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Financial Action Task Force

Mutual Evaluation Report

Anti-Money Laundering and
Combating the Financing of Terrorism

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Jordan

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PREFACE

INFORMATION AND METHODOLOGY USED FOR THE EVALUATION OF JORDAN

1. The evaluation of the anti-money laundering (AML) and combating terrorism financing (CFT) regime of the Hashemite Kingdom of Jordan (Jordan) was based on the Forty Recommendations 2003 and the Nine Special Recommendations on Terrorism financing 2001 of the Financial Action Task Force (FATF), and was prepared using the AML/CFT Methodology 2004¹. The evaluation was based on the laws, regulations and other materials supplied by the Hashemite Kingdom of Jordan and information obtained by the evaluation team during its on-site visit to the Hashemite Kingdom of Jordan from 6 to 17 July, 2008, and subsequently. During the on-site visit, the evaluation team met with officials and representatives of all the relevant Hashemite Kingdom of Jordan government agencies and the private sector. A list of the bodies met is set out in [Annex No. \(1\)](#) to the mutual evaluation report.

2. The evaluation was conducted by an evaluation team, which consisted of members of the MENAFATF Secretariat and MENAFATF experts in criminal law, law enforcement and financial issues. The team included: *Mr. Adel Bin Hamad Al Qulish*, MENAFATF Executive Secretary, *Mr. Husam El Din Mostafa Imam*, MENAFATF Secretariat Mutual Evaluation Officer, *Mr. Abdul Karim Jadi*, Judge and Member of the Financial Intelligence Unit in the Peoples Democratic Republic of Algeria, *Mr. Khamis AL Khalili*, the General Director of the Investigation and Pleading Department at the Public Prosecution in the Sultanate of Oman, *Mr. Arz Murr*, Inspector in the Investigation Unit of the Special Investigation Commission (SIC) in the Lebanese Republic, *Ms. Rim Ghanam*, Assistant Head of Department at the Combating Money Laundering and Terrorism Financing Commission (CMLC) in the Arab Syrian Republic. The experts reviewed the institutional framework, the relevant AML/CFT systems, regulations, guiding principles and other requirements, and the regulatory and other systems in place to deter money laundering (ML) and the financing of terrorism (FT) through financial institutions and Designated Non-Financial Businesses and Professions (DNFBP), as well as examining the capacity, the implementation and the effectiveness of all these systems.

3. This report provides a summary of the AML/CFT measures in place in Jordan as at the date of the on-site visit or immediately thereafter. It describes and analyses those measures, sets out Jordan's level of compliance with the FATF 40+9 Recommendations (see Table 1), and provides recommendations on how certain aspects of the system could be strengthened (see Table 2).

4. The evaluation team extends its heartfelt gratitude to Jordanian Authorities, which facilitated the work of the team in an optimum manner. In particular, the team would like to express thanks and appreciation to H.E. *Dr. Umayya Toukan*, Governor of the Central Bank of Jordan and the Chairman of the AML National Committee for his assistance which helped the team fulfill its mission, thanks are also extended to *Mr. Adnan Alahseh*, the Head of the Jordanian AML Unit, and his associate team, for his cooperation and support for the team throughout and after the duration of the field visit.

¹ As updated in February 2008.

EXECUTIVE SUMMARY

1. Background Information

1. This report provides a summary of the AML/CFT measures in the Hashemite Kingdom of Jordan (Jordan) at the time of the field visit and immediately thereafter. The report describes and analyzes those measures. It also sets out Jordan's levels of compliance with the FATF 40 + 9 Recommendations (see attached table on the Ratings of Compliance with the FATF Recommendations).

2. Jordan is considered one of the advanced and stable economic systems in the Middle East, especially in the banking sector. The banking sector is characterized by a noticeable overall progress and the presence of a good level of awareness about the AML/CFT requirements. Crime rate is relatively low, even with existing activities of trafficking drugs and smuggling of antiques from Iraq. Jordan's economy is remarkably open to the international investment markets. These factors altogether create a degree of AML risk. As to the possibility of the presence of the financing of terrorism, some risks related to terrorism have existed, such as the formation of terrorist groups that feed terrorist activities in the region, in addition to the execution of some terrorist operations.

3. In general, and with some exceptions, Jordan has a legislative and supervisory framework that covers most of the sectors concerned with AML. The Jordanian AML system is among the new ones in the region, with the AML law issued in July 2007. The subject law has covered basic aspects of the legal framework needed for establishing a good AML system in Jordan. Regarding CFT, Jordan has criminalized this act in the Terrorism Prevention Law (TPL), regarded as a terrorist act. However, Jordan has not covered a sizeable number of obligations necessary to complete the combating system, including the inclusion of CFT within the jurisdiction of the AML Unit. In addition, it has failed to notice the obligations that should be imposed on financial and other institutions in this respect.

4. Moreover, one of the main remarks that can be highlighted in the Jordanian AML system is the non-issuance of all the legal instruments necessary for the completion of the legislative structure and sufficient basis for this system. To the date of the onsite visit and immediately thereafter, regulations that represent secondary legislations needed for complying with basic requirements mentioned in the 40+9 Recommendations for AML/CFT have not been issued². In terms of regulation and supervision, a number of instructions for the various financial sectors addressing a reasonable part of the international requirements and standards have been issued. However, Jordan needs to increase the human and technical resources at many competent authorities that play a major role in the combating system, as the lack of such resources negatively affects the effectiveness of this system. On the other hand, the DNFBPs present in Jordan lack sufficient regulation in relation to AML/CFT. They also lack the necessary awareness of ML and TF risks on one side and of the possibility of being exploited for performing illicit transactions on the other side.

² The MENAFATF Plenary meeting has decided during the discussion and adoption of this report to consider the opinion of Jordanian authorities based on its statements and the new information provided during the session; accordingly, the instructions issued by the CBJ (for banks and exchange companies) and the Securities authorities (except the instructions issued by the insurance authority) on which the assessors relied during the evaluation as a delegated legislation in the concept of Methodology were considered; which means that some obligations to which the report indicates as should be requested through a primary or delegated legislation within Recommendations 5 and 10 are duly met as per the Methodology of evaluation.

2. Legal Systems and Related Institutional Measures

5. Jordanian lawmakers criminalized the ML act in general by the law issued for this purpose, which came into force in July 2007. However, it is worth mentioning that Jordan had already criminalized the ML act (although insufficiently) in relation to insurance activities only, in 2002. The AML law is in conformity to Vienna and Palermo Conventions regarding the description of the physical and moral elements. ML applies to the perpetrator of the predicate crime. However, the predicate crimes of ML do not include a number of the categories of crimes provided in the Methodology for 2004. The reason for that is either they are not criminalized in the first place or are not punishable with felony sentences, as the predicate crimes are restricted in the Jordanian Law to the crimes punishable with felony sentences and those international agreements regard the proceeds thereof as subject to ML. ML applies to any properties directly or indirectly derived from committing a predicate crime the proceeds of which are subject to ML pursuant to the provisions of the law. However, to prove the illegality of such properties, it appears that the judicial authorities deem necessary conviction of the predicate crime. ML is punishable with temporary hard labor imprisonment for a period not exceeding five years and with a fine not less than ten thousand JOD and not exceeding one million JOD, in addition to the physical confiscation of the proceeds or equivalent funds. On the other hand, pursuant to the provisions of the general rules in the Jordanian Penal Code, the legal persons in Jordan may be criminally liable for ML, and thus they would be punishable with a fine and confiscation. It is not possible to evaluate the effectiveness of criminalization due to the non-issuance of judgments in ML cases based on the novelty of the law. It is worth indicating though, that no judgments have been issued regarding ML in relation to insurance activities since it was criminalized in 1999.

6. Regarding the criminalization of TF, Jordanian lawmakers established the legal framework for this act by including the TF crime under the TPL issued in November 2006 and considering the TF a terrorist act. In addition, the criminalization scope mentioned in the TPL does not extend to include acts committed by terrorist organizations or terrorists to be in conformity with the International Convention for the Suppression of the Financing of Terrorism. It is noticeable that the concept of funds is not clear in relation to TF in the said law. Sentences for natural and legal persons who commit TF acts are non-dissuasive, disproportionate. It is not possible to measure the effectiveness due to the absence of evidence and the absence of statistics.

7. Jordan has an acceptable system for confiscating the proceeds of the crimes, which has been applied even before the issuance of the AML law pursuant to the general rules in the Penal Code and various special provisions in other laws. However, it is worth mentioning that the confiscation system in the AML law is limited to the proceeds of the ML crimes only rather than including those of the TF crimes. Also, law enforcement officials have no explicit powers that enable them to identify and trace properties subject, or that may be subject to, confiscation or properties suspected to be the proceeds of crimes. It is not possible to measure the effectiveness of the confiscation system in relation to ML/TF due to the novelty of the AML law and the absence of confiscation cases in relation to TF.

8. Regarding the freezing of funds used in TF, there is no legal system that governs the procedures of freezing the funds and properties of persons whose names are listed pursuant to UNSCR 1267. However, the actual course of action is confined to a practical mechanism that starts with the lists being received by Jordan's representative in the UN, who then sends them to the Ministry of Foreign Affairs. The Ministry, in turn, sends them to a technical Committee established per the Decision of the Council of Ministers. That Committee consists of representatives of the Ministry of Justice, the Ministry of Foreign Affairs, the Central Bank, the General Intelligence Department, the General Command of the Jordanian Armed Forces and the General Security Directorate. The said Committee's function is to follow up on the requests from the UN Security Council's Counter-Terrorism Committee and respond to them. Moreover, there are no effective laws or measures for freezing the funds or other terrorist assets of persons designated under UNSCR 1373. Furthermore, there are no effective laws or measures for studying and executing the measures taken according to freezing mechanisms in other countries.

9. Regarding the AML Unit in Jordan, it was established by virtue of the AML law. According to the law, it has all the necessary powers to study and analyze the STRs it receives, and to request information from the entities subject to the law as well as any other judicial, supervisory, administrative and security

authorities. However, it lacks the legal basis that makes it eligible to deal with CFT, since the law that established it and granted its power has neglected this side. It is a new unit still in the phase of development and gaining basic experiences, as it needs to increase its financial, human and technical resources. On the other hand, there is a clear interference between the powers of the Unit and those of the National Committee for AML, the Chair of which appoints the head of the Unit and its employees. Moreover, the mentioned Committee is tasked to supervise the Unit's performance of its duties, facilitate the exchange of information related to ML cases and coordinate between the related authorities.

10. The Public Prosecution deals with AML cases referred from the Unit. However, it is necessary to establish a designated law enforcement authority to be responsible for carrying out TF investigations. Moreover, special care should be given to provide sufficient, specialized training for the law enforcement and prosecution staff.

11. With respect to the system of declaring cross-border funds movement, Jordan has established a declaration system that is not in effect, since the declaration form for cross-border funds movement is not used yet. The maximum amount to be declared is 15000 JOD. On the other hand, this system does not cover CFT requirements nor all incoming and outgoing transportation of funds and bearer negotiable instruments. Another shortcoming in this system is that it does not grant the competent authorities the power of requesting and obtaining further information from the courier regarding the origin and purpose of the currency or the bearer negotiable instruments in the event of suspecting ML or TF. However, it is noteworthy that the declaration form, which was approved by the National Committee for AML, includes inquiry about the purpose; but this form has not come into effect yet. In addition, sentences provided for in the case of false declaration are not dissuasive; the exchange of information between the Customs Department and the AML Unit is insufficient; and the Customs Department does not have a database.

3. Preventive Measures – Financial Institutions (FIs):

12. Concerning preventive measures in the financial sector, Jordan implements a number of measures that satisfy a reasonable amount of the obligations mentioned in the FATF Recommendations; however, the Jordanian legal framework lacks primary or delegated legislations that impose the compliance with the basic requirements in some of those Recommendations². The current obligations are imposed on the financial institutions in Jordan by the AML law, which came into force in July 2007, in addition to a number of instructions from the supervisory and oversight authorities towards those institutions. Most of those instructions are regarded as other enforceable means according to the definition provided in the mutual evaluation Methodology of 2004.

13. On the other hand, most of these instructions are largely newly implemented, as some of them were issued recently (the instructions of the Central Bank for the exchange companies) and some came into force immediately after the onsite visit (the instructions of the Jordan Securities Commission (JSC)). In addition, the implementation of other instructions could not be verified in reality because some institutions were granted a deadline for settling their situations before conducting inspections to verify their compliance with those instructions (the instructions of the Insurance Commission). Moreover, some of these instructions were amended immediately before the onsite visit (the instructions of the Central Bank to the banks). In general, since the combating system has been recently implemented, it was not possible to evaluate its effectiveness. It is generally noted that the AML obligations in Jordan do not cover a number of institutions that provide financial services, such as the financial leasing companies, the post services and the Jordanian Postal Saving Fund (PSF).

14. The AML law and the instructions issued by the supervisory authorities cover some basic obligations in terms of identifying the customers and the CDD measures; however, the law (or any delegated legislation) has not detailed the basic CDD obligations that should be available in a primary or delegated legislation². Moreover, the instructions cover a number of the CDD obligations, but they need to undergo some development in order to cover obligations they do not include currently. For example, these instructions need to require from the financial institutions to obtain more information about the legal persons or the legal arrangements, in addition to identifying the purpose of the business relationships with their customers.

15. Moreover, the instructions issued to the money exchange sector regarding enhanced due diligence measures need to be extended to include larger categories of risk posing customers and mention the business relationship and high-risk transactions. On the other hand, the CDD measures for existing customers (customers of financial institutions as of the date before the national requirements came into force) should be implemented on the basis of materiality and risk, and the issue of when to take the CDD measures towards the existing business relationships must be tackled. In addition, banks should use a risk management system to determine whether a potential customer, a customer, or the beneficial owner is Politically Exposed Person (PEP).

16. Regarding record keeping, this issue was partially dealt with through some of the instructions issued for those institutions. Therefore, all financial institutions should be required, by a primary or delegated legislation, to keep all the necessary records for the local and international transactions for a minimum period of 5 years after the transaction is concluded (or for a longer period at the request of the competent authorities in certain cases and after obtaining the proper permit). Moreover, they should keep records on the Identification data, accounts files and business correspondence for at least 5 years after closing the account or the termination of the business relationship. There is also a need for provisions or mechanisms that ensure the effective monitoring compliance of financial institutions with the rules and regulations related to the implementation of SR.VII. Such provisions or mechanisms should also ensure that banks' external auditors make sure that the banks implement these instructions and that the extent to which the banks' policies and measures related thereto are adequate.

17. Regarding monitoring the transactions and business relationships, there are reasonable obligations imposed on the financial institutions, except the money exchange companies, with respect to inspecting the background of the large and unusual transactions. On the other hand, effective measures should be put in place to ensure that financial institutions are kept aware of concerns about weaknesses in other countries AML/CFT systems. In particular, money exchange companies should be required to examine the transactions that do not have apparent economic or visible lawful purposes stemming from countries that do not or insufficiently apply the FATF Recommendations. Financial brokerage companies should be required to comply with comprehensive obligations in relation to dealing with customers from or in countries that do not, or insufficiently, apply the FATF Recommendations.

18. Regarding the obligation of reporting suspicious transactions, the institutions mentioned in the law are required to comply with reporting upon suspecting any ML cases. On the other hand, one of the most important aspects that should be remedied in the current system is that the scope of ML predicate crimes does not cover the minimum crimes provided for in Recommendation 1. The Jordanian AML Unit is not the only authority receiving STRs. In addition, the obligations in the law imposed on the financial institutions with respect to reporting do not cover transactions suspected to be related to TF. Practically, the efficiency of compliance of the financial institutions with reporting is neither enough nor appropriate, in light of the few numbers of STRs submitted for the Unit from some institutions and the total absence of STRs from others. In addition, the majority of STRs reported were not related to ML. This calls for the oversight and supervisory role of the competent authorities to be improved in a way that enhances the compliance of those institutions with the reporting obligation.

19. Regarding the obligations imposed with respect to the internal controls and monitoring systems in financial institutions, such financial institutions are adequately and sufficiently requested to establish such systems for AML purposes. In reality, it appeared that most banks have rules and internal policies concerning the AML measures, with a disparity in the development and efficiency of those policies between small and large and developed banks. Regarding the insurance companies, they have been given a one-year grace period to settle their situations to be commensurate with the instructions issued in 2007, where the Insurance Commission obligated the companies under its supervision to prepare plans and internal policies relating to the implementation mechanism of those instructions and present them to it. There are some insurance companies that represent institutions affiliated to the banks and implement the same policies implemented within those banks. The securities companies had no internal systems and policies concerned with AML measures, since the AML instructions had not been officially issued up to the date of the team's visit.

Regarding the interviewed securities companies, they were affiliate institutions of banks and thus implemented the standards and policies of those banks.

20. As to financial institutions' dealings with countries that do not, or insufficiently, apply the FATF Recommendations, the instructions for the banks and the insurance companies regulate this issue, in addition to other instructions issued by the Central Bank related to the presence of banks abroad. Regarding the remaining financial institutions, their laws and instructions do not include anything indicating that their foreign branches and subsidiary institutions are required to implement those laws and instructions.

21. The Central Bank undertakes the issue of licensing and registering banks according to specific conditions provided for by the Banking Law and instructions issued by the Central Bank, which practically does not permit shell banks to exist in Jordan. Moreover, the AML law stipulates the importance of not dealing with persons of anonymous ID or of fictitious names or with shell Banks. Moreover, the AML instructions stipulate that a bank may not establish a banking relationship with a Shell Bank. The instructions also stipulate that the bank should make sure that the foreign bank is under effective supervisory oversight by a supervisory authority in its home country, and the bank should verify that foreign banks have sufficient systems for AML/CFT.

22. Regarding supervision and oversight, the AML law has not detailed the issue of supervision and oversight in relation to AML on the financial institutions subject to it, but, in general, the law stipulates that the authorities under the provisions of the subject law should comply with the instructions issued by the competent supervisory authorities for implementing those provisions. There are general powers that enable the authorities supervising the financial institutions in Jordan to perform their supervisory role in a good manner. However, practically, they conduct their activity with a clear shortage of human and financial resources, in addition to the presence of a number of financial institutions that are not subject to a direct supervisory or oversight authority, such as the financial leasing companies.

23. Furthermore, whereas the implementation of the AML law and the instructions issued by the competent supervisory authorities are still new, the financial institutions subject to applicable requirements have not yet undergone a complete round of inspections. Despite the fact that those supervisory authorities have qualified and efficient staff, yet, most of them have shortage in the onsite and offsite inspectors in comparison to the number of various financial institutions. There is a need for increasing the number of employees of those authorities and training them on the inspection transactions, including verifying the implementation of the AML obligations. It appears that there are proportionate and dissuasive sentences against financial institutions violating the law and the instructions, except in relation to the insurance activities; however, to date of the onsite visit, no sentences have been imposed on the violators of the AML instructions.

24. Regarding the money or value transfer services in Jordan, banks and money exchange companies only are permitted to practice such activity. These institutions are registered and licensed with the Central Bank of Jordan. The instructions for banks and exchange companies have been set forth in order to cover some of their requirements within the scope of the international standards. Regardless of the foregoing, the transfer sector outside the banks lacks sufficient legal organization. In this regard, the various aspects in which the exchange companies could work should be clarified. In addition, there exists a need for more elaborate and detailed instructions regarding the obligations that those companies (whether ordering, intermediary, or beneficiary) should comply with, in relation to the transfers they handle.

4. Preventive Measures – Designated Non-Financial Businesses and Professions

25. There are no casinos in Jordan, neither are they permitted to operate. Moreover, trust funds and company service providers do not exist. The definition of a notary mentioned in the Methodology is not applicable to notaries in Jordan, since they are government employees who only perform some specific duties such as registering contracts and approving legal translations. On the other hand, lawyers and accountants are not bound by the obligations of the AML. Therefore, the DNFBPs categories addressed to comply with the AML obligations are confined to companies dealing in real estate, precious metals and stones. These

categories are dealt with in the AML law on the same footing with the financial institutions without any distinction.

26. There is no other legal or regulatory framework that complements requiring those entities to comply with all obligations under R.5, neither is there any supervisory framework to cover the requirements of Recommendations 6, 8, 9, 10 and 11. Moreover, there is no supervisory framework undertaken by the authorities tasked to supervise the compliance of the categories under the law with the obligations mentioned therein. Furthermore, it has been noticed that these categories do not comply with the CDD measures related to their activities, and that these categories are not obliged to report suspicions of TF crimes.

27. There is a need for competency and authority (or authorities) specialized with supervising the compliance of the DNFBPs subject to the law with the AML measures, and that such authority practices an extensive, supervisory role through issuing supervisory regulations and best practices criteria. Moreover, the Authority, associations and unions should establish guidance on the reporting mechanism and the patterns of suspicious transactions that should be reported and any directives based on the peculiarity of the non-financial professions to serve as an educational source and a guiding methodology to intensify the combating efforts.

5. Legal Persons and Arrangements & Non-Profit Organizations

28. Companies in the Kingdom are established and registered pursuant to the Companies Law of 1997. The Companies Control Department (CCD) at the Ministry of Industry and Commerce undertakes their registration and licensing. Companies do not have to obtain any prior approval from any other authority for registration unless an effective legislation require otherwise. It is possible to disclose, pursuant to instructions to be issued by the Minister, any data or information the Department has, that are not related to the company's accounts and financial statements. Moreover, the Department may keep an electronic or mini-copy of any original documents, and may keep the data, information, records and transactions related to its business by electronic means. However, it is worth mentioning that it is not clear how the authorities ensure that the partners and the shareholders are the beneficial owner as well as how they verify the information about the beneficial owner. In addition, it is worth noting the infeasibility of obtaining the requested information at the right time. It has not been found out that trust fund activities are practiced in Jordan.

29. The number of the non-profit organizations has rapidly increased in the Kingdom during the last 5 years. These organizations are subject to the Ministry of Social Development with respect to the issuance of licenses, control and supervision. Jordan is working on performing periodical and technical supervisory visits to the charitable associations in order to examine means of their expenditure in general, but without examining the fundraising. No law covers the concerns over ML and TF with respect to monitoring and information keeping in the charitable associations, in addition to the insufficiency of the number of inspectors³. Moreover, Jordan lacks training of employees in this area.

6. National and International Co-operation

30. The national coordination and cooperation are carried out in Jordan through the National Committee for AML, which is established as per the AML law; however, this Committee has no clear and specific mechanism related to internal cooperation and the execution of policies and activities in relation to AML. It is worth mentioning that most of the cooperation between the authorities responsible for implementing the measures related to AML is done bilaterally in the majority of cases. As to TF, there is no evidence that there is a clear policy or any other mechanism for cooperation and coordination between the competent authorities in the CFT area.

31. Jordan has ratified the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna), as well as on the UN Convention for the Suppression of the Financing of Terrorism; however, it is noteworthy that the said conventions have not been fully implemented. Moreover,

³ Jordan has issued the Associations Law No. (51) for 2008 on 16/9/2008, 7 weeks following the onsite visit, which contained some provisions related to monitoring the funds of the associations and the methods of expenditure.

the UN Convention against the Transnational Organized Crime (Palermo) has been signed in 2002, and the measures are underway for its ratification.

32. Jordan cooperates well with respect to providing legal assistance in general, as it is governed by the conventions that cover legal assistance, the principle of reciprocity, in addition to the AML law. However, Jordanian lawmakers overlooked stipulating some important forms of mutual legal assistance. In addition, there exists the inability to provide mutual assistance upon the absence of the dual criminality even with respect to less interfering measures. Therefore, the mentioned legislative shortcomings as well as the absence of an appropriate and quick mechanism in this scope have a negative impact on the effectiveness of executing the legal and judicial assistance requests in terms of ML and TF crimes.

33. There are no laws or measures that guarantee quick and effective responsiveness to mutual legal assistance requests submitted by foreign countries when such requests are related to properties of equivalent value. Moreover, there are no special arrangements to coordinate seizure and confiscation measures with the other countries.

34. Regarding extradition, Jordan cooperates to a great extent and overcomes any legal or practical obstacle that prevents providing assistance in the cases where both countries criminalize the main act of the crime. It is not possible to assess the effectiveness of this issue in relation to ML or TF, as there has been no extradition cases.

35. Regarding other forms of international cooperation, such cooperation is restricted to the AML Unit rather than other competent authorities, where the Unit may ask for information from judicial, supervisory and security authorities if relevant requests are received from a foreign counterpart unit. It is possible to exchange information according to legal and judicial cooperation measures among the competent security bodies.

7. Other Issues

36. In general, Jordan does not have an integrated system that allows obtaining adequate statistics in the AML/CFT field. The available statistics are restricted to the number of STRs; therefore, it is hard to measure the level of effectiveness of the AML/CFT measures in all sectors. In addition, the Unit, law enforcement agencies and other authorities working in AML/CFT lack sufficient human, financial and technical resources for performing their duties effectively. Moreover, employees of the competent authorities are not provided with appropriate training in relation to AML/CFT.

MUTUAL EVALUATION REPORT

1. GENERAL

1.1 *General information on the Hashemite Kingdom of Jordan*

1. Jordan is located at the center of the Middle East. It lies to the northwest of Saudi Arabia, south of Syria, west of Iraq, and to the east of the occupied territories and Israel. Jordan has a passage to the Red Sea through the City of Aqaba, which is situated on the northern part of the Gulf of Aqaba. Jordan covers an area of 89,213 km², 88,884 km² of which is land and 329 km² is water. Its population reaches approximately 5,906,760 million. Jordan is administratively divided into 12 Governorates, including the capital governorate of Amman, which includes the capital. The Jordanian currency is the Dinar, which is equivalent to approximately 1.4 USD.

2. Jordan is a constitutional monarchy, and upon the formation of the government, different political trends must be taken into consideration. The reigning monarch is the commander-in-chief of the Armed Forces. The Jordanian Authorities are divided into: the legislative, executive and judicial authorities. The Jordanian Constitution stipulates that the nation is the source of Authorities and the nation exercises its authorities as provided in this Constitution.

3. The legislative authority is vested in the King and the House of Parliament. The House of Parliament consists of two Chambers: The Senate and the Chamber of Deputies. The Senate, including its President, cannot be more than half the size of the Chamber of Deputies. Senators must be at least 40 years of age and are appointed for a term of four years and members may be reappointed. As per the current election law, the Chamber of Deputies consists of 110 members elected by direct, secret ballot. Deputies must be at least 30 years of age and are elected for a term of four years, which may be extended by the King's orders for a period no less than a year and no more than two years.

4. The executive authority is vested in the King and his Council of Ministers by virtue of the provisions of the Constitution. The Council of Ministers consists of the Prime Minister and a number of Ministers depending on the public need and interest. A Minister may undertake one or two ministries according to what is provided in the Decree of Appointment. The powers of the Prime Minister, the Ministers and the Council of Ministers are assigned under regulations established by the Council of Ministers and ratified by the King.

5. As per the Jordanian Constitution, the judicial system is undertaken by different kinds and degrees of courts, and all judgments are rendered by law in the name of the King. Furthermore, the Jordanian Constitution stipulates that the judges shall be independent and are subject to no authority but that of the law. The judges of the civil and Islamic courts are appointed and dismissed by the King's orders under the provisions of the law. The courts in Jordan are divided into three categories: civil, religious and special. The courts are also available for everyone and protected from interference in its affairs. The sessions are held in public unless the court believes that they should be held behind closed doors, in consideration of the general rule or for the purpose of preserving the morals.

6. The Higher Judicial Council represents the head of the judicial system in the Kingdom, and symbolizes along with the House of Parliament and the Council of Ministers the segregation of powers. The Judicial Council has the legal jurisdiction in administrative supervision over all Disciplinary Judges in the Kingdom, as well as the appointment, delegation, secondment, promotion, transfer, accountability, disciplining and retirement related matters. The Council is also concerned with developing the judicial body and providing legislative propositions related to jurisdiction, Public Prosecution and litigation procedures which serve as guidelines for the government upon setting up the different draft laws and regulations. The members of the judicial body are highly professional, and only the competent and mannered persons are appointed.

7. The Jordanian economy has witnessed throughout the past years increased activity regardless of the various challenges that have been facing it, mostly the sharp increase of oil prices and other basic commodities. During the five past years, the economy achieved a growth at an average rate of 6.4%. Among

the most important economic sectors that contributed in pushing the economic growth wheel forward are the processing industries sector, the transportation sector, the telecommunications sector, the financial services sector, the insurance sector, the real estate sector, the commercial sector, and the restaurants and hotels sector. There are 5 general free trade zones in Jordan, dealing in the industrial, commercial, services and touristic fields, in addition to 41 private free trade zones, dealing in different fields too. The Jordanian free zones are considered an investment front and a center for providing investment services, attracting investments and preparing the investment environment. The institutions operating in the free zones are subject to the general legal frame without discrimination.

8. The per capita Gross Domestic Product has increased during the past years to reach 1961 Dinars in 2007 (equivalent to \$2750 approximately). This growth also contributed in decreasing the unemployment rate to the minimum during the five past years to reach 13.1% in 2007. The economic growth has been achieved under reasonable prices, where the average inflation during the five past years has reached 4.0%. This achievement was made thanks to the efforts of the government in terms of implementing the structural and legislative reform processes, adopting overall economic policies, proceeding with the structural reform through the execution of many privatization⁴ projects; in addition to the continuous flow of the direct foreign investments due to the Kingdom's appealing investment environment and political stability.

9. Jordan enhances its economic and commercial relationships with the Arab countries through the Greater Arab Free Trade Area Agreement (GAFTA) and a number of bilateral free trade agreements with Arab Countries. It entered into the EU Partnership Agreement and a US Free Trade Agreement after it had joined efficiently the World Trade Organization along with its signing of free trade agreements with Asian Free Trade Area (AFTA) countries and Singapore. Moreover, Jordan has succeeded in signing many agreements for the protection and promotion of investments as well as double taxation prevention agreements with some Arab and foreign countries for the purpose of providing an attracting investment environment, where Jordan signed more than 32 bilateral investment agreements and 29 double taxation prevention agreements, along with signing economic and commercial cooperation agreements with the commercial partners in different geographical areas in the world.

10. In consolidation of transparency and good governance concepts, many legislations that deepen and strengthen these concepts, including the Anti-corruption Authority Law No. (62) for 2006 have been enacted, under which an independent authority connected to the Prime Minister was established aiming at establishing, executing and strengthening effective policies in coordination with the anti-corruption related authorities; discovering all kinds of corruption origins including the financial and administrative corruption and nepotism if they abuse the rights of others, for the preservation of the public money and provision of the principles of equality, equal opportunities, justice, and the fight against the elimination of the personality.

11. In addition, the Financial Disclosure Law No. (54) for 2006 was approved, under which a Department called (Financial Disclosure Department) which is connected to the Minister of Justice was established in the Ministry of Justice, under the presidency of a Judge of Cassation appointed by the Higher Judicial Council and assisted by a number of employees. This Department is responsible for receiving the financial disclosure of those on which the provisions of Financial Disclosure Law are applied in addition to any related data, updates and information.

12. Moreover, the corporate governance principles and evidence have been approved and issued by many supervisory authorities. The Central Bank issued the Institutional Control Manual for the banks and the Insurance Commission issued the Manual for the insurance companies. The Draft Institutional Control Regulations for the companies listed in the stock exchange has been drafted and shall be issued by the Securities Commission

13. Moreover, the Grievances Law No. 11 for 2008 was issued and published in the official gazette on 16/4/2008; and under the subject law, the Citizens' Complaints Court was established undertaking the following duties and authorities:

⁴ This term is used in Jordan to refer to privatization.

- a. Hearing the complaints related to any decision, procedure, or practice or the abstention of any of them, rendered by the public administration or its employees. No complaints are accepted against the public administration if the complaint has legal grounds before any administrative or judicial authority or if the subject is heard before any judicial authority or a judgment has been issued related to them.
- b. Recommending the simplification of the administrative procedures for the purpose of enabling the citizens to benefit from the services provided by the public administration efficiently and easily, through the complaints which the Court receives in this regard.

1.2 General Situation of Money Laundering and Financing of Terrorism

14. There are no real estimations about the ML operations in Jordan, and due to the recent issuance of the AML law and the recent implementation of the AML system, there is no real indication at the level of the law enforcement authorities or the supervisory authorities or the other competent authorities regarding the expansion of the ML activities. In general, the crime rates in Jordan are clearly low in comparison to the similar international crime rates (reached around 7.5 per thousand in 2007 for all the general crimes⁵); however, Jordan is primarily affected by the regional Narcotic Drugs and Psychotropic Substances trading activities. Although the Narcotic Drugs are not produced or cultivated in Jordan, large amounts of manufactured drugs are transferred through Jordan and from it to the neighboring countries, and large amounts of those substances are seized by the law enforcement authorities. Generally, Jordan's geographical location made it a junction for drugs trafficking transactions in the Middle East. For this reason, the UNDCP established its Middle East headquarters in Jordan due to the latter's location on one of the main trafficking routes in the region and due to its traditional role as a mediator amongst the political groups in the Middle East⁶.

15. Jordan has been facing challenge represented in the smuggling of antiques from Iraq to Jordan since the embargo that has been imposed on Iraq since 1990⁷, in addition to the recurrent entry of terrorists from various nationalities across the borders of both countries. As Jordan felt the seriousness of these crimes, the Ministries of Interior of both countries signed a Security Agreement (Memorandum of Understanding) in 2005 for controlling those crimes. The Agreement stipulates that border officers should organize periodical meetings in order to coordinate cooperation and exchange of information, in order to prevent or control infiltration and smuggling, as well as establishing a bilateral follow-up Committee composed of representatives of the security authorities in the Ministry of the Interior in both countries twice a year and when necessary. As to fighting organized crime, both countries undertake to exchange information related to the structure of the organized groups, their activities and the means they use, as well as the persons involved or potentially involved in committing organized crimes and the places where they exist. Moreover, the Agreement covers the theft, trafficking and illegal trade of antiques and the trafficking and illegal trade of arms, ammunitions, explosives, poisonous and radioactive substances. Furthermore, it comprises the exchange of information on the fraudulence crimes, economic crimes and ML, in addition to the Drugs and Psychotropic Substances' crimes, the methods used in trafficking them, the methods of transporting them, the places of their take-off, their destination and the persons involved⁸.

16. The openness of Jordan to the international investment markets and the increase of its share of foreign capitals year after year [more than JOD 4500 Million (approximately equivalent to 6300 Million USD) in 2005⁹] due to the success of its investment motivation policy, represents a degree of risk given the novelty of the implementation of the AML system in Jordan (the issuance of the law in July 2007 and the preceding instructions). Moreover, the authorities were lately concerned about the recurrence of the Forex trading in the

⁵ Source: statistics published on the UN website in August 2008.

(http://unstats.un.org/unsd/demographic/meetings/egm/NewYork_8-12Sep.2008/EGM%20Papers/Jordan%20-%20Crimes.pdf)

⁶ UNODC website: http://www.unodc.org/egypt/en/country_profile_jordan.html.

⁷ News reports on website of the Jordanian Embassy in Washington

(<http://www.jordanembassyus.org/071099007.htm>) and (<http://www.jordanembassyus.org/05102004003.htm>).

⁸ Report published on the website of the Jordanian Ministry of Foreign Affairs.

http://www.mfa.gov.jo/ar/events_details.php?id=12568

⁹ Website of the Jordanian General Department for Statistics http://www.dos.gov.jo/dos_home_a/esthmar.htm.

foreign stock exchanges and the plurality of fraudulence cases connected to them, prompted the authorities to expedite issuing the International Stock Exchange Transactions Law No. 49 for 2008 in August this year (approximately one month after the onsite visit).

17. Regarding terrorism and financing terrorism and due to Jordan's remarkable location and the central geostrategic position in the Middle East region and its role in the peace process in the region, some risks related to the terrorist activities appeared, such as formation of terrorist groups, networks and cells that feed the terrorist activities in the region, whether intellectually or organizationally, especially after the war on Iraq. Jordan along with its civilians, officials as well as its interests and institutions have been a target for terrorism and terrorist activities for long decades due to its main perceptions and efforts in fighting all kinds of terrorism, where the Security State Court has rendered judgments on one of the terrorist Qaeda cells as a result of planning to carry out terrorist actions against Jordan. Whereas Jordan was one of the countries that bore the woes and consequences of terrorism, it has confirmed several times the importance of the formation of international confrontation against terrorism and the establishment of an international mechanism that guarantees confronting and terminating its financing, training and practice¹⁰.

18. The report submitted to the Security Council in 2002¹¹ by the permanent representative of the Kingdom indicated the presence of some terrorist organizations and cells in Jordan, which carried out or tried to carry out terrorist acts in Jordan. Jordan has been exposed to terrorist actions, the last of which was in 2005 when AL-Qaeda (in Iraq) adopted the explosions that took place in some hotels, and that resulted in killing 60 persons and wounded many. The Jordanian government is trying to terminate and fight any terrorist act or any source of its assistance or support. In this regard, the Jordanian Criminal Law was amended and the Terrorism Prevention Law was issued, both in 2006. Moreover, Jordan has ratified the International Convention for the Suppression of the Financing of Terrorism.

1.3 Overview of the Financial Sector and DNFBPs

19. ***Structure of the Financial Sector in Jordan:*** Whereas the Kingdom is regarded as a country of average resources, in comparison with the countries of the Middle East and North Africa, its financial sector is developed (approximately the fourth country in terms of the financial development indicator in the region) and is characterized by being diverse as it comprises the licensed banks, the financial services companies, the insurance companies, the money exchange companies, the money transfer companies and the payment and credit card issuing companies, in addition to the growth of the financial leasing activity and other financial activities. The Kingdom has also strengthened the growth of this sector through launching in parallel a development process at the legislative, regulatory and supervisory levels, especially that the contribution of the financial and insurance sector in the Gross Domestic Product (fixed base rates) reached (22.8%) in 2006 as well as it set the highest growth rates amongst the economic sectors (above 15% per year since 2003).

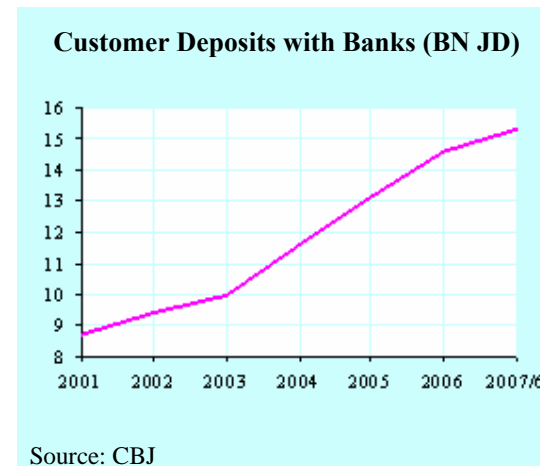
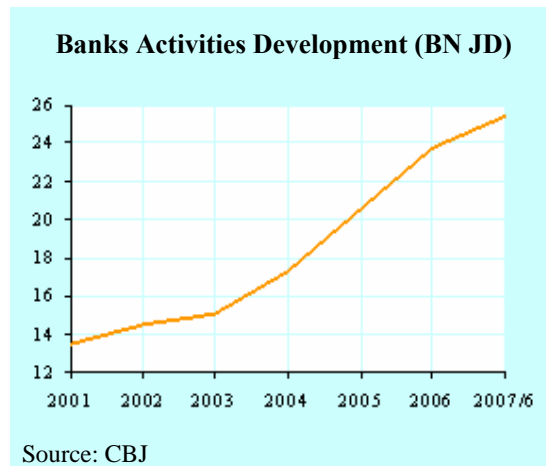
First: Bank Sector

20. The bank sector represents the most important and largest component of the financial sector (and the economy in general) whereas the licensed banks have played a major role in pushing the economic growth rates through mobilizing the national savings and using them in financing the productive economic sectors. Years (2002-2006/2007) and especially the period beginning 2004 witnessed an unprecedented development in the quality and quantity of the bank businesses. This development was the result of the strong real growth rates which the Jordanian economy reached in this period, as the bank businesses number recorded strong growth rates in the period between (2002-2006/2007) as it reached (12.3%) in average, to reach at the end of the first half of 2007 JOD 25.4 million (approximately equivalent to 1.4 bn. USD) forming a rate of (241.7%) of the Gross Domestic Product.

¹⁰ Website of the Jordanian Ministry of Foreign Affairs http://www.mfa.gov.jo/ar/pages.php?menu_id=197.

¹¹ UN Security Council Document no. S/2002/127
<http://daccessdds.un.org/doc/UNDOC/GEN/N02/240/47/PDF/N0224047.pdf?OpenElement>.

21. There are (23) licensed banks in Jordan distributed as follows: (15) Jordanian banks (two of which are Islamic banks), 8 foreign banks (5 of which are Arab banks) where the number of their local branches is around (558) branches and (83) offices. The banking density indicator (the population to the number of branches) mid 2007 reached around 10300 persons for each branch. The assets of these banks multiplied by three during 1996-2006 and the deposits increased in the same period by around (244%). However, despite the apparent division of the market shares in the banking sector, yet two banks control over 40% of the value of all assets and deposits for 2006.



Use of modern technology in banking business

22. The 2006 annual report of the Association of Banks pointed out the new banking services offered by the banks to the customers, the operation mechanism of which is based on the use of the modern information and communication technology. Some of the new services are: the credit card services, the Smart Chip system, the debit cards, the electronic funds transfer cards, the internet shopping...This phenomenon has led to a continuous growth to the extent that the banks of the Kingdom have become leaders in the region with respect to the modernity and variety of services, the level of their use of modern technology and their connection to the information network. One of the vital indicators in this area is, for example, the increase in the ATMs of the banks during 2006 at a rate of 9.4% to reach an average of one for 7735 persons.

23. The following statistics show in detail the progress in using these services in the Kingdom (amounts are expressed in Jordanian Dinars).

ATM	2002	2003	2004	2005	2006	2007
No. of Member Customers	^ 334.000	^ 423.000	^ 479.000	^ 2.389.691	1.439.851	2.658.998
No. of Executed Transactions	~ 174.000	~ 200.000	~ 219.000	~ 1.579.137	17.630.436	29.668.332
Transaction Values	* 14.672.000	* 17.963.000	* 20.782.000	* 626.238.272	1.951.076.107	4.794.489.914
Voice Bank	2002	2003	2004	2005	2006	2007
No. of Member Customers	A1	A1	A1	A1	835.907	510.676
No. of Executed Transactions	B1	B1	B1	B1	360.393	115.241
Transaction Values	C1	C1	C1	C1	2.509.332	40.605.212
Portable Bank	2002	2003	2004	2005	2006	2007
No. of Member Customers	A2	A2	A2	A2	881.923	669.768

No. of Executed Transactions	B2	B2	B2	B2	924.963	3.456.702
Transaction Values	C2	C2	C2	C2	85.206	17.562.467
Internet	2002	2003	2004	2005	2006	2007
No. of member Customers	299.000	372.000	404.000	434.395	752.125	514.706
No. of Executed Transactions	56.000	99.000	178.000	203.148	781.129	1.085.437
Transaction Values	8.115.000	13.474.000	54.488.000	142.537.179	95.616.797	92.567.364
Special Electronic	2002	2003	2004	2005	2006	2007
No. of member Customers	2.000	2.000	2.000	162	75	-
No. of Executed Transactions	5.000	5.000	5.000	2.808	5.256	-
Transaction Values	52.079.000	40.245.000	37.748.000	50.303.214	42.687.336	-
Cards	2002	2003	2004	2005	2006	2007
No. of member Customers	874.000	1.067.000	1.199.000	1.495.917	486.420	191.313
No. of Executed Transactions	13.290.000	16.912.000	20.652.000	14.478.831	4.830.510	2.132.405
Transaction Values	1.140.896.000	1.602.167.000	1.983.596.000	1.647.400.197	554.490.182	249.737.161
Other	2002	2003	2004	2005	2006	2007
No. of member Customers	A3	A3	A3	A3	778.777	25.406
No. of Executed Transactions	B3	B3	B3	B3	832.644	29.723
Transaction Values	C3	C3	C3	C3	680.125.233	312.922.601

^ includes numbers: A1, A2 and A3

~includes numbers: B1, B2 and B3

*includes numbers: C1, C2 and C3

24. The variation in some of the above mentioned numbers raises some questions on the feasibility of analyzing the annual fluctuations for each category of services; however, an overview over the totals mentioned below gives a clear view on the steady transformation of the financial sector towards the use of modern technology.

Totals of Services	2002	2003	2004	2005	2006	2007
No. of member Customers	1.509.000	1.864.000	2.084.000	4.320.165	5.175.003	4.570.867
No. of Executed Transactions	13.525.000	17.216.000	21.054.000	16.263.924	25.365.331	36.460.840
Transaction Values	1.215.762.000	1.673.849.000	2.096.614.000	2.466.478.862	3.326.590.193	5.507.884.720

25. However, this development is accompanied by various risks, especially regarding the level of protection, the confidentiality of information and the “novelty of the risk management in some banks, especially the small ones, and hence their ineffectiveness¹²”, in addition to the need to upgrade the workers’ efficiency in the banks and the supervisory authorities in order to train them to control these risks.

Second: Payment and Credit tools Issuing Companies

26. Four private companies operate these systems, some of which are owned by banks and others by private companies; however, all of them are subject to the regulations and laws which organize the payment transactions, especially what was mentioned initially regarding the electronic devices for the protection of the

¹² Financial Sector Stability Report (page 26) issued by the Central Bank of Jordan.

rights of all parties. The statistics' mentioned above show the importance and development of this sector, but currently the organization and structuring of these companies are not steady, as they sometimes share with the banks their network services and sometimes the concerned banks cooperate together to establish a private company for these services, while currently nothing can confirm if the foreign parent company shall provide the service through its center in the Kingdom. Moreover, the statistics refer to the presence of indicators that show the prospect of the existence of other companies similar to these companies in the Kingdom for providing the same services, without any confirmation from the supervisory authorities on this issue. Accordingly, the current regulatory, supervisory and operational status of this sector is not established.

Third: Specialized Credit Corporations

27. The specialized credit corporations provide long-term and short-term credit facilities for the developmental projects in the agricultural, industrial and housing sectors. These corporations include: the Agricultural Credit Corporation, Housing and Urban Development Corporation, City and Village Development Bank and the Industrial Development Bank. These corporations depend basically on their capital and internal and external credit as their financial resource. They do not represent any threat to the financial stability in Jordan due to their little business in comparison with the amount of the banks' businesses and due to the weakness of channels amongst which the banks and the risks might move under a limited degree of interrelations amongst them.

Fourth: Financing Leasing sector

28. The financial leasing sector in the Kingdom is made up of (26) licensed companies, 6 of which are commercial banks and 2 are Islamic banks. This sector is regarded as one of the sectors that has recently witnessed considerable developments, as the statistical graph below shows the increase in the number of the financing leasing contracts registered within the five past years, whereas we can realize the large growth of the numbers of contracts registered in 2005 and 2006 as well as the result of the increase in the real estate market business in the Kingdom, which is considered one of the financial leasing uses.



Source: Ministry of Industry and Commerce

29. The financing leasing business is organized through the new Temporary Financing Leasing Law issued in 2002, in addition to the provisions of the Articles of the civil law. Moreover, a draft financing leasing law is being currently prepared. The financial leasing sector is not considered an **independently** regulated sector as there is no independent observatory or supervisory authority that organizes and supervises the business of financing leasing companies (except those companies affiliated to banks, where they are supervised by the Central Bank in terms of the validity of their financial status). At the same time, however, companies must obtain an annually renewable license from the Ministry of Industry and Commerce in order to be able to perform the financing leasing activities. Each of these companies shall be registered in a special register at the Ministry after it obtains the independent legal identity and its capital must be more than JOD 1

million. The said Ministry shall also register the leased assets in a special register in addition to registering the financing leasing contracts.

Five: Securities Sector

30. Securities Law No. (76) for 2002 regulates the dealing in securities and the operation of the Amman Stock Exchange (ASE). As mentioned previously, the Law Regulating Dealings in International Stock Exchanges No. (49) for 2008 was issued in August 2008 (approximately one month after the onsite visit) as the Jordanian authorities were aware of the importance of this sector, its recent expansion and the associated risks. Amman Stock Exchange is run by a Board of Directors made up of 7 members and an executive manager who takes over the management and follows-up the Stock Exchange's daily businesses. The ASE membership is consisted of financial brokers, brokers working for their own accounts and any other institutions determined by the Delegates Council of the Securities Commission, who form the Stock Exchange General Authority. The Stock Exchange consists of 69 brokerage agencies (the highest market share amongst them is 8.8% in terms of securities turnover as at June 2008). The Jordanian authorities have stated that there are 28 investment management companies, 9 custody companies and 34 issuance management companies. Following are the most important statistical indicators of Amman Stock Exchange:

Index (2008)	January	February	March	April	May	June
Turnover (million Dinar)	1407.4	1269.4	1981.2	2046.7	2063.2	3525.1
% of Market Price compared to the Gross Domestic Product	303.6	291.7	279.7	301.4	320.9	360.0
%Average Rotation of the Share	7.6	7.7	8.7	8.9	9.0	14.5
No. of Companies Listed in the Stock Exchange	246	248	248	251	252	253

31. Most of Amman Stock Exchange's indicators have witnessed a remarkable improvement as the shares' market value listed in the Stock Exchange increases continuously to reach 289% of the Gross Domestic Product; however, this sector remains relatively small regarding dealing and the number of financial tools listed.

Turnover & Number of Traded Shares per Sector										
Sector	Turnover (per million dinars)					Number of Traded Shares (per million shares)				
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007
Industrial	819.9	1,009.5	2,474.5	1,697.5	1,910.9	462.0	476.5	618.8	735.3	998.3
Services	203.1	379.9	1,195.9	942.2	1,658.0	110.7	197.7	370.9	387.8	712.9
Financial	832.2	2,403.8	13,200.7	11,570.2	8,779.2	435.9	664.5	1,592.0	2,981.2	2,768.4
Total	1,855.2	3,793.2	16,871.1	14,209.9	12,348.1	1,008.6	1,338.7	2,581.7	4,104.3	4,479.4

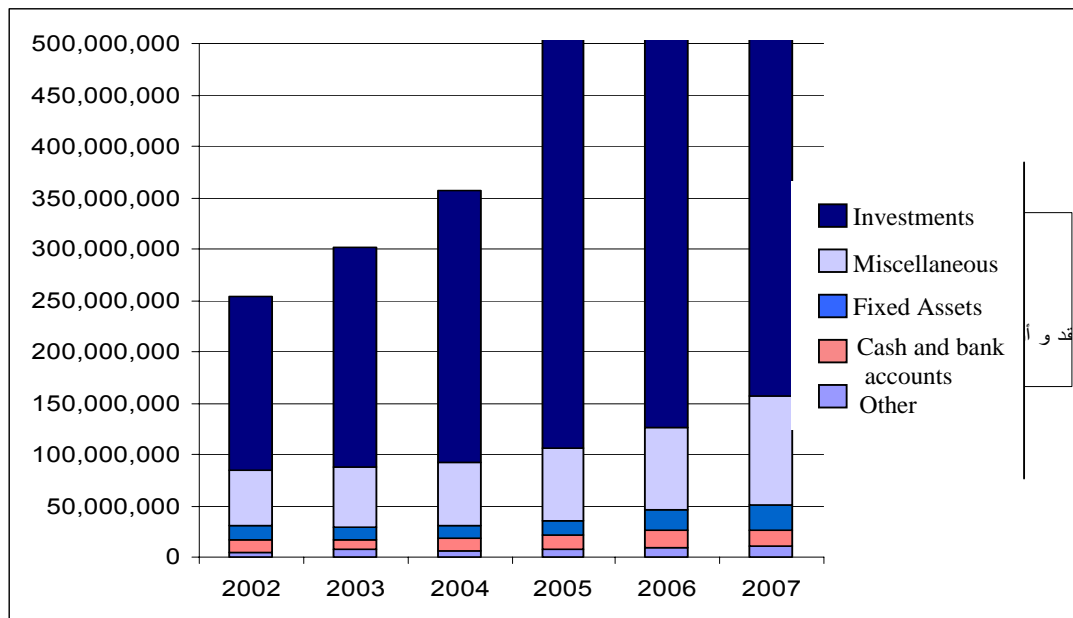
Source: Amman Stock Exchange

Six: Insurance Sector

32. The insurance sector contributed in 2006 by around (5.2%) in the Gross National Product and has developed in the past years with respect to the establishment of the Insurance Commission in 1999, which is considered the only authority responsible for regulating such sector. Moreover, the sector's size has increased with the increase in the number of insurance service providers and the amount of assets of the sector. All

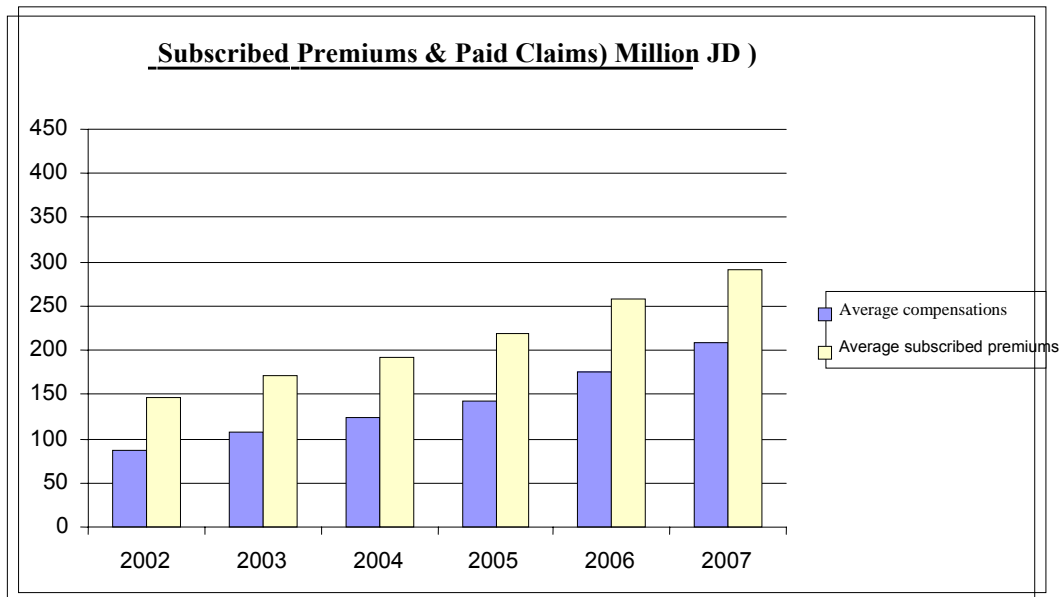
insurance companies are public Jordanian shareholding companies, except one foreign company specialized in life insurance. 11 Jordanian companies carry out general insurance businesses alone and 17 companies carry out life insurance and general insurance businesses, while the remaining companies carry out all insurance businesses. Whereas the insurance agent is licensed to carry out the agency's insurance businesses on behalf of one insurance company and is committed to work within the licensed branches only. Moreover, the sector consists of (29) insurance companies, (426) agents, (56) brokers, (37) claims adjusters, (11) Companies administrating the expenses and medical insurance services (13) actuaries, (4) reinsurance brokers and (11) insurance consultants as of the end of 2007. Following are some indicators on the growth of the sector:

Growth of Assets in the Insurance Sector (per million JOD)						
Assets	2002	2003	2004	2005	2006	2007
Other	4,720,149	6,961,649	5,919,309	8,243,411	9,832,757	11,103,701
Cash and Balances with Banks	12,486,019	10,695,076	12,411,090	12,949,656	15,842,895	14,898,436
Fixed Assets	14,177,715	12,070,039	12,914,024	14,486,936	20,694,590	24,992,815
Various Liabilities	53,966,134	57,339,678	61,378,203	70,326,165	80,261,623	106,081,908
Investments	168,969,659	214,235,949	265,026,539	410,068,227	408,007,331	462,334,413



Subscribed Premiums & Paid Claims						
Year	2002	2003	2004	2005	2006	2007
Total Claims	86	107.7	123.9	142.8	174.5	207.6

Total Subscribed Premiums	146.9	171.5	191.4	219.3	258.7	291.6
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Structure of Subscribed Premiums	2006 (JOD)	Change from 2005	2007 (JOD)	Change from 2006
Total Types of General Insurances	190,685,511	18,4%	210,581,870	10,4%
Life Insurance	25,153,740	9,8%	29,180,011	16%
Health Insurance	42,897,537	19,7%	51,887,064	21%
Total Insurances	258,736,788	17,7%	291,648,945	12,7%

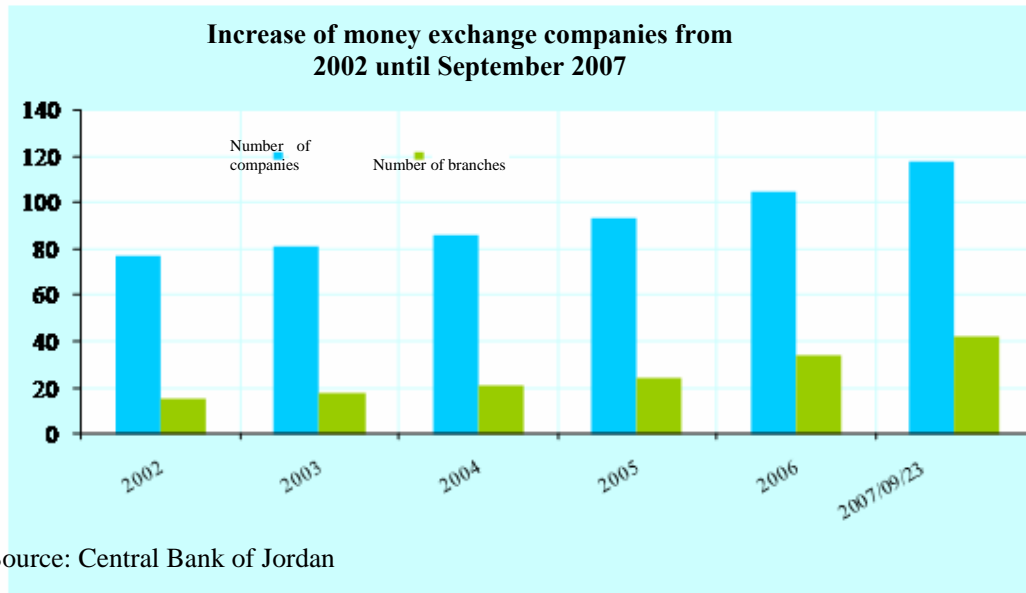
Seven: Exchange Sector

33. The Exchange Law No. (26) for 1992 establishes the legislative framework that regulates the exchange activity in the Kingdom through determining the exchange companies' legal forms, their capitals and the onsite and offsite supervisory tools on them; controlling and determining the businesses unauthorized for the exchange companies, the data they have to provide the Central Bank with, as well as the sentences imposed on the exchange companies violating the law. A set of instructions and decisions has been issued under the law to determine all detailed requirements and procedures for organizing the business of exchange companies in the Kingdom. The exchange sector contributes in supporting the Central Bank policy aiming at achieving stability in the JOD exchange rate against foreign currencies, which means that the exchange companies have partially contributed in fulfilling the monetary policy objectives aiming at stabilizing the Dinar exchange rate and its convertibility, as well as reconciling the supply and demand elements on foreign currencies.

34. The following consolidates the role of the exchange companies regarding what is mentioned above:

- The large increase in their number, as they reached (126) companies and (42) branches to date in comparison with (77) companies and (15) branches until the end of 2002.
- The remarkable increase in the capitals of the licensed exchange companies in the Kingdom, as they reached JOD 5.25 million to date in comparison with JOD 14 million until the end of 2002.

- Doubling the total financial guarantees provided by the exchange companies to reach JOD 10 million in comparison with JOD 5 million until the end of 2002.
- Increase in the number of workers in the exchange companies where they reached (755) workers while the partners reached (307) to date.
- Increase in the amount of foreign currencies' transactions to reach (3) bn. JOD at the end of 2006 in comparison with 1.3 bn. JOD until the end of 2002.



Eight: Money Transfer Sector

35. The transferred money constitutes an essential outlet for the Jordanian economy and a big support for its monetary and financial policies. According to the International Monetary Fund's studies, the Kingdom received between 1970-2002 around 30.6 bn. USD from the immigrants' transfers, with an annual increase in the transfer value, as it reached 2 bn. USD in 2002 and around 3 bn. USD in 2007, which puts Jordan in the third place after Egypt and Morocco within the Middle East and North Africa with respect to the received transfers. Regarding the intensity of these transfers, their rate to the Gross Domestic Product exceeds 20% (8% in Morocco and 4% in Egypt), which puts the Kingdom in the second place after Lebanon (26%) in the region with respect to the intensity of transfers. Whereas the outgoing transfers head mostly to China and Dubai for importing and purchasing merchandise in addition to the workers' transfers sent to Egypt, Sri Lanka and Indonesia.

Estimated Transfers (Million USD)	2000	2001	2002	2003	2004	2005	2006	2007
Incoming Transfers	1,845	2,011	2,135	2,201	2,331	2,500	*2,883	2,934
Workers' Transfers	1,661	1,810	1,921	1,981	2,059	2,179	2,514	...
Employees' Compensations	185	201	222	220	272	321	369	...
Immigrants' Transfers	-	-	-	-	-	-	-	-
Outgoing Transfers	197	193	194	227	272	349	** 401	...
Workers' Transfers	174	170	171	200	240	308	354	...
Employees'	23	23	23	27	32	41	47	...

Compensations								
Immigrants' Transfers	-	-	-	-	-	-	-	-

*20.3% of the Gross Domestic Product in 2006

**2.8% of the Gross Domestic Product in 2006

36. These statistics show the records of the official transfers only (through banks and exchange companies in particular); whereas the real amount of transfers (including the unrecorded ones) is unknown precisely. There are different estimations on the size of the non-official transfer system, as one of the IMF experts estimated it in 1984 at around 37.5%, but another expert in 1985 believed that it constitutes between 50% and 67% of the total transfers¹³. However, it is important to note that nothing is there to indicate the spread of informal transfer systems are non-existent currently in Jordan, but most licensed exchange companies (82% of the total companies, according to the Central Bank data) used to perform the transfer activity or *Hawala* (transfers without recording) based on relationship networks amongst them and amongst them and exchange companies located outside the Kingdom before the issuance of the instructions licensing the limited liability exchange companies on 27/2/2007, binding the latter to prepare an automatic or manual register for the outgoing and incoming transfers, showing the number, value and date of transfers as well as the data of the transferor and the beneficiary (according to the KYC rule), documented by the supporting documents; the Central Bank shall be provided on a monthly basis with those documents as per original statements.

37. Regarding Electronic Money Transfer networks (Western Union, Money Gram, etc.), they provide money transfer services through the licenses they provide for some selected banks and exchange companies (as major authorized distributors within the Kingdom), that is without a central company managing these networks within the Kingdom. These banks distribute secondary licenses to the exchange and other companies for the purpose of providing the service at a wider range. It is remarkable that there is no limit on the number and ID of these companies with respect to the supervisory authorities whereas the information on the networks working inside the Kingdom is not clear.

Nine: Other Non-banking Financial Institutions (NBFIs)

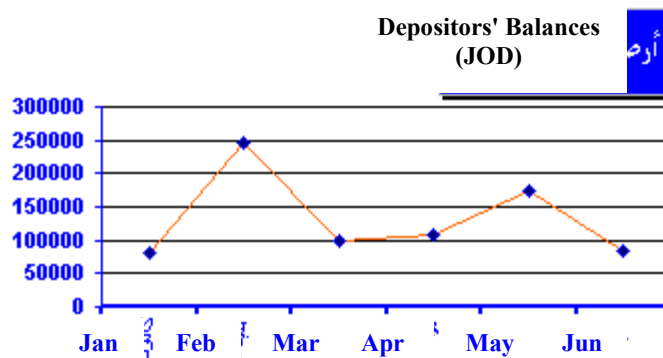
38. There are many NBFIs in the Kingdom, which are active in the area of guaranteeing the customers' deposits, guaranteeing the loans, crediting the exports as well as refunding the housing loans, the Jordanian postal services and the postal saving fund (PSF). These institutions along with banking financial institutions contribute in developing the integrated form of the financial and banking bodies in the Kingdom. It is worth shedding light on the financial services of the Jordanian Post and the PSF, knowing that they do not fall under the AML law..

39. The Jordanian PSF services include the money transfers, the postal bills, collecting invoices, paying national aid allocations and many other services such as marketing banking services (precisely for a private bank). Regarding financial transfers, the Jordanian post company works on issuing and exchanging the normal and wire internal, postal transfers at all post offices in the Kingdom at a minimum rate of JOD 5 and at a maximum rate of JOD 200 against a nominal commission of 1% the transfer value. The foreign transfers are exchanged with some countries with which an Exchange Transfer Agreement is signed against a commission of 2% of the transfer value at a minimum rate of 25 Fils and the maximum rate of the foreign transfer as per the mutual Agreement between both countries. Whereas the postal bills are sold to the customers at the value and commission printed on the postal bill, and are available in different values according to the customers' demand. Lastly, the marketing of banking services provides the post office with an intermediary status for filing the new customers' applications and subscribing in the banking services offered by a private bank.

¹³ Estimates in IMF studies on the financial stability in Jordan.

40. The PSF is a government financial institution which is financially and administratively independent. The PSF service is a financial, banking service equivalent to the services provided by the banks; and does not constitute entry into any competition or substitute to the banking services. The economic goal is to gather savings and invest them in the best ways especially in contributing in funding national projects and developing the local community. The Fund's Law granted many advantages for those dealing with it for encouraging them to save, the most important of which are (regarding their effect on the ML/TF risks): inadmissibility of confiscating the funds deposited at the Fund and their profit; providing services through a wide network of post offices which cover all areas of the Kingdom, exceeding 320 offices and operating daily for 12 hours and during vacations and official holidays; dealing in small amounts with respect to depositing and withdrawing, together with confidentiality of the banking transactions', the simplicity and speed of the procedures; avoiding bureaucracy; the ability of transferring the depositor's account from one office to another; the ability of withdrawing from and depositing in an office other than the office in which the account is opened.

41. The PSF determined in its new phase the types of accounts offered currently to the savers, and limited them to three types: current accounts (the account's balance is no less than 10 Dinars as a minimum and the owner of the account may withdraw from his account anytime he wants), saving accounts contributing at a certain rate in the profits (their balance should not be less than 25 Dinars) and term deposit accounts (investment deposits rated for one year and withdrawals are not allowed before the maturity date, the minimum balance being 1000 Dinars). The requested documents are: ID, or official proxy or official authorization. The procedures stipulate that an account may be opened and a savings passbook could be obtained using the proxy, whereas upon withdrawal or deposit, the person should go in person to the service center for requesting the service subject to taking an ID and the savings account book. Following are statistics (taken from the Fund's website seemingly dating back to 2008) showing the humble rate of the funds transacted through the Fund in the Kingdom.



42. **DNFBP's Sector:** The evaluation team has been informed that it is not permitted to grant licenses for the casinos (where Articles (393-398) of the Penal Code prohibit all kinds of gambling), and that the company service provider and trust funds do not exist in the Kingdom. The notary public's profession in the Kingdom is not also included within the recommendations' framework according to the FATF definition of the DNFBPs, since the notary public in Jordan is a governmental public officer who performs his duties according to the law and authenticates the official documents and papers as well as the translated contracts and provisions according to the law that regulates his work (Law No. (11) for 1952). There exists no competent supervisory department regulating the notaries; however, each court contains a notary public department and is controlled by the court. In case of any doubt in any transaction, the notary public refers the issue to the court where he works. Thus, the notary public in Jordan may not perform the works provided for in the assessment criteria of Recommendation 12, which require that he should be within its frame.

43. There are DNFBPS in the Kingdom on which the description of R12 of the FATF Recommendations is applicable, including: lawyers, accountants, real estate companies and dealers in precious metals and precious stones.

44. Lawyers: Article (11) of the Bar Law No. (11/1972) stipulates that it is not authorized to combine the legal practice and the practice of “trading, representing companies or institutions in their commercial businesses, chairing or vice-chairing the Board of Directors of the different kinds and nationalities of companies or institutions”. However, this does not prohibit the lawyer from representing the individuals in buying and selling the properties, or managing the customer’s funds or securities or other assets, and thus he shall be completely under the recommendation’s scope.

45. The legal profession is practiced independently and its regulation is subject to the Bar Association Law and of the Islamic Lawyers Law. The Jordanian Bar Association regulates the profession of law practicing according to the provisions of the law. The Bar Association was established in 1950; it includes 10,000 lawyers. The Bar Association membership is mandatory for the lawyers. The Association supervises the lawyers to ensure they are complying only to the professional ethics, in case a certain complaint or notification is submitted. The lawyers are not subject to supervision from any other authority. The law defined the lawyers as assistants to jurisdiction, whose adopted profession is to provide judicial and legal assistance for those who seek it in return of a fee. This includes: (1) being appointed as a representative for others for claiming and defending the rights before: (a) all kinds and degrees of courts except the Islamic Courts; (b) arbitration and the Public Prosecution Departments; (c) all administrative authorities and the public and private institutions) (2) regulating contracts and taking the required action (3) providing legal advice.

46. In addition to that, it is not permissible to register at the competent departments or any official authority a contract or any regulation concluded by any company for an amount exceeding JOD 5 thousand unless a signature of one of the practicing lawyers is affixed thereto. The lawyers are entitled to establish civil firms amongst them for practicing the law profession.

47. During the team’s visit to the Bar Association, they found out that Bar officers are not adequately familiar with the AML law. Moreover, there is no guidance for the lawyers regarding AML. The provisions of the profession’s confidentiality are not considered in the case of a reported crime. The lawyer provides legal consultation and arguments before all courts and government corporations and bodies. The lawyer may also sell and buy on behalf of his principal. Moreover, he is entitled to be the proxy of a legal person by virtue of a special or general power of attorney.

48. Accountants: According to Article (4) of the Chartered Accounting Profession Regulation Law which is issued as per Article (29), and to paragraph (a) of Article (45) of the Chartered Accounting Profession Regulation Law No. (73) for 2003, the chartered accountant performing auditing or accounting activities is prohibited from practicing a profession in the commercial or industrial fields or in any other field...or dealing in the shares and bonds of the party for which he is auditing whether directly or indirectly, in his name or in the name of one of his employees...or contributing in establishing the company he audits or being a member in its Board of Directors or working full time in any technical or administrative or consulting work in it, and he is not permitted to be a partner with any member of the company’s Board of Directors. Despite the foregoing, nothing prohibits the chartered accountants from performing the activities provided for in criteria (12-1), which are: preparing or executing transactions for their customers related to buying and selling properties; managing the customers’ finances, securities or other assets; managing the bank accounts or saving accounts or securities accounts; organizing the contributions for the establishment or operation or management of companies; establishing or operating or managing legal persons or arrangements and buying and selling commercial entities, which make them completely subject to R12.

49. The Law regulating the profession of Certified Public Accountants aims at regulating the performance of the profession, advancing it and guaranteeing the compliance with the approved accounting and auditing standards. The professional behavior rules and the code of ethics are determined according to instructions issued by the Higher Commission responsible for regulating the profession. The chartered accountant must comply with the professional behavior rules and the code of ethics otherwise he would be legally liable.

Moreover, upon performing his duties, the chartered accountant must keep the secrecy of the profession under legal liability. The chartered accountant is especially prohibited from dealing in the shares and bonds of the party for which he is auditing whether directly or indirectly, in his name or in the name of one of his employees...or contributing in establishing the company he audits or being a member in its Board of Directors or working full time in any technical or administrative or consulting work in it, and he is not permitted to be a partner with any member of the company's Board of Directors.

50. Civil companies may be established amongst chartered accountants practicing auditing in their private offices provided that the company is registered at the Department of Companies' Controller General at the Ministry of Commerce and Industry according to the applied legislations. The chartered accountant performing the auditing duties is also entitled to cooperate with a foreign auditor provided that the chartered accountant complies with the obligation of showing his name and license number upon practicing the profession, or giving his opinion about the financial statement.

51. The Higher Commission for Auditors undertakes to regulate the profession and grant licenses for the chartered accountants, who ensure that the company they audit applies internal regulations and policies and also ensure that the company executes those policies and examine their effectiveness. There are 450 chartered accountants who work in 250 offices. The chartered accountants perform the auditing duties only and they are not allowed to perform any other job. They believe that ensuring the compliance of banks with the AML measures is due to the duty imposed upon them, by the bank they audit, and that it is not among the Central Bank's competences to oblige them to do that.

52. The companies operating in the real estate business (or the real estate offices): the AML law stipulates that among the entities subject to its requirements are "the companies operating in the field of trading in and developing real estate," which includes the definition of real estate offices provided in the Regulations for Real Estate Offices of 2001 (an office that is licensed to conduct the business of buying, selling, renting, brokerage in, lands and real estate according to the provisions of these Regulations). The department of Lands and Survey grants real estate office licenses to whom Article 4 of the Law Regulating the Profession of Survey and Real Estate Offices (Law No. 38 for 1980) applies, which stipulates the following:

- a. No person shall deal in buying, selling, or brokering in the buying, selling, or renting, of lands and real estate unless in a private real estate office after the acquisition of a license issued in accordance to the subject law and regulations promulgated pursuant thereto.
- b. A person shall be considered working in the activities of buying and selling of lands and real estate if he exercises any of those activities on a regular basis.
- c.
 1. It is prohibited for any person to practice the profession of appraisal of lands and real estate unless he has been registered and approved by the Department for Lands and Survey and listed in a list prepared for this purpose and in accordance with the provisions of the Regulations referred to in Item 2 of this Paragraph.
 2. Basis and standards for registering and approving brokers shall be determined by virtue of regulations to be issued for that purpose, provided that they include in particular the prerequisites to be fulfilled in an applicant for registration, the fees to be collected for that, and the disciplinary measures to be taken against them.

53. Real estate offices are brokerage entities (individuals or institutions) that obtain a license from the Department of Lands and Survey, which is granted to the founder (as a natural person) then (according to the license) the entities are registered in the companies' register as companies working in the real estate business. The number of granted licenses to date (according to the Department of Lands and Survey) is over 800 registered offices (the statistics of the Companies Control Department states that the number is 690); only 260 offices out of which have renewed their licenses and the remaining offices are operating illegally. The Department stated that the number of licenses granted in 2008 to offices' owners (new and renewed ones) were 302; and that 25 licenses have been revoked during the same year, noting that the number of licensee's files is around 1500. Such cumulative numbers include licensed offices and the ones with revoked licenses or which have not renewed their licenses for all years. These companies are not subject to any supervision in implementing the AML obligations; however, the Department of Lands and Survey has verified (by sending a fax) the real existence of 147 companies. It is worth mentioning that the real estate business in the Kingdom is

not limited to such companies, as it could be conducted in-between the contractors or through a non-registered broker. Moreover, there are non-licensed real estate offices and, thus, the real number of real estate brokerage offices cannot be verified.

54. Moreover, there are around 850 to 900 residential real estate companies (which are the companies that trade in real estate properties – buys and sells different kinds of properties) and 100 real estate development companies (which is the company that establishes and builds the large real estate projects including the execution of their infrastructure services, and the availability of some or all of these services affects the real estate value). Most real estate companies become voluntarily members of the Investor's Society in the Jordanian housing sector, where the Society undertakes to facilitate the members' issues at the Department of Lands and Survey. Moreover, the real estate agents are not entitled to join this Society. It is remarkable that the Jordanian Law has added the real estate development companies to the companies operating in the real estate brokerage area (even if there are no accusations of AML directed to them), which is not required by the recommendations.

55. The real estate market has increased following the great interest from the Iraqi citizens in acquiring properties in the Hashemite Kingdom as of 2003, especially when the Jordanian laws permitted the Arab and foreign persons to have properties. The amount of trading in this market has reached 2.5 bn. JOD in 2006, achieving a growth of 50% for the same period of the previous year. Additionally, the total trading in the domestic real estate market increased 50% in the first half of 2006 than the same period in 2005.

56. Dealers in precious metals and precious stones: there are 648 places of business in the Kingdom (according to the enumeration of the Companies Control Directorate), as well as approximately 55 factories. Most places of business are small in size (90%) and the rest have a medium size (5%) or are big in size (5%). These companies are not supervised in implementing the AML obligations. The jewelry dealers are supervised by the Ministry of the Interior, as the Ministry of Industry and Commerce grants licenses to the jewelry stores whether for trading or manufacturing. In the first case (trading), the Ministry of Industry and Commerce requires that the applicant for the license should get a security approval permit from the Ministry of the Interior, while in the second case (manufacturing) he must get the Jordanian Central Bank's approval before obtaining the license. The role of the Ministry of Industry and Commerce is limited only to licensing, and it does not perform any supervisory role. The Jordan Institution for Standards and Metrology supervises the jewelry companies regarding the hallmark only.

57. The dealers of jewelry voluntarily become members of the Jewelry Association, the role of which is being a broker amongst those dealers and the local Jordanian authorities. The efforts are now being exerted towards making the membership mandatory (10% of the places of business are not members of the Association). The Association obtained the provisional approval for granting the Practicing Certificate for the dealers. The Association has no supervisory, monitoring role on those place of business, and no other authority monitors them, at least in the field of AML/CFT, except when there is a complaint or notification. The Security Affairs Directorate of the Ministry of the Interior which is responsible for granting security permits for the dealers in jewelry, and the Public Intelligence Department, coordinate for monitoring the jewelry place of business in case of any STR or violations.

58. The Ministry of the Interior examines those place of business physically before granting them the security approval for licensing, where a Committee is established for initial examination of the store, consisting of an administrative governor affiliated to the Minister of Interior, a person from the Public security Directorate, a person from the civil defense and an employee from the municipality where the place required to be licensed is located. This Committee performs the initial on-site visit only and later on, it performs the visit in case of any complaint. Generally, the report is sent to the Public Security Directorate and the security centers spread in the governorates. In the area of AML/CFT, the assessment team has found that this sector is not subject to any kind of direct instructions or guidance with which it has to comply as the case is in the financial sector.

1.4 Overview of commercial laws and mechanisms governing legal persons and arrangements

59. The commercial businesses in Jordan are generally regulated by the Companies Law No. (22) for 1997, that governs the registration of companies and establishment of legal persons. Moreover, the Jordanian Civil Law and the Commercial Law cover some provisions for the establishment of legal persons. The Companies Control Department at the Ministry of Industry and Commerce undertakes the registration and licensing of all kinds of companies and the verification of the consistency between the objectives of establishing them and the objectives provided for in the Companies Law, except for the individual establishments which are registered privately at the Commercial Register at the Ministry of Industry and Commerce.

60. As per the Companies Law, it is possible to establish many kinds of companies which shall be registered in the Companies Control Department (at the Ministry of Industry and Commerce), except for the individual establishments which are also to be registered in the Commercial Register affiliated with the Ministry of Industry and Commerce as well. Article (6) of the Companies Law stipulates (subject to the provisions of Articles (7) and (8) of the law) that the kinds of companies that could be established in Jordan are: public shareholding companies, limited liability companies, joint partnerships, simple partnership companies, limited share partnership companies and private shareholding companies. Article (7) comprises other companies that could be established in Jordan, which are the companies established as per the agreements, and the Arab companies that originate from the Arab League or the affiliate institutions or organizations. Moreover, the free zone companies are established and registered in the Free Zone Corporation provided that the latter sends a copy of the registration of these companies to the controller for the authentication of the investors' register at the Ministry.

61. The civil companies as well shall be registered in a special register at the controller; they are the companies which are established amongst specialized and professional partners, which comply with the provisions of the civil law, the provisions of their laws, contracts and bylaws. Moreover, the same Article stipulates the possibility of establishing non-profit companies as per any kind provided for in the law. The same Article also stipulates the possibility of establishing the joint investment companies as public shareholding companies and shall be registered at the controller in a special register.

62. Following is a list of the kinds and numbers of companies (registered and operating until June 2008) in Jordan according to the statistics provided by the Companies Control Department and the Commercial Register:

Public shareholding companies:	361
Limited liability companies:	15.465
Joint partnership companies:	63.352
Simple partnership companies:	9.971
Limited share partnership companies	
Joint Arab	
Exempted ¹⁴ :	759
Non-profit companies:	207
Civil Companies:	166
Joint investment	
Private shareholding companies:	511

¹⁴ Exempted companies are those registered in accordance with the provisions of the Companies Law and the Exempted Companies Regulation no. 105 of 2007 and conduct their business outside the Kingdom.

63. In addition, statistics from the Commercial Register showed the number of individual institutions registered until the date of the visit to be as follows:

Objectives	No. Of Institutions
Financial leasing companies	31
Jewelry manufacturing and trading place of business	648
Auditing offices	447
Real estate offices	690

64. The Companies Law stipulates that it is not necessary for the registration of any company to obtain an approval in advance from any authority unless an effective legislation stipulates otherwise. The kinds of companies in Jordan are divided by virtue of the provisions of the law into joint partnership company, simple partnership company, Limited Liability Company, limited share Partnership Company, private shareholding company and public shareholding company. Each of the mentioned companies has special provisions for its registration, establishment terms, management, liquidation and merger. Moreover, the Companies Law covered special provisions for the foreign companies whether they were operating or headquartered in the country. Moreover, the Companies Law covers the provisions of the voluntary and involuntary liquidation of the companies.

65. The Civil Law also, comprised the special provisions of the civil companies. The companies shall be granted the legal status as per the provisions of Article (50) of the Jordanian Civil Law. Article (51) has determined the rights of the legal person such as benefiting from all rights except those that adhere to the humans' natural status, within the limits decided by the Law, and the legal person shall have an independent financial liability and capacity within the limits determined by its Articles of Association or that is decided by the law, and he shall be entitled to litigate and have an independent domicile which shall be the place where his head office is located. Headquarters of the companies which have their headquarters abroad and have business in Jordan according to the internal law is considered the place where the local administration is present.

66. Article (583) of the Jordanian Civil Law stipulates that the company should be considered as a legal person once it is established, provided that the third party should not be bound to this legal person unless the registration and dissemination procedures approved by the law are completed; however, the third party must hold on to this status regardless of the non-compliance with the above mentioned procedures. As per the provisions of Article (12) of the Civil Law, the legal system of the foreign legal persons, such as companies, societies, institutions and others, is governed by the law of the State in which the real head office of those persons is present; then, if they started their major business in Jordan, the Jordanian Law shall be applicable.

67. Investments in Jordan are generally subject to the Investment Law No. (68) for 2003 and the non-Jordanian Investment Regulation Law No. (54) for 2000 which determines the sectors and the non-Jordanians' investment mechanism, whereas the charitable societies (1100 local associations and 49 foreign associations) are subject in regulating the provisions of the Associations and Social Authorities Law No. (33) for 1966 and its amendments.

68. We also refer to the Commercial Law No. (12) for 1966, under which the trading business has been regulated, as well as defining the trading business and the trader, in addition to some provisions of the agency and brokerage contracts and the provisions regulating the securities.

69. The free zones are established in Jordan according to the Free Zones Corporation Law No. (32) for 1984 and its amendments. Moreover, Aqaba Special Economic Zone was established as per Aqaba Special Economic Zone Law No. (32) for 2000 and its amendments. The region is governed by the provisions of the law and its administration is subject to the authority of Aqaba Special Economic Zone which was established according to the provisions of the law. The evaluation team has been informed that all obligations that are applicable on the institutions outside the Zone shall be applicable on the various institutions (financial and non-financial) within the Zone; however, the difference amongst them is in some advantages related to the

manufacturing, storing and exporting operations which the institutions enjoy (particularly the industrial institutions)).

1.5 Overview of strategy to prevent money laundering and terrorism financing

(a) AML/CFT Strategies and Priorities

70. The team was not provided with documents containing a written strategy related to AML/CFT efforts in Jordan and the relevant policies and objectives; however, after the onsite visit, the team perused a resolution issued by the AML National Committee on 6 May, 2008, in which it adopts the draft “AML/CFT Arab Strategy”, provided that the competent authorities and the unit coordinate regarding the remarks on the strategy and issuing recommendations that shall be presented to the National Committee. In this regard, it is noteworthy that the said draft strategy has not been defined and the team did not have access to it. In addition, the resolution’s provision in this form means that the draft strategy has not been approved yet and, therefore it should be waited until the recommendations are issued. Despite that, the AML trends in Jordan could be summarized by strengthening the precautionary measures and procedures for AML especially in the financial sector, as the AML Law No. (46) for 2007 has established the major precautionary procedures in AML, which were strengthened by instructions issued by the supervisory authorities, and imposed control and inspection measures which consolidates these efforts. In addition, Jordan stated that its general pursue fully establishes the cooperation basis amongst the local authorities, the similar units and the foreign authorities so that they put an end to the ML phenomenon and help eliminating it internationally. Moreover, Jordan aims at raising awareness whether among the authorities subject to the provisions of the law or among the citizens in general; it seeks as well to train those working in the control and supervisory authorities and the authorities subject to the provisions of the law.

71. Moreover, the evaluation team could not peruse a written strategy in the field of CFT, but the Jordanian Authorities stated that the government has adopted a CFT strategy in cooperation with all the local authorities, according to which it shall adopt security strategies, enact the necessary legislations, and establish the necessary measures including as well, the preventive measures and procedures which are imposed on the financial sector institutions for preventing their abuse in any terrorist operations.

(b) The institutional framework for combating money laundering and terrorism financing

72. The AML law has determined the authorities responsible for AML in the Kingdom, being the **AML National Committee** which was established from all related local authorities. H.E. the Governor of the Central Bank of Jordan is the chairman of the Committee. The Committee’s members are the Vice Governor who is the Vice-chairman, in addition to the Secretary General of each of the Ministry of Justice, Ministry of Finance, Ministry of Social Development and Ministry of the Interior, along with the General Manager of the Insurance Commission, a delegate of the Securities Commission, the General Inspector of Companies and the head of the AMLU. Moreover, the **AML Unit** has been duly established and designated as being the authority competent to receive the STRs from the authorities subject to the provisions of the law. The AMLU shall follow the administrative pattern in its duties and shall not be conferred any judicial or law enforcement duties.

73. The control and supervisory authorities shall be competent to issue licenses and supervise the financial authorities which are bound by law to comply with the instructions issued by those authorities in relation to implementing the provisions of the AML law. The Central Bank, the Securities Commission and the Insurance Commission are considered the most important regulatory and supervisory authorities over the financial sector. These authorities have the necessary powers to control the businesses of the institutions regulated by them pursuant to the laws regulating their businesses (banks law, insurance regulation law and securities law) as follows:

Central Bank of Jordan (CBJ): The objectives of the CBJ are to preserve the monetary stability in the Kingdom, guarantee the convertibility of the JOD and promote the constant economic growth in the Kingdom

according to the general economic policy of the government. The Central Bank shall achieve these goals through controlling the licensed banks in a manner that guarantees their financial status safety and ensures the rights of the depositors and shareholders; performing any job or transaction the Central Banks usually perform as well as any duties the Central Bank is entrusted with, as per the Central Bank law or any other law or any international agreement the government is a part of. Moreover, the exchangers' records, registers and transactions shall be audited, reviewed and inspected by the Central Bank.

Jordan Securities Commission (JSC): the exporters, the licensees, the accredited, the market, the center, the joint investment funds and the investment companies shall all be subject to the Authority's control and supervision as per the provisions of the Securities Law, the regulations, instructions, and resolutions issued by virtue therewith. These authorities shall be subject to inspection and its documents, entries and records shall be audited by the competent authority in the authority, legally competent to do that.

Jordan Insurance Commission: the Insurance Commission shall regulate and supervise the insurance sector in order to protect the rights of the insured and develop the insurance services in the Kingdom. The insurance companies and the supportive insurance services providers shall be regulated by the Insurance Commission. The General Director of the Insurance Commission shall be entitled to authorize one or more employees of the Commission to confirm or audit in the appropriate time any of the company's transactions or records or documents, and the company on the other hand must put any of the foregoing at the disposal of the authorized employee and cooperate with him to enable him to perform his duties in an optimum manner.

74. Even if it is indicated that the finance leasing companies are not subject to direct monitoring except if they were subsidiary of banks, where the Central Bank supervises them, with respect to the financial matters.

75. The non-financial entities such as the jewelry traders are regulated by the Ministry of the Interior, the real estate agents are regulated by the Department of Lands and Survey while the other professions, such as accountants and lawyers, shall be subject to the provisions of special laws that regulate their work and they shall be regulated by the trade unions which are established pursuant to the provisions of the law. As previously mentioned, these authorities do not perform a normal monitoring role; they actually verify the companies' locations before registering them or regulate the businesses of the professionals without considering their business details and technical obligations, and in a manner that does not include monitoring the AML/CFT procedures. In addition, the lawyers and accountants are not covered by the obligations required in the Jordanian AML law.

76. Within their AML framework, and according to the provisions of the Terrorism Prevention Law, each competent security authority is responsible for combating the ML operations, as well as combating terrorism and FT. The Public Intelligence Department and the Ministry of the Interior are regarded as the most important law enforcement bodies in Jordan. These authorities perform their regular security role in gathering evidence and information; investigating and inquiries; helping the Public Prosecution in discovering and seizing the accused or convicted and executing the Court judgments. In addition, a Committee has been established under a resolution from the Cabinet for performing studies and giving guidance concerning the international requests on AML/CFT, including representatives from the Ministry of Foreign Affairs, the Central Bank, the Public Prosecution, the Ministry of Justice and the Ministry of Finance.

77. The Public Prosecution is considered one of the competent authorities to the limits of the duties assigned to it, as it undertakes the investigation about the ML crimes. Moreover, the Ministry of Justice and the Ministry of Foreign Affairs are competent in the legal and judicial assistance requests. The Ministry of the Interior also adopts security policies and strategies for fighting terrorism, FT, and the crime in general through the Directorates and departments subsidiary of the Ministry such as the Public Security Directorate to which the Anti-drugs Department, the Department of Criminal Investigation and the Department of Preventive Security are affiliated. Moreover, the Citizenship and Foreigners Affairs Department is affiliated to the Ministry of the Interior. The Public Customs according to the provisions of the AML law undertakes the implementation of AML policies and procedures especially with respect to cross-border transfer of funds.

78. The charities are regulated by the Ministry of Social Development, in terms of its regulation and administration. Moreover, the Ministry of the Interior plays a role regarding the normal societies.

(c) Approach concerning risks

79. Jordan has not assessed the risks associated with the ML/TF activities in the different sectors, financial or non-financial. Therefore, none of the sectors was exempted from the AML procedures and measures according to a study or research made on the risks associated with their respective activities. Moreover, none of the sectors was given any further care through the intensification of the level of general policies and guidelines of the combating system in Jordan. Despite that, there are some cases where the regulatory authorities have directed the institutions regulated by them towards classifying their customers in accordance with the risk levels, as follows:

The Central Bank:

80. Article 4 of the AML/CFT instructions o. (42/2008) has addressed the enhanced due diligence measures according to the following methodology:

- Classification: The subject Article/'second' bound 'the bank to classify all its customers according to the risk degree...subject to...the extent to which the banking transactions conducted by the customer are consistent with the nature of his activity...and the extent to which the opened accounts are diverged at the bank and intermingled and the degree of their activities'. Moreover, some categories were, by their nature, classified as high-risk according to the following: 'Non-resident customers and private banking customers are among the high risk customers'.
- Enhanced due diligence measures applied on high-risk customers: Article (4)/'first' stated that regarding the Politically Exposed Persons (PEPs), 'the bank has to establish a risk management system for the Politically Exposed Persons (PEPs) or the beneficial owners who belong to this category...Furthermore, Article (4)/'third' stipulates that regarding the customers belonging to countries which do not apply proper AML/CFT systems, 'the bank must lend special care to the transactions which take place with persons present in countries which do not have appropriate AML/CFT systems...Then, Article (4)/'fourth' stipulates that concerning the category of 'foreign banks', the bank must 'implement the customer's due diligence requirements ...upon the establishment of a banking relationship with a foreign bank...and inquire about the nature of the activity of the foreign bank and its reputation in the field of AML/CFT ...'. Moreover, the Article brought up the details of the binding procedures in this case.
- Enhanced due diligence measures applied on high-risk business relationships: Article (4)/'fifth' stipulates that, upon 'indirect transactions with the customers', 'the bank must apply the policies and procedures necessary for avoiding the risks based on abusing the indirect transactions with the customers, which does not take place face to face, especially those which occur through the use of modern technology like the ATM, telephone banking and internet banking services taking into consideration the instructions issued by the Central Bank in this regard'.
- Enhanced due diligence measures applied on high-risk transactions: Article (4)/'sixth' defined the unusual transactions as 'the cash transactions that exceed JOD 20,000 or its equivalent in foreign currency. Where indications show that cash transactions below this limit are correlated, they should be regarded as a single cash transaction...same for the large and complicated unusual transactions ...and any other unusual transactions that do not have a visible economic purpose'.
- Other cases that the Central Bank has to conduct special care for (in 'seventh'): upon opening a non-resident account with the need to obtain an original verification or certification on the signature from recognized foreign banks or financial institutions...upon the request for facilities against deposits ...upon leasing safe boxes...upon depositing cash amounts or traveler's checks in an outstanding account by a person or persons whose name(s) do/does not appear in a power of attorney relating to

that account or he was/they were not duly authorized by the account owner to deposit the funds in this account’.

Insurance Commission:

81. Article (7) of the AML instructions in the insurance activities No. (3) for 2007 stipulates that ‘the company has to take special care to identify the customer and his activity with respect to the following: the large insurance transactions and the insurance transactions that have no apparent economic or legal purpose; establishing the procedures necessary for identifying the background of the circumstances surrounding these transactions and their purposes, and registering the findings in the company’s records... the insurance transactions which are made with persons present in countries that do not have appropriate AML systems ... dealing with Politically exposed persons PEPs. Then, the subject Article bound the companies, with respect to the politically exposed persons PEP, to establish a risk management system from which it could be concluded if the customer or whoever represents him or the beneficial owner were from this category. In addition, the Board of Directors of the company must establish a policy for accepting the customers of this category, taking into consideration the classification of customers according to their risk level... the subject Article also bound the companies to obtain the approval of the company’s General Manager or the CEO or their representative, upon establishing a relationship with those persons; this approval must also be obtained upon discovering that one of the customers or beneficial owner has become exposed to those risks....and measures should be taken to verify the sources of the customers and the beneficial owner ‘wealth...following up accurately and continuously on the company’s transactions with those persons...’. Article (6) of the instructions has also stipulated that it is necessary that the company implements the policies and procedures needed to avoid the risks associated with the abuse of the indirect transactions with the customer and which do not occur face to face, especially those that are made through modern technology like the internet insurance services. The company must ensure that the level of the procedures verifying the customer’s ID and activity in such case is equal to the verification procedures which are applied in case of direct transactions with the customer. Moreover, Article (13) of the instructions stipulates that the company must establish suitable regulations comprising the policies, fundamentals, procedures and internal controls which should be available to fight ML operations, provided that the regulations include the fundamentals necessary for classifying the customers with respect to the risk level in light of the information and data available to the company.

82. Regarding the **exchange** companies, Article (4) of the instructions stipulates that the exchange office should lend a “special care...for the transactions which are executed with persons present in countries that do not apply appropriate AML systems”. Article (13) of the instructions issued on 27/2/2007 for licensing the limited liability exchange companies, also stipulates that “the company may not open accounts or deal with any institutions outside the Kingdom except after obtaining the pre-written approval of the Central Bank”.

Jordan Securities Commission (JSC):

83. Article (5) of the instructions addresses the cases which need special care in terms of determining if the customer is identified as a risk posing Customer, “if the customer is found to be one of the risky customers, the competent authorities should take into consideration the extent to which the transactions the customer performs are consistent with the nature of his activities, they should also take into consideration the extent to which the opened accounts are diverged by the customer and the extent to which the activities of these accounts are correlated. Then, the Article determined the categories of those customers as follows: “the customers in countries which have no AML legislative systems...the customers who deal indirectly with the competent authority, especially those who use modern technology such as the internet transactions... the charities, the non-governmental organizations...the customers that the company views, according to its best judgment, that their transactions represent high-risks for the ML operations”. Finally, the said Article brought up the obligation to “paying special attention to the unusually large and complex transactions and which does not have any visible investment purpose or are doubtful or suspicious or are regarded as an unusual investment policy for the customer”.

84. It is noted that the instructions given for the exchange sector regarding the conduct of the enhanced due diligence have not been expanded, as they do not comprise large categories of high-risk customers and they fail to mention the business relationships or the high-risk transactions. Moreover, the data provided by the financial institutions showed that the implementation of the enhanced due diligence is sufficient in most banks and authorities supervised by the Jordan Securities Commission, while there is a difference between the insurance and exchange sector companies in implementing this obligation, especially with a notable amount of exchange companies which have a limited concept about the customer or the high-risk transactions.

Enhanced Cases of simplified or reduced due diligence measures:

85. The AML law or AML/CFT instructions issued by the control authorities, except the Insurance Commission instructions; do not comprise any provisions that allow the implementation of the CDD in a reduced manner.

86. Furthermore, Article (8) of the AML instructions No. (3) for 2007 on the insurance activities comprised cases in which it is permissible to adopt reduced procedures for identifying the customer, his activity and the beneficial owner, and they are “the cases in which the information which is related to the customer and the beneficial owner’s ID and activity is available to the public or in case the customer was subject to AML controls similar to the controls mentioned in these instructions and related resolutions”. Among those cases: “dealing with the financial authorities subject to special AML controls similar to the controls mentioned in these instructions and resolutions issued by virtue thereof, and which are monitored in terms of their compliance with the implementation of those controls... dealing with the Public Shareholding Companies subject to the regulatory disclosure requirements...dealing with the ministries, departments and government institutions...retirement insurance documents in which the document could not be used as a guarantee and which does not include the early liquidation condition”. It is noted that the subject Article has not explained the framework or level of the reduced CDD procedures which should be implemented in these cases, but it only indicated that the insurance company may reduce the procedures of identifying the customer, his activity and the beneficial owner.

(d) Progress since the last mutual evaluation

87. Jordan has not been evaluated before, according to the evaluation Methodology of 2004; however, it was evaluated during the period from 23/8-1/9/2003 by the International Monetary Fund (IMF) and the World Bank (WB) as a part of the Financial System Assessment Program (FSAP). Moreover, the mentioned evaluation report was not available for the evaluation team, and the major achievements since that date according to the Jordanian authorities is the following:

- The issuance of the AML law which criminalized the ML and determined the elements of the offence and under which the ML predicate offenses were determined.
- The establishment of a competent authority for the AML general policy in Jordan, and it is the AML National Committee.
- The establishment of the AML Unit which is the authority competent for receiving suspicious transactions reports (STRs) defined by law by the authorities subject to the provisions of the law.
- The ratification of the Convention against Corruption.
- The issuance of the Terrorism Prevention Law.
- The establishment of the Anti-corruption Authority.
- The issuance of the instructions needed by the control authorities to fight money laundering.
- Procedures to ratify the 2000 United Nations Convention against Transnational Organized Crime (Palermo Convention) are underway

2. LEGAL SYSTEM AND RELATED INSTITUTIONAL MEASURES

Laws and Regulations

2.1 *Criminalization of Money Laundering (R.1 & 2)*

2.1.1 *Description and Analysis*

88. The ML act has been criminalized by virtue of the AML Law No. (46) for 2007¹⁵ as the subject law was published in the official gazette issue 4831 on 17/6/2007 and became effective 30 days after being published in the official gazette. The subject law is the comprehensive legal framework which criminalizes ML, bearing in mind that ML was criminalized in the insurance activities only in 2002, pursuant to the Provisional Law No. (67) for 2002, which introduced some amendments on the Law regulating the insurance activities. (33) for 1999.

89. **ML Criminalization:** In Article (2) the AML Law defined ML as “each action which includes earning or possessing or disposing of or transferring or managing or keeping or replacing or depositing or investing funds or manipulating their value or movement or conversion or any activity which leads to hiding or concealing its source or their real nature or place or the way of disposing of them or their possession or the rights related to the funds bearing in mind that they are the proceeds of one of the crimes provided for in Article (4) of the subject law”. In addition to the AML law, Jordan has already criminalized the ML crimes in the insurance activities according to Article (52) of the insurances organization Law No. (33) of 1999¹⁶ where it stipulates the following: “(...) in the insurance activities, ML means converting any funds resulting from an illegal activity or replacing or using or investing them in any way which could have made them illegal without specifying the real source of those funds or their owner or in the case of providing fault information about that”.

90. The AML Law covers a wide series of physical and material elements and thus the definition with regard to the crime’s physical and material elements is compatible with the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic¹⁷ Substances and the 2000 United Nations Convention against Transnational Organized Crime.¹⁸ It is worth mentioning that the AML framework in the insurances is limited since the definition mentioned in the law regulating the insurance business is limited to the conversion or replacement or usage or investment activities, thus, there is no indication to the transferring or hiding or concealing or earning or possessing activities. It is not obvious if the AML law or the law regulating the insurance activities is the applicable law which will be applied in this field. The Jordanian authorities stated that the AML law is the applicable law in this field which should be implemented in the ML crimes in the insurance sector; whereas the evaluation team believes that the AML law is the general law and the law regulating the insurance activities is the private law in the field of criminalizing ML, which leads to a deficiency in defining the ML crime in the insurance field as it was stated above. The AML law has not cancelled the Articles related to the law regulating the insurance activities, and there are no court judgments in this respect, which confirm the findings of the evaluation team.

91. **Properties:** Article (2) of the AML law defined the proceeds as: “the funds which are the direct or indirect results of committing any crime provided for in Article (4) of the subject law”. Moreover, it defined the funds as: “each property or right having a financial value in transactions and the legal documents and bonds, of any form whether electronic or digital that show the possession of such funds or any interest thereof, including the bank accounts, securities, commercial instruments, traveler’s checks, transfers, letters of guarantee and letters of credit”. The definition of properties is regarded as sufficiently comprehensive. The AML law has not stipulated that the person should be convicted of committing a predicate offense in order to prove that the properties are the proceeds of a crime; however, the team found out during its visit to the

¹⁵ AML Law.

¹⁶ Text relevant to AML by virtue of Articles 19 and 20 of Provisional Law no. 67 of 2002.

¹⁷ Vienna Convention (1988).

¹⁸ Palermo Convention (2000).

judicial authorities that this concept is unclear as they believe that it is necessary to prove the predicate offense in order to state that these funds are the proceeds of the crime. Therefore, it is possible to say that conviction of the predicate offense is not required legally to prove that funds are the proceeds of a crime. However, to settle this controversial issue, one should wait for the opinion of the Jordanian courts therein.

92. Scope of the predicate offense: Article (4) of the AML law stipulates that the funds resulting from the following should be regarded an object of ML: “(a) any crime criminalized with the felony as per the legislations enforced in the Kingdom or the crimes that any effective legislation considers their proceeds an object of ML. (b) The crimes provided for in the international conventions in which the Kingdom is part, considering their proceeds an object of ML provided that it is criminalized by the Jordanian Law”. The felony according to the provisions of Article 14 of the Jordanian Penal Code No. (16) for 1960 and its amendments¹⁹ is punishable as follows: by (1) death sentence, (2) life hard labor, (3) life imprisonment, (4) temporary hard labor and temporary imprisonment, where the temporary hard labor and temporary imprisonment sentences for felonies range between a minimum of 3 years and a maximum of 15 years unless it is otherwise stipulated (Article (17) of the Penal Code). Accordingly, the Jordanian AML Law adopted the threshold approach whereby the proceeds of the crimes criminalized in the felony are regarded as a result of ML. In addition to the crimes provided for in the international conventions of which the Kingdom is part provided that they are criminalized under the Jordanian Law. It is noted that paragraph (b) of Article (4) refers us to the international conventions while some of the mentioned crimes in these conventions are not criminalized under the Jordanian legislation, which leads to not considering that the proceeds of all crimes provided for in the Jordanian legislation are a result of ML. Referring to the legislations enforced in the Kingdom, it is evident that the primary crimes comprised a number of crimes mentioned in the 20 designated categories of offenses:

- Participation in an organized criminal group: Articles 147-149 of the Penal Code
- Terrorism: Articles 157-158 of the Penal Code in addition to the Terrorism Prevention Law No. (55) for 2006.
- Currency counterfeiting: Articles 236-244 of the Penal Code.
- Counterfeiting: Article 260-265 of the Penal Code.
- Murder and grievous bodily injury: Articles 326-339 of the Penal Code.
- Taking others’ money – Theft: Articles 399-413 of the Penal Code.
- Bribery: Articles 170-173 of the Penal Code.
- Kidnapping: Article 302 of the Penal Code.
- Illicit traffic of narcotic drugs and psychotropic substances: Narcotic Drugs and Psychotropic Substances Law No. (11) for 1998.
- Illicit arms trafficking: Fire Weapons and Ammunitions Law No. (34) for 1952.
- Illegal restraint and hostage-taking: Article (149), paragraph (2) of the Penal Code, which was amended by virtue of the amended Penal Code No. (16) for 2007, in addition to Article (59)/a of the Civil Aviation Law No. (41) for 2007 regarding the civil aviation safety.

93. It appears from the foregoing that even though Jordan has followed the threshold approach in considering all the crimes subject to a felony's sanction as predicate offense for the ML crime, as well as the crimes provided for in the international conventions of which the Kingdom is part, provided that they are punishable by the Jordanian Law, it has neglected many categories of crimes which should be considered predicate offense for the ML crime according to the designated categories of the predicate offenses mentioned in the definition list issued by the FATF. They are not considered predicate offenses for the ML crime since they are acts non-criminalized fundamentally in Jordan and, thus, they cannot be listed under the clause of the crimes (clause (a) of Article (4)), or the crimes provided for in the international conventions (clause (b) of Article

¹⁹ Penal Code.

4): (1) extortion and racketeering, (2) trafficking²⁰ in human beings and migrant smuggling, (3) sexual exploitation including sexual exploitation of children, (4) illicit trafficking in stolen and other goods, (5) counterfeiting and piracy of products, (6) environmental crimes, (7) smuggling and (8) piracy. In addition, (9) fraud crimes, (Articles 417-421 of the Penal Code), (10) sexual exploitation (Articles 309-318 of the Penal Code), (11) crimes related to financial markets manipulation (Securities Law) are not included in the predicate offenses of the ML crime, regardless of being acts criminalized in Jordan, as the sanction for these crimes is not criminal, and there are no international agreements ratified by Jordan, stipulating the criminalization of these acts. According to the Methodology concept, (12) TF cannot be regarded as a predicate offense for ML, as even though Jordan has ratified the UN Convention for the Suppression of the Financing of Terrorism under the Law No. (83) for 2003, and Terrorism and the financing of terrorism were criminalized under the provisions of the Terrorism Prevention Law, but the act of terrorism financing is limited to the terrorist acts excluding the individuals and organizations (see the special analysis for SR II).

94. Predicate offenses Committed outside the Kingdom's Territory: Article (3) of the AML Law stipulates that "Laundering of money proceeds from any of the crimes provided for in Article (4) of the subject law shall be prohibited, whether they were committed inside or outside the Kingdom provided that the act is punishable under the law in force in the country in which the act occurred". Thus, the definition of the predicate offenses of the ML crime extends to include the acts committed in another country.

95. Self ML: the Jordanian laws do not contain anything that prevents the application of the ML crime on the persons who commit the predicate offense. It appears that the Jordanian law does not contain any main principle that prevents the application of the ML crime on the perpetrator of the predicate offense. The Jordanian authorities have stated that ML crime is an independent act from the predicate offense. Article (57) of the Penal Code, paragraph (a) regarding the concurrence of crimes, stipulates that if the act had different descriptions all of which are mentioned in the judgment, then the court has to rule with the most serious sanction.

96. Ancillary Crimes of ML: Article (24) of the AML law stipulates punishing the accomplice involved in the crime, the interferer and the abettor by the same principal's sanction. Article (76) of the Jordanian Penal Code defines the accomplice as follows: "If several persons committed together a felony or misdemeanor, or if the felony or misdemeanor made up of many acts where each one of them executed one act or more of the acts constituting it for the purpose of committing that felony or misdemeanor, all of those involved shall be considered accomplices and each one of them shall be punishable by the sanction specified for this act by law, as if he was an independent perpetrator". Whereas, according to Article (80)/1, the abettor is the one who "urges or attempts to urge another person to commit a crime by offering money or a present or threatening or tricking or deceiving or spending money or abuse in his employment position. Paragraph (2) added that "the person intervening in a felony or misdemeanor is: (a) the one who gave instructions to commit it, (b) the one who gave the crime's perpetrator a weapon or tools or anything else that might help him commit it, (c) the one who was present in the place in which the crime was committed for terrorizing the resisting persons or strengthening the will of the crime perpetrator or guaranteed committing the intended crime, (d) the one who helped the crime perpetrator in the acts that led to or facilitated the crime, or in the committed acts, (e) the one who agreed with the crime perpetrator or one of the accomplices before committing the crime, and contributed in concealing indications, hiding or disposing of matters resulting from the crime, or hiding one or more accomplices to keep them away from justice, (f) the one who was aware of the criminal history and track of wrongdoers who committed banditry or violent acts against the State's security and public safety, or against persons or properties, and gave them food, shelter or a place to meet." Regarding the attempt, with the absence of a clear provision, it is referred to the Jordanian Penal Code which stipulates in Article (68) that "the attempt means starting the execution of one of the evident acts leading to committing a felony or misdemeanor, so if the perpetrator was not able to execute the acts necessary for the occurrence of this felony or misdemeanor due to reasons beyond his control, he should be punishable as follows (...) that any other temporary sanction is to be reduced from half to two thirds". Article (71) added that the attempt of a

²⁰ It is noteworthy that Jordan issued the Human Trafficking Law, as published in the Official Gazette issue 4952, on 1 March 2009, which came into force as of 1 April 2009 (i.e. 7 weeks following the field visit). Article 9 of the law considers the compliance of any of the crimes provided for in Article (3.2.a) a criminal crime punishable by temporary hard labor imprisonment.

misdemeanor is not punishable except in the cases expressly stated in the law”. Therefore, the fact that the AML law does not stipulate the “attempt” in the provisions is not a weakness, as the AML crime is regarded as a felony (as it is punishable by a felony's sanction: temporary hard labor) and thus the “attempt” in ML crime is punishable.

97. Additional Element: Article (3) of the AML law stipulates that in case the act was committed outside the Kingdom, it must be punishable in the country in which it was committed; in other words, the Law stipulates dual criminality, which states that an act is not considered a ML crime if the proceeds of the crime were caused by an act that was committed in another country in which this act is not considered as a crime but it would have been a predicate offense if committed locally.

98. Natural Persons' Liability: The ML crime is applicable on the natural persons who practice ML activities deliberately, as Article (2) of the AML law stipulated that ML is “each act that includes earning or possessing or disposing of or transferring or managing or keeping or exchanging or depositing or investing funds or manipulating their value or movement or conversion or any activity which leads to hiding or concealing its source or their real nature or place or the way of disposing of them or their possession or the related rights **bearing in mind** that they are the proceeds of the crimes provided for in Article (4) of the subject law”. Moreover, as per Article (63) of the Penal Code, the intention is defined as “the will of committing the crime according to the definition provided by the law”. The AML law does not clearly stipulate that the intentional element of the offense of ML can be inferred from objective factual circumstances; however, the provision of Article (27) of the AML law enables the Public Attorney or the Public Prosecutor to practice his powers regarding the ML crime under the Penal Procedures Code, as Article (147), paragraph (2) of the mentioned law stipulates that "evidence in felonies, misdemeanors and contraventions is established through all forms of evidence, and the Judge shall rule at his sole discretion".

99. Legal Persons' Liability: The AML law has not clearly stipulated the liability of the natural persons for the ML crimes. But, in the absence of any provision, it should be referred to the Penal Code which adopts the criminal liability of the incorporeal authorities, as paragraph (2) of Article (74) of the Code stipulates: “the incorporeal authorities excluding the government departments and the official, public authorities and institutions shall be penalty liable for the crimes committed by their managers or representatives or agents under its name or for its benefit”. Whereas, paragraph (3) of the same Article states that “the legal persons shall not be judged except with a fine or confiscation (...)”. Therefore, the legal persons may be responsible in terms of penal law for the ML crimes. The Jordanian authorities stated that the application of the criminal procedures on the legal persons does not prevent the application of the other criminal or administrative or civil procedures, and even though there was no explicit or wide-scope provision in this regard; but the Jordanian authorities stated that the Jordanian Administrative Law derives its rules from unwritten sources such as the administrative local custom, the general legal principles and the jurisprudence. Moreover, the Jordanian lawmaker has clearly adopted the permissibility of adjoining the criminal and administrative sentences in the banking field pursuant to Article (88/e) of the Banking Law, in addition to adopting the possibility of adjoining the disciplinary and the administrative sentences on the public employee.

100. Sanction of the ML Crime: Pursuant to Article (24)/a of the AML law, the ML crime is punishable by temporary hard labor for a period not exceeding 5 years and a fine between JOD 10 thousand and JOD 1 million (approximately equivalent to 14,000-1.4 million USD). Paragraph (c) added that the sanction is doubled in case of the crime recurrence. In addition to what is stipulated in Article (24) of the subject law, Article (26) stipulates that in all cases the ruling of in kind confiscation of proceeds or funds of corresponding value shall be issued in case the proceeds were impossible to seize or apprehend or in case they were disposed of to "bona fide" third parties. (b) If the proceeds mingle with properties gained from licit sources, these properties shall be subject to the confiscation provided for in the subject Article within the limit estimated for the proceeds and their gains”. In addition, Article (52) of the law regulating the insurance activities stipulates the sanction imposed on ML in the insurance field, and the sanction would be temporary hard labor, a fine not less than JOD 100 thousand and not more than JOD 5 million and the confiscation of those funds. As to sanctions imposed on the legal persons, the legal person is punishable under the Penal Code (Article (74)) with a fine and confiscation. In addition to what is stipulated in Article (74), it is possible to ban a legal

authority from working or dissolve it as a further precautionary measure (Articles (36) and (37) of the Penal Code).

101. Therefore, these sentences seem dissuasive for the natural and legal person especially that the sanction of the in kind confiscation for the proceeds or equivalent funds is added. It also seems proportionate if compared with the sentences of the crimes yielding proceeds. It is worth mentioning that the fine level to be imposed in case of ML related to insurance is higher than that imposed in case of ML resulting from any other crime even if the latter were more dangerous such as trafficking drugs or arms trafficking...as for, regarding the effectiveness of these sentences, it is hard to evaluate it as long as no one was pursued, tried and convicted for ML crime in Jordan.

102. **Statistics:** no judgment has been previously rendered in the field of ML in Jordan, but it is worth mentioning that 3 cases suspected to be ML crimes were referred by the AML Unit to the Public Prosecution.

2.1.2 Recommendations and Comments

103. The authorities are recommended to:

- Work on clarifying the vision for the law enforcement officers with respect to the non stipulation of the conviction in the predicate offense to prove that the funds are the proceeds of the crime.
- Criminalize the following acts to become part of the predicate offenses: (1) extortion and racketeering, (2) trafficking in human being and migrant smuggling, (3) sexual exploitation including sexual exploitation of children, (4) illicit trafficking in stolen and other goods, (5) counterfeiting and piracy of products, (6) environmental crimes, (7) smuggling and (8) piracy, and the attempt to include (9) fraud, (10) sexual abuse and (11) crimes related to financial markets manipulation within the predicate offenses of the ML crime, and (12) expand the concept of terrorism financing as a predicate offense of ML according to the Methodology concept.
- Remove any confusion about the Law Regulating the Insurance Business.

2.1.3 Compliance with Recommendations 1 & 2

	Rating	Summary of factors underlying rating
R.1	PC	<ul style="list-style-type: none"> • Conviction for the predicate offense is required to prove that funds are illicit. • Non-inclusion of all the 20 crimes within the predicate offenses list in accordance with the Methodology.
R.2	LC	<ul style="list-style-type: none"> • Lack of evidence on the effectiveness of the AML legal system with the absence of statistics.

2.2 Criminalization of Terrorism financing (SR.II)

2.2.1 Description and Analysis

104. **TF Criminalization:** Article (3) of the Terrorism Prevention Law (3) stipulates that “subject to the provisions of the Penal Code in effect, the terrorist acts are prohibited and the following acts are regarded as such: “offering or gathering or disposing of funds, whether directly or indirectly, in order to commit a terrorist act, bearing in mind that they will be used completely or partially whether the mentioned act occurs or does not occur inside the Kingdom or against its citizens or interests abroad”. Moreover, the judicial authorities stated that it is possible to refer in ML criminalization to Article 147 (2) of the Penal Code, which stipulates that “the suspected banking businesses related to depositing funds in or transferring them to any authority related to a terrorist activity shall be regarded as terrorist crimes”.

105. It is noted that the judicial authorities consider that the stipulation of Article 147(2) as a form of TF through banking activities related to depositing and transferring funds to any party related to a terrorist act.

However, the evaluation team sees the said provision is not applicable to the TF act as set forth in Article (2) of the International Convention for the Suppression of Terrorism financing. What can be concluded from this is that the Jordanian lawmaker has not criminalized the TF act under an independent, clear provision; instead, he regarded it as a terrorist act under Article (3) of the Terrorism Prevention Law ('TPL'). Referring to the provision of Article (3) of the TPL, "...offering or gathering or disposing of funds for the purpose of committing a terrorist act..." is regarded as a terrorist act. As the law refers specifically to the terrorist acts; however, it does not expand the framework of the crime to include gathering and offering money by a terrorist organization or a terrorist.

106. Regarding the funds, the TPL does not contain any definition for the funds term, and the authorities indicated that Article (53) of the Civil Law No. (73) for 1976 defined the funds as "anything which could be possessed tangibly or intangibly, benefited from legally and is by law eligible to be the subject of the financial rights". But the said definition is not sufficient under the general rules of the Penal Code which stipulates designating the concepts in the same law, as well as non-stipulating expressly that the funds should be considered in this case as a kind of movable or immovable physical or moral assets, , no matter how they were obtained, as well as any form of the legal documents, whether electronic or digital, that establish the right of ownership of these assets or a part thereof, including but not limited to the bank credits, travelers checks, bank checks, money orders, shares, securities, bonds, bills and letters of credit. Besides, it does not confirm the criminalization regardless if the source of funds was legitimate or illegitimate.

107. It is noted that the above mentioned Article (3) of the TPL does not stipulate that the TF crimes require using the funds effectively for carrying out or attempting to carry out a terrorism act (or acts) or the connection of the funds to a specific terrorist act (or acts).

108. The TPL does not specifically address the attempt of committing a TF crime, but Article (68) of the criminal Penal Code stipulates that "the attempt means to start carrying out one of the apparent acts leading to committing a felony or misdemeanor, so if the perpetrator could not accomplish the acts necessary for the occurrence of that felony or misdemeanor due to reasons not related to his will, he shall be punishable as follows (...)any other temporary sanction is to be reduced from half to two thirds". Article (71) added that the attempt of performing a misdemeanor shall not be punishable except in the cases where the law stipulates it expressly". Since the TF sanction is the temporary hard labor under Article (7) of the TPL, then, the TF crime shall be regarded as a felony, which leads to criminalizing the TF attempt. Whereas, regarding criminal complicity, the general rules set forth in the Jordanian Penal Code, Articles (76-80) shall be applied in this case as well; therefore, the accomplice the abettor and the person interfering in the TF crime shall be punishable by law.

109. **Predicate offense of ML:** All crimes which have a felony's sanction are regarded predicate offenses of the ML crime as per the provision of Article (4) of the AML law, and since the sanction of the TF act is criminal (temporary hard labor) under Article (7) of the TPL; therefore, TF shall be regarded as a predicate offense of the ML crime; however, we should bear in mind that the TF concept is limited to offering or gathering or disposing of funds for using them in committing a terrorist act only, whereas the act which a terrorist organization or a terrorist carries out is not within the criminalization framework. Therefore, TF under the concept of the agreement does not cover all the aspects of the predicate offense which it is supposed to cover, for being the predicate offense of ML.

110. Article (3) of the TPL stipulates that "(...) offering or gathering or disposing of funds directly or indirectly for using them to commit a terrorist act are regarded as (terrorist acts)...or bearing in mind they will be used completely or partially whether the mentioned act has been committed inside or outside the Kingdom or against its citizens or interests abroad. Therefore, the TF crime is applicable regardless of the country in which the terrorist act was or will be committed. In addition to that, the general legal provisions which are mentioned in the Jordanian Penal Code, Articles (7-11) and related to the criminal judgments with regard to place (regional powers, self-powers, personal powers) could be referred to.

111. **Mental Element in the TF Crime:** Article (3) of the TPL stipulates that “(...) offering or gathering or disposing of funds directly or indirectly **for using them** to commit a terrorist act are regarded as (terrorist acts)...or while **knowing that they will be used** completely or partially (...).Therefore, the TF crime is applicable on the persons practicing TF knowingly. The intentional element of the TF crime can be inferred from objective factual circumstances, since the Jordanian lawmaker adopts the principle of the freedom of evidence under paragraph (2) of Article (147) of the Penal Code as "evidence in felonies, misdemeanors and contraventions is established through all forms of evidence, and the Judge shall rule at his sole discretion".

112. **Criminal Liability of the Legal Persons:** as indicated in the ML crime, the Jordanian lawmaker adapts the criminal liability from the moral authorities in general, even if this has not been mentioned expressly in the TPL. Moreover, the Jordanian authorities stated that the application of the criminal procedures on the legal persons does not prevent the application of the other criminal or administrative or civil procedures even if there is no clear provision in this regard. The Jordanian authorities, on the other hand, stated that the Jordanian administrative law derives its rules from unwritten sources such as the administrative local custom, the legal general principles and the jurisprudence. Moreover, the Jordanian lawmaker has clearly adopted the permissibility of adjoining the criminal and administrative sentences in paragraph (88/e) of the Banks’ Law, as well as adopting the possibility of adjoining the disciplinary and the administrative sentences on the public employee.

113. **Sanction of the TF Crime:** Pursuant to Article (7) of the TPL, the TF crime is punishable by temporary hard labor unless a more severe sanction is stipulated in any other law. This sanction is non-dissuasive as it is not associated with confiscation as in the case of terrorist act provided for in Article 147 (2) in relation to suspected banking activities relevant to depositing funds or transferring them to any entity connected to a terrorist activity. This latter crime is punishable by confiscation in addition to temporary hard labor. Regarding legal persons, the Penal Code stipulates that the legal persons shall not be judged except with a fine and confiscation. The non-stipulation in Article (7) of the TPL for neither a fine or confiscation sanction is due to Article (74) of the Penal Code, which stipulates in paragraph (3) “(...) and if the law stipulates a primary sanction other than the fine, the mentioned sanction would be replaced by the fine and the legal persons would be punishable by the fine within the limits determined in Articles 22 to 24”. Therefore, the sanction which is imposed on the legal persons cannot be judged and considered dissuasive or proportionate. In addition to what is mentioned in Article (74), it is possible to ban a legal authority from working or dissolve it as a further precautionary measure (Articles 36 and 37 of the Penal Law).

114. **Statistics:** no verdict has been previously rendered in the field of TF in Jordan. Furthermore, there are no cases under investigation in this area.

2.2.2 *Recommendations and Comments*

115. The authorities are recommended to do the following:

- Expand the framework of the criminalization of TF in order to cover the act which might be carried out by a terrorist organization or a terrorist to be consistent with the UN Convention for the Suppression of the Financing of Terrorism.
- Clarify the funds concept according to the UN Convention for the Suppression of the Financing of Terrorism.
- Determine a dissuasive and proportionate sanction for natural and legal persons who commit the TF crime.

2.2.3 Compliance with Special Recommendation II

	Rating	Summary of factors underlying rating
SR.II	PC	<ul style="list-style-type: none"> • TF does not include the act carried out by a terrorist organization or a terrorist. • Non-clarity of the funds concept. • Failure to determine a dissuasive and proportionate sanction for natural and legal persons. • Inability to measure the effectiveness of the CFT legal system due to the absence of statistics.

2.3 Confiscation, freezing and seizing of proceeds of the crime (R.3)

2.3.1 Description and Analysis

116. Article (26) of the AML law stipulates that “(a) (...) in all cases, judgments are rendered to effect in kind confiscation of proceeds or equivalent funds in case it is impossible to seize or execute the judgment on the proceeds or in case they were disposed of for *bona fide* other institutions, (b) if the proceeds combine with possessions gained from licit sources, these possessions shall be subject to the confiscation provided for in the subject Article within the limits estimated for the proceeds and their gains. Moreover, Article (2) of the AML law defined the proceeds as the funds resulting or proceeding directly or indirectly from the (ML crime). Article (30) of the Penal Code stipulates that “subject to the rights of the *bona fide* other parties, it is possible to confiscate all matters resulting from a deliberate felony or misdemeanor or which were prepared to be used in committing them, whereas, with regard to the non-deliberate misdemeanor or the contravention, it is not permitted to confiscate these matters unless the law stipulates so”. Moreover, Article (31) of the Penal Code stipulates that “the matters which are made or possessed or sold or used illicitly shall be confiscated even if they do not belong to the accused or the tracking thereof does not lead to a conviction”.

117. In addition, Article (9) of the Economic Crimes Law stipulates the following: “(f) (1) if it is established for the court that the crimes provided for in the subject law were committed, it may rule that the proceeds of these crimes be confiscated or returned to their owners. (2) The confiscated items and funds as well as the fines and expenses ruled by the court according to the provisions of the subject law are regarded public funds which shall be collected under the Emiri Funds Collection Law or the Law of State Property Maintenance or any other legislation superseding them, and the court may order the return of the funds to their owners. (3) The Public Attorney undertakes before the relevant court executing the court rulings of confiscation,, fines and expenses, in addition to collecting and distributing them to their owners, and he is entitled to consult the experts and specialists, if necessary”.

118. Moreover, Article (15) of the Narcotic Drugs and Psychotropic Substances’ Law stipulates that: “(a) judgments are rendered to confiscate narcotic drugs and psychotropic substances, plants and seeds from which narcotic drugs and psychotropic substances are produced, as well as the seized materials, equipments, machines, used containers and transportation means which have been used to commit the crime, without prejudice to the rights of *bona fide* other parties. (b) The Public Prosecution is entitled to investigate the real sources of the funds pertaining to the perpetrators of the crimes provided for in the subject law, in order to verify if the source of these funds is due to one of the acts prohibited by the law herein, and the court shall be entitled to decide seizing and confiscating them”.

119. Moreover, paragraph (c) Article (52) of the law no. (33) for 1999 regulating the insurance business and its amendments stipulates that “Withstanding the provisions of any other legislation, anyone who performs any of the acts provided for in paragraph (a) of the subject Article shall be punishable by temporary hard labor, a fine not less than JOD 100 thousand and no more than JOD 5 million as well as the confiscation of those funds”.

120. According to the foregoing, it appears that Jordan has an acceptable confiscation system which has been enforced even prior to the issuance of the AML law, but it is worth mentioning that the confiscation system in the AML law is limited to the proceeds of the ML crimes only without the TF. Moreover, the AML law does not expressly stipulate the confiscation of the instrumentalities intended for use in the ML/TF crimes or the instrumentalities intended for use in ML. However, in this regard it could be referred to Article (30) of the Penal Code, which stipulates that all matters resulting from a deliberate felony or misdemeanor or **which were prepared for use in committing them** may be confiscated matters”.

121. It is worth mentioning also that the confiscation provided for in the Insurance Law is limited to the funds, excluding the proceeds. It is important to note here that in case the Insurance Law is considered the relevant law to be applied in the insurance field, the proceeds of the crimes shall be excluded from the confiscation.

122. The Jordanian legislation permits the initial implementation of freezing the confiscated properties or seizing them to be made ex-parte or without prior notice, as the Public Prosecutor is entitled under the Penal Procedure Code (PPC) to take the procedures he deems suitable for investigation purposes and issue decisions regarding the temporary measures necessary for investigation. Whereas, Article (26) of the AML law stipulates that “the Public Attorney or the Prosecutor must practice his powers regarding the ML crimes provided for in the subject law according to the PPC enforced”. Moreover, Article (4) of the TPL stipulates that “if the Prosecutor received grounded information that a person or a group of persons are connected with a terrorist activity, he is entitled to issue one of the following decisions :...(3) searching the place in which the suspect is present and keeping anything related to a terrorism activity under the provisions of the subject law. (4) Precautionary seizure on any funds suspected to be related to terrorist activities”.

123. Moreover, Article (9) of the Economic Crimes Law stipulates that “(a) the Public Prosecution or the Court, after the referral of the case to it, should take one of the following measures, and the person incurring damages is entitled to challenge the decision before the Committee provided for in paragraph (b) of the subject Article: (1) precautionary seizure on the funds of anyone who commits an economic crime, forbidding the disposal of these funds and banning him/her from traveling until concluding the investigation procedures and settling the case. (2) Precautionary seizure on the funds and assets of the ancestors, descendants and spouse of anyone who commits an economic crime, and prohibiting the disposal of these funds if justifiable; any of them may be banned from traveling for a period not exceeding 3 months, and may be extendable by a court decision for a renewable period of three months, if necessary”.

124. There is no clear evidence that the law enforcement authorities, the FIU or the other competent authorities are entitled with powers to identify and trace properties subject to or that could be subject to confiscation or the proceeds of crimes.

125. Regarding the protection of the rights of *bona fide* other parties, Article (26) of the AML law stipulates that “(a) (...) in all cases, judgments are rendered for in kind confiscation of proceeds or funds of corresponding values in case it is impossible to seize or apprehend the proceeds or in case they were disposed of to the rights of *bona fide* other parties. In addition, Article (30) of the Penal Code stipulates that “subject to the rights of *bona fide* other parties, it is possible to confiscate all matters resulting from a deliberate felony or misdemeanor or which were prepared to be used in committing them, while with regard to the non-deliberate misdemeanor or contravention, it is not permitted to confiscate these matters unless the law stipulates that”.

126. There is no evidence that authority is provided regarding the ML and TF crimes to take steps that could ban or cancel some acts, whether contractual or not, in the cases in which the concerned persons were aware of or were supposed to be aware of the facts that such acts may affect the competent authorities’ ability to retrieve the confiscated properties. The Jordanian authorities stated that Article (43), paragraph (1) of the Penal Code could be referred to regarding the civil obligations which state that the retrieval action is returning the situation to the status that was prior to the crime, and the court renders a judgment of retrieval, whenever the latter was possible.

127. No statistics are available until now regarding the number of cases and the values of the frozen, seized and confiscated properties related to ML, as no judgments have been rendered to date in the ML field.

2.3.2 Recommendations and Comments

128. The authorities are recommended to:

- Provide for confiscation in ML crimes.
- Assign clear powers to the law enforcement staff to enable them identify and trace properties subject to, or that could be subject to, confiscation or those suspected to be crime proceeds.

2.3.3 Compliance with Recommendation 3

	Rating	Summary of factors underlying rating
R.3	PC	<ul style="list-style-type: none"> • No confiscation in TF crimes. • Not enabling competent authorities to identify and trace the confiscated properties subject to, or that could be subject to, confiscation or those suspected to be proceeds of crime.

2.4 Freezing of funds used for terrorism financing (SR.III)

2.4.1 Description and Analysis

129. SR.III stipulates the execution of UNSCR/1267 (1999) related to freezing of funds or other assets proceeding from terrorism and belonging to the persons designated by the UN Al Qaeda and Taliban Sanctions Committee, through taking all the suitable and necessary procedures to comply with the requirements of applying this Resolution, being legally binding inside Jordan. This could be achieved by a law or regulations or an executive procedure, but there are no special laws in Jordan related particularly to the implementation of UNSCR/1267 (1999); yet, a mechanism is available which begins with receiving the lists from Jordan's representative in the UN, who sends them to the Ministry of Foreign Affairs which in turn sends them to a technical Committee established pursuant to a resolution of the Council of Ministers, consisting of representatives of the Ministry of Justice, the Ministry of Foreign Affairs, the Central Bank, the General Intelligence Department, the General Headquarters of the Jordanian Armed Forces and the Public Security Directorate in order to follow up on the requests of the Security Council Committee for Combating Terrorism and responding to it. The Committee refers the issue for implementation according to each authority: to the security authorities for supervision as well as to the Central Bank and financial authorities for freezing. The Central Bank shall issue periodical circulars to all banks operating in the Kingdom about the implementation of the UN resolutions especially those on CT. The Jordanian authorities stated that the Central Bank has already sent circulars to all banks operating in the Kingdom regarding the importance of referring continuously to the various Security Council (SC) resolutions on the freezing of funds, with the importance of notifying the Central Bank about any banking transaction requested by any natural or legal person listed on the lists prepared by the Committees established under this resolution. Moreover, the website of the consolidated list issued by the Security Council Committee established pursuant to Res/1267 (1999) for Al Qaeda and Taliban as well as the persons and entities related to them has been circularized to the licensed banks operating in the Kingdom in order to take the names mentioned in the list into consideration for any procedure. It is noted that this mechanism requires relatively a long time, which has a negative effect on its effectiveness, in addition to the fact that the Central Bank's circulars include the banks only, and, therefore, in case of freezing, it is only applicable to funds without the other types of assets.

130. Moreover, the authorities stated that the Customs Authority is receiving official letters from the Ministry of Foreign Affairs in order to execute the resolutions and recommendations derived from the

Security Council for combating terrorism and financing of terrorism whereby the Customs issues circulars to all Customs centers to comply with the content of the resolution and the recommendation set forth therein for combating terrorism. These circulars incorporate all land, sea and air outlets, knowing that the Customs department, being a subsidiary of the Ministry of Finance, is not represented in the mentioned Committee.

131. The Central Bank has issued the AML/CFT instructions NO. (42) for 2008, and the guideline attached to the instructions included general guidance in this field under clause “fifth: general guidance” which requires “(1) using all possible means to follow up on the suspected operations and transactions by monitoring reports, lists of non-cooperative countries and lists of internationally prosecuted persons and entities. The Central Bank’s procedure is limited to issuing circulars to banks without providing clear guidance to the financial institutions and the other persons or entities which might possess the other targeted funds or assets, regarding their compliance to taking procedures in accordance with the freezing mechanisms

132. In the context of the RES/1373 (2001), there are no effective laws or procedures to freeze the funds or other assets terrorists for the designated persons, and there are no effective laws or procedures to study and implement the measures, which were taken under the freezing mechanisms in other countries. The Jordanian authorities indicated after the onsite visit that the Central Bank had issued Circular no. 10/2/3/3/8280 dated 27 July 2005 to licensed banks regarding the mentioned Resolution. The Circular's aim is to draw their attention to the existence of an information guideline and assistance sources in the field of combating terrorism that the relevant Security Council Committee has issued pursuant to that Resolution. Moreover, the Circular provides banks with the address of the Committee's website to serve as a source of information concerning the best practices in relation to combating terrorism and the model laws and the available assistance programs. The Central Bank also issued Circular no. 10/2/3/3/8488 dated 3 August 2005 requiring banks to inform the Central Bank of any banking transaction requested by any natural or a legal person listed by the Committee established pursuant to Security Council resolutions related to funds freezing. The team did not receive any copies of those circulars.

133. The Jordanian Law has no evidence that the freezing extends to reach (a) other funds and assets which are completely or jointly owned by or which are directly or indirectly controlled by designated persons or terrorists or terrorism financiers or terrorist organizations; (b) funds or other assets arising or proceeding from funds or other assets, directly or indirectly owned or controlled, by designated persons or terrorists or terrorism financiers or terrorist organizations.

134. Jordan has no effective and declared procedures for studying the de-listing requests from the designated lists and canceling the freezing of the other funds and assets belonging to the persons or entities whose names were deleted. It has also no effective and publicly-known procedures for unfreezing, funds or other assets of persons or entities who were inadvertently affected by the freezing mechanism after verifying that the person or the entity was not the designated person. Moreover, the Jordanian authorities stated that the person included in the list is entitled to submit a grievance to the Ministry of Foreign Affairs which in turn submits the same to Jordan’s permanent representative in New York, who in turn refers it to the Security - Council Counter-Terrorism Committee; however, no name was deleted or cancelled before according to this procedure.

135. There exist no procedures for authorizing access to the funds or other assets which were frozen under the S/RES/1267 (1999), and which have been determined to be necessary to cover basic expenses, or for the payment of certain types of fees, or service expenses and charges or extraordinary expenses.

136. **Freezing, seizing and confiscation in other circumstances (implementing the criteria from 3-1 to 3-4 and 3-6 of R.III and criterion 2-3 of SR.III):** In case terrorist acts were committed, temporary procedures could be taken as follows: Article (4) of the CT law stipulates that “if the Public Prosecutor received grounded information that a person or a group of persons are connected with a terrorist activity, he is entitled to issue one of the following decisions : (...) and has reservation against anything related to a terrorist activity under the provisions of the subject law, imposing precautionary seizure on any funds suspected to be related to terrorist activities. It is worth mentioning that it is stipulated that Jordan is able to confiscate funds

only and not the other assets connected to terrorists. Moreover, it appears that the Article provides for the terrorist activity undefined in the law, while it has been referred to the terrorist act.

137. There are no measures available for the protection of the rights of bona fide parties according to the criteria provided for in Article (8) of the Convention for the Suppression of the Financing of Terrorism.

138. There are no suitable measures for effectively monitoring the compliance with the legislations or rules or regulations which govern the obligations mentioned in SR.III and there are no civil or administrative or criminal sanctions in case of the non-compliance therewith.

139. **Additional Elements:** Jordan does not implement the measures provided for in the Best Practices Paper of SR.III, and it does not implement procedures authorizing for accessing the frozen funds or other assets pursuant to S/RES/1373 (2001) and which have been determined to be necessary for covering basic expenses, or for the payment of certain types of fees, or service expenses and charges, or for extraordinary expenses.

140. **Statistics:** The evaluation team did not receive any statistics in this regard.

2.4.2 Recommendations and Comments

141. The authorities are recommended to:

- Set up a legal system that governs the procedures of freezing the funds and properties of persons listed pursuant to UN Security Council Resolution 1267.
- Promulgate laws and effective procedures for freezing terrorist funds and other assets of persons designated pursuant to UN Security Council Resolution 1373.
- Promulgate laws and effective procedures for studying and executing measures taken pursuant to the freezing mechanisms in other countries.

2.4.3 Compliance with Special Recommendation III

	Rating	Summary of factors underlying rating
SR.III	NC	<ul style="list-style-type: none"> • Absence of a legal system governing the procedures for freezing funds and assets pertaining to the persons whose names are mentioned pursuant to UN Security Council Resolution 1267. • Absence of effective laws and procedures for freezing terrorist funds and other assets of persons designated pursuant to UN Security Council Resolution 1373. • Absence of laws and effective procedures for studying and executing measures taken pursuant to the freezing mechanisms in other countries. • Lack of evidence showing the effectiveness of the procedures related to freezing pursuant to the SC resolutions.

Authorities

2.5 *The Financial Intelligence Unit and its functions (R.26)*

2.5.1 *Description and Analysis*

142. **The establishment of the FIU as a National Center:** The AMLU has been established in Jordan pursuant to the AML law as an independent Unit that follows the administrative pattern and is located in the Central Bank where Article (7) stipulates the following: “an independent unit called (the FIU) shall be established in the Central Bank, to be in charge of receiving the reports provided for in paragraph (c), Article (14) of the subject law, requesting and analyzing the information related to the mentioned reports and providing the same to local, official and competent authorities when necessary”. Moreover, Article (14), paragraph (c) of the subject law stipulates that “the authorities subject to the provisions of the subject law should comply with (...) immediately notify the FIU about the suspicious transactions whether they occurred or not, by the means or form adopted by the FIU. Furthermore, the FIU is regarded as a national center in receiving, analyzing and disseminating the Suspicious Transaction Reports (STRs) of ML only, whereas upon perusing the AML law, it has been found that the law does not refer to TF, and, therefore, the FIU should not be authorized to receive reports on Terrorism Financing.

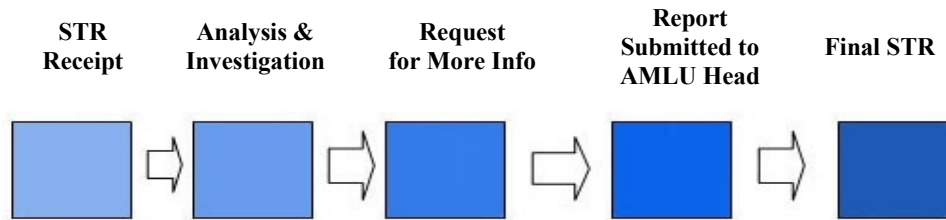
143. The National Anti-Money Laundering Committee which was established pursuant to Article (5) of the AML law monitors the FIU in performing its duties. The Governor of the Central Bank is the chairman of the Committee while the Committee’s members are (1) the Deputy Governor, who is appointed by the Governor as the Vice-chairman, (2) the Secretary General of the Ministry of Justice, (3) the Secretary General of the Ministry of the Interior, (4) the Secretary General of the Ministry of Finance, (5) the Secretary General of the Ministry of Social Development, (6) the Director General of the Insurance Commission (7) the companies’ General Controller , (8) commissioner of the Board of Commissioners of the Securities Commission, appointed by the President of the Board of Commissioners and (9) the Unit Head.

144. Practically and before the issuance of the AML law, the Unit had been a part of the Central Bank and was separated by law; It had been operating pursuant to Article (93) of the Banks’ Law, which stipulates that if the bank discovered that the execution of any bank transaction or the receipt or payment of any amount is connected or might be connected to any crime or any illicit act, it has to notify immediately the Central Bank, which is entitled to notify any official authority about the same. This notification to the Central Bank started in 2001.

145. The authorities have stated that the notification about a suspicious transaction undergoes the following steps:

- The Unit receives STRs from all the authorities subject to the provisions of the law and which are obliged to send notifications about the suspicious transactions.
- After receiving the STRs, the competent department analyzes and investigates the transactions in their technical and financial aspect, and accordingly the Financial Information Unit FIU verifies if the transaction was suspicious pursuant to the definition of the AML law of the suspicious transactions; additionally, necessary legal studies are made.
- The FIU may request further information from the internal or external or international authorities if it finds that they are needed for the analysis process, and such information shall be requested by the department according to the procedures.
- The competent department shall submit a final report to the FIU Head – to decide as needed –The report includes the results of the analysis and evaluation performed on all information received, in addition to proposing the procedure that shall be taken by referring the report to the Public Prosecution or keeping the data obtained regarding the case in the FIU database.

- Upon the availability of sufficient information supporting the presence of a suspicious transaction, the FIU shall refer the report to the Public Prosecution attached with all the related documents.



146. This is from the theoretical side; however, there were no certain methods through which the ability of the AML Unit to analyze suspicious transactions could be judged. However, the lack of human resources of the Unit in relation to analysis may well lead to weak analysis.

147. **Guidance for the Reporting Entities:** pursuant to Article (31) of the AML law, the Committee shall set up the controls and rules related to reporting suspicious transactions and the forms issued by the FIU, and to the setting of the procedures taken by FIU upon receiving the STR. An electronic reporting form has been adopted regarding banks in order to report the suspicious transactions, as the Unit is connected to the banking sector with an electronic reporting system. Moreover, reporting forms for other entities (other than banks) which are subject to and bound by the provisions of the law to report the suspicious transactions such as exchange companies, the authorities monitored and licensed by the Insurance Commission, and the real estate and jewelry traders have been also prepared and adopted. Moreover, a draft guideline was also attached as it shows the party to which the report will be sent, the procedure for filling the form, the reporting method and the requirements related to the confidentiality of the information mentioned therein. Currently, the mechanism of submitting the form by hand or fax has been adopted. Furthermore, the Jordanian authorities stated that other forms for the financial companies such as the financial leasing companies and the companies monitored by the Securities Commission are being prepared.

148. **Timely Access to Information by FIU:** By virtue of Article 18, the FIU may request from the judicial, regulatory and supervisory authorities in addition to any administrative or security authority any further information connected to the STRs it receives, if such information is necessary for the FIU to perform its duties or according to a request received from counterparts. In addition, the FIU informed the evaluation team that it is using other sources of available information, such as the database of the CCD which has all the information of the companies registered in it, as well as the information available in the database of the Civil Status Department since it is available on a CD updated on a weekly basis. The FIU has got this CD for inquiring about the personal data of the persons whose names are mentioned in the STRs. In addition, the Unit refers to international lists such as those of the “World Check”, which provide reports and data on persons involved in different types of cases. Practically, the FIU has stated that the related information is obtained in a timely manner.

149. **Requesting additional information from reporting entities:** pursuant to the provisions of Article (17) of the AML law, the Unit may ask the authorities bound to reporting, for any additional information it deems necessary to perform its duties if such information was related to information previously received by the Unit upon starting its duties or according to requests which it receives from counterparts. Moreover, the authorities obliged to send reports should provide the FIU with the requested information during the specified period. The Unit also stated that, practically, according to the measures taken, the period extends for only one week and in the urgent situations, the issue is followed up over the phone to obtain information as soon as possible.

150. **Dissemination of information:** pursuant to Article (8) of the AML law, upon the availability of sufficient information supporting the presence of a suspected transaction, the Unit prepares a report and refers the same to the Public Prosecution, enclosing therewith all relevant documents. The Public Prosecution Office

has stated that it coordinates with the Unit when requesting additional information related to investigating the suspicious transaction sent to the FIU. Moreover, after perusing the statistics of the reports received by the Unit during the period from 18/7/2007 to 30/6/2008, the Unit received 81 STRs, out of which 3 suspected AML crimes and 3 other cases representing various crimes were referred to the Public Prosecution.

151. **Independence:** The AML Unit was established in the Central Bank as an independent Unit for receiving STRs (Article (7) of the AML law). However, some issues are worth mentioning which may affect the operational independence of the FIU such as the employees of the Unit are delegated to work in it by the Central Bank until the issuance of the regulations, in addition to the fact that the AML National Committee is incumbent to supervise the FIU performing its duties, in addition to the fact that the FIU's Head and members are appointed by a decision from the Committee's Chairman. In addition, the Central Bank is the party that finances the FIU for performing its duties until the issuance of a special regulation for this purpose. However, it showed practically that the AML Unit studies and analyzes the STRs, and takes the appropriate decision in their regard.

152. **Protection of the Information obtained by the FIU:** The AML law bound the FIU to protect the information it receives and not to disclose them except under the provisions of the law, as Article (11) stipulates that the AML National Committee's Chairman and members as well as the Unit's employees are prohibited from disclosing the information they access or know about, due to their work whether they have accessed or known it, whether directly or indirectly, and that it is not permissible to disclose these information in any way except for the purposes expressed in the subject law. This prohibition remains even until after ending their work with the Committee and the FIU; such prohibition is applicable on anyone who peruses or comes across, directly or indirectly, by virtue of his function or job, any submitted or exchanged information under the provisions of the law, regulations and instructions issued in accordance therewith. Moreover, due its location inside the Central Bank of Jordan, the FIU is protected, as there are security measures regulating the entrance of any person entering the Bank (taking his ID and escorting him (by an employee) to the place he is heading to).

153. Despite these security measures, the FIU has taken special security measures so that no one is granted access to its headquarters except for specific and authorized persons; in other words, none of the Central Bank's employees is allowed to enter its headquarters unless authorized to do so. The FIU keeps hard copies of the STRs it receives from the concerned institutions, inside a firmly closed safe box at the FIU's headquarters.

154. It is worth noting that the FIU's server on which it saves the STRs incoming electronically is located in the servers room at the Central Bank, which indicates that the server could be used by the Central Bank's IT technicians and that such information is liable to being perused by unauthorized persons. However, the Jordanian authorities stated that the FIU's IT consultant is the only person authorized to access the Administrator's account of the E-SAR, and thus none of the Central Bank's employees can peruse or amend the information; the technician is responsible for supervising the function of the equipment and the servers technically (flow of electricity ... etc.). Moreover, the place in which the servers are located is under surveillance as it is equipped with surveillance cameras and no one is authorized to enter except designated and authorized employees. Additionally, each employee entering should register his entrance and the related reason. .

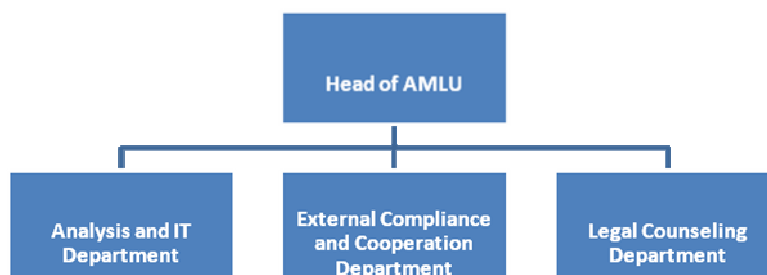
155. **Issuance of the annual reports:** The FIU may publish periodical reports pursuant to the provisions of Article (12) of the law, which stipulates that the FIU may publish periodical statistics on the number of suspicious transactions received and rendered convictions, the confiscated or frozen properties and the mutual legal assistance. Moreover, the Committee studies the annual reports submitted by the FIU on the AML activities in the Kingdom. The FIU has also prepared its initial report for the period starting on 18/7/2007 and ending on 31/12/2007, and the team has received a copy of this report. The Jordanian authorities have stated that they distributed and published the report locally and to many international authorities. Furthermore, the FIU has created a website www.amlu.gov.jo through which it publishes its activities namely, conferences and training sessions. With regard to spreading awareness among the dealers with the financial institutions, a

publication has been prepared to define the ML crime and their role in combating it, as well as introducing to them the importance of the procedures taken by the financial institutions upon dealing with them.

156. **Membership of Egmont Group:** The Jordanian FIU has not joined the Egmont Group yet, but the authorities indicated that this issue is among the priorities of the FIU and that there are initiatives toward joining this Group where all the supporters of the FIU were designated being: the Financial Crimes Enforcement Network (FinCen), the Unit For Combating Money Laundering (MOKAS) and the Special Investigation Commission in Lebanon.

157. **Egmont Group principles for the exchange of information amongst the FIUs:** Article (19) of the AML law stipulates that the Unit is entitled to exchange information with counterparts provided that it is on reciprocal basis, these information may not be used except for the purposes related to AML, and provided that the consent of the counterparts which provided such information be obtained. Furthermore, the Unit is entitled to making Memoranda of Understanding with the counterparts in order to organize the cooperation in this regard. Moreover, the foregoing provision has established the legal basis under which the Unit can execute its obligations related to international cooperation as well as executing the Egmont Group's objectives after joining it.

158. **Sufficiency of the resources available for the AMLU:** The AML set up is divided into three parts: (1) Analysis and IT Department, (2) External Compliance and Cooperation Department and (3) Legal Counseling Department. In addition to the Unit Head, four full-time employees work at the Unit in addition to two external consultants, one is an IT specialist and the other a legal consultant. Those human resources are highly insufficient in comparison with the expanding financial sector which requires more human and technical resources in order for the Unit to fully perform its functions, as it has insufficient human and technical resources for analyzing the suspected transactions during the visit.



159. **Regarding the financial resources,** Article (10) of the law indicates that the Unit's financial resources and competence as well as the supervision of its employees, their rights, the method of appointing them and all other matters needed to perform its duties should be specified by virtue of a Regulation to be issued for this purpose. Since this Regulation has not been issued, the Central Bank finances the Unit to perform its duties, and the expenses are kept on a special lending account to be paid back upon the finalization of the constitutional phases of the draft Regulation. The team was not able to know whether these available financial resources were sufficient for the Unit to perform its duties or not.

160. **Integrity of the FIU employees:** Until the issuance of the Regulation, the Unit's employees are assigned by the Central Bank according to the provisions of the Employees' Regulation of the Central Bank, which requires many conditions namely Article (7) of the Employees' Regulation of the Central Bank stipulating that "anyone who is appointed must: (a) be Jordanian, (b) be 18 years old, (c) (...), (d) have a good conduct and reputation, (e) not convicted in a dishonoring and distrustful felony or misdemeanor, (f) possess the minimum, designated qualifications and experiences to hold the job as described in the job description.

161. **Training the FIU employees:** The Unit's employees have participated in different sessions and conferences on ML and TF. Some examples of the training programs are:

- Regulating the CFT transactions/ Federal Deposit Insurance Corporation
- AML Compliance for Banks, with Special Emphasis on IT Solutions/ the Sustainable Achievement of Business Expansion and Quality (SABEQ) and the Association of Banks in Jordan.
- New Practical Methods for AML Compliance for Banks/ SABEQ and the Association of Banks in Jordan.
- Workshop on Assessors training / the MENAFATF, the AML/CFT National Committee in the State of Qatar, the IMF, the World Bank and the FATF.
- The French experience in the ML framework/ the Jordan Judicial Institute/ the French Embassy and the National Judicial School of France.
- The international conference and forum for the Middle East and North Africa on AML/CFT/ the Union of Arab Banks and the Association of Certified Anti Money Laundering Specialists (ACAMS)
- The US, Middle East and North Africa dialogue on AML/CFT/ the Union of Arab Banks, the US Treasury and the US Federal Reserve Bank.
- Banning and investigating the cross-border smuggling of currency/ technical assistance bureau of the Ministry of Treasury and the Ministry of National Security.
- Workshop of the IMF on AML/CFT and the IT for the FIUs.
- Perusing Canada's experience in the AML/CFT field through visiting FINTRAC.

162. The authorities stated that there is a database for saving all information and data. Regarding statistics, the table below shows the number of notifications received by the Unit from (18/7/2007 until 30/6/2008):

No. of STRs received by the Unit from (18/7/2007 until 30/6/2008)	
Entity	No. of STRs
Banks	68
Exchange Companies	3
Supervisory Authorities	9
Financial Companies	1
Total	81

163. Upon perusing the statistics of the reports received by the Unit during the period from 18/7/2007 to 30/6/2008, the Unit received 81 STRs, 84% of which are incoming from the banks and 0% from the non-financial authorities obliged to send reports. The Unit sent 3 cases suspected to be ML crimes and 3 other cases representing various crimes to the Public Prosecution.

2.5.2 *Recommendations and Comments*

164. The authorities should:

- Include the TF crime under the Unit's functions
- Ensure the independence of the Unit's work.
- Increase the Unit's financial, human and technical resources
- Increase the efficiency of the Unit's employees by providing continuous training.

2.5.3 Compliance with Recommendation 26

	Rating	Summary of factors relevant to s.2.5 underlying overall rating
R.26	PC	<ul style="list-style-type: none">• The Unit's competence being limited to the field of ML without TF.• Not ensuring the independence of the Unit's work• Insufficiency of the Unit's financial, human and technical resources

2.6 Law enforcement, prosecution and other competent authorities – the framework for the investigation and prosecution of offences, and for confiscation and freezing (R. 27 & 28)

2.6.1 Description and Analysis

165. In the investigation of the AML crimes in Jordan, the law enforcement authorities are represented in the Attorney General Department and the Public Prosecution Department. The Public Prosecution is handled by judges who practice the powers vested in them by law, and are associated with the authority hierarchy rule and report to the Minister of Justice. Moreover, each the Court of Cassation and the Court of Appeal have a Public Prosecution. An employee (called the Public Prosecutor), who practices the duty of the Prosecutor at the Court of First Instance shall be appointed. The Courts are competent within his legal jurisdiction.

166. Interpretation of Article (8) of the AML law indicates that the Public Prosecution shall be competent to investigate the suspected cases referred to it from the ML Unit. Pursuant to the list of cases issued by the Public Prosecution Office, it appears that the Unit has referred 6 criminal cases since the date of enforcing the law until 13/7/2008 as follows: 3 cases are still under investigation, one case was closed by a decision issued by the Public Prosecutor of Amman reserving the case's dockets, another case was referred to the Penal Conciliation Court of Amman, and a last case was referred to the Penal Court of First Instance in Amman.

167. The members of the Public Prosecution are subject to the authority hierarchy rule and are bound in their performance and requests to follow the written orders issued for them by their superiors or from the Minister of Justice. All the members of the Public Prosecution at the Courts of First Instance and Courts of Appeal are affiliated to the Public Prosecutor and are entrusted to execute his orders and those of the Minister of Justice regarding the administrative affairs, instituting the lawsuit and the related follow up. In accordance with the hierarchy of the Public Prosecution system, the Head of the Public Prosecution Office at the Court of Appeal and his assistants are at the top of the Prosecution System, followed by Public Prosecutors and their assistants in Amman, Irbid, Maan and the Senior Criminal Courts, and the Public Prosecutors are situated at the first level of the hierarchy.

168. The specialized Public Prosecutions are constituted of:

1. The Higher Criminal Court, which is affiliated with the Head of the Public Prosecution.
2. The Police Court Prosecution, whose members are appointed by the Public Security Director or his representative,
3. The Military Public Prosecution, whose members are appointed by the Joint Chiefs of Staff.
4. The Customs Public Prosecution, whose members are appointed by the Minister of Finance.
5. The State Security Prosecution, whose members are appointed by the Joint Chiefs of Staff.

169. With regard to the TF, the TPL stipulates that the State Security Court is the competent authority in terrorism and TF cases. Regarding investigation, there is no specific authority, as the General Prosecutor performs such duty in the State Security Court.

170. In addition, there are other executive bodies related to investigating the ML and TF crimes, which are: the Public Intelligence Department (PID), the Public Security Directorate, the Anti-drugs Department, the Criminal Investigation Department and the Preventive Security Department at the Public Security Directorate.

171. **Public Intelligence Department PID:** it consists of: (a) the Public Intelligence Department, (b) the Political Investigation Office and (c) a number of officers, non-commissioned officers, individuals and members, as needed.

172. The PID is chaired by a Director General appointed and removed by a Royal Decree according to a decision issued by the Council of Ministers. The PID undertakes the intelligence duties and operations with the aim of protecting the security of the Hashemite Kingdom of Jordan; it performs as well confidential assignments and missions entrusted to it through written orders issued by the Prime Minister. Security forces assist the Department in fulfilling its duties and tasks. In addition to AML/CFT, the PID contributes, through an Anti Corruption Directorate established in 1996, to the efforts of combating corruption in all its forms based on its firm belief that corruption is one of the factors that hinders development.

173. **Ability to postpone/abandon the arrest of suspects or to seize properties:** there is no evidence that the Jordanian authorities have considered taking procedures that allow the competent authorities investigating in the ML cases to postpone or abandon the arrest of the suspects or to seize the funds.

174. **Additional element – ability to use the special investigative techniques:** Article (82) of the Criminal Procedures Law stipulates that “the Public Prosecutor is entitled to perform investigation in all the places where there might be materials or persons the discovery of which assists in revealing the truth”. Article (88) mentioned specifically that “the Public Prosecutor may seize all letters, messages, newspapers, printings, packages and all telegrams at the post offices and telegram offices. Moreover, he may monitor phone calls whenever it is beneficial for revealing the truth”.

175. The Criminal Procedures that authorize the competent investigatory authorities and the judicial system to investigate the ML cases according to the principle of freedom of evidence in the criminal law shall be applied regarding the investigation in the ML cases. Article (147) of the Criminal Procedures Law stipulates the following:

1. Suspect is innocent until he is proven guilty.
2. Evidence in felonies, misdemeanors and contraventions is established through all forms of evidence, and the Judge shall rule at his sole discretion.
3. If the law comprised a certain way of proof, it should be abided with accordingly.
4. If the evidence was not based on a fact, the Judge shall decide that the suspect or the culprit or the defendant is innocent from the crime which he is accused of.

176. In addition to the foregoing, Article (4) of the TPL stipulates the vesting of the Public Prosecutor with the power of monitoring the place of residence of the suspect, his actions, moves and means of communication; forbidding any suspect from traveling; searching the suspect’s place of residence; seizing anything connected to a terrorist activity pursuant to the provisions of the subject law; imposing precautionary seizure on any funds suspected of being connected to terrorist activities. There is no clear provision on the controlled delivery; however, it is permissible to adopt the necessary investigative techniques.

177. The law enforcement agencies possess the powers of obliging the submittal of records, searching the persons or locations and finding evidence pursuant to the Criminal Procedure Law, the Jordanian Penal Code, the TPL and the State Security Court Law. Article (8) stipulates that “the employees of the judicial police are entrusted with investigating the crimes, gathering the evidence, arresting their perpetrators and referring them to the courts authorized to punish them”. Article (19) added that “the Public Prosecutor and all the employees of the judicial police may practice requesting the assistance of the armed forces to help them accomplish their duties. Moreover, Articles (81-92) comprised the provisions related to searching and seizing the materials connected to the crime, Articles (93-97) related to entrance with a warrant, Articles (111-120) comprised summons and warrants of arrest and Articles (147-165) comprised evidence and proof. Moreover, the law enforcement agency has powers to take the testimonies of the witnesses according to the procedural rules in the Criminal Procedures Law (Articles 67 to 75).

178. Moreover, the laws and the codes of professional behavior for the law enforcement agencies stipulate the obligations related to the professional, confidential and private standards, whereby in case such standards are violated, disciplinary sanctions shall be imposed, being the case with the law of the independence of the judicial system No. (15) for 2001 and the amendments thereof. Moreover, the employees' laws and regulations in all official authorities and law enforcement agencies comprise the employees' duties and tasks, and the Code of Ethics whereby the employee shall be subject to disciplinary sanctions in case of violating them. The confidential and private investigations shall prevail until the trial begins in order to preserve the safety of the investigation and to reach all persons involved in such crimes.

179. There are common training plans between the AML Unit and the other competent authorities related to the training on the investigative techniques specialized in the field of AML/CFT for the Judges, the investigators at the Public Prosecution, the Public Security and the State Security Court as well as the Public Prosecutors in the Customs General Department. The Jordanian authorities stated that an AML/CFT investigation workshop has been held in collaboration with the US Ministry of Treasury and a workshop for the fundamentals of investigation and prosecution in ML cases in collaboration with the Judicial Institute of Jordan and the AML Unit. Furthermore, a workshop has been held related to the French experience in ML investigation. The AML Unit has participated in many lectures and workshops for the Public Security on ML and TF.

180. It is worth mentioning that the Ministry of the Interior has made on behalf of the government of the Hashemite Kingdom of Jordan many Memoranda of Understanding related to the security collaboration, especially in the fields of combating terrorism, organized crime, non-national crimes and ML, such as the Cooperation Agreement between the Ministry of the Interior in Jordan and the Ministries of Interior in Iraq and Syria in 2005.

181. **Statistics:** the Public Prosecution has stated that the Unit sent six cases in the ML field since the date of enforcing the law until 13/7/2008: 3 cases are still under investigation, one case the Public Prosecutor of Amman has rendered a decision for reserving the case's dockets and one case referred to Amman Reconciliation Court and another referred to Amman Court of First Instance.

2.6.2 *Recommendations and Comments*

182. It is recommended to:

- Designate a law enforcement agency responsible for ensuring the investigation in TF.
- Provide more specialized and practical training for staff of the law enforcement and prosecution sectors.

2.6.3 *Compliance with Recommendations 27 & 28*

	Rating	Summary of factors relevant to s.2.6 underlying overall rating
R.27	PC	<ul style="list-style-type: none"> • No designated law enforcement authority responsible for ensuring investigation related to TF • Lack of evidence on the effectiveness of the competent law enforcement agencies
R.28	C	

2.7 *Cross Border Declaration or Disclosure (SR.IX)*

2.7.1 *Description and Analysis*

183. **The system related to physical cross-border transportation of currency and bearer negotiable financial instruments:** Paragraph (1) of Article (20) of the AML law No. (46) for 2007 stipulates the implementation of the declaration system: each person must declare the cross-border transportation of funds **upon entering** the Kingdom if its amount exceeds the value fixed by the Committee in the form prepared for this purpose. Moreover, Article (2) of the foregoing law defined the cross-border transportation of funds as being the cash and the negotiable financial instruments whether in JOD or foreign currencies and the precious metals and stones. Neither the subject Article nor any other one has determined whether these obligations are applicable on the natural persons and their luggage or means for moving or shipping currencies in containers or sending funds or bearer negotiable financial instruments via the post service. It is therefore understood that the mentioned provisions theoretically cover those forms of physical cross-border transportation of funds.

184. Article (31) of the AML law clarified that the National AML Committee will establish the instructions related to the controls related to declaring the cross-border transportation of funds and the procedures related to the declaration. The Jordanian authorities stated that a specialized Committee has been established from the AML Unit and the Customs General Department for the purpose of setting up the declaration form and determining the procedures which should be adopted by the Customs in this regard and specifying the ceiling for the cross-border transportation of funds which should be declared upon entrance to the Kingdom. The AML National Committee has approved in its meeting held on 7/8/2008 the cross-border transportation of funds ' declaration form and fixed the ceiling which should be declared at, JOD 15000, but this form is ineffective as the Committee has confirmed in the same decision that the discussion to start the implementation has been postponed. It is worth mentioning that the controls related to declaring the transferred funds have not been issued yet. To date, practically, nothing indicates the broadness of the scope of the definition of cross-border physical transportation of funds, as mentioned in the previous paragraph, since the declaration system is not in effect and its form has not been circulated.

185. It is worth mentioning that this system has been set forth in the AML law and thus is connected to ML only without TF, as there is no indication about that. Besides, and pursuant to Article (21) of the AML law, the Unit should be notified immediately in case of providing false information (upon declaration) or in the case of a suspicious transaction, which confirms the link of this system with ML and not TF. In addition, the system adopted by law is applicable on the movement of incoming currency and financial instruments only without including the outgoing currency and instruments. .

186. The cross-border transferred funds should be declared through filing the form prepared for this purpose and which shows the following:

- Date, and traveler's name, passport number for Jordanians and nationality.
- Flight details and destinations.
- Statement of funds in domestic or foreign currencies.
- Ownership of the funds.
- Purpose of the funds transfer
- Addresses at both the residing country and the destination country.
- Type and value of the currency or the negotiable financial instruments
- Information on the real owner of the funds.

187. **Requesting information on the source of the currency or the bearer negotiable instruments and on the purpose of their usage:** the AML law does not define the possibility of requesting information about the source of the currency or the bearer negotiable instruments and the purpose of using them, in the event of

discovering that the funds or the tangible financial instruments were not declared or were declared falsely. Even though it is worth mentioning that the form for declaring the cross-border transportation of funds, which was adopted by the AML National Committee includes a question about the purpose; however, this form is not yet enforced as previously mentioned.

188. **Stopping or restricting the transportation:** The AML law granted the Customs the power to stop or restrain **transportation** of funds whereas Article (21) of the law stipulates that the Customs General Department has the power to attach or seize the funds transported across the borders in case of non-declaring them or giving any false information about them or if there is any suspicious transaction, the Customs has to inform the Unit immediately, which in turn has to issue a decision regarding these funds within one week from the date it is being informed, either to return it to its owner or refer it to the courts.

189. **Retaining information on the amount of the currency and the identification data of the bearers:** paragraph (2) of the said Article (20) stipulates that the Customs General Department shall retain the declaration forms of the cross-border transportation of funds..."); it is worth mentioning that these forms have not been activated yet).

190. **The AML Unit's access to the information:** Pursuant to paragraph (2) of Article (20), the Unit is entitled to use the transferred funds' declarations, when necessary.

191. **Local cooperation between the Customs authorities and the other professional authorities:** the Jordanian authorities stated that all competent authorities should coordinate regarding the SR.IX whereas the Customs and the AML Unit should coordinate practically without any written controls. Currently, there is no coordination with the Unit; however, it is worth mentioning that there is some coordination between the Customs and the law enforcement agencies.

192. **International cooperation between the competent authorities regarding the physical transportation of currency or the bearer negotiable instruments:** The Customs cooperate with the competent authorities in other countries through Memoranda of Understanding and Customs cooperation agreements in general, namely:

- Customs Cooperation Agreement between Jordan and the Council of Ministers of Ukraine of 2006.
- Mutual Administrative Cooperation Agreement between Jordan and Morocco of 2005 for the proper implementation of the Customs legislation, as well as avoiding, searching for and combating the customs violations.
- Mutual Administrative Cooperation Agreement between Jordan and Bahrain of 2005 for the proper implementation of the Customs legislation, as well as avoiding, searching for and combating the customs violations.
- Mutual Administrative Cooperation Agreement between Jordan and Syria of 2005 for the proper implementation of the Customs legislation, avoiding, searching for and combating the customs violations.
- Mutual Administrative Cooperation Agreement between Jordan and Egypt of 1998 for the best implementation of the Customs legislation and combating the customs violations.
- Mutual Administrative Cooperation Agreement between Jordan and Algeria of 1997 for the proper implementation of the Customs legislation as well as avoiding, searching for and combating the customs violations.
- Administrative Cooperation Agreement in customs affairs between Jordan and Italy of 2005.
- Draft Administrative Cooperation Agreement in customs affairs with the USA.
- Draft Administrative Cooperation Agreement in customs affairs with Iran.

It is worth mentioning that in practice, no information related to reports on the cross-border physical transportation of funds have been exchanged since the system has not been activated yet by the Jordanian authorities and because there is no evidence on the availability of foreign requests in this regard.

193. **Sanctions imposed on false declaration/disclosure:** the AML law has determined the sanction on the violation of the provisions of Article (20) pursuant to what is set forth in the provisions of Article (25), paragraph (b) by stating that “whoever violates the provision of paragraph (a), Article (20) of the subject law shall be punishable with a fine of (10%) at least of the value of the non declared funds”. This sanction is proportionate if compared to the sanctions mentioned in the Customs Law; however, this ratio is clearly low, and cannot be regarded as a dissuasive sanction.

194. **Confiscation of the currency or the instruments pursuant to the SC resolutions:** there is no evidence that the Customs have received the SC resolutions and the confiscation of the currency or the instruments pursuant to these resolutions; however, the authorities stated that a circular on the SC resolutions shall be issued by the Central Department and circularized electronically to all Customs centers (32 centers) regarding the immediate seizure.

195. **Notifying foreign agencies of unusual cross-border activity of gold or precious metals or precious stones:** there is no system for notifying counterpart authorities in other countries on the unusual cross-border activity of gold or precious metals or precious stones.

196. **Guarantees to use the information properly:** no guarantees exist.

197. **Additional element – implementation of the Best Practices Paper related to SR.IX:** the Jordanian authorities did not examine the implementation of the procedures which are included in the Best Practices international paper issued by the FATF on cross-border transportation of funds.

198. **Additional element – computerization of the database and making it available for the competent authorities:** the implementation of the system is new and the databases are not computerized.

199. There are no statistics available on the number of STRs sent from the Customs to the AML Unit regarding cross border transportation of funds as well as the reports submitted to the Customs on cross-border transportation of currency and bearer negotiable instruments, since the system has not been enforced yet.

2.7.2 Recommendations and Comments

200. The Jordanian authorities should:

- Expand the implementation of the declaration system adopted for the cross-border transportation of funds to include TF as well.
- Apply the said system to incoming and outgoing transportation of currency and bearer negotiable instruments.
- Expedite the setting of measures for bringing the declaration form into effect.
- Vest the competent authorities with the power to request and obtain further information from the couriers regarding the source of the currency or the bearer negotiable instruments, and the purpose for using them in case of suspected ML or TF cases.
- Establish a dissuasive sanction for false declaration.
- Set guarantees to use the information properly.
- Establish a system to notify counterpart authorities in other countries about unusual cross-border movement of gold or precious metals or precious stones.

- Strengthen the exchange of information between the Customs and the AML Unit, and establish a database at the Customs to record all declared data related to the currencies and bearer negotiable instruments.

2.7.3 Compliance with Special Recommendation IX

	Rating	Summary of factors relevant to s.2.7 underlying overall rating
SR.IX	NC	<ul style="list-style-type: none"> • Failure to apply the declaration system adopted for cross-border transportation of currency to TF. • Failure to apply the system on incoming and outgoing currency and bearer negotiable instruments movements. • Failure to implement the declaration form. • Failure to vest competent authorities with the powers of requesting and obtaining further information from the courier regarding the source of the currency or the bearer negotiable instruments and the purpose for using them in case of suspected ML or TF cases. • No dissuasive sanction in case of false disclosure. • Lack of safeguards for using the information properly. • Failure to establish a system to notify counterpart authorities in other countries about the unusual cross-border movement of gold or precious metals or precious stones. • Inadequacy of the exchange of information between the Customs and the AML Unit, and failure to establish a database at the Customs Authority.

3. PREVENTIVE MEASURES – FINANCIAL INSTITUTIONS

201. The major financial sector institutions include the banks, the insurance companies, the credit companies, the exchange companies, the financial leasing companies, the financial services companies and brokers. The Central Bank of Jordan, the Insurance Commission and the Securities Commission are regarded as the monitoring and supervisory authorities on the financial sector, according to the laws and legislations of which, designated procedures for licensing and registration are imposed for practicing the financial activities. The activities for which the banks are licensed to practice according to the definition of banking businesses comprise “accepting deposits from the persons and using them completely or partially for granting facilities and for any other activities that the Central Bank regards as banking businesses pursuant to orders issued for this purpose”. Moreover, the exchange companies are licensed to deal in foreign currencies and precious metals; they transfer funds from and to Jordan. Whilst the insurance companies are licensed to work in life insurance and general insurances, and any activity regarded by customs and tradition as an insurance activity shall be included therein. Moreover, the insurance activities include re-insurance; actuaries work, insurance agents and brokers; soliciting, accepting and transferring the insurance contract as well as assessing the related claims, and settling it along with any other insurance services related thereto. Regarding the financial services companies and brokers, the activities which they are licensed to perform are the activities of the intermediary and the broker for his own account, the investment trustee, the investment manager, the financial consultant, the manager of issuance, the financial services company and the custodian. Moreover, some companies perform the financial leasing activity, and most of which are affiliated with banks.

202. It is worth mentioning that the Postal Saving Fund PSF is a governmental, financial institution which is financially and administratively independent and provides banking and financial services that are equivalent to the services provided by the banks; and does not compete with or substitute the banking services. The PSF law has granted many privileges for its dealers to encourage them save, the most important of which (regarding its influence on the risks of ML and TF) is the inadmissibility of seizing the funds deposited in the PSF and their profits. Despite that, the lawmaker has ignored including the PSF within the financial institutions addressed by the AML law, which represents a failure to cover the risk posing institutions regarding the possibility of using them in the ML and TF transactions.

203. As of the end of 2007, there are (23) licensed banks in Jordan out of which are: two Islamic banks and 8 foreign banks. They all carry out their activities through 558 branches and 79 offices distributed inside the Kingdom, while the number of their branches outside Jordan is 129 in addition to 9 representative offices overseas for Jordanian banks. There are 29 licensed insurance companies as well as 94 financial services companies licensed from the Securities Commission

Legal and Regulatory Framework

204. The financial institutions and some non-financial institutions shall comply with the imposed obligations pursuant to the Jordanian AML law, which defines the financial institutions as follows: "The banks operating within the Kingdom, the branches of the Jordanian banks operating abroad, the exchange companies, the money transfer companies, the companies that perform any of the activities which are monitored and licensed by the Insurance Commission, the natural or legal person who performs any of the activities which are monitored and licensed by the Insurance Commission as well as the financial companies whose Articles of association stipulate that its purposes include among others, performing the following financial activities (granting credit in all its forms, providing payment and collection services; issuing and managing payment and credit tools; trading with the monetary market tools and the capital market tools whether for their account or for the account of their clients; buying and selling debts whether with or without recourse; financial leasing; managing the investments and financial assets on behalf of others, the companies working in real estate and real estate development traders of precious metals and precious stones). This definition includes a large number of the financial sector institutions as well as non-financial, however, the implementation of the law obligations on some of these institutions has not started yet due to many reasons, such as the nonexistence of a steady, operational pattern or non-regulating the sector (which is the case of the

companies issuing and managing the payment and credit tools.) or non-determining a suitable monitoring scope (financial leasing, for example).

205. The AML legal and regulatory framework has not exempted the institutions under the law from complying with the effective requirements on the basis of a weak evaluation of the ML risks; however, it permitted the implementation of limited procedures regarding some transactions (which are below a specific amount for the occasional clients, the insurance policies whose annual installments do not exceed a certain limit...) within the compliance with the international standards.

The financial institutions, according to the definition of the Methodology of evaluating the compliance with the FATF R.40+9 of 2004, which do not exist in the Kingdom:

206. The authorities stated that there are no independent and specialized financial services institutions performing the following activities and transactions exclusively within the Kingdom: the financial guarantees and obligations; investing or managing or operating the money or the funds on behalf of others; subscribing and ensuring the life insurance policies and other kinds of insurances connected to investment; exchanging money and currency.

207. Article (14) of the AML law stipulates, even though in a brief way, the obligations of the authorities under the provisions of the law, dealing with the obligation of CDD for identifying the client's ID, legal status and activity as well as the beneficial owner in the relationship established between those authorities and the client; the continuous follow up of the transactions occurring within the scope of a continuous relationship with their clients. Moreover, these authorities are prohibited from dealing with anonymous persons, or persons with false or fictitious names or with shell banks. Moreover, the law stipulates other obligations such as the duty to notify the Unit upon suspicion and to comply with the instructions issued by the supervisory authorities, as well as the obligation of non-disclosure, keeping the confidentiality and cooperating with the inquiry and investigation requirements, among others.

208. However, the subject law has not dealt with other basic requirements such as the CDD procedures regarding the occasional clients, the cases of suspecting the possibility of ML or the information declared previously by the client. Moreover, the law has neglected the need for verifying the ID by using original documents or data or information from a reliable and independent source, also it does not indicate the need for inspecting, if a person claims to be acting on behalf of the client is authorized to do so or not, as well as identifying and verifying his ID, in addition to the need for updating the data and retaining the documents.

209. It is worth mentioning that Article (30) of the said law stipulates that "the Council of Ministers should issue the necessary regulations for the execution of the provisions of the subject law", which could be considered as the delegated legislation under the concept provided for by the assessment Methodology of 2004. Until the date of the onsite visit and immediately thereafter, the Council of Ministers has not issued any regulations related to the mechanisms of law implementation or to oblige the entities subject to the law with the detailed requirements they should abide by.

210. On the regulatory level, the supervisory authorities have issued many instructions addressed to most of the financial sector institutions. Some of the instructions were amended; others have been issued lately, and they do not stipulate sanctions in case of non-compliance, but refer to the provisions of the sentences in the laws under which these instructions have been issued. These instructions are: (1) the AML/CFT instructions No. (42) for 2008 issued by the Central Bank to the banks on 3 July, 2008, including slight amendments on the instructions no. (29) for 2006; (2) the AML instructions in the securities activities issued in 2008 by the Securities Commission immediately after the onsite visit; (3) the AML instructions No. (3) for 2007 in the insurance activities (these instructions were issued in October 2007 and the insurance companies were granted a duration of one year to settle their status in accordance therewith); and (4) the AML instructions No. (9/2/2437) for 2008 issued by the Central Bank for the exchange companies.

211. It is indicated that a guideline on the AML/CFT procedures (the evaluation team has not received a copy of the guideline, and it is noted that none of the banks did refer to this guideline or stated being familiar

with it) has been issued by the Central Bank of Jordan, attached with the instructions sent to the banks. It is published on the website of the AML unit, but is not considered as one of the enforceable means according to the definition mentioned in the Assessment methodology for the year 2004²¹.

212. It is noted that the different supervisory authorities have no authority to issue CFT instructions, due to the absence of any provision in the laws regulating them that allow them to do so, and due to the fact that the monitoring scope of those authorities is not connected to the CFT issue according to the laws regulating their work, as well as the limitation of the scope of the Law No. (46) for 2007 to the field of AML only, that initially cancels the part related to TF of the instructions sent to the banks.

213. Moreover, it is noted that not all of the above mentioned instructions have been issued, according to what they comprised, according to the AML law, whereby the banks instructions were issued first by virtue of the banks law No. (28) for 2000. Then, they were amended and referred to the AML law. The instructions might be ambiguous in form (at least) in the extent of the possibility of imposing the sanctions provided for in the AML upon violating them, even if it has been pointed out to their issuance, due to the reliance on the banks law and not the AML law explicitly in issuing them as it is the case with the instructions sent to the exchange and securities companies. It is remarkable that the Central Bank's instructions sent to the banks rely on Articles 93 and 99 (b) of the Banks Law. Article (93) is only related to the obligation to notify **the Central Bank** upon knowing that any transaction might be related to any crime. However, what is more important is that Article 99 (paragraph b) stipulates that "the Central Bank may issue the orders it deems necessary for the execution of **the subject law** individually or collectively". Whereas all AML/CFT procedures mentioned in the instructions are not issued for the implementation of the provisions of the Banks Law (including notifying the Unit upon suspecting any ML or TF), the ambiguity resulting from the reference of the instructions to the Banks law increases.

214. Moreover, the insurance companies' instructions have been issued pursuant to the Law No. (33) for 2009 regulating the insurance activities. It is necessary to mention that referring the legal support of the insurance instructions to the law regulating the insurance activities will result in the sanctions mentioned in the AML law and which are imposed upon violating the contents of these instructions being illegal, which leads to considering these instructions unrelated to the AML law (even if they had the same definition of the Unit, the suspicious transaction and the notification procedures). On the other hand, the sanctions mentioned in the law regulating the insurance activities in case of violating the instructions issued according to it are deemed non-dissuasive or are non- proportionate with the sanctions which could be imposed on the other financial institutions in case of violation. While the securities instructions have been issued according to the securities law and the AML law, and the exchange instructions have been issued according to the AML law only.

215. On the other hand, the formulation of the instructions mentioned above refers to the need to comply with the requirements listed therein on the basis of being binding. Financial institutions bound to competent supervisory authorities perceive those instructions (except for the guideline attached to the banking instructions) as mandatory tools that the compliance with which is not optional. As to sanctions included in the laws governing the work of financial institutions, such as banks, Forex companies and securities companies, they are graduated by severity to the extent that they are considered proportionate, dissuasive and effective (see subsection 3-10 of this report for a detailed description of the sanctions that can be imposed by supervisory authorities against entities subject to their jurisdiction), with the exception of those related to the insurance sector, as explained in the previous paragraph. In light of the foregoing, all the instructions issued by the competent supervisory authorities can be considered as other enforceable means, except for the insurance companies' instructions as explained above.

216. Despite the foregoing, the authorities in the Hashemite Kingdom of Jordan have stated during the discussion session of the report in the 9th plenary meeting for the MENAFATF that the Bureau related to the

²¹ Jordan Securities Commission issued a guidebook for guidance on ML suspicion and approval by the Commission delegates on 9/10/2008 (more than 7 weeks following the onsite visit). The evaluation team could not receive a copy of the guidebook.

laws explanations associated to the Ministry of Justice has the powers to explain any law, including all instructions; it has, in some cases, explained instructions issued by supervisory authorities (without indicating any of such cases), which means considering all such instructions legislative as per the statement of the Jordanian authorities. In light of such statement, the Plenary meeting considered as a delegated legislation instructions issued by the Central Bank of Jordan (for banks and exchange companies) and the Securities Commission (except the instructions issued by the Insurance Commission), on which the evaluation team relied during the evaluation process. It is worth mentioning that the Constitution in Jordan included the powers of the Bureau mentioned in Article 123, particularly Article (1) stipulating that the commission has the powers to explain any law that has not been explained by the courts, if so requested by the Prime Minister.

217. On the other hand, the AML law does not stipulate on, nor authorize or impose administrative sanctions for the supervisory authorities on the financial institutions upon violating the instructions; but provides for criminal sanctions, imprisonment and fine against whoever violates the provisions of Articles 11, 14 and 15 of the law (the provisions of which comprise the obligation of abidance by the instructions issued by the competent supervisory authorities), which affects the possibility of imposing the administrative sanctions mentioned in the laws to which the AML/CFT instructions refer to upon violating them (A statement of the effects of this interference will be mentioned later on regarding imposing the sanctions on the banks violating the instructions).

Powers to issue instructions:

218. Article (14) of the AML law stipulates that the institutions under the law should comply with the instructions issued by the competent supervisory authorities for the implementation of the provisions of the subject law.

219. While there is no clear provision that grants the Central Bank of Jordan special powers to issue ML or TF instructions, the Central Bank of Jordan Law No. (23) for 1971 (Article 4, clause (i)) enabled the bank to carry out “any duty or transaction the Central Banks usually performs”. Moreover, Article (99/b) of the subject law permitted “the Central Bank to issue the orders it deems necessary for the execution of the provisions of the subject law individually or collectively”. Whereas, the Banks Law, Article (60), clause (a) stipulates that “**the banks** must comply with the orders of the Central Bank related...to the regulation of its accounts according to the common accounting rules, and set up its financial data in a sufficient way that reflects the real financial status of the bank...with the necessity of complying with any special requirements designated by the Central Bank in this regard”.

220. Article (8) of the Securities Law for 2002 entrusted the Securities Commission with the responsibility of “protecting the capital market from the risks it might be exposed to” and “regulating and monitoring the issuance of and the trade in the securities...as well as regulating and monitoring the market and the securities markets”.

221. Regarding the Insurance Commission, clause (b), Article (108) of the law regulating the insurances comprised the power of “issuing the instructions related to monitoring and regulating the insurances”. Article 6 (b) gave the Commission the powers to bind the insurance companies with the “Code of Professional Ethics “

222. Regarding the **exchange sector**, clause (c), Article (3) of the Banks Law authorized the Central Bank “if need be, to make any financial company subject to any of the provisions of the subject law by virtue of special orders issued for this purpose”. Moreover, the law defined the financial company as “the company the Memorandum of Association and the Articles of Association of which stipulates that its objectives is to practice financial activities except accepting unconditional deposits”, which is a definition that includes the exchange companies. Moreover, the **money exchange** Law No. (26/1992), Article (16) stipulates that “the money exchanger’s records, entries and transactions related to money exchanging should be audited, reviewed and inspected by the Central Bank, and the Governor may authorize in writing any of the Central Bank’s employees or some of them to undertake those procedures...”.

223. It is worth mentioning that the AML Law No. (46) for 2007 has entrusted the AML National Committee pursuant to Article (31) with the obligation to establish “the controls and bases related to reporting the suspicious transactions and the forms adopted by the Unit...”

Other laws, instructions and guidelines:

224. The amended law regulating the insurances of 1999 comprised one of three Articles, dealing with ML (Article 52). It defined the ML crimes in the insurance activities only (in a limited way, according to what is mentioned in paragraph (89) of this report), authorized the Insurance Commission to request refusing to execute the transactions arising from the ML operations and imposed temporary hard labor, fines and confiscation on the ML acts. Moreover, the AML National Committee issued the “user’s manual” for filling the STRs notification forms and the notification form for the insurance companies, the exchange companies, the real estate agents, the dealers in precious metals and precious stones. In addition, we refer to Resolution No. (2) for 2008 on the scope of the application of the provisions of the AML instructions in the insurance activities (issued by the Director General of the Insurance Commission).

Other relevant instructions:

225. They are instructions including obligations that meet with the AML obligations especially regarding the regulation of the transfer and obliging the identification of the client’s ID: the instructions of licensing the Limited Liability Exchange Companies, issued on 27/2/2007 and their amendments issued pursuant to the decision of the Board of Directors of the Central Bank of Jordan, and the instructions of licensing the jewelry stores and the bases of licensing them for 2003 as well as the guidelines for licensing the banks for 2006.

System of Free zones institutions:

226. The same legal and regulatory framework is applicable without any discrimination or exception on the financial institutions operating in the free zones, where the facilitations that characterize those zones are limited to features in establishing the industrial projects and in the customs transactions on the goods manufactured in such zones or imported or exported through them. There are 5 public free zones and 41 private free zones in Jordan (11 are under construction) by the end of 2007.

Summary of the Description of the Legal, Regulatory and Supervisory Framework of the Financial Sector Institutions (Regarding the AML/CFT Requirements)

Economic Activity	AML Law	CFT Law	Instructions in the form of Other Enforceable Means	Supervisory authorities
Banks	A	N/A	A	Central Bank
Insurance Companies	A	N/A	A - invalid	Insurance Commission
Authorities supervised by the Securities Commission	A	N/A	A	Securities Commission
Exchange Companies	A	N/A	A	Central Bank
Remaining Financial Companies	A	N/A	N/A	Miscellaneous

3.1 Risk of money laundering and terrorism financing

227. The descriptive analysis of the nature of the Jordanian financial sector structure would notice the presence of elements that increase the ML and TF risks. For example, it is noted that the controlling position that two financial institutions hold within the banking sector, shall lead to the rapid development in using technology for providing banking services, in addition to dividing the operational monitoring on the activity of issuing the payment and credit tools and on the e-money transfer activity might all increase these risks. Moreover, it is possible to notice the presence of an insurance company controlling the life insurance activities and the lack of the AML/CFT awareness with many employees affiliated to many entities operating in the non-banking financial sectors or of the institutions non-affiliated with banks.

228. It is difficult to estimate the degree of the ML risks in the Kingdom; however, it is possible to count components that are part of this estimation on the basis that the degree of risks= (the possibility of exploiting the weak points of the AML law X the probability of exploiting those weak points) – the effect of the factors that may reduce the risks.

Possibilities to exploit system weaknesses:

229. These possibilities are available due to many reasons such as the novelty of the system (the legal and regulatory framework has started only from 2007), its gaps (in its current form) and the recent application (especially that some instructions include deadlines for compliance). Moreover, because the regulatory framework does not comprise some existing financial activities (the issuance and management of the payment and credit instruments, the financial leasing²², the Jordanian financial post services, the PSF and the e-money transfer companies), and the criminalization does not comprise all the predicate offences (as it was mentioned in section 2) might make these gaps more attracting for the money launderers. In addition to the weakness or even the failure of the monitoring and inspection authorities to initiate their auditing mission regarding the extent to which the sector's institutions have been compliant to date (in most times, failure to determine the inspection mechanism and methods), associated with the nature of the perception that some monitoring and inspection institutions have regarding the ML concept, which often fails to cover the basic aspects (such as the extension of the predicate offences and the consideration of the integrity of the risk policy...), we realize that the exploitation possibility increases.

230. While regarding the financial sector, some institutions, especially in the banking sector, have a low degree of awareness about the ML risks and aspects (even for some procedures requested by law and instructions), as well as there is a difference at the level of awareness and compliance degree between the sector institutions connected to banks and those not connected to any banking institution. Moreover, it is noted that there are serious exploitation risks resulting from the possibility of establishing companies without any effective control on proving the real existence and ensuring the practice of the activities provided for in the registration contract.

Possibility of exploiting the system gaps:

231. It is difficult to measure the probability of exploiting the above mentioned gaps, but it is possible to estimate that through realizing significant indications, such as the extent to which the predicate offence have spread (there is no detailed information about this issue but through following up the growth of the crime rate, (per thousand capita), it seems that this rate is very low, reaching around 7.5 per thousand capita in 2007 for all general crimes²³), the trafficking of drugs, (as mentioned in the First Section – the problem of its spread across the Kingdom), the increase of deposits at the banks, the growth of the securities sector, the increase of each of the insurance subscription rates and the money transfer activity as well as the growth of the real estate market (to be mentioned in a following section).

²² AML/CFT Instructions for Finance Leasing Companies were issued on 16 October 2008.

²³ Source: statistics published on the UN website in August 2008:

http://unstats.un.org/unsd/demographic/meetings/egm/NewYork_8-12Sep.2008/EGM%20Papers/Jordan%20-%20Crimes.pdf.

Factors that could decrease the risk size:

232. The most significant factors are: the limitation in terms of dealing in the foreign money (It is sometimes restricted as per the institution's internal policy), focusing on dealing with resident clients (whether through a legal provision or an internal policy of the institution or a mere real practice), the difficulty to establish (private, financial) companies by the non-Jordanians, a strict regulatory-monitoring level on the non-Jordanian companies, their assets, development, and the non-Jordanians' transactions (within the sector of banks, securities, free zones, real estate business...), increasing the control on the transfer activities, the presence of strong ties between the security authorities and the exchange sector. We notice a weakness in the insurance sector as well (despite its growth) and in the insurance culture in general.

233. Many official reports (especially the Jordanian) address the terrorism risks threatening the Kingdom and the tremendous efforts made by the Kingdom for combating terrorism whether through legislation or conventions or agreements or investigation or follow up or tracking or arrest, then through trial and dissuasive sanctions. These reports rarely address the crime of financing such terrorism and its risks. While reports or information or statistics on the TF and terrorists' activities are unavailable, the size of the above mentioned terrorism risk shows the seriousness of the TF risks in the Kingdom. The second section of the report dealt with the lack of the legal framework which combats the TF in the Kingdom, along with other weaknesses related to monitoring the cross-border financial activity (as mentioned in Section 2 of this report), the full control on the money transfer systems, the current networks as well as the amount of unregistered deposits (at least before mid 2007), control on the Charities (as will be mentioned in Section 5 of this report),... all are factors that highlight more and more the seriousness of the risk of exploiting the banking and financial system in general, in TF.

234. Jordan has not evaluated the risks related to ML/TF activities in the different sectors, financial or non-financial. Therefore, none of the sectors were excluded from the AML procedures and measures according to a study or research performed on the degrees of risks connected to the AML activities, as well as, no further importance was given to any of the sectors through strengthening the level of the general policies and trends of the AML system in Jordan. However, there are some cases where the competent supervisory authorities directed the companies affiliated to them towards classifying their clients according to the degree of risk, as set forth below.

3.2 Customer due diligence, including enhanced or reduced measures (R.5 to 8)

3.2.1 Description and Analysis

Introduction

235. The CDD aspects in the AML system in Jordan address many legal, regulatory and guiding provisions that were previously mentioned, as follows:

- Article (14) of the AML law.
- AML/CFT instructions No. (42) for 2008 issued by the Central Bank to the banks, in addition to the attached guideline.
- AML instructions No. (3) for 2007 on the insurance activities.
- AML instructions No. (9/2/2437) for 2008 issued for the exchange companies.
- Instructions for licensing the Limited Liability Exchange Companies, issued on 27/2/2007.
- AML instructions issued by the Securities Commission to the authorities licensed by this Authority (not effective to date²⁴).

²⁴ Authorities informed the team in late November 2008 that such instructions have come into effect.

- Circular of the exchange Law No. (26) for 1992.
- Circular for the exchange companies on 27/2/2008

Recommendation 5

Anonymous accounts, accounts in fictitious names and numbered accounts

236. The AML Law No. (46) for 2007, Article (14/1-b) stipulates: “that the authorities under the provisions of the subject law shall comply with: (a) CDD for identifying the client’s ID, legal status and activity as well as the beneficial owner from the relationship established between those authorities and the client, and the continuous follow up on the transactions that occur within the scope of an ongoing relationship with their clients, (b) non-dealing with anonymous persons or persons with false or fictitious names or shell banks . Moreover, the AML/CFT instructions No. (42/2008), Article (3), clause (2) stipulate: “it is not permissible to deal with or establish banking relationships with anonymous persons or persons with false or fictitious names”.

237. Regarding the numbered accounts, the instructions issued by the Central Bank of Jordan for **the banks**, bind the financial institutions under the Central Bank’s authority to comply with obligations in this regard. With respect to verifying the clients (numbered accounts holders') and making the documents available to the AML/CFT compliance officer, relevant competent officers and the competent authorities, no specific provision tackles these accounts. However, the AML/CFT instructions No. (42/2008) in Article (6), clauses (second) and (third) stipulate that “the bank should retain records and details supporting the ongoing relationship and the banking transactions ...so they include the original documents or copies thereof accepted by the courts pursuant to the legislations enforced in the Kingdom for 5 years at least of the date of the accomplishment of the transaction or the termination of the relationship according to the case, and “the bank should develop an integrated information system for keeping the records and the documents mentioned in clauses (first) and (second) of the subject Article, enabling it thus to respond to the Unit and the competent official authorities’ requesting any data or information needed completely and swiftly, particularly any data showing any ongoing relationship between the bank and a specific person over the past 5 years and providing information on the nature of this relationship”.

238. Regarding the supervisory authorities’ powers, the Banks Law No. (28) for 2000, Article (70)/c, clause (1) stipulates that “the Central Bank and the auditors appointed by the CB are entitled upon inspecting the bank and any company affiliated therewith, to: (1) examine and obtain copies of any accounts, records and documents including the minutes of the meetings and resolutions of the Board of Directors and the Auditing Committee”. The internal control and monitoring systems’ instructions no. (35/2007), Article (third), clause (10) stipulate that “in addition to what was set forth in the relevant legislations, the bank’s Executive Management must at least comply with the following:”...providing the external and internal supervisory authorities such as the supervisory authorities, the internal auditing, the external auditing and any other relevant authorities, within the time frame set by such authorities, with the requested information and statements necessary in order to fully perform their duties.”. Moreover, the control and monitoring systems’ instructions No. (35/2007), Article (eighth), clause (3) stipulate that “the bank should at least have the following available:... written procedures ensuring that the books and records are saved on a regular basis and in a safe way for a period not less than that provided for in the effective legislations, and in a manner that facilitate the auditing and inspection task thereof..

239. Whereas, the AML instructions No. (3) for 2007 in the **insurance** activities also do not form a primary or secondary legislative provision, and they bind the insurance companies subject to their provisions to investigate about all the clients such as “undertaking Enhanced CDD measures concerning the client before and during the establishment of the insurance relationship with him... and that the CDD concerning the client includes identifying and verifying the ID and activity of the client and the beneficial owner...”. Moreover, Article (12) of the instructions stipulates keeping the documents and records for a period of 5 years.

240. Regarding the **exchange** companies, Article (3) of the AML instructions specified the CDD requirements, the general rules and the procedures of knowing and verifying the client's ID. Moreover, the instructions of licensing Limited Liability Exchange Companies have also addressed this issue in Article (17). Furthermore, Article (6) of these instructions stipulates keeping the records and documents for 5 years from the date of the completion of the financial transaction and taking the necessary procedures for responding to the request of the Unit and the competent official authorities for any data or information in a complete and fast way during the time specified.

241. Regarding the authorities monitored by the **JSC**, Article (4) of the AML instructions issued by the JSC addresses the Customer Identification mechanism, and it indicated in clause (4) within the procedures of identifying and verifying the client's ID regarding the natural persons the following: "it is inadmissible to deal with anonymous person or persons with fictitious names".

242. As stated above, no special provision in the law or any other primary or delegated legislation has mentioned the numbered accounts (whether to allow their existence or not), but the managers of the institutions that were visited by the evaluation team stated that their institutions refuse to open any anonymous or fictitious or numbered accounts. The evaluation team did not find out any facts that are contradictory with this statement.

When CDD is required

243. Article (14) of the AML law stipulates the need to conduct the CDD...and follow up on the transactions that occur within an ongoing relationship with their clients".

244. Regarding **banks**, the AML/CFT instructions N0. (42/2008), Article (3) within the CDD requirements regarding the clients /first/clauses (3), (4), (5) and (9) stipulate the following:

3. "The bank has to undertake the CDD concerning the clients upon the establishment of any ongoing relationship.
4. The bank has to undertake the CDD measures concerning the clients before or during the establishment of the continuous relationship or upon the execution of the transactions for the occasional clients.
5. The bank should conduct the CDD concerning the occasional clients in the following cases:
 - a. If the value of the transaction or transactions which seem to be linked exceeded (JOD 10000) or its equivalent in foreign currencies
 - b. If there is doubt that the occasional transaction is suspected or related to TF.
 - c. Any electronic transfer transaction conducted by an occasional client regardless of its value".
9. The bank should update the data of client identification...upon the appearance of reasons requiring so, such as that the bank has doubts about the veracity or adequacy of the previously obtained information..

245. Regarding the **insurance** sector, paragraph (a), Article (4) of the AML instructions no. (3) for 2007 for the insurance activities states that "the company has to take the CDD procedures concerning the client before and during the establishment of the insurance relationship with him". Moreover, the General Director of the Insurance Commission issued Resolution No. (2) for 2008, which restricted the application of the instructions to "the general insurances policies which the single installment or the total annual installment of which exceeds (JOD 3000) and to the individual life insurance policies which the single installment or the total annual installment of which exceed (JOD 1500) regarding the individual insurance policies and (JOD 5000) regarding the collective insurance policies". Whilst paragraph (c), Article (4) has dealt with the right of the company to postpone "the procedures of verifying the beneficiary and his activity until after making the insurance policy provided that:

1. The company completes these procedures as soon as possible and in any case, it has to do so while or prior to paying the compensations or before the beneficiary practices any rights entitled to him pursuant to the insurance contract.

2. The company takes the necessary procedures to avoid the ML risks during the postponement duration including the establishment of an internal policy suitable for the number, type and amounts of the transactions which could be completed before the completion of these procedures.
3. In case the company could not perform the requirements of verifying the beneficiary's ID and activity, it has to terminate the insurance contract and notify the Unit accordingly pursuant to the provisions of these instructions.
4. The company includes the insurance policy forms, which will ensure its right to terminate the insurance contract pursuant to the provisions of clause (3) of this paragraph".

246. However, in the **exchange** sector, Article (3/first/3) stipulates that "the money exchanger has to conduct CDD ... if the value of the transaction or transactions which seem to be interconnected exceeded (JOD 10000) or its equivalence in foreign currencies and if the money exchanger has doubts that the transaction is suspicious for any reason".

247. Regarding the authorities supervised by the **JSC**, Article (4) of the instructions stipulates the obligation to "take the CDD measures regarding the customer and/or the beneficial owner before and while dealing with him/them".

248. It is noticed that all the instructions referred to, have focused only on the implementation of the CDD measures upon establishing the business relationship or if the relevant transaction exceeded a certain limit, excluding the instructions sent to the banks. Neither the AML law nor any other primary or delegated legislation did clarify the other circumstances that require the implementation of the CDD, being the cases of transactions exceeding the specific applicable value (15000 USD/Euro). This also includes the cases in which the transactions are carried out in one single operation or in several operations; or the cases of performing occasional transactions in the form of wire transfers in the cases covered by the Interpretative Note of SR.VII; or the cases of suspecting the occurrence of ML or TF operations regardless of any exemptions or specific limits mentioned in other places within the FATF Recommendations; or the cases in which the financial institution has doubts about the veracity or adequacy of the previously obtained customer identification data.

249. In reality, the managers of the financial institutions which the evaluation team had visited stated that their institutions implement the CDD measures upon the establishment of any business relationship or dealing with any occasional customer. The facts available showed that some institutions (some banks) do not originally deal with occasional customers, stipulating so in their internal policies, and that the other institutions such as the insurance and finance leasing companies...cannot provide services for occasional customers (regarding the nature of their activity). It is worth mentioning that it has been found that the written policy of one of the prominent insurance companies stipulates not to implement these procedures regarding many kinds of insurance which those companies regard their risks are low in terms of ML, which is not in accordance with the issued instructions (knowing that these instructions have granted the companies a one-year deadline to settle their situation as from 16/10/2007). While the internal policies of some financial institutions clarify the circumstances of the implementation of the CDD procedures in a way that is in line with criterion (5-2) especially regarding the cases of suspecting an ML/TF operation regardless of any exemptions or certain limits; however, many other institutions restrict themselves to reporting the account or terminating the relationship, without implementing the CDD measures when they have any doubts.

Required CDD measures

250. Article (14) of the AML law stipulates the need to "identify the client's ID and legal status...". However, it neglected the need for verifying this ID by using original documents or data or information from a reliable and independent source (the ID identification data) and neglected the need for verifying if any person claiming to be acting on behalf of the client is authorized to do so or not as well as identifying and verifying his ID.

Identifying and verifying the customer's ID

251. Regarding the **banks**, Article 3.2, clauses (1), (2) and (3) of the AML/CFT instructions No. (42/2008) stipulates that “the banks should establish the systems that guarantee the identification of the client’s ID and the verification of its validity...the bank has to peruse the official documents to identify the client’s ID, as well as obtain a copy of these documents signed by the competent employee and certifying that it is a true copy...the bank should take the necessary procedures for verifying the reliability of the data and the information obtained from the client, through neutral and reliable sources, including contacting the competent authorities issuing the official documents that confirm such data”.

252. Regarding the **insurance** sector, Article (5) of the AML instructions no. (3) for 2007 in the insurance activities stipulates that “the company has to peruse the official documents in order to identify the client’s ID, as well as obtain a copy of these documents signed by the competent employee, which certifies that it is a true copy...the bank has to take the necessary procedures for verifying the reliability of the data and the information obtained from the client, through neutral and reliable sources if necessary...the identification data include the client’s full name, nationality, date and place of birth, national number (for the Jordanians), passport No. (for the non-Jordanians), current and permanent, real residence address, type of work, as well as any further information that the company might regard as necessary to obtain”. Moreover, Article (5), clause (f) stipulates: “the company in case of collective insurance policies may restrict the procedure of identifying the client and his activity to the persons authorized to sign on his or the client’s main partners’ behalf, whose contribution rate is not less than 10% of the client’s capital”.

253. Regarding the **Exchange** companies, Article 3.2 of the AML instructions stipulates that “the money exchanger has to peruse the official documents to identify the client’s ID, as well as obtain a signed copy of these documents, which certifies that it is a true copy...The following should be taken into consideration in the procedures related to identifying the natural person’s ID, the data to identify him should include the client’s full name, nationality, permanent residence address, phone number, national number, information related to the ID document (for the Jordanians), passport No. (for the non-Jordanians) as well as any other information the money exchanger deems necessary to be obtained”.

254. Regarding the authorities supervised by the **JSC**, Article 4.1 of the AML instructions addresses the following: “the supervised authorities are required to...identify and verify the client’s ID and activities and/or the beneficial owner. In case a person dealing with the supervised authority on behalf of the client, the supervised authority has to take appropriate measures to verify his ID. Then, Article 4.2 addresses the issue of verifying the natural persons, where it binds “the supervised authorities not to open accounts for the client except after verifying his ID, permanent address, national number (for the Jordanians), passport (for the non-Jordanians), type and place of work as well as the current and permanent residence address”.

Verifying the validity of the power of attorney as well as identifying and verifying the agent's ID

255. Regarding **banks**, clause (4/c) of the AML/CFT instructions no. (42/2008), Article 3.2 stipulates that “in case another person dealt with the bank on behalf of the client, it should be verified that a judicial proxy or an authorization from the bank is available; and it is necessary to retain the authorization or the proxy or a certified copy thereof in addition to the importance of identifying the agent’s ID in accordance with the procedures of identifying the client’s ID provided in these instructions”. With respect to legal persons, Article 5.c provided for the "need to acquire the documents that indicate the existence of a proxy from the legal person in favor of the natural person authorized to deal on the account, in addition to the need to identify the authorized person according to the customer identification procedures provided for in these Instructions". In addition to that, and regarding the nonprofit entities, clause (6)/(c) indicates the need to “obtain the documents evidencing the existence of an authorization from the NPE in favor of natural persons entrusted with the account in addition to the need to identify the authorized’s ID in accordance with the procedures of customers identification provided for in these instructions.”

256. Regarding the **insurance** sector, Article (5) of the AML instructions stipulates that “in case a person deals with the company on behalf of the client, the official documents needed for authorizing this person

should be verified, a copy of which should be retained and the ID and the activity of the client and his representative should be identified”.

257. Regarding the **Exchange** companies, Article 3.2, clause (2/c) of the AML instructions stipulates that “in case a person deals with the money exchanger on behalf of the client, the original, official documents, or a certified copy of which, needed for authorizing this person should be verified in addition to the need to retain a copy thereof and identify the ID of the client and his representative pursuant to the procedures related to identifying the client’s ID provided in these instructions”.

258. Regarding the authorities supervised by **JSC**, Article 4.2 of the AML instructions stipulates that “if the dealing was with a person authorized by the client, the necessary judicial proxies for authorizing such person should be obtained and a certified copy thereof should be retained. Moreover, the client’s ID must be verified pursuant to the procedures of identifying the client’s ID provided in these instructions”.

Verifying the legal status of the legal person or the legal arrangement

259. Regarding **banks**, Article 3.2, clauses (5/a), (b) and (d) of the AML instructions No. (42/2008) stipulates that “the data for identifying the ID should include the legal person’s name, the legal form, the headquarters’ address, the type of activity, the capital, the registration date and number, the tax number, the names and nationalities of the persons authorized to deal with the account, the phone numbers, the purpose of the transaction and any other information the bank deems necessary to be obtained...as well as verifying the existence of the legal person and his legal entity through the necessary documents and the information included, such as: the certificates issued by the Ministry of Industry and Commerce, the certificates issued by the Chamber of Commerce and Industry as well as the importance of obtaining an official certificate issued by the competent authorities if the company is registered abroad...obtaining the names of the partners. Regarding the Public Shareholding Companies, a statement of the names of the shareholders who own more than 10% of the company’s capital should be obtained. Whereas, clauses (6/a) and (b) stipulate that: “the data for identifying the ID should include the name of the non-profitable authority, the legal form, the headquarters’ address, the kind of activity, the date of establishment, the names and nationalities of the persons authorized to deal on the account, the phone numbers, the purpose of the transaction and any other information the bank deems necessary to be obtained...and verifying the existence of the non-profitable authority and its legal form through the official documents and the information therein such as the certificates issued by the Ministry of Social Development or any other competent authority”.

260. Regarding the **insurance** sector, Article (5), clause (d) of the AML instructions stipulates that “the data for identifying the legal person, his name, legal form, headquarters’ address, the type of activity he performs, his capital, date and number of registration at the competent authorities, tax number, private phone numbers, the purpose from his dealing with the company, the names and addresses of the partners, those authorized to sign on his behalf and any other information the company deems necessary to be obtained...verifying the presence of the legal person and his legal form through the necessary documents and the information they include such as the certificate of registration of the legal person with the competent authorities in due form...obtaining the documents referring to the presence of an authorization made by the legal person in favor of the natural persons representing him and the nature of their relationship with him, and identifying their IDs and activity as per the procedures of identifying the client’s ID and activity...and verifying that there is no legal restriction that prevents dealing with them and obtaining specimen of their signatures”.

261. Regarding the **Exchange** companies, Article 3.2, clause (3) of the AML instructions stipulates that “Identification data should include the legal person’s name, the legal form, the headquarters’ address, the type of activity, the registration date and number, the names and nationalities of those authorized to deal on behalf of the client, the phone numbers, the purpose of the transactions and any other information the money exchanger deems necessary to collect including the beneficial owner ...and to obtain the documents indicating the availability of an authorization made by the legal person in favor of the natural person representing him and the nature of his relationship with him as well as identifying his ID according to the procedures of identifying the client’s ID provided for herein”.

262. Regarding the authorities supervised by the JSC, Article 4.2 of the AML instructions stipulates that the data of the legal person...the name of the legal person, the legal form, the capital, the address of the headquarters, the tax number (if available), the type of activity, the name of the authorized signatories, the phone numbers, the registration date and number and any other information...verifying the existence of the legal person and his legal entity through the necessary documents and the information mentioned therein such as the certificates issued by the Ministry of Industry and Commerce and the Chamber of Commerce...obtaining the documents referring to the legal persons authorized to deal on behalf of the legal person in addition to the importance of verifying the ID of the authorized person...the names and addresses of the shareholders whose shares exceeds 10% of the company's capital...an official certificate issued by the competent authorities and duly certified if the company is registered abroad ...and establishing the controls that verify the validity and accuracy of the information provided by the client."

263. As stated above, the instructions indicated above have met the requirement of verifying this ID by using original documents or data or information from a reliable and independent source (Identification data). Moreover, it has met the requirement of verifying if the person claiming to be acting on behalf of the client is really authorized to do so or not as well as identifying and verifying his ID (It is worth mentioning that the instructions related to insurance activities are not considered as a primary or delegated legislation).

264. Moreover, it appears that the instructions issued to the banks and the exchange sector do not bind the financial institutions, regarding the clients such as the legal persons or the legal arrangements, to obtain information on the provisions that regulate the authority governing the legal person or the legal arrangement. Whereas, the AML instructions in the insurance activities have the same issue and they granted the companies a one-year deadline in order to settle their situation (starting from 16/10/2007). Moreover, the AML instructions issued by the JSC came into effect since 31 July 2008.

265. The managers of the financial institutions which the evaluation team had visited stated that their institutions are implementing the measures of identifying the clients' ID and most of them (around 72%) stated that they are verifying this ID. Moreover, they stated that they verified the validity of the power of attorney which the person claiming to be acting on behalf of the client holds, and have his ID identified; and a large number of them stated that they verified the ID of this agent. Most of them stated as well that they do verify the legal status of the legal person or the legal arrangement.

266. The available facts showed that the implementation of the measures of identifying the clients' ID is performed in a satisfactory way; whereas, the verification of this ID is performed in many institutions without using original documents or data or information from a reliable and independent source. Moreover, it appeared that these institutions have verified the validity of the power of attorney which the person claiming to be acting on behalf of the client holds, and have identified his ID; however, it appeared that many institutions have not verified appropriately the ID of this agent. Whereas, regarding the verification of the legal status of the legal person or the legal arrangement, it has appeared that the supervised institutions implement that, except for what is related to the information on the directors of the legal persons and the provisions that regulate the authority binding the legal person or the legal arrangement.

Identifying and verifying the ID of the beneficial owner

267. Article (14/a) of the AML law No. (46) for 2007 stipulates the requirement of... conducting CDD for identifying the client, his legal status and activity, as well as the beneficial owner from the relationship established between the institutions and the client..." The subject law neglected the requirement of verifying if the client was acting on behalf of someone else and taking reasonable steps to obtain sufficient data for verifying the ID of the other person and the requirement of identifying the natural persons who really own or control the client, including the persons who control the legal person or the legal arrangement completely and effectively.

268. Regarding **banks**, the AML/CFT instructions no. (42/2008), clause (7), Article 3.2 stipulate that "the bank should ask each client to submit a written acknowledgement in which he identifies the ID of the beneficial owner from the transaction intended to be performed whereas the acknowledgement should include

at least the information of identifying the clients' ID...identifying the ID of the beneficial owner, taking reasonable measures for verifying this ID, through relying on data or information obtained from official documents and data, which makes the bank convinced that it knows the ID of the beneficial owner ... taking reasonable measures in order to identify the ownership and control structure over the legal person should be taken into consideration while identifying the beneficial owner with respect to the legal person”.

269. Moreover, Article 3.2, clause 5.d stipulates the requirement of “obtaining the names of the partners, and regarding the public shareholding companies, a statement of the names of the shareholders whose share exceeds 10% of the company’s capital must be obtained” within the procedures of identifying the legal person’s ID. In addition, Article (68) (bis) and Article (72) (bis) of the Companies' Law stipulate, under the clause “the types of shares and the company’s management”, that it is important that the companies provide complete information on the powers of the Board of Directors, the voting power, the owners of preferred shares, the distribution of powers... Bearing in mind that the registration certificate of the private shareholding companies, started as of 2004 only to include a statement about the distribution of dividends. Showing these information in the registration certificate or in any other document issued by an official authority is important since they are available for the financial institutions when the latter asks the client to provide it with information on his ID and understand the control structure with the legal person and other aspects of identifying the client and the beneficiary's ID. It is worth mentioning that the guideline attached to the AML/CFT instructions no. (42/2008) includes a notification about some of the client’s behavior which might indicate to the bank a potential illicit transaction such as the case of “the client who is controlled by another person when he arrives at the bank while the client is not aware of the same”.

270. Regarding the **insurance** sector, Article (2) of the AML instructions no. (3) for 2007 in the insurance activities defined the beneficial owner as “the natural person having the original will or the real interest in establishing the insurance relationship between the company and the client”. Clause (1), paragraph (a), Article (4) of the instructions stipulates the obligation of “identifying and verifying the ID and activity of the client and beneficial owner”, then, clause (3) stipulates “identifying the beneficial owner and taking appropriate measures for verifying his ID”. Moreover, paragraph (e), Article (5) of the instructions specified the measures which should be taken for verifying the beneficial owner as follows: “taking appropriate measures for verifying the ID of the beneficial owner such as perusing data or information obtained from official documents and data, which makes the company believe that it knows the ID of the beneficial owner ... asking the client to submit a written acknowledgement including at least the information of identifying the clients' ID...taking reasonable measures for understanding the ownership and control structure over the legal person”.

271. Regarding the **exchange** companies, Article 3.2.3.a of the AML instructions bind the exchange companies to take into consideration the procedures of identifying the ID of the legal person such as “the Identification data to include...any other information the money exchanger deems necessary to be obtained including the beneficial owner”.

272. Regarding the authorities supervised by the JSC, Article (4) of the instructions states the requirement of “identifying and verifying the ID and the activities of the client and/or the beneficial owner”. Then, the Article 4.2.b.4 stipulates that the data of the legal person should include the “names and addresses of the shareholders whose shares exceed 10% of the company’s capital”.

273. As stated above, the instructions indicated above have met the requirement of verifying if the customer was acting on behalf of another person, and taking reasonable steps to obtain sufficient data for verifying the ID of the other person, (it is worth mentioning that the instructions related to the insurance sector are not considered a primary or delegated legislation²). The instructions related to banks and securities have mentioned the requirement of defining the natural persons who really own or control the customer, including the persons who fully control the legal person or the legal arrangement. Moreover, it appeared that the AML instructions of the exchange companies do not bind them to take reasonable measures to become aware of the ownership and control structure over the legal person. Whereas the instructions issued by the JSC do not include a provision that binds the supervised authorities to understand the structure of control over

the legal person. (It is worth mentioning that the instructions related to the insurance sector are not considered as a primary or delegated legislation²).

274. The available facts have showed that a few number of financial institutions (some banks and financial services companies) identify and verify the beneficial owner's ID, and as a proof, the Customer Identification form at many banks does not include a special field for declaring the beneficiary's ID, or that there is no special form for this purpose; Moreover, the insurance companies automatically identify the customer's ID but do not verify the same. Whereas regarding the requirement of understanding the structure of ownership within the legal person or the legal arrangement, a few numbers of institutions comply with such requirement (the banks in particular, particularly owing to having obtained a copy of the registration certificates of the private shareholding companies). Moreover, all financial institutions do not comply with the requirement of understanding the structure of ultimate control over the customer, which includes the persons who exercise ultimate effective control over the legal person or the legal arrangement

Identifying the purpose and nature of the relationship

275. Regarding **banks**, the AML/CFT instructions no. (42/2008), Article 3.1, clause (1) stipulate that: "the CDD means identifying the customer's ID...in addition to identifying the nature and the purpose of the future relationship between the bank and the customer".

276. It is noted that no specific instructions have been issued binding the insurance and the Exchange sectors to obtain information related to the purpose and nature of the relationship for the natural persons; while the instructions issued to the Securities sector do not include obtaining information related to the purpose and nature of the relationship for legal persons. Moreover, the available facts have showed that more than 50% of the banks and some authorities supervised by the JSC in addition to the financial leasing companies (necessarily due to the nature of the activity) identify the purpose and nature of the relationship.

Conducting ongoing due diligence measures

277. The AML law no. (46) for 2007, Article 14.a binds the authorities under the provisions of the subject law to conduct "the CDD for identifying the customer...and his activity...and to regularly follow up on the transactions which are conducted within the framework of a continuous relationship with their customers".

278. Regarding **banks**, the AML/CFT instructions no. (42/2008), Article 3.1, clause (1) stipulates the requirement of "...following up continuously on the transactions which occur within the framework of a continuous relationship with their customers.... Moreover, Article 4.1, clause (4) dealt with the situation of the Politically Exposed Persons (PEPs) where it bound the bank to carry on accurately and continuously its transactions with those customers. When Article 4.2, clause (1) obliged the bank to classify all its customers according to their risk degree, it did so "subject to the extent to which the banking transactions which the customer performs are consistent with the nature of his activity...and the extent to which the opened accounts are diverged, linked and the degree of their activity". Whereas, Article 4.6, clauses (2) and (3) obliged the "bank to pay special care to the unusual transactions with the need to retain special records of those transactions regardless of the decision taken with relation thereto...and upon suspecting that the customer's Identification data are neither valid nor accurate after the establishment of the relationship".

279. The AML/CFT guideline attached to the AML/CFT instructions no. (42/2008) referred to the possibility of ML through the following indications which might be in the following forms as an example but without limitation:

- Large-scale and unusual cash deposits performed by a natural or legal person who usually performs his apparent, commercial activity through checks or other payment methods.
- Large increase in cash deposits for any person without any clear reason especially if these deposits were transferred from the account to a party not clearly connected to that person within a short period of time.

- Large-scale and unusual cash deposits using the ATMs for avoiding direct contact with the bank's employees, especially if those deposits were inconsistent with the business and/or the usual income of the concerned customer and the nature of his activity.
- The customer maintains many accounts and deposit cash amounts in each, the sum of which represents a large total amount unsuitable with the nature of his work, except for the customers whose work nature requires keeping more than one account.
- The existence of accounts which the nature of their movements is inconsistent with the nature of the customer's activity, whereby they are used for receiving or distributing large amounts of money for an unclear purpose or for a purpose unrelated to the account holder or the nature of his activity.
- Depositing checks of third parties in large amounts and endorsed for the account holder and inconsistent with the relationship with the account holder or the nature of his business. .
- Depositing third party checks of large amounts which are endorsed in favor of the account holder and inconsistent with him or the activities he performs.
- Withdrawing large cash amounts from a previously inactive account or an account with relatively previous small amount withdrawals or from an account credited with large, unexpected amounts transferred from abroad.
- Providing financial statements by the customer on his commercial activity, which are clearly different from similar companies working in the same field.
- A fundamental change in the way of managing the customer's account, which is unsuitable with his data.
- Non-withdrawal by the company that accepts checks from its customers of any large cash amounts from its accounts against depositing these checks, which indicates the possibility of other sources of income.
- Incoming transfers with unprecedented large amounts which is inconsistent with the nature of the customer's activity.
- Non-routine transfer within a package of routine transfers that are made as one transfer.
- Purchasing securities for keeping them in the deposit boxes at the bank, with an inconsistency between the customer's activity and his financial status.
- The customer liquidates a large financial position through a series of minor cash transactions.
- Bringing large financial amounts from abroad for investment in foreign currencies or securities when the investment size is inconsistent with the nature of the customer's financial status.
- The customer surprisingly pays a large debt without a clear and reasonable explanation about the source of payment.
- The customer unexpectedly transfers abroad the value of the facilities obtained.
- The customer pays a categorized debt (such as inactive debt) before the expected time and in amounts larger than expected.
- Requesting facilities in return of mortgaging assets owned by a third party, whereas the source of such assets is not known by the bank or the size of those assets is inconsistent with the customer's financial status.
- Developing large-scale deposits which are inconsistent with the customer's actual activity and the consecutive transfer to an account or accounts opened abroad.

280. Moreover, the guideline mentioned above indicated that the behavior of the student customer who regularly requests issuing or receiving transfers or exchanging currencies in unusual large-scale amounts inconsistent with his position should be taken into consideration. The above mentioned guideline requests identifying the source of the deposited funds upon opening the account, especially the large-scale cash deposits.

281. Regarding the **insurance** sector, paragraph (d), Article (4) of the AML instructions in the insurance activities no. (3) for 2007 addressed this issue whereby it has required “the company to continuously follow up the insurance relationship established with the customer and examine the transactions that occur through this relationship such as changing the insurance policy or practicing one of the rights mentioned in the policy in order to verify that it is consistent with the company’s knowledge of the customer and the beneficial owner as well as the nature of the work or activity of anyone of them and with its assessment of the ML operations risks as a result of its relationship with him”.

282. Regarding the authorities supervised by the **JSC**, Article (5) of the instructions stipulates that “if it was established that the customer represents a risk, the supervised authorities should take into consideration the extent to which the transactions performed by the customer are consistent with the nature of his activity. Moreover, they should take into consideration the extent to which the accounts opened by the customer are diverged and linked. Then, the subject article stated the requirement of “lending special care for the unusual complicated and large-scale transactions and those with no clear investment purpose or those which are suspicious or represent an unusual investment policy for the customer”.

283. To ensure that the documents and data related to the CDD operation in the **banks** are updated the AML/CFT instructions no. (42/2008), Article 3.1, clause (9) stipulates that “the bank should periodically update the client’s identification data every 5 years at the most, or when there are reasons that require so, such as that the bank suspects that the previously obtained information is neither valid nor appropriate”. Moreover, Article 4.1, clause (3) binds the bank, within the framework of the CDD related to dealing with the Politically Exposed Persons (PEPs), to take sufficient measures to verify the sources of the wealth of the beneficial owners, from the category of politically exposed persons PEPs”.

284. Regarding the **insurance** sector, paragraph (e), Article (4) of the AML instructions in the insurance activities no. (3) for 2007 bound “the company to review the data of its customers periodically and update them regarding the high-risky customers or whenever it suspects that the customer’s ID previously obtained data are neither valid nor accurate”.

285. Regarding the authorities supervised by the **JSC**, Article (9) of the instructions stated the following: “...the supervised authorities have to document the information mentioned in Article (4) (the requirements of the CDD for the customer) of these instructions in their records with a true copy of the documents proving the validity of such information, and keep them for at least 5 years starting from the date of the termination of the relationship of the customer with them, or from the date of the last transaction made by the customer ...Moreover, the information should be regularly updated or when they become suspected at any phase of the transaction.”

286. It is noted that there are no instructions addressed to the exchange sector regarding the requirement that “Ongoing due diligence should include verification of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institutions' knowledge of the customers, their business and risk profile, and where necessary, the source of funds” as well as the requirement of “ensuring that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records, particularly for higher risk categories of customers or business relationships”.

287. The managers of the financial institutions that were visited by the evaluation team stated that their institutions lend special care for auditing the transactions and accounts in addition to updating the data and information. Some banks indicated that they use banking software specialized in this field. However, the available facts showed that even if such programs were available at the bank, most of the time they do not work on the basis of comparing the account transactions with the information available about the customer, or they are not yet ready to function properly. Regarding the remaining financial institutions, the transactions are checked using reports or developed software or manual checking that secure an average sense of satisfaction towards the consistency and validity of the transactions (especially at the banks); however and most of the time, they have a limited ability to control all the possibilities that indicators of ML or financing of terrorists appear (especially regarding the non-banking financial institutions). Finally, it is worth mentioning that one of

the main obstacles in checking the transactions, lies in the weakness (but most of the times, the absence) of the information declared by the customer about his financial status (at more than half the financial institutions) within the adopted form of customer identification, in addition to the fact that the current monitoring does not help in solving this problem.

Risks

Enhanced Due Diligence measures

288. Regarding **banks**, the AML/CFT instructions no. (42/2008), Article (4) addressed the enhanced due diligence according to the following Methodology:

- Classification: Article 4.2 bound the “bank to classify all its customers according to the degree of risk...subject to...the extent to which the banking transactions made by the customer are consistent with his nature of activity... the extent to which the accounts are diverged at the bank, linked, and the degree of their activity”. Moreover, some categories were specified as definitely highly-risky according to the following requirement: “examples of higher-risk customers may include non-resident customers and private banking”.

- Regarding the enhanced due diligence connected to higher-risk categories : Article 4.1, regarding the category of the Politically exposed persons, the bank should develop a risk management program for the Politically exposed persons or beneficial owners who belong to this category...have the approval of the bank manager or the regional manager upon the establishment of a relationship with those customers as well as upon discovering that one of those customers or the beneficial owner has become exposed to those risks... the bank should take sufficient measures to verify the sources of the customers' wealth and the beneficial owner, both being Politically exposed persons... the bank should follow up accurately and continuously on its transactions with those customers”. Moreover, Article 4.3 regarding the customers belonging to countries that have no systems suitable for AML/CFT stipulates that “the bank should pay special attention for the transactions that are made with persons located in countries that have no systems suitable for AML/CFT...and if the bank finds out that the transactions...are not based on clear economic evidence, the bank should take necessary measures in order to understand the background of the circumstances surrounding these transactions and their purposes and write down the results thereof in its records”. Then, Article 4.4 regarding the “foreign banks” stipulates that the bank has to implement the CDD requirements for the customers...upon establishing a banking relationship with a foreign bank...and understand the nature of the foreign bank’s activity and its reputation in AML/CFT...”. Moreover, it addressed the details of the enforceable measures in this case.

- Regarding the enhanced due diligence measures related to higher-risk business relationships: Article 4.5 stipulates that “upon dealing indirectly with the customers, the bank should implement the necessary policies and measures to avoid the risks related to misusing the indirect dealings which are not done face to face with the customers, especially those taking place by using modern technology such as the ATM service, phone and internet banking services taking into consideration the instructions issued by the Central Bank in this regard”.

- Regarding the enhanced due diligence measures related to high-risk transactions: Article 4.6 defined the unusual transactions as “the cash transactions whose amount exceed JOD 20,000 or its equivalent in foreign currencies, while the cash transactions below such limit, to which the evidence indicate that they are linked transactions are regarded as one single cash transaction...same for the large-scale or unusually complicated transactions...and any other unusual transaction which has no clear, economic purpose”. Then, the Article binds “the bank to pay special attention for the unusual transactions with the importance of keeping special records regardless of the decision taken in their regard” and to do so as well “upon suspecting the validity or accuracy of the client’s Identification data after the establishment of the relationship”. It is also worth mentioning that paragraph (6), Article 5.2 bound the issuing bank to ensure that the non-routine transfers are not sent within the one batch in the cases where ML/TF risks are likely to increase.

- Other cases for which the bank has to pay special attention (in seventh): “upon opening a non-resident account with the importance of obtaining a recommendation or a proper certification on the signature from

recognized and foreign financial institutions or banks...upon requesting facilities against blocking deposits...upon renting safe boxes...and upon depositing cash amounts or traveler's checks in a current account by a person/persons whose name/s do/does not appear in a power of attorney which belongs to that account or who is/are not of those who are legally authorized by the account holder to deposit the funds in this account'.

289. Regarding the **insurance** sector, Article (7) of the AML instructions no. (3) for 2007 in the insurance activities stipulates that “the company should take special care for identifying the customer’s ID and activity regarding the following: the large-scale insurance transactions and the insurance transactions which have no clear, economic or legal purpose and establish the necessary measures for understanding the background of the circumstances surrounding these transactions and their purpose and that their results be written down in their records...the insurance transactions which are made with persons present in countries which have no appropriate systems for AML...and dealing with Politically exposed”. Then, the subject Article bound the companies, regarding the Politically Exposed Persons, to “develop a risk management system to deduce thereof if the customer or whoever represents him or the beneficial owner is a part of this category, and bound the Board of Directors of the company to establish a policy for accepting customers of this category, taking into consideration the classification of the customers according to their risk profile...obtain the approval of the General Manager of the company or the authorized manager or his representative upon the establishment of a relationship with those persons and upon discovering that one of the customers or the beneficial owner has become exposed to those risks...take sufficient measures to verify the sources of the customers and the beneficial owners’ wealth of the Politically Exposed Persons ... following up accurately and continuously on the dealings of the company with those persons...any transaction the company estimates as highly-risky for the ML operations”.

290. Regarding the money exchange companies, Article (4) of the instructions stipulate for the obligation of "lending special care to the transactions made with persons who are present in countries where no appropriate system for the AML is available". Article (13) of the instructions of licensing the limited liability exchange companies, issued on 27/2/2007 stipulates that “the company may not open accounts or deal with any parties outside the Kingdom except after obtaining a prior written approval from the Central Bank”.

291. Regarding the authorities supervised by the **JSC**, Article (5) of the instructions addresses the cases that need a special care in terms of “determining if the customer was a PEP customer”, if it is established as such, the supervised authorities should take into consideration the extent to which the transactions the customer carries out are consistent with his activity, as well as the extent to which the accounts opened by the customer are diverged and the activity of these accounts are linked”. Then, the Article defined the categories of those customers as follows: “the customers in countries that do not have legislative systems for AML...the customers who deal indirectly with the supervised authority, especially those who use modern technology such as dealing through the internet... charitable societies, civil organizations...the customers whose dealings are estimated by the company as highly-risky for the ML operations”. Finally, the said Article addressed the requirement of “lending special care for the unusually large-scale and complex transactions which have no apparent investment purpose or that are suspected or doubtful or represent an unusual investment policy for the customer”.

292. It is noted that the instructions for the exchange sector regarding the enhanced due diligence measures were not expanded, as they do not include a wide range of risky customers and do not mention the business relationships or the high-risk transactions. Moreover, the facts obtained from the financial institutions showed that the enhanced due diligence measures are implemented sufficiently in most banks and authorities supervised by the JSC; while, there is a difference between the insurance and exchange companies sectors in applying this requirement, particularly at a remarkable number of exchange companies which have a narrow concept for the customer or for the high-risk transactions.

Cases of simplifying or reducing the due diligence measures

293. Except for the JSC instructions, the AML law or the AML/CFT instructions issued by the supervisory authorities do not include any provisions that allow the implementation of the reduced CDD measures.

294. Regarding the **insurance** sector, Article (8) of the AML instructions no. (3) for 2007 in the insurance activities provided for cases in which it is permissible to adopt reduced measures for identifying the customer and his activity as well as the beneficial owner. “They are the cases where the information related to the customer and beneficial owner’s ID and activity is publicly available or in case the customer was subject to special AML controls, similar to the controls mentioned in these instructions and decisions issued in accordance thereto”. Some of these cases are: “dealing with the financial authorities subject to special AML controls, similar to the controls mentioned in these instructions and decisions issued in accordance thereto, which implementation is being monitored...dealing with the public shareholding companies subject to the control disclosure requirements...dealing with the ministries, departments and governmental institutions...and the retirement insurance policies in which the policy could not be used as a guarantee, and which do not include the early liquidation term”. It is noted that the subject Article does not clarify the scope or the level of the reduced CDD measures which should be implemented in such cases; it only indicated that the insurance company may reduce the measures of identifying the client and beneficial owner’s ID and activity.

295. There were no sufficient facts for judging the extent to which the implementation of these compliances is safe. Within this scope, it is beneficial to indicate that the majority of the insurance companies’ customers are Jordanians (95% of them at least). Moreover, many of these companies either refuse to deal with Politically Exposed Persons or have no such customers.

Possibility of implementing the simplified or reduced CDD measures for the customers living in another country

296. The Law or instructions issued by the supervisory authorities do not include an evidence of implementing reduced measures toward the customers living abroad, regardless of the fact that the countries in which they live implements the FATF Recommendations or not. On the contrary, some instructions, such as those issued for banks, categorized the non-resident customers as high-risk customers.

Inadmissibility of implementing the simplified or reduced CDD in case of suspecting ML or TF or in the case of high-risk circumstances

297. The issued instructions do not permit the financial institutions to reduce the due diligence measures for the customers in general (except what was mentioned above in the Insurance Commission instructions) and thus they do not permit that in case of suspecting ML or TF or in case of high risks; however, the instructions issued for banks, for example, requires in Article (4) paying special care for any unusual transaction or a high-risk customer... and, upon suspecting the validity or accuracy of the customer’s identification data.

298. Whereas, regarding the **insurance** sector, Article (8) of the AML instructions no. (3) for 2007 in the insurance activities stipulates that the insurance company may reduce the measures of identifying the customer, his activity and the beneficial owner in some cases. Then, it mentioned examples of cases where it is possible to adopt reduced measures to identify the customer and his activity...without dealing with the limits or exceptions of this simplification or reduction. Moreover, the said Article, being the only Article that included the possibility of reducing the due diligence measures, does not mention what allows the implementation of the reduced measures in case of suspecting ML or TF or in the presence of high risks.

299. In practical implementation, there was no evidence about the cases of simplifying or reducing the CDD while suspecting ML or TF or in the presence of high-risks; however, this possibility remains present with the insurance companies, as they are the only authorities permitted to take reduced measures in some circumstances, due to the possibility of misevaluating the risks related to a customer or business relationship or transaction (an example of the reality of this possibility is the presence of an insurance company which has a policy that stipulates the cases of implementing simplified CDD measures while it does not have any search lists or systems or even a binding policy that helps it verify that the name of the beneficiary of the insurance policy is not listed on any list of terrorism).

Implementing the CDD measures on the basis of the risk degree in conformity with the guiding principles

300. The instructions issued by the supervisory authorities in the AML field in different situations referred to some types of transactions or customers such as the higher-risk categories, and they required the institutions subject to them to categorize their customers; however, such instructions do not include specific guiding principles that establish a clear basis for the implementation of a system based on classifying the customers or the transactions or the products according to the risk degrees and then specify special CDD measures accordingly. It has been previously referred to the cases in which reduced CDD measures should be adopted for identifying the client, his activity and the beneficial owner in the insurance sector pursuant to Article (8) of the instructions of the Insurance Commission, which also have not included any clear guiding principles regarding the level or scope of the reduced CDD measures which the insurance companies are required to implement in such cases, but only referred to the admissibility of reducing the measures of identifying the customer, his activity and the beneficial owner.

301. In reality, the measures taken by the financial institutions regarding the classification of their customers according to the risk degree appeared to be consistent with the general principles or the different elements mentioned in the instructions. Yet, there were no sufficient evidence to judge the extent to which the measures related to the insurance sector are safe and effective; however, it is useful in this scope to repeat a previously mentioned reference on the remark of the policy of one of the well known insurance companies, which stipulates the non implementation of the CDD measures for many types of insurance products which it believes that they represent a low risk at the ML level and in such a way that contradicts with the issued instructions.

Timing of Verification

General rule for the timing of verification of the identity of the customer

302. Regarding the banks sector, the AML/CFT No. (42/2008), Article 3.1, clause (4) stipulate the requirement of “taking the CDD measures regarding the customers before or during the continuous relationship, or upon carrying out the transactions for the occasional customers”. These CDD measures which were detailed in Article 3.2, include “the measures of identifying and verifying the customer’s ID”, including the identification and verification of the beneficial owner’s ID (in “second”/clause (7)) as follows: “the bank should ask each customer to provide a written statement in which he specifies the beneficial owner’s ID from the transaction intended to be carried out, and which includes at least the information for verifying the customers’ ID.

303. Regarding the **insurance** sector, paragraph (a), Article (4) of the AML instructions no. (3) for 2007 in the insurance activities stipulates that “the company should take the CDD measures regarding the customer before and during the establishment of the insurance relationship accordingly whether to accept this relationship or not... The due diligence towards the customer includes...identifying and verifying the customer and beneficiary’s ID and activity... identifying the beneficial owner and taking measures suitable for verifying his ID”.

304. Regarding the **exchange** companies and the authorities supervised by the **JSC**, the principle of postponing the CDD measures is not mentioned in their instructions, which means that the postponement is not possible.

305. There was no evidence that the financial sector institutions have violated the above mentioned instructions

Circumstances of postponing the identification of the ID

306. Regarding the **banks** sector, the AML/CFT instructions no. (42/2008), Article 3.1, clause (7) stipulate that the verification measures could be postponed and completed following the establishment of the continuous relationship according to the following: “the postponement of the verification measures should be necessary in order not to interrupt the normal conduct of business, the ML or TF risks should be effectively managed...the bank should complete the verification measures as soon as possible...and should have adopted

necessary measures for a wise management of the AML risks regarding the postponement case, which include limitation of the number, types and amounts of transactions that could be made before completing the verification measures.

307. Regarding the **insurance** sector, paragraph (c), Article (4) of the AML instructions no. (3) for 2007 in the insurance activities addressed this issue, whereby it stipulates that the company may postpone the measures of identifying and verifying the beneficiary and his activity until the business relationship with the policy holder is established, provided that “these measures be completed as soon as possible but in all cases, identification and verification should occur at or before the time of the payout or the time when the beneficiary intends to exercise his vested rights under the policy.....and that the company takes the necessary measures for preventing the ML risks during the postponement duration, including the establishment of an internal policy suitable for the number, type and amounts of the transactions which could be performed before completing these measures...in case the company could not comply with the requirements of verifying the ID and activity of the beneficiary, it shall terminate the insurance contract and notify the Unit accordingly pursuant to the provisions of these instructions...and include the insurance policy forms which guarantees its right to terminate the insurance contract...”.

308. Whereas, Article 4.2.a, clause (1) of the AML instructions issued by the **JSC** bound “the supervised authorities not to open accounts for the customer except after verifying his ID...”. Accordingly, the principle of postponing the verification measures regarding the authorities supervised by the **JSC** falls off, which is also applicable to the instructions of the **exchange** companies.

309. Moreover, there was no evidence showing that the financial sector institutions have violated the above mentioned instructions, whereas it appeared that some banks have adopted, according to their policy, internal measures that aim at restricting or forbidding the performance of banking transactions by customers whose ID was not yet verified. Moreover, it has been found out that some of the authorities supervised by the **JSC** refuse to provide any service for their customers until the latter complete the account opening procedures.

Failure to satisfactorily complete CDD

Failure to take the CDD towards the customers before establishing the business relationship

310. Regarding the **banks** sector, the AML/CFT instructions no. (42-2008), Article 3.1, clause (6) stipulates that “Where the bank is unable to comply with the CDD measures towards the customers, it should not be permitted to open the account or commence business relationships or perform transactions.” It is noted here that the banks are not requested in such case to consider making a suspicious transaction report, which is not compatible with the requirements of R.5.

311. Regarding the **insurance** sector, paragraph (b), Article (4) of the AML instructions no. (3) for 2007 in the insurance activities, stipulates that “where the company fails to comply with the CDD measures towards the customer, it should not be permitted to make a contract with him, and should notify the Unit about him as per the provisions of these instructions”.

312. Regarding the **exchange** companies, Article 3.1, clause (4) of the instructions stipulates that, “where the money exchanger fails to comply with the CDD measures towards the customers; he should not be permitted to establish any exchange relationship with the customer or execute any transactions for him”. It is noted here also the failure to ask the companies to consider making a suspicious transaction report to the FIU.

313. Regarding the authorities supervised by the **JSC**, Article 4.1 of the instructions stipulates the requirement of “taking the CDD measures towards the customer and/or the beneficial owner before or while dealing with them...” Then, Article 4.2.a, clause (1) stipulates that: “the supervised authorities should not open accounts for the customer except after verifying his ID...”. But those instructions have overlooked the obligation of those authorities to report to the FIU their suspicion in this case.

314. There was no evidence that the financial sector institutions have violated the above mentioned instructions; however, the possibility increases that a certain number of medium and small exchange companies will implement the CDD measures before or during the establishment of the relationship with the customer, due to the low level of awareness on ML/TF risks as well as economic motives.

Failure to take the CDD measures towards the customers after commencing the business relationship

315. Regarding the **banks**, the AML/CFT instructions no. (42/2008), Article 3.1, clause (8) stipulates that “where the bank has started an ongoing relationship with the customer before complying with the verification measures...and if the bank could not comply with them later on, it should be required to terminate the business relationship and to consider making a suspicious transaction report...”. It is noted that this clause might, in the form at least, be contradicting with the above-mentioned clause (6), which is related to the inability of establishing a continuous relationship between the bank and the customer before meeting the investigation procedures. The provisions of Article (8) might be understood that it is possible that the bank delays satisfying the CDD measures in order to complete them later. This confusion must be removed by expressly stipulating that Article 8 covers both the current or the old customers (before the obligations come into effect); or upon any suspicions with regard to the accuracy and correctness of the information or data maintained by the bank about the customer; or in any other case determined by the competent authority.

316. Regarding the **insurance** sector, paragraph (b), Article (4) of the AML instructions no. (3) for 2007 in the insurance activities stated that, “where the company was not able to comply with the CDD measures towards the customer, it should not make a contract with him, and it has to notify the Unit about him pursuant to the provisions of these instructions... and where the company fails to comply with the requirements of verifying the beneficiary’s ID and activity, it should terminate the insurance contract and consider making a suspicious transaction report pursuant to the provisions of these instructions...and include insurance policy forms the right to terminate the insurance contract...”.

317. Regarding the **exchange** companies and the authorities supervised by the **JSC**, the principle of postponing the CDD measures is not mentioned in their instructions, which means that this postponement is not possible. The Jordanian authorities referred this case to the fact that the relationship is not continuous in the exchange transactions, and thus, the customer’s ID should be identified and verified immediately.

318. There is no evidence implying the violation of the financial sector institutions of the above mentioned instructions.

Existing Customers

CDD requirements on existing customers

319. Regarding **banks**, the AML/CFT instructions no. (42/2008), Article 3.1, clause (9) stipulates that “the bank should update the client’s identification data periodically each 5 years at most, or when there are reasons to do so, such as that the bank suspects that the previously obtained information is neither valid nor appropriate”. Then, Article 8.8 bound the bank “to establish the necessary systems for categorizing the customers according to the risk degree in light of the information and data available for the bank”. Moreover, the AML/CFT guideline attached to the above mentioned instructions (the evaluation team has not been provided with a copy of this guideline) according to the authorities’ statement, has included a notice about the behavior of the customer which might accompany the implementation of the CDD measures, and includes:”

- The moody customer who refuses to provide the bank with the necessary ID documents.
- The customer who provides the bank with a permanent address outside the banks’ services area or outside the Kingdom.
- The customer who refuses to disclose the details of the activities related to his work or to disclose data or information or documents of his institution or company.

- The customer who offers money or unjustifiable precious gifts for the bank employee and tries to persuade him not to verify the ID and other documents.

320. Regarding the insurance **sector**, paragraph (e), Article (4) of the AML instructions no. (3) for 2007 in the insurance activities comprised the following: “the company should periodically review and update the customers’ data, regarding the higher-risk customers or whenever it suspects the veracity or adequacy of the data previously obtained”.

321. Regarding the authorities licensed by the **JSC**, Article (10), paragraph (a) of the instructions stipulates that: “the supervised authorities have to settle their situation pursuant to the provisions of these instructions within a period not exceeding 6 months from the date upon which the provisions of these instructions came into force”.

322. It is noted that the instructions issued for the financial sector institutions, have not addressed the issue of implementing the CDD measures on the existing customers (the existing customers as at the date the national requirements are brought into force) on the basis of the relative importance and risks, and they did not address the issue of the timing of taking the CDD measures on the current business relationships.

323. In terms of implementation, the managers of some banks and authorities supervised by the JSC, which were visited by the evaluation team, have stated that their institutions seek to update the information and data related to the existing customers, yet they did not complete the process. However, the available evidence showed that some financial institutions have not limited the number of the existing customers’ accounts which need to be updated. For most of the other financial institutions, it has appeared that this update is not made on basis of materiality or risk, but rather within the scope of periodical update or due to a material change in the way the customer’s information is documented.

Recommendation 6

Politically Exposed Persons

Essential Criteria

324. Regarding the banks sector, Article (1) of the AML/CFT instructions no. (42/2008) defined the Politically Exposed Persons as “the individuals who are or have been entrusted with prominent public function in a foreign country such as Heads of a State or of government, senior politicians, judicial or military officials, and important political party officials, including the members of the families of those persons up to the second degree in lineage as a minimum”. Then, Article 4.1 (the Politically exposed persons) provides for the following:

- 1- The bank should establish a system for risk management for the Politically exposed persons or the beneficial owners who belong to this category,
- 2- Obtain the approval of the General Manager of the bank, the regional manager or the authorized manager upon the establishment of a relationship with those customers and upon discovering that one of the customers or the beneficial owners has become exposed to those risks.
- 3- Take reasonable measures to establish the source of wealth of customers and beneficial owners identified as politically exposed persons.
- 4- Conduct enhanced and ongoing monitoring on that relationship.

325. Regarding the **insurance** sector, Article (2) of the AML instructions No. (3) for 2007 in the insurance activities defined the Politically exposed persons as “the individuals who are or have been entrusted with prominent public function in a foreign country such as Heads of State or of government, senior politicians, judicial or military officials, and important political party officials, including the members of the families of those persons until the second degree of lineage as a minimum”. Moreover, Article (7) of these instructions

addressed the measures which the insurance company has to comply with, upon dealing with those persons, whereby it provides for the following:

- 1- Establish a system for risk management from which it can be deduced if the customer or his representative or the beneficial owner belongs to this category; the Board of Directors of the company should establish a policy for accepting customers of this category, taking into consideration the customers' classification according to their risk degree.
- 2- Obtain the approval of the General Manager of the company, the regional manager or the authorized manager upon the establishment of a relationship with those customers and upon discovering that one of the customers or the beneficial owners has become exposed to those risks.
- 3- Take reasonable measures to verify the source of wealth and the source of funds of customers and beneficial owners identified as politically exposed persons.
- 4- Conduct enhanced and ongoing monitoring on that relationship.

326. Regarding the **exchange** companies, Article (4), paragraph (2) of the instructions requires the "money exchanger to lend special care for the transactions"... "which are made with persons who hold or have held a senior public position in a foreign country such as a Head of state, a Prime Minister, a senior politician, a judicial figure, a military official or an important political party official".

327. Regarding the authorities supervised by the **JSC**, Article (3) of the AML instructions defined "the Politically Exposed Persons" as "the individuals who hold or have held a senior public position in a foreign country such as the Head of state or a prime Minister or a senior politician or judicial or military official, or important political party official including family members up to the second degree of lineage. Then, Article 5.1 stated the requirement of "determining if the customer belongs to the higher-risk category", and where he is so, the supervised authorities should take into consideration the extent to which the transactions he conducts are consistent with the nature of his activity, as well as the extent to which the accounts opened by the customer are diverged and the activity of these accounts are linked".

328. It is noted that the instructions issued for banks bind them to put in place a "risk management system" without mentioning any guidelines or directions on the features and the way of developing this system, or on its objectives in terms of its usage in order to determine whether the future customer or the customer or the beneficial owner is a Politically Exposed Person. Moreover, it is noted that the instructions issued for the exchange companies do not address the requirements listed by the essential criteria in R.VI, except for the requirement of the continuous control over the transactions. As for the instructions issued by the JSC, they do not bind the supervised authorities to establish appropriate risk management systems, as well as they do not bind them to agree with the senior management on commencing the dealings and the requirements of identifying the source of wealth and source of funds.

329. Some managers of the financial institutions stated that their institutions do not deal with politically exposed persons, while others talked about the good implementation of the related instructions. However, evidence showed the evaluation team that around 25% of the financial institutions' specimen, does not deal with this category of customers (33% of which have a policy forbidding the dealings with non-Jordanians). 50% of the other institutions abide by the internal policies and satisfactory criteria in dealing with such customers, while the remaining percentage of Financial Institutions (25% of the specimen) do not implement any purposeful measures in this regard (basically the exchange companies).

Additional Elements

330. However, regarding the inclusion of this category of local persons, and regarding **banks**, the AML/CFT instructions no. (42/2008) defined the politically exposed persons as "the individuals who hold or have held a senior public position in a foreign country...only. The situation is the same in the **insurance** sector, while in the **securities** sector; this category includes the political persons from any country, whether they are local or foreigners.

331. Jordan has ratified the UN Convention against Anti-Corruption pursuant to the ratified Law No. (28) for 2004. Regarding the implementation of the terms of this Convention, the Jordanian authorities stated that the Anti-corruption Authority was established pursuant to the Law. No. (62) for 2006, and the Financial Disclosure Law was approved in the same year.

Recommendation 7

Cross-border Payable-through Accounts and Similar Relationships

Obligations of gathering information about the respondent institution

332. Regarding **banks**, the AML/CFT instructions NO. (42/2008), Article 4.4 stipulates regarding the category of “foreign banks” that:

- 1- The bank should implement the CDD requirements for the customers, which is set forth in Article (3), upon the establishment of a banking relationship with a foreign bank.
- 2- The bank should be aware of the nature of the foreign bank’s activity and its reputation in the AML/CFT field.
- 3- The bank is not permitted to establish a banking relationship with a shell bank.
- 4- The approval from the General Manager of the bank or the regional Manager should be obtained before establishing new correspondent relationships.
- 5- The bank should make sure that the foreign bank is monitored effectively by the monitoring authority in the home country.
- 6- It should be verified that the foreign bank has adequate AML/CFT systems.
- 7- The bank should make sure that the foreign bank has performed the CDD measures on its customers who are authorized to use the payable-through accounts* and that the foreign bank is able to provide the relevant customer identification data and the performed transactions on those accounts, when necessary.

*If an account is opened for a foreign bank in one of the banks operating in the Kingdom, and the foreign bank had authorized some customers to use this account by any payment method, the bank operating in the Kingdom must make sure that the foreign bank has implemented the CDD measures regarding those customers.

333. Regarding documenting the responsibility of each institution in AML/CFT, the AML/CFT instructions (42/2008) have not addressed this issue directly regarding the banking correspondent relationships, but Article 5.2 (under the transfers’ clause) of these instructions addressed the compliances of the bank issuing the transfer with the importance of taking the CDD measures towards the customers and the measures of verifying all the information pursuant to the provided standards and measures. Then, the subject Article in “third” addressed the obligations of the bank receiving the transfer in terms of dealing with the lack of information included in the transfer form, their risks and the adopted measures in this regard. Then, in “fourth”, the above mentioned Article determined the obligations of the intermediary bank in executing the transfer especially when the bank receives incomplete information on the transferring party. Depending on the foregoing, the bank complies with particular requirements and responsibilities upon carrying out the electronic transfers whether it was a source or a recipient or an intermediary in carrying out the transfer, each bank holds the responsibility for any failure in complying with the requirements and responsibilities set forth in the said instructions. In addition, each bank determines a certain bearable level of risks upon the conduct of any banking transaction including the acceptable risk level upon the establishment of a relationship with a correspondent bank, which necessarily means that each bank shall bear the risks within his responsibility, and for which an acceptable limit has been set.

334. Whereas, in regards to the evaluation of the AML/CFT controls in the respondent bank in a correspondent relationship, as previously indicated, Article (4), clause 4.6 stipulates that among the obligations of the bank upon dealing with foreign banks is that “they should assess the institutions’ AML/CFT controls and ascertain that they are adequate and effective.”

335. Regarding the **exchange** companies, the Central Bank provided by virtue of the Circular issued on 27/02/2007 that the licensed exchange companies attach the following documents to their transfer order request: “a recent certificate from the competent supervisory authorities in the concerned country, proving that this company is licensed and authorized to deal in the money transfers with foreign countries...a recent registration certificate issued by the official authorities in the concerned country...and the draft agreement intended to be signed with the company”.

336. It is noted that the instructions issued for the exchange companies have not bound them to identify the level of control of the foreign companies which are intended to be contracted with, including whether those companies have undergone any ML or TF investigation, or have been monitored. Moreover, those instructions have not included the requirement of assessing the, correspondent institution’s AML/CFT controls, and ascertain that they are adequate and effective.

337. Whereas, practically, there were no evidence on the violation of the financial sector institutions to the above mentioned instructions, except for the payable-through accounts. While more than 90% (of the specimen) of the Jordanian financial institutions stated that they do not keep such accounts (many of those institutions have policies preventing that). It has been found out that some of the authorities supervised by the JSC have opened payable-through accounts for foreign banks, to enable the customers of these banks to deal in the Jordanian Securities Market, without the companies verifying if the foreign bank has conducted the CDD measures on its customers who are authorized to use these accounts or not.

Recommendation 8

Risks of the technological developments and the indirect business relationships

338. Regarding **banks**, the AML/CFT instructions no. (42/2008), Article 4.5 (indirect dealing with the customers) “bound the bank to have policies in place or take such measures to address any specific risks associated with non-face-to-face business relationships or transactions; especially those concluded by using modern technology such as the ATM service, the phone banking services and the internet, taking into consideration the instructions issued by the Central Bank in this regard”. Moreover, the AML/CFT guideline attached to the AML/CFT instructions no. (42/2008) has referred to the possibility of ML through “...depositing large-scale payments on a regular basis and by all means including placing electronic deposits...or such as the customer opens an account online and refuses to provide the necessary information for proceeding in the formalities of opening the account, or refuses to provide information that usually enables him to benefit from services and facilities that the usual customer deems as an extra advantage...or uses the online banking service to make transfers on his accounts many times without clear reasons for doing so...”

339. Within the same framework, the instructions No. (8/2001), in Article (2) of the banks’ exercising its electronic activities (2) bound “the bank that wishes to perform electronically any of its activities ...to study, evaluate and specify the activities intended to be performed electronically, the practical systems and the security systems as well as their costs, risks and the means for preventing such risks and the phases and mechanisms of execution”. Article (3) required that “the bank which practices any of its activities electronically should establish the necessary instructions, standards and measures for regulating the executed activities, the security and protection measures required, as well as implementing them and regularly developing the same”. Then, Article (6) mentioned “the importance of regulating the contractual relationship between the bank and the customer, including the data and responsibilities of each of them in a clear and balanced way; determining the limits for dealing which are consistent with the type of the service, the customer’s credit status and the size of his risks...complying with transparency, raising customers’ awareness and introducing them to the transactions carried out by electronic means, the associated risks and the liabilities imposed on them and resulting there from and establishing clear directions and instructions with regard thereto”. Whereas, Article (9) stipulates that “the transactions carried out electronically should be subject to internal inspection and auditing according to a policy based on the required preventive laws, instructions and regulations.

340. Moreover, the Central Bank, pursuant to the Circular No. (10/1/3344) dated 21/3/2005, has circulated the general principles included in Basel Report issued on July 2003 adopted under the title Risk Management Principles for Electronic Banking, where Article (first) comprised the following: “the Board of Directors and the Senior Management are responsible for establishing an effective system for managing the electronic banking risks and keeping on updating and developing it, so that it includes determining the accountability and controls issues to be used for controlling these risks...and keeping on reviewing the basic issues related to the measures and controls used in controlling the electronic banking risks as well as approving any modifications made thereto...”.

341. Pursuant to Article (second), clauses (1) and (2), “the bank has to use the appropriate means and techniques for identifying and verifying the customers’ ID upon using the electronic banking services as per the powers given to them...and using the means and techniques of verifying the electronic banking services for ensuring the accomplishment of accountability and non-repudiation”. Then, pursuant to Article (third), “upon providing banking services over the internet, the bank should provide the necessary information, use the accurate technical methods, continuously raise the awareness of its customers about the way of checking the bank’s ID on the internet...use the appropriate means for ensuring its compliance with the legal requirements of the jurisdiction in the country where the bank is affiliated, regardless of its location...and develop incident response plans and measures in order to contain those problems and the unexpected incidents and reduce their effects such as the attempts of internal and external breach of the electronic banking systems”.

342. Regarding the **insurance** sector, Article (6) of the AML instructions no. (3) for 2007 in the insurance activities addressed the use of the modern technologies, whereby it bound the insurance company to “have policies in place or take such measures to address any specific risks associated with non-face-to-face business relationships or transactions especially those concluded by using modern technology such as the insurance services via the Internet, and guarantee that the level of the procedures for investigating the customer's identity and his activity in such case is adequate to those related to face-to-face customers". ”.

343. Regarding the authorities supervised by the **JSC**, Article 5.2, clause (2) of the AML instructions required paying special care for the customers “who deal indirectly with the supervised authority, especially those who use modern technologies such as dealing through the internet”. Moreover, Article (7), clause (d) determined one of the special care requirements being to “obtaining the approval of the Executive Manager or that of the higher executive authority in the supervised authority upon the establishment of any relationship with them, as well as upon discovering that one of the customers of the supervised authority has fallen under the category of the customers mentioned in Article (5)”.

344. The managers of the financial institutions have stated that they comply with the issued instructions; but the evaluation team had no sufficient information or monitoring reports or statistics that allow being assured of the level of compliance of the financial institutions (where applicable) with the requirements of R.VIII.

345. The first part of this report discusses the growth of the technological development in providing financial services within the Kingdom, mainly in the banking sector, in addition to the increase in the risks of using this development in ML or TF. On the other hand, the instructions binding the prevention of these risks were issued, but some concerns remain as to the assurance provided by the issuance of such instructions, especially with the absence of the real monitoring tools that verify the accurate implementation of those instructions. This belief is supported by the availability of information (on some websites referring to Jordanian security sources) on “electronic theft” on the accounts of many customers in many banks, or stealing private information, for example, or deliberately inactivate or damage websites for the benefit of rival authorities (related to the Stock Market)...

3.2.2 Recommendations and Comments

346. The Jordanian legal framework has some weaknesses (particularly in the aspect related to regulating insurance sector), whereby some requirements which should be defined in the primary or delegated

legislation, have been addressed by other enforceable means or non enforceable guiding principles. In some cases, the instructions listed for some sectors are either general or deficient, lacking the required level of details pursuant to the international standards.

347. To remedy these weaknesses, it is recommended to:

- Issue the executive regulations promptly by the Council of Ministers pursuant to the provisions of Article (30) of the AML law, provided that those regulations include the basic elements of the relevant Recommendations which should be set forth in the provisions of any primary or delegated legislation as outlined in the evaluation methodology of 2004.
- Remove the confusion in the reference to the AML law for issuing the banks' instructions.
- Issue the AML instructions in the insurance activities based on the AML law so that sentences mentioned in the subject law could be imposed on the companies violating the contents of the instructions.
- Ensure that the AML instructions are implemented for the authorities supervised by the JSC and include therein issues covering CFT requirements.
- Moreover, work on issuing other instructions that establish a framework for AML/CFT in other financial sectors such as the sector of payment and credit tools issuing companies, the finance leasing sector, the Jordanian post financial services, the Postal Savings Fund and the sector of e-money transfer.
- Address the following in the law or any other primary or delegated legislation:
 - The issue of the numbered accounts (whether for permitting their existence or not), so that the financial institutions are required to keep them in a way that full compliance with the FAFT Recommendations could be achieved. For example, the financial institutions should identify the customer's ID in conformity with these standards, and that customers' records should be available for the AML/CFT compliance officer, competent officers and the competent authorities.
 - To all sectors unlike banks, clarifying the other circumstances that require the implementation of the CDD measures, being the cases of performing occasional transactions that exceed the applicable limit (15000 USD/Euro). This also includes the cases in which the transactions are performed in one single transaction or multiple transactions which seem to be linked; and performing occasional transactions in the form of wire transfers in the cases covered by the Interpretative Note of SR.VII; or suspecting ML or TF regardless of any exemptions or certain limits mentioned elsewhere in the FATF Recommendations; or the cases where the financial institutions have any suspicion with regard to the extent to which the data previously obtained for the identification of the customers' ID are accurate or sufficient.
 - In the insurance sector, the obligation of verification of ID by using original documents or data or information from a reliable and independent source (Identification data) as well as verifying if any person claims to be acting on behalf of the customer is actually authorized to do so, in addition to identifying and verifying his ID.
 - In the insurance sector, requiring the verification if the customer acts on behalf of another person (beneficial owner), and taking reasonable steps to obtain sufficient data for verifying the ID of the other person, as well as in the exchange and insurance sectors, the requirement to identify the natural persons who really own or control the customer, which include individuals who effectively and fully control the legal person or the legal arrangement.
- The instructions issued for the financial institutions should address the following:
 - Requiring them, regarding customers who are legal persons or legal arrangements, to obtain information on the provisions regulating the authority binding the legal person or legal arrangement.
 - Requiring exchange companies to take reasonable measures for understanding the ownership and control structure of the customer, if he is a legal person.

- Requiring insurance and exchange companies to obtain information related to the purpose and the nature of the business relationship for natural persons and requiring the JSC to obtain information related to the purpose and nature of the business relationship for legal persons.
- Requiring exchange companies to include in the ongoing CDD measures, the Verification of transactions undertaken throughout the course of that relationship to ensure that the transaction being conducted are consistent with the institution's knowledge of the customer, his business pattern and risk profile, and where necessary, the source of funds; additionally, to ensure that documents, data or information collected under the CDD process is kept-up-to-date and relevant; by undertaking reviews of existing records, particularly for higher risk categories of customers or business relationships.
- Extending the instructions issued for the exchange sector regarding the enhanced due diligence measures, to include a wider range of risk-posing customers and high-risk business relationships and transactions.
- Removing the confusion related to banks' inability to establish continuous business relationships with customers before completing the verification procedures.
- The implementation of the CDD measures vis-à-vis existing customers (existing customers as at the date when the national requirements became effective) on basis of risk and materiality, and addressing the issue of the timing of taking the CDD measures on existing business relationships (regarding the financial institutions operating in the banking sector, and other financial institutions where appropriate). Following are some examples of times that could otherwise be suitable for this: (a) upon executing a large transaction, (b) when there is a material change in the way of documenting the customer's information, (c) when there is a material change in the way that the account is operated and (d) when the institution becomes aware that it lacks sufficient information about an existing customer.
- Requiring the banks to put in place "risk management systems" to identify whether a potential customer or the customer or the beneficial owner is a politically exposed person.
- Requesting exchange companies to apply a full-scope of requirements in conformity with the Essential Criteria of R.6.
- Requiring exchange companies to identify the level of control to which the foreign companies intended to be contracted with are subject, including if they were subject to investigation on ML or TF or a monitoring measure, and requesting them to evaluate the controls that the respondent institution uses for AML/CFT and ascertain that they are sufficient and effective.

3-2-3 Compliance with Recommendations 5 to 8

	Rating	Summary of factors underlying rating
R.5	PC	1- CFT obligations are not included in obligations stipulated in the AML Law for the relevant entities. 2- Failure to issue executive regulations to apply the provisions of the AML Law according to Article (30) thereof. 3- Failure to issue AML instructions for the insurance sector by virtue of the AML law in order to enable imposing sentences stipulated therein on institutions violating the content of such instructions. 4- Failure of any law or principal or secondary legislative provision to address the following: <ul style="list-style-type: none"> • Numbered accounts (to permit it or not), so that financial institutions are requested to keep these accounts in such a way that full compliance with the FATF Recommendations can be achieved. • Unlike banks, other circumstances requiring the application of CDD, i.e. circumstances mentioned under the last four items of c.5-2 under R.5. • In the insurance sector, customer identification using documents, data or original information from an independent and reliable resource (ID data

		<p>identification) and required verification when any person claims to act on behalf of the customer to make sure that he is the concerned person and is duly authorized in addition to identifying and verifying his identity.</p> <ul style="list-style-type: none"> • In the insurance sector, verifying that the customer is acting on behalf of someone else, and to take reasonable measures to get sufficient data that enables the verification of the identity of the other person; additionally in the exchange, insurance and securities sectors, to identify natural persons who own the customer or have control over him, including those with full and effective control over the legal person or the legal arrangement. <p>5- Failure of the instructions for financial institutions to tackle the following:</p> <ul style="list-style-type: none"> • Requesting customers who are legal persons or arrangements, to obtain information on the provisions regulating the binding authority of the natural person or the legal arrangement. • Requesting money exchange companies to take reasonable measures in order to understand the ownership and control structure of the customer, if it is a legal person. • Requesting insurance and money exchange companies to obtain information on the objective and nature of the business relationship for natural persons, and requesting securities companies to obtain information related to the type and purpose of the business relationship for legal persons. • Requesting exchange companies that the ongoing CDD measures include the monitoring of transactions carried out during the relationship in order to ensure that the conducted transactions are commensurate with their knowledge about customers, their activities and risk profiles , and if necessary, the source of funds in addition to verifying that the documents or data gained from the CDD measures are updated on a regular basis, through the examination of existing records, particularly those of higher risk categories of customers and business relationships. • Requiring exchange companies, with regard to enhanced due diligence, to cover larger categories of risk-posing customer and high-risk business relationships and transactions. • Requiring the application of CDD for existing customers (as at the date that the national requirements are brought into force) on basis of materiality and risk, and to tackle the timing of CDD with regard to existing business relationships. <p>6- Confusion related to banks' inability to establish a continuous relationship with the customers before completing the verification procedures.</p> <p>7- Obligations under AML law do not cover the Financial Services of Jordanian Post and the Postal SF.</p>
R6	PC	<p>1- Instructions for the financial institutions do not cover the following:</p> <ul style="list-style-type: none"> • Requiring banks to put in place “a risk management system” to determine whether a potential customer, the customer or the beneficial owner is a politically exposed person. • Addressing exchange companies to apply comprehensive requirements in line with the Essential Criteria of R.6. <p>2- AML instructions issued for insurance are not based on the AML law, and accordingly do not allow sanctions therein to be imposed on companies violating the instructions.</p> <p>3- Supervision deficiencies in some aspects (please see section 3-2-2)</p>
R7	LC	<p>– Instructions for exchange companies do not cover identifying the level of supervision imposed on the foreign companies with which contractual relationship is intended to be established, including whether it has been subject to a money laundering or terrorism financing investigation or regulatory action and are required to assess the respondent institution’s AML/CFT controls, and</p>

		ascertain that they are adequate and effective
R8	LC	<p>1- Failure to evaluate the FIs level of implementation of the follow up and monitoring systems on transactions based on advanced technology and indirect business.</p> <p>2- AML instructions for insurance are not based on the AML law, which does not allow sanctions therein to be imposed on companies violating the instructions.</p>

3.3 *Third parties and introduced business (R.9)*

3.3.1 *Description and Analysis*

348. With regard to banks, it was established that they do not rely on third parties or agents to perform the CDD measures; as for the securities companies, Article (2) of the securities companies' law for the year 2002 defined the financial agent as: "the person who buys securities and sells them to the benefit of third parties". Article (51) stipulates that "securities companies may have one license to practice one or more activity of the financial brokerage or agent, the investment agent, investment manager and issuance manager activities. Article (2) of the AML law for the year 2008 issued by JSC covered the financial securities companies within the enforcement of these instructions. Therefore, companies working in financial brokerage do not assign the application of CDD measures to other institutions but do so through the employees of its office in the financial market regulated by the JSC.

349. It is worth mentioning that some of these companies stated that many of their customers are non residents (from Gulf countries in particular), and therefore, it is essential to wonder about the existence of third parties that these companies used to build relationships with the mentioned agents. These statements impose an inquiry about whether the Jordanian brokerage companies are relying on the above mentioned third parties to perform the CDD measures (partially or completely) on its behalf, and whether it is asserting that the third parties are subject to the supervision and regulation and the CDD requirements mentioned in Recommendations 5 and 10.

350. With regard to the **insurance** sector, Article (9) of the AML instructions for the insurance activities no. (3) for the year 2007 stipulates that:"If the company relied on the insurance brokers or agents with regard to the CDD process, it should immediately obtain the necessary information concerning the CDD process and take adequate steps to satisfy themselves that the copies of identification data and other relevant documentation relating to the CDD requirements will be made available from the third party upon request without delay..... The ultimate responsibility for customer identification and verification should remain with the company."

351. These instructions did not consider requesting the insurance companies relying on third parties to obtain immediately from the third party the required information related to all the elements of the CDD process stipulated in criteria 5-3 to 5-6.

352. It is also noted that the instructions do not request the insurance companies to assert that the third parties are subject to control and regulation of the CDD requirements stipulated in Recommendations 5 and 10. It is also noted that there is no evidence stating that competent authorities should take into account information available on whether those countries adequately apply the FATF recommendations even though this deficiency is not considered highly risky at the time being, since the majority of insurance sector agents operating in Jordan, are Jordanian citizens residing in the Kingdom as previously shown in a previous part of the report.

353. It was established that reverting to the services of third parties and agents in the Kingdom is only related to insurance companies (see notes of previous paragraph), it is important to remind that according to the 2007 estimates, (426) insurance agents, (56) insurance brokers in addition to (4) reinsurance brokers operate in Jordan. Managers at the insurance companies covered during evaluation visits stated that their companies are obliged to abide by the instructions issued in this regard while they are not compelled to verify whether the insurance broker is applying the CDD measures (criteria 3-5 to 5-6).

3-3-2 Recommendations and Comments

354. The authorities should take the following into consideration:

- Instructions issued by the JSC should cover the possible existence of third parties to which the Jordanian financial services companies referred to, in order to have business relationships with some customers.
- Dependence on agents and insurance brokers should be organized in a sufficient manner with regard to the application of AML/CFT obligations.

3-3-3 Compliance with Recommendation 9

	Rating	Summary of factors underlying rating
R.9	PC	<ul style="list-style-type: none"> • Instructions issued by the JSC do not cover the possible existence of third parties to which the Jordanian financial services companies referred to, in order to have business relationships with some customers. • AML instructions for insurance activities are not based on the AML Law, which does not allow sanctions therein, to be imposed on companies violating the instructions. • Failure to organize the instructions related to insurance in terms of the need to ascertain that the related CDD requirements are fully met and obtain such information immediately; the financial institutions ascertain that third parties are subject to monitoring and regulation. The competent authorities are not compelled to study the information available on the countries where third parties may exist.

3.4 Financial institution secrecy or confidentiality (R.4)

3.4.1 Description and Analysis

355. With regard to the content of the AML Law no. (46) for the year 2007 on the secrecy and exchange of information, Article (29) stipulates the following: “the provisions related to banking confidentiality and information exchange do not inhibit the implementation of any of the provisions of the subject law. Article (16) stipulates that: “The penal, civil, administrative or disciplinary responsibility is removed from any natural or legal person of the persons referred to in Article (13) of the subject law when any of them reports in good will any suspected information or presents information or data about the same; according to the provisions of the subject law”. Then Article (17) stipulates that: “...the Unit may request the authorities compelled to report by virtue of Article 14/E of the subject law about any additional information deemed necessary to fulfill their job if such information is related to other information previously received by the Unit while practicing its powers or based upon requests received from counterpart units...the authorities compelled to report must provide the Unit with the information referred to in paragraph (A) of the subject Article within the specified time period”.

356. In addition, Article (18) stipulates that: “the unit may request from the following institutions any additional information related to the notifications received and coordinate with them about the same, if such information is necessary to perform their jobs or are based upon the request of a counterpart unit 1- Judicial authorities, 2- Monitoring and supervisory authorities practicing their authorities on institutions subject to the

provisions of the subject law and 3- any other administrative or security parties”. As for Article (19), it stipulates that the “Unit may exchange information with counterpart units provided the principle of reciprocity and provided that these information is only used for AML objectives and after receiving the approval of the Unit which has provided the same. The Unit may conclude Memorandums of Understanding with counterpart units to organize the cooperation in this regards”. Article 6/A listed in clauses (3) and (7) “facilitating information exchange related to AML operations and coordinating with related institutions...and appointing competent authorities and coordinating with them to prepare periodical statistics on the number of suspicious transactions reports and the number of investigations related to it and the conviction judgments issued, confiscated or frozen properties and the mutual legal assistance” among the powers of the AML National Committee. While Article (12) pointed out that “...the Unit may publish periodical statistics on the number of suspicious transactions reports received, the number of issued conviction judgments, confiscated or frozen properties and mutual legal assistance”.

357. With regard to **banks** specifically, Banks Law no. 28 for the year 2000 stipulates in Article 93/C that: “The bank’s revealing any information by virtue of the provisions of the subject Article shall not be considered in breach to the banking confidentiality obligation, and the Central Bank or any other bank shall not be held responsible for that”. The subject law stated in Article (74)/D that “the exchange of information related to customers regarding their indebtedness to provide required data for the safety of granting credit facilities or with regard to returned checks without settlement or any other issues that the Central Bank deems necessary due to its relation to the safety of the banking activities between the banks and the Central Bank and any other companies or institutions that the Central Bank agrees on to facilitate the exchange of information” shall be excluded from the provisions of Articles (72) and (73) of the subject law (related to banking secrecy).

358. With regard to the exchange of information between the financial institutions according to SR. VII, Article (5) of the AML/CFT instructions no. (42/2008) stipulates in clause (2), that the bank executing the money order should “enclose therewith all data mentioned in paragraphs (1) and (2) of this clause...with regard to money orders sent in one package, the bank requesting the money order shall enclose the account number of the person requesting the money order or its specific reference number ... provided that the bank is able to provide the recipient bank and competent authorities with the full required information within three working days from the date receiving such request ...and that the bank shall immediately fulfill any request issued by competent authorities obliging it to provide the said competent authorities with such information”.

3.4.2 *Recommendations and Comments*

3.4.3 *Compliance with Recommendation 4*

	Rating	Summary of factors underlying rating
R.4	C	

3.5 *Record keeping and wire transfer rules (R.10 & SR.VII)*

3.5.1 *Description and Analysis*

Recommendation 10

Record Keeping and Adequacy to Restructure Transactions

359. **Banks** Law no. (28) for the year 2000 stipulates in Article (15/A/6) that the bank must keep in its headquarters any data required by the Central Bank’s orders. In addition, Article (15/E) stipulates that the bank must document its transactions with customers and keep related information and data including daily individual accounts of each one of them. As for Article (60/A/1), it obliged banks to comply with the Central Bank’s orders related to keeping records of its business duly organized.

360. The AML/CFT instructions no. (42/2008) related to banks stipulates in Article (6) on the obligation of maintaining records and documents, it requires ‘the bank to maintain records and evidences supporting the continuous relationship and the banking transactions received in execution of the obligations provided for in Articles (3, 4, 5) of these instructions in such a way that they include original documents or copies thereof which are acceptable by the courts according to the legislations in force in the Kingdom for at least five years from the completion date of the transaction or following the termination of a business relationship according to the situation’. By virtue of Article (7), “the bank should prepare special files related to suspicious transactions where copies of STRs and related information and data are kept for at least five years or until a final ruling is issued about the transaction, whichever comes later”.

361. The Control and Internal Monitoring Systems no. (35/2007), although they are not related to the AML/CFT objectives and procedures, since it was issued and applied before the issuance of the AML Law, stipulate in Article 8, clause (3) that it is essential for the bank to have written procedures to make sure that the books and records are regularly and safely kept for a period that is not less than that stipulated for in the legislations enforced, and in such a way that facilitates the control and inspection thereon. In addition, Article (8) stipulates that it is essential to have appropriate monitoring systems covering all the bank systems in order to ensure that each transaction is duly completed, documented and maintained in appropriate records according to the legislations in force. It also stipulates in clauses (2), (3) and (5) “the need for the bank to have sound and written financial, accounting and documentary systems proving the confirmation of financial transactions immediately upon their occurrence...along with written procedures to assert that the books and records are regularly and safely kept for a time period that is not less than that stipulated in the legislations in force, and in such a way that facilitates the control and inspection... along with a mechanism that allows the assertion of the quality of the financial information and data submitted to the supervisory authorities”.

362. In addition, the electronic banking risk management issued by the Central Bank and circulated to all banks via circular no. (10/1/3344) stipulates in Article (2)” that “the bank is required to assert the availability of an efficient mechanism that guarantees the integrity completeness and accuracy of the information, data and records pertaining to electronic banking transactions”.

363. As for the guidelines handbook enclosed to the AML/CFT instructions no. (42/2008), it stipulated in clause 5/5 on the development of an electronic system to prepare reports that help increase the efficiency and competency of the bank’s internal systems with regard to AML/CFT among which:

- Reports on the movements and balances of checking accounts: covering all accounts whether they are for customers or employees, including the movements of each account during a given period of time (monthly or quarterly basis), along with the accounts balances as at the end of each month, the average balance and the number of executed transactions in such a way that allows the identification of any unusual activity.
- Transfer reports: covering all incoming and outgoing transfers, the amount of each, the currency used, and the payment method whether by check or cash for each customer separately.
- Foreign Banks Accounts Balances and Movement Reports: covering all transfers executed by any means and specifying the amount and currency, the bank name and the beneficiary’s name, along with the number and amount of transactions with every foreign bank and any other changes.

364. With regard to the **insurance** sector, Article (12) of the AML instructions related to insurance activities no. (3) for the year 2007 obliged the companies to: “maintain records and evidences related to the CDD procedures for at least five years from the completion date of the transaction or following the termination of the business relationship whichever comes later ...and to maintain records and evidences supporting the insurance based relationship in such a way that covers original documents or copies thereof which are acceptable by the courts according to the legislations in force in the Kingdom for at least five years following the termination of the insurance policy or the termination of the business relationship, whichever comes later....and to develop an appropriate information system to maintain records and documents referred

to in the subject Article enabling the company to provide the unit and competent authorities with any data or information in a fast and comprehensive way”.

365. With regard to **exchange** companies, Article (6) of the AML instructions obliged it to keep records and documents for at least five years following the termination of the financial business relationship and take appropriate measures to provide the unit or competent authorities’ at their request with any data or information in a quick and comprehensive way within the time period specified.

366. In addition, Article (9) of the instructions issued by the **JSC** stipulates that it is required to keep records and documents as follows: "The regulated institutions should document the information mentioned in Article (4) of these instructions in its records annexed with a true copy of the documents proving the accuracy of such information, and to keep the same for at least five years from the date of the termination of transaction or the date on which the customer performed the last transaction.

Retain identity verification data

367. With regard to **banks**, the AML/CFT instructions no. (42/2008) obliged in Article (6)” the bank to keep records and documents related to the CDD measures stipulated in Article (3) for at least five years following the transaction execution or termination of the relationship with the customer, according to the situation”.

368. In the **insurance** sector, Article (12) of the AML instructions related to insurance activities no. (3) for the year 2007 forced the companies to: “keep records and evidences related to the CDD procedures for at least 5 years following the expiry of the document or the termination of the business relationship, whichever comes first...and to keep records and evidences supporting the insurance based relationship in a way that they include original documents or copies thereof”.

369. With regard to **exchange** companies, Article (6) of the AML instructions required from the exchange companies to “maintain records and documents pertaining to the CDD procedures for the customers provided for in Article (3) for at least five years following the date of termination of the financial business relationship, and to maintain records and evidences supporting the insurance based relationship in a way that they include original documents or copies thereof... for at least five years following the termination of the financial transaction”. In addition, Article (5/B/2) stipulates the exchanger’s obligations regarding money orders, i.e. “the exchange office should be able to provide the party receiving the transfer and the official competent authorities with information about outgoing transfers within three working days following the receipt of such a request...and that the exchange office can immediately obey any order issued by competent authorities obliging it to provide it with such information”.

370. With regard to institutions regulated by the **JSC**, Article (9) of the instructions stipulates that “regulated institutions should document the information mentioned in Article (4) of these instructions in its records enclosed with a true copy of the documents proving the accuracy of such information, and to maintain them for at least five years following the termination of the relationship therewith or from the date of the last transaction executed by the customer”.

Making the records available to the competent authorities

371. With regard to **banks**, Article 6 of the AML/CFT instructions no. (42/2008) requested the banks to “develop an integrated information system for maintaining records and documents referred to in clauses (1) and (2) of the subject Article, enabling the company to provide the unit and the competent authorities with any data or information in a fast and comprehensive way, and especially any data showing whether the bank had any continuous relationship with a particular person during the last five years while providing information on the nature of this relationship”.

372. In the **insurance sector**, the AML instructions in the insurance sector no. (3) for the year 2007 discussed in Article (12) clause (E) the obligation to develop “an appropriate information system for

maintaining records and documents referred to in the subject Article enabling the company to provide the unit and competent authorities with any data or information in a fast and comprehensive way”.

373. As indicated above, and in addition to what was stated in the Banking Act No. (28) for the year 2000 that “the bank should document its transactions with its clients and maintain information and data relating thereto,” the instructions related to the financial sector institutions are requesting the following:

- Maintaining all necessary records of all domestic and international transactions, for at least five years after the completion of the transaction (or for a longer period if requested by the competent authority in specific cases and upon proper authority). This requirement applies regardless of whether the account or business relationship is ongoing or has been terminated.
- Maintaining records of identification of data and files of accounts and correspondences relating to the activity for at least five years following the closure of the account or termination of the business relationship (or for a longer period if requested by the competent authority in specific cases and upon proper authority).
- Except for the exchange and securities sectors, ensuring that all records and information of clients and transactions are provided in a timely manner to the competent local authorities upon proper authorization.

It is worth mentioning that the instructions related to the insurance activities are not considered as a primary or delegated legislation.²

374. The managers of the financial institutions and the regulatory entities stated that they fully comply with the instructions, but the evaluation team did not obtain any data or indicators showing the level of compliance of the financial sector with R.10.

Special Recommendation VII

Within the Limits of the applicability of the recommendation

375. For the **banks**, Article (5) / "first" / items (1) and (2) of the AML/CFT instructions No. (42/2008) stipulates the following: "The provisions of the subject Article shall apply to electronic transfers worth more than 700 hundred Dinars, or their equivalent in foreign currency and which are sent or received by banks subject to those instructions ... with the exception of the provisions provided for herein... electronic remittances arising from transactions using debit or credit cards provided that all money orders arising from such electronic transactions are associated with the credit or debit card number... and the e-transaction in which each of the issuer and recipient is a bank acting on its own account."

376. As for the **money exchange** companies, the provisions of Article (5) of the AML instructions stipulate the obligations that are applicable to transfers exceeding 700 Jordanian Dinars.

Access to and inclusion of the original information of the wire transfers

377. For the **banks**, Article (5) / "second" of the AML/CFT instructions No. (42/2008) stipulates the obligations of the bank issuing the transfer, in the paragraphs (1), (2) and (3), obliging "the Bank to take CDD measures towards the customers provided for in Article (3) of these instructions to obtain full information about the originator of the transfer, including: the name of the originator, his account number, the national number or ID number and identity and nationality of non-Jordanians... if no account exists at the bank for the wire transfer originator, the Bank should establish a system whereby the originator is given a unique reference number to issue the transfer... and the bank should take action to verify all the information in accordance with the criteria and procedures set forth in Article (3) before sending the transfer. "The provision of paragraph (4) obliges "the bank to enclose with the transfer all data set forth in paragraphs (1) and (2) of this article."

378. As for the procedures associated with batch remittances, Article (5) / "second" of the instructions stated in paragraph (5), that "the issuing bank should attach the account number of the wire transfer originator or his unique reference number if no account exists provided that: the Bank maintains full information about the wire transfer originator as set forth in paragraphs (1) and (2) of this article ... and that the bank is able to provide the recipient and the competent authorities with the full information required within three business days following the receipt of a request... and that the bank is able to respond immediately to any order issued by the competent authorities requesting access to such information." It is worth mentioning that Article (6) bind the Bank to ascertain the source of non-routine transfers which are not sent within the wire transfers package which would increase the risk of money laundering and financing of terrorism.

379. For the **exchange** companies, Article (5) referred to above provides for: "the provisions of the subject Article shall apply to transfers exceeding seven hundred Dinars or their equivalent in foreign currencies, which are sent or received by the exchange office under these instructions." The subject Article has identified the exchanger's obligations with respect to the transfer as follows: "to obtain full information on the transfer originator, including: his name, his national number, ID number for Jordanians and passport number for non-Jordanians, in addition to applying CDD measures on customers who are subject to the provisions of Article (3) of these instructions."

Obligations of financial institutions, intermediaries and beneficiaries, including risk-based procedures for transfers not-accompanied with information on the originator of the transaction

380. For the **banks**, in Article (5) / "third" of the AML/CFT instructions No. (42/2008) provided for the obligations of the receiving bank, obliging " the bank to develop effective systems for the detection of any lack of information relating to the transfer originator as provided for in paragraphs (1) and (2) of Clause 2 ... and the bank should adopt effective procedures based on the degree of risk in dealing with money orders that lack any information on the originator. Among these actions: to request incomplete information from the bank issuing the transfer, failing to do so, the Bank should take action on the basis of the risk degree, including the rejection of the transfer to be regarded as an indicator that should be taken into consideration when evaluating the bank on the extent of the suspicion of the transaction and notify the FIU immediately."

381. The obligations of the intermediary bank are set forth in Article (5) / "fourth" of the instructions as follows: "If the Bank participated in the execution of the transfer without being an originator or a recipient, it should maintain all the information attached to the transfer upon its execution... if it fails to do so for technical reasons, it should maintain all information received for a period of five years, regardless of the completeness or incompleteness of the information, in such a way in order to provide the information it maintains to the recipient Bank within three days from the date of request. .. and if the bank had received incomplete information about the originator of the transfer, it must notify the bank receiving the transfer when executing the same."

382. For the **exchange** companies, the provision of Article (5 / c) of the exchange companies instructions stipulates as follows: "If the intermediary exchange office was involved in the execution of the transfer without being an originator or recipient, it should ensure that all information enclosed with the transfer shall be preserved. Failing to do so for technical reasons, it should maintain all information received for a period of five years, regardless of the completeness or incompleteness of this information enabling it to provide the receiving bank or exchange office within three days from the date of request with the information available to it ... and where the exchange office has received incomplete information about the transfer originator, it must notify the recipient of the transfer upon executing the transfer."

383. Article (5/b/4) obliged the exchange office to "adopt effective measures on the incoming transfers based on the degree of risk in dealing with those transfers lacking updated information on their originator. Among these measures is: to request incomplete information from the bank or the exchange office issuing the transfer; failing to do so, the Bank should take action on the basis of the risk degree, including the rejection of the transfer and to use such action as an indicator in assessing the extent to which the exchange office has any doubts about that transaction and notify the FIU accordingly."

Monitoring the compliance of financial institutions in applying their obligations

384. Article (14)/d of the AML Law No. (46) for the year 2007 stipulates that it is incumbent on the institutions subject to the provisions of the subject law to comply with the instructions issued by the competent regulatory authorities in applying the provisions of the subject law. The AML/CFT instructions were issued including the obligation concerning wire transfers that the banks must comply to, as explained above (though they were issued under the Banking Act No. (28) for the year 2000 as stated above). Article (29) of the Electronic Transactions Law No. (85/2001) states that "the Central Bank issues the necessary instructions to regulate the activities of electronic funds transfer, including the adoption of electronic payment means ... and any other issues related to electronic banking activities ..."

385. Article (16) of the **Exchange Business** Law No. (26/1992) states that "records, registers and transactions related to exchange shall be subject to review, auditing and inspection by the Central Bank and the Governor may delegate in writing any of the officials of the Central Bank or any number of them to carry out these procedures."

386. In practice, the officials in the Banking Supervision Department and the Exchange Companies Control Department of the Central Bank reported that they review the performance of banks and exchange companies to ensure adherence to the wire transfer obligations when conducting the periodic inspections. However, the mechanisms and procedures related to the follow-up on the level of compliance of financial institutions with regulations and rules relevant to the application of the obligations contained in the Special Recommendation VII, cannot be considered adequate within the apparent lack of potential of such parties in terms of the human and technical resources required for such follow-up; which will be addressed in detail when dealing with the special recommendations for the regulatory authorities in a later section of this report.

Sanctions for non-compliance

387. Jordanian authorities have reported that, according to Article (88)/a, of the **Banking Law** No. (28) for the 2000, "the Central Bank may take any action or impose any sanctions provided for in paragraph (b) herein where it is established that the bank or any of the managers may have committed any of the following crimes: violation of the provisions of the subject law or any regulations, instructions and orders issued in pursuance thereof ... if the bank or one of its affiliated companies carries out unsound and unsafe transactions for the benefit of its shareholders or creditors or depositors." Under this paragraph, "The Governor may take one or more actions, or impose one or more of the following procedures and sanctions: 1 - to address a written warning, 2 - request from the bank to submit a satisfactory program on the actions to be taken to remove the violation and correct the situation, 3 -to request the Bank to discontinue some of its operations or prevent it from the distribution of profits, 4 - to impose on the bank a fine that does not exceed one hundred thousand Jordanian Dinars, 5 - to ask the bank to suspend any of its managers non-members of the Board of Directors from work on a temporary basis or dismiss him depending on the seriousness of the offense, 6 – to dismiss the Chairman of the board or any of its members, 7 – to dissolve the Board of Directors and entrust the Central Bank with the management for a term not exceeding twenty-four months, which may be extended as necessary, 8 – to cancel the bank's license."

388. Article (47) of the Central Bank Act No. (23/1971), stipulates that if a licensed bank violates any of the provisions of the subject law or regulations or instructions or orders issued pursuant thereto, the Central Bank may warn the bank or reduce the credit facilities granted to it or suspend such facilities. "Where such violation is repeated, the Board may, upon the assignment of the governor, impose any of the following sanctions: to prevent the bank from carrying out certain transactions and to impose any credit ceiling that it deems appropriate, to appoint a temporary controller to supervise its activities and the Board may also cancel its license."

389. It is noted in the previous legal provisions that they impose sanctions upon violation of its provisions, or the regulations or instructions or orders issued in accordance therewith, or upon performing non-secure transactions. Whereas the instructions issued to banks were issued in accordance with the banking law, as mentioned above, the sanctions contained therein upon violation of its provisions should be applicable. However, by returning to the AML Law, the law specifies the sanction applied in case of violation of the

instructions issued by the supervising authorities in the AML field, as per Article (25), by imprisonment and fine, and does not in any way refer to the powers of the supervising authorities in imposing any other type of sanction. Accordingly, it is likely that there is some inconsistency concerning the sanctions that may be imposed on financial institutions violating the instructions, including obligations related to SRVII, because of the lack of uniformity in the basis upon which the instructions and the powers of the regulatory authority to impose the sanction against any violation were issued.

390. Jordanian authorities also reported that Article (27) of the **Exchange Business Law No. (26/1992)** states that "the Board may take any of the following actions against any exchange office violating any provision of the subject law: 1 – written warning to remove the violation within the specified period; 2 - closure of the business and prevention of the exercise of the Exchange activities for the fixed period; 3 – The Board may revoke the license issued to any exchange office upon repeating more than twice the violation of the provisions of the subject law or any regulation or decision issued in accordance therewith."

391. The evaluation team believes that these sanctions are not applicable on exchange firms that violate the AML instructions, as those instructions were issued based explicitly on the Anti-Money Laundering Law and not within the Exchange Business Law framework. Therefore, the Central Bank may not impose sanctions on the exchange activities, which should be subject to the sanctions provided for in Article (25) of the AML Law, being the imprisonment and fine.

392. In general, as indicated above, the instructions issued to the financial sector institutions" do not distinguish between domestic transfers and cross-border transfers in the application of obligations.

393. According to the managers of the financial institutions, they fully comply with the instructions. The regulatory authorities have also stated the same. However, the external auditors stated that they do not conduct any meaningful follow-up on the level of compliance by banks with instructions on this recommendation, and they attribute the reason to the fact that the AML/CFT instructions No. (42/2008) were addressed to the banks and they are not binding for them. They have also stated the need to regulate auditing mechanisms and issue auditing reports and review the same.

3.5.2 Recommendations and Comments

394. Institutions of insurance, exchange and securities sectors are required through the AML Law or any primary or delegated legislation, to carry out the following:

- In the insurance sector, maintain all necessary records of all domestic and international transactions, for a period of at least five years following the completion of the transaction (or for a longer period at the request of the competent authority in specific cases and upon proper authorization). This requirement applies regardless of whether the account or the business relationship is ongoing or has been terminated.
- In the insurance, maintain records of identification data and files of accounts and correspondences relating to the activity for at least five years following the termination of an account or a business relationship (or longer at the request of the competent authority in specific cases and upon proper authorization`).
- In the insurance, exchange and securities sectors, ensure that all records and information of clients and transactions are provided in a timely manner to the competent local authorities after obtaining the proper authorization.

395. It is also recommended that provisions or mechanisms are developed to ensure effective monitoring of FIs compliance with the rules and regulations relating to the application of SR.VII, and to ensure that the external auditors verify that the banks have applied these instructions and ascertain the adequacy of policies and procedures applied by the banks to this end.

396. In addition, it is recommended to remove the current confusion regarding the powers to impose sanctions in accordance with the AML Law and other laws regulating the relevant supervisory bodies.

3.5.3 Compliance with Recommendation 10 and Special Recommendation VII

	Rating	Summary of factors underlying rating
R.10	LC	<ul style="list-style-type: none"> • Failure to require from the insurance sector through a primary or secondary regulation to maintain necessary records of all domestic and international transactions, for at least five years following the completion of the transaction (or longer at the request of the competent authority in specific cases and upon proper authorization). This requirement applies regardless of whether the account or business relationship is ongoing or has been terminated. • Failure to require from the insurance sector through a primary or delegated legislation to maintain ID records and files of accounts and correspondences relating to the activity for at least five years following the closure of account or the termination of business relationship (or longer at the request of the competent authority in specific cases and upon proper authorization). • Failure to require insurance, exchange and securities sectors through a primary or delegated legislation to ensure that all records and information of clients and transactions are provided in a timely manner to the competent local authorities after obtaining the proper authorization. • Failure to consider the instructions issued for the insurance sector as part of the primary or delegated legislations or other enforceable means.
SR.VII	PC	<ul style="list-style-type: none"> • Lack of effective monitoring on the compliance of banks with the rules and regulations relating to the application of this recommendation. • Lack of clarity on the effectiveness of the financial institutions application of the obligations related to the recommendation in the absence of adequate supervision. • Lack of clarity on the sanctions that could be imposed in case of violation of the instructions.

Unusual and Suspicious Transactions

3.6 Monitoring of transactions and relationships (R.11 & 21)

3.6.1 Description and Analysis

Recommendation 11:

Lending special attention to unusual large-scale or complicated transactions:

397. With regard to **banks**, Article 4.1, item 6 of the AML/CFT Instructions No. (42/2008) defines the unusual transactions as “the cash transactions exceeding twenty thousand Jordanian Dinars or its equivalent in foreign currencies (including all cash transactions that are below this limit and the indicators show that they are linked transactions reflected in one single transaction),.... and the unusual and complicated transactions.... or unusual patterns of transaction that have no apparent or visible economic purpose.” The Guidelines annexed to the AML/CFT instructions no. (42/2008) included several examples of banking transactions forms that may serve as an indicator for unusual transactions as for the customer’s activity or the nature of his relationship with the bank or for transactions that do not have any visible economic purpose.

398. With regard to the **insurance** sector, Article 7(a) of the AML/CFT Instructions related to insurance activities number (3) for the year 2007 specified the procedure required for the unusual transactions and stipulates that the company is requested to pay special attention to identify the customer’s identity and

activity as far as large insurance transactions or insurance transactions that do not have a visible economic or legal purpose are concerned, and to implement the required measures to examine the background and purpose of such transactions and to set forth their findings in writing.

399. With regard to **the exchange** companies, Article (4/3), item (5) of the AML/CFT instructions stipulates that the exchange office should pay special attention to large or unusually complex transactions.

400. With regard to the authorities supervised by Jordan Securities Commission (JSC), Article (5/third) of the AML/CFT instructions stipulates that “the regulated authorities should pay special attention to large or unusually complicated transactions or transactions that do not have a visible investment purpose or that are suspicious or represent an unusual investment policy and immediately notify the FIU of any suspicion in the financing source of these transactions or of the possibility of money laundering”.

Examination of unusual and complicated transactions and maintenance of the examination results in writing

401. Concerning **banks**, Paragraph 2 of Article 4.6 of the AML/CFT Instructions No. (42/2008) obliged the bank “to pay special attention to unusual transactions while keeping related records regardless of the decision taken in this regard”. Items 2 and 3 of Article (6) of the AML/CFT Instructions stipulates that the bank shall maintain records and proofs supporting the continuous relationships and banking transactions that the bank receives in implementing the obligations stipulated in Articles (3,4,5) of these instructions. The mentioned records shall include original documents or copies thereof accepted by courts as per the Kingdom’s applicable legislations to be maintained for at least five years following the completion of the transactions or the termination of the relationship”... The bank must also “develop an integrated information system to save the above mentioned records and documents...in such a manner that enables the bank to efficiently and swiftly satisfy any request addressed by the Unit or the official competent authorities with regard to the provisions of any needed data or information, especially any data proving whether the bank has had a continuous relationship with a particular person during the last five years along with information revealing the nature of this relationship”.

402. Concerning the control issue, Article 70/C of the Banks Law No. (28) stipulates that the Central Bank and the auditors appointed by the Central Bank to audit the bank and any other affiliated company shall have the right to examine and obtain a copy of any accounts, registers and documents, including the minutes of meetings and resolutions of the Board of Directors and the auditing Committee. In addition, Article 3.10 of the Control and Internal Monitoring Regulations No. (35/2007) dated 10/6/2007 stipulates that the bank must provide the external and internal supervisory authorities such as the regulators and the internal and external auditors or any other related competent bodies, with timely information and statements necessary to perform their job to the optimum.

403. Concerning the external auditing, Article 9.2 of the AML/CFT Instructions No. (42/2008) stipulates that “the bank’s external auditor as part of his duties, shall ensure that the bank is applying these instructions as well as he shall verify the adequacy of the bank’s policies and procedures related thereto, and include the auditing results in his report submitted to the management with the requirement to immediately notify the Central Bank of any violation to these instructions.”

404. Concerning the **insurance** sector, Article (12) of AML Instructions No. 3/2007 applicable to the insurance activities requested the insurance companies “to keep records and evidence supporting the insurance relationship, including original documents or copies accepted in courts as per the Kingdom’s applicable legislations for at least five years following the expiry date of the insurance policy or the termination of the relationship, whichever comes later”. It also requested the “development of an appropriate information system to save the above mentioned records and documents, enabling the company to satisfy any request addressed by the Unit or the competent authorities regarding the provision of any data or information in a timely and comprehensive manner”.

405. Concerning the bodies regulated by the **JSC**, Article (9) of the Instructions stipulates that the regulated bodies shall maintain in their records the CDD information with a true certified copy of the documents proving the validity of such information, provided that they keep these records for at least five

years following the termination of the customer's relationship or the date of the last transaction made by the customer.

406. As mentioned above, and concerning the unusual large and complex transactions, it is noted that the instructions addressed to the exchange companies did not request such companies to examine the background and purpose of such transactions, nor to set forth their findings in writing. In addition, these instructions do not stipulate the obligation to keep such findings available for competent authorities and auditors for at least five years.

407. Persons in charge of the financial institutions stated that they are fully abiding by the instructions. Whereas the monitoring and the examination results were moderate since no serious study was conducted by the financial institutions on the examination results of unusual large and complex transactions' background.

408. The data which are made available through perusing the methods and level of monitoring of the transactions within the financial institutions and the extent to which it depends on supporting software, and through the level of awareness available among employees on the ML/TF indicators, and through the statistics related to the STRs and the restriction of the STRs source to a limited number of financial institutions, in addition to the result of monitoring and examination.... All these facts give an insufficient degree of reassurance towards the compliance of the financial institutions to this recommendation's content.

Recommendation 21:

Paying special attention to countries that do not sufficiently apply the FATF Recommendations

409. With regard to **banks**, Article 4.3 of the AML/CFT Instructions No. (42/2008) – related to customers belonging to countries that do not have proper AML/CFT systems - stipulates that banks shall pay special attention to transactions performed with persons present in countries that do not have proper AML/CFT systems. However, *it is noticed that the category of targeted clients is not clearly identified, whereas the title of the Article specifies the persons that belong to such countries; the required procedures are applied only on individuals residing in such countries.*

410. With regard to the **insurance** sector, Article 7.b of the AML/CFT Instructions No. 3 for 2007 applicable to the insurance activities requests the insurance company to apply CDD measures to identify the customer and his activity in respect to insurance transactions conducted by persons residing in the countries that do not have appropriate AML systems.

411. With regard to **Exchange** Companies, Article 5.4.3 of the AML/CFT Instructions obliges money exchanger to pay special attention to the transactions performed with persons who are residing in the countries that do not have proper AML systems.

412. As to ensuring that the financial institutions are aware of the concerns related to the points of weakness in the AML/CFT systems in other countries, the provisions of Article 4.4 of the AML/CFT Instructions No. (42/2008) related to the importance of paying special care to foreign banks oblige the bank to verify that the foreign bank is subject to efficient regulatory control of the supervisory authority in the country of origin. The bank shall also verify that the foreign bank has sufficient AML/CFT systems. It is noted that those provisions are limited to dealing with foreign banks only without including the persons dealing with branches of Jordanian banks abroad or foreign persons generally dealing from abroad with banks in Jordan.

413. As also stated by the authorities, the Guidelines annexed to the AML/CFT Instructions No. (42/2008) included some guidance instructing the banks on how to use all possible means to follow up on the suspicious transactions and deals through supervisory reports, lists of non-cooperative countries, and lists of individuals and entities pursued on the international scale.

Examining transactions that have no visible economic or legal purpose issued by countries that do not sufficiently apply the FATF Recommendations

414. With regard to **banks**, Article 4.3.2 of the AML/CFT Instructions No. (42/2008) stipulates that if the bank realized while dealing with transactions related to customers residing in countries that do not have appropriate AML systems that such transactions lack clear economic justifications, the bank should “take required measures to examine the background and purpose of such transactions and to set forth their findings in writing”.

415. With regard to the **insurance** sector, the insurance companies are requested under Article 7.a of the AML/CFT Instructions No. (3) for 2007 to apply CDD measures with regard to any insurance transactions “that have no apparent or visible economic or lawful purpose and to take required measures to examine the background and purpose of the circumstances surrounding these transactions and to set forth their findings in writing.”

Making the findings available to competent authorities and auditors

416. Pursuant to Article (6) of the AML/CFT Instructions No. (42/2008) the “bank should maintain records and proofs supporting the ongoing relationships and banking transactions upon which the obligations provided for in Articles (3, 4 and 5) are executed, including original documents or copies accepted in courts as per the legislations in force in the kingdom for at least five years following the completion of the transactions or the closure of the account”. The bank must also develop an integrated information system to save the above mentioned records and documents...in such a way that allows the bank to provide the Unit and the competent authorities with needed data or information in a comprehensive and timely manner, and especially any data proving whether the bank had a continuous relationship with a particular person during the last five years along with information revealing the nature of such relationship”. Article 3.10 of the Control and Internal Monitoring Regulations No. (35/2007), dated 10/6/2007 stipulates that the bank must provide the external and internal supervisory bodies such as the regulatory authorities and the internal and external auditors or any other related competent bodies, with timely information and statements needed to perform their job to the optimum.

417. Article (12) of the AML instructions related to **insurance** activities no. (3) for the year 2007 requested the insurance companies to “maintain records and proofs supporting the insurance relationship, including original documents or copies acceptable by the courts as per the legislations in force in the Kingdom for at least five years following the expiry date of the insurance policy or the termination of the relationship, whichever comes later”. It also requested the “development of a comprehensive appropriate information system to save the above mentioned records and documents in such a way that allows the company to provide the Unit and the competent authorities with needed data or information in a comprehensive and timely manner”.

Counter Measures against countries that do not sufficiently apply the FATF Recommendations

418. Regarding the **banks**, and pursuant to Article (4)/third of the AML/CFT instructions No. (42/2008), banks are requested to “pay special attention to transactions” related to customers residing in countries that do not have appropriate AML/CFT systems.

419. Bank Law No. (28) for the year 2000 provides in Article (11) for the mechanism of requesting a foreign bank license to operate in the Kingdom and obliged foreign banks to comply with several conditions among which “the bank’s supervision by competent authorities in the country of origin, should be based on sound rules in terms of supervising the banking activities, including as a minimum the application of the internationally recognized banking control standards”. Based on the banks licensing guidelines issued by the Central Bank of Jordan, any foreign bank applying for a license must submit additional information and documents such as “an official letter from the regulatory authority in the country of origin of its main branch expressing its willingness to cooperate with the Central Bank of Jordan on the comprehensive supervision level and exchange of regulatory related information, while observing the rules of total confidentiality and information protection”, along with a document proving that the “regulatory authority in its country of origin relies, when exercising supervision on its overseas branches, on the minimum level of Banking Supervision Standards internationally recognized and in line with the Basel Committee standards in this regard”.

420. Despite the foregoing, the evaluation team did not receive any documents or cases indicating that Jordan can take actions against the countries that do not apply the FATF Recommendations or do not sufficiently apply them, such as prohibiting its financial institutions from dealing with the financial institutions in such countries or circulating warning letters or alarming instructions regarding dealing with persons belonging to these countries or residing in them.

421. With regard to **insurance** and pursuant to clause (B) of Article (7) of the AML/CFT instructions no. (3) for the year 2007, companies should “pay special attention to identify the customer’s identity and activity” when dealing with persons residing in countries that do not have appropriate AML/CFT systems.

422. In addition, Article (15) of the instructions addressed the insurance companies’ branches and subsidiaries. It stipulates that in case “the applicable laws and regulations of the countries where the company branches and subsidiaries perform their insurance activities outside the Kingdom, do not allow the application of the provisions of these instructions or decisions in accordance therewith, the company should inform the Commission that it cannot apply the regulations of such instructions or decisions issued in accordance therewith and the authority may, in this case, take the appropriate decision in this regard”.

423. According to the above, it is clear that Jordan may not take procedures against countries that continually do not apply or insufficiently apply AML/CFT instructions in the insurance sector (or other sectors).

424. The above analysis shows:

- The instructions do not include clear obligations related to dealing with persons belonging to countries that do not apply or insufficiently apply the FATF Recommendations.
- The absence of applicable efficient measures that ensure reporting to financial institutions any concerns related to points of weakness in the AML/CFT systems in other countries.
- Not requesting Exchange Companies to impose verification of transactions that do not have a visible economic or legal reason issued from countries that do not sufficiently apply the FATF Recommendations.
- The limited ability for taking appropriate measures if these countries pursued with their neglect to apply or insufficiently apply the FATF Recommendations.
- Not covering the Financial Services Companies at all within the enforceable regulations as far as it concerns dealing with persons from countries or residing in countries that do not apply or insufficiently apply the FATF Recommendations , which raise some fears knowing that the Securities Commission stated that foreign customers can establish investment accounts at the Securities Companies and execute dealings in the Jordanian securities market through brokers operating in these countries (they may not be subject to sufficient monitoring procedures).

425. Practically, many persons in charge of several financial institutions stated that their institutions do not deal with non-Jordanians or with persons not residing in Jordan or that they rarely do business with non-residents (some have policies forbidding such measures or restricting them). A small number of these institutions (28% of the sample) included in their policies procedures regarding dealing with persons residing in countries that do not have adequate AML/CFT systems; additionally, a big percentage of these companies (more than 79% of the examined sample) stated that they do not have any regulation or document or reference enumerating these countries.

3-6-2 Recommendations and Comments

426. With regard to R.11 and R.21, it is recommended to:

- Issue the AML instructions in the insurance activity based on the AML law in order to be able to impose sanctions therein on companies violating the instructions.
- Require exchange companies to examine to the utmost the background and purpose of unusual large-scale and complex transactions, set forth their findings in writing and to make the same, available to competent authorities and auditors for at least five years.

- Require Financial Institutions to apply specific measures related to dealing with persons belonging to countries that do not or insufficiently apply the FATF Recommendations.
- Establish efficient applied measures that ensure communicating to Financial Institutions concerns related to weaknesses in the AML/CFT systems in other countries.
- Require exchange companies to examine the background and purpose of transactions with no apparent economic or legal purpose originating from countries that do not sufficiently apply the FATF Recommendations.
- Require financial services companies to comply with comprehensive obligations related to dealing with customers residing in countries that do not or insufficiently apply the FATF Recommendations.
- Develop and diversify appropriate measures to be taken if a country remains not applying or insufficiently applying the FATF Recommendations.
- Ensure a level of monitoring and verification that guarantees Financial Institutions compliance with the content of these two Recommendations.

3.6.3 Compliance with Recommendation 11 and Recommendation 21

	Rating	Summary of factors underlying rating
R.11	PC	<ul style="list-style-type: none"> • Failure to require exchange companies to examine the background and purpose of unusual large-scale or complex transactions set forth their findings in writing and make them available to competent authorities and auditors for a minimum period of five years. • AML instructions for insurance are not issued based on the AML law, the matter that does not allow imposing sanctions on companies violating the instructions. • The actual compliance, control and supervision.
R.21	PC	<ul style="list-style-type: none"> • Failure to issue the AML instructions applied to the insurance activity based on the AML law in order to be able to impose sanctions on companies violating the instructions. • Instructions do not include obligations related to dealing with persons from countries or residing in countries that do not apply the FATF Recommendations or insufficiently apply them. • Absence of applied efficient procedures that require communicating to financial institutions concerns related to weaknesses in the AML/CFT systems in other countries. • Failure to request exchange companies to examine transactions with no apparent economic or legal purpose, issued from countries that do not apply the FATF Recommendations or insufficiently apply them. • Failure to address obligations pertaining to Recommendation 21 for the financial services companies. • Absence of appropriate measures to be taken in case a country continues in not applying or insufficiently applying the FATF recommendations. The actual compliance, control and supervision.

3.7 *Suspicious transaction reports and other reporting (R.13-14, 19, 25 & SR.IV)*

Recommendation 13 and Special Recommendation IV

3.7.1 *Description and Analysis*

427. The AML Law No. 46 for the year 2007 obliges in Article 14/C the financial institutions to report to the Central Bank AML Unit, any suspicious ML operations. The mentioned article stipulates that the institutions governed by the provisions of the subject law must immediately notify the AML unit (AMLU) of suspicious transactions, whether such transactions were really performed or not, using the means or form adopted by the Unit. A suspicious transaction is defined as any transaction suspected to be justifiably related to the proceeds of one of the crimes provided for in article 4 of the same law stipulating that any amount of money which are the proceeds of any of the below mentioned crimes is an object of money laundering:

- a) Any crimes punishable by virtue of the legislations in force in the Kingdom or crimes stipulated in any other enforced legislation stating that the proceeds are considered to be related to ML crimes.
- b) Crimes stipulated in the International Conventions in which the Kingdom is party thereof, and that the proceeds are considered to be related to ML crime provided that it is punishable by the Jordanian Law.

428. Article 7 of the AML/CFT recommendations number 42 dated 3/7/2008 addressed to banks and upon which the instructions number 29/2006 were amended, stipulates that if any bank administrator suspects that the transaction to be executed is a suspicious transaction, he must inform the Money Laundering Reporting Officer. On his side, the MLRO must immediately inform the Unit of the suspicious transaction whether this transaction was completed or not through the method or forms adopted by the AMLU.

429. Article 11 of the AML Instructions No. 3 issued on October 2007 by the Insurance Commission Board, obliged the company's board members or the duly authorized general manager or any other employee to inform the MLRO when he feels that the execution of any insurance transaction is related or might be related to any suspicious transaction, and if the MLRO discovered that the transaction that he was informed about is related or could be related to any suspicious transaction, he should immediately notify the AMLU through the method or form adopted by the Unit; he should also cooperate with the AMLU and provide it with data and facilitate its examination and verification of the records and information in order to complete its tasks.

430. Article 7 of the AML instructions issued by the CBJ and addressed to Exchange Companies obliged the MLRO in the exchange company to immediately notify the AMLU of any suspicious transactions using the form adopted by the AMLU, provide it with data and facilitate its examination of the records and information in order to duly complete its tasks.

431. With regard to institutions regulated by the Jordan Securities Commission (JSC), Article 6 of the JSC's Instructions obliges the MLRO to comply with the provisions of the AML law, the regulations, instructions and decisions issued in accordance thereof and to notify the AMLU immediately of any ML suspicion using the method or form adopted by the AMLU, with all data and documents related to such transactions together with the reasons of suspicion. In addition, the same article obliges the chairman, board members, general manager and all employees of the regulated authority to comply with these instructions and to inform the MLRO of any suspicious ML transaction. On his part, the MLRO should verify the notifications and related documents raising the ML suspicion and notify the AMLU about the same.

432. It is generally noted with regard to predicate offenses to be reported when suspecting the sources of the proceeds that the AML Law No. 46/2007 has classified predicate offenses based on the threshold approach (please refer to Section 2 of this report for a detailed analysis on the scope of crimes). The definition of those crimes was extended to include acts committed in other countries provided that they are punishable under the Jordanian Law. The reporting institutions covered by virtue of the Law 46/2007, included all financial institutions mentioned in the Methodology as stipulated in Article 13 thereof. It is essential to note that some institutions operating in Non-Financial Businesses and Professions (NFBPs) were

included in the law such as companies operating in the real-estate industry and its development and the precious metals and precious stones trading companies.

433. The AMLU have not received any suspicious transaction report (STR) from insurance companies, considering that they are still adjusting their situation to set their internal policies according to the AML instructions issued on 13/10/2007, which will come into force one year following their issuance. On the other hand, Exchange Companies notified the AMLU of some suspicious cases during 2008. The companies' officers stated that prior to the issuance of the AML Law; it was common to notify the General Intelligence Department of any suspicious cases or if the customer refused to provide them with the required information. There are still few money exchangers that prefer to notify the General Intelligence Department for their prompt reply.

434. Practically, and based on the information provided by the Jordanian Authorities to the Evaluation team, the AMLU received (81) STRs from 18/7/2007 till 30/6/2008. The below detailed statistical data highlight the reporting system and AMLU's performance from its establishment date until 30/6/2008:

No. of STRs submitted to the AMLU from 18/7/2007 to 30/6/2008	
Party	STRs Number
Banks	68
Exchange Companies	3
Regulatory Authorities	9
Financial Institutions	1
Total	81

435. Below is the STRs' distribution according to the actions and measures taken:

Number of STRs retained on files, or under examination and follow up	75
Number of STRs transferred to the Public Prosecution for ML suspicion	3
Number of STRs from the AMLU to the Public Prosecution regarding other crimes	3

436. The previous table shows the inefficiency of the reporting process on the concerned authorities part, and the insufficient foundation of the suspicions raised to complete the investigation at a later stage following the required examination by the AMLU, whereby the percentage of cases that required that the AMLU notifies the Public Prosecution is very low (3.7%), i.e. 3 out of 81 suspicious cases.

437. The table below shows the measures taken with regard to the STRs transferred to the Public Prosecution according to the statistics that the Evaluation team received during the last period of its field visit (includes 6 cases).

Number of cases	Measures taken
1	The case was transferred to the Conciliation Court
1	The Public Prosecution ruled that the case be retained on files
3	Still under investigation
1	A copy thereof was transferred to the Court of First Instance

438. During onsite visit of the evaluation team, the Securities Draft Instructions was not yet published in the Official Gazette; however, it was published directly after the visit. The authorities indicated that prior to the issuance of the AML Law, the Jordanian Securities Commission JSC had no interest or objective in following up suspicious cases related to ML, therefore only one STR was sent to the AMLU till the date of the onsite visit.

439. On the other hand, the legislative provisions do not oblige financial institutions to report any suspicious transaction, where there are valid reasons for suspicion in money proceeds or their relation with terrorism or terrorist acts or that they are used for terrorist purposes or terrorist acts by terrorist organizations or terrorism financiers. The AMLU stated that it is likely to receive STRs related to TF, knowing that the

definition of suspicious transaction extends to cover any transaction having justifiable reason to believe that it is related to the proceeds of one of the crimes provided for in Article 4 of the Law (felonies, i.e. crimes whose proceeds are considered a place for money laundering by virtue of a convention ratified by the Kingdom). Therefore, since terrorism financing is considered to be a predicate offense for ML, the AMLU is notified of any suspicious transaction related to terrorism or to terrorism financing. This interpretation neglects the possibility of suspicion in connection with the funds and financial transactions related to a terrorist act or terrorism financing without being a proceed there from (that is what was mentioned in the second criterion of the R.13 of the Methodology under the expression: funds...suspected to be..... or used for terrorism purposes or terrorist acts or by terrorist organizations or by institutions that finance terrorism).

440. Jordanian officials stated that it is possible to benefit from Article 147, paragraph 2/B of the Penal Code that obliges the Public Prosecutor to coordinate and cooperate with the Central Bank or any related party, whether local or international in a case of investigation. Where it is established that the banking transaction is related to any terrorist activity, the case shall be transferred to the competent court, i.e. the collaboration with the AMLU exists as well. With reference to the Article 147 of the Penal Code, "terrorist crimes shall also include suspicious banking transactions related to money deposit or transfer to any party related to any terrorist activity and in such case, the following measures should be applied:

- Prohibiting the disposal of such funds according to a decision issued by the Public Prosecutor until the investigation is completed.
- The Public Prosecutor coordinates and cooperates with the Central Bank or any local or international party involved in the investigation; and if it is proven to him that such banking transaction is related to any terrorist activity, the case shall be then transferred to the competent court.

441. It is noted that the mentioned Article of the Penal Law, and in addition to being inconsistent with the requirements of the International Convention for the Suppression of the Financing of Terrorism to criminalize the act of terrorism financing, it restricts the financial activities related to terrorism to some limited activities in relation to banking only. This provides an insufficient definition that does not cover all aspects that could be used in the financial sector to finance terrorism. It is also noted that these criminal acts were conditioned to be related to terrorist acts without taking into consideration its relation or its potential use by terrorist organizations or terrorism financiers. On the other hand, and most importantly, Article 147 of the Penal Code has not covered the reporting issue and failed to identify the party to which the STR should be sent. It has directly indicated the procedures that the Public Prosecutor must take regarding these crimes. In addition, there is no legislative provision (in the Penal Law or other law) referring to the fact that the AMLU shall receive any STRs related to terrorism financing.

442. It is obvious that the relationship between the Central Bank and the AMLU is inadequate in general, and specifically in relation to suspicious transactions reporting, as the AMLU is not legally the only party authorized to receive STRs under Article 93 of the Banks Law No. 28 for 2000, which stipulates that "if the bank knows that the execution of any banking transaction, receiving or paying any amount of money, is or could be related to any crime or illegitimate act, it should immediately notify the Central Bank being the party authorized to notify any other official authority thereof". This conclusion is further supported by the reference of the Jordanian authorities to the subject Article, while not allowing AMLU to receive STRs related to financing terrorism, in order to prove the possibility of informing AMLU through the Central Bank of any crime. This requires the immediate segregation between the powers vested in the AMLU and those of the Central Bank so that the AMLU becomes the only competent authority to be notified in case of suspicion of ML or TF. On the other hand, it is essential to separate between the AMLU and the Central Bank as far as several issues are concerned among which is the recruitment, the resources and the electronic systems for example.

443. Article 14/C of the AML Law No. (46) for the year 2007 stipulates that the institutions abiding by the subject law must immediately notify the AMLU of any suspicious transactions whether these transactions were completed or not, using the method or form adopted by the AMLU.

444. The law stipulates the mandatory reporting of all suspicious transactions, but there is no legislative provision stating that such report has to be registered in any form that allows the exclusion of transactions to be related to tax issues among others.

445. A suspicious transaction is defined as any transaction believed to be justifiably related to the proceeds of any of the crimes stipulated in Article 4 of the law 46, which indicates that the reporting obligation is based on reasonable suspicion causes i.e. the objective estimation of the suspicion that any given transaction included an activity considered to be criminal by virtue of the local laws.

Recommendation 14

446. Article 16 of the AML law stipulates that the criminal or civil or administrative or disciplinary responsibility shall be relieved from every natural or legal person among the institutions subject to the subject law when any of those persons reports in good faith any of the suspicious transactions or submits any related information or data according to the provisions of the subject law. Article 93/C of the Bank laws No. 28 for the year 2000 stipulates that the bank's disclosure of any information by virtue of the subject Article is not considered a breach of the bank's secrecy obligation; in addition, both the Central Bank and the bank itself are not held responsible for such disclosure.

447. Article 15 of the law 46/2007 stipulates that it is strictly forbidden to notify the customer or the beneficial owner or any party other than the competent authority and institutions, about the application of the provisions of the subject law in a direct or indirect way or through any way, about any procedure related to the reporting or investigation procedures taken regarding the suspicious transactions.

448. Article 11 of the same law stipulates that it is strictly forbidden for the Committee President or members or the AMLU's employees to disclose any information that they may have access to, or deal with in the course of their employment, whether directly or indirectly and that they may not disclose this information in any form unless for the purposes stipulated herein. This restriction shall be applicable until the completion of their employment with the Committee. This restriction shall also apply on every party that is informed, in a direct or indirect way, by his position or job of any information that is being provided or exchanged by virtue of the provisions of the subject law, and the regulations and the instructions issued in accordance therewith.

449. Article (7) of the AML/ CFT instructions No. 42/2008 stipulates that it is strictly forbidden to disclose to the customer or to the beneficial owner, whether directly or indirectly, or by any other means, any of the notification procedures taken regarding suspicious transactions or the data related therewith.

450. There is no legislative provision or law that refers in particular to the obligation of the AMLU to maintain the confidentiality of the names and personal details of the financial institutions' Money Laundering Reporting Officers (MLROs); however, the evaluation team noticed during its presence at the public prosecution office that the latter maintains original STRs addressed by banks.

Recommendation 25

451. The AMLU receives electronically the STRs sent from banks. A reference number is given to each STR and the bank receives a receipt notification. As for the STRs received from other institutions, the AMLU informs them that the STR was well received. The AMLU has issued the first annual report that included the number of STRs received, indicating the reporting institutions, as well as the number of STRs referred to the Public Prosecution office since the establishment of the AMLU and till the end of 2007. According to the AMLU officers, the AMLU, in collaboration with the regulatory institutions and by virtue of the memorandum of understanding, issues the required statistics on the number of disclosure cases and the results of the disclosure and applications, which are provided to the financial institutions. It is noted that the AMLU have provided the team with a written copy of the report after the onsite visit. However, the report has not been published yet, neither during nor after the onsite visit.

452. As at 30/6/2008, the AMLU received several STRs from banks and Exchange Companies and one STR only from a Securities Company. In parallel, the reporting party receives a receipt note from the AMLU.

However, the AMLU has not informed the reporting party of the final examination result of the reported suspicious transactions; but, it has requested additional information from the reporting party upon the request of the public prosecution. The AMLU requests to be informed of any changes occurring on the reported case. In addition, some reporting institutions declared that they are following up with the AMLU on the results of the reported case. This shows that there is no complete feedback on the suspicious case. In addition, no guiding bulletins that include real examples of money laundering cases were published to assist financial institutions.

Recommendation 19

453. Currently, suspicious transactions (cash or non cash) are being reported and special CDD measures are applied on unusual transactions. An unusual transaction is every transaction exceeding 20 thousand Dinars (according to Article 4 of the instructions number 42/2008 issued for banks), but there is no proof showing that the Jordanian Authorities have considered the application of a system obliging financial institutions to report all cash transactions whose amount exceeds a certain limit to a national central Committee, equipped with an electronic database.

3.7.2 Recommendations and Comments

454. Authorities are recommended to:

- Be more precise as for the predicate offences in the field of money laundering crime so that they cover the minimum level of crimes stipulates under R.1.
- AMLU should be the only competent authority authorized to receive STRs related to ML/TF.
- Obligations stipulated in Law should apply to all financial institutions in terms of reporting any suspected TF transactions.
- The reporting range must extend to include reporting in the event where the funds are related or connected to or could be used for terrorist purposes or by terrorist organizations or financers of terrorism.
- AMLU must put in place a feedback mechanism to the reporting entities regarding the results of submitted reports. This mechanism should not warn the suspect upon referring the STR to the public prosecution.
- The control and supervisory role of the financial sector's supervisory authorities must be reinforced in such a way that supports the financial institutions compliance with the reporting obligation.
- Increase training efforts, and especially training related to financial analysis and the identification of suspicious transactions.
- Increase awareness among the exchange companies and offices to address their STRs to the AMLU and not to the security authorities.
- Consider the implementation of a system obliging all FIs to report all cash transactions exceeding a certain limit to a national central Committee equipped with an electronic database.

3.7.3 Compliance with Recommendations 13, 14, 19 and 25 (criterion 25.2), and Special Recommendation IV

	Rating	Summary of factors underlying rating
R.13	PC	<ul style="list-style-type: none"> • Inappropriate range of the predicate offences to ML • AMLU is not the sole entity responsible for receiving ML STRs. • Absence of any obligations in a primary or delegated legislation to report ML from or connected to TF or used in terrorism financing or terrorist acts or by terrorism organizations or terrorism financiers. • Inefficiency of the reporting by the authorities subject to law in light of the recent implementation of the law.
R.14	C	
R.19	NC	<ul style="list-style-type: none"> • No consideration was given to the implementation of a system obliging FIs to report all cash transactions exceeding a certain limit to a national central agency equipped with a computerized database.
R.25	NC	<ul style="list-style-type: none"> • Complete unavailability of a feedback mechanism to the reporting entities regarding the results of submitted STRs.
SR.IV	NC	<ul style="list-style-type: none"> • AMLU is not responsible for receiving STRs related to TF. • Absence of any obligations in a primary or delegated legislation to report suspicious transactions or transactions related or connected to terrorism financing. Reference is only made to the measures to be taken in the case of a transaction connected to a terrorist activity.

Internal controls and other measures

3.8 Internal controls, compliance, auditing and foreign branches (R.15 & 22)

Recommendation 15

3.8.1 Description and Analysis

455. Article 8 of the AML/CFT Instructions No. 42/2008 issued to banks stipulates that the bank should set a comprehensive adequate internal system of policies, procedures and internal controls for AML/CFT, provided that the system includes:

First: a clear and continuously updated AML/CFT policy approved by the Board of Directors or the regional manager for foreign bank branches.

Second: Detailed written procedures on AML/CFT defining the exact obligations and responsibilities in accordance with the adopted policy and the instructions issued in this regard by the Central Bank.

Third: An appropriate mechanism to verify the compliance with the AML/CFT instructions, policies and procedures, taking into consideration the coordination between the internal auditor and the MLRO in defining the powers and responsibilities of each.

Fifth: Specifying the role of the MLRO to cover at least the following responsibilities:

- 1- Receiving information and reports about unusual or suspicious transactions and examining them and taking the appropriate decision as to reporting the same to the AMLU or retaining them on file provided that the retain decision is justified.
- 2- Reporting suspicious transactions.
- 3- Maintaining all received documents and reports.

4- Preparing periodical reports to be submitted to the Board of Directors summarizing all unusual and suspicious transactions.

Eighth: Setting the appropriate systems to classify the customers according to the risk level in view of the information and data made available to the bank.

456. Article 13 of the AML instructions applicable to insurance activities No.3/2007 stipulates that the company must develop an adequate internal system covering the policies, foundations, procedures, and internal controls that must be applied to combat ML operations, provided that it includes a clear and continuously updated AML policy approved by the company's Board of Directors or the authorized manager, including written detailed AML procedures, as well as an appropriate mechanism to verify compliance with those instructions and the resolutions issued in accordance therewith, in addition to compliance with the AML policies and procedures, taking into consideration the coordination between the internal auditor and the MLRO in setting the powers, responsibilities, and the procedures that guarantee that the internal auditors are performing their role related to the examination of the internal control systems to assess their efficiency in combating ML operations and give suggestions to complete any deficiency or required update and development to increase their efficiency and competency. Among the other responsibilities are: to determine the appropriate foundations to classify the customers according to the degree of risk relative to the information and data made available to the company, in addition to the application of continuous training programs and plans for the employees whose job includes dealing with insurance transactions that could be used in money laundering transactions, taking into consideration that such programs include money laundering tools and how to discover and report the money laundering, and how to deal with suspected customers, and apply the AML legislative provisions. This requires maintaining records for all training programs that were carried out for a at least five years and including the trainees' names and qualifications along with the training provider whether it is from inside or outside the Kingdom.

457. With regard to institutions regulated by the JSC, Article 8 of the instructions stipulates that regulated institutions should develop adequate AML policies, procedures and internal controls, and prepare required training programs for the employees of different grades, and attend the training programs supervised by the JSC or the AMLU, and to provide the MLRO with all tools that allow him to fulfill his responsibilities independently, and in such a way that guarantees the secrecy of the information received or procedures implemented. He may peruse the required records and data allowing him to perform his job, review the systems and procedures set by the party that is subject to AML and its compliance to the implementation thereof and suggest the needed application to complete any deficiency or make the required update and development or to increase its efficiency and competency.

458. Practically, it appeared that most banks have AML regulations and internal policies. But there is a difference between the development and efficiency of these policies among small banks and larger developed banks. Insurance companies were granted one year to adjust their situations pursuant to the instructions No. 3/2007 whereby the Insurance Commission obliged regulated insurance companies to prepare plans and internal systems related to the mechanism of applying these instructions within the company and inform the Commission thereof. The Insurance Commission has been provided with several of such plans and internal systems till the evaluation team's visit date. On the other hand, there are some insurance companies that represent banks' subsidiaries and apply the policies applied within such banks; however it is not possible to test the efficiency of this policy due to the need to have a policy and an internal specialized system for the insurance company that suits the nature of its business.

459. Securities companies did not have internal systems and policies related to AML procedures, as the AML instructions have not been officially issued till the date of the evaluation's team visit. With regard to the securities companies which were visited, they consisted mainly of banks' subsidiaries, and therefore they were applying the respective bank's standards and policies.

460. The instructions issued for the exchange companies do not stipulate the importance of setting an adequate internal system for the AML procedures, but included various articles stipulating some procedures to be considered within the exchange companies, such as the appointment of a Compliance Officer, CDD

measures, reporting of suspicious transactions and the importance of involving the employees in AML specialized training courses. Practically, it turned out that the majority of these exchange companies do not have any internal regulations and policies. However, they apply specific measures to identify the customers and where the transaction's amount exceeds 10000 Dinars, exchange companies inquire about the source of funds.

461. The number of the licensed finance leasing companies is 31, some of which are affiliated to banks, and therefore they are required to apply the internal policies and regulations applied by the bank. Others are affiliated to international or foreign leasing companies, and therefore abide by the policies of those companies; as for the rest, they are not regulated since they are only subject to the registration procedures at the company's public monitoring register. In addition, there is no law regulating the activities of these companies; however, Jordanian Authorities stated that the Ministry of Industry and Commerce is actually preparing a draft law to regulate the activities of these companies.²⁵ Although the banks' subsidiaries apply the AML banks rules, yet, it is not possible to test the efficiency of such policies due to the need to have a policy and internal specialized system for the finance leasing companies that suit the nature of their business. In addition, one of the finance leasing companies stated that it submitted a report to its appointed compliance officer (who is the financial and administrative manager) showing the early payment movements, and in case of a suspicious transaction, the compliance officer prepares a report and submits the same to the general manager, and then the bank or the parent company shall be informed to re-study the case and notify the AMLU in case suspicion was established. (It is noted that the finance leasing law No. (45) for 2008 was issued and became effective on 16/9/2008. The new law limited the practice of finance leasing to funding companies only).

462. Finance leasing companies have been operating in the Jordanian market since 10 years. These companies have an external auditor and an appointed auditor selected by the regulated bank. At a later stage, The Central Bank of Jordan will monitor such companies since they are related to banks. The Banking Supervision Department in the Central Bank of Jordan is exercising off-site monitoring on the financial leasing companies related to banks through the reports submitted by the company to the mother bank though no monitoring party has conducted any onsite visit to these companies. The visited companies stated that only the compliance officer has received training on AML and he is providing training to the rest of the employees.

463. Article 8, item 6 of the AML/CFT Instructions No. (42/2008) stipulates that the bank should set an adequate internal system provided that this system includes the definition of the MLRO powers in such a way that these powers include the minimum required to enable the MLRO to proceed with his responsibilities independently and in a way that guarantees the secrecy of the information received, and the procedures taken; he should also be entitled to peruse records and data necessary for him to examine and review the bank's regulations and procedures and to combat money laundering and terrorism financing..

464. Article 10 of the AML Instructions in the insurance sector no. (3/2007) stipulates that the company must commit to nominating an MLRO among the principal employees in the company. The MLRO shall be in charge of notifying the AMLU of any suspicious transactions and designating an employee to replace him during his absence, while notifying the AMLU in case any of them was changed provided that these two persons have the appropriate qualifications to handle this job, to obtain the Committee's prior approval to their designation, and to specify the powers of the MLRO to include, at least, receiving information and

²⁵ Financial Leasing Law no. (45) for the year 2008 was issued and came into force on 16/9/2008 (more than seven weeks after the field visit). The new law limited the practice of financial leasing to funding companies contrary to the old law that stipulates that it is allowed for all types of companies to practice financial leasing. This procedure is considered to be one form of the control forms over the companies submitted to the Company Law provisions that impose specific obligations to funding companies. The law stipulates clear obligations related to the compliance, procedures, and required AML restrictions. It forced the tenants to appoint an external certified accountant to prepare an annual report showing the tenant's abidance degree to the instructions provided that he presents on an annual basis a copy to the Ministry along with final financial data. On 16/10/2008 the financial leasing instructions were issued; they regulate the CDD requirements pertaining to the tenants, providers, the sublet lessees and the assignee lessee in addition to transactions requiring special care, it also obliged the companies to report suspicious transactions, and to include clear policies within the leasing companies internal regulations including the procedures, basis, and internal restrictions required to combat money laundering.

reports on suspicious transactions, reviewing the same and taking the appropriate decision concerning notifying the AMLU about them or closing the case provided that the closing decision is justified. In addition, MLRO should keep all documents and reports received about suspicious transactions, submit periodical reports to the company's Board of Directors on his activities and his evaluation to the AML rules and regulations in the company along with statistics on all suspicious transactions, provided that the AMLU receives a copy of these reports. The company ensures that the MLRO can independently proceed with his powers in such a way that maintains the secrecy of received information and procedures taken, that he is allowed to peruse registers and data required for him to perform his duty. In addition to the company's verification that there are clear procedures for the employees to notify the MLRO without any delay about suspicious transactions and the existence of clear procedures to notify the AMLU without delay, and verify the efficiency of such procedures.

465. With regard to the authorities supervised by Jordan Securities Commission (JSC), Article (6) of the AML/CFT instructions stipulates that "the regulated authorities should appoint the compliance manager and provide the AMLU with their names, their replacement along with a copy of the procedures taken by these authorities to apply the provisions of the AML law as well as to provide the AMLU and the Committee with such names and regulations.

466. Article 7 of the AML instructions related to exchange companies stipulates that the exchanger of the company should appoint one of the company's employees to handle the notification of the AMLU of any suspicious transaction, and to specify the name of the person replacing him in his absence while notifying the AMLU in the case either of them is changed. During the onsite visit to financial institutions, the evaluation team noticed that a compliance manager was appointed in all companies except in the small exchange companies where the number of employees does not exceed five and where the manager himself fulfils this position.

467. Article 8, item 3 of the AML/CFT Instructions No. (42/2008) stipulates that the bank should put in place an adequate internal system including the policies, basis, procedures, and internal restrictions that must be available to combat money laundering and terrorism financing transactions; provided that this system includes a clear policy to verify the compliance with the instructions, policies and procedures set for AML/CTF, subject to coordinating in matters of defining the powers and responsibilities between the internal auditor and the MLRO. In addition, the name of the MLRO and whoever replaces him in his absence must be specified and the AMLU must be informed in case of any change of either of them, provided that they have the appropriate qualifications.

468. The Compliance Control Instructions No. 33/2006 stipulates the need to set an independent position with the objective to ensure that the bank and its internal policies are compliant with all the laws, regulations, instructions, orders, code of conduct, standards and adequate banking practices issued by the internal and external regulatory authorities that define, evaluate, offer advice, control and submits reports to the board of directors on the bank's compliance degree.

469. In addition, the instructions of the Control and Internal Monitoring Systems No. 35/2007 stipulate that the bank must commit to finding an independent internal auditing department that reports directly to the Auditing Committee (established by virtue of the law No. 32 of the Banks Law) (or whatever replaces it in the branches of foreign banks) whereby periodical reports are submitted to it. The minimum tasks of the auditing department shall be :

1. Developing an internal auditing regulation and approve it by the Board of Directors, provided that it includes the auditing department's powers and work Methodology.
2. Setting internal auditing procedures in line with the best practices and international standards.
3. Establishing an annual auditing plan approved by the Audit Committee and in compliance with the bank's strategic plan, provided that it includes most of the banks and organizational units' activities, including risk management, according to the risk level related to those activities.
4. Preparing an annual report on the sufficiency of the Control and Internal Monitoring Systems to limit the risks faced by the bank and provide appropriate recommendations to adjust the weaknesses points.

5. Supplying the Auditing Department with employees having high scientific qualifications and appropriate and sufficient practical experiences to audit all activities and transactions, including the availability of competent personnel capable of evaluating the risks of the information and the associated technology.

6. Following up on violations and remarks noted by the regulators and the external auditor's reports and ensuring that they are being resolved and that the executive management has the appropriate controls in order to avoid their recurrence.

470. The Central Bank of Jordan has established the guideline of good corporate governance for Banks in Jordan in order to provide them with a standard of the best international practices in this field, based on the Corporate Governance Principles issued by the OECD and the Basel Committee instructions, concerning the enhancement of the corporate governance in the banking institutions where the guideline included that the bank must provide the Internal Audit Committee with a sufficient number of qualified employees to be trained and rewarded appropriately. The audit department must have timely access to any information and to any employee inside the bank, and must be given all the powers that enable it to perform the entrusted tasks as required. The bank must also document the auditing Committee's tasks, powers and responsibilities in the audit manual approved by the board and to circulate it within the bank.

471. Based upon the guidelines on Bank Licensing issued by the Central Bank of Jordan, the founders of the bank requiring a license must provide the Central Bank, while presenting the license application request, with all information on the tasks of the Internal Audit Department including its organizational chart, its scope of audit and responsibility channels, and regularity annexed with an organizational chart showing the channels through which the reports of the Internal Audit Department are circulated, along with data on the employment levels in the administrations and their obligations.

472. For insurance companies, Article 13 of the AML instructions related to insurance activities stipulates that insurance companies shall develop a system of internal procedures to ensure that the Internal Audit Department performs its role being to monitor the internal controls and systems to ensure their effectiveness in combating money-laundering transactions and suggest necessary actions to fill in any gaps or satisfy any update and development requirements to increase their efficiency and effectiveness.

473. In practice, there is no independent auditing unit at banks to test the compliance with AML procedures. The internal auditing units set forth in the instructions above verify the bank's compliance with its internal policies to all laws, regulations, instructions, orders, codes of conduct and sound banking practices issued by the local and international regulators. Reports are submitted to the Board of Directors on the extent of compliance in the bank. Among such regulations and laws are the AML instructions. In some financial institutions, the Compliance Officer carries out this function, in addition to the Internal Audit Department and the external auditor.

474. Insurance companies are still going through a period of adjustment of positions and the internal policies under preparation are still not being applied. For the affiliates of the banks, they apply the policies of such banks. No independent auditing unit has been established within the affiliate to ensure compliance with the AML procedures.

475. AML Instructions related to exchange firms do not provide for the establishment of an independent audit function to ensure the application of the instructions.

476. The instructions for securities companies do not include any provisions to establish an independent internal audit unit. However, Article 8 stipulates that the institution shall find an appropriate mechanism to verify compliance with AML instructions, policies and procedures.

477. With regard to continuous training of staff in banks, Article 8 (VII) of the AML/CFT instructions No. 42/2008 stipulates the need to draw up plans and ongoing training programs for workers in the AML/CFT field, ensuring that such programs include ML techniques and how to detect and report them, and how to deal with suspected customers, with the retention of records of all training programs that have been conducted

through a period of at least five years and to include the names and qualifications of the trainees, the training providers whether they were carried out within or outside the Kingdom.

478. Article 3 of the Internal Controls and Supervision Instructions No. 35/2007 stipulates that it is the duty of the executive management to develop professional skills and conduct of employees in the bank to conform to the latest developments and techniques. The Compliance Control Instructions No. 33/2006 stipulate also the need to have staff who carry out the responsibilities and function of monitoring compliance with a sound understanding of the laws, rules and standards that the bank should comply with, and their impacts on the Bank's transactions, in addition to keeping pace with developments in the applicable laws, rules and standards through learning and continuous training.

479. According to the Corporate Governance Guidelines for banks in Jordan, the bank must have written policies covering all banking activities, to be circulated among all administrative levels, and regularly reviewed to ensure coverage of any amendments or changes made to the laws, regulations, economic conditions and any other matters relating to the bank.

480. Based on the guidelines on Bank licensing, which was prepared by the Central Bank, the Bank founders, when applying for a license, shall provide the Central Bank with information on human resources development plan of the Bank to include a reference to the training programs and continuing education of human resources.

481. In the insurance sector, Article 13 of the AML instructions relating to insurance activities, No. 3 / 2007, stipulates the implementation of continuous training plans and programs for staff whose work nature requires dealing with the insurance transactions, which involve by nature ML possibilities, taking in consideration that such programs include the ML techniques and how to detect and report the same, how to deal with suspected customers and AML legislations, while maintaining records of all training programs that have been conducted through at least five years, and to include the names and qualifications of the trainees, the training provider whether inside or outside the Kingdom.

482. With regard to the institutions under the supervision of the JSC, Article 8 of the instructions stipulates that the entities subject to these instructions shall prepare training programs for various levels of employees, and attend training courses sponsored by JSC or AMLU.

483. Article 9 of the instructions on the exchange companies stipulates that the exchange office should take the actions required for participation and involve his staff assigned to training programs in the AML field, provided that those programs include money-laundering techniques, how to detect and report them and how to deal with suspected customers.

484. Banks have ongoing training programs to train their staff and ensure that they are informed on new developments, including the training on information about current methods and public trends of money-laundering. Some banks hold training courses for all staff prior to assuming their work and part of those training sessions is related to combat money laundering.

485. Below is a table showing the training courses related to the insurance sector:

No.	Training Course Title	No. of Participants	Training Date
1	Workshop titled Fighting ML in the insurance activities	95	12/9/2006
2	Training Course titled fighting ML in insurance activities	97	6-7/5/2008

486. It is noted that these training courses are not sufficient for the insurance sector. It is worth mentioning that the above mentioned training sessions were organized by the Insurance Commission and the plans

prepared by the insurance companies referred to their intentions to set for their employees training programs coherent with the AML provisions in the insurance activities.

487. A seminar for Exchange companies was held on 3/5/2008 to clarify the issued instructions; some of these companies are assigning their employees to attend external training sessions in the Banking Studies Institute and another development center, part of which is specialized in money laundering transactions, along with the internal training provided by the GM. In addition, some of the companies will later on organize training programs customized for their employees. However, all these training sessions remain insufficient.

- With regard to employees working with the securities companies, they attend training sessions organized by banks to which they are affiliated; in addition, employees receive training on the company's AML policy before they start working.

488. With regard to the screening procedures when appointing employees to guaranty high competency, and pursuant to Article 28 of the Banking Law No. 28/2000, it is prohibited to recruit any employee/worker of any nationality other than the Jordanian nationality, without the prior approval of the Central Bank of Jordan and other related institutions by virtue of the applicable laws and instructions.

489. Article 5 of Internal Controls and Supervision Instructions No. 35/2007 stipulates that one of the Internal Audit Department tasks is to provide the Internal audit Department with qualified employees having educational qualifications as well as adequate and sufficient experience to monitor all types of activities and transactions, including employees capable of evaluating the information risks and the associated technologies.

490. Article 8 of the same instructions stipulates that the bank must have written procedures to choose appropriate financial and accounting information systems, in addition to employees qualified to ensure the efficiency of the financial and accounting systems.

491. Article 9 stipulates that the administrative organization of the management information systems should ensure a higher quality of information whereby the management positions shall be entrusted to highly qualified and experienced individuals; in addition to presence of a technical resource who performs his duties according to a specific and documented job description that is approved by the Board of Directors. The segregation of duties shall be adopted in order to maintain the preventive controls that inhibit any single individual from entirely performing a critical transaction.

492. Usually, banks put logical conditions and specific qualifications to be available as a minimum for individuals applying for a job at the bank, and generally the applicants undergo tests revealing the adequacy of their level to perform the tasks.

493. In the insurance sector, Articles 31, 33, and 30 of the law No.33/1999 and its amendments regulating insurance business stipulate that no member of the company's board or GM or any employee or authorized manager may be any of the below:

a. Convicted with a felony or a crime violating the honor, honesty and general manners or a bankruptcy judgment was rendered against him and was not rehabilitated.

b. Responsible according to the board's opinion for any serious violation to any provision of the subject law, or of the company's law as a GM, or a board member causing the statutory liquidation of an insurance company.

494. Competency and experience in insurance business should be available in any company manager or authorized manager and main employees. On the other hand, the company must provide the GM with a detailed list including the qualifications and experience of each employee. And if the board found that one of the employees lacks competency or requires experience, it may refuse to hire that person while clarifying the rejection causes. The company abides that all its employees are of the Jordanian nationality and that it may hire foreigners in case they hold unavailable qualifications and experiences by virtue of a decision to be issued by the Minister of Labor pursuant to the GM's recommendation. In light of the foregoing, there are no specific measures to ensure that the ordinary employees working in the insurance companies are highly qualified.

495. Instructions issued for the Exchange companies or financial services companies do not provide for the need to apply test procedures in order to ensure high competency standards upon appointing their employees.

496. As for the method of communication of the compliance manager with the bank's high management or board of directors, Article 8 of the AML/CFT instructions number 42/2008 stipulates the definition of the MLRO powers to include at least preparing periodical reports to be submitted to the board of directors on all unusual and suspicious transactions, and specifying his powers to include at least all what enables him to independently practice his powers and in such a way that guarantees the secrecy of the received information and procedures taken, and that he may peruse records and data required to examine and review the bank's AML/CFT regulations and procedures.

497. Article 10 of the AML/CFT instructions of insurance companies stipulates that the company must commit to nominating an MLRO among the principal employees in the company, and to allow him to directly and independently proceed with his powers in such a way that guarantees the secrecy of received information and procedures taken, and that he may peruse records and data necessary for him to perform his job.

498. In addition, Article 8 of the AML instructions related to securities activities stipulates that the regulated authorities should provide the MLRO with all what he needs to independently perform his powers in such a way that guarantees the secrecy of the information received, and the procedures taken; he may as well peruse records and data required to audit and review the regulations and procedures set by the regulated authorities to combat money laundering and to present suggestions to compensate for any shortage or required update or to increase its efficiency and competency.

499. Instructions issued by exchange companies stipulate that the compliance manager must cooperate with the AMLU, provide it with data and facilitate its examination of the records and data in order to perform its job. It is noted that the AML instructions related to exchange companies do not give independency to the compliance manager.

Recommendation 22

500. Article 13/A of the AML law No. 46 for the year 2007 stipulates that:

Banks operating in the Kingdom and branches of Jordanian banks operating abroad are required to comply with the obligations stipulated in Article 14 of the subject law.

501. Article 2 of the AML instructions No. 42/2008 stipulates that the provisions of these instructions shall apply on all banks operating in the Kingdom and on all the branches of Jordanian banks operating abroad to the extent permissible by the laws and regulations in force in the countries where they operate, provided that the Central Bank is made aware of any impediments or restrictions that may limit or obstruct the application of the provisions of such instructions, as well as the companies related to Jordanian banks operating in the Kingdom unless such companies are subject to the supervision of other monitoring institutions in the Kingdom- and these institutions issue special AML/CFT instructions- and the companies related to Jordanian banks operating abroad to the extent permissible by the laws and regulations in force in these countries provided that the Central Bank is made aware about any impediments or restrictions that may limit or obstruct the application of the provisions of such instructions.

502. Pursuant to Article 3 of the Instructions on the Jordanian Banks Cross-Border Establishment No. 18/2004 when considering requests of cross-border establishment, the Central Bank takes the following into consideration:

- a. Nature and level of supervision by the supervisory authorities of the hosting country on the banking cross-border establishment of the Jordanian bank.
- b. Nature of conditions, undertakings, and assurance letters required by the supervisory authorities in the hosting country from the bank's general management or from the Central Bank of Jordan.
- c. The cooperation of the hosting country in terms of exchange of monitoring data, and, in general, its abidance with the Basel recommendations regarding supervision of the Cross- Border Establishments.

d. Agreements signed with the supervisory authority of the hosting country.

503. The Central Bank of Jordan signed memoranda of understanding with a number of supervisory authorities in some countries where Jordanian Banks are established such as Lebanon, Syria, Palestinian Monetary Authority, Egypt, Bahrain, Qatar and other countries, that included the assertion of cooperation in banking supervision on the banking activities in such a way that does not conflict with the international banking legislations and commitments and to exchange information related to the situation of the banking and monitoring systems that might occur. The most important clauses included in the memoranda of understanding were:

- Assertion on cooperation in the banking supervision of the banking institutions in a way that does not conflict with the banking legislations and international commitments of each party.
- Exchange of information related to the situation of the banking and supervisory systems and the developments made thereto.
- Assertion that the banking institution that wishes to have a presence abroad obtained the required approvals from the banking supervisory authorities in both countries.
- Exchange of information related to offsite supervision including reports, financial statements and statistics submitted by any form of cross-border establishment for any banking institution in the other country, in a way that enables all the supervisory authorities to perform their responsibilities and tasks according to the Basel recommendations.
- Organizing the onsite supervision procedures regarding the bank's cross-border establishment.
- Abidance to the information secrecy to the extent permissible by the laws in force in each country.

504. Pursuant to the cross-border establishments of Jordanian banks No. 18/2004, the minimum conditions required in the bank that wishes to apply for a cross-border establishment outside the Kingdom are:

- a) The Bank has operated in the Kingdom for at least five years.
- b) Has a financial solvency that allows it to exercise banking activity abroad; in this regard, the bank should be classified as "Well Capitalized" according to the definition mentioned in the memorandum of the corrective procedures No. 4/2004; the bank's cross-border establishment shall not cause the regression of this classification.
- c) The bank's classification should not be less than 2, i.e. Well Rated according to CAMEL classification system.
- d) The management classification (M) should not be less than 2, i.e. Well Managed according to CAMEL classification system.
- e) Has a written policy regulating its relation with its cross-border establishment and shall include at least:
 - System of Internal Audit and Inspection performed by the management for the bank's cross-border establishment.
 - The powers of the persons in charge of the management of the bank's cross-border establishment.
 - The powers of the administration regarding the supervision of the management of the funds' sources of the bank's cross-border establishment and its functionalities.

505. In the insurance sector, Article 15 of the AML instructions in the insurance activities No. 3/2007 discussed the issue of insurance companies branches and affiliate companies, whereby the company must assert that its branches or affiliate companies performing insurance business outside the Kingdom are applying the provisions of these instructions and decisions issued in accordance therewith particularly in the countries that do not apply specific controls related to AML that are similar to controls mentioned in these instructions and the decisions issued in accordance therewith or that are insufficiently applicable, to the extent permissible by the laws in force and regulations of the countries operating therein. In the event where the laws and regulations in force in the countries where the company's branches or affiliates that perform

insurance business outside the Kingdom did not allow the application of such instructions or decisions issued in accordance therewith, the company shall notify the AMLU that it cannot apply these instructions or decisions issued in accordance therewith, and in this case the Committee may take the decision it deems appropriate.

506. Practically, the branches and foreign companies affiliated to banks and insurance companies are applying the AML actions in line with the recommendations imposed in the home country (Jordan), especially in the countries that do not apply special controls related to AML that are similar to the controls included in these instructions and the decisions issued in accordance therewith or that are insufficiently applied.

507. The rest of the financial institutions do not have within its laws and instructions anything that indicates the need to apply such laws and instructions on its foreign branches and affiliate institutions.

3-8-2 Recommendations and Comments

508. Competent authorities shall make sure to:

- Issue the AML instructions related to insurance activities pursuant to the AML law to be able to impose sanctions on companies violating the instructions.
- Enhance and develop internal regulations and policies of small banks.
- Request financial institutions to have an independent audit function provided with sufficient resources to test the compliance with AML procedures, policies and internal regulations.
- Request exchange companies to put in place internal systems and policies related to AML instructions and oblige (financial services companies and insurance companies) to establish inspection procedures in order to ensure high level standards of the employees' efficiency when appointing them, and grant the compliance officer full independency.
- Give sufficient attention to employees training and qualification.
- Clearly stipulate to pay special care while performing activities in countries that do not apply AML/CFT criteria issued by the FATF or do not fully apply them, while the foreign branches and the affiliate companies apply as much as possible the highest standards in the event of a discrepancy in the AML/CFT requirement in the hosting country.
- Clearly stipulate the need to apply the AML instructions on foreign branches and affiliate companies of other financial institutions except banks and insurance companies.

3.8.3 Compliance with Recommendations 15 & 22

	Rating	Summary of factors underlying rating
R.15	PC	<ul style="list-style-type: none"> • AML instructions for insurance are not issued pursuant to the AML law in order to be able to apply sanctions on companies violating the instructions. • The limited number of training programs at the financial institutions unlike the banks. • Inexistence of independent audit units in charge of reviewing the compliance with the AML/CFT internal control systems. • The evaluation team found no obligation on FIs to set investigation procedures to ensure high standards while appointing employees in exchange companies, financial services companies and insurance companies and to ensure the independence of the compliance officer.
R.22	PC	<ul style="list-style-type: none"> • AML instructions for insurance are not issued pursuant to the AML law in order to be able to apply sanctions on companies violating the instructions.

		<ul style="list-style-type: none"> • No obligation to apply AML/CFT requirements on foreign branches of banking and monetary institutions except banks and insurance companies.
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3.9 *Shell Banks (R.18)*

3.9.1 *Description and Analysis*

509. Article 4 of the Banks Law no. 28 for the year 2000 stipulates that:

- It is strictly prohibited for any person to perform any banking transactions before obtaining the financial license from the Central Bank by virtue of the subject law.
- It is strictly prohibited for a non-licensed person to practice banking transactions such as accepting deposits without a prior written approval from the Central Bank.
- It is strictly prohibited for any financial company to practice a job or an activity that contradicts with the Central Bank's orders issued by virtue of Article 3/G of the subject law.
- It is strictly prohibited for any person to use in any form the word "Bank" or its synonyms in Arabic or in any other foreign language or to use in his papers, documents and advertisements any terminology or expression related to banking transactions or indicating it except in the following cases:
 - 1- Such use is legal by virtue of any law or international agreement where the Kingdom is party thereof.
 - 2- If the context showed that the usage is not at all related to banking affairs.
 - 3- If the Council of Ministers issues a decision in this respect based on the governor's recommendation allowing so.
- It is strictly prohibited for any person to state or give misleading information to others regarding accepting deposits.

510. In addition, Banks Law no. 28 for the year 2000 Article 6/B stipulates that the bank is licensed by virtue of a decision issued by the Central Bank according to the requirements and conditions provided for herein. Article 11 of the same law stipulates that the foreign bank may apply for a branch or more license request to operate in the Kingdom as dictated by the Central Bank orders provided that the following conditions are met:

1. Be licensed to accept deposits at the country of its head quarter.
2. Have a good reputation and stable financial position.
3. Have received from the competent authority in the country of its head quarter, the permission to work in the Kingdom.
4. Monitoring by the competent authority in the country of its headquarters is based on proper grounds in the banking affairs supervision and its minimum level, i.e. applying the banking supervision standards recognized internationally.
5. The bank undertakes that its branch licensed to operate in the Kingdom will comply with all the legislations in force.

The Central Bank issues its decision regarding the request of licensing the foreign bank branch according to the conditions and procedures applicable for licensing a Jordanian bank and any other requirements deemed necessary for this purpose.

511. Article 17/B of the same law stipulates that the bank may not open a new branch or office inside or outside the Kingdom or close it or change the location of the same, without a prior approval from the Central Bank. In addition, some financial institutions check their Correspondent banks while filling a questionnaire proving the compliance levels of such banks to AML procedures. On the other hand, supervisory authorities assert that the Jordanian banks are not dealing with shell banks through examining the bank's existing accounts and the matching transactions executed by the Jordanian bank with foreign banks.

512. In order to achieve so, the Central Bank has issued guidelines on Bank licensing according to the standards and international practices, among which is the Central Bank's ability to evaluate the ownership structure of the banking institutions. Such rules also include requesting the bank founders to submit, when presenting the license request to the Central Bank, a detailed operational plan including the Internal Controls and Supervision and human resources, and to evaluate the extent to which members of the board of directors and the Senior Management are compatible. In the event where a foreign bank submits a license request to open a branch in the Kingdom, the Central Bank of Jordan should, based on such rules, asserts that the foreign bank is committed to the minimum level of Basel Committee standards, and the license shall not be granted before having the approval of the monitoring authority in the mother country. In addition, the Central Bank of Jordan shall ensure that the monitoring authority in the mother country is exercising its monitoring authority based on the comprehensive monitoring principle; it shall not be based only on the nature and range of this authority's monitoring but on the fact that the applicant's structure does not obstruct the efficiency of the monitoring conducted by the supervisory authority in the mother or the hosting country. Authorities stated that the Central Bank examines the bank's financial existence before granting the license.

513. AML law no. 46 for the year 2007 stipulates in Article 14/B on the necessity of not dealing with persons of unknown identity or with fictitious names or with shell banks. In addition, Article 4 of the Anti-Money Laundering Regulations No. 42/2008 stipulates that no bank may enter into a banking relationship with a shell bank. In addition, Article 4 of the same instructions stipulates the following:

- The bank must ensure that the foreign bank is under an efficient supervisory control from the supervisory authority in the mother country.
- The bank must be sure that the foreign bank has sufficient AML/CFT systems.

3.9.2 Recommendations and Comments

3.9.3 Compliance with Recommendation 18

	Rating	Summary of factors underlying rating
R.18	C	

Regulation, supervision, guidance, monitoring and sanctions

3.10 The supervisory and oversight system - competent authorities and Self Regulating Organizations' Role, functions, duties and powers (including sanctions) (R.23, 29, 17 & 25)

3.10.1 Description and Analysis

Recommendation 23 and Recommendation 30

514. The regulatory and supervisory entities exercise the licensing and supervision functions on the financial institutions; The Central Bank, the securities and the Insurance Commissions are considered one of the most important monitoring and supervising bodies of the financial sector. Financial leasing companies are considered at a transitional stage, as a new draft law is being prepared to regulate its business, and currently their activities are not subject to any monitoring party. With regard to the role of the supervisory authorities in the AML/CFT, the AML law does not discuss in detail the monitoring and supervision matter in AML of the regulated financial institutions; however, in general, Article 14/D stipulates that the institutions regulated by

the provisions of the subject law should comply with the instructions issued by the competent supervisory authorities regarding the application of the provisions of the subject law. The subject law has attributed the monitoring institutions, indirectly, the issuance of instructions to which the regulated institutions must comply. Below is a description of these institutions and their monitoring and regulating roles along with their structures and resources.

515. The Central Bank is considered the supervisory authority responsible for the banking system's safety. In an attempt to increase the sufficiency and efficiency of banks while practicing banking transactions, and protect them against the risk of being used in AML/CFT transactions, and in order to establish proper banking practices and keep up with the new international developments, the Central Bank issued the AML/CFT instructions no. 29/2006, amended by virtue of the instructions no. 42 issued on 3/7/2008 and obliged banks to comply with the same. In addition, the Central Bank prepared a guideline book to help identify the suspected patterns to be related to AML/CFT transactions and to use it as a tool to educate employees while updating it on a regular basis (the team did not receive a copy thereof), knowing that the instructions were made in a way that agrees with the FATF international recommendations.

516. With regard to the Central Bank's powers to assert that the regulated institutions are abiding by the instructions issued, in general, and the AML instructions in particular, the law no. 23 for the year 1971 and its amendments in Article 4/F stipulates that the Central Bank's objectives are to keep the monetary stability in the Kingdom and guarantee that the Jordanian Dinar can be exchanged, and to encourage as well the economic development in the Kingdom according to the government's general policy. The Central Bank accomplishes such objectives while supervising licensed banks in a way that guarantees the safety of its financial position and the rights of depositors and shareholders.

517. Banks Law No. 28 for the year 2000 stipulates in Article 70 that the bank and any affiliate company can be subject to inspection by the Central Bank or the accounts auditors appointed by the CB for this purpose at the bank's expense. The bank and affiliate companies shall commit to cooperate with them in order to fully complete their job. And if the bank to be inspected is a branch of a foreign bank or an affiliate company regulated to a foreign bank, it shall also be subject to the inspection of the institutions responsible for monitoring and supervising it in the country where the headquarters or the regional management is located; in addition to the Central Bank's inspection.

518. The banking Supervision Department at the Central Bank of Jordan verifies the correctness of the transactions and performance of the banking system institutions and the stability of its financial positions within the limits of the banking laws, regulations, instructions and practices along with the requirements of the banking security and monetary stability. Its tasks include among others:

1. Studying the banks and financial institutions licensing requests, the opening of branches inside and outside the Kingdom and submitting necessary recommendations in this regard.
2. Studying related banking laws, regulations and instructions and submitting required recommendations to update and modify the same.
3. Controlling the performance of the banking system institutions and evaluating its transactions on a unified basis inside and outside the Kingdom in the light of the laws, regulations and instructions in force, and verifying the stability of their financial positions.
4. Working on updating and developing the monitoring and supervising techniques using the developed methods, tools and programs and to benefit from the experiences of the concerned international organizations according to the international standards.

519. The banking system Supervision Department is composed of the supervisory units (onsite inspection groups), support units represented by the studies and licensing department, the banking statistics department, credit concentration and banking risks department, banking transactions follow-up department, and the data analysis and review department. The supervisory groups shall be in charge of the following tasks:

1. Studying, following up and analyzing the relevant bank's periodical data.
2. Preparing, following-up and modifying the approved inspection plan based on the analysis results, the nature of the task, and the preparation of the adequate time schedule to execute it.
3. Executing the inspection plan approved onsite as per its steps and stages.
4. Preparing a report on the results of the inspection mission including deviations, violations, notes and recommendations showing the strength or weakness of the bank according to the approved standards.
5. Preparing and following-up on due time the ratification programs of deviations and violations.
6. Following-up and studying the structure of the bank's Board of Directors and Senior Management and verify the extent to which it is homogeneous with the conditions provided for in the laws, regulations and instructions in force.

The department of follow up on banking transactions shall be in charge of the following tasks:

1. Contributing in developing evidences that can help banks and monitoring groups to discover illegal financial transactions through specific indicators.
 2. Asserting that banks have a compliance monitoring policy and providing the department with the same and with the names of the persons in charge of executing it.
 3. Asserting that banks have a plan to manage compliance risks to be established in cooperation with the compliance Supervision Department and request the licensed banks to provide the Central Bank, which in turn, informs supervisory groups about the banks that did not provide the CB with the plan and any remarks thereon.
1. Cooperating and coordinating with the AML unit and providing it with available information on suspicious transactions at the banks or at any other official party.

520. Below is the administrative structure of the banking supervision and control department:

Employees currently working	Number
Senior Management (Assistant CEO)	2
Supervisory groups	31
Supporting departments	27
Secretary and typing	13
Total	73
Employees not working currently	Number
Academic delegation- unpaid leave- delegation	6
Total	79

521. The following table shows the educational qualifications of administration employees in the department:

Educational qualifications	Number
MA in Economy, Banking and Finance	26
BA in Economy, banking and finance	35
Diploma in banking and finance studies and secretary	6
High School Degree	12
Total	79

522. Article 23 of The Central Bank of Jordan Law for the year 1971 stipulates that the Central Bank may appoint employees and workers by virtue of the provisions of the regulation set in this regard, and according

to business needs. Each employee or worker at the Central Bank must take oath to preserve the secrecy of the Central Bank business and transactions; this oath shall be taken before the governor or his deputy prior to proceeding with his job.

523. The Central Bank issued the pact of work ethics for the employees of the Central Bank of Jordan whereby the pact is considered a general frame for the best professional practices and behavior for all the Central Bank employees including the board members, the governor, his deputies and all the employees. In addition, the Central Bank issued the code of conduct concerning the security and protection of information, where the employees are requested to follow specific detailed guidelines related to the compliance with secrecy and privacy of internal information, how to deal with documents and information and destroy the same in addition to special instructions when using electronic devices, internet and the e-mail.

524. The offsite examination mechanism is conducted within the banking Supervision Department by studying and analyzing the data and statistics that are delivered to the supporting departments on a regular basis and complying with the limits stated in the different instructions issued by the licensed banks and informing the supervisory groups (onsite examination teams) in case of any violations or remarks requiring onsite follow-up.

525. The Department officials stated that the onsite examination conducted on banks to combat money laundering is executed through the bank's full inspection mission and as part of the administration's evaluation and not through an independent inspection mission. The examination missions completed during 2007 and to date are (18) missions in addition to (3) missions that are currently running on site with a total number of (21) missions covering around 91% of the number of licensed banks. The bank's onsite visit examinations take place once every year and a half, and the bank's size, complexity of its transactions, the presence of remarks and violations are taken into consideration during the offsite follow-up while large banks are being monitored at least once a year. The onsite examination team relies on the bank's evaluation in the previous inspection according to CAMEL or ROCA. And based upon the department's opinion and supervision results, large banks are the most committed and have more comprehensive systems due to the risks they might face.

526. They also stated that the competent authorities are preparing an onsite examination guideline specialized in AML, with the assistance of a specialized foreign expert. The Department is monitoring financial services in the financial aspect by verifying the interim and final financial reports annexed with the bank's statements in addition to the onsite examination of such companies according to the provisions of Article 70/A of the Banks Law and on a case-by-case basis. The supervision is done as well by perusing the bank's internal audit reports that include the compliance level to the AML procedures. The reports of the Financial Securities Commission may be requested as well.

527. The duration of the onsite visit varies between one and four months according to the size of the bank, and the inspection team is formed of four employees in addition to one IT employee that accompanies regularly every team to verify the safety of the information. It is noted that there is only one person working in the IT domain in the banking Supervision Department, whereby he follows-up with banks during the onsite examination in parallel and most of the times since there are no other employees to assist him in this regard. In addition, the evaluation team was informed that the banks inspection is conducted in a centralized manner by visiting the general management of each bank (covering thereby all branches), which indicates the weakness of this operation compared to the number of the evaluation team members and the fact that they do not cover the banks' branches distributed throughout the Kingdom.

528. There are some small banks that have not set ML policies or whose policies are not up to the required level. And according to some Jordanian authorities, the Central Bank was informed about the same.

529. Concerning the training, the Central Bank is continuously training its employees on the AML/CFT by involving the employees of the banking Supervision Department in particular, along with the employees of the banking operations control department in specialized local or foreign training programs and workshops.

530. The table below shows the local and foreign training sessions of the Banking Supervision Department related to AML/CFT during 2007 and 2008.

Training topic	Date	Organizing party	Location	Participants No.
AML/CFT	3/2007	AMF	Abu Dhabi	1
Fourth International Conference on Hawala	3/2007	UAE Central Bank in cooperation with IMF & MENAFATF	Abu Dhabi	2
Compliance in the MENA region	7/2007	Union of Arab Banks	Charm El Sheikh	2
Organizing CFT operations	8/2007	FDIC	USA	2
Special delegation of the MENAFATF – for Politically exposed persons	7/2007	Central Bank of Syria	Syria	1
FSI Seminar on Risk Management, Government & Internal Control	3/2007	BIS/FSI-Switzerland	Switzerland	1
MENA FINANCIAL REGULATORS TRAINING INITIATIVE	11/2007	Egyptian Banking Institute and Central Bank of Egypt	Egypt	2
Combating Money Laundering	11/2007	Deutsche BundesBank-Frankfurt	Germany	1
Banking Consolidated Supervision	12/2007	IMF	Lebanon	3
On-Site Banking Supervision	1/2008	Deutsche BundesBank-Frankfurt	Germany	1
Risks management with emphasis on tolerance test	2/2008	AMF	Abu Dhabi	2
AML/CFT for the persons in charge in the financial sector	3/2008	AMF	Abu Dhabi	1
Supervision on electronic exchange risks and Banks IT	3/2008	AMF	Abu Dhabi	2
Banking secrecy and its relation to ML	4/2008	Arab Administrative Development Organization - ARADO	Sharm El Sheikh	3
Combating Money Laundering, Terrorism financing and Misuse of Payment Systems: International Developments and National Perspectives	6/2008	Central Bank of Italy	Rome	1
Organizing CFT transactions	6/2008	FDIC	USA	1
Corporate Governance	5/2007	Institute for Banking Studies	Banking Institute/ Amman	1
Seminar on Building Compliance Unit	3/2007	Association of Banks in Jordan	Association of Banks in Jordan / Amman	1
Workshop on fighting corruption through TAIEX	9/2007	Committee to fight corruption	Committee to fight corruption / Amman	1
Corporate Governance	11/2007	Institute of Banking Studies	Institute of Banking Studies Amman	4
Compliance control in the banking sector	3/2008	Association of Banks in Jordan	Association of Banks in Jordan / Amman	5

Executive Seminar on Digital Investigation and Security	6/2008	USA Embassy	Movenpick Hotel/ Dead sea	1
Total				39

531. In the insurance sector, the Insurance Commission regulates the entities subject to its control to verify their compliance with the provisions of the Insurance Business Law and to the provisions of the instructions and decisions in accordance therewith and among which is the AML instructions in the insurance activities no. 3 for the year 2007. In addition, Article 14/D of the AML law no. 46 for the year 2007 obliged the entities subject to its provisions to comply with the instructions issued by the competent supervisory authorities.

532. The Insurance Commission is a legal person independent on both the financial and administrative levels, it has the right to acquire movable and immovable properties in order to help achieve its goals and to perform all legal actions including contract signing and acceptance of assistance, donations, grants and offerings. It has also the right of litigation and is represented in the judicial procedures by a civil general attorney or any other lawyer hired for this purpose. The Commission stated that among its earnings are annual fees paid by insurance companies with the total amount of 7.5 per thousand of the annual premiums. The Commission aims at organizing the insurance sector and supervising it in such a way as to provide the appropriate atmosphere for its development and for the enhancement of the insurance sector's role in insuring persons and properties against risks in order to protect the national economy and to collect national savings, develop and invest the same to support the economic development inside the Kingdom.

533. The following Directorates of the Insurance Commission will be in charge of the onsite examination and offsite supervision over the insurance companies in the AML domain: Financial and technical monitoring Directorate (6 employees), legal affairs Directorate (5 employees), Directorate of supervision of supportive insurance services (8 employees). The legal, technical and financial supervision and oversight over the insurance sector includes analyzing financial data- completing the organizational framework of the Islamic insurance- enhancing insurance companies corporate governance- continuing the application of the supervisory scale based on risks - onsite examination- studying new license requests- studying insurance documents issued for the first time- IT system of the insurance business- updating the database related to all the providers of the supportive insurance services.

534. Employees working within these Directorates have financial, banking and practical expertise according to the following schedule:

Educational Qualifications	Number
PHD	1
MA	6
BA	12
Total	19

535. The Insurance Commission works hard so that all its employees become highly efficient, honest and professional; in addition, its employees are obliged by virtue of the Employees Regulations no. 87 for the year 2002 to respect the secrecy of their work at the Commission; they are obliged to take oath in this regard as well.

536. Officials have stated that to the date of the visit, the Insurance Commission conducted no onsite visits to verify that insurance companies comply with AML procedures due to the time period assigned to such companies to settle their situations according to the AML instructions knowing that such time period will end on October 2008. During examination visits, special focus will be made on large-scale and higher risk institutions; the other institutions can be visited once every year and a half. They also stated that a directions guideline about the inspection procedures related to insurance companies is being prepared, along with a directions guideline to categorize customers on risks basis; experts are helping in the preparation of this guideline. On the other hand, foreign auditors will be asked to prepare a report to be submitted to the

Committee on 31/12/2008 including an evaluation of the insurance companies' compliance with AML procedures.

537. With regard to the training of the insurance sector's employees, the first regional training seminar on fraud and money laundering in the insurance business and the related combating procedures was held on the 23rd & 24th May 2007 and organized by the Commission in cooperation with the AFIRC and the IAIFA .

538. They have also participated in the following training sessions:

Number	Session Title	Participants No.	Session Location	Date
1	Advanced session in AML	1	Amman	2006
2	AML/CFT Skills development	3	Cairo	2006
3	AML/CFT	2	USA	2007
4	AML in the insurance business	13	Amman- Insurance Commission	2008

539. The training sessions attended by the Insurance Commission employees are considered insufficient in order to be aware of all the AML/CFT aspects.

540. With regard to exchange companies operating in the Kingdom, they are subject to the provisions of the AML instructions issued by virtue of the Article 14/D regulations of the AML law no.46 for the year 2007 stipulating the following: institutions subject to the provisions of the subject law must comply with the instructions issued by the competent monitoring institutions with regard to the application of the subject law.

541. Article 3/A of the Exchange Business Law no. 26 for the year 1992 stipulates that it is strictly forbidden for any person to practice exchange business in the Kingdom unless with a license issued by the board according to the provisions of the subject law, and the board term in this context refers to the Board of the Central Bank of Jordan. In addition, Article 16/A of the same law stipulates that the exchange company's records, registers and transactions related to exchange business are subject to audit, review and inspection from the Central Bank and the governor may delegate in writing any employee or employees of the Central Bank to conduct such measures provided that the employees in charge shall seize the exchanger's registers and records, if needed.

542. The exchange supervision department of the Central Bank of Jordan shall supervise exchange companies; there is also the Exchangers Association, which is an independent association affiliated with the Ministry of the Interior and is composed of seven members whose role is to spread awareness by circulating instructions and decisions issued by the Central Bank on all exchangers and has no oversight role. The exchange Supervision Department is formed of the inspection department and includes six employees; four other inspectors are required to be recruited, the analysis and supervision department includes five employees, and the licensing department includes six employees. In addition to the department's head, his assistant, the secretary and typing employee's who hold the following educational degrees:

Educational qualifications	Number
PHD	1
MA	5
High Diploma	1
BA	7
Diploma	5
High School	5
Total	24

543. The Department employees made 106 examination visits to exchange companies since the issuance of the law 46/2007. In addition, and since the instructions issuance on 3/3/2008 until the evaluation team's visit, the department had already supervised 35 exchange companies out of 126 operating companies according to officials' statements (only 23 companies working in the exchange and 103 companies working in the exchange and transfer). They also stated that each company is visited at least once a year in normal situations, and the visit includes the branches of such companies. They are made without any prior arrangement.

544. The emphasis is made on large-scale companies and not on secondary agents working with companies operating in the transfer field since all their transactions will pass through principal agents, and the statistics received on a daily basis to the analysis and supervision department are being controlled; In the event of any unusual transaction, a team is formed to investigate and conduct an onsite visit. The auditors do not perform audit mission on exchangers. Upon applying for a license request, the approval of the security institutions is mandatory.

545. With regard to training, the employees of the exchange business control administration in general and the exchange inspection Department employees in particular attend training programs inside and outside the Kingdom on AML topics.

Session Title	Training provider	Period of time	No. of participants
Learning about AML and suspicious transactions	Washington	17-25/9/2005	1
Money Laundering	Federal Security Corporation - USA	8/6/2007-8/10/2007	1
AML	Institute of Banking Studies - Amman		1
Computer, Financial Analysis & AML	Institute of Banking Studies		1
Advanced AML	Institute of Banking Studies	6/2/2006-2/4/2006	2
AML in Banks & Financial Institutions	Institute of Banking Studies	30/4/2007	
Bank secrecy & its relation with ML	Arab Administrative Development Organization-ARADO -Egypt	6-10/4/2008	
AML & CFT	AMF- Abu Dhabi	8-13/3/2008	1
ML & TF Investigation	Military Retired Commission	17-20/7/2006	
Money Financing Resources and financial verification	General security	17-21/7/2005	
AML	Institute of Banking Studies	2-6/3/2003	
AML in Banks & Financial Institutions	Institute of Banking Studies	3-9/5/2004	1
Advanced courses on AML & CFT	Abu Dhabi & Banks Association & Institute of Banking Studies	10-14/4/1993	1
AML in Banks & Financial Institutions	Institute of Banking Studies	25-29/11/2007	1
Monitoring on electronic exchange risks and IT at banks	AMF- Abu Dhabi	16-20/3/2008	1

546. With regard to Jordan Securities Commission (JSC), the commission was established by virtue of the Securities Law no. 23 for the year 1997 which was cancelled by virtue of the Securities Law no. 76 for the year 2002. The Commission is under the control of the Prime Minister and is independent on the financial, administrative and corporate levels. It is administered by a board of managing directors appointed by a Ministerial decision. By law, the JSC controls securities issuers, licensed financial services companies, accredited capital market, Amman Stock Exchange, securities deposit centers, joint investments funds and securities investment companies, this task is performed by the Department of inspection and licensing which includes currently eight onsite inspectors with high qualifications and expertise and the trading Supervision Department which includes currently five employees expected to become 15 by the end of 2008.

547. Within the Commission, the supervision task is being handled by the inspection and licensing Department that has five employees currently with high qualifications and expertise expected to become 15 by the end of the year. (Most of the employees are MA holders).

548. The supervisory process performed by the Commission has not covered yet AML measures applied in these companies whereby the official instructions were issued officially immediately after the beginning of the onsite visit; the authorities reported that prior to the issuance of the AML law, their objective was not to follow ML cases occurring in such companies. Currently, the commission is working on completing the preparation of supervisory software to be activated during the seventh month of 2008 according to the authority's statement and which will detect suspicious transactions. On the other hand, a directions guideline on the suspicion standards is under preparation and will be distributed to all brokers.

549. With regard to securities companies visited by the team, they were related to banks; therefore, they were applying the Central Bank's instructions as affiliated companies. The number of financial brokerage companies until the end of 2007 reached 69 companies among which are 67 local brokers and 2 foreign brokers. During 2007, the following actions were taken:

1. Licenses were given to 11 companies to practice financial services business.
2. 13 established companies were given 14 licenses (a company can be given one or more license to practice different activities).
3. The licenses of 3 companies were cancelled in full and 4 licenses of the ones granted to 4 companies were cancelled.
4. The Commission agreed on giving 199 credits to 187 natural persons to practice financial services business.

550. It is essential to mention what the authorities stated for not granting now new licenses to financial brokerage companies, since the number of established companies is appropriate to the market size.

551. JSC employees participated in the following training sessions:

Department attending the session	Number	Date	Subject	Organizing Party
Licensing & inspection	1	6-10/8/2007	Organizing AML operations	Federal Deposits Financing Corporation
Execution & Legal affairs	1	6-10/8/2007	Organizing AML operations	Federal Deposits Financing Corporation
Licensing & inspection	1	17-20/7/2006	AML/CFT investigation	International Dialogue on HR Development
Research & International Relationships	1	17-20/7/2006	AML/CFT investigation	International Dialogue on HR Development
Execution & Legal affairs	2	25/2/2007-1/3/2007	Financial Investigation	USA Finance and Justice Departments

Execution & Legal affairs	1	16-20/6/2008	Organizing AML operations	Federal Deposits Financing Corporation
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552. Companies Control Department: Supervises licensed companies through preventive supervision achieved by the legal and supervision department affiliated with the financial audit department to audit the companies' minutes of meetings and financial statements. Officials stated that the department is not entitled to technically audit the companies and judge whether they are practicing ML; but it may access the company's accounts and verify their activities and impose sanctions thereon such as cancelling their license or transferring it to the judicial system. The legal control department studies the suspicion criteria as they have a database enabling them to check the registration transactions recurrence or the capital's size (this department has 6 employees and was requested to appoint 14 legal employees and 14 additional accountants).

553. There are no trust funds in Jordan and debt buying companies are not licensed.

554. Practically, banks and exchange companies are organized sectors and are subject to monitoring in AML. As for the insurance companies, the legislative framework exists, even if the regulated companies were given a period of time to settle their situations. On the other hand, the AML instructions of securities companies were newly issued and are not yet in force. All issued instructions do not refer to CFT except for the instructions issued for banks (that was done without a legal base as previously mentioned in the report). It is shown that for the rest of the financial institutions, no monitoring or control took place so far, which indicates that the range and depth of the monitoring and oversight over the financial institutions with regards to AML is neither sufficient nor complete.

555. With regard to the existence of a competent authority specialized in asserting the financial institutions' compliance with the requirements of the AML Law, there is no legislative provision that explicitly refers to the fact that this competency is attributed in a direct or absolute way to the competent supervisory authorities in general. The AML law, when referring to compliance with AML measures, is limited to binding the regulated institutions, including FIs, to comply with the instructions issued by the supervisory authorities to apply the provisions of the subject law. That grants such supervisory authorities (excluding others) the right to follow-up on the application of the related instructions by the regulated institutions. In this case, it is not clearly known the extent to which the supervisory authorities' competence to ensure the compliance of the regulated institutions is applicable with the executive regulations to be issued by the Council of Ministers in order to apply the provisions of the AML law according to Article (30), unless these regulations mention the authority in charge of supervising their application.

556. From the previously mentioned, it is clear to judge the presence of competent authorities assuming, in an indirect and general way, the responsibility of asserting the compliance of the financial institutions to AML requirements. Yet no legal provisions oblige the FIs to comply with the obligations related to combating TF. In addition to granting the supervisory authorities the competency to assert that the affiliated institutions are abiding by such measures. It is essential to note that financial leasing companies' activities are new by virtue of the law no. (45) for the year 2008.

Recommendation 29 and 17

557. Article 4 of the Central Bank of Jordan no. 23 for the year 1971 stipulates that the Central Banks' objectives are to keep the monetary stability in the Kingdom, to guarantee the transferability of the Jordanian Dinar and to encourage increasing economic development in the Kingdom according to the government's general economic policy. The Central Bank achieves such objectives while monitoring licensed banks in such a way that guarantees the safety of its financial situation and protects the rights of depositors and stakeholders.

558. Banks operating in the Kingdom and branches of Jordanian Banks operating abroad apply the AML provisions no. 46 for the year 2007 that stipulates in Article 14/D that the regulated institutions should comply with the instructions issued by the competent authorities in charge of applying the provisions of the subject law.

559. The Central Bank issued the AML/CFT instructions no. 42/2008, and prepared a directions guideline to help identifying the suspected patterns related to AML/CFT and use the same as a tool to educate the employees, while keeping it updated, noting that the instructions being considered to be one of the other enforceable means according to the evaluation Methodology definition, were established in a compatible way with the FATF international recommendations.

560. In the insurance sector, the AML Law implicitly gave the Insurance Commission the power to control regulated authorities with regard to the compliance with the instructions issued by the law.

561. The same applies for exchange companies abiding by the AML instructions issued by virtue of the provisions of Article 14/D of the AML law no. 46 for the year 2007.

562. With regard to securities companies, the submission of regulated institutions to the AML instructions issued by the Committee means that they implicitly comply with the Committee's control and supervision in its application.

563. As noted, supervisory authorities have enough powers to control and follow-up the financial institutions and assert their compliance except for the financial leasing companies sector which is still unregulated²⁶.

564. With regard to the possibility of inspection of the financial institutions by the supervisory authorities, Article 70 of the Banks Law no. 28 for the year 2000 stipulates that the bank and any affiliated company shall be subject to inspection by the Central Bank or the accounts auditors appointed by it for this purpose and on the bank's expenses. The bank and affiliated companies commit to cooperate with them in order to fully complete their job. And if the bank to be inspected is a branch of a foreign bank or an affiliate company regulated to a foreign bank, it shall also be subject to the inspection of the institutions responsible for its monitoring and supervising within the country where the headquarters or the regional management is located in addition to the Central Bank's inspection. On the other hand, the Central Bank and the appointed auditors may do the following, during their inspection of the bank and any other affiliated company:

1. Examine any accounts, registers and documents, including the minutes of meetings and resolution of the Board of Directors and the auditing Committee and receive copies thereof.
2. Ensure that the accounting data of the bank's foreign branch operating in the Kingdom includes the consolidated budget, the final accounts as well as an income statement of the mother company and its branches in other countries.
3. Request the managers and agents of banks and their affiliate companies to provide the Central Bank or the auditors with any information deemed necessary.

565. With regard to the insurance sector, officials at the Insurance Commission stated that it will execute onsite supervision on regulated authorities to verify their compliance with the provisions of the instructions issued in accordance with AML law, even though the law regulating the insurance business does not give general or direct powers to perform regular on site examination. Nevertheless, the Law regulating Insurance Business stipulates in Article 37/C that the Insurance Commission's Director General may appoint one or more employees to check and ascertain in appropriate times any of the company's transactions or records or documents, and the company should put such documents at the disposal of the appointed employee and cooperate with him enabling him to fulfill his task.

566. With regard to exchange companies, Article 16/A of the Exchange Business Law stipulates that the exchange company's registers, records and transactions related to exchange business shall be subject to examination, review and inspection by the Central Bank. The Governor of the CB may delegate in writing any employee or employees of the Central Bank to conduct such procedures provided that the employees in charge are entitled to seize the exchange company's registers and records, if necessary.

²⁶ As at the date of the onsite visit and immediately thereafter.

567. With regard to the institutions supervised by Jordan Securities Commission (JSC), the commission is entitled to inspect any violation to the securities law, regulations and instructions issued in accordance therewith. Article 15 of the securities law stipulates that the following institutions are subject to the control of the Commission and its supervision according to the provisions of the subject law and regulations, instructions and decisions issued in accordance therewith: accredited licensed issuers, issuers and approved licenses, accredited capital market, joint investments funds and investment companies. These institutions are subject to inspection and monitoring of their documents, accounts and records by the competent authority legally authorized, and in order to accomplish the objectives of the subject law, regulations, instructions and decisions issued in accordance therewith. Documents, accounts and records shall include, whenever mentioned, bank statements, correspondences, memorandums, documents, computer files or any other means used to save information or data whether in written or electronic form.

568. In addition, Article 17 of the same law stipulates that the Commission may, through its competent authority, conduct any investigation or research or auditing, to specify whether a person has committed a violation or has taken preparatory procedures leading to committing a violation to any of the provisions of the subject law, regulations, instructions and decisions issued thereof, and to investigate about any information or circumstances or practices deemed necessary and appropriate to execute the provisions of the subject law, regulations, instructions and decisions issued in accordance therewith. It is performed through the audit of documents, books and registers relevant to any licensed or authorized party of the commission's regulated institutions, and under its supervision and receiving copies thereof, and to inspect it with or without prior notice, or through the witnesses subpoena and hearing of their testimonies under oath, and submitting any documents related to the investigation. The commission may have recourse to the services of experts and competent persons in performing the above mentioned investigation, inspection and audit tasks.

569. It is noted that the supervisory authorities are allowed to conduct offsite and onsite examination of the financial institutions.

570. With regard to the obligation of the financial institutions to submit all documents and data related to the audit procedure, Article 70 of the Banks Law no. 28 for the year 2000 stipulates that the Central Bank and appointed auditors, during their inspection of the bank and any other affiliated company may examine any accounts, registers and documents, including the minutes of meetings and resolution of the Board of Directors and the audit Committee and to receive copies of the same, ensure that the accounting data of the bank's foreign branch operating in the Kingdom includes the consolidated budget and the final accounts, along with an income statement of the mother company and its branches in the other countries, and request the managers and agents of the banks and affiliate companies to provide the Central Bank or the auditors with any information deemed necessary.

571. Article 26 of the same law stipulates that the bank's general manager is obliged to provide the Central Bank with requested information and data according to the provisions of the subject law, regulations and orders issued thereof.

572. Internal Controls and Supervision Instructions No. 35/2007 stipulate that the bank should provide the external and internal supervisory authorities such as the regulators and the internal and external auditors and any other related competent bodies, within the time period defined by such authorities and parties, with timely information and statements necessary to perform their job to the optimum. It also stipulates that the bank should maintain the audit reports and documents for a period of time that is coherent with the legislative provisions applicable in this regard, in an organized and secure way and to make it ready to be reviewed by the supervisory authorities and external auditors.

573. In the insurance sector, and by virtue of the Law no. 33 for the year 1999 regulating Insurance Business and its amendments according to Article (37/A), insurance companies shall submit any data or information related to the execution of the law provisions and instructions which are required by the Insurance Commission Director General.

574. With regard to exchange companies, Article 22/A of the Exchange Business Law stipulates that the exchange officer must provide the Central Bank with semi-annual account statements not later than the eighth

month of the same year, in addition to periodical information required about its business according to the template determined by the Central Bank within 10 days following the end date of the fixed duration for submittal, along with any additional clarification statements provided that they are all identical to the accounts listed in his records.

575. Article 6 of the AML instructions issued on 3/3/2008 stipulates that the exchange officer must maintain records and documents related to CDD regarding customers provided for in article 3 for at least 5 years following the termination of the financial transaction; he shall maintain supporting records and proofs for the financial transactions as well including original documents or copies thereof, which are acceptable by courts in accordance with the legislations applicable in the Kingdom, for at least 5 years following the termination of the financial transaction. He shall take appropriate measures that enable him respond to the request of the unit and the competent official authorities, on any data or information in a swift and comprehensive manner within the time period specified. .

576. With regard to securities brokerage companies, Article 17 of the securities law stipulates the following:

- a) The commission may, through competent authorities, conduct any investigation or research or examination to specify whether a person has committed a violation or has taken preparatory procedures that lead to committing a violation to the provisions of the subject law, regulations, instructions and decisions issued in accordance therewith.
- b) The commission, through competent authorities, is entitled to investigate about any information or circumstances or practices deemed necessary and appropriate to execute the provisions of the subject law, the regulations, the instructions and decisions issued in accordance therewith.
- c) The Commission, through competent authorities, and in order to execute the investigations and procedures mentioned in items A & B of the subject Article is entitled to:
 1. Examine documents, books and registers relevant to any licensed or approved party or any of the commission's regulated institutions and obtain copies thereof, and perform inspection over it with or without a prior notice.
 2. Call witnesses and hear their testimonies under oath, and submit any documents related to the investigation.
- d) The commission may have recourse to experts and competent persons in the above mentioned investigation, inspection and auditing referred to in clause A of the subject Article.

577. We conclude that the supervisory authorities have direct powers to impose the submission of all records, documents or information related to the follow-up of the compliance or to peruse the same.

578. With regard to the competency of the supervisory authorities in imposing obligations and sanctions in case of violation, Banks Law no. 28 for the year 2000, Article 88 stipulates that the Central Bank may take any procedures or impose any sanctions provided for herein, in the cases where the bank or any of its administrators committed any of the provisions of the subject law or any other regulations, instructions and orders issued thereof, or when the bank or any of its affiliate companies made unsound or unsafe transactions to the benefit of his shareholders, debtors, or depositors; in such case, the governor may take one or more measures and impose one or more sanctions from the following procedures and sentences:

1. Address a written warning.
2. Request the bank to submit an acceptable program summarizing the procedures to be taken to eliminate the violation and correcting the situation.
3. Request the bank to stop some of its transactions or forbid it from distributing its profits.
4. Impose a fine that does not exceed one hundred thousand Jordanian Dinars.

5. Request the bank to temporarily suspend any of its managers who are not members of the board or request the termination of their employment in accordance with the violation severity.
6. Dismiss the bank's chairman or any of the board members.
7. Dissolve the bank's board and transfer the management of the bank to the Central Bank for a maximum period of twenty four months, to be extended when necessary (Article 88 was amended by virtue of law no. (38) for the year 2004, amending the Banks Law, published in the official gazette issue 4675 dated 16/9/2004).
8. Cancel the bank's license.

The governor should get a prior approval from the board before taking any procedure or imposing any sanction provided for in the above mentioned articles (4, 5, 6, 7 and 8).

579. For the insurance sector, the law No. (33) for the year 1999 regulating insurance business and its amendments, imposed sanctions in case the regulated authorities violated the provisions and instructions of the law issued thereof, whereby Article (94) stipulates that for each violation for any of the law provisions or the regulations or instructions issued in accordance therewith, for which the law did not stipulate a specific fine, the violator shall be punishable with a fine of a minimum of one thousand Dinars and a maximum of ten thousand Dinars; the fine shall be doubled in case of recurrence; if the violation recurred for more than twice, the fine is doubled at its maximum margin. It is noted that these sentences are neither dissuasive nor proportionate with the sanctions imposed on the other institutions violating the AML instructions as previously referred to.

580. In addition, Article (92) of the same law stipulates that every person who abstained from providing the Committee or director general with the documents, information and data to be submitted according to the provisions of the subject law, and the regulations and instructions issued in accordance therewith, or obstructed or prohibited the director general or the duly authorized employee from executing his duties and powers provided for in the provisions of the subject law and the regulations and instructions issued thereof, or abstained from delivering the same or failed to do so in a timely manner, imposed a fine of five hundred Dinars as a minimum and five thousand Dinars as a maximum; the fine shall be doubled in case of recurrence, and in case the violation is recurred again, the fine shall be doubled at its maximum margin.

581. Article (41) of the law listed a group of procedures to be taken if the insurance company violated any of the law's regulations or instructions issued thereof, whereby it stipulates the following:

- a. If the Director General has sufficient information showing that the company committed a violation to the provisions of the subject law or regulations or decisions issued in accordance therewith, the general manager shall verify the validity of such information.
- b. If the Director General has ascertained the validity of the information, he shall directly refer the case either to the board to take required information against the violating company, or he shall ask the company to take specific measures to correct its situation within the time period specified for this; failing to do so, the Director General shall refer the case to the board to take appropriate measures, including:
 1. Forbidding the company from concluding additional contracts or forbidding it from practicing one or more types of insurance.
 2. Setting a maximum margin for the total premium amounts earned by the company from insurance policies issued.
 3. Maintaining in the Kingdom assets whose amount is equivalent to all its net obligations arising from its business in the Kingdom or a certain percentage of such amounts.
 4. Restricting the company while practicing any of its investment activities related to guaranteeing the solvency margin or obliging it to settle its investments in any of these activities for this purpose.

5. Requesting the company or the head quarters of the foreign insurance company on a case-by-case basis to take the appropriate measures in order to correct its administrative situation, including the dismissal of the general manager or the duly authorized manager or any principal employee.
6. Dismissing the chairman or any of the board members, if proven responsible for the violation.
7. Dissolving the company's board and appointing a temporary neutral administrative Committee of experts to replace it, while appointing a president for this Committee, a vice-President and defining the Committee's tasks and powers for a maximum period of six months, renewable when necessary for a maximum period of one year; the company shall bear the expenses of the Committee as specified by the Committee's board. Upon termination of the committee's tasks, a new board is elected according to the companies' law provisions.
8. Taking appropriate measures to merge the company with another company following the approval of the company to be merged with.
9. Cancelling or stopping the company's license.
10. Restructuring the company.
11. Liquidating the company.

582. With regard to the exchange sector, Article (27) of the law stipulates that the board (Central Bank's board) must take any of the following procedures against any exchange office that violates any of the law provisions:

1. Addressing him with a written warning to remove the violation during a specified time period.
2. Closing his place of business and forbidding him from exercising the exchange business for a fixed period of time.

The board may cancel permanently the license given to any exchange in case of the violation recurrence for more than twice of the provisions of the subject law or any regulation or decision issued in accordance therewith.

583. The JSC is entitled to impose any sanctions on persons violating the provision of the securities law, regulations and instructions issued thereof, according to Articles 21 & 22 of the securities law whereby the board may investigate any person or hear his sayings to determine whether he committed a violation or he conducted preparatory procedures that might lead to committing a violation to the provisions of the law and regulations, instructions and decisions issued thereof, provided that the investigation order includes the nature of the violation and the powers of authority performing such investigation, and that the hearing notice includes the nature of the violation and the right of the concerned person to submit his sayings and present his evidence along with the time and date of the hearing. If following the investigation with the concerned person or following the hearing of his sayings, the council found that the person committed a violation or is doing any preparatory procedures that may lead to committing a violation to any provisions of the subject law and regulations, instructions and decisions issued thereof, the council may take one or more of the following measures:

1. Publish the investigation results.
2. Order the violating person, and for a time period specified by the board, to cease committing the violation or causing the same or taking preparatory procedures leading to its commitment or order him to remove it on a case-by-case basis.
3. Impose financial fines on the violator by virtue of the provisions of paragraph (A) of the Article (22) of the law.

4. Issue an order to suspend issuing or negotiating any securities that were issued by the violator and are related with the violation.
 5. Cancel or suspend the license of the violator or stop his given approval if he was licensed or approved according to the case.
584. The board may impose financial fines not exceeding fifty thousand Dinars on any person in the following cases:
1. Violating the provisions of the subject law and regulations, instructions and decisions issued in accordance therewith.
 2. Deliberately providing assistance or abetting or providing counseling or ordering any person to commit a violation.
 3. Stating or causing the statement of wrong or misleading information, related to fundamental information in any request or submitted report, or hiding information related to fundamental information that he should have stated, in such report or request.
585. The board must consider, in its decision to impose the mentioned fine, that the sanction and its amount suit the public benefit's requirements while taking into consideration the following:
1. The violation included deliberate deceive or fraud or manipulation or neglect to the requirements stipulated in the subject law.
 2. The violation caused any direct or indirect damage to any person.
 3. The violation caused illegitimate wealth taking into consideration the compensations paid to the persons who suffered damage from the violation.
 4. Any factor resulting from the justice and equity requirements.
586. The person on whom the fine was imposed is allowed to object before the board during a period of time not exceeding two weeks from the date he was notified, and the board should take its decision to reply during a period not exceeding the two weeks from the date of receiving the objection. If no reply is made to the objection during the specified time, then it shall be considered as a rejection decision. In the event where the board replies or does not reply to the objection, the person may appeal against the board's decision before the Higher Court of Justice, and the board may refer the committed violations mentioned above to the competent authorities.
587. With regard to the financial institutions sanctions according to the AML law no. 46 for the year 2007, Article 25 stipulates that any person violating the provisions of Articles 11, 14 and 15 of the subject law shall be punishable with prison for a period of time not exceeding six months or with a fine ranging between minimum one thousand and maximum ten thousand Dinars or with both sanctions. Violation of the content of Article 20 (Para. A) shall be punishable with a fine of at least 10% of the value of the non-authorized funds.
588. Pursuant to the sentences law no. 16 for the year 1960 and its amendments, Article 147 considers terrorist crimes, all suspicious banking transactions related to money deposit or transfer, to any party related to terrorist acts and in such case, the following procedures should be applied:
- Forbidding the usage of this money by virtue of a decision issued by the Public Prosecutor until the conclusion of the investigation.
 - The Public Prosecutor must collaborate and cooperate with the Central Bank and any other related party, whether local or international, to investigate in this case, and if it is proven that the banking transaction is related to terrorist acts, the case shall be transferred to the competent court.

- The person who commits the crime is punishable with temporary hard labor and the manager responsible in the bank or financial institution who concluded the transaction while knowing that it is illegal is punishable by imprisonment; and the money that had been seized shall be confiscated.

589. With regard to appointing one Committee or more to impose sanctions when a violation takes place, the penal sanctions are imposed by virtue of the AML law by the competent judicial authorities and in cooperation with the AML unit and supervisory authorities. With regard to banks and exchange companies, the Central Bank is competent for such institutions by virtue of the Banks Law and the exchange business law.

590. In the insurance sector, the Insurance Commission board of directors may impose any of the fines mentioned in the law, whereby Article 95 stipulates that the board may, based upon the director general's recommendation, impose any of the sanctions provided for herein, and every concerned person is entitled to object to the decision before the High Court of Justice within thirty days following the decision's issuance date. In addition, the Insurance Commission board is responsible for taking any of the decisions mentioned in Article 41/B of the subject law.

591. The JSC may impose sanctions on violators of the securities law, regulations and instructions issued in accordance therewith, according to the provisions of Articles 21 and 22 of the Securities Law.

592. We conclude that there are authorities in charge of imposing sanctions on the financial institutions in case the latter does not comply with the AML instructions.

593. With regard to considering the sanctions imposed on Corporate persons and punishing natural persons as insufficient, the Central Bank and the bank's Supervision Department takes procedures regarding the managers and members of the Senior Management by virtue of the laws related to supervisory authorities, whereby Article 88 of the Banks Law no. 28 for the year 2000 stipulates that the Central Bank may take any of the procedures or impose sanctions provided for in paragraph B of the subject Article in the cases where the bank or any of its managers committed one of the following violations:

- Violating the provisions of the subject law or any of the regulations, instructions and orders issued in accordance therewith.
- The bank or any of its affiliate companies conducted unsafe and insecure transactions for the benefit of its shareholders, creditors or depositors.

594. The JSC is entitled to impose sanctions on the managers and Senior management of the regulated companies which fall under its supervisory authority in case they violated the provision of the securities law, regulations and instructions issued thereof, according to Articles 21 & 15 of the securities law whereby the board may investigate any person or hear his sayings to determine whether he committed a violation or conducted preparatory procedures that might lead to committing a violation to the provisions of the law and regulations, instructions and decisions issued thereof, provided that the investigation order includes the nature of the violation and the powers of authority performing the investigation, and that the hearing notice includes the nature of the violation and the right of the concerned person to submit his sayings and present his evidence along with the time and date of the hearing. If following the investigation with the concerned person or following the hearing of his sayings, the board found that the person committed a violation or is doing any preparatory procedures that may lead to committing a violation to any provisions of the subject law and regulations, instructions and decisions issued thereof, the board may cancel or suspend the license of the violator or stop his given approval if he was licensed or approved according to the case (the subject Article covers the manager and the management as well).

595. With regard to exchange companies, Article 25 of the law stipulates that any person violating the provisions of Article 3/A of the subject law is to be punishable by imprisonment for a period of time ranging between one to six months and with a fine of a minimum of 500 Dinars and a maximum of 1000 Dinars.

596. With regard to the insurance sector, Article 94 of the law regulating Insurance Business stipulates that "any violation to the provisions of the subject law or regulations and instructions issued in accordance

therewith, for which the law did not provide a specific fine the violator is punishable with a fine of a minimum of one thousand Dinars and a maximum of ten thousand Dinars; and the fine is doubled in case of recurrence; if the violation recurs for more than twice, the fine is doubled at its maximum margin”.

597. With regard to increasing the range of the sanctions to be imposed on banks, the Banks Law no. 28 for the year 2000 Article 88/B stipulates that in case any of the violations mentioned in paragraph A of the subject article takes place, the governor may take one or more procedures and to impose one or more sanctions from the following procedures and sanctions:

1. Address a written warning.
2. Request the bank to submit an acceptable program summarizing the procedures to be taken to eliminate the violation and correcting the situation.
3. Request the bank to stop some of its transactions or forbid it from distributing its profits.
4. Impose a fine that does not exceed one hundred thousand Jordanian Dinars.
5. Request the bank to temporarily suspend any of its managers who are not members of the board or request the termination of their employment in accordance with the violation severity.
6. Dismiss the bank’s chairman or any of the board members.
7. Dissolve the bank’s board and transfer the management of the bank to the Central Bank for a maximum period of twenty four months, to be extended when necessary (Article 88 was amended by virtue of law no. (38) for the year 2004, amending the Banks Law, published in the official gazette issue 4675 dated 16/9/2004).
8. Cancelling the bank’s license.

598. Above are the sanctions that can be imposed on the insurance sector in the Articles 41, 92 and 94.

599. As for exchange companies, Article 27 of the law stipulates that the Board (the Board of Directors of the Central Bank) has the right to take any of the following measures against any exchange company that violates one of the provisions of the subject law:

- 1 Send a written notification to remove the violation within the period specified by the Board.
- 2 Close the exchange place of business and prohibit it from practicing exchange activities for a period specified by the Board.

The Board may also revoke in a final way the license issued for any exchange institution if it repeatedly violates the provisions stipulated in the subject law or violates more than twice the provisions of any regulations or order issued in accordance therewith.

600. Regarding the Jordanian Securities Commission (JSC), Article 22 of the Securities Law stipulates that the Board has the right to impose fines that do not exceed the amount of 50,000 Dinars on any person, in any of the following cases:

1. When a person violates the provisions of the subject law, and the provisions of any regulations, instructions and resolutions issued hereunder.
2. When a person deliberately aids, abets, gives counseling or orders another person to commit a violation.
3. When a person presents or contributes to the presentation of false or misleading data pertaining to essential information in any application or report submitted to the JSC, or hides any data pertaining to essential information that must be mentioned in the report or the application.

601. The Board, when imposing the above-mentioned fine, should ensure that the imposition and the amount of the fine are commensurate with the requirements of the public interest, taking into consideration the following issues:

1. Whether the violation included dishonesty, fraud, manipulation, intentional disregard or major neglect of the requirements provided for in the subject law.
2. Whether the violation caused direct or indirect damage to any person.
3. Whether the violation resulted in illegal wealth, taking into consideration compensations paid to the persons incurring damages caused by the violation.
4. Any other issue that is essential to the requirements of equity and justice.

602. A person, on whom a fine was imposed, has the right to submit an objection before the Board within a maximum period of two weeks from the issuance of the fine order. If no express resolution is made by the Board in terms of the objection within two weeks from the date of receiving it, the objection will be considered rejected. However, the person has the right to appeal against the Board's resolution before the Higher Court of Justice, whether the Board replied to the objection or not. The Board has the right to refer the abovementioned violations to the competent court.

603. Based on the abovementioned, it becomes clear that some sanctions stipulated in the law seem to be dissuasive and proportionate, except for those pertaining to the insurance activities. However, until the date of the onsite visit, no sanctions were issued against those who violated the AML regulations, as none of these violations has been recorded.

Recommendation 23 (criteria 3, 5, 7) – Market Entry

604. Article 34 of the Banks' Law no. 28/2000 stipulates that any transfer of the bank's shares whether through a single or several transactions or in a direct or indirect way, shall be subject to annulment if it leads to a person's ownership of an interest that affects the bank's capital or to an increase in the percentage of this interest, without a prior written approval by the Central Bank. The same shall apply when the transfer of shares belongs to a related group of persons.

605. Article 22 of the same law stipulates that the following requirements should be met by the Chairman and the members of the Board of Directors of the Bank – in addition to what is provided for in the Companies' Law:

1. To be above 25 years-old.
2. To have a good character and reputation.
3. Not to be a member of the Board of Directors, or a General Manager, regional manager or employee of any other bank, unless the other bank was affiliated to this one.

The Central Bank has the right to challenge the candidacy of any person to the Board of Directors if such person does not meet the abovementioned requirements.

606. Article 25 of the same law stipulates that the following requirements should be met by the bank's general manager or any person who holds a senior position specified by the Central Bank during his tenure:

1. To have a good character and reputation.
2. Not to be a member of the Board of Directors of any other bank, unless the other bank is affiliated to the present bank.
3. To manage the bank's affairs on full time basis.
4. To be highly qualified and have the banking experience required by the bank's activities.
5. The Central Bank may challenge any of the appointments referred to if it was established that none of the conditions mentioned therein was met.

607. Article 30 of the same law stipulates the following:

- a. Any employee working in the bank's management shall be deemed to lose his position or job if he is convicted by a competent court of a felony or crime or if he issues a bad check.

- b. Any Board Member, general manager or branch manager shall be deemed to lose his job if he fails to pay his dues to the bank.
- c. A person, who loses his position or job for any reason mentioned in paragraph (a) of the subject article, may not work at any bank or be a member of its Board of Directors.
- d. A person, who loses his position or job for any reason mentioned in paragraph (b) of the subject article, may work at any bank or be a member of its Board of Directors provided that he receives a prior written approval from the Central Bank.

608. Pursuant to the Corporate Governance Guidelines issued by the Central Bank of Jordan to the local banks in Jordan, the General Manager to be appointed must enjoy integrity, enjoys the know-how skills and banking experience; he should also obtain the Board of Directors' approval for the appointment of some executive managers, including the Chief Financial Officer and the Head of Internal Audit who should both have the required experience and skills. The Board also shall adopt Succession Plans for the bank's executive managers which include the skills and requirements needed for such positions.

609. The Central Bank of Jordan (CBJ) has set Guidelines on Bank licensing, which stipulate that the Central Bank should receive all necessary information pertaining to the members of the Board of Directors and the Senior Management at the bank, in order to evaluate their banking experience on the individual and collective levels. This will also help evaluate their knowledge and ability to implement good governance, in a way that enables them to assume their full duties and responsibilities, as well as their experience, attitude and skills in other fields. This evaluation also contains a historical overview of their previous activities, including any judicial or legal actions issued against them, or any doubts about their competence, qualifications and integrity. It is absolutely necessary that candidates of the administrative team in a bank should have a strong background in the banking sector.

610. Based on the guidelines on bank licensing, the Central Bank of Jordan must be able to evaluate the ownership structure of banking institutions; such evaluation should include all shareholders who have direct or indirect control over the bank, in addition to the major direct or indirect shareholders (the major shareholder in Jordan, as in a number of other countries, is the shareholder whose ownership is at least 5% of the bank's capital). Based on this evaluation, former contributions of major shareholders, whether in banking or non banking institutions, are revised and their integrity and position in the business sector are examined. This is in addition to the evaluation of the main shareholders' financial solvency and their ability to offer more financial support when needed. In an attempt to investigate the integrity and financial standing, the CBJ should also determine the source of the primary capital to be invested.

611. In addition to the conditions imposed on managers by the Banks' Law and the Companies' Law, individuals who are nominated to form the bank's management team should meet some characteristics under the suitability standards, including: competence reflected by at least five-years of experience, a certain level of education or training and high integrity. Candidates must also comply with the recognized principles, be free of any non-integrity or financial manipulation history, have a good reputation and be respectful in the financial society. They should also have certain skills and experience that contribute to enriching the Board in the fields of accounting, finance or banking, or any other banking skills and knowledge in the banking sector.

612. Pursuant to the Corporate Governance Guidelines issued for Banks in Jordan, which encompasses the best international practices in this field:

- The Nomination and Remuneration Committee nominates the Board members, taking into consideration the qualifications and skills of the nominated persons. In case of re-election, the candidates' attendance, quality and efficiency of participation in the Board meetings are taken into account. It is noteworthy that the Companies' Law stipulates that the Board's term expires in four years starting from the date of its election. The renewal of the membership of any member requires the said member to submit his candidacy during the annual general assembly of the bank.
- The Remuneration and Nomination Committee follows specific and approved regulations in evaluating the Board's efficiency, so that the criterion for the performance assessment is objective and includes comparison with other similar banks and similar financial institutions, in addition to the

criteria of safety and accuracy of the bank's financial statements and the extent of compliance with the regulatory requirements.

613. As for exchange companies, they are all limited liability companies (LLC) and joint partnership companies and have no shareholders or Board of Directors. Article 3 of the licensing instructions of limited liability exchange companies stipulates the following:

c- The founder (the natural person or persons related to the legal person) should be of good character and conduct and should not be convicted of any felony or crime involving moral turpitude or breach of trust. He should also provide the Central Bank with a judicial clearance (non conviction) certificate.

f- He should not be a partner in an exchange company, the license of which was cancelled or partner in another licensed Exchange Company, unless all the effects resulting from the cancellation of the license or the discontinuity of the partnering relationship has been terminated.

g- The founder's name (the natural person or who has a relation with the legal person) should not be listed under the defaulting customers (returned checks) or those who practice exchange activities and deal with foreign currency without a license according to the Central Bank's registers.

h- The company's manager, the Chairman of the board or the vice president, should be a permanent resident of the Kingdom and a full-time employee. He should also have acceptable experience in banking and/or exchange and should provide the Central Bank with any information or documents that support his background.

614. With regard to the insurance sector, Article 31 of the law regulating insurance activities stipulates that any person who was convicted of a felony or crime involving moral turpitude or breach of trust, or who was adjudicated bankruptcy without being rehabilitated and restoring his good conduct; or any person, in his capacity as a general manager or member of the Board of Directors of any company, has been assessed by the Board to be accountable for a major violation of any provision of the subject law or the Companies' Law, including the responsibility for the forced liquidation of an insurance company, should not be authorized to be a member of the Board of Directors of the company, or its general manager, or an employee or delegated manager of this company. The provisions of the subject Article shall also apply to the insurance broker and agent.

615. Article 33 of the same law stipulates that the general manager, managing director and major employees of the insurance company must be qualified and have sufficient experience in the insurance business. The company should provide the general manager with a detailed report that includes the qualifications and experience of each of the above mentioned. If the Board found that an employee does not have the required skills and experience provided for in paragraph (a) of the subject article, he may refuse to appoint the said employee while stating the reasons.

616. As for the institutions that are subject to the Jordanian Securities Commission (JSC), all financial services companies are subject to the licensing and oversight of the JSC, by virtue of the Securities Law and the licensing instructions, which deals in some of its provisions with the licensing conditions pertaining to services companies, and the authorization conditions of authorized persons, in addition to some provisions pertaining to the Board of Directors, the managers' board and the executive director.

617. Based on the abovementioned, we can conclude that there are specified criteria to appoint the managers and the members of the Board of Directors in financial institutions.

618. As for the licensing for institutions that offer money or value transfer or exchange services other than banks, it is regulated by the exchange activities law, which defines exchange activities as "dealing with foreign currencies and precious metals". Article 3/A of the exchange activities law No. 26 for the year 1992, stipulates that "a person may not practice exchange activities in the Kingdom unless he receives a license issued by the Board, according to the provisions of the subject law." The term "Board" here refers to the Board of Directors of the Central Bank of Jordan.

619. Moreover, Article 16/A of the same law stipulates: "The exchange institution's documents, records and transactions shall be subject to audit, examination and inspection by the Central Bank. The governor shall have the right to assign one or several employees from the Central Bank in writing to implement these

measures, provided that the assigned employees are authorized to seize any registers, records and documents held by the exchange agency, when necessary.”

620. A controversial issue remains, that is the definition of money transfer activities in defining the exchange activities in the law. In fact, this definition only includes dealing with foreign currencies and precious metals, while the law mentioned other activities that can be practiced by an exchange institution (exceptionally) provided that it receives a special authorization from the Board of Directors of the Central Bank. Those activities include the “issuance of external transfers to finance unforeseen payments.” Apart from that, the abovementioned law disregarded the money transfer activity. Whereas a big number of exchange companies in the Kingdom of Jordan practice external and local money transfers, through both sending and receiving transactions, such companies are, at least in theory, conducting illegal and unlicensed transactions when transferring money (in particular when these transactions are carried out inside Jordan or in local currency, as such transactions do not fall within the definition stipulated in the relevant law in terms of the transferring party and the currency type). Based on the abovementioned, money transfers in the Kingdom need to be reorganized and regulated through the establishment of main regulations for receiving and sending money and making local and external transfers.

621. As for financial institutions that are not subject to the basic principles, their presence in Jordan is very limited. Those include companies that offer payment and collection services, issuance and management of payment and credit tools, as well as finance leasing companies. These companies are subject to the Companies’ Law with regard to licensing and registration like all other types of companies, as it is shown in Part 5 of this report.

Recommendation 23 (criteria 4, 6 & 7)

622. The Central Bank of Jordan imposes an offsite banking control by analyzing reports received from banks, assessing the banks’ financial situation and verifying their abidance by the laws, regulations and instructions. The Central Bank of Jordan also conducts an onsite control on banks by making onsite visits to make sure that they are abiding by the laws, regulations and directions, in addition to evaluating the management quality and the sufficiency of internal control systems.

623. The Central Bank of Jordan (CBJ) issued the Internal Banking Spreading Instructions for licensed banks No. 36/2007, which specified the basis of the internal banking spreading for licensed banks in order to organize this operation and ensure that banks wishing to open branches in the Kingdom have a sound administrative and financial situation.

624. The CBJ issued the instruction No. 18/2004, concerning the external expansion of Jordanian banks, in order to organize the external expansion of Jordanian banks, in such a way that promotes the diversity and distribution of their income and assets’ resources and to improve the consolidated supervision applied by the Central Bank.

625. In an attempt to implement the unified control guidelines which are represented by the Central Bank’s consolidated supervision of the banks and its right to control and inspect the branches of Jordanian banks outside the country, the Central Bank has signed memorandums of understanding (MoUs) with some local regulators and other regulators in the countries hosting the branches of the Jordanian banks, in order to facilitate the collection of regulatory information and achieve a consolidated supervision of the Jordanian banks abroad, in addition to sharing experience and knowledge with such authorities in the field of banking supervision.

626. The Banks’ Law No. 28 for 2000 limits the licensing authority to the Central Bank and gives it the right to set the licensing criteria and principles and to reject license applications that do not meet these criteria. The CBJ, being the sole licensing authority for banks, should ensure that the new banking institutions are established by founders who have a good banking experience, an adequate financial position and a legal structure that matches the operational structure. New banking institutions should also be managed by managers who have the integrity, skills and the ability to manage the bank in a sound and appropriate manner.

627. The licensing operation should include, at least, an assessment of the ownership structure of the banking institution, the members of the Board of Directors and the senior management, the operational plan, the internal control regulations and the estimated financial statements, including the capital's foundation. In the event where the applicant is a branch of a foreign bank, the prior approval of the regulatory authority in the bank's original country is required.

628. The CBJ has issued guidelines for bank licensing out of its concern over the conformity of the licensing standards with the prevailing practices in the field of banks' supervision. Accordingly, one of the reasons for withdrawing a license is the bank's failure to meet these standards.

629. Pursuant to the Corporate Governance Guidelines issued by the CBJ to the local banks in Jordan, the CBJ should be able to evaluate the ownership structure of the banking institutions. This evaluation should encompass all shareholders who have a direct or indirect control over the bank; in addition to the major direct and indirect shareholders (the main shareholder in Jordan, as in several other countries, is the shareholder whose ownership is not less than 5% of the bank's capital). Based on this evaluation, former shares of major shareholders in banking or non-banking institutions are reviewed and the shareholders' position and integrity throughout the business community is assessed. This is in addition to evaluating the shareholders' financial suitability and their ability to provide financial support when needed. The CBJ should also determine the source of the primary capital to be invested as an inquiry procedure on the integrity and financial position

630. The Jordanian Central Bank issued the e-banking instructions No. 8/2001 in order to preserve the safety of banking and financial e-transactions conducted by banks and the security of the related information and systems. These instructions also guarantee the rights of the related institutions, as they force the banks to comply with the applicable laws, banking customs and necessary precautionary measures when carrying out all or part of their "licensed transactions" through electronic means, such as the internet, telephone, electronic cards and other modern electronic means.

631. The CBJ circulated the Risk Management Principles for Electronic Banking which were included in a report issued by the Basel Committee on Banking Supervision. They include a general framework for the management of such risks entitled the "Risk Management Principles for Electronic Banking", which were circulated to banks by virtue of Circular No. 10/1/3344, dated 21/3/2005 aimed at developing and promoting the level of risk management by the banks in general and the electronic banking and information technology risk management in particular.

632. As for licensing insurance companies, Article 25 of the Law No. 33/1999 regulating Insurance Business and its amendments, stipulates that only the companies mentioned below are entitled to practice insurance activities:

- 1 . A Jordanian public shareholding company
- 2 . A branch of a foreign insurance company registered in the Kingdom under the Companies' Law
- 3 . Affiliate companies
- 4 . An exempted company

633. Moreover, neither a new nor an exempted insurance company may be registered without the Board's prior approval. In case of non-approval, the Board's decision should be justified when reporting it to the party requesting the establishment of the new company. Moreover, a company may not practice insurance activities unless it meets the minimum capital specified in the subject law. Article 36 of the same law stipulates that no person may practice the work of actuary in the insurance sector unless he receives a license from the Commission, in accordance with the principles and conditions specified by the Board through instructions issued for this purpose.

634. Articles 54 and 55 of the same law stipulate that a person may not act as an insurance agent unless the general manager is provided with the agreement signed between him and the relevant insurance company, stipulating that he was appointed as an agent for the company. A person may not work as an agent for more than one company. Moreover, no individual may act as an insurance or reinsurance broker without obtaining a license from the Commission in accordance with the conditions specified by the Board through instructions issued for this purpose.

635. Articles 31, 33 and 30 of the Law No. 33/1999 regulating insurance activities and its amendments stipulate the following:

Any person may not be a member of the company's Board of Directors, or its director general, employee or delegated director:

- a. If he was convicted with a felony or misdemeanor, or was declared bankrupt and was not rehabilitated.
- b. If he was found responsible, at the discretion of the board, for a major violation of any provision of the subject law or the Companies' Law, as a director general or member in a company's Board of Directors, including the responsibility for the statutory liquidation of an insurance company.

636. Competence and experience are a must for the insurance company's general manager and the main employees. The company should provide the general manager with a detailed report that includes the skills and experience of each employee. If the Board found that an employee does not have the required skills and experience, it may refuse to appoint the said employee by presenting the reasons for the Board's resolution. The company has the choice to recruit only Jordanian employees; however, it may recruit non-Jordanians if they have skills and experience that the company lacks, upon a decision by the Minister of Labor, based on the recommendation of the general manager.

637. Moreover, Articles 4 and 6 of the Corporate Governance Guidelines no.2/2006 pertaining to insurance companies and its amendments, stipulate that the Company should ensure that its Board of Directors is formed of a minimum of seven competent members, who have the required skills, experience and know-how to supervise and follow-up on the Company's affairs. The executive management team which is appointed after the enforcement of the provisions of such instructions, should also have the necessary competence and experience in insurance activities, as follows:

The Company's general manager should have one of the following requirements:

- A BSc. degree and a minimum of 8-year experience in insurance issues;
- A professional degree in insurance and a 15-year practical experience in insurance issues;
- A minimum of 20-year practical experience in insurance issues;

The Company's deputy general manager and his assistant should have one of the following requirements:

- A BSc. degree and a minimum of 5-years experience in insurance issues;
- A professional degree in insurance and a 10-years practical experience in insurance issues;
- A minimum of 15-years practical experience in insurance issues.

For the purposes of applying the provisions of the subject Article, the general manager is required to approve the professional degrees presented and practical experience stated.

638. Article 4 of the financial companies' licensing regulations stipulate that those responsible for licensing requests should have the necessary experience, competence and know-how to practice their job, they should have a good conduct and character, and should submit documents that support their qualifications. Article 45 stipulates the following:

a. The following requirements should be met by a natural person who is appointed in an administrative position:

1. Have full competence and good conduct and character
2. Any other conditions decided by the Commission

b. The following requirements should be met by a natural person who is appointed in a technical position:

1. Have full competence and good conduct and character
2. Holding a university degree
3. Has Successfully passed the exams decided by the Commission
4. Has Participated in the sessions held by the Commission to fill the required position

5. Pay the professional association membership fees and annual renewal fees
6. Any other conditions decided by the Commission

A person, who has scientific qualifications or sufficient practical experience approved by the Council, shall be excluded from the requirements of Articles 3 and 4 mentioned in the above Paragraph B.

A natural person who receives a technical position becomes an administratively approved employee.

639. In addition, Article 7 of the instructions no.3/2007 stipulates that the Company should pay special attention when inquiring about the client and his activities, with regard to the following:

1. Large insurance transactions and insurance transactions which do not have a clear economic or legal objective; and to implement the required measures to examine the background and purpose of such transactions and to set forth their findings in writing in the Company's records.
2. Insurance transactions which are made with persons who live in countries that do not have adequate AML regulations.
3. In case of dealing with politically Exposed Persons, the Company shall take the following measures:
 - Set up a risk management system to check whether the client, his representative or the beneficial owner is identified as a politically exposed person. The Company's Board of Directors has to establish a policy for accepting clients of this category. The policy will take into consideration the classification of clients based on risk degree.
 - Obtain the approval of the Company's general manager or his representative when establishing a relation with a politically exposed person. This approval should also be obtained when discovering that one of the clients or beneficial owners became exposed to such risks.
 - Take sufficient measures to ensure that its customers and beneficial owners of politically exposed persons have sufficient resources.
 - Follow-up in a detailed and continuous manner on the Company's transactions with those individuals.

640. As for common investment funds, they are subject to the JSC supervision and monitoring. AML regulations also apply to such funds.

641. Based on the abovementioned, some regulatory and supervisory measures that are implemented for precautionary purposes and which are related to ML and TF, also apply to banks and insurance companies for AML purposes only (without terrorism financing, as it is not included in the general framework of compliances that should be met by those institutions, the most important being STRs.) As for other financial institutions, the evaluation team was not able to determine the level of implementation of precautionary control and supervision measures which are also related to money laundering, on the institutions that are subject to the law, with regard to fighting ML and TF.

642. As for the application of regulations to fight ML and TF on money or value transfer services, AML regulations issued for exchange companies stipulate the obligations that should be followed to implement the provisions of AML law, pursuant to Article 14/d, which oblige the supervision authorities to ensure that its affiliated bodies are abiding by its regulations.

Recommendation 25

643. As for the establishment by the relevant authorities of guidelines for affiliated institutions to help them comply with the requirements of fighting ML and TF, Article 9/3rd of AML regulations no.42/2008 stipulates that a bank should refer to the attached guidelines which was prepared to assist in the identification of patterns suspected to be money laundering or terrorism financing transactions. Banks should also use this guideline as a tool to educate their employees, while updating it when necessary.

644. The abovementioned guidelines includes the following:

1. Process of money laundering transactions
2. Money laundering techniques:
 - Cash financial transactions
 - Personal accounts

- Transfers
 - Trust funds
 - Investment related transactions
 - Credit facilities
 - Financing credit accounts and letters of credit
 - International financial and banking transactions
 - E-banking services
3. .The client’s behavior which might indicate his involvement in illegal transactions
 4. .The bank employee’s behavior which might indicate his involvement in illegal transactions
 5. General guidelines.

645. The team did not receive a copy of the above guideline to ensure that it states clearly the techniques of money laundering in a detailed and sufficient way.

646. As for exchange institutions, the Central Bank issued AML regulations for licensed exchange companies and circulated an STR form that should be filled in by such companies, with a guideline showing how to deal with those risks enclosed therewith.

647. Guidelines issued by the relevant authorities were limited to the guidelines issued by the Central Bank for banks, in addition to guidelines on how to complete the reporting form which was sent to exchange and insurance companies.

3-10-3 Recommendations and Comments

648. Authorities are recommended to:

- Issue AML regulations for insurance activities based on the AML law in order to impose the sanctions provided for therein on companies that violate such guidelines.
- Regulate finance leasing companies and designate a specified authority to be responsible for ensuring the compliance of such companies with AML/CFT requirements.
- Re-organize the financial transfer activity by setting basic rules for incoming and outgoing transfers with all types of currencies.
- Implement regulatory and supervisory measures that exist for precautionary purposes for financial institutions other than banks.
- Provide sufficient financial and human resources to increase the efficiency of supervision over financial institutions and ensure full coverage of the same.
- Issue guiding principles in issues covered by the FATF Recommendations, in particular in relation to describing ML and TF means and techniques. detected local and international cases should be included, taking into consideration regular updating. In addition, any other measures that could be taken by FIs and DNFBPs to guarantee the efficiency of AML/CFT measures should be covered.

3-10-3 Compliance with recommendations 23, 29, 17 and 25

	Rating	Summary of factors relevant to s.3.10 underlying overall rating
R.17	LC	<ul style="list-style-type: none"> • Failure to issue AML instructions for insurance activities based on the AML law, in order to impose sanctions stipulated in the law on companies that violate such instructions.
R.23	PC	<ul style="list-style-type: none"> • Inefficient supervision over financial institutions unlike banks and exchange companies. • Control and supervision by the insurance and Securities Commissions are not active in relation to AML.

		<ul style="list-style-type: none"> • No regulation of the financial leasing sector in the Kingdom and no supervisory or oversight criteria to register and take the necessary measures against institutions that did not apply for registration. • Need to implement regulatory and supervision measures that exist for precautionary purposes in financial institutions other than banks and insurance companies.
R.25	NC	<ul style="list-style-type: none"> • Failure to issue guiding principles in issues covered by the FATF Recommendations, (except for the guidelines issued to the banks) in particular when it comes to describing the means and techniques used in money laundering and terrorism financing, including detected local and international cases or taking into consideration regular updating.
R.29	C	

3.11 Money or value transfer services (SR.VI)

3.11.1 Description and Analysis (summary)

649. Article 11/f of the exchange activities law stipulates that an exchange office may perform any of the following transactions with the approval of the Board and in line with its instructions issued in this regard: issue external transfers to finance unforeseen payment transactions. Consequently, money transfers can be practiced by exchange companies and banks.

650. Article 3(a) of the same law stipulates that an individual cannot practice exchange activities in the Kingdom except with the permission of the Central Bank's Board of Directors. The law also specified the licensing requirements, procedures and phases. Instructions for licensing exchange companies with limited liability also specified the procedures, requirements and phases of licensing exchange companies with limited liability.

651. In general, exchange companies are subject to AML regulations issued for exchange companies on 3/3/2008. The Central Bank monitors the compliance of exchange companies with AML regulations through regular inspections and analysis of regular reports sent by such companies to the Central Bank.

652. Article 5 of regulations issued on 3/3/2008 stipulates that the provisions of the subject article shall apply to transfers whose value exceeds seven hundred Dinars or its equivalent in foreign currencies, which are sent or received by the exchange office, that is subject to these regulations. The exchange office complies with the following:

- 1 Obtain complete information on the person requesting the transfer. Such information shall include the person's name, national number, personal identification number for Jordanian nationals and nationality and passport number for non-Jordanians; in addition to the adoption of due diligence procedures for clients subject to the provisions of Article 3 of the instructions.
- 2 Be able to provide the party receiving the transfer and the relevant official authority with information on the issued transfers within three working days from the transfer request.
- 3 Adopt efficient measures regarding incoming transfers, based on the estimation of the level of risks in transfers lacking information about the party requesting the issuance of the transfer. These measures include the request of information that is not available to banks or the exchange office sending the transfer. Failing to do so, the exchange office shall take the adequate measures based on the risk level, including the rejection of the transfer. This shall be an indicator to follow when evaluating the exchange office as to suspecting such transaction and reporting the same to the unit.

The Broker Exchange office should comply with the following:

1. If the broker exchange office participated in the transfer without being a sender or receiver, it should guarantee the availability of all information attached to the transfer upon executing the transfer.

2. If the broker exchange office failed to enclose the information with the transfer for technical reasons, it should maintain all the attached information as received for a period of five years, whether such information is complete or not. It should also submit information available to it to the bank or to the exchange office receiving the transfer within a period of three days following the request.
3. If the exchange office received incomplete information on the person requesting the transfer to be sent, it should inform the receiving party upon performing the transfer.

653. Article 6 of AML regulations issued on 3/3/2008 stipulates that the exchange office should keep records and documents pertaining to clients' due diligence provided for in Article 3, for at least five years following the closure of the financial transaction. It should also maintain the records and evidence that support financial transactions, including original documents or copies thereof accepted by the courts, in accordance with the laws prevailing in the Kingdom, for a minimum period of five years following the closure of the financial transaction. All such necessary measures should be taken in order to reply to the request of the unit and the relevant official authorities for any statements or information in a comprehensive and effective way within the specified period.

654. It has been already mentioned that money transfer activities were not well regulated legally, as the related Article in the exchange activities law, which is used by officials to allow transfer activities, has limited this activity to money transfers outside Jordan, in addition to linking them only to the financing of unforeseen payment transactions. Moreover, "exchange activities" practiced by an exchange office are defined in the exchange activities law as dealing in foreign currencies and precious metals, which makes transfer transactions inside Jordan or in a local currency an illegal operation. This hampers the legal basis for any executive procedures made within the framework of regulating transfer transactions by the Central Bank of Jordan. Therefore, the only regulated transfer activity in Jordan is the one conducted by banks licensed by the Central Bank of Jordan.

655. Regarding transfer transactions made via banks, Article 5 of AML regulations issued for banks under no.42/2008 pertaining to transfers stipulate the following:

First: As for the application, the provisions of the subject Article shall apply to electronic transfers, the value of which exceeds 700 Dinars or its equivalent in foreign currencies, which are sent or received by banks that are subject to these regulations. The following shall be excluded from the provisions provided for in paragraph 4 of the second and fourth provision of the subject Article:

- Electronic transfers resulting from transactions made by debit or credit cards, provided that all electronic transfers of these transactions are linked to the number of the credit or debit card.
- Electronic transfers where each of the sender and receiver has a bank working for his private account.

Second: As for the obligations of the bank sending the transfer, they shall include:

1. The bank should undertake customer due diligence measures provided for in Article 3 of these regulations, in such a way that allows it to receive complete information on the person requesting the transfer, including the name of the person, account number, national number or identity confirmation number and nationality for non-Jordanians.
2. If the person requesting the transfer does not have an account at the bank, the latter sets up a system by which it gives that person a special reference number.
3. The bank should take the adequate measures to verify all the information in line with the procedures of Article 3 prior to sending the transfer.
4. The Bank should attach to the transfer all statements provided for in paragraphs 1 and 2 of the subject Article.
5. Concerning transfers that are sent in one batch, the sending bank attaches the account number of the person requesting the transfer or his special reference number in case no account is available, provided that:
 - The bank maintains the full information on the person requesting the transfer, provided for in paragraphs 1 and 2 of the subject Article.
 - The bank shall be able to provide the receiving bank and competent official authorities with the full required information, within a period of three working days from the date of receiving the request.

- The bank shall be able to immediately comply with any order issued by the competent official authorities that binds it to peruse such information.

6. The bank should ensure that non routine transfers are not sent in one batch in cases that are likely to increase risks of ML and TF transactions.

Third: As for the obligations of the bank receiving the transfer:

The bank should set up efficient rules to uncover any lack of information pertaining to the person requesting the transfer, which is stipulated in paragraphs 1 and 2 of Article 2. The bank should also adopt efficient measures to assess the risk level when dealing with transfers that are lacking information on the person requesting the transfer. These measures include requesting complete information from the bank sending the transfer. Failing to do so, the bank should take the adequate measures based on the risk level. These measures include the rejection of the transfer, which is an indicator to be considered while evaluating the bank and the presence of a suspicious transaction and inform the unit immediately.

Fourth: The obligations of the mediating (broker) bank:

The bank that participates in the transfer without being the sending or receiving party shall ensure the presence of all information attached to the transfer. If the bank failed to do so for technical reasons, it shall maintain all the information as it received it, for a period of five years, regardless of whether this information was complete or not. It should also provide the receiving bank with the available information within a period of three days since the request. If the bank receives incomplete information on the person requesting the transfer, it should notify the receiving bank when sending the transfer.

3-11-2 Recommendations and Comments

656. Jordanian authorities are recommended to:

- Regulate money transfer activities in a more detailed manner by clarifying the different aspects that exchange companies can work in, in addition to issuing more accurate and detailed instructions on the duties that these companies should comply with, as source, intermediary or beneficiary institutions with respect to transfers they handle.

3-11-3 Compliance with Special Recommendation VI

	Rating	Summary of factors underlying rating
SR.VI	PC	<ul style="list-style-type: none"> • Insufficient regulation of money transfer activity

4. PREVENTIVE MEASURES - DESIGNATED NON-FINANCIAL BUSINESSES AND PROFESSIONS

4.1 *Customer due diligence and record-keeping (R.12)*

(Applying R.5, 6, and 8 to 11)

657. **Overview of the sector:** Concerning non-financial businesses and professions, the attorney's profession is seen as an independent profession that is subject to the Bar Association Law and the Islamic lawyers' law. The Jordanian Bar Association supervises the organization of the law profession in line with the law. The lawyers' law defined the lawyers as "those whose profession is to provide judicial and legal assistance in return for remuneration. This includes: (1) representing persons in calling for their rights and defending them: a. before all the Courts of all types and degrees, excluding religious courts, b. before arbitrators and all prosecution departments, and c. before the different administrative bodies, public and private institutions); (2) concluding contracts and conducting the related procedures; and (3) offering legal consultation.

658. A lawyer may not practice the law profession and at the same time preside over the Council of Ministers or Parliament; practice trading activities or represent companies and institutions in their business. A lawyer may not practice the law profession and at the same time be President and Vice President of a Board of Directors of any company or institution of any nationality. Moreover, he may not hold the position of manager at any public company or institution or accept any position at such companies or institutions or adopt any other profession that hampers his independence and the dignity of the law profession. A lawyer may not accept commercial transfers through transfers to his name to plead for without any power of attorney. In addition, he may not register at the competent departments or any official authority a company's contract, the value of which exceeds 5,000 Dinars, unless signed by a senior practicing lawyer. Lawyers have the right to establish civil companies between each other to practice the law profession. The number of registered lawyers in Jordan reached around 10,000. During the team's visit to the Bar Association, it appeared that its officials are not aware that the AML law was approved and effective; they are not also aware about the presence of an AML Unit. Moreover, there is no guidance for the lawyers about AML, and in case of reported crimes, the provisions of confidentiality of the profession are inapplicable.

659. The chartered accounting profession is regulated by the law regulating the chartered accounting profession, which aims at organizing and promoting the profession, and guaranteeing the compliance with accounting and audit standards. The profession's regulations are determined by instructions issued by the higher Committee which is responsible for regulating the profession. The chartered accountant should comply with the profession's regulations, assume his duties and maintain the profession secrecy. The chartered accountant may not deal with shares and bonds of the party whose accounts are being audited by him, whether directly or indirectly, under his name or through one of his employees. He may not also participate in the establishment of a company whose accounts are being audited by him or be a member in its Board of Directors or hold a full time job in the company's technical, administrative or counseling department. He may not be partner with any of the company's board members.

660. Moreover, the chartered accountant should notify the relevant authorities of any misappropriation or fraud of the funds in the accounts he is auditing. Civil companies may be established between chartered accountants who practice auditing missions in their own office provided that the company is registered at the department of the companies' public controller at the Ministry of Industry and Trade in accordance with the prevailing laws. In addition, the chartered account practitioner has the right to cooperate with a foreign auditor, provided that he submits his name and license number when he practices the profession or states his opinion on financial statements. There are 447 companies for chartered accountants and 257 independent accountants who practice this profession in Jordan.

661. In Jordan, a notary public is a government employee affiliated to the Ministry of Justice and his work is regulated by the law. The notary's tasks include the following: (1) organize all contracts for individuals and

legal persons and document such contracts by his official seal so they become official; he keeps the original document and gives copies to the contracting parties; (2) register the contracts that he organized and authenticate its dates and signatures, keep the original document and give copies to the relevant parties, upon their request; (3) put a note on documents submitted to him so the annotation date becomes a fixed date without authenticating the signatures; he keeps the original copy and gives copies to the concerned parties to authenticate the annotation date, if they requested so; (4) authenticate the translation of any document in any language he receives whether it was an original document or a copy; in the latter case, the notary mentions that the translated document is a copy thereof and not the original; (5) deliver the notifications requested by the legal persons or individuals; and (6) any other task - other than what was mentioned – and provided for by law. In light of the foregoing, and whereas notaries in Jordan are government employees entrusted with the previously mentioned specific duties, the definition of the DNFBPs adopted by the FATF does not apply to them.

662. The profession of the real estate agent is regulated by law regulating the real estate and its amendments and the regulations pertaining to real estate offices. A real estate office is an office licensed to purchase plots of land and real estate and sell or rent the same. This profession is licensed by the real estate license and control Committee at the land and survey department in the Ministry of Finance. There are around 690 real estate offices in Jordan.

663. The profession of precious metals and precious stones is an independent profession licensed by the Ministry of the Interior by virtue of the regulations pertaining to jewelry shops for the year 2003. There are 648 stores and 55 workshops working in this profession. Casinos are not allowed in Jordan.

Legal Framework

664. Article 13 of AML Law no. 46/2007 stipulates that companies working in real estate, precious metals and precious stones should comply with procedures listed in Article 14 of the same law. Pursuant to Article 14 of the AML Law, these companies should:

- Practice due diligence to identify the customer, his legal situation, activity and the beneficial owner of the relationship existing between them and follow up on the transactions made within an ongoing relationship with the clients.
- Not to deal with unknown persons or those with fictitious names or with shell banks
- Immediately notify the unit of any suspicious transactions where such transactions were concluded or not, with the means or form approved by the unit.
- Comply with the instructions issued by the competent supervisory entities to implement the provisions of the subject law.

665. It is noteworthy that dealers of precious metals and precious stones working as exchange companies are subject to AML regulations pertaining to exchange companies, based on the licensing instructions of limited liability exchange institutions (issued by virtue of a decision of the Board of Directors of the Central Bank of Jordan on 27/02/2007), which defines in Article 1 exchange transactions as follows: “dealing in foreign currencies and precious metals in line with the provisions of the law pertaining to exchange transactions.” The evaluation team has been informed about the preparation of draft instructions that are in accordance with the international standards within the scope of AML/CFT for real estate agents, jewelers and DNFBPs.

Other provisions that are partially linked to due diligence procedures include:

666. Regulations pertaining to the licensing of selling jewels and its amendments in Article 5 stipulate that “the shop owner should ensure the presence of records that clarify the name of persons who buy and sell jewels from and to the shop.” Although such instructions contradict with the requirements of record keeping, they do not satisfy them in many aspects (such as they are not primary or delegated legislation, they do not oblige maintaining the records for 5 years following the conclusion of the transaction.).

667. The Land and Survey Department (which is an independent department under the Minister of Finance) has a list of licensed real estate offices. Moreover, Law no. 47 for 2006, pertaining to the rental and selling of real estate to non-Jordanians and legal persons, described the types of legal persons that have the right to acquire real estate. The Lands and Survey Department verifies the presence of an official authorization or a legalized power of attorney or that the concerned person is authorized by virtue of a certificate from the Companies' Controller. The identity and nationality of the real estate agent and the client are also verified. The Department also has a system to investigate about real estate ownerships.

**Summary of the legal, regulatory and supervisory
framework for Designated Non-Financial Businesses and Professions (DNFBPs)
(Regarding AML/CFT requirements)**

Economic activity	AML Law	CFT Law	Instructions in the form of other enforceable means	Supervisory entity
Casinos	N/A	N/A	N/A	N/A
Real Estate brokerage	Available	Not-available	Not-available	Land and Survey Department
Dealing with Precious metals and precious stones	Available	Not-available	Not-available	Ministry of Industry and Commerce Ministry of Interior
Notary Public	N/A	N/A	N/A	Ministry of Justice
Lawyers	Not-available	Not-available	Not-available	Bar Association
Accountants	Not-available	Not-available	Not-available	Chartered accountants Association
Company and trust funds service providers	N/A	N/A	N/A	N/A

4-1-1 Description and Analysis

Due diligence measures towards the clients of Designated Non-Financial Businesses and Professions in certain circumstances

(Implementation of criteria 5-1 to 5-18 in R.5 on Designated Non-Financial Businesses and Professions)

668. Based on the legal and regulatory framework, the following can be deduced:

1. Regarding the conditions for the implementation of due diligence measures: Not sufficient as the other cases that require the implementation of due diligence measures were not mentioned. Those cases include the transactions that exceed the applicable amount (15,000 USD/Euro). It includes also cases where several transactions are made in one single transaction or where several transactions seem to be linked together; or in the case of suspicious transactions related to money laundering or terrorism financing, regardless of any exemptions mentioned in other parts within the FATF Recommendations. These cases also include doubts by the concerned entity on the accuracy or adequacy of statements previously received and which are related to identifying the clients.
2. The necessity to include lawyers and accountants in the law and its regulations (they are presently not included).
3. As for the required due diligence measures (c.5-3 to c.5-7): Not sufficient, as the following obligations were disregarded: to verify the identity; verify the authority given to an agent and his identity; verify the legal status of the legal person or the legal arrangement; verify the identity of the beneficial owner; verify the purpose and nature of the business relationship. As for the ongoing due diligence measures, it was only limited to the follow-up of transactions made continuously with the

client, without specifying the nature of this follow-up. It also disregarded the obligation to update documents and statements pertaining to due diligence measures.

4. As for the issue of risks (criteria 5-8 to 5-12): no obligations.
5. As for the timing of verification (5-13 to 5-14): no obligations
6. As for failure in implementing due diligence measures (5-15 to 5-16): no obligations.
7. As for the existing customers (5-17 and 5-18): no obligations

Clients’ due diligence measures pertaining to Designated Non-Financial Businesses and Professions specified in special circumstances (implementation of criteria mentioned in recommendations 6, 8 and 9) (Politically Exposed Persons, Payment methods and intermediaries)

669. Based on the legal and regulatory framework, we notice the lack of requirements that calls for the content of the above recommendations in the Designated Non-Financial Businesses and Professions sector.

Measures pertaining to the Recommendation 10 (record retention)

670. Based on the legal and regulatory framework, the following can be concluded:
- 1- Concerning the maintenance of records and their sufficiency to form an operation: no obligations.
 - 2- Concerning the retention of records pertaining to the identity of clients: no obligations.
 - 3- Concerning the making of the records available to the competent authorities: no obligations

Measures pertaining to Recommendation 11 (unusual transactions)

671. The current Jordanian legal and regulatory framework includes no requirements that call for the content of this recommendation in the DNFBPs sector.

4-1-2 Recommendations and Comments

672. Based on the above, the following is recommended:

- Establish an adequate legal and regulatory framework to complement DNFBPs' obligations to comply with all requirements of R.5 and cover the content of Recommendations 6, 8, 9, 10 and 11.
- Establish provisions and mechanisms which ensure that supervisory institutions are verifying the compliance of DNFBPs with their requirements.
- Compliance by DNFBPs with the requirements.

4-1-3 Compliance with Recommendation 12

	Rating	Summary of factors relevant to s.4.1 underlying overall rating
R.12	NC	<ul style="list-style-type: none"> • Lack of an adequate legal and regulatory framework to comply with the majority of the requirements from DNFBPs under R.5 and the content of Recommendations 6, 8, 9, 10 and 11. • Actual supervision and oversight. • Actual compliance.

4.2 Reporting suspicious transactions (R 16)

(Application of recommendations 13, 15 and 21)

4-2-1 Description and Analysis

673. As previously mentioned, some of the non-financial businesses and professions (including jewelers and precious metals traders and real estate agents), are required to comply with the requirements mentioned in Recommendation 13, pursuant to Article 14 of the AML Law as stated earlier.

674. Article 14 of the AML Law for 2007 stipulates that the institutions subject to its regulations should immediately notify the unit about any suspicious transactions, whether these transactions were concluded or not, and according to the means or form adopted by the unit. The institutions subject to the AML Law, as stipulated in Article 13, include companies that work in real estate, precious metals and precious stones. Such professions were listed under the name of financial institutions while they are considered as non-financial professions. Consequently, the Article is unspecific and vague and did not include real estate intermediary offices across Jordan but only mentioned companies. It is noteworthy that the reporting form issued by the unit and approved by the National Committee was distributed to 147 real estate offices out of 260 offices the license of which was renewed.

675. A reporting form was prepared related to dealers of jewels, precious stones and real estate, in addition to a guideline on how to fill in the form so that STRs are sent to the AML Unit.

676. As for companies working in the business of real estate and its development, precious metals and precious stones, a compliance officer was appointed but he does not work on a full time basis and is not independent. Moreover, there are neither internal policies nor regulations to implement AML procedures nor an independent audit unit.

677. In general, similar to financial institutions, legal provisions do not force non-financial professions to report any suspicious transactions which seem to have valid reasons for suspicion of the tie of funds or its relationship with terrorism or terrorist-linked transactions or are used for such purposes by terrorist organizations or TF.

678. Regarding protecting the reporting non-financial institutions from the criminal or civil liability resulting from such reporting, the provisions of Article (16) of the AML law shall be applied on the non-financial institutions as well, and stipulate that each natural or legal person of the authorities under the subject law shall be exempted from the criminal or civil or administrative or punitive liability when anyone of them reports, in good faith, any suspicious transactions or provides information or data about them pursuant to the provisions of the subject law. Moreover, the provisions of Article (15) of the same law shall be applicable on such institutions by prohibiting the disclosure for the customer or the beneficiary or for authorities other than the competent authority, and the competent authorities by applying the provisions of the subject law directly or indirectly or by any other means on the reporting or investigation procedures taken regarding the suspicious transactions.

679. As previously mentioned, the AML law covered only two categories of non-financial professions, which are companies working in real estate, and companies working in precious metals and precious stones. This shows that the AML law has disregarded both lawyers and accountants. The evaluation team also concluded that these sectors are not subject to any type of direct instructions or regulations to comply with such as the case is in the financial sector.

680. No suspicious cases were reported to the Committee by non-financial professions until the onsite visit, although there were attempts to take advantage of some non-financial professions in money laundering transactions, according to the authorities. As for jewelry dealers, suspicious cases are usually reported first to security bodies, and then to the unit, although those should immediately notify the unit when suspecting a money laundering operation, pursuant to Article 14 of the AML Law.

Verifying transactions which do not have a clear economic or legal purpose from countries that do not sufficiently apply FATF recommendations

681. There are no special regulations that guarantee the verification of the background of transactions that do not have a clear economic or legal purpose and ensure that written evidence is available to assist the competent authorities.

The ability to implement the counter measures pertaining to countries that do not sufficiently apply FATF recommendations

682. There are no indicators that Jordanian authorities have the powers to implement counter measures when a state fails to apply or sufficiently apply FATF recommendations.

4-2-2 Recommendations and Comments

- Distinguish between financial institutions and non-financial businesses and professions as reporting entities subject to Law 46/2007.
- Include the real estate brokerage offices under the entities subject to Law 46/2007.
- Include lawyers and accountants under the entities subject to the AML Law no. 46/2007 as they practice activities provided for under Recommendation 12.
- Establish a legal provision that obliges all DNFBPs to report suspicious transactions, where there are reasonable grounds to suspect they are linked or connected to terrorism or terrorist acts or to be used for terrorist purposes or terrorist acts by terrorist organizations or those who finance terrorism.
- Introduce internal policies and controls to implement AML measures and to create an independent audit unit to ensure the compliance of DNFBPs, particularly those subject to the law, with AML/CFT measures.
- Coordinate between the entities granting the certificates to practice professions and the Ministry of Industry and Trade in order to determine which of them should supervise the compliance of DNFBPs with AML measures.
- AMLU should continue its efforts to inform DNFBPs on reporting conditions, especially on how to send reports of such transactions to AMLU.
- Policies and measures should be implemented to ensure the compliance of DNFBPs with AML/CFT standards and enhance the awareness of employees and provide them with training. Administrative sanctions should also be considered for non compliant entities.
- Sound standards should be adopted by syndicates and associations on how to deal with clients from countries that do not comply with FATF Recommendations. Countermeasures should be taken in the event where such countries are still not complying with these Recommendations.

4-2-3 Compliance with Recommendation 16

	Rating	Summary of factors relevant to s.4.2 underlying overall rating
R.16	NC	<ul style="list-style-type: none"> • No distinction between FIs and DNFBPs within the law. • Real estate brokerage offices are not included with real estate dealers who are subject to the law. • Lawyers and accountants are not subject to the AML Law. • Competent authorities in Jordan have not started yet to evaluate compliance. DNFBPs seem to know little about their duty to report suspicious transactions to the AML unit. • DNFBPs are not required to report details of any transactions they suspect to be hiding terrorism financing. • No legal obligation or supervisory instructions require DNFBPs to set internal policies and controls to fight ML and TF. Moreover, there is no special training in this field for the employees of such institutions. • No obligation on DNFBPs to pay special attention to relations and transactions with clients from countries that do not apply or insufficiently apply FATF Recommendations. • No policies or practical measures to guarantee that DNFBPs comply with AML/CFT standards, promote their employees' awareness or provide them with training in this field.

4.3 Regulation Supervision and Monitoring (R 24 and 25)

4-3-1 Description and Analysis

683. Casinos are not allowed to operate in Jordan and do not receive a license in this regard.

684. Each type of non-financial businesses and professions is subject to a specific licensing body. For example, jewels and precious metal dealers are subject to the Ministry of the Interior, while real estate agents are subject to the Land and Survey Department at the Ministry of Finance and other professions, such as lawyers and chartered accountants are subject to syndicates and professional associations according to different laws' provisions.

685. The efforts of the training and cooperation department are limited to the AML unit, which organizes regular meetings with such institutions and provide them with available reports, studies and papers on how to report suspicious transactions. The unit organized several visits to associations related to non-financial businesses and professions, such as the syndicate of jeweler shops and the association of investors in the housing sector.

686. There is no competent authority supervising the compliance of non-financial businesses and professions subject to Law 46/2007 with AML regulations. There are no onsite visits conducted to these professions to ensure their compliance. The role of licensing bodies is limited to granting license to these professions. Moreover, there are no sanctions imposed on those professions in case of non-compliance, as there are no instructions or AML systems and policies for them in the first place, and the sanctions are restricted to those mentioned in Article (25) of the AML law No. (46) for 2007 as it stipulates that whoever violates any of the provisions of Articles (11), (14) and (15) of the subject law shall be punishable with imprisonment for a maximum of 6 months or with a fine ranging between JOD 1,000 as a minimum and JOD 10,000 as a maximum or with both sanctions.

687. No guidance is available to assist non-financial professions in the implementation of AML/CFT requirements.

4-3-2 Recommendations and Comments

688. The authorities should take the following into consideration:

- Assign a special authority to monitor the compliance of DNFBPs subject to Law 46/2007 with AML regulations. Such authority must exercise a comprehensive supervision role by issuing monitoring regulations and best practices standards.
- To subject the other categories of DNFBP to AML/CFT requirements, while taking into consideration the related risks. .
- The AMLU, associations or syndicates should set guidelines regarding the mechanism of reporting suspicious transactions, in addition to guidelines related to non financial professions so as to serve as educational material and guiding Methodology to reinforce the combating efforts.

4-3-3 Compliance with Recommendations 24 and 25 (criterion 25-1, Designated Non-Financial Businesses and Professions)

	Rating	Summary of factors relevant to s.4.3 underlying overall rating
R.24	PC	<ul style="list-style-type: none">• Absence of any authority responsible for monitoring the compliance of DNFBPs subject to Law 46/2007 with AML regulations. No onsite visits are conducted to such professions to ensure their compliance.
R.25	NC	<ul style="list-style-type: none">• No guidance is available to DNFBPs in relation to the implementation of AML/CFT requirements.• No guidance is available on how to deal with clients from countries that do not apply FATF standards.

4.4 Other non-financial businesses and professions – modern and secure transaction techniques (R 20)

4-4-1 Description and Analysis

689. Jordan did not assess the risks of money laundering on a global basis; consequently, no professions other than DNFBPs that could be subject to ML/TF risk have been identified. Hence, the Jordanian authorities have not considered the implementation of recommendations 5, 6, 8-11, 13-15, 17, and 21 on other professions that might be exposed to ML/TF risk, such as luxury items traders, pawnshops and auction facilities. However, some Jordanian authorities stated that auctions might represent an appropriate venue for ML/TF transactions in Jordan.

690. On the other hand, there is no evidence that the Jordanian authorities have considered taking measures that would likely promote the development and usage of modern and safe means for performing financial transactions that are less exposed to the ML/TF risks. The reason behind that, among other factors, might be that no study or assessment of the AML risks has been made throughout the Kingdom.

4-4-2 Recommendations and Comments

691. The authorities are recommended to:

- Conduct a risk assessment and consider the application of measures to fight ML and TF on NFBPs that might be misused for ML. Moreover, the authorities should take adequate measures to encourage the adoption of modern and secure techniques to conduct financial transactions that would be less likely subject to money laundering.
- A registered person should be aware of the risks resulting from the modern technologies.

4-4-3 Compliance with Recommendation 20

	Rating	Summary of factors underlying rating
R.20	NC	<ul style="list-style-type: none">• No consideration has been given to widening the spectrum of NFBP subject to the law.• No measures have been taken to encourage the setting of modern and secure techniques for financial transactions that would be less subject to money laundering, except for banks.• Weakness related to lack of provisions on risks imposed by new technologies.

5. LEGAL PERSONS AND ARRANGEMENTS & NON-PROFIT ORGANIZATIONS

5.1 *Legal Persons – Access to beneficial ownership and control information (R.33)*

5.1.1 *Description and Analysis*

692. Trade activities in Jordan are regulated mainly by the Companies' Law no. 22 for 1997 and its amendments. The subject law regulates the registration of companies and the establishment of legal persons. Every company in Jordan is established and registered by the subject law. After being established and registered, every company is considered as a legal person of Jordanian nationality, with its headquarters in Jordan. The Companies Control Department at the Ministry of Industry and Trade is responsible for registering and licensing the different types of companies and verifying the compliance of their objectives with the objectives stipulated in the Companies' Law, except for individual companies which are registered in the commercial register at the Ministry of Industry and Trade.

693. The Companies' Controller Department (CCD) is a national institution, administratively independent and is governed by the Companies Law No. (22) for 1997 and its amendments, whereby the CCD undertakes the following major duties: (a) registering the various kinds of companies in the Hashemite Kingdom of Jordan and (b) performing legal and financial monitoring on the companies. The companies are registered either directly through the partners or the company's lawyers, or electronically. It is worth mentioning that there are 7 employees in the Legal and Financial Control Department. The team was informed that this Department has requested for the appointment of 14 legal specialists and 14 accountants in the coming period. Moreover, the CDD provides its services from its headquarters located in the building of the Ministry of Industry and Commerce and its offices in the governorates of Irbid, Al Aqaba and Al Zarkaa and the Jordan Investment Window in Amman.

694. **Companies in Jordan** are divided into such types as defined in accordance with the provisions of the subject law, namely into partnership companies, simple and limited liability companies, partnership companies, private and public joint-stock companies, in addition to a number of other companies, mainly the companies that are established under the Arab agreements and partnerships emanating from the Arab League or the institutions or organizations affiliated thereto. Free zone's companies are established and registered with the institution of free zones provided that the institution sends a copy of the registration of these companies to the companies' controller to authenticate the record of investors at the Ministry. Non-profit companies may also be established according to any of the types provided for in the law, in addition to the possibility of setting up joint investment companies, such as public shareholding companies to be registered with the controller in a special record.

695. The Companies Law (Section 12 – Articles 240-251) permits the establishment of foreign companies in Jordan. There are two types of foreign companies in Jordan: the operating foreign companies and the non-operating foreign companies. The operating foreign company means the company or authority registered outside the Kingdom while its headquarters are located in another country and is non-Jordanian. Whereas the foreign company non-operating in Jordan is the company or authority that establishes its headquarters or a representative office inside the Kingdom for the business carried out outside the Kingdom.

696. In addition to the foregoing, there is another type of companies, the exempted companies. They are either public shareholding companies or Limited Liability Partnership or a Limited Liability Company or a private shareholding company. They are registered in the Kingdom, conduct their business outside the Kingdom and the expression (exempt company) is added to their name. They are registered at the controller's office in a special register for the Jordanian companies operating outside the Kingdom. This company shall be governed by the Exempt Companies Law no. (105) for 2007.

697. In addition to the commercial law, the Jordanian civil law addressed some provisions on the establishment of legal persons. The civil companies are granted moral personality under the provisions of Article (50) of the Jordanian Civil Law. Article (51) defines the rights of the moral person whereby he is

entitled to all rights except those that are inherent to the status of natural rights within the limits established by law. This person shall also have independent and civil financial obligations within the limits identified in the establishment document or as established by law. It has also the right to litigation and an independent domicile located in the place where the head office is established. The companies that have their head offices abroad and are operating in Jordan, their head office under the internal law is considered to be the place where the local administration exists. Article (583) of the Civil Law of Jordan stipulates that the company is considered as a moral person once it is formed, and this personality is invoked on third parties only after completion of the registration and publication procedures established by law. However, a third party may adhere to this personality, despite failure to meet the above-mentioned procedures. Civil companies are registered in a special record maintained by the companies' controller.

698. **Registration requirements:** Article 6(b) of the Companies Law stipulates that the registration of a company does not require the prior approval of any party, unless otherwise required by the legislation in force. Each type of the mentioned companies has special provisions in relation to their registration, conditions of establishment, management, liquidation and merger.

699. Registration requirements for partnership companies based on the Companies' Law: (Article 11) stipulates that the registration request is submitted to the controller, attached therewith the original copy of the company's contract, signed by all the partners (...) the company's contract and statement should include the following:

- 1 Company's address and trade name, if available.
- 2 Names, nationality, age and address of each of the partners.
- 3 Company's headquarters.
- 4 Company's capital and the share of each partner.
- 5 Company's objectives.
- 6 Company's term, if specified.
- 7 Name of the authorized partner or partners who are assigned to manage the company and sign on its behalf and their powers. .
- 8 The situation of the company in case of the death, interdiction or bankruptcy of the partner, or the death of all partners.

700. Moreover, Article 13 of the same law stipulates the following: a partnership company may change its address or amend it with the approval of the controller. The request is signed by all the partners. Such change or amendment does not affect any of the company's rights and duties nor shall it represent a reason for cancelling any legal or judicial proceeding carried out by the company or against it. The company may request the controller to register any change or amendment made to its name in the special record of partnership companies within a period of seven days from the date of change, after paying all required taxes and publishing the same in the Official Gazette and at least in one local daily newspaper at the company's expense.

701. Moreover, Article 14 of the same law stipulates the following: if any change occurred in the partnership company's contract or to any of the data in accordance with which it was registered, the company has to ask the controller to register such change or amendment in the special record of partnership companies, within a period of thirty days following such change. Approval, registration and publication procedures are made according to the subject law. The controller may publish in a local newspaper any amendment or change made to the company which he deems necessary at the company's expense.

702. As for limited liability companies, Article 57 stipulates: (a) the request to establish a limited liability company is submitted to the controller attached to the company's establishment contract and by-laws. These documents are signed before the controller or his authorized (in writing) person, the notary or a licensed lawyer; (b) the establishment contract of a limited liability company should include the following:

- 1- Company's name, objective and headquarters.
- 2- Names, nationality and address of each partner.
- 3- Company's capital and the share of each partner.
- 4- The statement of shares in the capital and the name of the partner who contributed to this share.

- 5- Any other additional statements submitted by the partners or requested by the controller in line with the laws.

703. **Joint Stock Company:** The establishment contract and the by-laws of a joint stock company must include:

- 1- Company's name.
- 2- Headquarters.
- 3- Objectives.
- 4- Name, nationality, address and number of shares of each shareholder.
- 5- Company's declared capital and the subscribed part.
- 6- A statement of in kind contributions and values thereof if available.
- 7- Whether the shareholders have the priority to subscribe in new issues of the company.
- 8- The way to manage the company and the authorized shareholders between the date of establishment and the first meeting of the general assembly to be held within 60 days of the company's date of establishment.
- 9- The way that should be adopted to call the Board of Directors for a meeting.

704. Regarding foreign companies operating in Jordan, they may not practice any commercial business in the Kingdom unless they are registered by the stipulations of the subject law after obtaining a work permit under the applied laws and systems. Pursuant to Article (241) of the Companies law, the registration application of the foreign company or association shall be submitted to the controller, attached thereto the following data and documents translated into Arabic, provided that the translation is certified by the notary public in Jordan:

1. Copy of its Memorandum of Association and Articles of Association or any other document by which it was established in addition to the statement of the way of its establishment.
2. The official written documents that prove that the company has been granted the approval of the competent authorities in the Kingdom to practice the business and invest the foreign capitals in the Kingdom under the applied legislations.
3. List of the names of the Board of Directors or the Managing Authority or the partners as applicable, the nationality of each one of them and the names of the authorized signatories.
4. Copy of the power of attorney by which the foreign company shall authorize a person living in the Kingdom to undertake its business and perform the notification on its behalf.
5. The financial statements for the last financial year of the company in its headquarters, certified by a legal auditor.
6. Any other data or information the controller deems necessary to submit

The registration application shall be signed before the controller or whoever is delegated by him in written or before the notary public by the person delegated for the company registration; the application should include the main information on the company, particularly:

1. Company name, type and capital
2. Objectives of the company
3. Detailed information on the founders or partners or board of directors and the share of each
4. Any other data or information the controller deems necessary for submittal

705. As to exempted companies, Article (3) of the Exempt Companies Regulation No. (105) for 2007 stipulates that the registration application shall be submitted pursuant to the form adopted for this purpose, along with its Memorandum of Association and Articles of Association and showing the type and purpose of the company.

706. Article 273 of the Companies' Law stipulates that all companies should comply with the regulations of the subject law, the establishment contract, the by-laws and the publication statement. The company should also implement decisions made by the general assembly. The Minister and the controlling agency may adopt the adequate measures to verify that the company is complying with such regulations, contract, rules and decision. The control mainly include: (a) controlling the company's accounts and their entries; (b) ensuring the company's compliance with its objectives.

707. **Special measures preventing unlawful use of legal persons in ML/TF:** according to the foregoing, it could be concluded that the establishment and registration of the company in the Kingdom occurs under the Companies Law of 1997 and each company shall be considered after being established and registered in such a way as a Jordanian legal entity. Therefore, the commercial companies must be registered, but according to Article (6) of the subject law, it is not obligatory to obtain the approval of any other authority in advance for registering any company unless an effective legislation stipulates otherwise. Moreover, it is permissible to disclose, according to the instructions issued by the Minister, any data or information at the CDD, not related to the company's accounts and financial statements. The CDD may also maintain an electronic or microfilm of the original copies of any documents maintained or deposited therewith. Moreover, it may keep the data, information, records and transactions related to its business by electronic means, and after being sealed with the CDD's seal and signed by the competent employee. Such extracted photocopies, data and records shall have the same legal effects of the original written documents including their validity for proof.

708. The companies' registration procedures and the documents required may be considered sufficient to obtain information on the partners and shareholders, but there is nothing that points to how the authorities could ensure that the companies and the shareholders are the beneficial owners as well as how they could verify the information, especially that the companies may be registered through the website.

709. **Timely access to accurate and up-to-date information on beneficial ownership:** Article (274) of the Companies Law stipulates that (a) each shareholder and partner in the registered companies under the provisions of the subject law shall have access to published information and documents related to the company and which are retained by the controller and to obtain, upon the approval of the controller, a copy thereof. They may also, upon an order by the court, obtain a certified copy of any non-published data against the fee fixed in the regulations issued under the subject law. (b) Each person may have access to the information related to the registered company. Access to the company files retained by the controller and obtaining a certified copy of any document thereof may only be granted under the supervision of the controller by approval of the competent court and against the imposed fee. Article (283) of the Companies Law added that the controller and the CDD's employees who are authorized in writing under the law shall be entitled to peruse all the company's records, books and documents, as well as they shall be entitled to obtain copies of the foregoing in order to perform their duties pursuant to the provisions of the subject law, while the competent official authorities as well as the companies' officials and employees have to provide the necessary assistance for this purpose. The officials added that through the website of the monitoring agency, they can access information related to the registered company and its partners. However, it is worth mentioning that for the non-shareholders or the controller or the CDD's employees to peruse the information, they should obtain the approval of the court, which takes a relatively long time.

710. **Avoiding abuse of bearer shares:** Nothing in the Securities Law or the Companies' Law indicates that the company may issue bearer shares.

711. **The Additional Element – Access of financial institutions to information on the beneficial owner from the legal persons:** Pursuant to Article 274 of the Companies' Law, every person has the right to access information pertaining to registered companies. Access to the company's file, which is maintained with the controller, may not be made without the approval of the competent court and under the monitoring agency's supervision for a specified fee. The Jordanian Authorities stated that information about the registered companies and their partners can be accessed through the monitoring agency's website.

5-1-2 Recommendations and Comments

712. The Jordanian Authorities are recommended to:

- Explain how authorities could ensure that the partners and shareholders are the beneficial owners as well as how they could verify the information on the beneficial owners.
- Enable the obtainment of the requested information on the beneficial owners at the right time.

5-1-3 Compliance with Recommendation 33

	Rating	Summary of factors underlying rating
R.33	PC	<ul style="list-style-type: none">• Lack of evidence about the authorities' verification that the partners and the shareholders are the beneficial owners as well as ambiguity on how the authorities verify the information about the beneficial owners.• Failure to obtain the required information in a timely manner.

5.2 Legal Arrangements – Access to beneficial ownership and control information (R.34)

5.2.1 Description and Analysis

713. Trust activities were not found to be practiced in Jordan.

5.2.2 Recommendations and Comments

5.2.3 Compliance with Recommendations 34

	Rating	Summary of factors underlying rating
R.34	NA	

5.3 Non-profit organizations (SR. VIII)

5.3.1 Description and Analysis

714. The number of non-profit organizations in Jordan grew rapidly over the 5 past years and by the time of the onsite visit it increased by over 50% from 700 to 1100 local organizations, in addition to 49 foreign organizations. Officials in the sector stated that this rapid growth resulted from the government's support to establish such organizations from a social and development perspective. These organizations are divided into (1) charitable associations, (2) a social Committee which is a foreign international organization, (3) regional unions grouping charitable associations which have only a coordination role, and (4) the general union of charitable associations which ensures the coordination and the setting of policies related thereto. The value of fixed and current assets of these organizations is estimated to exceed two hundred million Jordanian Dinars.

715. **Control over non-profit organizations that can be misused for terrorism financing:** The Ministry of Social Development has the authority to issue licenses as well as supervise and control charitable associations and organizations. The Ministry works according to Law no. 33 for 1966²⁷. The Jordanian Authorities said that there was a new draft-law for charitable associations which was submitted to the constitutional authorities in the State for issuance. This draft-law includes comprehensive supervisory criteria for charitable associations. According to the Social Associations Law for 1966, the Ministry of Social Development shall take in charge the mission to supervise the activities of charitable associations and social Committees, as Article 14 of the law regarding the supervision over the activities of charitable associations and social Committees stipulates the following: the relation between the Ministry and charitable associations, social Committees and unions should be based on cooperation in providing and promoting social services. The Minister or any delegated employee should visit the location of any charitable association, social Committee or union to check its records and ensure that its funds are being spent for the purposes for which they were established. They should also ensure that the associations are performing their activities according to such law and in line with the objectives decided.

²⁷ The evaluation team was informed that the Associations Law no. 51 of 2008 was published in the Official Gazette issue no. 4928 dated 16 September 2008, to come into force 90 days following its publication (i.e. 7 weeks following the field visit). The said law included some provisions that are related to the supervision of associations and their expenditure venues.

716. Onsite supervisory and technical visits are being conducted to charitable associations to ensure that they are complying with their objectives, by checking all documents and files pertaining to the association's expenses. This mission is conducted by the department of internal control at the Ministry. It focuses on whether the association's expenses meet its specified objectives. Thus, monitoring the ways of fundraising shall remain outside the scope of the duty of this Department, in addition to the fact that such Department does not identify the possible weakness points that may be used for terrorist activities. There are also "investigation Committees" within this department, which look into suspected cases and conduct unscheduled onsite visits to check records and audit the expenditures. Weaknesses include the unavailability of local or international lists of the names of terrorists to the Ministry employees. We were also informed that supervision and inspection were conducted based on a mechanism to check receipts and donations, which is a relatively easy mechanism. While the mechanism based on controlling the expenditures and identifying the beneficiaries is complicated and weak, which shows that such supervision does not cancel the possibility of delivering funds to terrorists or their families. The evaluation team was also informed that no cases of terrorism financing were suspected to date and that the uncovered violations were related to embezzlement and abuse of trust. Consequently, many associations were dissolved. Available sanctions include warning, revocation of the administrative association and dissolution. It has been noted that the number of inspectors was not commensurate with the total number of licensed associations whereby there are 11 inspectors while the number of registered associations reached 1149, out of which 49 are foreign. Therefore, it is practically impossible to conduct regular inspection visits covering all the associations spreading across the Kingdom to verify their compliance with their obligations. In practice, the Minister assigns one of the associations' employees to examine the books of the association and submit reports. The Associations Directorates which cover all regions of the Kingdom and are situated in the Directorates of the Ministry conduct inspections of the associations within their geographical jurisdiction as stipulated in Article 14 of the Associations Law no. 33 for 1966. The evaluation team did not have the chance to check the training programs that were implemented in the field of combating ML and TF. (The team was informed that only one employee participated in AML/CFT training).

717. **As for measures related to communication in the sector of non-profit organizations to avoid their misuse in terrorism financing**, including promoting awareness and enhancing transparency and accountability, the Jordanian Authorities stated that they have prepared an awareness plan for associations and Ministry employees on the risks of ML and TF. However, we saw that there were no tangible plans or awareness programs on ML and TF for associations. The team was also informed about future plans to prepare awareness programs for heads of associations, committees and unions and for employees working in this sector. These plans shall come into force in 2009.

718. **Monitoring and Supervision of non-profit organizations:** The law of associations and social Committees of 1966 grants the supervisory entities the powers to access the financial restrictions in banks and control the sources of funds. The law includes restrictions on these associations and Committees on the need to obtain written approvals to open bank accounts. The law obliged charitable associations to submit a financial report approved by a chartered auditor which clarifies the sources and expenditures in all financial transactions. We were informed that onsite visits by the internal supervision Committee were scheduled based on the analysis of such reports.

719. Based on the requirements of the registration of charitable associations in line with Article 6 of the Associations and Social Committees Law, the by-laws should include the following: (1) the association's name and address; (2) name, age and address of the founding members, provided that the minimum age is 21 years; (3) the main objectives for which the association was established in a detailed and clear way, in addition to any other objectives the association seeks to achieve in line with the subject law. The supervisory entity, based on Article 14, has the right to check the association's records and documents to ensure that expenditures meet the association's objectives and their activities are compliant with the requirements stipulated by law.

720. Article 16 of Associations and Social Committees Law of 1966 stipulates that the Minister has the right to order the dissolution of any charitable organization, social Committee or union, after consulting the competent union, if he sees that the association has violated: (a) its articles of association; (b) did not achieve the objectives provided for in its by-laws or stopped its activities for 6 months or failed to assume its duties

over several months; (c) did not allow officials to attend its meetings or inspect its premises, records and documents; (d) used its funds for purposes other than those specified; (e) or submitted false statements to the competent official authorities; (f) violated any regulations of the subject law; or (g) two thirds of its general assembly voted for its dissolution.

721. The Law of Associations and Social Committees of 1966 stipulates the necessity to register the charitable association or social Committee in order to grant it a recognized legal personality that enables it to file a lawsuit or carry out any other activity stipulated in its by-laws. Based on Article 7 of the subject law:

- 1 The request to register a charitable association, social Committee or union is submitted to the Minister through the Office of social affairs and labor. Five copies of its articles of association should be attached therewith. .
- 2 The official at the office of social affairs and labor should submit the registration request to the Minister within a period of 30 days from its initial delivery. The request should be sent along with the official's recommendations and notes after consulting the competent union, if available. The Minister shall take the decision he deems appropriate.
- 3 The Minister shall issue his decision whether to approve or reject the registration of the company within a period of three months following the receipt of the request.

722. Article 15 of the same law stipulates that the management of any charitable or social association must maintain its correspondences at its main office and branches in organized folders and records, where the following information are to be mentioned: (a) the company's articles of association and the names of the administrative Committee members in every electoral session and the date of their elections; (b) the name, nationality, age and registration date of all members; (c) detailed minutes of the meetings of the general assembly by chronological order; (d) detailed minutes of the meetings of the administrative Committee by chronological order; (e) detailed account of revenues and expenditures; and (f) equipment and assets. The Minister should be informed through the office of social affairs and labor in its area of jurisdiction, of any change or amendment in the association's location, system or administrative body. Each charitable association, social Committee or union should submit to the Minister through the office of social affairs and labor in the area of its jurisdiction two copies of an annual report about its work and the total amounts spent to achieve its goals, in addition to its resources and any other information required in the form prepared by the Ministry. A copy of such report should be sent to the competent union. The above provision did not set a time frame for associations to maintain their records. The charitable association or social committee or union should receive a certificate from a licensed accountant, who examines their accounts (including the branches accounts), at least once a year. The charitable association, social Committee or union, the budget of which does not exceed 500 Dinars, may ask the Minister to delegate one of the employees to audit its accounts and grant it the required certificate for free. In both cases, the charitable association, social Committee or union should send two certified copies of such certificate to the Minister and another copy to the competent union within one month of its issuance.

723. The Associations' Law obliges all associations to include in their by-laws all information and statements pertaining to their structure. The by-laws contain information related to the names of founders, the association's objectives, the membership requirements, the resources and the agreed expenditures. The law also imposes certain conditions for the registration of associations and foreign organizations that provide social services in Jordan. These conditions include: (1) the original association's name, its headquarters and branches; (2) the addresses, names of the administrative Committee members in its headquarters; (3) the association's objectives in detail; (4) the names and nationalities of officials in its only or several branches in Jordan; (5) the purposes of the existing branch/branches and those to be established in the Kingdom and their related projects; (6) the means to deal with the funds and properties of a branch or branches of an association or union in the kingdom upon its withdrawal, dissolution or liquidation.

The Ministry of Development has also the right to inspect the locations of charitable associations to check any administrative or financial violations. The Ministry may also refer to an expert in a certain field to improve the quality of supervision and control. If a penal violation was uncovered, the case shall be referred to the competent Public Prosecutor.

724. There is an active collaboration between security bodies and the Ministry of Development in monitoring the activities of charitable associations and their managing teams. Cooperation is also held

between the ministries regarding charitable associations that practice their activities inside Jordan and which are linked to several institutions.

725. Pursuant to Article 14 of the Social Societies and Associations' Law for 1966, the Ministry of Social Development may peruse the association's records and documents to ensure that its funds are used to meet the association's objectives and that it is compliant to its objectives and the law. The Ministry has also the authority to take hold of any financial or administrative violations and may acquire support from an expert in a certain area, to promote the quality of the investigation.

726. Regarding the exchange of information, the Ministry coordinates currently with the security entities to supervise the charitable organizations in terms of the financing sources and the expenditures needed to meet its objectives and goals as per its articles of association. Exchange of information and response to foreign requests are conducted in cooperation between the Ministry of Development and the Ministry of the Interior through the office of the Prime Minister.

727. Regarding the donations from non-Jordanian entities, the authorities stated that this issue is regulated by Article (9) of the Non-profit Companies Regulation, which stipulates that the company may not do any of the following: (a) receive or accept any financial aid or donation or gift from a non-Jordanian authority without the prior approval of the Council of Ministers according to the recommendation of the Minister or the competent Minister and according to a written request including detailed data about the authorities, the justifications and the source of such funds; (b) donate inside the Kingdom any cash or corporal funds in any way and for any party without obtaining the approval of the Minister or the competent Minister and according to a written request including detailed data about the authorities, the justifications and the source of these funds. It is worth mentioning that this provision governs the non-profit companies only and does not include the associations.

5-3-2 *Recommendations and Comments*

728. The Jordanian authorities are recommended to:

- Expedite the implementation of the new law pertaining to charitable associations, since the current law does not cover problems related to ML and TF vis-à-vis supervision and recordkeeping.
- Increase the number of inspectors as the current number is not commensurate with the number of registered associations.
- Train the employees of this sector.
- Require associations to maintain their records for at least five years.

5-3-3 *Compliance with SR.VIII*

	Rating	Summary of factors underlying rating
SR.VIII	PC	<ul style="list-style-type: none"> • No law covers problems related to ML and TF vis-à-vis supervision and recordkeeping in charitable associations. • Number of inspectors is not sufficient. • Training of persons in this sector is not sufficient. • No specific period for maintaining records by charitable associations.

6. NATIONAL AND INTERNATIONAL CO-OPERATION

6.1 National co-operation and coordination (R.31)

6.1.1 Description and Analysis

729. **National cooperation and coordination mechanisms in the field of combating ML and TF: in the field of anti-money laundering:** Pursuant to Article 5 of the AML Law, a Committee called “National Committee of anti money laundering ” was formed and is headed by the governor of the Central Bank. The Committee’s members are the following:

- The Central Bank governor as Chairman
- The Central Bank deputy governor as Vice-Chairman
- The Ministry of Justice Secretary General
- The Ministry of the Interior Secretary General
- The Ministry of Finance Secretary General
- The Ministry of Social Development Secretary General
- The Director General of the Insurance Commission
- The Companies’ General Controller
- A representative of the Securities council appointed by the head of the delegates council
- The head of the AML unit.

730. Pursuant to Article 6 of the same law, the Committee’s mission shall be to draft the general policy of combating money laundering; facilitate the exchange of information pertaining to money laundering transactions, coordinate with the concerned institutions, and participate in international conferences on fighting money laundering. However, since the AML law was recently issued in Jordan, the team could not verify any clear and specified mechanisms that were set by the national Committee, with regards to internal cooperation and the implementation of AML strategies and activities. However, it is worth noting the presence of cooperation and coordination between the AMLU and the other competent authorities, whether the security or judicial authorities, on one hand and the regulatory authorities on the other hand, as stated by the authorities. The Insurance Commission has signed a MoU with the AML Unit to enhance the cooperation and coordination between the two entities in the field of AML in the insurance activities.

731. **In the field of combating terrorism financing:** It is noteworthy that the Committee’s work is limited to fighting money laundering. There is no clear policy or alternative mechanism for cooperation and collaboration between the competent bodies on the issue of combating terrorism financing.

732. **Additional element:** No mechanisms were established to ensure proper consultations for financial and non-financial companies that are subject to the regulations of combating ML and TF.

733. **Statistics (Implementing R.32):** No comprehensive statistics were made on this issue.

6-1-2 Recommendations and Comments

734. Jordanian authorities are recommended to do the following:

- The National Committee of AML should set efficient policies and mechanisms to guarantee the means of cooperation between the authorities concerned with AML and with the communication and consultation mechanisms with the financial sector and other sectors.
- A clear mechanism should be adopted for national cooperation in combating terrorism financing.

6-1-3 Compliance with Recommendation 31

	Rating	Summary of factors underlying rating
R.31	PC	<ul style="list-style-type: none">• Lack of efficient mechanisms that guarantee cooperation means between the authorities concerned with anti-money laundering and with the communication and consultation mechanism with the financial sector and other sectors.• Lack of a clear mechanism for national cooperation in combating terrorism financing.

6.2 The Conventions and UN Special Resolutions (R.35 & SR.I)

6.2.1 Description and Analysis

735. **Recommendation 35:** Jordan ratified the UN convention against illicit traffic in narcotic drugs and psychotropic substances (Vienna) pursuant to the Law issued in the Official Gazette no.3620 on 1/4/1989. (Regarding the implementation of this agreement, kindly see the analysis in recommendations 1 and 2.)

736. Jordan also ratified the United Nations Agreement against Terrorism financing, pursuant to Law no.83 for 2003, which was published in the Official Gazette no. 4606 on 16/6/2003. Terrorism and terrorism financing were criminalized pursuant to the AML Law. (Regarding the implementation of this agreement, kindly see the analysis of SR.II.)

737. The Convention against Transnational Organized Crime - 2002 (Palermo Convention) was also signed, and its ratification as per the constitution is yet to be done.

738. **Additional element** – Jordan joined the Arab Agreement for the Suppression of Terrorism of 1998.

739. **Special Recommendation I:** Jordan ratified the United Nations Agreement for the suppression of Terrorism financing, pursuant to Law no.83 for 2003, which was published in the Official Gazette no. 4606 on 16/6/2003. Terrorism and terrorism financing were criminalized pursuant to the AML Law. It is worth mentioning that the TF crime does not cover the act done by a terrorist organization or a terrorist, in addition to the unclarity of the definition of funds according to what has been provided for therein. (For more details, see the analysis of SR.II.) Consequently, Jordan does not fully implement the Convention for the Suppression of the Financing of Terrorism. Jordanian authorities stated that Jordan was a signatory of 12 UN agreements concerning combating terrorism.

740. **Security Council Resolutions:** There are no other measures or regulations that cover the requirements under the Security Council resolutions pertaining to fighting terrorism financing; i.e. UNSCR 1267 (1999) and the subsequent resolutions, and UNSCR 1373 (2001).

6-2-2 Recommendations and Comments

741. The authorities are recommended to:

- Ratify the Palermo Convention as soon as possible.
- Fully implement the Convention for the Suppression of Financing Terrorism.
- Set up laws, regulations or other measures to meet the requirements stated in UN Security Council resolutions on the suppression of terrorism financing.

6-2-3 Compliance with R. 35 and SR I

	Rating	Summary of factors underlying rating
R.35	PC	<ul style="list-style-type: none"> Palermo Convention is not ratified. Convention for the Suppression of Financing Terrorism is not fully implemented.
SR.I	NC	<ul style="list-style-type: none"> Convention for the Suppression of Financing Terrorism is not fully implemented. Absence of laws, regulations or other measures that meet the requirements under UN Security Council resolutions on CFT.

6.3 Mutual Legal Assistance (R.36-38, SR.V)

6.3.1 Description and Analysis

742. **General Description:** Legal assistance is generally regulated by agreements that include judicial assistance or the application of the principle of reciprocity. The following is a list of the main agreements of judicial and legal cooperation ratified by Jordan:

- Legal and Judicial Cooperation Agreement in civil, commercial, personal and penal matters issued between Jordan and Kuwait
- Judicial Cooperation Agreement between Jordan and Yemen of 2001
- Judicial Cooperation Agreement between Jordan and Tunisia of 2001
- Legal and Judicial Cooperation Agreement between Jordan and Algeria for 2001
- Legal and Judicial Cooperation Agreement between Jordan and the UAE for 1999
- Legal and Judicial Cooperation Agreement between Jordan and Qatar of 1997
- Legal and Judicial Cooperation Agreement between the States of the Gulf Cooperation Council of 1989
- Judicial Cooperation Agreement between Jordan and Egypt of 1987
- Riyadh Arab Agreement for Judicial Cooperation and its amendments of 1983
- Judicial Cooperation Agreement between Jordan and Turkey of 1972
- Judicial Cooperation Agreement between Jordan and Syria of 1953

743. **Providing maximum mutual legal assistance:** In addition to the previously mentioned general rules, the AML law has established the legal basis for cooperation and mutual legal assistance regarding the AML investigation, where Article (22) of the AML law stipulates that for achieving the purposes intended from the subject law, the Jordanian judicial authorities cooperate with the non-Jordanian judicial authorities, in particular, regarding the legal assistance; rogatory letters; handing in the accused and convicted persons; the proceeds; and the non-Jordanian authorities' requests of tracking or freezing or seizing the funds resulting from the ML crimes, according to the rules designated by the Jordanian laws, and the bilateral or multilateral agreements of which the Kingdom is a part or pursuant to the principle of reciprocity, without prejudice to the rights of bona fide third parties.

744. Moreover, Article (23) adds that "the competent Jordanian judicial authorities may order executing the competent, non-Jordanian, judicial authorities' requests of confiscating the proceeds of the ML crimes, according to the rules designated by the Jordanian laws and the bilateral or multilateral agreements of which the Kingdom is a part".

745. Procedures that are implemented in Jordan regarding dealing with legal assistance requests are summarized in the following general provisions (as mentioned in bilateral agreements for cooperation and legal assistance according to the Jordanian authorities):

- Legal assistance requests received by the Kingdom are of different types: judicial notifications, rogatory letters, requests of criminals' extradition, requests to transfer prisoners and others.
- Legal assistance requests are only carried out through diplomatic channels.
- A response to a legal assistance request depends on the existence of a legal cooperation agreement between Jordan and the requesting party. In case of lack of such an agreement, international diplomacy procedures and reciprocity treatment are adopted.
- Requests are first received by the Foreign Ministry and then transferred to the Ministry of Justice.
- The International Affairs Department at the Ministry of Justice follows-up on the request and cooperates with the competent authority. The requests are either transferred to the competent court or to the office of the Public Prosecution.
- If the case was transferred to the competent court, an official letter and the related documents are sent to that court to hear the case and issue the adequate decision.
- If the case was transferred to the Public Prosecution, the office of the Attorney General in Amman shall be addressed to take the adequate procedures.

746. As for **judicial rogatory letters**, they are dealt with through official diplomatic channels, mainly through the ministries of foreign affairs and justice, unless a valid agreement stipulates that the rogatory letter be implemented in direct cooperation and collaboration between the judicial authorities of Jordan and the other concerned country. The procedures to implement a judicial rogatory letter are summarized as follows:

- 1- Obtain a decision from the relevant authority to implement the rogatory letter (competent court/Attorney General) in line with the prevailing laws and agreements.
- 2- A request for a judicial rogatory letter is returned to the Directorate of legal affairs and international cooperation through the Ministry of Foreign Affairs.
- 3- A rogatory letter request should include its subject and facts, in addition to the required procedures and the concerned party.
- 4- The authorities should make sure that a legal and judicial cooperation agreement exists between Jordan and the party requesting the rogatory letter. In case of lack of such agreement, the implementation of the rogatory letter shall be based on international diplomacy regulations and reciprocity treatment.
- 5- The request shall be studied at the Directorate and the Minister's report is prepared to show the facts of the rogatory letter, the legal opinion and the related international agreements.
- 6- After approving the implementation of the rogatory letter, it is referred to the Attorney General who opens an investigation file about the case and sends letters to the concerned institutions, when necessary.
- 7- The Attorney General closes the investigation and transfers the file to the Ministry of Justice, where the Directorate of legal affairs and international cooperation prepares the books and correspondences required to send them to the requested State through diplomatic means.

747. As for **judicial notifications**, the Ministry of Justice has the same role in case it receives a request by the government or a foreign court to notify a person residing in the Jordanian territories. The Ministry should take into consideration bilateral and international agreements signed in this regard. Notification procedures are limited to an official notification request sent to the Ministry of Justice by the Jordanian regulatory courts or by the Ministry of Foreign Affairs, in order to implement a request sent by the judicial authorities in a foreign country and receive a decision by the competent authority to carry out the notification in line with a mechanism based on the law. The required documents include:

- An official letter issued by the competent court in the Kingdom or the relevant party abroad that includes the notification request.
- A form for notifying the concerned person mentioning the issuing party, type of document or judicial rogatory letter to be reported, his full name and address, his lawyer's name and address, if available.

748. The Jordanian authorities told the evaluation team that according to Article 22 and 23 of the AML law, the mutual legal assistance that Jordan may offer in this regard includes the following: 1- inspection and

seizure of information and evidence, including financial reports from financial institutions or other natural or legal persons; 2- Taking the evidence and the statements from the persons; 3- (;) 4- handing over judicial documents; 5- determining or seizing or confiscating laundered properties or intended to be laundered and the proceeds of ML. The above articles stipulate that a bilateral or multilateral agreement should be present in order to provide such assistance, based on the principle of reciprocity.

749. In light of the abovementioned legal provisions, the Jordanian lawmaker disregarded some of the aspects of important mutual legal assistance, such as providing the related documents and files or any information or other types of evidence, in addition to facilitating the voluntary presence to submit information or testify for the requesting state. As for terrorism financing cases, the Jordanian authorities stated that the mutual legal assistance in this regard is regulated by the agreements that include legal assistance or the implementation of the principle of reciprocity. Article (9/a, c, e) of the Arab Agreement on Combating Terrorism stipulates that every signatory State should request any other signatory State to conduct within its province any judicial procedure pertaining to a terrorist case, including: a- hearing the statement of witnesses for reasoning purposes, c-conducting inspection and seizure; e- receiving the requested documents or files, or certified copies thereof. It is worth mentioning that the TF is not included in the scope of this agreement.

750. **Providing assistance in a timely manner and in an efficient and constructive way:** the competent authorities stated that mutual legal assistance procedures take a lot of time that range between a year and a half and two years. These authorities indicated that such time represents an obstacle to international cooperation. Consequently, they support the establishment of an Arab network for Public Prosecutors to facilitate the legal assistance measures.

751. **There are no inadequate, non proportionate or binding conditions:** the judicial Jordanian authorities stated that due to lack of the dual criminality, no judicial legal assistance can be provided. As for mutual legal assistance that requires the dual criminality, the same authorities stated that they are cooperating to a great extent and overcome every legal or practical obstacle that prevents them from offering help in case the two States acknowledge the crime. Moreover, technical differences between the regulations of the requesting state and Jordan do not form any obstacle to providing mutual legal assistance.

752. Moreover, the authorities stated that the rules adopted by the Ministry of Justice in executing the legal assistance requests, in accordance with the international rules of conduct are: first, there is no way for the implementation of the international rules of conduct for executing the international, legal assistance requests, where a bilateral or international agreement exists under which those requests could be executed. So, the decisive criterion in activating or non-activating the rules of conduct is the existence or non-existence of the agreement. The existence of agreements does not provoke any problems while their non-existence does. Here, the government tries to make a balance between its higher interest and sovereignty and strengthening its relationships with the country seeking assistance.

Some of the bases which could be taken into consideration upon executing the requests of international legal assistance are in particular but without limitation:

1. Studying each application separately and understanding all the related aspects, whether legal or political or other.
2. That the application does not contradict with the constitution or the law or the general system or the general ethics.
3. That the application is issued by competent, judicial authorities in connection with a case filed before the investigation or ruling authorities in that country and that it satisfies all the imposed conditions.
4. Since the international cooperation is based on the countries' interests, it is necessary to consult the Ministry of Foreign affairs in order to understand the dimension related to the interest of the Kingdom and its subjects in executing the request or not.
5. Based on the good faith in the international cooperation, the offer of the country requesting the execution of a similar application for Jordan could be considered as a good faith and represents a motive for the execution of the request.
6. That the request for assistance should be executed through the investigation or the national judicial authorities and that they are to be entrusted with taking all the necessary procedures for the execution.

7. That the executing authority implements the rules of the Jordanian law, regardless of the way according to which the authority requests the execution of the request.
8. That the rogatory letter be executed voluntarily without forcing the concerned person whether he was a Jordanian or a foreigner, having a legal residence in the Kingdom.

753. Nothing in the Jordanian legislations refers to the possibility of rejecting a Mutual Legal Assistance (MLA) request on the sole basis that the crime includes tax issues. In addition, laws imposing secrecy and confidentiality on FIs and DNFBBs are disregarded when executing Mutual Legal Assistance (MLA) requests.

754. Despite the presence of general rules that facilitate mutual legal assistance, legal provisions do not provide the requested authorities for the competent bodies to use them in order to reply to mutual legal assistance requests in the field of receiving original related documents and files or certified copies or any other information. They also do not facilitate the voluntary presence for testifying in order to submit information for the requesting country, or determining, seizing, freezing or confiscating the assets used or intended to be used in terrorism financing; in addition to the instrumentalities used in committing such crimes and seizing the properties of similar value, in all cases, through diplomatic channels or direct contacts with the competent authorities.

755. As for the responsiveness to mutual legal assistance requests submitted by a foreign country pertaining to determining or seizing or confiscating laundered properties related to money laundering crimes and proceeds of ML and the instrumentalities used or intended to be used,, the AML law stipulates in Articles 22 and 23 that it is possible to provide legal assistance, including the implementation of the requests of non-Jordanian judicial institutions to trace, freeze and seize the money, as well as confiscate the proceeds resulting from money laundering crimes. However, the law does not mention the instrumentalities used or meant to be used in such crimes.

756. Regarding the cases that are subject to prosecution at more than one country, the Jordanian authorities informed the evaluation team that no case of competencies conflict with other countries was identified; it is agreed on that with the concerned country. However, there are no specific mechanisms to identify the best place to file the judicial case against convicted in favor of justice. It is referred here to the rules of penal provisions in terms of place (Articles 7-11 of the Penal code).

757. As for the TF crime, Paragraph 2 of Article 147 of the penal law stipulates two cases of money deposit and money transfer only through banks. In such case, these funds can be restrained and then confiscated if the conviction was made. The anti-terrorism law did not specify the laundered properties being the proceeds of terrorism financing, and proceeds of such crimes and the instrumentalities used or intended for use. Consequently, it did not specify the adequate procedures to reply to legal assistance requests, but used the abovementioned general rules, which reflects the insufficiency of these procedures and the lack of a special mechanism to deal with legal and judicial assistance requests in the CFT field.

758. Based on the abovementioned, the legal gap and the lack of a proper mechanism in this regard negatively affects the efficiency of implementing legal and judicial assistance requests in the crimes of ML and TF. There are no adequate rules and procedures to reply quickly and efficiently to the requests of mutual legal assistance submitted by a foreign country, when such request is related to properties of similar value. There are no special arrangements to cooperate in the seizure and confiscation procedures with other countries.

759. . The evaluation team concluded from the meetings held that Jordan did not consider the creation of a fund for all expropriated properties where all confiscated properties or part thereof are deposited and used for law enforcement, health care, education or other purposes. As for dividing the confiscated properties with the other concerned countries, Article 23 of the AML law stipulates: a- the competent judicial Jordanian authorities may order the implementation of the requests submitted by non-Jordanian competent authorities to seize the proceeds of resulting from money laundering, in line with the regulations specified by the Jordanian laws and the bilateral and multilateral agreements ratified by the Kingdom; b- the proceeds of funds ruled to

be confiscated by a final ruling shall be distributed in accordance with the provisions of the subject law, by virtue of the agreements signed in this regard.

760. **Additional Element:** The judicial authorities stated that it was not possible to recognize orders of non-penal foreign seizures and implement them in light of laws in force in Jordan.

761. As for offering legal assistance in investigations or administrative procedures or procedures related to implementing the civil and penal laws when it comes to terrorism financing or terrorist crimes or terrorist organizations, the Jordanian authorities stated that this cooperation was conducted on two levels: first, on the level of the different security bodies, in particular the intelligence which exchanges information in this regard directly with its counterparts in the Arab and foreign countries; and second, on the level of judicial cooperation which is made through diplomatic channels, in particular through the Ministry of Foreign Affairs. It was previously based on the principle of reciprocity, and following the ratification of the different related agreements, exchange has become according to the bilateral or multilateral agreements. The request used to need three years to be accomplished, but at present it does not exceed one year. While some Jordanian authorities stated that requests might take between one year and a half and two years. They added that the best legal assistance in the field of terrorism financing was being conducted with the United States and the United Kingdom where several joint investigations and judicial rogatory letters were implemented.

762. As we have already mentioned, there is nothing that shows that mutual legal assistance can be done when there is lack of dual criminality, regarding terrorism financing, terrorist acts and terrorist organizations. As for handing over criminals and providing mutual legal assistance that requires dual criminality, the same authorities stated that they were cooperating to a great extent on that level and they were overcoming any legal or practical obstacle that prevents them from offering assistance in the cases where two States convict the conduct underlying the offence. Moreover, technical differences between the laws of the two concerned States did not form any obstacle to providing mutual legal assistance.

763. As for terrorism financing, terrorist acts and terrorist organizations, the abovementioned regulations are implemented in the field of mutual legal assistance. There is no specific mechanism that speeds up the implementation of such assistance or increases its efficiency, except for referring to the Interpol.

764. The central authorities in charge of sending and receiving mutual legal cooperation requests and requests of criminals' extradition (structuring, finance, labor, resources and independency) are: the Ministry of Foreign Affairs, which includes several specialized departments and the Ministry of Justice/ Legal Affairs Department.

765. Employees in the Ministry of Justice are subject to the civil service law, which includes specific rules and principles. In addition, the activities of judges are regulated by the Judicial Independence Law and its amendments no.15 for 2001. Article 11 of the said law stipulates:

- a. Despite what was mentioned in any other law, no person may be appointed in the position of judge, before verifying his efficiency, conduct and competence to serve the interest of the judiciary. A competition test is to be conducted to fill vacant positions of the fourth, fifth and sixth grade, by a committee appointed by the Council from senior judges the grade of each should be no less than the first grade. The vacant positions and the date of the competition are announced by the President.
- b. Graduates and students of the Law Institute, prior to coming into force of the said law are exempted from this competition.

766. Judges are also subject to disciplinary measures provided for in the law, in case a judge commits a violation. The judges are also subject to the judicial disciplinary measures.

6-3-2 Recommendations and Comments

767. Jordanian authorities are recommended to:

- Extend the scope of mutual legal assistance to include providing the original copies of relevant files or documents or copies thereof and any other information or evidentiary items; facilitating the voluntary appearance of persons for the purpose of providing information or testimony to the requesting country; and identifying, freezing, seizing or confiscating of assets used or intended to be used as instrumentalities to commit such crimes
- Set up efficient mechanisms to decrease the time required to reply to mutual legal assistance requests.
- Create specific mechanisms to determine the best place to prosecute a case against the accused for the benefit of justice.
- Establish adequate laws and measures for a swift and effective response to mutual legal assistance requests submitted by foreign countries when the request pertains to properties of corresponding value.
- Establish special arrangements for coordinating the seizure and confiscation procedures with the other countries.
- Consider the creation of a fund for expropriated properties where all confiscated properties or part thereof are deposited and used for law enforcement, health care, education or other adequate purposes.

6-3-3 Compliance with Recommendations 36-38 and SR V

	Rating	Summary of factors relevant to s.6.3 underlying overall rating
R.36	PC	<ul style="list-style-type: none"> • Inadequate criminalization of ML and TF. • Deficiencies in the field of mutual legal assistance. • Lack of a mechanism that reduces the time needed to respond to a mutual legal assistance request. • Lack of specific mechanisms for determining the best place to prosecute the case against the accused for the benefit of justice.
R.37	LC	<ul style="list-style-type: none"> • Authorities depend on dual criminality to provide mutual legal assistance, even with respect to less interfering measures
R.38	PC	<ul style="list-style-type: none"> • No laws or measures exist for the swift and effective response to the mutual legal assistance requests submitted by foreign countries when the request pertains to properties of corresponding value • No special arrangements exist to coordinate the seizure and confiscation procedures with other countries. • No consideration has been given to the creation of a fund of expropriated properties where all confiscated properties or parts thereof are to be deposited. • Inadequate criminalization of ML and TF.
SR.V	NC	<ul style="list-style-type: none"> • Inadequate criminalization of TF. • Deficiencies in the field of mutual legal assistance. • Lack of a mechanism that reduces the time needed to respond to a mutual legal assistance request. • The authorities depend on dual criminality to provide mutual legal assistance, even with respect to less interfering measures. • No laws or measures exist for the swift and effective response to the mutual legal assistance requests submitted by foreign countries when the request pertains to properties of corresponding value • No special arrangements are available for coordinating the seizure and confiscation procedures with the other countries

6.4 Extradition (R37 and 39 and SR V)

6-4-1 Description and Analysis

768. The Jordanian authorities have stated with respect to **the criminals' extradition requests** that the following provisions and measures are implemented:

- According to Article (21/2) of the Jordanian Constitution, the international agreements and the laws determine the rules of extradition of escaping criminals, and that the political asylums shall not be turned in due to their political principles or because they defend freedom.
- According to Articles (5) and (6) of the Law of Criminals Extradition for 1927, it could be concluded that the requests of handing in the criminals, sent by a foreign country shall be unacceptable unless a treaty or an agreement about criminal extradition is signed thereupon. The jurisprudence has decided that the requests of criminals extradition sent to the competent authorities in Jordan by a foreign country shall be unacceptable unless it was a result of an effective treaty or an agreement on extradition of criminals.
- Article (22) of the AML Law stipulates as follows: "In order to achieve the intended goals of the subject law, the Jordanian judicial authorities cooperate with non-Jordanian judicial authorities, in particular with regard to judicial assistance and rogatory letters, extradition of accused and convicted persons and the proceeds, as well as requests from non-Jordanian authorities to tracing, freezing or seizing assets subject to money-laundering crimes, according to the rules set by the Jordanian laws and bilateral or multilateral agreements to which the Kingdom is party, or in accordance with the principle of reciprocity, without prejudice to the rights of bona fide third parties..

769. The measures adopted with respect to the extradition requests:

1. Wire letters are sent through an Interpol unit in the requesting state to the Amman unit regarding the presence of a wanted person on the Jordanian territories.
2. The Interpol in Amman investigates and arrests the wanted person and refers him to the competent court.
3. The court addresses the Ministry of Justice to request the file of the wanted person from the country requesting the extradition.
4. The international relations office at the Ministry of Justice follows up on the case and communicates with the Ministry of Foreign Affairs to ask the competent authorities in the requesting state to transfer the file of the extradition case.
5. When the extradition file is received by the Jordanian authorities, it is transferred to the Attorney General in Amman or to the competent court, in order to hear the case of the wanted person, and decide whether he should be handed over or not.
6. The court decides that the conditions of extradition are met, if it finds that the conditions meet a valid treaty or agreement with the requesting party. The decision of extradition should be approved by the King.
7. In case the wanted person was Jordanian, the Kingdom refuses to hand him over and prosecutes him before the Jordanian courts based on the procedures already adopted by the requesting State.

According to Article 2 of the Extradition law for 1927, an escaping criminal is defined as every person who is convicted in a foreign country of a crime that requires extradition of such person, and that person is present in eastern Jordan, or was suspected to be present there, or on his way to this area. The expression (criminal escaping a foreign country) refers to any criminal or person convicted of a crime committed in the foreign country, requiring extradition.

770. The authorities stated that they are cooperative to a great extent and they overcome any legal or practical obstacle that prevents providing assistance in the cases where both countries criminalize the act underlying the offence. Moreover, the technical differences between the laws of the countries requesting the extradition and Jordan do not form any obstacle that hinders the execution of the request according to the applicable laws.

771. **ML from extraditable crimes:** According to Article (22), the AML law allows extraditing the accused and the convicted; but it is worth mentioning that the ML crime does not cover all the requested basic crimes, which affects the ability of the government to provide international cooperation, especially that the AML law stipulates providing assistance according to the rules determined by the Jordanian laws and the bilateral or multilateral agreements of which the Kingdom is a party or according to the principle of reciprocity

772. In addition to the legal provisions previously mentioned, some requests are treated according to the principle of reciprocity. The Jordanian authorities stated that there are no impediments as to providing technical assistance in the case of dual criminality of the act underlying the offence. Same regulations previously referred to regarding the procedures of extradition of criminals involved with terrorist acts and terrorism financing shall apply.

773. There were no files pertaining to the extradition of criminals in the field of ML and TF. There are no statistics in this regard.

6-4-2 Recommendations and Comments

6-4-3 Compliance with Recommendations 37 and 39 and SR.V

	Rating	Summary of factors underlying rating for part 6-4
R.39	LC	<ul style="list-style-type: none"> Inadequate criminalization of ML.
R.37	LC	<ul style="list-style-type: none"> Previously mentioned factors affect the rating of this Recommendation
SR.V	NC	<ul style="list-style-type: none"> Previously mentioned factors affect the rating of this Recommendation.

6.5 Other forms of international cooperation (R 40 and SR.V)

6-5-1 Description and Analysis

774. Jordan ratified a number of international agreements in the field of legal cooperation. Such agreements represent an adequate legal framework adopted in Jordan to provide international legal assistance in addition to offering this assistance through the Interpol. Moreover, pursuant to Article 19 of the AML law, the AML unit has the right to exchange information with counterpart units on basis of the principle of reciprocity; the AML unit has also the right to ratify memorandums of understanding with similar units to coordinate cooperation in this regard.

775. Exchange of information can be conducted through the AML unit according to the judicial and legal cooperation procedures and between the competent security bodies in the relevant countries. The AML unit may request information through notification from the local authorities and from the judicial and security bodies, if a request was submitted by a counterpart foreign unit, according to Articles 18 and 19 of the AML law.

776. According to Article 19 of the AML law, the FIU has the right to exchange information with counterparts on basis of principle of reciprocity, provided that such information is only used for AML purposes, and provided that an approval is granted by the counterpart unit that presented the information. The unit has also the right to ratify memorandums of understanding with counterpart units to coordinate cooperation in this regard. As the AML law was recently issued, we did not have the time to be informed about any international cooperation on exchange of information related to money laundering and other crimes between the AML unit and counterpart institutions.

777. Article 18 of the AML law stipulates that the unit has the right to ask and coordinate with the authorities below for additional information pertaining to notifications received if they are necessary for the

fulfillment of its tasks or based on a request received from counterpart units. Based on the above provision, the FIU does not have the right to access or search in other databases; it has only the right to ask the institutions to provide such information following coordination with such institutions in this regard.

778. The Jordanian authorities stated that there were no restrictions on the exchange of information except in accordance with what was mentioned by law. The FIU has the right to sign memoranda of understanding to facilitate the exchange of information with other countries. In fact, this is a legal compliance in light of the ratification by Jordan of the Anti-Corruption Convention and the International Convention for the Suppression of Terrorism financing.

779. With regard to the protection of the secrecy of information exchanged and its use in a proper way, these measures are regulated by the memorandums of understanding and the legal assistance rules in the country. These regulations also apply to the use of information received by the relevant authorities. According to Article 19 of the AML law, the unit has the right to exchange information with similar units based on the principle of reciprocity. This information should be used only for AML purposes, provided that an approval is granted by the counterpart unit that presented the information.

780. Article 19 of the AML law stipulates that the FIU has the right to exchange information with counterpart units. Consequently, there are no items in the AML laws that stipulate the possibility to cooperate and exchange information with non-counterpart institutions.

781. .Based on Article 17 of the AML law:

- a. Subject to Article 15 of the subject law, the unit may ask the institutions required to notify based on Paragraph c of Article 14 of the subject law, of any additional information it deems necessary to assume its duty if such information was related to any information already received by the unit or based on requests received by the counterpart units.
- b. The institutions required to notify should provide the unit with the information indicated in paragraph (a) of the subject law during the period specified by the unit.

782. There are no statistics pertaining to international cooperation with counterparts.

6-5-2 Recommendations and Comments

783. The authorities are recommended to:

- Grant the competent authorities the powers to exchange information directly with counterparts and non-counterparts in the AML/CFT field.

6-5-3 Compliance with Resolution 40 and SR. V

	Rating	Summary of factors relevant to s.6.5 underlying overall rating
R.40	PC	<ul style="list-style-type: none"> • Competent authorities do not have the powers to exchange information directly with counterparts and non-counterparts in the AML/CFT field. • Lack of statistics to show international cooperation in the field of exchange of information.
SR.V	NC	<ul style="list-style-type: none"> • Competent authorities do not have the powers to exchange information directly with counterparts and non-counterparts in the field of AML/CFT.

7. Other Issues

7.1 Resources and Statistics

784. **Recommendation 32:** The Hashemite Kingdom of Jordan issued the AML law in 2007; they are currently working on implementing the requirements of the subject law, whether in establishing the institutions and authorities referred to in the law or in setting policies related to fighting money laundering. The law does not cover terrorism financing, as it is provided for in the anti-terrorism law.

785. As the AML law was issued recently, the Jordanian Authorities did not have the time to review the efficiency of their AML systems. The competent authorities have some statistics on money laundering cases, where statistics issued by the AML Unit from 18/7/2007 to 30/6/2008 show that the unit received 81 notifications of suspicious transactions: 68 from the banking sector, 3 from exchange companies, 9 from supervisory authorities and one from a financial company. The unit followed-up on 75 notifications, while it referred 3 cases pertaining to money laundering to the Public Prosecution and three others pertaining to other crimes. Moreover, statistics issued by the Attorney General office showed that the latter received from the date when the law came into force and up to 13/7/2008 (6) notification cases. The following procedures were adopted thereto: two cases were referred to both the reconciliation court and the court of first instance in Amman. Judgments are yet to be issued. One case has been reserved on files and three cases are still under investigation. The statistics also showed that the notifications were all made by the AML unit. No seizures, confiscation or freezing were made in all of these cases.

786. Statistics issued by the Attorney General's Department in Amman for the years 2006, 2007 and 2008 up to 10/7/2008 show the number of judicial assistance requests. In 2006, there were 10 requests that were all ruled; in 2007, the office received 4 requests, three of which were ruled and only one is still being tried. In 2008, up to 10/7/2008, the office received 4 requests, three of which were ruled and only one is still being tried. Statistics also show the number of judicial rogatory letters received by the Jordanian authorities in 2007 which amounted to 48, while the number of rogatory letters in 2008, up to 13/7/2008, reached 36 rogatory letters.

	Rating	Summary of factors relevant to Recommendations 30 and 32 and underlying overall rating
R.30	PC	<ul style="list-style-type: none"> • AMLU and other competent authorities working in fighting terrorism financing and money laundering are not provided with adequate human, financial and technical resources to assume their duties in an efficient way. • No adequate structure for the FIU to ensure its independence and its distance from inadequate interference. • Employees of competent authorities are not provided with proper training on AML/CFT.
R.32	NC	<ul style="list-style-type: none"> • The Jordanian authorities did not review the efficiency of their systems in fighting ML and TF on a regular basis. • No statistics are available on the local and international assistance requests received or being notified pertaining to AML/CFT. • No statistics are available on cross-border movement of currencies and bearer negotiable instruments. • No statistics are available on the exchange of information with related local or international institutions.

Tables:

Table 1: Ratings of Compliance with FATF Recommendations

Table 2: Recommended action plan to improve AML/CFT regime

Table 1 Ratings of Compliance with FATF Recommendations

Forty Recommendations	Rating	Summary of factors underlying rating
Legal system		
1. ML crime	PC	<ul style="list-style-type: none"> ▪ Conviction for the predicate offense is required to prove that funds are illicit. ▪ Non-inclusion of all the 20 crimes within the list of predicate offenses in accordance with the Methodology.
2. ML crime – moral element and corporate liability	LC	<ul style="list-style-type: none"> ▪ Lack of evidence on the effectiveness of the AML legal system and lack of statistics.
3. Confiscation and provisional measures	PC	<ul style="list-style-type: none"> ▪ No confiscation in TF crimes. ▪ Not enabling competent authorities to identify and trace the confiscated properties subject to, or that could be subject to, confiscation or those suspected to be crime proceeds.
Preventive measures		
4. Secrecy laws consistent with the Recommendations	C	
5. Customer due diligence	PC	<ul style="list-style-type: none"> • CFT obligations are not included in obligations stipulated in the AML Law for the relevant entities. • Failure to issue executive regulations to apply the provisions of the AML Law according to Article (30) thereof. • AML instructions for the insurance sector are not issued by virtue of the AML law to allow imposing sanctions stipulated therein on institutions violating those instructions. • Neither the law nor any principal or secondary legislation tackles the following: <ul style="list-style-type: none"> ▪ Numbered accounts (to permit it or not), so that financial institutions are requested to keep these accounts in a way that fully comply with the FATF Recommendations ▪ Other circumstances requiring the application of DD, i.e. circumstances mentioned under the last four items of c.5-2 under R.5. ▪ In insurance sector, customer identification using documents, data or original information from an independent and reliable source (ID data) and required verification when any person claims to act on behalf of the customer to make sure that he is the concerned person and is duly authorized in addition to examining and verifying his identity. ▪ In insurance sector, checking whether the customer is acting on behalf of someone else, and to take reasonable measures to get sufficient data that allow for the verification of the identity of the other person; in exchange and insurance activities, to identifying natural persons who own the customer or have control over him, including those with full and effective control over the legal person or arrangement.

Forty Recommendations	Rating	Summary of factors underlying rating
		<ul style="list-style-type: none"> • Instructions for financial institutions do not tackle the following: <ul style="list-style-type: none"> ▪ Requiring FIs, concerning customers that are legal persons or arrangements, to obtain information on the provision regulating the binding authority of the natural person or the legal arrangement. ▪ Requiring exchange companies to take reasonable measures to consider the ownership structure and the controlling interest over the customer if he is a legal person. ▪ Requiring insurance and money exchange companies to obtain information on the objective and nature of the business relationship for natural persons, in addition to requiring the money exchange companies to obtain information on the objective and nature of the business relationship for legal persons. ▪ Requiring exchange companies that the ongoing CDD measures include the monitoring of transactions conducted throughout the relationship in order to ensure that the conducted transactions are commensurate with their knowledge about customers, their activities profiles and risks, and if necessary the source of funds in addition to the documents or data obtained from the CDD measures continuously updated through the examination of records, and especially of high risk customers and business relationship categories. ▪ Requiring exchange companies, with regard to enhanced due diligence, to cover larger categories of risk-posing customer and high-risk business relationships and transactions. ▪ Requiring the application of CDD for existing customers (as at the date national requirements have come into effect) on the basis of materiality and risk, and to tackle the timing of CDD with regard to existing business relationships. • Confusion related to banks' inability to establish a continuous relationship with the customers before completing the verification procedures. • Obligations under AML law do not cover the Financial Services of Jordanian Post and the PSF.
6. Politically Exposed Persons	PC	<ul style="list-style-type: none"> • Instructions for financial institutions do not cover the following: <ul style="list-style-type: none"> ▪ Requiring banks to use “a risk management system” to specify whether the potential customer, customer, or beneficial owner is identified as a Politically Exposed Person PEP. ▪ Addressing exchange companies with comprehensive requirements in line with the Essential Criteria of R.6. • AML instructions for insurance are not based on the AML law, which does not allow sanctions therein to be imposed on companies violating the instructions. • Supervision deficiencies in some aspects (please see section 3-2-2)
7. Correspondent banking	LC	<ul style="list-style-type: none"> • Instructions for exchange companies do not cover the examination of the level of supervision of foreign companies they intend to do business with and whether they are subject to investigation or supervisory action regarding ML or TF; and requesting them to evaluate the controls used by respondent institutions to fight ML

Forty Recommendations	Rating	Summary of factors underlying rating
		and TF and make sure they are adequate and effective.
8. New technologies & non face-to-face business	LC	<ul style="list-style-type: none"> • Failure to judge FIs level of implementation of systems for follow-up and monitoring of transactions based on advanced technology and non-face to face transactions. • AML instructions for insurance based on the AML law are not issued, which does not allow sanctions therein to be imposed on companies violating the instructions.
9. Third parties and introducers	PC	<ul style="list-style-type: none"> • Instructions issued by the JSC do not cover the possible existence of third parties to which Jordanian financial services companies might have referred to in order to have business relationships with some customers. • AML instructions for insurance based on the AML Law are not issued, which does not allow sanctions therein to be imposed on companies violating the instructions. • Insurance Commission instructions lack regulation: requiring that all relevant DD measures be fully met and such information be obtained immediately, financial institutions should ensure that third parties are under supervision and regulation. In addition, competent authorities are not obliged to study the information available on countries where third parties could exist.
10. Record keeping	LC	<ul style="list-style-type: none"> • Failure to require insurance sector through a primary or delegated legislation to maintain necessary records of all domestic and international transactions, for a period of at least five years after the completion of the transaction (or for a longer period at the request of the competent authority in certain cases and after obtaining the proper authorization). This should apply regardless whether the account or business relationship still exists or not. • Failure to require the insurance sector through a primary or delegated legislation to maintain ID records and files of accounts and correspondences relating to the activity for a period of at least five years after the closing of the account or termination of the business relationship (or longer at the request of the competent authority in certain cases and after obtaining the proper authorization). • Failure to require the insurance, money exchange and securities sectors through a primary or delegated legislation to ensure that all records and information of clients and transactions are provided in a timely manner to the competent local authorities after obtaining the proper authorization. • Failure to consider the instructions issued to the insurance sector as a primary or delegated legislation or any of the other enforceable means.
11. Unusual transactions	PC	<ul style="list-style-type: none"> • Failure to require exchange companies to examine the background and purpose of unusual large-scale or complex transactions, and set forth in writing the findings, make them available to competent authorities and auditors for at least five years. • AML instructions for insurance are not issued based on the AML law, which does not allow imposing sanctions on companies violating the instructions. • The actual compliance, control and supervision.
12. DNFBP – R.5, 6, 8-11	NC	<ul style="list-style-type: none"> • Lack of an adequate legal and regulatory framework to require the majority of the requirements from DNFBPs under R.5 and the content of Recommendations 6, 8, 9, 10 and 11. • Actual supervision and oversight.

Forty Recommendations	Rating	Summary of factors underlying rating
13. Suspicious transaction reporting	PC	<ul style="list-style-type: none"> • Actual compliance. • Inappropriate scope of ML predicate offences • AMLU is not the sole entity responsible for receiving ML STRs. • Absence of any obligations in a primary or delegated legislation to report ML from or connected to TF or used in terrorism financing or terrorist acts or by terrorism organizations or terrorism financiers. • Inefficiency of reporting by the authorities' subject to law in the light of the new law implemented.
14. Protection & no tipping-off	C	
15. Internal controls, compliance & auditing	PC	<ul style="list-style-type: none"> • AML instructions for insurance activities are not issued pursuant to the AML law in order to be able to impose sanctions on companies violating the instructions. • The limited number of training programs in the financial institutions except banks. • Inexistence of independent units in charge of examining the compliance of the AML/CFT internal control systems. • The evaluation team found no obligation on FIs to set investigation procedures to ensure high standard while appointing employees in exchange companies, financial services companies and insurance companies and to ensure the independence of the compliance officer.
16. DNFBPs – R.13-15 & 21	NC	<ul style="list-style-type: none"> • No distinction between FIs and NFBPs within the law. • Real estate brokerage offices are not included with real estate dealers who are subject to the law. • Lawyers and accountants are not subject to the AML Law. • Competent authorities in Jordan have not started yet to evaluate compliance. NFBPs seem to know little about their duty to report suspicious transactions to the AML unit. • NFBPs are not required to report details of any transactions they suspect involving terrorism financing. <ul style="list-style-type: none"> ▪ No legal obligation or supervisory regulations require NFBPs to set internal policies to fight ML and TF. Moreover, there is no special training in this field for employees of those institutions. ▪ No obligation on DNFBPs to dedicate special attention to transactions with clients from countries that do not apply or insufficiently apply FATF Recommendations. No policies or practical measures that ensure the compliance of NFBPs with AML/CFT standards, promote their employees' awareness or provide them with continuous training in this field.
17. Sanctions	LC	<ul style="list-style-type: none"> • AML instructions for insurance which are based on the AML law, are not issued; which do not allow imposing sanctions stipulated in the law on companies that violate these instructions.
18. Shell Banks	C	
19. Other forms of reporting	NC	<ul style="list-style-type: none"> • No consideration was given to the application of a system obliging FIs to report all cash transactions exceeding a certain limit to a national central agency equipped with a computerized database.
20. Other NFBP & secure transaction techniques	NC	<ul style="list-style-type: none"> • No consideration has been given to widening the spectrum of NFBP subject to the law. • No measures have been taken to encourage the setting of modern and secure techniques for financial transactions that would be less subject to money laundering, except for banks. • Weaknesses are noticed based on the lack of provisions on risks

Forty Recommendations	Rating	Summary of factors underlying rating
		imposed by new technologies.
21. Special attention for higher risk countries	PC	<ul style="list-style-type: none"> • Failure to issue the AML instructions applied to the insurance activity based on the AML law in order to be able to impose sanctions on companies violating the instructions. • Instructions do not include obligations related to dealing with persons from countries or residing in countries that do not apply the FATF Recommendations or insufficiently apply them. • Inexistence of efficient procedures that require the communication to financial institutions of concerns related to weaknesses in the AML/CFT systems in other countries. • Failure to require exchange companies to examine transactions with no apparent economic or legal purpose issued from countries that do not apply the FATF Recommendations or insufficiently apply them. • Failure to address obligations pertaining to Recommendation 21 for the financial services companies. • Absence of appropriate counter measures in the event where a country persists in not applying or insufficiently applying FATF recommendations. The actual compliance, control and supervision.
22. Foreign branches & subsidiaries	PC	<ul style="list-style-type: none"> • AML instructions for insurance are not issued pursuant to the AML law in order to be able to impose sanctions on companies violating the instructions. • No obligation to apply AML/CFT requirements on foreign branches of banking and monetary institutions except banks and insurance companies.
23. Regulation, supervision and monitoring	PC	<ul style="list-style-type: none"> • Inefficient supervision over financial institutions other than banks and exchange companies. • Control and supervision by the insurance and Securities Commissions are not active in relation to AML. • No regulation of the financial leasing sector in the Kingdom and no supervisory or control criteria to register and take the necessary measures against institutions that do not register. • Need to implement regulatory and supervisory measures that exist for prudential purposes in financial institutions other than banks and insurance companies.
24. DNFBP - regulation, supervision and monitoring	PC	<ul style="list-style-type: none"> • No authority responsible for monitoring the compliance of NFBPs subject to Law 46/2007 with AML regulations. No field visits are conducted to these professions to ensure their compliance.
25. Guidelines & Feedback	NC	<ul style="list-style-type: none"> • Unavailability of a feedback mechanism to the reporting entities regarding the results of submitted STRs. • Failure to issue guiding principles in issues covered by the FATF Recommendations, (except for the guidelines issued to the banks), in particular when it comes to describing the means and techniques used in money laundering and terrorism financing, including uncovered local and international cases or taking into consideration regular updating. • No guidance is available to NFBPs in relation to the implementation of AML/CFT requirements. • No guidance is available on how to deal with clients from countries that do not comply with the FATF standards.
Institutional and other measures		
26. The FIU	PC	<ul style="list-style-type: none"> ▪ The Unit's competence being limited to the field of ML without TF.

Forty Recommendations	Rating	Summary of factors underlying rating
		<ul style="list-style-type: none"> ▪ Failure to verify the independence of the Unit's work ▪ Insufficiency of the Unit's financial, human and technical resources
27. Law enforcement Agencies	PC	<ul style="list-style-type: none"> ▪ No designated law enforcement agency responsible for ensuring TF is investigated. ▪ Lack of evidence on the effectiveness of the competent law enforcement agencies
28. Powers of competent authorities	C	
29. Supervisors	C	
30. Resources, integrity and training	PC	<ul style="list-style-type: none"> ▪ AMLU and other competent authorities working in fighting terrorism financing and money laundering are not provided with adequate human, financial and technical resources to assume their duties in an efficient way. ▪ No adequate structure for the FIU to ensure its independence and its distance from inadequate interference. ▪ Employees of competent authorities are not provided with proper training on AML/CFT.
31. National cooperation	PC	<ul style="list-style-type: none"> ▪ Lack of efficient mechanisms that guarantee cooperation means between the authorities concerned with anti-money laundering and communication mechanism with the financial sector and other sectors. ▪ Lack of a clear mechanism for local cooperation in combating terrorism financing.
32. Statistics	NC	<ul style="list-style-type: none"> ▪ The Jordanian authorities do not review on a regular basis the efficiency of their systems in fighting ML and TF. ▪ No statistics are available on the received or submitted local and international assistance pertaining to AML/CFT. ▪ No statistics are available on cross-border movement of currencies and bearer negotiable instruments. ▪ No statistics are available on the exchange of information with local or international related institutions.
33. Legal persons – beneficial owners	PC	<ul style="list-style-type: none"> ▪ Lack of evidence about the authorities' verification that the partners and the shareholders are the beneficial owners as well as ambiguity on how the authorities verify the information about the beneficial owners No access to required information in a timely manner.
34. Legal arrangements – beneficial owners	NA	
International Co-operation		
35. Conventions	PC	<ul style="list-style-type: none"> ▪ Palermo Convention is not ratified. ▪ Convention for the Suppression of the Financing of Terrorism is not fully implemented.
36. Mutual Legal Assistance (MLA)	PC	<ul style="list-style-type: none"> ▪ Inadequate criminalization of ML and TF. ▪ Deficiencies in the field of mutual legal assistance. ▪ Lack of mechanism that reduces the time needed to respond to a mutual legal assistance request. ▪ Lack of specific mechanisms for determining the best place for filing the case against the accused for the benefit of justice.
37. Dual criminality	LC	<ul style="list-style-type: none"> ▪ Authorities depend on dual criminality to provide mutual legal assistance, even with respect to less interfering measures
38. Mutual Legal Assistance on confiscation and freezing	PC	<ul style="list-style-type: none"> ▪ No laws or measures exist for the quick and effective response to the mutual legal assistance requests submitted by foreign countries when the request pertains to properties of corresponding value ▪ No special arrangements exist to coordinate the seizure and

Forty Recommendations	Rating	Summary of factors underlying rating
		<ul style="list-style-type: none"> confiscation procedures with other countries. ▪ No consideration has been given to the creation of a fund for expropriated properties where all confiscated properties or part thereof will be deposited ▪ Inadequate criminalization of ML and TF.
39. Extradition	LC	<ul style="list-style-type: none"> ▪ Inadequate criminalization of ML.
40. Other forms of co-operation	PC	<ul style="list-style-type: none"> ▪ Competent authorities do not have the powers to exchange information directly with counterparts and non-counterparts in the AML/CFT field. ▪ Lack of statistics to show international cooperation in the field of exchange of information.
Nine Special Recommendations	Rating	Summary of factors underlying rating
SR.I Implement UN instruments	NC	<ul style="list-style-type: none"> ▪ Convention for the Suppression of the Financing of Terrorism is not implemented. ▪ Absence of laws, regulations or other measures that meet the requirements under UN Security Council resolutions on the suppression and interdiction of terrorism financing.
SR.II Criminalize terrorism financing	PC	<ul style="list-style-type: none"> ▪ TF does not include the act carried out by a terrorist organization or a terrorist. ▪ Non-clarity of the funds concept. ▪ Failure to determine a dissuasive and proportionate sanction for natural and legal persons. ▪ Inability to measure the effectiveness of the CFT legal system due to the lack of statistics.
SR.III Freeze and confiscate terrorist assets	NC	<ul style="list-style-type: none"> ▪ Lack of a legal system governing procedures for freezing funds and assets of the persons whose names are mentioned pursuant to UNSCR 1267. ▪ Lack of effective laws and procedures for freezing terrorist funds or other assets of persons designated pursuant to UNSCR 1373. ▪ Lack of laws and effective procedures for studying and executing measures taken pursuant to the freezing mechanisms in other countries. ▪ Lack of evidence on the effectiveness of the procedures related to freezing pursuant to the SC resolutions.
SR.IV Suspicious transaction reporting	NC	<ul style="list-style-type: none"> ▪ AMLU is not responsible for receiving FT STRs. ▪ Absence of any obligations in a primary or delegated legislation to report suspicious transactions or transactions related or connected to terrorism financing. Reference is only made to the measures applied in case of transactions connected to a terrorist activity.
SR.V International co-operation	NC	<ul style="list-style-type: none"> ▪ Inadequate criminalization of TF. ▪ Deficiencies in the field of mutual legal assistance. ▪ Lack of mechanisms that reduce the time needed to respond to a mutual legal assistance request. ▪ The authorities depend on dual criminality to provide mutual legal assistance, even with respect to less interfering measures. ▪ No laws or measures exist for the quick and effective response to the mutual legal assistance requests submitted by foreign countries when the request pertains to properties of corresponding value ▪ No special arrangements available for coordinating the seizure and confiscation procedures with the other countries
SR VI AML requirements for money/value transfer	PC	<ul style="list-style-type: none"> ▪ Insufficient regulation of money transfer activity

Forty Recommendations	Rating	Summary of factors underlying rating
services		
SR.VII Wire transfer rules	PC	<ul style="list-style-type: none"> ▪ Lack of effective monitoring on the compliance of banks with the rules and regulations relating to the application of this recommendation. ▪ Lack of clarity on the effectiveness of the financial institutions application of the obligations relating to the recommendation in the absence of adequate supervision. ▪ Lack of clarity of the sanctions that could be imposed in cases of violation of the instructions.
SR.VIII Non-profit organisations	PC	<ul style="list-style-type: none"> ▪ No law covers problems related to ML and TF vis-à-vis supervision and recordkeeping in charitable associations. ▪ Number of inspectors is not sufficient. ▪ Number of trained persons in this sector is not sufficient. ▪ No specific period for maintaining records by charitable associations.
SR.IX Cross Border Declaration & Disclosure	NC	<ul style="list-style-type: none"> ▪ Failure to apply the declaration system adopted for cross-border currency movement to TF. ▪ Failure to apply the system on incoming and outgoing currency and bearer negotiable instruments movements. ▪ Failure to implement the declaration form. ▪ Failure to vest competent authorities with the powers of requesting and obtaining further information from the courier regarding the source of the currency or the bearer negotiable instruments and the purpose for using them in case of suspected ML or TF cases. ▪ No dissuasive sanction in case of false disclosure. ▪ Lack of safeguards for using the information properly. ▪ Failure to establish a system for notifying counterpart authorities in other countries about the unusual cross-border activity of gold or precious metals or precious stones. ▪ Inadequacy of information exchange between the Customs and the AML Unit, and non-establishing a database at the Customs

Table 2: Recommended Action Plan to Improve the AML/CFT System in the Hashemite Kingdom of Jordan

AML/CFT system	Recommended Action (listed in order of priority)
1. General	
2. Legal System and Related Institutional	
2.1 Criminalization of Money laundering (R.1 & R.2)	<ul style="list-style-type: none"> ▪ Work on clarifying the view of the law enforcement officers with respect to the fact that in order to prove that the funds are the proceeds of the crime, the conviction in primary crime is not a condition. ▪ Criminalize the following acts to become primary crimes: (1) blackmail including financial blackmail, (2) persons trafficking and immigrants smuggling, (3) children’s sexual abuse, (4) illicit trade in stolen goods, (5) counterfeiting of products and pirating them, (6) environmental crimes, (7) smuggling and (8) piracy, and to try to include (9) fraud, (10) sexual abuse and (11) financial markets manipulation crimes in the primary crimes of the ML crime, and (12) expand the financing of terrorism as a primary crime of ML in the Methodology concept. ▪ Remove any confusion about the Law Regulating the Insurance Business.
2.2 Criminalization of Terrorism financing (SR.1)	<ul style="list-style-type: none"> ▪ Expand the framework of the criminalization of TF in order to cover the act which might be carried out by a terrorist organization or a terrorist to be consistent with the UN Convention for the Suppression of the Financing of Terrorism. ▪ Clarify the funds concept according to the UN Convention for the Suppression of the Financing of Terrorism. ▪ Determine a dissuasive and proportionate sanction for natural and legal persons who commit the TF crime.
2.3 Confiscation, freezing and seizing of proceeds of the crime (R.3)	<ul style="list-style-type: none"> ▪ Provide for confiscation in ML crimes. ▪ Assign clear powers to the law enforcement staffs to enable them identify and trace properties subject to, or that could be subject to, confiscation or those suspected to be crime proceeds.
2.4 Freezing of funds used for terrorism financing (SR.III)	<ul style="list-style-type: none"> ▪ Set up a legal system that governs the procedures of freezing of the funds and properties of persons listed pursuant to UNSCR 1267. ▪ Promulgate laws and effective procedures for freezing terrorist funds and other assets of persons designated pursuant to UNSCR 1373. ▪ Promulgate laws and effective procedures for studying and executing measures taken pursuant to the frozen mechanisms in other countries.
2.5 The Financial Intelligence unit and its functions (R.26)	<ul style="list-style-type: none"> ▪ Include the TF crime under the Unit’s functions ▪ Ensure the independence of the Unit’s work. ▪ Increase the Unit’s financial, human and technical resources ▪ Increase the efficiency of the Unit’s employees through continual training
2.6 Law enforcement, prosecution and other competent authorities (R.27 & 28)	<ul style="list-style-type: none"> ▪ Designate a law enforcement authority responsible for ensuring the investigation of TF. ▪ Provide more specialized and practical training for staff of the law enforcement and prosecution sectors.
2.7 Cross Border Declaration & Disclosure (SR IX)	<ul style="list-style-type: none"> ▪ Expand implementation of the declaration system adopted for cross-border currency movement to include TF as well. ▪ Apply the said system to incoming and outgoing currency and bearer negotiable instruments movement. ▪ Expedite the setting of measures to bring the declaration form into effect. ▪ Vest the competent authorities with the power for requesting and obtaining further information from the couriers regarding the source of the currency or bearer negotiable instruments and the purpose for using them in case of suspected ML or TF cases.

AML/CFT system	Recommended Action (listed in order of priority)
	<ul style="list-style-type: none"> ▪ Establish a dissuasive sanction for false declaration. ▪ Setting safeguards for using the information properly. ▪ Establish a system for notifying counterpart authorities in other countries about unusual cross-border activity of gold or precious metals or precious gems. ▪ Strengthen information exchange between the Customs and the AML Unit, and establish a database at the Customs for recording all declared data related to the currencies and bearer negotiable instruments.
3. Preventive measures – Financial institutions	
3.1 Risk of money laundering or terrorism financing	
3.2 Customer due diligence, including enhanced or reduced measures (R.5 to 8)	<ul style="list-style-type: none"> ▪ Issue the executive regulations quickly by the Council of Ministers pursuant to the provisions of Article (30) of the AML law, provided that those regulations comprise the basic elements of the relevant Recommendations which should be set forth in the provisions of any primary or delegated legislation outlined in the evaluation Methodology of 2004. ▪ Remove the confusion in reference to the AML law for issuing the banks' instructions. ▪ Issue the AML instructions in the insurance activities pursuant to the AML law so that sentences mentioned in the subject law could be imposed on the companies violating the contents of the instructions. ▪ Ensure that the AML instructions are implemented for the authorities supervised by the JSC and include in them issues covering CFT requirements. ▪ Moreover, work on issuing other instructions that establish a framework for AML/CFT in other financial sectors such as the sector of the companies issuing the payment and credit methods, the financial leasing sector, the Jordanian postal financial services, the PSF and the sector of e-money transfer. ▪ Address the following in the law or any other primary or delegated legislation: <ul style="list-style-type: none"> - The issue of the numbered accounts (whether for permitting their existence or not), so that the financial institutions are required to keep them in a way that fully complying with the FAFT recommendations could be achieved. For example, the financial institutions should identify the customer's ID in conformity with these standards, and that customer' records should be available for AML/CFT compliance officers, competent officers, and the competent authorities. - Clarifying the other circumstances requiring the implementation of the DD measures, which are cases of performing occasional transactions above the applicable limit (15000 USD/Euro). This also includes the cases in which the transactions are performed in one transaction or multiple transactions which seem to be connected; and cases of performing occasional transactions as wire transfers in the cases covered by the Explanatory Note of SR.VII; or the cases of suspecting ML or TF regardless of any exemptions or certain limits mentioned elsewhere in the FATF Recommendations; or the cases of the financial institutions doubting the sufficiency or accuracy of the previously obtained data with regard to identifying the customers' ID . - In the insurance field, the verification of ID by using original documents or data or information from a reliable and independent source (Identification data), as well as verifying if any person claiming to be

AML/CFT system	Recommended Action (listed in order of priority)
	<p>acting on behalf of the customer is actually authorized to do so or not, in addition to identifying and verifying his ID.</p> <ul style="list-style-type: none"> - In the insurance field, requiring the verification if the customer who acts on behalf of another person (beneficial owner), and taking reasonable steps after that for obtaining sufficient data for verifying the ID of the other person, as well as in exchange and insurance, requiring to identify the natural persons who really own or control the customer, including persons who effectively and fully control the legal person or the legal arrangement. ▪ Address the following in the instructions issued for the financial institutions: <ul style="list-style-type: none"> - Requiring them, regarding customers who are legal persons or legal arrangements, to obtain information on the provisions regulating the authority binding the legal person or legal arrangement. - Requiring exchange companies to take reasonable measures for understanding the structure of ownership and controlling interest of the customer if he is a legal person. - Requiring insurance and exchange companies to obtain information related to the purpose and the nature of the business relationship for natural persons and requiring securities companies to obtain information related to the purpose and nature of the business relationship for legal persons. - Requiring exchange companies to include in the ongoing CDD measures the examination of transactions carried out throughout the period of the relationship for ensuring the consistency of the performed transactions with the information which the institution knows about the customers, their activity pattern, the risks they represent, and if necessary, the source of funds, in addition to verifying that the documents or data or information obtained under the CDD measures are continuously updated and appropriate by reviewing the current records, especially with regard to higher-risk customers and business relationship categories. - Extension of the instructions issued for the exchange sector regarding the enhanced due diligence CDD measures so that they include a wider range of risk-posing customers and higher-risk business relationships and transactions. - Removing the confusion related to banks' impermissibility to have a continuous relationship with customers before completing the verification procedures. - The implementation of the DD measures vis-à-vis existing customers (existing customers as at the date the national requirements became effective) on the basis of materiality and risk, and addressing the issue of the timing of taking the DD measures towards existing business relationships (regarding the financial institutions operating in the banking sector, and other financial institutions, if appropriate). Following are some examples of times that could otherwise be suitable for this: (a) upon executing a large transaction, (b) when a big change occurs in the way of documenting the customer's information, (c) when a real change occurs in the way of managing the account and (d) when the institution realizes that it has no sufficient information on one of the existing customers). - Requiring that the banks use a "risk management system" to determine if a future customer, a customer or a beneficial owner is identified as a Politically Exposed Person PEP. - Requesting exchange companies to apply a full-scope of requirements in conformity with the Essential Criteria of R.6. - Requiring exchange companies to identify the level of control to which

AML/CFT system	Recommended Action (listed in order of priority)
	<p>the foreign companies intended to be contracted with, are subject, including if they were subject to investigation on ML or TF or a monitoring measure, and requesting from them to evaluate the controls that the original, correspondent institution uses for AML/CFT and verify that they are sufficient and effective.</p>
3.3 Third parties and introduced business (R.9)	<ul style="list-style-type: none"> ▪ Instructions issued by the JSC should cover the possible existence of third parties that Jordanian financial services companies referred to in order to have business relationships with some customers. ▪ Dependence on agents and insurance brokers should be organized with regard to the application in a sufficient manner of AML/CFT obligations.
3.4 Financial institution secrecy or confidentiality (R.4)	
3.5 Record keeping and wire transfer rules (R.10 & SR.VII)	<ul style="list-style-type: none"> ▪ Insurance, exchange and securities companies should be required through the AML Law or any primary or delegated legislation, to carry out the following: <ul style="list-style-type: none"> - In insurance, maintain necessary records of all domestic and international transactions, for a period of at least five years after the completion of the transaction (or for a longer period at the request of the competent authority in certain cases and after obtaining the proper authorization). This requirement applies regardless of whether the account or the business relationship is ongoing or has been terminated. - In insurance, maintain records of identification data and files of accounts and correspondences relating to the activity for a period of at least five years after the closing of the account or termination of the business relationship (or longer at the request of the competent authority in certain cases and after obtaining the proper authorization). - In insurance, exchange and securities, ensure that all records and information of clients and transactions are provided in a timely manner to the competent local authorities after obtaining the proper authorization. - Issue AML instructions for the insurance activities based on the AML law in order to be able to impose sentences on companies violating the instructions. ▪ Provisions or mechanisms should be developed to ensure effective monitoring of FIs compliance with the rules and regulations relating to the application of SR.VII, and to ensure that the external auditors verify that the banks have applied these instructions; and the adequacy of policies and procedures applied by the banks to this end. ▪ Remove the current confusion regarding the authority to impose sentences in accordance with the AML Law and other laws regulating the relevant supervisory bodies.
3.6 Monitoring of transactions and relationship (R.11 & 21)	<ul style="list-style-type: none"> ▪ Issue the AML instructions in the insurance activity based on the AML law in order to be able to impose sentences therein on companies violating the instructions. ▪ Require exchange companies to examine to the utmost the background and purpose of unusual large-scale and complicated transactions, set forth the results in writing and to make those results available to competent authorities and auditors for a minimum period of five years. ▪ Require FIs to apply specific measures related to dealing with persons belonging to countries that do not, or do not sufficiently, apply the FATF Recommendations. ▪ Finding efficient applied measures that ensure communicating to FIs concerns related to weaknesses in the AML/CFT systems in other countries. ▪ Require exchange companies to examine the background and purpose of transactions with no apparent economic or legal purpose from countries that

AML/CFT system	Recommended Action (listed in order of priority)
	<p>do not sufficiently apply the FATF Recommendations.</p> <ul style="list-style-type: none"> ▪ Require financial services companies to comply with comprehensive obligations related to dealing with customers residing in countries that do not, or do not sufficiently, comply with the FATF Recommendations. ▪ Develop and diversify appropriate measures to be taken in case a country continues in its non-application or insufficient application of the FATF Recommendations. ▪ Ensure a level of supervision and verification that guarantees FI's compliance with the content of these two Recommendations.
3.7 Suspected transaction reports and other reporting (R.13-14, 19, 25 & SR.IV)	<ul style="list-style-type: none"> ▪ Be more precise as for the primary crimes in the field of money laundering crime, so that they cover the minimum level of crimes stipulated under R.1. ▪ AMLU should be the only competent authority authorized to receive STRs related to ML/FT. ▪ Obligations stipulated in the Law should apply to all financial institutions in terms of reporting any suspected FT transactions. ▪ The reporting range must be expanded to cover reporting in the event where the funds are related or connected to or could be used for terrorist purposes or by terrorist organizations or institutions which finance terrorism. ▪ AMLU must set a feedback mechanism to the reporting entities regarding the results of submitted reports. This mechanism should not lead to warn the suspected upon referring the STR to the public prosecution. ▪ The control and supervisory role of the financial sector's supervisory authorities must be strengthened in a way that supports the financial institutions compliance with the reporting obligation. ▪ Increase training efforts, and especially training related to financial analysis and the identification of suspected transactions. ▪ Increase awareness among the exchange companies and bureaus to address their STRs to the AMLU and not to the security agencies. ▪ Consider the application of a system obliging all FIs to report all cash transactions exceeding a certain limit to a national central Committee equipped with an electronic database.
3.8 Internal controls, compliance, auditing and foreign branches (R.15 & 22)	<ul style="list-style-type: none"> ▪ Issue the AML instructions related to insurance activities pursuant to the AML law to be able to impose sentences on companies violating the instructions. ▪ Work on enhancing and developing regulations and internal policies of small banks. ▪ Require financial institutions to have an independent auditing function provided with sufficient resources to test the compliance with AML procedures, policies and internal regulations. ▪ Require exchange companies to set forth systems and internal policies related to AML instructions application and execution (financial services companies) while setting screening procedures to ensure the high level standards of employees efficiency, and granting the compliance officer full independency. ▪ Give sufficient attention to employees training and qualification. ▪ Clearly stipulate that while doing business with countries that are not applying the AML/CFT standards issued by the FATF or apply them insufficiently, foreign branches and affiliate companies are obliged to apply the higher standards in case the AML/CFT requirements are different in the hosting country. ▪ Clearly stipulate the necessity of applying the AML instructions by foreign branches and companies regulated by other financial institutions except banks and insurance companies.
3.9 Shell Banks (R.18)	
3.10 The supervisory and	<ul style="list-style-type: none"> ▪ Issue AML regulations for insurance activities based on the AML law, in

AML/CFT system	Recommended Action (listed in order of priority)
oversight system – competent authorities and Self Regulated Organizations SROs. Roles, functions, duties and powers (including sanctions) (R.23, 30, 29, 17, 32 & 25)	<p>order to impose the sentences stipulated thereon on companies that violate these guidelines.</p> <ul style="list-style-type: none"> ▪ Regulate financial leasing companies and designate a specified authority to be responsible for ensuring the compliance of these companies with AML/CFT requirements. ▪ Re-organize the financial transfer activity by setting basic rules for incoming and outgoing transfers with all types of currencies. ▪ Implement regulatory and control measures that exist for prudential purposes for financial institutions other than banks. ▪ Provide sufficient financial and human resources to increase the efficiency of supervision over financial institutions. ▪ Issue guiding principles in issues covered by the FATF Recommendations, in particular when it comes to describing the means and techniques used in ML and TF. Uncovered local and international cases should be included, taking into consideration regular updating. In addition, any other measures that could be taken by FIs and DNFBPs to guarantee the efficiency of AML/CFT measures should be covered.
3.11 Money or value transfer services (SR.VI)	<ul style="list-style-type: none"> ▪ Regulate money transfer activities in a more detailed manner by clarifying the different aspects that exchange companies can work in, in addition to putting more accurate and detailed information on the duties that these companies should comply with, as source, intermediary or beneficiary institutions with respect to transfers they handle.
4. Preventive measures – Non-Financial Business and Professions NFBPs	
4.1 Customer due diligence and record-keeping (R.12)	<ul style="list-style-type: none"> ▪ Establish an adequate legal and regulatory framework to complement DNFBPs' obligations to comply with all requirements of R.5 and cover the content of Recommendations 6, 8, 9, 10 and 11. ▪ Establish provisions and mechanisms that ensure that supervisory institutions are verifying the compliance of DNFBPs with their requirements. ▪ Compliance by DNFBPs with the requirements.
4.2 Suspected transaction reporting (R.16)	<ul style="list-style-type: none"> ▪ Distinguish between financial institutions and non-financial professions as reporting entities subject to Law 46/2007. ▪ Include the real estate brokerage offices under the entities subject to Law 46/2007. ▪ Include lawyers and accountants under the entities subject to the AML Law no. 46/2007 as they practice activities stipulated under Recommendation 12. ▪ Establish a legal provision that obliges all DNFBPs to report suspected transactions, where there are reasonable grounds to suspect that they are linked or connected to terrorism or terrorist acts or to be used to conduct for terrorist purposes or terrorist acts by terrorist organizations or those who finance terrorism. ▪ Introduce internal policies and controls to implement AML measures and to create an independent auditing unit to ensure the compliance of DNFBPs, particularly those subject to the law, with AML/CFT measures. ▪ Coordinate between the entities granting the certificates to practice professions and the Ministry of Industry and Trade in order to determine which of them should supervise the compliance of DNFBPs with AML measures. ▪ AMLU should continue its efforts to inform DNFBPs on reporting conditions, especially on the need to send reports to AMLU. ▪ Policies and measures should be implemented to ensure the compliance of DNFBPs with AML/CFT standards and enhance the awareness of employees

AML/CFT system	Recommended Action (listed in order of priority)
	<p>and provide them with training. Administrative sentences should also be considered for entities that do not comply.</p> <ul style="list-style-type: none"> ▪ Sound standards should be adopted by syndicates and associations on how to deal with clients from countries that do not comply with the FATF Recommendations. Countermeasures should be taken in case these countries continue to not comply with these Recommendations.
4.3 Regulation, supervision and monitoring (R.24-25)	<ul style="list-style-type: none"> ▪ Assign a special authority (authorities) to monitor the compliance of DNFBPs subject to Law 46/2007 with AML regulations. Such authority must exercise a comprehensive supervision role by issuing supervisory regulations and best practices standards. ▪ Subject the other categories of DNFBP to AML/CFT requirements, while taking into consideration the risks pertaining to these sectors. ▪ The AMLU, associations or syndicates should set guidelines regarding the mechanisms to report suspected transactions, in addition to sector-specific guidelines so as to serve as educational material and guiding Methodology to invigorate the combating efforts.
4.4 Other non-financial businesses and professions (R.20)	<ul style="list-style-type: none"> ▪ Conduct a risk assessment and consider the application of measures to fight ML and TF on NFBPs that might be misused for ML. Moreover, the authorities should take adequate measures to encourage the adoption of modern and secure techniques to conduct financial transactions that would be less likely subject to money laundering. ▪ A registered person should be aware of the risks resulting from the modern technologies.
5. Legal Persons and Arrangements & Non-profit Organizations	
5.1 Legal Persons – Access to beneficial ownership and control shares information (R.33)	<ul style="list-style-type: none"> ▪ Explain how authorities could ensure that the partners and shareholders are the true beneficiaries as well as how they could verify the information on the true beneficiaries. ▪ Enable the obtainment of the requested information on the true beneficiaries at the right time.
5.2 Legal Arrangements – Access to beneficial ownership and control information (R.34)	
5.3 Non-profit organisations (SR.VIII)	<ul style="list-style-type: none"> ▪ Expedite the implementation of the new law pertaining to charitable associations, as the current law does not cover problems related to ML and TF vis-à-vis supervision and recordkeeping. ▪ Increase the number of inspectors as the current number is not commensurate with the number of registered associations. ▪ Train the employees in this sector. ▪ Require associations to maintain its records for a minimum period of five years.
6. National and International Co-operation	
6.1 National co-operation and coordination (R.31)	<ul style="list-style-type: none"> ▪ The AML National Committee should set efficient policies and mechanisms to guarantee the means of cooperation between the authorities concerned with AML and communication mechanism with the financial sector and other sectors. ▪ A clear mechanism should be adopted for national cooperation in combating terrorism financing.
6.2 The Conventions and UN special Resolutions	<ul style="list-style-type: none"> ▪ Ratify the Palermo Convention soon. ▪ Fully implement the Convention for the Suppression of the Financing of

AML/CFT system	Recommended Action (listed in order of priority)
(R.35 & SR.I)	<p>Terrorism.</p> <ul style="list-style-type: none"> ▪ Set up laws, regulations or other measures to meet the requirements in UN Security Council resolutions on fighting terrorism financing.
6.3 Mutual Legal Assistance (R.36-38 & SR.V & R. 32)	<ul style="list-style-type: none"> ▪ Extend the scope of mutual legal assistance to include providing the original copies of relevant files or documents or copies thereof and any other information or evidence; facilitating the voluntary presence of the persons for the purpose of providing information or giving testimony for the requesting country; identifying, freezing, seizing or confiscating the assets used or intended to be used as well as the means used in committing those crimes ▪ Set up efficient mechanisms to decrease the time required to reply to mutual legal assistance requests. ▪ Create specific mechanisms to determine the best place to prosecute a case against the accused for the benefit of justice. ▪ Establish adequate laws and measures for the quick and effective response to mutual legal assistance requests submitted by foreign countries when the request pertains to properties of corresponding value. ▪ Establish special arrangements for coordinating the seizure and confiscation procedures with the other countries. ▪ Consider the creation of a fund for expropriated assets where all confiscated properties or part thereof shall be deposited and used for health care, education or other adequate purposes.
6.4 Extradition (R.39, 37 & SR.V)	
6.5 Other forms of co-operation (R.40 & SR.V)	<ul style="list-style-type: none"> ▪ Give the competent authorities the right to exchange information directly with counterparts and non-counterparts in the AML/CFT field.
Other issues	
7.1 Resources and statistics (R.30 & 32)	
7.2 Other relevant AML/CFT measures or issues	
7.3 General framework – structural issues	

Annex 1: List of Entities Visited

- President of the National Committee for AML
- Central Bank of Jordan – Banking Sector Supervision Department
- Central Bank of Jordan – Exchange Activities Supervision Department
- The Anti-Money Laundering Unit
- The Insurance Commission
- The Securities Authority
- The General Company Comptroller
- Ministry of Interior (incl. the Anti-Drug Department)
- Ministry of Social Development
- Ministry of Justice (incl. the Notary Supervision Department)
- Public Prosecution Service
- Ministry of Finance (incl. the Taxation Authority)
- General Customs Authority
- The Land and Survey Department
- The Anti-Corruption Authority
- The General Intelligence Authority
- The General Security Department
- Ministry of Foreign Affairs
- Ministry of Commerce
- Jordanian Exchangers Society
- Banks Association
- Bar Association
- Jordanian Forensic Accountants Society
- Free Zones Authority
- Jewelers Society President
- 3 banks (incl. 1 in a free zone)
- 2 insurance companies
- 2 exchange companies
- 1 money transfer company
- 2 Securities companies
- 1 finance leasing company
- 1 real estate dealing company
- 1 audit company
- 1 lawyer's office

Annex 2: List of Most Important Law and Regulations Made Available to the Evaluation team

- AML Law
- Terrorism Prevention Law
- Jordanian Penal Code
- Law On Principles Of Penal Trials
- Central Bank Law
- Banking Law
- Exchange Activities Law
- Law On Regulating Insurance Activities
- Securities Law
- Law On The Anti-Corruption Authority
- Finance Leasing Law
- Companies Law
- Exempted Companies' Regulation
- CBJ Instructions For Banks
- CBJ Instructions For Money Exchangers
- Instructions For Insurance Sector
- Judicial Cooperation Agreements
- Law On Drugs And Psychotropic Substances
- Investment Law
- Law Ratifying The Anti-Corruption Convention
- Law Ratifying The Terrorist Finance Convention
- Law On Associations And Social Entities
- Notary Public Law

Annex 3: Some Laws Made Available to the Evaluation Team

Anti Money Laundering Law No.(46) for the year 2007

Article 1:

This law shall be called "Anti Money Laundering Law of the year 2007" and shall enter into effect after thirty days of its publication in the Official Gazette.

Article 2:

- a. The following words and phrases, wherever mentioned in this law shall have the meanings indicated thereto hereunder, unless otherwise indicated by context:

The Committee	The National Committee of Anti Money Laundering formed pursuant to the provisions of this law.
The Governor	The Governor of the Central Bank.
The Unit	The Anti Money Laundering Unit established pursuant to the provisions of this law.
Funds	Any thing or right which has material value in dealing, legal documents and instruments in any form including electronic or digital forms evidencing ownership or interest in it including bank accounts, financial securities, commercial papers, traveler's checks, remittances, letters of guarantee and letters of credit.
Proceeds	Funds derived or yielded directly or indirectly from committing any of the crimes stipulated in article (4) of this law.
Money Laundering	Every conduct involving acquisition, possession, disposing of, moving, managing, keeping, exchanging, depositing, investing of funds or manipulating it's value or movement and transferring, or any action that leads to conceal or disguise it's source, origin, nature, place, disposition mean, ownership or related rights, with knowledge that the funds are proceeded of one of the crimes stipulated in article (4) of this law.
Suspicious Transactions	Any transaction thought for any justified reason that it is related to proceeds of any crime of those stipulated in article (4) of this law.
The Counterpart Unit	The Unit which is granted according to valid laws of any country the necessary competencies to combat money laundering transactions and its different uses, and subject within performing its tasks to sufficient legal rules of information confidentiality obligation.
Parties Subject to	The parties referred to in article (13) of this law.

**the Provisions of
This Law**

**Cross Border
Transported Money** Cash and financial instruments that can be traded whether in Jordanian dinar, foreign currencies, precious metals and stones.

- b.
- For the purposes of this law, the definitions mentioned in the Penal Trails Procedures Law, the Penal Code, or any other law criminalizing acts mentioned in this law, which all shall apply accordingly. In addition, definitions mentioned in any law related to the competent regulating and supervising authorities that are required to monitor parties subject to the provisions of this law or other laws that these parties are confided to apply, provided that no contradiction shall occur between the definitions mentioned in this paragraph with the provisions of this law.

Article 3:

It is prohibited to launder proceeds resulting from any of the crimes stipulated in article (4) of this law whether such crimes are committed inside or outside the Kingdom, provided that the act should be subject to penalty in accordance with the valid law of the country in which the act has been performed.

Article 4:

Any money proceeded as a result of the following crimes is considered to be related to money laundering:

- a. Any crime that is punished with felony penalty in accordance with valid legislations in the Kingdom, or crimes that any other valid legislation considers its proceeds to be subject to money laundering crime.
- b. Crimes stipulated by international agreements, to which Jordan adheres, that consider the proceeds of such crimes to be subject to money laundering crime, provided that the Jordanian law punishes such crimes

Article 5:

A committee shall be formed and named (The National Committee of Anti Money Laundering) shall be chaired by the Governor of Central Bank and shall consist of the following membership:

- a. Deputy Governor of the Central Bank, named by the Governor, as the deputy Chairman of the Committee
- b. Secretary General of Ministry of Justice
- c. Secretary General of Ministry of Interior.
- d. Secretary General of Ministry of Finance.
- e. Secretary General of Ministry of Social Development.
- f. Director of Insurance Commission.
- g. Controller General of Companies.
- h. A Commissioner of Securities Commission Council named by the executive chairman.
- i. The head of the Unit.

Article 6:

- a) The Committee undertakes the following tasks and authorities:
- 1- Formulation of general policy of anti money laundering.
 - 2- Supervision over the implementation of the tasks assigned to the Unit.
 - 3- Facilitation of the exchange of information related to money laundering transactions and coordination among the related parties.

- 4- Participation in international forums related to the general policy of anti money laundering.
- 5- Proposition of necessary Regulations to implement provisions of this law.
- 6- The Study of annual reports submitted by the Unit concerning anti money laundering activities within the Kingdom.
- 7- Coordination and empowerment of competent parties for the purposes of preparing periodic statistics about numbers of suspicious transactions, number of investigations, issued convictions related to such transactions , confiscated or frozen properties, and mutual legal assistance.
- 8- Approval and adoption of a budget for the Unit as proposed by the Unit head.

b) Committee meetings, the necessary quorum for its meetings , decisions making and recommendations, conduct of work, and other issues shall be identified in a Regulation to be issued for this purpose.

Article 7:

An independent Unit is established in the Central Bank called (Anti-Money Laundering Unit) tasked with receiving reports mentioned in paragraph (c) of article (14) of this law, requesting and analyzing related information then providing competent local authorities with such information when necessary.

Article 8:

Once sufficient supporting information is available to suspect a money laundering suspicious transaction; the Unit shall prepare a report for submission to the Prosecution General, attaching all available related documents and records.

Article 9:

The Head and Staff of the Unit are appointed by the Committee Chairman.

Article 10:

The Unit's sources of funds, operations, supervision over staff, rights and competencies, methods of appointment, and all other related issues needed to commence its operations shall be identified in a Regulation issued for this purpose.

Article 11:

a) The Chairman, members of the committee and the Unit's staff are prohibited from disclosing directly or indirectly any information they have access to or know, as being part of their work. Disclosure of information shall be only for those purposes stated in this law. Prohibition of disclosure remains in effect until after termination or completion of their work with the committee and the Unit.

b) The prohibition stipulated in paragraph (a) of this article applies to all those who, directly or indirectly, have access to or know information as being part of their work whether submitted or exchanged in accordance with provisions of this law, bylaws and regulations issued accordingly.

Article 12:

In spite of what is mentioned in article (11) of this law, the Unit may disseminate periodic statistics about numbers of suspicious transactions that have been received, convictions, confiscated or frozen assets, and mutual legal assistance.

Article 13:

The following financial parties are obliged to perform procedures mentioned in article (14) of this law:

- a) Banks operating in the Kingdom, and branches of the Jordanian banks operating abroad.
- b) Foreign Exchange companies and money transfer companies.
- c) Companies performing any of the activities that are subject to control and license of Securities Commission.
- d) Any natural or legal person, performing any activities that are subject to control and license of Insurance Commission.
- e) Financial companies that their articles of association and memorandum of agreement state that among their purposes is to perform any of the following financial activities:
 - 1- Granting all types of credit.
 - 2- Providing payment and collection services.
 - 3- Issuing and administrating instruments of payments and credit.
 - 4- Trading in money and capital market instruments to its own account or for its customers' account.
 - 5- Purchasing and selling debts with or without the right of recourse.
 - 6- Financial leasing.
 - 7- Managing investments and financial assets for others.
 - 8- Companies trading with real estate and their development, and trading with valuable metals and precious stones.

Article 14:

The parties subject to the provisions of this law are obliged to the following:

- a) Undertake with due diligence the identification of customer, legal status, activity of the customer and the beneficiary owner of the relationship between them and the customer, and the continuous follow up of transactions that are conducted through an ongoing relationship with their customers.
- b) Refrain from dealing with anonymous persons, persons of fictitious or anonymous names or shell banks.
- c) Report immediately to the Unit any suspicious transaction whether such transactions are conducted or not, by the means or the form approved by the Unit.
- d) Comply with all instructions issued by competent regulatory parties to implement provisions of this law.

Article 15:

It is prohibited to disclose by any means directly or indirectly, to a customer, beneficiary or to other than the competent authorities and parties mandated to implement the provisions of this law about any procedure of reporting, verification or investigation taken regarding the suspicious transactions.

Article 16:

The penal, civil, administrative or disciplinary responsibilities are not applied to any natural or legal person mentioned in article (13) of this law who in good will, reports any suspicious transaction or submits information or data in accordance with provisions of this law.

Article 17:

a) Considering what mentioned in article (15) of this law, the Unit has the right to request from any party obliged to reporting suspicious activities as stipulated in paragraph (c) of article (14) of this law, any additional information considered necessary to the performance of its duties if it is related to information previously received during commencing its tasks or upon request from the counterpart units.

b) Parties obliged to report, shall provide the Unit with information mentioned in paragraph (a) of this article within the specified time period.

Article 18:

The Unit has the right to request and coordinate with the following parties to provide additional information related to the reports received if it is considered necessary to perform its tasks or upon a request from counterpart units:

- a) Judiciary parties.
- b) Regulatory and supervisory parties performing their authority on parties subject to provisions of this law.
- c) Other administrative or security parties.

Article 19:

The Unit has the right to exchange information with the counterpart units on a reciprocal basis provided that the information shall be utilized to prevent money laundering; also approval of the counterpart unit that provided such information is requested. The Unit has the right to sign memorandum of understanding with counterpart units to organize cooperation in this regard.

Article 20:

- a) Each individual entering the Kingdom shall declare on the approved form prepared for this purpose the cross-borders transported money if its value exceeds the threshold set by the committee.
- b) The Customs Department shall keep and preserve all cross-borders transported money declaration forms. The Unit has the authority to use such forms when it deems necessary.

Article 21:

The Customs Department has the right to seize or retain the cross-boarder transported money in the event of non-declaration, false information about it is provided, or in any case of suspicious transaction, and shall inform the Unit immediately. The Unit shall issue a decision within a maximum one week from the date of being informed regarding such money whether to return the money back to its owner or refer to judiciary.

Article 22:

To achieve the intended purposes of this law, the Jordanian judiciary parties shall cooperate with foreign judiciary parties; in particular regarding the assistance, judiciary representation, extradition of accused and convicted individuals and proceeds, in addition to the requests of foreign parties to pursue, freeze or seize funds related to money laundering crimes in accordance with rules set by Jordanian legislations and bilateral or multilateral agreements in which Jordan is part of, and on reciprocal basis without any prejudice to the rights of the persons who have good will.

Article 23:

- a) Jordanian judiciary parties have the right to order the implementation of the requests of foreign judiciary parties to confiscate proceeds related to money laundering crimes in accordance with rules set by Jordanian legislations and bilateral or multilateral agreements in which Jordan is part of.
- b) The funds yield which a final confiscation judgment had been issued regarding them shall be distributed according to the provisions of this law in accordance with agreements held in this regard.

Article 24:

Without any prejudice to any severe penalty set by the Penal Code or any other law, the following penalties are imposed on crimes indicated thereto hereunder as follows:

- a) Temporary hard labor for a period not to exceed five years and a fine of not

less than ten thousand dinars and not to exceed one million dinars on each individual who commits money laundering crime stipulated in this law.

b) The accessory, the intervener and the instigator shall be punished with the same penalty imposed on the main actor.

c) In all cases, the penalty shall be doubled in the event of repetition.

Article 25:

a) Imprisonment for a period not to exceed six months or a fine not less than one thousand dinars and not to exceed ten thousand dinars or both penalties if any individual violates any of the provisions of articles (11), (14) and (15) of this law.

b) Whoever violates the provision of paragraph (a) of article (20) of this law shall be panelized with a fine not less than (10%) of the non-declared funds value.

Article 26:

a) In addition to what is mentioned in article (24) of this law, in all cases material proceeds or equivalent value shall be confiscated if it is difficult to seize, execute or was disposed to others who have a good will.

b) If proceeds are mixed with other legitimate sources assets, such assets are subject to confiscation as stated in this article and within the limits of the estimated value of the proceeds and its product.

Article 27:

The Attorney General or Prosecutor General shall exercise authority over crimes of money laundering as stipulated by this law and according to the valid Penal Trials Procedures Law.

Article 28:

a) In spite of what mentioned in any other legislation, the precautionary seizure conducted by Prosecution General, the prosecutor General or the competent court in accordance with provisions of this law shall stop all current procedures and transactions conducted on that fund.

b) The harmed individual of the seizure decision may challenge the decision at the authorized court.

Article 29:

Provisions related to banking confidentiality stipulated in any other law shall not hinder the implementation of any provisions of this law.

Article 30:

The Cabinet shall issue necessary Regulations to implement provisions of this law.

Article 31:

The Committee shall set the Instructions related to:

a) Measures and basis related to reporting the suspicious transactions and forms that are set by the Unit, and organizing the procedures taken by the Unit once the report is received.

b) Controls related to declare cross border transported money and declaration related procedures.

Article 32:

The Prime Minister and Ministers are entrusted with the implementation of the provisions of this law.