



Optimiza Implements an Off-Site Supervision system for the Central Bank of Jordan

The Central Bank of Jordan (CBJ) is the regulatory body that overlooks the credit worthiness and legality of operations of the 23 licensed banks in Jordan and is authorized, as the only responsible entity for establishing and maintaining a sound banking system in the Kingdom. CBJ undertakes measures for banks' rehabilitations, and carries out control over banks' bankruptcy or liquidation.

The Central Bank controls credit worthiness and legality of banks' operations by:

- Directing review of business books, accounting and other documents in the bank (on-site supervision)
- Following reports, information and data which banks submit to the Central bank (off-site supervision)
- Analyzing the collected information, rating the indicators of operations and comparing them with prescribed limits, previous data and accepted international standards

The Project mission was to create a uniform communication method within a secure network connecting the different CBJ departments on one hand and the Central Bank of Jordan with all the licensed local banks on the other hand, to ensure a more rapid, accurate and efficient performance of the whole banking system.

Optimiza was brought on board and has developed and implemented a solution to provide the Central Bank of Jordan with new off-site supervision tools that include the ability to automatically retrieve and validate all the standardized data requested from the banks, in addition to be able to generate a wide range of reports, for analysis at the Central Bank of Jordan (CBJ) - Banking Supervision Department.

The Central Bank of Jordan – Off-Site Supervision (CBJ-OSS) was enabled by achieving the following goals and deliverables:

- **Introducing a new communication method of data through electronic transmission of data:** This was achieved by the design of preformatted electronic files to be submitted by the licensed banks to the CBJ. The mechanism ensures uploaded data integrity and guards against the submission of inconsistent data like components that do not add up to totals, inconsistencies between the balance sheet and income statement, etc.
- **Inquiring of submitted data:** The data submitted by the licensed banks can be viewed and printed both by the licensed banks (with restrictions) and the CBJ such as, balance sheet, income statement, and statement of cash flows, etc.
- **Introducing advanced financial reporting based on the processing of all the submitted data:** This was done through providing a large variety of analytical and financial reports for the access of CBJ as well as by the on-site examiners in the scoping and carrying out of bank audits
- **Introducing ad-hoc reporting** which in addition to the comprehensive list of predefined reports, allows for the design and execution of reports developed for specific purposes adding further flexibility
- **Automating the calculation of the regulatory requirements** such as compliance ratios including the reserve requirement for monetary policy purposes, minimum capital and liquidity standards, large exposures and open FX position limitations and other indicators and requirements

- **Automating the calculation of fines and recording** of all fines levied on licensed banks for violations of law, regulations or/and policies
- **Automating the calculation and processing of licensing fees and annual assessments** by recording licensing and branching fees, and the annual assessments levied on the licensed banks through direct integration with the accounting and RTGS systems
- **Processing of orders** initiated by licensed banks to buy or sell foreign currencies, along with the necessary approvals
- **Handling the reporting of suspicious activities**, whereby an independent module with a flexible workflow integrates tracking of suspicious activities between the local banks and the Anti-Money Laundering Unit (AMLU). These Suspicious Activity Reports (SAR's) are submitted by the banks in real time or uploaded electronically to the CBJ-OSS for further monitoring and investigation

Project Background

The CBJ, as the regulatory authority for Jordan's 23 licensed banks (13 commercial banks, 2 Islamic banks, and 8 branches of foreign banks), has been continuously upgrading its off-site supervision capabilities both on its own and with the help of foreign donors.

The above mentioned deliverables were within phase 2 of the project which was funded by the USAID Jordan Economic Development Program (SABEQ). Phase 2 extended and enriched the features of phase 1 and will be completed in August 2008.

This reflects another co-operation between Optimiza, USAID Jordan Economic Development Program (SABEQ) and CBJ towards improving the financial sector regulatory capabilities. Linked closely with these regulatory responsibilities is the development of the Anti-Money Laundering Unit (AMLU) to conduct preliminary analyses of possible money laundering and terrorist financing activities taking place within the financial sector.