit Insurance Corporation.



### 3. Issuing of ELA (Emergency Liquidity Assistance) instructions in 2021:



## 4. Establishment of a Banking Crisis Management Division in the financial stability department in 2023 to:



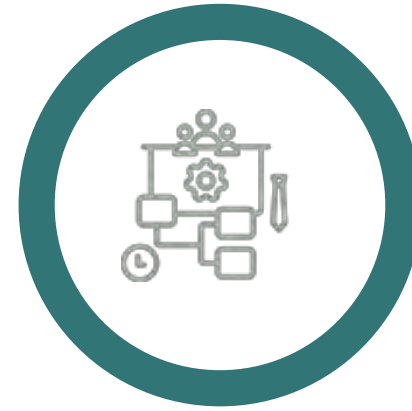
1

Enhancing  
preparedness  
for crisis  
management



2

developing  
recommendations  
in the event of a  
bank failure



3

preparing and  
improving  
resolution plans,  
particularly for  
systemically  
important banks



4

updating the  
Banking Crisis  
Management  
Manual



5

organizing a crisis  
management  
simulation.