



Use of electronic money (EM) and payment service providers (PSPs) as a legal framework for the implementation of such means of payment, Jordan

## Project MedTOWN

Co-production of social policies with social and solidarity economy actors to fight poverty, inequality and social exclusion.

## QUESTIONNAIRE PROJECTS PHASES AND LOCAL PARTNERS. MEDTOWN PROJECT. 3rd LOT.

**DEMOSTRATIVE ACTION. Name:** Business incubator for People with disabilities (PWD)      **MUNICIPALITY, REGION AND COUNTRY ACTION:** Dair  
Abi Said, Koura District, Jordan

### BRIEF DESCRIPTION OF CONTEXT:

There is no specific form of economic services, so there is no consideration for currency different from the legal tender regulated and there is no legal framework that applies to them. While improvements in technology, coupled with growing demand for digital payment methods, are increasingly re-shaping the way payments are made, the payments space continues to be dominated by banks and PSPs in Jordan.

### ARRAY TO BE FILLED IN:

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1 <sup>1</sup>	<b>Existing applicable legislation governing EM and PSPs</b>	The Electronic Payment and Money Transfer Bylaw No.(111) of 2017 issued pursuant to the provisions of articles (21) and (22) of the Electronic Transactions Law No.(15) of 2015.	Despite a stable and profitable financial sector, Jordan has low levels of financial inclusion and cash remains prevalent. According to Findex (2017), 25 percent of the adult population in Jordan has access to some form of account, and 6.4 percent use debit cards for payments. There remains a lack of trust in financial institutions, and this fuels the ongoing growth in use of cash as a payment instrument, with electronic payments (e-payments) mechanisms remaining relatively stagnant. Attempts to introduce mobile payments previously failed, but an innovative and ambitious regulatory environment alongside	N.A.

<sup>1</sup> Especially related to the Social Solidarity Economy (SSE).

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		<p>some equally innovative private sector actors has resulted in a renewed focus on the area, presenting new opportunities for growth in digital financial services use throughout Jordan. The Central Bank of Jordan (CBJ) has recently embarked on a national strategy to try to increase financial inclusion across the country.</p>	
2	<p><b>Purpose of the regulation</b></p> <p>The regulations identify the work procedures related to e-payment systems and ways to settle conflicts that may arise between parties engaged in an electronic money transfer, in addition to setting the conditions necessary to issue e-cheques.</p>		
3 <sup>2</sup>	<p><b>Theoretical Consideration- Definition of EM and PSP (According to regulations)</b></p> <p>The electronic information system that allows for sending, receiving and processing of payment transactions and money transfer in any currency, in addition to clearing and settlement services, as well as issuing and managing payment instruments.</p>		
4	<p><b>Scope of application of EM and PSPs legislation</b></p> <p>Supranational, State, Regional, Local</p>	<p>Both (public and private)</p>	
5	<p><b>Stakeholders Involved in EM and PSPs</b></p> <ul style="list-style-type: none"> <li>- The Central Bank of Jordan shall oversee and supervise all electronic payment systems (PS) whether owned, administered, or operated by the CBJ, or by any other party.</li> <li>- Electronic payment systems are</li> </ul>	<ul style="list-style-type: none"> <li>- Electronic service providers (web development, applications, technical support)</li> <li>- Internet providers</li> <li>- Cyber security providers</li> <li>- Cyber security national institutions</li> <li>- Web graphists</li> </ul>	

<sup>2</sup> Necessary for making comparative terms of equivalent concepts

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		<p>classified as follows:</p> <ol style="list-style-type: none"> <li>1- Large-Value Payment Systems (LVPS): including payment systems with large-value, and systemically important payments such as (RTGS-JO).</li> <li>2- Retail Payment Systems (RPS): represent payment systems with smaller values than largevalue payments, such as:               <ol style="list-style-type: none"> <li>2.1. Electronic Check Clearing System (ECC).</li> <li>2.2. Jordan Mobile Payment System (JoMoPay).</li> <li>2.3. Card payment systems.</li> <li>2.4. Electronic Bill Presentment and Payment System (eFAWATEERcom).</li> <li>2.5. Automated Clearing House System (ACH).</li> </ol> </li> <li>3- The private and public banks</li> <li>4- Trade and retail entities</li> <li>5- Consumers</li> <li>6- CSOs (consumers protection, etc)</li> <li>7- Producers (industry, agriculture, etc)</li> <li>8- Service providers</li> <li>9- Cyber criminality fight institutions</li> </ol>		
6	<b>Administration - competent legislative body EM and PSPs</b>	Central Bank of Jordan CBJ	Central Government.	
7	<b>Administration -</b>	Central Bank of Jordan CBJ	The law establishing the CBJ stipulates, "the	

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		objectives of the Central Bank shall be to <b>maintain monetary stability in the Kingdom</b> , to ensure the convertibility of the Jordanian Dinar, and to promote the sustained growth of the Kingdom's economy in accordance with the general economic policy of the government."	
8	<b>Measures promoting or encouraging EM and PSPs</b>	Yes	N.A.
9	<b>Other EM and PSP related legislation</b>	The CBJ shall assess the compliance of entities involved in any electronic payment and money transfer services activities with the standards and requirements of performing such activities: through ongoing supervision, requiring information of these entities, analysing these financial data related to all NPS components in order to ensure the soundness of their financial positions , monitor phenomena or trends which may request issuing recommendations or updating the related instructions, in addition to prepare periodic reports	Relationship-Influence with ESS is not available
10	<b>Possibility of creating new EM and PSP legislation</b>	Bank of Jordan issued a guideline to assist any entity wishing to engage in any of the activities of electronic payment and money transfer services specified in the	Central Bank of Jordan (CBJ)

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	<p>electronic payment and money transfer bylaw No. (111) for the year 2017 issued pursuant to the provisions of the electronic transactions law No. (15) of the year 2015, As this guideline provides all the information necessary to answer any queries related to the process of obtaining the necessary license from Central Bank of Jordan, within several interrelated stages starting with the stage before submitting the license application walking through the initial and final approval stages of the license and continuing them until after obtaining the necessary license to practice any activity related to electronic payment and money transfer services</p>		
<p><b>11 Possibility to amend existing legislation EM and PSP</b></p>	<p>According to the Constitution of the Hashemite Kingdom of Jordan,</p> <p><u>Article 91:</u></p> <ul style="list-style-type: none"> <li>- <i>The Prime Minister shall refer to the Chamber of Deputies any draft law, and the Chamber shall be entitled to accept, amend, or reject the draft law, but in all cases, the Chamber shall refer the draft law to the Senate. No law may be promulgated unless passed by both the Senate and the Chamber of Deputies and ratified by the King</i></li> </ul>	<p>CBJ / Prime Ministry / Parliament</p>	

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	<p>OR</p> <p><b><u>Article 95:</u></b></p> <ul style="list-style-type: none"> <li>- <i>* Any ten or more Senators or Deputies may propose any law. Such proposal shall be referred to the committee concerned in the House for its views. If the House is of the opinion that the proposal be accepted it shall refer it to the Government for drafting it in the form of draft law, and to submit it to the House either during the same session or at the following session.</i></li> <li>- <i>Any law proposed by Senators or Deputies in accordance with the preceding paragraph and rejected by either House shall not be presented for a second time during the same session.</i></li> </ul> <p><i>* As amended in the Official Gazette No. 1380 of 4/5/1958.</i></p>		
<p>12 <b>Problem identification/Regulatory implementation EM and PSPs</b></p>	<p>Risk of consumers losing funds if their bank failures. As noted, there are no provisions to ensure individual funds held in mobile wallets are protected in the event of bank failure. However, Central Bank of Jordan (CBJ) is working to mitigate this risk. CBJ plans to release consumer protection by-laws that will address many of these issues. It is also in the process of establishing a dedicated</p>	<p>Overall, the regulatory environment for issuing e-money in Jordan is sound. The recent amendment to the CBJ law (article 50) and the issuance of the 2017 instructions requiring settlement accounts to be held in escrow and the subsequent cancelling of the bank guarantee mean that protection of customer funds is proportionate and robust. However, there remains some risk to the safety of consumer funds in the event of bank failure, given the</p>	

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	<p>department for consumer protection.</p> <p>There is no general legislation relating to consumer protection in Jordan and no specific financial consumer protection regulations. Customers who hold bank accounts are covered by the 2012 Instructions on Dealing with Customers Fairly and Transparently (no.56/2012), which mandates activities such as transparency of fees and interest rates, disclosure of terms and agreements before the client enters into a relationship with the bank, and the establishment of a consumer complaints procedure. Articles (73), (74), and (75) of the Banking Law (no.28/2000) provides for data protection and privacy.</p>	<p>scope of the country's deposit protection scheme and the lack of settlement account diversification rules</p> <p>Consumer protection and transparency present big challenges, and adherence to international standards of consumer protection is very important, particularly for lower-income groups that have low levels of financial literacy. While CBJ has identified consumer protection as an area that requires attention, effective legislation must be developed in the short term to ensure that consumers are protected as soon as possible. It also is important to recognize that consumer protection is a broader issue throughout Jordan and that it is not limited to e-money issuance or payments services. As the sector continues to grow and use increases, it will be important to ensure robust ongoing oversight of the sector, and CBJ must continue to foster an environment of open dialogue and consultation with industry and SSE players.</p>	
<p>13 <b>EM, PSP regulation and others applicable to the Demonstration Action (Concrete Project)</b></p>	<p>Bank of Jordan issued a guideline to assist any entity wishing to engage in any of the activities of electronic payment and money transfer services specified in the electronic payment and money transfer bylaw No. (111) for the year 2017 issued pursuant to the provisions of the electronic transactions law No. (15) of the year 2015.</p>		
<p>14 <b>Is there specific legislation</b></p>	<p>Registration should be obtained from the</p>		



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<b>empowering a local authority or other public body to use electronic money and other means of payment?</b>	Central Bank of Jordan, with an approval from the prime ministry.		
15 <b>Are there PSPs other than legal tender provided by financial institutions?</b>	No		Yes, the current legal tender is accepted by the public sector and by the private sector and individuals
16 <b>In addition to the state/government and related banks (central banks), are there other institutions that can act as PSPs?</b>	<p>All PSPs institutions should be registered and approved by the Central Bank of Jordan (CBJ).</p> <p>Exchange houses form the largest group of nonbank financial institutions in Jordan. They play a central role in domestic and international payments, supporting trade-related and personal payments. More than 140 exchange houses in Jordan are licensed by CBJ to practice money exchange under the money exchange business law. The majority are family-owned businesses that have developed multiple revenue streams related to the movement of money. Although exchange houses traditionally focus on regional trade and payments, many now collaborate with international money transfer operators (IMTOs) to facilitate international remittances into</p>		

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<p>17 <b>Is there any legal security (insurance) coverage to support e-money and PSP related to SSE?</b></p>	<p>and out of Jordan.</p> <p>Risks presented when e-money is issued against funds stored in a pooled account held on behalf of customers need to be effectively mitigated, as with traditional sight deposits. Risks include the risk of misuse or loss of consumer funds, the risk of the PSP becoming insolvent, and the risk of the financial institution holding the underlying funds facing bankruptcy. Financial authorities are paying more attention to these risks globally and are working to ensure a regulatory environment where risks are mitigated and funds held on behalf of customers are always safeguarded (PAFI report, p. 26).</p>	<p>all MPSPs (whether a bank or nonbank) must place a cash deposit of 100 percent of the amount of e-money it plans to issue in a settlement account held in escrow at a licensed bank. Nonbank MPSPs were previously also required to submit to CBJ an irrevocable and unconditional bank guarantee for the amount of e-money they planned to issue. This was intended to ensure customer funds were protected in the case of MPSP insolvency. However, newly released CBJ instructions cancelled this requirement. This was possible due to the latest changes in Article (50) of the CBJ Law, which instructed that customer funds are automatically protected from creditors when the funds are placed in escrow at the settlement account. The additional safeguard of a bank guarantee is therefore no longer required. However, the settlement account will still be at risk if the settlement bank fails. Although Jordan has a deposit protection scheme—the Jordan Deposit Insurance Corporation (JODIC)—the funds held in the settlement account are treated as a single account for insurance. Thus, individual consumer funds held in mobile wallets are not fully protected once the overall settlement account value becomes larger than the amount insured (JOD 50,000 [US\$70,000]). To mitigate this risk, regulations should specify that customer funds be pooled in multiple accounts with multiple settlement banks, spreading MPSPs’ (and ultimately the</p>	

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		<p>consumer's) exposure in the event of bank failure. CBJ is also amending the rules that apply to the deposit protection scheme to extend the deposit protection to individual account balances held within in a pooled account up to JOD 50,000 per wallet. This process should be supported because it would help to safeguard customer funds in the event of bank failure.</p>	
<p><b>18 Is there an inventory, ledger or similar document that records and preserves the transactions carried out by the PSP?</b></p>	<p>Credit analysis for Medium and Small Enterprises (MSEs) represents a significant barrier to financial inclusion as a result of both supply-side and demand-side factors. Unless MFIs are using the graduated lending approach, they are typically expending considerable time and effort to produce financial statements on behalf of clients using whatever information is available.</p>	<p>It is rare for Mobile Financial Institutions (MFI) clients to maintain standardized financial records; at best, MFIs can hope for some partial records of sales or inventories kept in notebooks that can be used as a basis for making calculations. Frequently, MFI staff are simply interviewing the applicants and relying on their memory and honesty to obtain the necessary data.</p>	
<p><b>19 Are services paid for through EM and PSP subject to VAT, social security or other similar taxes and charges?</b></p>	<p>Key regulatory issues that impact financial inclusion in relation to payments are the maximum amounts for e-wallet transactions, the unclear tax regime for PSPs, and the minimal capital requirements for PSPs. The limits for P2P mobile wallet transactions (JOD 200 for banked clients and JOD 100 for unbanked clients) are significantly lower than the typical size of an incoming foreign remittance transfer (JOD 800 – 4,000). However, the CBJ anticipates raising these limits over time as the relatively</p>		

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	<p>new system matures.</p> <p>The minimum capital requirements for PSPs of JOD 1.5 million are relatively high when compared with other countries, such as in the European Economic Area, where the requirements are roughly a quarter of the level in Jordan. Although the goal of the minimum capital requirements – stability and high service quality – are good ones, the result may nevertheless be limiting the supply of services by excluding smaller entrants. Payment service providers (i.e. mobile wallet firms) lack clarity on the level of taxes that they are subject to, as there are different rates for FinTech firms and financial service providers. There is also a question on whether they are exempt from sales tax (like banking services). Despite the concerns described above, a large number of regulations have been passed in recent years concerning payments and digital financial services that, to the credit of the Jordanian government, are of a very high overall quality and are conducive to the growth of financial inclusion.</p>		
<p><b>20</b> <b>Is there any kind of legal security (insurance) coverage to support the use of e-money and PSP and related to SSE?</b></p>	<p>In principle, CBJ guarantee that as per the law.</p> <p>Risk of consumers losing funds if their bank failures. As noted, there are no provisions to ensure individual funds held</p>	<p>Overall, the regulatory environment for issuing e-money in Jordan is sound. The recent amendment to the CBJ law (article 50) and the issuance of the 2017 instructions requiring settlement accounts to be held in escrow and the subsequent cancelling of the bank guarantee</p>	

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	<p>in mobile wallets are protected in the event of bank failure. However, Central Bank of Jordan (CBJ) is working to mitigate this risk. CBJ plans to release consumer protection by-laws that will address many of these issues. It is also in the process of establishing a dedicated department for consumer protection.</p> <p>There is no general legislation relating to consumer protection in Jordan and no specific financial consumer protection regulations. Customers who hold bank accounts are covered by the 2012 Instructions on Dealing with Customers Fairly and Transparently (no.56/2012), which mandates activities such as transparency of fees and interest rates, disclosure of terms and agreements before the client enters into a relationship with the bank, and the establishment of a consumer complaints procedure. Articles (73), (74), and (75) of the Banking Law (no.28/2000) provides for data protection and privacy. However, MPSP clients who use Mobile Financial Services (MFS) in Jordan are not covered by these regulations.</p>	<p>mean that protection of customer funds is proportionate and robust. However, there remains some risk to the safety of consumer funds in the event of bank failure, given the scope of the country’s deposit protection scheme and the lack of settlement account diversification rules.</p> <p>Consumer protection and transparency present big challenges, and adherence to international standards of consumer protection is very important, particularly for lower-income groups that have low levels of financial literacy. While CBJ has identified consumer protection as an area that requires attention, effective legislation must be developed in the short term to ensure that consumers are protected as soon as possible. It also is important to recognize that consumer protection is a broader issue throughout Jordan and that it is not limited to e-money issuance or payments services. As the sector continues to grow and use increases, it will be important to ensure robust ongoing oversight of the sector, and CBJ must continue to foster an environment of open dialogue and consultation with industry and SSE players.</p>	
<p><b>21 Personal Data Protection, Health and Safety: do e-money and PSP issuers cover these legal aspects</b></p>	<p>While the consumer protection regulations for the banking sector were updated in 2012, until recently this was a gap for the DFS sector. In April 2017 CBJ addressed this by introducing</p>		

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<b>vis-à-vis users?</b>	“Instructions on the Protection of Personal Data of the Clients of Payment Services and Electronic Transfer of Funds”. In June 2017 another document was issue on the “Regulations of financial Consumer Protection and Mechanism to Handle Complaints for the Jordan Mobile Payment (JoMoPay)”.		
<b>22 Other issues to highlight</b>	Issues considered relevant to e-money and PSP regulations are N.A.		

**CHALLENGES & RECOMMENDATIONS:**

The Central Bank of Jordan has established the regulatory framework for the proper provision of the money transfer services rather than the creation of complementary currency

**MEASURES TO BE IMPLEMENTED:**

N.A.

**OTHER INTERESTING SUGGESTIONS/NOTES:**

N.A

**IDENTIFIED CONFLICTING ISSUES (if any):**

N.A.

**EXAMPLES OF ACTIONS DEVELOPED IN THE FIELD OF SSE IN THE COUNTRY, REFERENCES AND HOW THEY HAVE BEEN DEVELOPED**

**(if any):**

N.A.