MENA Perspective: Impact of financial reforms: progress, obstacles and side effects

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Main Financial Reforms

- Building resilient financial institutions.
- Ending too-big-to-fail (TBTF).
- Making derivatives markets safer.
- Transforming shadow banking into resilient market-based finance.
Main Financial Reforms and Progress

- Building resilient financial institutions – Implementation of Basel III capital and liquidity standards has generally been timely. However, deviations from the Basel framework identified in the rules of some jurisdictions.

- Ending too-big-to-fail (TBTF) – Implementation of higher loss absorbency and more intensive supervision is well advanced for global and domestic systemically important banks (GSIBs), but substantial work remains in operationalizing resolution regimes and plans.
Main Financial Reforms and Progress

- Making derivatives markets safer – Implementation of over-the-counter (OTC) derivatives reforms is well underway in the largest derivatives markets. Not so relevant to our markets

- Transforming shadow banking into resilient market-based finance – Reforms to address potential financial stability risks in this area are more recent and so implementation remains at a relatively early stage.
CBJ Financial Reforms

• Establishing Financial Stability Department/ early 2013.

• Corporate Governance new Regulations for conventional and Islamic banks.

• Regulations on Basel III requirements

• New regulations on stress testing
CBJ Financial Reforms

• Issuing D-SIBs quantitative and qualitative requirements.

• Finalizing the Crisis Management Framework

• Implementing IFRS 9.

• Regulating Micro-Finance Institutions.
CBJ Financial Inclusion and Economic Growth Agenda

• The National Financial Inclusion Strategy for Jordan has been launched on 4 Dec 2017.

• The NFIS Focuses on:

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<th>Products</th>
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<td>Bottom 40%</td>
<td>Loans – Savings – Money Transfer – Insurance – Payments</td>
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CBJ Financial Inclusion and Economic Growth Agenda

• Enhancing access to finance for SMEs.
  ➢ New Start-up Loan Guarantee Fund
  ➢ New Start-up Venture Capital Fund
  ➢ Low cost financing for SMEs

• New Department for Financial Consumer Protection

• FinTech/ Regulatory Sandbox
Impact of Financial Reforms on Financial Sector in Jordan

• More resilient financial sector.
  ➢ Higher quality and quantity capital requirements
  ➢ Higher loss absorbency and more intensive supervising on D-SIBs
  ➢ Well defined banking resolution framework
Impact of Financial Reforms on Financial Sector in Jordan

• Impact of de-risking is limited

• Minimizing regulatory arbitrage through regulating NBFIs.
Thank You