CASE STUDY
Technology Transforms Banks

Better information technology shortens bank transaction times

The Central Bank of Jordan, above, is now connected to all major banks through a secure electronic network.

Connecting banks through secure electronic information systems will shorten check clearing times and allow the banks to exchange information rapidly and securely.

Challenge

Clearing checks in the Kingdom of Jordan was once an onerous process: every check processed on any given day was first recorded by hand, then grouped together with other checks from its specific bank. Once these bundles-by-bank were prepared, they were hand delivered to their banks for further processing. Then, the information from each check was manually entered into an information processing and clearing system. The average time to clear a check was seven business days.

Initiative

USAID helped Jordan's bank install a modern and secure networking system that connects its major commercial banks to one another electronically and significantly speeds up the check clearing process. In addition, the system has an early warning system that identifies banks with unsafe or unsound practices. The system electronically analyzes data and alerts the Central Bank of Jordan when it identifies unsound or suspicious practices. With assistance from the U.S. Federal Deposit Insurance Corporation, the central bank established a corrective action framework to uniformly deal with banks that have allowed their available capital to fall below acceptable levels.

Results

The network now connects 700 commercial bank branches across the Kingdom and processes up to 22,000 checks each day. Checks usually take just 24 hours to clear, rather than a week or more. In addition, the secure electronic transfer and analytical systems will enable the central bank to clear an estimated $4 billion in stocks trades annually, increasing the flow of capital in Jordan. With increased efficiency and lower transaction costs, everyone stands to benefit.