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The Readiness of Jordanian banks to Apply the Requirements of Basel (III) Convention

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Abstract

This study aims to identify the readiness of Jordanian banks to apply the requirements of Basel III. Study subjects included all Jordanian commercial banks; the sample consisted of response from risk management and credit managers in these banks.

The research reached a conclusion that Jordanian banks are ready to apply the requirements in terms of availability of supervisory capital, capital adequacy ratio, liquidity standards and leverage ratio. The study wants to confirm the importance of applying the requirements of Basel III for Jordanian banks, such as improving supervisory capital structure, increasing the capital adequacy ratio, having assets that can be liquidated to cover their deposits, emphasizing on the importance of bringing in leverage ratio or cap on the growing debt ratio in the banking system, finding additional standard requirements to manage basic risks.

Key words: Commercial Jordanian banks; Basel I; Basel II; Basel III; Risk management

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INTRODUCTION

The banking sector's problems especially concentrate on the risks which it faced, this sector facing bigger future risk than other sectors. Therefore it is very necessary to develop methods and tools which enable it to deal with risks effectively.

Facing the future's risk is a public economic problem, and all individuals and institutions face throughout the ages, but the new trend is that the risk intensity has increased in the modern times, and more pronounced in the banking sector than other sectors.

This risk has increased in the present time due to the nature of the modern economy, which is characterized by increased rates of changes in economic life and increasing interaction between the sectors with various economy growth rates. In all economic sectors, the banking sector faces the biggest risk, and the contemporary economic development has shown that the safety, growth and efficiency of this sector are prerequisite for economic progress, as well as the sector is one of the most economic sectors integrated into the global economy. (Altman & Saunders, 2001, p. 41)

For this important sector, it is very necessary to adherence to international community's ways that providing greater safety conditions, especially the major industrialized countries (ten countries), Group of Ten or G10 (Belgium, Canada, France, Germany, Italy, Luxembourg, The Netherlands, Spain, Sweden, Switzerland, United Kingdom and U.S.), which continuously improve the importance and seriousness of the financial sector, particularly the banking sector.

After successive financial breakdown of national banks and international banks, especially the US and European by the absence of adequate precautions at these banks, lawmakers called upon to rescue the global banking system by improving reserves for all national banks and international banks in order to avoid or reduce the influence that any future financial crises brought to banks, so Basel III adopted in the Swiss city of Basel in September 2012, and came in response to crises that similar to 2008 global financial crisis, which repercussions

are still ongoing for many national banks and international banks. So it is necessary to keep the banking system healthy and enhance the strength and durability of the banks in the future in accordance with the agreement, which obliges banks to increase the amount of primary capital. (Institute of Banking Studies, 2012, p. 3)

1. DETAILS OF THE STUDY

1.1 Problems and Elements of the Study

Banking activity is encompass several risks that require banks to take appropriate measures to manage and control these risks, following international best practice, to decrease or avoid exposure speculative damages.

As a result of escalation of financial crisis in many countries and Concomitant Breakdown of banking institutions' reputation and global dispersion, Basel I Committee came and Basel II and Basel III, which are intended to make major development in the field of banking supervision and new culture in banking risk management.

Jordanian banks are very concerned about applying and complying with the principles of their work, and this requires establishment of necessary structures to be applied, as well as the adequacy rate of capital higher than the specified percentage. But on the other hand Jordanian banks suffer from several problems and demerits to apply the requirements of Basel Committee. Basel III is a double-edged sword. It is a great tool for hedging future crises, protect banks from exposing to financial risk, on the other hand it is a financial burden, hamper the operation of the banks which complying with the new rules, increase its capital and inject cash into their coffers that equivalent to three times what they were obliged to apply.

Through questionnaire investigate, the study attempts to identify the extent of the readiness of Jordanian banks to applying requirements of Basel III, which helps a lot of these banks coping with the financial crisis and foreign competition in order to respond to the trends of banking market, and improve the level of their performance and reach their goals. The purpose of this study can be achieved by answering the following questions:

- Readiness level of Jordanian banks to apply the requirement of supervisory capital of Basel III?
- Readiness level of Jordanian banks to apply the requirement of capital adequacy ratio of Basel III?
- Readiness level of Jordanian banks to apply the requirement of liquidity standards of Basel III?
- Readiness level of Jordanian banks to apply the requirement of leverage ratio of Basel III?

1.2 Objective, Importance and Assumptions of the Study Objective of the study

Objective of the Study

This study seeks to find out whether Jordanian banks get ready for applying to requirements of Basel III.

Importance of the Study

Including the importance of the subject matter, as its new framework proposed by Basel (III) Convention of the most important developments in global banking during the present decade and is expected to realize restructuring of the banking industry in the long-term. This proposition is a huge challenge to Jordanian banks, which requires taking many measures and procedures to ensure compliance with the new standards at the beginning of their work in 2015 and complete finally in 2019. The study clarified that Basel (III) Convention is an international standards framework of rules about censorship, and develop a common standard for the evaluation of capital assets and associated risks. The standards of Basel Committee are not the nature of legally binding in itself, but the countries of the world with different circumstances and their banking systems are committed to deal with and strengthen the competitive positions, in order to ensure the growth.

Assumptions of the Study

First assumption: Jordanian banks aren't ready for applying requirements of Basel III in terms of availability of supervisory capital.

Second assumption: Jordanian banks aren't ready for applying requirements of Basel 3 in terms of capital adequacy ratio.

Third assumption: Jordanian banks aren't ready for applying requirements of Basel III in terms of Liquidity standards.

Fourth assumption: Jordanian banks aren't ready for applying requirements of Basel III in terms of leverage ratio.

1.3 Approach, Subject and Sample of the Study

A field study was done in which researchers adopted analytical-descriptive method, in order to identify the readiness of Jordanian banks to apply requirements of Basel III, from the perspective managers of risk management and credit in Jordanian commercial banks.

The study subject included all the banks listed in Amman's stock exchange market, the whole 23 banks, according to the monthly report of Amman's stock exchange of February 2013, which comprises of (Arab Bank, The Housing bank, Capital Bank Of Jordan, Jordan Ahli Bank, Arab Jordan Invest Bank, Bank Aletihad, Cairo Amman Bank, Jordan Kuwait Bank, Jordan Islamic Bank, Commercial Bank, Arab Banking Corporation (ABC), Invest Bank, National Bank Of Kuwait, Islamic International Arab Bank, Bank Audi, BLOM Bank, Societe Generale Bank Jordan (SGBJ), Citibank, Egyptian Arab Land Bank (EALB), HSBC, Standard Chartered Bank, and Rafidain Bank.

The sample of study was chosen from the members of internal audit committees, and the financial managers of the banks listed in the Amman stock exchange and branches of Jordanian commercial banks which spread in different provinces of Jordan. After deciding the method and the way of sampling and size, a deliberate

sample was chosen to represent the banks under the study. Questionnaires were distributed in these banks, 5 questionnaires in each bank and their branches which spread in different provinces of Jordan. 115 questionnaires were distributed in all and only 84 were retrieved (73.0%), after the questionnaires sorting out, 3 were excluded due to unsuitable for statistical analysis or have not completed properly by the respondents. Thus the sample stabilized at 81 respondents to a rate (70.4%) of the total questionnaires.

1.4 A Tool for Data Collection

Researchers designed a questionnaire and developed it to meet the variables. It covered the hypotheses based upon and by the use of evaluative statement to determine the relative importance of each sample.

Grading scale was adopted, comprising of 5 marks to determine the importance of each part of the questionnaire (5 means strongly agree, 4 5 means agree, 3 5 means slightly agree, 2 5 means disagree, 1 5 means strongly disagree) Researchers also analyzed the questionnaire with the following tests:

Test of Validity

Researchers introduced the questionnaire to a group of experienced and competent professors and a jury of specialists in accounting and management to test its validity as an information tool and then amendments were made.

Test of the Consistency of the Tool

The Internal consistency was tested to determine the reliability of the data collection tool by using Cronbach's alpha, which amounted to 87.2%, a reasonable percentage.

1.5 Methods of Data Collection

Two types of information sources were chosen, they were the secondary sources such as accounting books and scientific materials, pamphlets and specialized periodicals of accounting research, especially the ones on the subject of internal audit and financial performance as well as primary sources through designing and improving the written questionnaire to the subject of current research and to ensure its credibility and its ability to measure the variables. Cronbach's alpha was used to measure internal consistency, and it reached 86.57% which is a decent percentage.

Arithmetic mean: in order to determine the importance of the related statements.

Standard deviation: to determine the extent of dispersion of the answers to the middle of the arithmetic.

Frequencies and percentages: to describe the views of the surveyed respondents about the study variables.

Test: to test the hypotheses of the study.

2. PREVIOUS STUDIES

The purpose of the study (Kashyap & Stein, 2009) to clarify the terms of Basel II and the degree of implementation of these items in the Federal Reserve Bank in Chicago. The study showed that rules and principles in bank operation that Basel (II) Convention requires can help bank facing the credit risk. The study also showed that the introduction of Basel II can increase the efficiency of bank lending. Results from a study (Rodriguez, 2011)—the historical background of the emergence of Basel Committee in 1988—showed that financial collapse of the South American countries in 1982 due to higher debt that as a result of the inability of Basel (I) Convention, prompting international banks to apply or pay attention to its original required standards, and start working on the creation of new standards represented in Basel II, which focused on the needs to maintain the integrity of the larger banking and financial system.

Analyzing Abdel Razek's study in 2013. Razek's study revealed the importance of compliance with the requirements of Basel Committee and the establishment of supervisory system in the Arab banking sector, through studying the state of North African countries. The study concluded that the needs for supervisory system of Arab banks in the countries of North Africa can be translated in the inseparable two pars. The first part respect to the business environment where it operates and characterized by a high degree of risk to customers' economic interest which drives the need for a corporate supervisory rules in the banks, and the second relates to public supervision, in the sense that the banking supervisory governance is not only the responsibility of managers and depositors, but also relevant consumers and employees of banks, their representatives and representatives of civil society.

In order to identify the impact of the decisions of Basel Committee 3 on the Islamic banking system. As a part of the banking system, many Islamic banks, like other banks, are exposed to a range of risks, and the severity of these risks to Islamic banks are increasing due to its commitment to the rules of Sharia Islamic. (Moftah & Rahal, 2013)

What distinguishes the current study and all previous studies? The banks in some of previous studies partially comply with standards and rules and processes related to Basel Convention, the first and second in the banking institutions, some studies focused on the supervisory system related to Basel Convention of banks, analyzed its impact on internal audit in banking institutions. While the current study attempts to clarify aspects related to the extent of readiness of Jordanian banks to apply the requirements of Basel III agreement, through a field study on Jordanian banking sector.

3. THEORETICAL FRAMEWORK

Basel Committee on Banking Supervision was formed by Basel Committee at the end of 1974 by the governors of the central banks of countries of the G10, Committee meets periodically at a rate of four meetings a year at the Bank for International Settlements (BIS) in Basel, Switzerland, and the committee's specialized working

group also meets periodically. Basel Committee on Banking Supervision consists of the heads of central banks and officials of the supervisory agencies of 27 countries that leading world's economy, aimed at setting tougher rules on bank management in an attempt to help it to cope with crises and keep as much as of its own money in the face of crises.

This committee has issued Basel III rules that forcing banks to increase the funds allocated by reserve to fill the financial gaps, in the event of a crisis or a shortage of cash, thus preserving the financial sustainability and soundness of the banking and financial system. Despite the establishment of Basel (III) Convention, Basel II has not been canceled but adjusted standards of capital and added some new special liquidity standards. Because of the significant impact of these amendments, new standards on banks has allowed a period of time extending, from the year 2012 (until 2019) to comply with the decisions of Basel III, which requires banks increase the first tranche of capital money that constitute reserves "solid", consisting of shares and profits of 2% at present to 4.5% of its assets, in addition to that, the allocation of additional segment by 2.5% of the capital, to face future crises that potentially bringing the total reserve to 7% instead of 2% currently.

The committee is working on the formulation of supervisory standards and guidelines relating to the banking operation, in addition to making recommendations about the many aspects of the banking business of good practices, and is the responsibility of the supervisory authorities in each country to take advantage of these standards, guidelines and practices and adapted to suit their own situations. the committee encourages the use of public standards, methodologies among the countries of the world, without trying to impose detailed and similar and common supervisory techniques among nations.

The committee reports to the Board of Governors of central banks in the G10 countries to obtain their approval of the main committee initiatives. The decision of the commission covers very wide areas in the financial and banking matters. One of the main objectives of the committee to bridge any gaps in the international supervision of banking operation, which is in order to achieve basic principles. Firstly, subject all foreign banking institutions (outside the Member States of the committee) on banking supervision; secondly, emphasize the appropriateness and adequacy of supervisory process.

In order to achieve this goal, Basel Committee has issued a long series of documents and studies related to various forms of banking risk management and control by supervisory authorities (central banks) since 1975. The committee encourages cooperation and dialogue among the central banks that are not members of the committee, and distribute documents and studies issued by the committee to them periodically in order to debate and study. It strengthened the contact with the central banks around the world through the International Conference on Banking Supervision that held by the committee every two years.

Bank for International Settlements provides all forms of administrative support and secretarial services to the committee and its General Secretariat, can coordinate the relationship among Basel Committee or any of the committees emanating from it, in order to seek the advice and guidance related to the supervision of the banks.

4. BASEL III AGREEMENT

In September 12, 2010, after a meeting of the committee headquarters in the Bank for International Settlements in Basel, Switzerland, Basel Committee on Banking Supervision—made up of central bankers and managers overseeing the group—announced global capital standards for reforms of banking sector, which has been approved by the Group of Twenty leaders in meeting in Seoul, South Korean capital on November 12, 2010, where the committee has updated its guidance of banking supervision in response to the global financial crisis. Basel III's new standards for capital and debt and liquidity aimed at strengthening the hardness of financial systems and controls and risk management in the banking sector, where would force new rules banks to keep more reserves and a higher quality of their capital, which is imposed by the day under the current rules. Complying with rules of Basel III Agreement make banks more powerful to deal with financial crises in the future, and to overcome its own financial turmoil that could be exposed without the help or intervention by the central bank or the government as much as possible. (Tayer, 2011, p. 14)

The aim of the proposed reforms under Basel (III) Convention is to increase capital requirements and to strengthen the quality of banking sector capital so that it can withstand losses during periods of cyclical downturns. The transition to the new Basel regime seems feasible, as it allow banks to increase their capital during the period eight years in stages, adoption of the proposed standards requires banks to maintain high rates and good quality of capital (Rajhi, 2010, p. 1).

Basel (III) Convention banks agreement derived from the Banking Control Committee, which was established within the framework of Bank for International Settlements for the control of banks, a technical advisory committee is not based on any international convention but was established by a decision of the central bank governors of the group of industrialized countries (Belgium, Canada, France, Germany, Italy, Luxembourg, The Netherlands, Spain, Sweden, Switzerland, United Kingdom and United States).

The most prominent parts of these amendments and new standards and requirements of Basel III can be summarized in the following items (Kukes, 2012, S1-2):

Supervisory capital: supervisory capital components have been modified to include more stable tools as divided

into three segments represent the first tranche of ordinary shares and mainly consists of paid-up capital, reserves and retained earnings, and the first tranche of additional second tranche, and Basel (III) Convention canceled the third tranche of the capital. According to the rules now, the banks only allocated 2 per cent of total loans as seed money to compensate for the losses, but the rules of Basel III increased this ratio by more than 3-fold to 7 per cent, also encourages Basel Committee to oversight big banks to maintain reserves higher than the proportion of the 7 per cent, because the collapse of such banks can destroy the entire financial system.

The capital adequacy ratio: Basel (III) Convention revised the limits of capital adequacy ratio starting in 2013 until the end of 2018, according to the following:

- Increase risk-weighted assets of the first tranche of ordinary shares from 2% to 4.5% and this will lead to the lifting of risk-weighted assets ratio of the first tranche and additional shares (from 4.5% to 6%).
- Additional capital for the purpose of hedging (Conservation Buffer) to the capital adequacy ratio of 2.5% and thus the minimum capital adequacy ratio in addition to the capital for the purpose of hedging 10.5% will be used for the purposes of reducing the distribution of profits.
- Additional capital opposite (Countercyclical Buffer) to cover the risk of economic cycles from 0% to 2.5%.
- Additional capital to meet the systemic risk (Systematic Buffer).

Liquidity standards: introduced Basel (III) Convention particular standard liquidity to make sure that banks have assets that can be liquidated to cover their deposits and more steady, and also focused on the liquidity position of the banks in the short term to make the banks more flexibility to the closure of the money markets and short-term, and put controls on the new rate to cover the calculated liquidity on the basis of bank stock of high quality liquid assets divided by net cash flows over a period of 30 days, and this percentage will measure the bank's ability to convert assets into cash within 30 days and this ratio should be not less than 100 percent.

Leverage ratio: Basel Committee's another new ratio is the leverage ratio, which aims to set a maximum limit of the increasing proportion of debt in the banking system. It is a simple ratio, and the risks are not based on financial leverage ratio of completed capital requirements risk-based, which provides additional guarantees in the face of risk models and standard error, and works as an additional reliable standard to the requirements of the basic risks. The assets within and outside the budget without taking the risk to the capital of the first tranche into account, and this ratio should not be less than 3%.

5. ANALYSIS OF THE RESULTS AND TEST ASSUMPTIONS

5.1 Analysis of the Results

Averages and standard deviations for the readiness of Jordanian banks to apply Basel III's requirements, and the results as follows:

Table 1
Averages and Standard Deviations for the Standard Capital

Phrases	Arithmetical average	Standard deviations	Materiality level	Rank
Jordanian banks are ready to improve the regularity capital components and modify the paid up capital	2.9571	.78855	6	Average
Jordanian banks are able to maintain high rates of capital as well as the capital good quality	2.9786	.38740	5	Average
Jordanian banks are able to provide risk management (market, credit, operation) within the organizational structure	3.3714	.73658	1	Average
Jordanian banks are able to customize the 7 percent of total loans as seed money to compensate for losses	3.2464	.84040	3	Average
Jordanian banks are able to deal with the reserves and retained earnings	3.3536	.91188	2	Average
Jordanian banks are able to overcome the financial turmoil that maybe exposed without the help or intervention by the central bank or the government	2.8464	.61753	7	Average
Jordanian banks are able to create full of ordinary shares	3.1071	.95936	4	Average
The general overall average	3.1230	.48347		

As shown in Table 1, the readiness level of Jordanian banks to apply requirements of Basel III in terms of standard supervisory capital is on average level, the range of arithmetic averages between 3.3714-2.8464 and all paragraphs came with the average level of readiness; the amount of arithmetic averages for general total is 3.1230, while the standard deviation amounted to 0.48347. This deviation indicate how the disruption of the values of this variable on the arithmetic average for all paragraphs, and these low value indicates the answers of sample study close and similar to some extent.

Table 2
Averages and Standard Deviations for the Capital Adequacy Ratio

Phrases	Arithmetical average	Standard deviations	Materiality level	Rank
Jordanian banks are capable to increase percent of ordinaries, incremental and assets of budget with risk	3.2500	.85237	4	Average
Jordanian banks are capable to make amendment of reserve allocation to loans to deal with cyclical fluctuations	2.8286	.81599	7	Average
Jordanian banks are capable to add capital for the purposes of hedging against and reducing apportion of profits	3.0607	.70829	5	Average
Jordanian banks recognize the importance of doubling the capital in the investment banks that are active in these tools to continue its activity	2.9750	.83492	6	Average
Jordanian banks are capable to raise the proportion allocated to reserves for lagging loans	3.3393	.82690	1	Average
Jordanian banks are capable to provide additional adverse capital to cover the risk of economic cycles	3.3071	.94202	3	Average
Jordanian banks are capable to provide additional capital to deal with the systemic risk	3.2750	.95382	2	Average
The overall average	3.1480	.59976		

As shown in Table 2, the readiness level of Jordanian banks to apply requirements of Basel III in benchmark ratio of capital efficiency is on average level, the range of arithmetic averages between 3.3393 to 2.8286 and all paragraphs came with the average level of readiness; the amount of arithmetic averages for general total is 3.1480, while the standard deviation amounted to 0.59976. This deviation indicate how the disruption of the values of this variable on the arithmetic average for all paragraphs, and these low value indicates the answers of sample study close and similar to some extent.

Table 3
Averages and Standard Deviations for the Liquidity standards

Phrases	Arithmetical average	Standard deviations	Materiality level	Rank
Jordanian banks owned assets can facilitate to cover its needs	3.3893	.95521	1	Average
Jordanian banks are capable to make continuous improvement of asset quality	3.3714	.87860	2	Average
Jordanian banks are capable to secure short-term liquidity	3.2464	.87169	3	Average
Jordanian banks are capable to deal flexibly to the closure of money markets in short-term	3.1143	.69906	4	Average
Jordanian banks have sufficient liquidity to enable them to deal with any potential obstacles	3.0393	.84311	5	Average
Jordanian banks are capable to guarantee high-quality liquid assets during a time period of 30 days	2.8000	.95189	7	Average
Jordanian banks own assets can facilitate to cover deposits and are capable to develop new ways of supervision to cover the liquidity ratio and the transfer of assets into cash	2.8929	.91735	6	Average
The overall average	3.1219	.60301		

As shown in Table 3, the readiness level of Jordanian banks to apply requirements of Basel III in terms of benchmark liquidity is on average level, the range of arithmetic averages between 3.3893 to 2.8000 and all paragraphs came with the average level of readiness; the amount of arithmetic averages for general total is 3.1219, while the standard deviation amounted to 0.60301. This deviation indicate how the disruption of the values of this variable on the arithmetic average for all paragraphs, and these low value indicates the answers of sample study close and similar to some extent.

Table 4
Averages and Standard Deviations for the Leverage Ratio

Phrases	Arithmetical average	Standard deviations	Materiality level	Rank
Jordanian banks are capable to set a maximum limit to the growing debt ratio	3.4286	.96641	1	Average
Jordanian banks are capable to complete the capital requirements for risk-based	3.4250	.81743	2	Average
Jordanian banks are capable to achieve a balance between the size and type of different activities	3.0893	.58281	5	Average
Jordanian banks are capable to provide additional guarantees for the wrong standards and meet future shocks	3.4071	.82929	3	Average
Jordanian banks are capable to make provision for bad debts and write off bad debts	3.1500	.97954	4	Average
Jordanian banks are capable to finding additional standard requirements to manage basic risks	2.9500	.91444	6	Average
The overall average	3.24166	.51449		

As shown in Table 4, the readiness level of Jordanian banks to apply requirements of Basel III in terms the standard leverage ratio is on average level, the range of arithmetic averages between 3.4286-2.9500 and all paragraphs came with the average level of readiness; the amount of arithmetic averages for general total is 3.24166, while the standard deviation amounted to 0.51449. This deviation indicate how the disruption of the values of this variable on the arithmetic average for all paragraphs, and these low value indicates the answers of sample study close and similar to some extent.

5.2 Test Hypothesis of the Study

Test hypotheses have been used (one sample T. Test) for bilateral comparison and at the level of 0.05, the following tables show there results obtained when testing hypotheses of study.

Test the first hypothesis: This hypothesis states that "Jordanian banks are not ready to apply requirements of Basel III in terms of availability of supervisory capital".

Table 5
T. Test Results of the First Hypothesis

Variable	Calculated value of T	Tabular value of T	Moral value of T Sig-t	Statistical conclusion
Standard of supervisory capital	108.086	1.96	.000	Reject the null hypothesis

The data presented in Table 5—the calculated value of T is 108.086 while the tabular value is 1.96, and comparing the values that have been reached in the test this hypothesis—is very evident, the calculated value of T is larger than the tabular value, so it reject the null hypothesis and accept the alternative hypothesis, which States that "Jordanian banks are not ready to apply requirements of Basel III in terms of availability of supervisory capital". This is confirmed by the Moral value of Sig. which is equal to zero.

Test the second hypothesis: This hypothesis states that "Jordanian banks are not ready to apply requirements of Basel III in terms of capital adequacy ratio".

Table 6
T. Test Results of the Second Hypothesis

Variable	Calculated value of T	Tabular value of T	Moral value of T Sig-t	Statistical conclusion
Capital adequacy ratio	87.827	1.96	.000	Reject the null hypothesis

The data presented in Table 6—the calculated value of T is 87.827 while the tabular value is 1.96, and comparing the values that have been reached in the test this hypothesis—is very evident, the calculated value of T is larger than the tabular value, so it reject the null hypothesis and accept the alternative hypothesis, which States that "Jordanian banks are not ready to apply requirements of Basel III in terms of capital adequacy ratio". This is confirmed by the Moral value of Sig. which is equal to zero.

Test the third hypothesis: This hypothesis states that "Jordanian banks are not ready to apply requirements of Basel III in terms of liquidity standards".

Table 7
T. Test Results of the Third Hypothesis

Variable	Calculated value of T	Tabular value of T	Moral value of T Sig-t	Statistical conclusion
Liquidity standards	86.633	1.96	.000	Reject the null hypothesis

The data presented in Table 7—the calculated value of T is 86.633 while the tabular value is 1.96, and

comparing the values that have been reached in the test this hypothesis—is very evident, the calculated value of T is larger than the tabular value, so it reject the null hypothesis and accept the alternative hypothesis, which States that "Jordanian banks are not ready to apply requirements of Basel III in terms of liquidity standards". This is confirmed by the Moral value of Sig. which is equal to zero.

Test the forth hypothesis: This hypothesis states that "Jordanian banks are not ready to apply requirements of Basel III in terms of leverage ratio".

Table 8
T. Test Results of the Third Hypothesis

Variable	Calculated value of T	Tabular value of T	Moral value of T Sig-t	Statistical conclusion
Leverage ratio	90.441	1.96	.000	Reject the null hypothesis

The data presented in Table 8—the calculated value of T is 90.441 while the tabular value is 1.96, and comparing the values that have been reached in the test this hypothesis—is very evident, the calculated value of T is larger than the tabular value, so it reject the null hypothesis and accept the alternative hypothesis, which States that "Jordanian banks are not ready to apply requirements of Basel III in terms of leverage ratio". This is confirmed by the Moral value of Sig. which is equal to zero.

CONCLUSION

1) The results indicated that Jordanian banks are not ready to apply requirements of Basel III in terms of standard supervisory capital, and that the extent of readiness is average level, as Jordanian banks are able to provide risk management (market, credit, operation) within the organizational structure, take precautions and deal with retained earnings. Besides that, it turned out that Jordanian banks are able to allocate 7 percent of total loans as reserve fund to offset losses.

2) The results indicated that Jordanian banks are not ready to apply requirements of Basel III in terms of capital adequacy ratio, it's the average level. It also found Jordanian banks are capable to raise the proportion allocated to reserves for lagging loans, provide additional capital to deal with the systemic risk, as well as it shows that Jordanian banks are capable to provide additional adverse capital to cover the risk of economic cycles

3) The results indicated that Jordanian banks are not ready to apply requirements of Basel III in terms of benchmark liquidity, it's the average level. It also found Jordanian banks owned assets can facilitate to cover its needs, make continuous improvement of asset quality, as well as secure short-term liquidity.

4) The results indicated that Jordanian banks are not ready to apply requirements of Basel III in terms of leverage ratio, it's the average level. It also found Jordanian banks are capable to set a maximum limit to the growing debt ratio, complete the capital requirements for risk-based, as well as provide additional guarantees for the wrong standards and meet future shocks.

RECOMMENDATIONS

Researchers recommend Jordanian commercial banks to give utmost importance to the implementation of Basel III requirements, and make it happen by doing the following:

1) Commitment to improve supervisory capital structure, and comply with the following mechanisms:

- Overcome its own financial turmoil that could be exposed without the help or intervention by the central bank or the government.
- Improve supervisory capital structure and make amendment of paid-in capital.
- Maintain high rates and good quality of capital.

2) Commitment to revise the limits of capital adequacy ratio, and comply with the following:

- Make amendment of reserve allocation to loans to deal with cyclical fluctuations.
- Recognize the importance of doubling the capital in the investment banks that are active in these tools to continue its activity.
- Increase capital for the purposes of hedging against and reducing apportion of profits.

3) Have assets that can be liquidated to cover their deposits and more steady, especially those related to the follows:

- Guarantee high-quality liquid assets during a time period of 30 days.
- Have assets that can be liquidated to cover deposits.
- Putting new controls to cover the liquidity ratio and the transfer assets into cash.
- Guarantee sufficient liquidity to enable them to deal with any potential obstacles.

4) Introducing leverage ratio and increasing proportion of debt in the banking system, and finding additional standard requirements to manage basic risks, especially those related to the follows:

- Put additional standard requirements to deal with basic risks.
- Achieve a balance between the size and type of different activities.
- Make provision for bad debts and write off bad debts.

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