Middle East and North Africa Financial Action Task Force

ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM

MUTUAL EVALUATION REPORT OF

THE HASHEMITE KINGDOM OF JORDAN

DRAFT

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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 the financing of terrorism (CFT) regime of the Hashemite Kingdom of Jordan (Jordan) was based on the Forty Recommendations 2003 and the Nine Special Recommendations on Terrorist Financing 2001 of the Financial Action Task Force (FATF), and was prepared using the AML/CFT Methodology 2004[1]. 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 relevant the 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 Democratic and Popular 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 in the Lebanese Republic, *Ms. Rim Ghanam*, Assistant Head of an AML/CFT Authority Section in the Arab Syrian Republic. The experts reviewed the institutional framework, the relevant AML/CFT regimes, regulations, guidelines 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. Oumaya Tawkan*, Governor of the Central Bank of Jordan and the Chairman of the AML National Committee for his assistance which helped the team to fulfill its mission, and *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 onsite visit.

[1] As updated in February 2008.

EXECUTIVE SUMMARY

1. Key Findings

1. This report provides a summary of the AML/CFT measures in the Hashemite Kingdom of Jordan (Jordan) at the time of the onsite 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 has one of the advanced, 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 antiques from Iraq. Jordan's economy is remarkably open to the international investment markets. These factors together 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, 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 issued in July 2007. This 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 sizable number of obligations necessary to complete the combating system, including the inclusion of CFT within the jurisdiction of the AML Unit. In addition, it overlooked obligations that should be imposed on financial and other institutions in this respect.

4. Moreover, one of the main remarks that should 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 issued. 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 from another side.

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 effect 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 apply 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 evaluation Methodology for 2004. The reason for that is either they are not criminalized in the first place or are not punishable with a felony's sanction, as the predicate crimes are restricted in the Jordanian Law to the crimes punishable with a felony's sanction 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 offense 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 a 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 Dinars and not exceeding one million Dinars, in addition to the 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 punished 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 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. Sanctions for natural and legal persons who commit TF acts are non-dissuasive, disproportionate. It is not possible to measure the effectiveness because of the absence of evidence, that there is any, and 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 at the UN, who then sends them to the Ministry of Foreign Affairs. The Ministry sends them to a technical Committee established under a Decision by 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 Security Council's Counter-Terrorism Committee and responding 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 takes under 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 overlooked this side. It is a new unit still in the phase of growing and gaining basic experiences, as it needs to increase its financial, human and technical resources. On the other hand, there is a clear overlapping 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 Service deals with AML cases it receives from the Unit. However, it is necessary to establish a designated law enforcement authority to be responsible for carrying out TF

investigations. Moreover, a special care should be given towards providing 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 and does not cover all inbound and outbound 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 an inquiry about the purpose; but this form has not come into effect yet. In addition, sanctions 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. Preventative 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 secondary legislations that impose the compliance with the basic requirements in some of those Recommendations. The current obligations are imposed on the financial institutions in Jordan by the AML law, which came into effect 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 effect 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 for 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 secondary legislation) has not detailed the basic CDD obligations that should be available in a primary or secondary legislation. 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 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 for the money exchange sector regarding enhanced CDD measures need to be extended to include larger categories of risky 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 at the date national requirements came into force) should be implemented on the basis of materiality and risk, and the issue of the timing of taking the CDD measures towards the existing business relationships must be tackled. In addition, banks should use a

risk management system to determine whether a future customer, a existing customer, or a beneficial owner is a PEP.

16. Regarding recordkeeping, except what is mentioned in the Banking Law, the financial sector institutions are not subject to sufficient obligations in this respect, as this issue is dealt with in the instructions issued for those institutions. For this reason, the financial institutions should be required, by a primary or secondary legislation, to keep all the necessary records for the local and international transactions for a period of 5 years at least after the transaction is concluded (or for a longer period at the request of the competent authorities in certain cases and after obtaining proper permit). Moreover, they should keep records on the ID identification data, accounts' files and correspondences related to the activity for 5 years at least after closing the account or the end of the bossiness relationship. There is also a need for provisions or mechanisms that ensure the effective monitoring of financial institutions compliance with the rules and regulation related to the application 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 sufficient.

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-scale and unusual transactions. On the other hand, effective measures should be in place to ensure that financial institutions are kept aware of concerns related to deficiencies in other countries AML/CFT regimes. In particular, money exchange companies should be required to screen the transactions that do not have apparent economic or legal purposes stemming from countries that do not appropriately apply the FATF Recommendations. Financial services companies should be required to comply with comprehensive obligations in relation to dealing with customers from or in countries that do not, or do not appropriately, apply the FATF Recommendations.

18. Regarding the need for reporting suspicious transactions, the institutions mentioned in the law are required to comply with reporting upon suspecting ML cases. On the other hand, one of the most important aspects that should be remedied in the current regime is that the scope of ML predicate crimes does not cover the minimum crimes provided in R.1. The Jordanian AML Unit is not the only authority receiving STRs. In addition, the obligations imposed on the financial institutions with respect to reporting in the law 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 them 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, the financial institutions are adequately and sufficiently requested to establish such systems for AML purposes. In reality, it appeared that most banks had rules and internal policies concerning the AML measures, with a disparity in the development and efficiency of those policies between small and large, 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 bound 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 are affiliate institutions of banks and implement the policies implemented within those banks. The securities companies had no internal systems or policies concerned with AML measures, since the AML instructions had not been officially issued 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 do not sufficiently, implement the FATF Recommendations, the instructions for the banks and the insurance companies

organize this issue, in addition to other instructions issued by the Central Bank in terms of 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 do 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 the 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 monitoring in relation to AML on the financial institutions subject to it, but, in general, the law stipulates that the authorities under the provisions of this 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 directly subject to a supervisory or oversight authority, such as the financial leasing companies.

23. Furthermore, as the implementation of he 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 that those supervisory authorities have qualified and efficient staffs, most of those authorities are short 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 sanctions against financial institutions violating the law and the instructions, except in relation to the insurance activities; however, to date of the onsite visit, no sanctions have been imposed on the violators of the AML instructions.

24. Regarding the money or value transfer activities in Jordan, banks and money exchange companies only are permitted to practice this activity. These institutions are registered and licensed with the Central Bank of Jordan. The instructions for banks and exchange companies have been set forth covering some of their requirements within the scope of the international standards. Regardless of the foregoing, the transfer sector outside the banks lacks sufficient legal regulation. 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 those companies (whether ordering, intermediary, or beneficiary) should comply with in relation to transfers they handle.

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

25. There are no casinos in Jordan, and they are not permitted to operate in the first place. Moreover, trust and company service providers are not present. 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 approve legal translations. On the other hand, lawyers and accountants are not bound by the obligations of the AML. For this reason, the DNFBPs categories addressed to comply with the AML obligations are restricted to companies dealing in real estate, precious metals and precious stones. These categories are dealt with in the AML law on the same footing with 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 their any 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 suspicion of TF.

27. There is a need for power and an authority (or authorities) specialized with supervising the compliance of the DNFBPs subject to the law with the AML measures, and that that authority practices an extensive, supervisory role through issuing supervisory regulations and best practices criteria. Moreover, the Unit, 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 educational material and a guiding Methodology to invigorate 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 No. of 1997, and 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-photocopy of the of any 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 owners as well as how they verify the information about the beneficial owners. In addition, it is worth noting to indicate the inability of obtaining the requested information on a timely basis. It has not been found out that trust 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 onsite visits to the charitable associations in order to examine methods of expenditure in general, but without examining the fundraising. There is no law that 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 numbers of inspectors[2]. 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 domestic 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. 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 full

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

implemented. Moreover, the UN Convention against the Transnational Organized Crime (Palermo) has been signed in 2002, and the measures are underway to ratify it.

32. Jordan cooperates satisfactorily 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 an 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 a suitable and quick mechanism in this scope have a negative effect 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 basic 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, 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 competent authorities are not trained appropriately 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 is land and 329 km² is water. Its population reaches approximately 5.906.760 millions. 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 King 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 the President, cannot be more than half the size of the Chamber of Deputies. Senators must be at least 40 years old and are appointed for a term of four years and can 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 old and are elected for a term of four years, which may be extended by the King's will 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 court are appointed and dismissed by the King 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. The sessions shall be in public unless the court believed that they should be private, 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 about 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 an increased activity regardless of the various challenges that have been facing it mostly the sharp increase of oil prices and

the other 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, the transportation, the telecommunication, the financial services, the insurance, the real estate, the commercial, the restaurant and hotels sectors. There are 5 general free trade zones in Jordan, dealing in the industrial, commercial, service 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 reached by the efforts of the government through the implementation of the structural and legislative reformation processes; adoption of overall economic policies; continuation of the structural reformation through the execution of many privatization[3] projects; the continuous flow of the direct foreign investments due to the Kingdom's appealing investment environment and political stability.

9. Jordan strengthens its economic and commercial relations 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 investment protection and promotion agreements and 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) of 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 abused the rights of others, for the preservation of the public money and provision of the principles of equality, equality of opportunities, justice, and the fight against the elimination of the personality.

11. In addition, the Financial Liability Disclosure Law No. (54) of 2006 was approved, and under which a department called (Financial Liability Declaration 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 liability declaration of those on which the provisions of Financial Liability Declaration Law are applied in addition to any related data, notes and notices.

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 Authority issued the Manual for the insurance companies. The Draft Institutional Control Regulations for the companies listed in the stock exchange has been drafted and they will be issued by the Securities Authority.

[3] This term [in Arabic] is used in Jordan to refer to privatization.

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

a. Hearing the complaints related to any decision or procedure or practice or action of abstention from any of them, which are issued by the public administration or its employees. No complaints are accepted against the public administration if the objection has legal grounds before any administrative or judicial authority or if the subject is heard by any judicial authority or a judgment has been rendered about 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 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 regime, 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 with the similar international crime rates (reached around 7.5 per thousand in 2007 for all the general crimes[4]); however, Jordan is primarily affected by the regional Narcotic Drugs and Psychotropic Substances trading activities. Despite that 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, with large amounts of those substances 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 East[5].

15. Jordan has been facing the smuggling of antiques from Iraq to Jordan since the embargo that has been imposed on Iraq since 1990[6], 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 working on to control those crimes. The Agreement stipulates that border officers should organize periodical meetings in order to coordinate cooperation and exchange of information, which prevents or controls infiltration and smuggling, as well as establish a bilateral follow-up Committee composed of representatives of the security authorities in the Ministry of 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

[4] 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)

[5] UNODC website: http://www.unodc.org/egypt/en/country_profile_jordan.html.

[6] News reports on website of the Jordanian Embassy in Washington (http://www.jordanembassyus.org/071099007.htm) and (http://www.jordanembassyus.org/05102004003.htm).

Drugs and Psychotropic Substances' crimes, the methods used in trafficking them, the methods of transporting them, the place of their departure, their destination and the persons involved in them[7].

16. As well as, the openness of Jordan on 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 USD) in 2005[8]) due to the success of its investment motivation policy represents a degree of risk given the novelty of the implementation of the AML regime 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 foreign stock exchanges and the plurality of fraudulence cases connected to them, which prompted them to expedite to issue the International Stock Exchange Transactions Law No. 49 of 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 geostrategic position in the Middle East region and its role in the peace process in the region, some risks related to the terrorist activity appeared, such as formation of terrorist groups and networks and cells that feed the terrorist activities in the region, whether intellectually or organizationally, especially after war on Iraq. Jordan along with its civilians, officials, interests and institutions have been a target for terrorism and terrorist activities for long decades due to its (Jordan) main positions 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. Since 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 an international confrontation against terrorism and the establishment of an international mechanism that guarantees confronting and terminating its financing, training and practice[9].

18. The report submitted to the Security Council in 2002[10] 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 within Jordan. Jordan has been exposed to terrorist actions the last of which was in 2005 when AL-Qaeda (in Iraq) adopted the explosions that occurred in some hotels, killed 60 persons, and wounded many. The Jordanian government is trying to terminate and fight any terrorist act or any source of assistance or support. In this regard, in 2006, the Jordanian Sanctions Law was amended and the Terrorism Prevention Law was issued. Moreover, Jordan has ratified the International Convention for the Suppression of the Financing of Terrorism.

1.3 Overview of the Financial Sector and DNFBP

19. ***Structure of the Financial Sector in Jordan:*** whereas the Kingdom is regarded 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 the financial development indicator) and is 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 issuance 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 accompanying it with a development process at the legislative, regulatory and supervisory level, 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).

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[7] Report published on the website of the Jordanian Ministry of Foreign Affairs. http://www.mfa.gov.jo/ar/events_details.php?id=12568

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

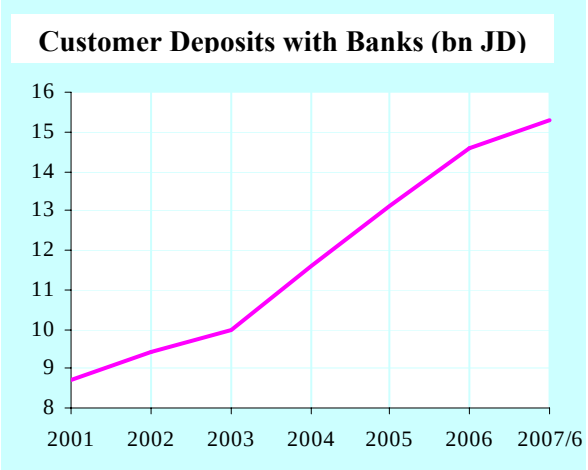
[9] Website of the Jordanian Ministry of Foreign Affairs http://www.mfa.gov.jo/ar/pages.php?menu_id=197.

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

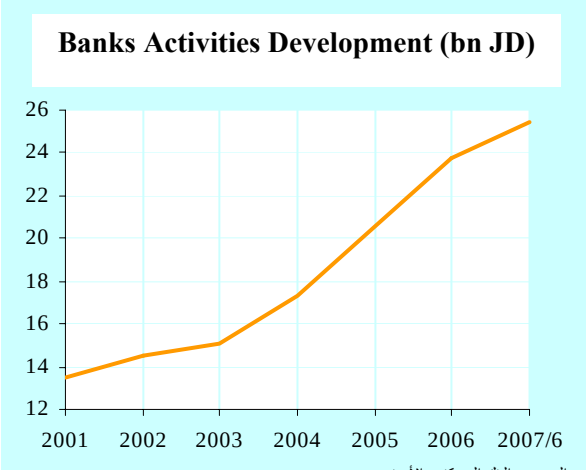
First: Bank Sector

20. The bank sector represents the most important and largest component of the financial sector (and economy in general) whereas the banks have played a major role in pushing the economic growth rates through gathering the national savings and using them in financing the productive economic sectors. Years (2002-2006/2007) and especially the beginning of 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 the Jordanian economy reached in this period, as the bank businesses number recorded strong growth rates in the period between (2002-2006/2007) reached (12.3%) in average, to reach at the end of the first half of 2007 JOD 25.4 million (approximately equivalent to1.4 bn. USD) forming a rate of (241.7%) of the Gross Domestic Product.

21. There are (23) licensed banks in Jordan distributed as follows: (15) Jordanian banks (two Islamic banks), 8 foreign banks (5 Arab banks) where the number of local branches of these banks is around (558) branches and (83) offices. The banking density indicator (the number persons on the number of branches) in the middle of 2007 reached around 10300 persons for each branch. The assets of these banks increased 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 bank sector, there are two banks that control over 40% of the value of all assets and deposits for 2006.



Source: CBJ



Source: CBJ

Use of modern technology in banking business

22. The 2006 annual report of the Association of Banks referred to 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 prepaid cards, the electronic funds transfer cards, the internet shopping…This phenomenon has led to a continuous growth to an 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 indicate the progress in using these services in the Kingdom in detail (amounts are in Jordanian Dinars).

ATM	2002	2003	2004	2005	2006	2007
No. of Customers Participating	^ 334.000	^ 423.000	^ 479.000	^ 2.389.691	1.439.851	2.658.998
No. of Executed Movements	~ 174.000	~ 200.000	~ 219.000	~ 1.579.137	17.630.436	29.668.332
Movement Amounts	* 14.672.000	* 17.963.000	* 20.782.000	* 626.238.272	1.950.076.107	4.794.489.914
Articulate Bank	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
No. of Customers Participating	A1	A1	A1	A1	835.907	510.676
No. of Executed Movements	B1	B1	B1	B1	360.393	115.241
Movement Amounts	C1	C1	C1	C1	2.509.332	40.605.212
Portable Bank	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
No. of Customers Participating	A2	A2	A2	A2	881.923	669.768
No. of Executed Movements	B2	B2	B2	B2	924.963	3.456.702
Movement Amounts	C2	C2	C2	C2	85.206	17.562.467
Internet	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
No. of Customers Participating	299.000	372.000	404.000	434.395	752.125	514.706
No. of Executed Movements	56.000	99.000	178.000	203.148	781.129	1.085.437
Movement Amounts	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 Customers Participating	2.000	2.000	2.000	162	75	-
No. of Executed Movements	5.000	5.000	5.000	2.808	5.256	-
Movement Amounts	52.079.000	40.245.000	37.748.000	50.303.214	42.687.336	-
Cards	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
No. of Customers Participating	874.000	1.067.000	1.199.000	1.495.917	486.420	191.313
No. of Executed Movements	13.290.000	16.912.000	20.652.000	14.478.831	4.830.510	2.132.405
Movement Amounts	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 Customers Participating	A3	A3	A3	A3	778.777	25.406
No. of Executed Movements	B3	B3	B3	B3	832.644	29.723
Movement Amounts	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 of 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 Customers Participating	1.509.000	1.864.000	2.084.000	4.320.165	5.175.003	4.570.867
No. of Executed Movements	13.525.000	17.216.000	21.054.000	16.263.924	25.365.331	36.460.840
Movement Amounts	1.215.762.000	1.673.849.000	2.096.614.000	2.466.478.862	3.326.590.193	5.507.884.820

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 ineffectiveness[11]", in addition to the need for upgrade the workers' efficiency in banks and supervisory authorities for training them to control these risks.

Second: Payment and Credit Issuance 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 rights of all institutions. The statistics' numbers mentioned above show the importance and development of this sector, but currently the organization and structuring of these companies is 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 has provided the service through its center in the Kingdom. Moreover, the numbers 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.

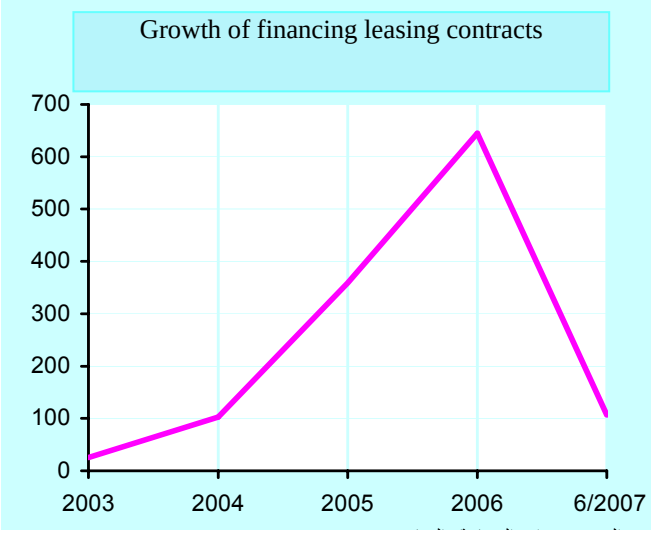
Third: Specialized Credit Corporations

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 and the Industrial Development Bank. These corporations depend basically on their capital and internal and external credit as their financial resource. These corporations do not threat 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 and the banks the risks might move under a limited degree of relations 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 big developments, as the graph below shows the development of the number of the financing leasing contracts registered in 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.

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



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. Moreover, 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); however, at the same time, 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. These companies shall be registered in a special register in the Ministry after they obtain the independent legal identity and its capital must be more than JOD 2 million. As well as, the said Ministry shall register the leased assets in a special register in addition to registering the financing leasing contracts.

Five: Securities Sector

30. Securities Law no. 76 of 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) of 2008 was issued in August 2008 (approximately one month after the onsite visit) as the Jordanian authorities are aware of the importance of this sector, its recent expansion and the risks related to it. 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 follow-up of the Stock Exchange's daily businesses. The ASE membership is consisted of financial brokers, brokers working for themselves and any other institutions determined by the Delegates Council of the Securities Authority, who form the Stock Exchange General Authority. The Stock Exchange is also consisted of 69 brokerage agencies (the highest market share amongst them is 8.8% for the securities turnover as in 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
Gross Domestic Product at Market Prices %	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 increase continuously to form 289% of the Gross Domestic Product, but this sector remains relatively humble regarding dealing and the number of financial tools listed.

Turnover & Number of Traded Shares per Sector

Sector	Turnover (per million dollars)					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**

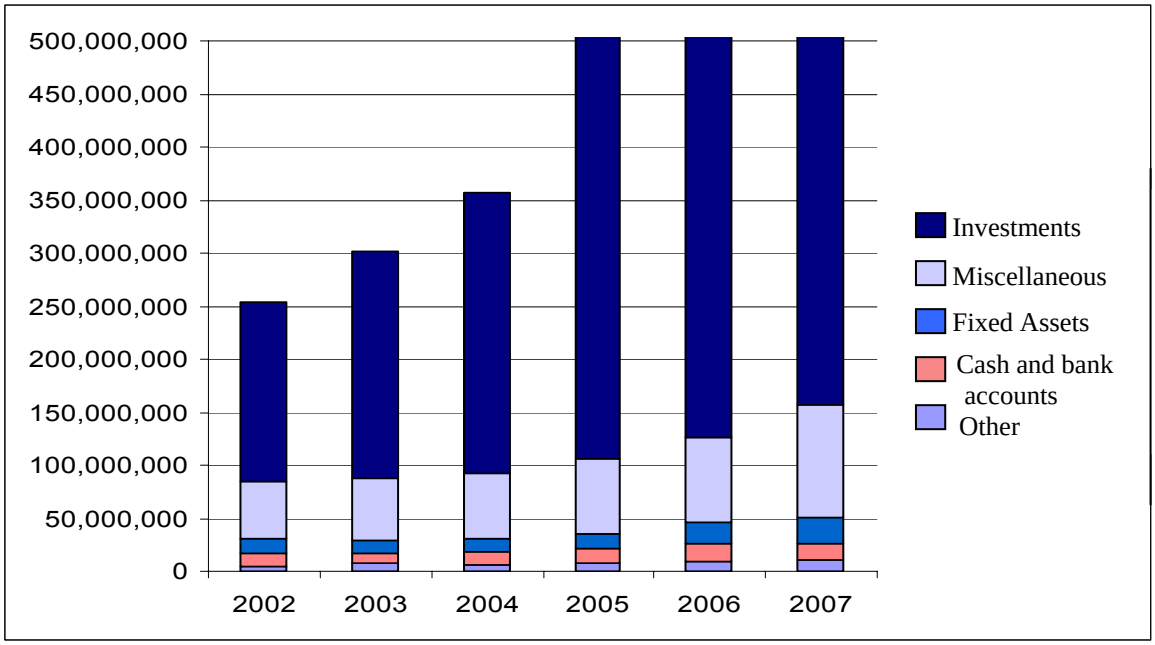
Source: Amman Stock Exchange

Six: Insurance Sector

32. The insurance sector contributed in the Gross Domestic Product with around (5.2%) in 2006 and it has developed in the past years with respect to the establishment of the Insurance Authority in 1999, which is considered the only side, which is responsible for regulating it. Moreover, the sector's size has increased by 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. Only 11 Jordanian companies carry out general insurance businesses 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 is consisted of (29) insurance companies, (426) insurance agents, (56) insurance brokers, (37) loss adjustors, (11) Companies administrating the expenses and medical insurance services (13) actuaries, (4) reinsurance brokers and (11) insurance consultants as in 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 in 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

Structure of Subscribed Premiums	2006 (JOD)	Change from 2005	2007 (JOD)	Change from 2006
Most 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) of 1992 establishes the legislative frame that regulates the exchange activity in the Kingdom through determining the exchange companies' legal forms, capitals and the onsite and office 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 sanctions imposed on the illegal exchange companies. A package 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 harmonizing the supply and demand elements against foreign currencies.

34. The following strengthens 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.
- Increase in the total financial guarantees provided by the exchange companies by two 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 big support for its monetary and financial policy. According to the International Monetary Fund's studies, the Kingdom received from 1970-2002 around 30.6 bn. USD from the immigrants' transfers, with an annual rise 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 sent transfers head most of the time 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**
Received 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	-	-	-	-	-	-	-	-
Sent Transfers	197	193	194	227	272	349	** 401	...
Workers' Transfers	174	170	171	200	240	308	354	...
Employees' Compensations	23	23	23	27	32	41	47	...
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 found in 1985 that it

constitutes between 50% and 67% of the total transfers[12]. However, it is important to note that nothing is their to indicate the spread of informal remittance 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 network amongst them and exchange companies located outside the Kingdom before the issuance of the instructions of licensing the limited liability exchange companies on 27/2/2007, binding the latter to prepare an automatic or manual register for the sent and received transfers, showing the number, amount and date of transfer as well as the data of the transferor and the transferee (according to the KYC rule), supported by the documents supporting that, and the Central Bank shall be provided monthly 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 chosen 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 on 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 Corporations (NBFCs)

38. There are many NBFCs in the Kingdom, which are active in the area of guaranteeing the customers' deposits, guaranteeing the credits, crediting the exports as well as refunding the residential 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 body in the Kingdom. It is worth shedding light on the financial services of the Jordanian Post and the PSF which are placed beyond the AML law frame.

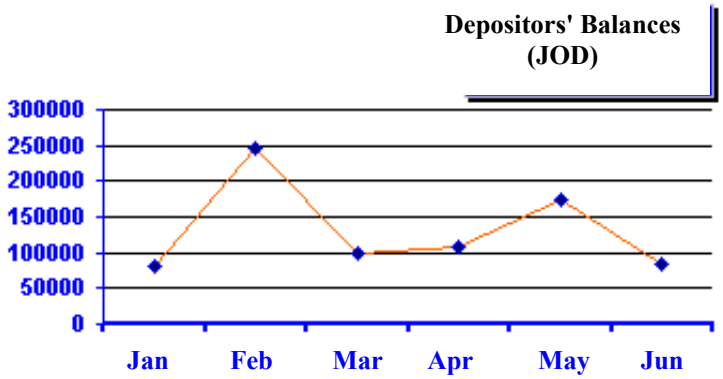
39. The Jordanian PSF services include the money transfers, the postal bills, collecting invoices, paying national aid allocations and many other services such as marketing banking services (limited for a private bank). Regarding financial transfers, the Jordanian post company works on issuing and exchanging the normal and wire internal, postal transfers in 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% f 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 Agreement amongst both countries. Whereas the postal bills are sold for 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 lends the post office an intermediary status for filling the new customers' applications for subscribing in banking services provided by a private bank.

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 investing 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/FT 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 3200 offices and operating daily for 12 hours and during vacations and official holidays; dealing in small amounts with respect to depositing, withdrawing, the banking transactions' confidentiality, the simplicity and speed of procedures; avoiding bureaucracy; the ability

[12] Estimates in IMF studies on the financial stability in Jordan.

of transferring the depositor's account from an 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 which are limited in 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 withdrawing from these accounts is not permitted before the maturity date, the minimum balance being 1000 Dinars). Whereas the requested documents are: ID , official proxy or official authorization. The procedures stipulate that an account may be opened and a saving book 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 an 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 give licenses for 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. As well as, the notary's profession in the Kingdom is not included within the recommendations' framework according to the FATF definition of the DNFBPs, since the notary in Jordan is a public officer who performs his duties according to the law and authenticates the official documents and papers as well as the translated contracts and texts according to the law that regulates his work (Law No. (11) of 1952). There exists no competent supervisory department regulating the notaries; however, each court contains a notary public circuit controlled by the court. In case of any doubt in any transaction, the notary refers the issue to the court working for. 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 their 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 stones.

44. Lawyers: Article (11) of the Bar Association Law No. (11/1972) stipulates that it may not be authorized to combine the bar profession 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 of institutions. However, this does not forbid 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 bar is practiced independently and its regulation is subject to the Bar Association Law and of the authorized lawyers' law. The Jordanian Bar Association supervises the profession of law according to the provisions of the law. The Bar Association was established in 1950; it includes 10000 lawyers. The Bar Association membership is obligatory for the lawyers. The Association supervises the lawyers to assure they are complying only with the professional ethics, which is done through submitting a certain complaint or notification. The lawyers shall not be subject to supervision from any other authority. The law defined the lawyers as assistants to jurisdiction, whose 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 at: (a) all kinds and degrees of courts except the Islamic courts; (b) the judges and the Public Prosecution Departments; (c) all administrative authorities and the public and private institutions) (2) regulating contracts and taking required action (3) providing legal consultations.

46. In addition to that, it is not permissible to register at the competent departments or any official authority a contract or any regulations 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's officers do not know that the AML regime has been approved and is in effect, and they do not equally know that there is a special unit for AML. Moreover, there is no guidance for the lawyers regarding AML. The provisions of the profession's confidentiality are inconsiderable in case of the presence of a reported crime. The lawyer provides legal consultation and pleadings 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 agent of a legal person as per 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 paragraph (a) of Article (45) of the Chartered Accounting Profession Regulation Law No. (73) of 2003, the chartered accountant performing auditing or accounting activities is forbidden from having a profession in the commercial or industrial or in any other field…or dealing in the shares and bonds of the party for which he is auditing its accounts whether directly or indirectly, in his name or one of his employee's name…or contributing in establishing the company he audits its accounts or being a member in its Board of Directors or working permanently 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. In spite of the foregone, nothing forbids the chartered accountants from performing the activities provided for in criterion (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 of the establishing or operating or managing companies; establishing or operating or managing legal persons or arrangements and buying and selling commercial entities, which put them completely under R12.

49. The Chartered Accounting Profession Regulation Law aims at regulating the performance of the profession, promoting it and guaranteeing the compliance with the approved accounting standards and the auditing standards. The profession 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. Moreover, upon performing his duties, he must keep the secrecy of the profession under legal liability. The chartered accountant is forbidden especially from dealing in the shares and bonds of the side he audits its accounts whether directly or indirectly, in his name or one of his employee's name and contributing in establishing the company he audits its accounts or being a member in its Board of Directors or working permanently 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.

50. It is permissible to establish civil companies amongst chartered accountants performing auditing in their offices provided that the company is registered at the Department of companies'

Comptroller General in the Ministry of Commerce and Industry according to the applied legislations. As well as, the chartered accountant performing the auditing duties is entitled to cooperate with a foreign auditor provided that the former complies with showing his names and license number upon practicing the profession, or giving his opinion about the financial data.

51. The Higher Commission for Auditors undertakes to regulate the profession and granting licenses for the chartered accountants, who ensure that the company they audit applies internal regulations and policies and ensure that the company executes those policies and test their effectiveness. There are 450 chartered accountants who work in 250 offices. The chartered accountants perform the auditing duties only and 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 on them by the bank they audit and not and is not the Central Bank's competence 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 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, mediating in, lands and real estate according to the provisions of these Regulations). The department of Lands and Survey gives licenses to whom Article 4 of the Law Regulating the Profession of Survey and Real Estate Offices (Law no. 40 of 1980) apply, which provide for the following:

a. No person shall deal in buying, selling, mediating the buying, selling, or renting, of lands and real estate unless in a private real estate office following the acquisition of a license issued in accordance of this 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 shall be prohibited for any person to practice the profession of evaluating lands and real estate unless he has been registered and approved by the Department for Lands and Survey in a table prepared for this purpose and in accordance with the provisions of the Regulations referred to in Item 2 of this Paragraph.

   2. Bases and standards for registering and approving evaluators shall be determined by virtue of regulations to be issued for that purpose, provided that they include in particular the conditions to be required 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 given to the establisher (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 he number is 690), only 260 offices of which have renewed their licenses and the remaining offices are operating illegally. The Department stated that the number of licenses given in 2008 to offices' owners (new and renewed ones) were 302; and that 25 licenses have been revoked during the same year, knowing that the number of licensees files is around 1500. This latter number is an accumulated one representing licensed offices and the ones with revoked licenses or that have not renewed their licenses for all years. These companies are not supervised in implementing the AML obligations; however, the Department of Lands and Survey has verified (by fax) the real existence of 147 companies. It is worthy mentioning that the real estate business in the Kingdom is not limited to these companies, but it could be done amongst the contractors or through a non-registered broker. Moreover, there are non-licensed land registers and, thus, the real number of real estate brokerage offices cannot be limited.

54. Moreover, there are around 850 to 900 residential real estate companies (which are the company that trade properties – buys and sells different kinds of properties) and 100 real estate development companies (which is the company that establish and build the large real estate projects

including the execution of their infrastructure services, and the availability of some or all these services effects the real estate market). Most real estate companies become members of the Investor's Society in the Jordanian housing sector in a non-obligatory way, where the Society undertakes to facilitate the members' issues at the Department of Lands and Survey. Moreover, the real estate brokers 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 controls related to AML which were directed towards them), which is not required by the recommendations.

55. The real estate market has increased following the great interest from the Iraqi citizens in possessing properties in the Hashemite Kingdom from 2003, especially after the Jordanian laws have permitted the Arab and foreign persons to possess. The size amount of trading in this market has reached 2.5 bn. JOD in 2006, achieving a growth of 50% above the same period of the former year. As well as, 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 stones: there are 648 stores in the Kingdom (according to the limitation of the Companies Control Directorate), as well as approximately 55 factories. Most stores are small in size (90%) and the rest have a medium size (5%) or big size (5%). These companies are not supervised in implementing the AML obligations. The dealers in jewelry are supervised by the Ministry of Interior, as the Ministry of Industry and Commerce grants licenses for the jewelry stores whether for trading or manufacturing. In the first case, the Ministry of Industry and Commerce requires that the applicant for the license should get a security approval permit from the Ministry of Interior, while in the second case 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 become members of the Jewelry Association in a non-obligatory way, the role of which is a broker amongst those dealers and the local Jordanian authorities. The work now is on making the membership obligatory (10% of the stores 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, observatory role on those stores, and no other authority observes them, at least in the field of AML/CFT, except when there is a complaint or notification. The Security Affairs Directorate at the Ministry of Interior which is responsible for granting security permits for the dealers in jewelry and the Public Intelligence Department coordinate for observing the jewelry stores in case of any STR or violations.

58. The Ministry of Interior examines those stores physically before granting them the security approval for licensing, where a Committee shall be established for initial examination on the store, consisting of an administrative governor affiliated with the Minister of Interior, a person from the Public security Directorate, a person from the civil defense and an employee of the municipality in which the place required to licensed is found. This Committee shall perform 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 evaluators' team has found that this sector is not subject to any kind of direct instructions or guidance with which it has to comply like 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) of 1997, which governs the registration of companies and establishment of legal persons. Moreover, the Jordanian Civil Law and the Commercial Law covered some provisions for the establishment of legal persons. The Companies Control Department in 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 the individual establishments which are registered privately in the Commercial Register in 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 (in the Ministry of Industry and Commerce), except the individual establishments which are 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 which are established as per the agreements, and the Arab companies that originate from the Arab League or the institutions or organizations subsidiary of them. 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 comptroller for the authentication of the register of the investors in the Ministry.

61. As well as, the civil companies shall be registered in a special register at the comptroller; they are the companies which are established amongst specialized and professional partners, which observe the provisions of the civil law, the provisions of their laws, contracts and bylaws. Moreover, the same Article stipulates the permissibility of establishing non-profitable companies as per any kind provided for in the law. The same Article also stipulates the permissibility of establishing the joint investment companies as a public shareholding company which shall be registered at the comptroller 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 provided statistics 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[13]: 759

Non-profit companies: 207

Civil Companies: 166

Joint investment

Private shareholding companies: 511

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

Objectives	No. Of Institutions
Financial leasing companies	31
Jewelry stores	648

[13] 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 its business outside the Kingdom.

Auditing offices	447
Real estate offices	690

64. The Companies Law stipulates that it is not necessary for registering any company to obtain an advanced approval 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 a partnership company, simple partnership company, limited liability company, limited share partnership companies, private shareholding company, public shareholding company. Each kind 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 liquidation of the voluntary and involuntary companies.

65. As well as, the Civil Law 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, and 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 the Law decided, 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 home which shall be the place where his head office exists. The companies which have their headquarters abroad and have business in Jordan their headquarters according to the internal law is considered the place in which the local administration is present.

66. Article (583) of the Civil Law stipulates that the company should be considered as a legal person as soon as it is established, provided that 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, such as it they started their major business in Jordan, the Jordanian Law shall be applied.

67. Investments in Jordan are generally subject to the Investment Law No. (68) of 2002 and the non-Jordanian Investment Regulation Law No. (54) of 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 Societies and Social Authorities Law No. (33) of 1966 and its amendments.

68. We also refer to the Commercial Law No. (12) of 1966, under which the trading business has been regulated the trading business and the trader have been defined, 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) of 1984 and its amendments. Moreover, Aqaba Special Economic Zone was established as per Aqaba Special Economic Zone Law No. (32) of 2000 and its amendments, and 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 characteristics related to the manufacturing, storing and exporting operations the institutions have (the industrial institutions in particular).

1.5 Overview of strategy to prevent money laundering and terrorist 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 on-site visit, the team perused a resolution issued by the AML National Committee on 6 May, 2008, in which it adopts what is called "the 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 indicated that this strategy has not been defined nor a copy of which was provided to the evaluation team, as well as the resolution's stipulation in this way means that the strategy has not been approved and that it should be waited until the issuance of recommendations about it. Despite that, the AML intent 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) of 2007 has established the major precautionary procedures in AML, which were strengthened by instructions issued by the control authorities, and imposed control and inspection measures which strengthen these efforts. In addition, Jordan stated that its general intent establishes the cooperation bases completely amongst the local authorities, the similar units and the foreign authorities so that they put an end to the effect and help eliminating it internationally. Moreover, Jordan aims at raising awareness whether in the authorities subject to the provisions of the law or the citizens in general, and it seeks 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, also, the precautionary procedures and measures 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 terrorist 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 Deputy 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 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 authorized be conferred any judicial or law enforcement duties.

73. The control and supervisory authorities shall be competent to issue licenses for and supervise the financial authorities which are bound by law to comply with the instructions issued by those authorities in the field of 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 on the financial sector. These authorities have the necessary powers to control the businesses of the institutions regulated by them pursuant to the laws that regulate 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 transaction 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 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 permitted to do that.

Jordan Insurance Commission: the Insurance Commission shall regulate and supervise the insurance sector for protecting 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 an appropriate time any of the company's transactions or records or documents, and the company must put any of the foregone at the disposal of the authorized employee and cooperate with him to enable him to perform his duties in an optimum manner.

74. It should however be 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 jewellers are regulated by the Ministry of Interior. The real estate brokers are regulated by the Department of Lands and Survey; and 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, but 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. In the frame of their work in AML, 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 Interior are regarded as the most important law enforcement bodies in Jordan. These authorities perform their familiar security role in gathering evidence and information; investigating and deducing; helping the Public Prosecution in discovering and seizing the accused or convicted and executing the 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 of 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 in the limits of the duties it is assigned with, 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. As well as, the Ministry of Interior 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 Foreign Affairs Department is affiliated to the Ministry of 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 charitable societies is regulated by the Ministry of Social Development. Moreover, the Ministry of Interior plays a role regarding the normal societies.

(c) Approach concerning risk

79. Jordan has not assessed the risks associated with the ML/FT 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 importance 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 No. (42/2008) has addressed the enhanced CDD measures according to the following Methodology:

- Classification: This 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 subdivided at the bank and intermingled and the degree of their activities'. Moreover, some categories were surely determined highly-risky according to the following: 'Non-resident customers and private banking customers are among the high risk customers'.
- Enhanced CDD measures applied on high-risk customers: Article (4)/'first' stated that regarding the PEPs', 'the banks has to establish a risk management system for the PEPs or the beneficial owners who belong to this category…As well as, Article (4)/'third' stipulates that regarding the customers belonging to countries which do not apply proper AML/CFT systems, 'the bank must lend special diligence to the transactions which take place with persons present in countries which do not apply suitable AML/CFT systems…Then, Article (4)/'fourth' stipulates that concerning the category of 'foreign banks', the bank must 'implement the CDD requirements …upon the establishment of a banking relation 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 CDD measures applied on high-risk business relations: 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 occur face to face, especially those which occur through the use of modern technology like the ATM, and telephone banking services and the internet banking taking into consideration the instructions issued by the Central Bank in this regard'.
- Enhanced CDD measures applied on high-risk transactions: Article (4)/'fifth' defined the unusual transactions as 'the cash transactions that are over JOD 20,000 or its equivalent in foreign currency. Where indications show that cash transactions below this limit are correlated, they would be regarded as a single cash transaction…and large and complicated unusual transactions …and any other unusual transactions that do not have an apparent economic purpose'.
- Other cases the Central Bank has to conduct special diligence for them (in 'seventh'): upon opening a non-resident account with the importance of obtaining a duly recommendation or certification on the signature of recognized foreign banks or financial institutions…upon the

request for facilities against deposit taking…upon leasing safe boxes…upon depositing cash amounts or traveler's chequess 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/they was/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) of 2007 stipulates that 'the company has to take special diligence to identify the customer and its activity with respect to the following: the big 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 done with persons present in countries that do not apply suitable AML systems …; dealing with the PEPs'. Then, this Article bound the companies, with respect to the PEPs, 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…As well as, this Article bound the companies to obtain the approval of the company's General Manager or the Authorized Manager or whoever represents them, upon establishing a relation with those persons, and this approval must be obtained upon discovering that one of the customers or beneficial owner has become exposed to those risks….and procedures should be taken for verifying the sources of the customers and the beneficial owner's wealth…following up precisely an continuously the company's transactions with those persons…". Article (6) of the instructions has also stipulates that it is necessary that the company implements the policies and procedures needed for avoiding 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 done through modern technology like the internet insurance services, and the company must ensure that the level of the procedures of 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 for combating ML operations, provided that the regulations include the fundamentals necessary for classifying the customers with respect to the risk degree in light of the information and data available for the company.

82. 81. Regarding the **exchange** companies, Article (4) of the instructions stipulates that the exchange office should lend a "special diligence…for the transactions which are done with persons present in countries that do not apply suitable AML systems". As well as, Article (13) of the instructions issued on 27/2/2007 for licensing the limited liability exchange companies, stipulates that "the company is not permitted to 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 a special diligence by determining if the customer were exposed, "if the customer is found to be one of the high-risk customers, the compliant 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 subdivided by the customer and the extent to which the activities of these accounts intermingle". 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 compliant authority, especially those who use modern technology such as the internet transactions... the charitable societies, the non-governmental organizations...the customers the company views according to its estimation that their transactions represent high-risks for the ML operations". Finally, the said Article brought up the obligation of

"lending special diligence for the unusually large and complex transactions and which have an apparent 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 CDD have not been expanded, as they do not comprise large categories of high-risk customers and they disregard to mention the business relations or the high-risk transactions. Moreover, the data provided by the financial institutions showed that the implementation of the enhanced CDD is due 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 narrow notion towards the customer or the high-risk transactions.

CDD Simplification or Reduction Cases:

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

86. Furthermore, Article (8) of the AML instructions No. (3) of 2007 on the insurance activities comprised cases in which it is permissible to adopt reduced procedures for knowing the customer, his activity and the beneficial owner, and they are "the case in which the information which is related to the customer and the beneficial owner's ID and activity is available in public or in case the customer were subject to AML controls similar to the controls mentioned in these instructions and resolutions issued as required by them". 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 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 this 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 mitigate the procedures of knowing the customer, his activity and the beneficial owner.

(d) Progress since the last mutual evaluation

87. Jordan has not been evaluated before basing on 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 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 bases of the offence and under which the ML predicate offences 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 transaction 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 for AML by the control authorities.
- The ratification procedures on the 2000 United Nations Convention against Transnational Organized Crime have been adopted (Palermo Convention).

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) of 2007[14] as this 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. This 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) of 2002, which introduced some amendments on the Law regulating the insurance activities No. (33) of 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 hide or conceal its source or their real nature or place or the way of disposing of them or their possession or the rights related to the bearing in mind that they are resulted from one of the crimes provided for in Article (4) of this law". In addition to the AML law, Jordan has already criminalized the ML offences in the insurance activities according to Article (52) of the insurances organization Law No. (33) of 1999[15] where it stipulates the following: "(…) in the insurances, 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 financial bases and thus the definition with regard to the offence's financial bases is compatible with the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic[16] Substances and the 2000 United Nations Convention against Transnational Organized Crime.[17] 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 special law which will be applied in this field. The Jordanian authorities stated that the AML law is the special 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. What confirms the result the evaluation team reached is that 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.

91. **Possessions:** Article (2) of the AML law defined the proceeds as: "the funds which are the direct or indirect results or the revenues of committing any offence provided for in Article (4) of this law". Moreover, it defined the funds as: "each property or right having a financial value in

[14] AML Law.
[15] Text relevant to AML by virtue of Articles 19 and 20 of Provisional Law no. 67 of 2002.
[16] Vienna Convention (1988).
[17] Palermo Convention (2000).

transactions and any form of legal documents and bonds including the bank accounts, securities, commercial instruments, traveler's chequess, transfers, letters of guarantee and letters of credit". The definition of properties is regarded as sufficiently comprehensive. The AML law has not stipulates that the person should be convicted of committing a predicate offence in order to prove that the properties are proceeds of offence; however, the team found out during its visit to the judicial authorities that this concept is unclear as they believe that it is necessary to prove the predicate offence in order to state that these funds are the proceeds of the offence. Therefore, it is possible to say that legally prior conviction of the predicate offence is not required to prove that funds are the proceeds of a crime. However, to be sure of this controversial issue, one should wait to see the opinion of the Jordanian courts therein.

92. **Framework of the Predicate Offence:** Article (4) of the AML law stipulates that the funds resulting from the following should be regarded an object of ML: "(a) any offence criminalized with the felony as per the legislations in effect in the Kingdom or the offences any effective legislation considers their proceeds an object of ML. (b) The offences the international conventions of which the Kingdom is a part stipulate 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) of 1960 and its amendments[18] is punished 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 sanctions for felonies range between a minimum of 3 years and a maximum of 15 years unless it is stipulated otherwise (Article (17) of the Penal Code). Accordingly, the Jordanian AML Law adopted the threshold approach so that the funds proceeding from the offences criminalized in the felony are regarded an object of ML. In addition to the offences provided for in the international conventions of which the Kingdom is a part provided that they are criminalized under the Jordanian Law. It is noted that the stipulation of paragraph (b) of Article (4) refers us to the international conventions while some of the mentioned offences in these conventions are not criminalized under the Jordanian legislation, which leads not to consider that the proceeds of all offences provided for in the Jordanian legislation as an object of ML. Referring to the legislations in effect in the Kingdom, it is evident that the predicate offences comprised a number of offences mentioned in the designated categories of offences (20):

- Participation in an organized crime 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) of 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 – stealing: Articles 399-413 of the Penal Code.
- Blackmail: 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) of 1998.
- Illicit traffic of weapons: Fire Weapons and Ammunitions Law No. (34) of 1952.
- Illicit restriction and hostage taking: Article (149), paragraph (2) of the Penal Code, which was amended by virtue of the amended Penal Code No. (16) of 2007, in addition to Article (59)/a of the Civil Aviation Law No. (41) of 2007 regarding the civil aviation safety

93. It appears from the foregone that even though Jordan has followed the threshold approach in considering all the offences subject to a felony's sanction as predicate offences for the ML offence, as

[18] Penal Code.

well as the offences provided for in the international conventions of which the Kingdom is a party, provided that they are punishable by the Jordanian Law, it neglected many categories of offences which should be considered predicate offences for the ML offence according to the designated categories of the predicate crimes mentioned in the definition list issued by the FATF. They are not considered predicate offences for the ML offence since they are acts basically non-criminalized in Jordan and, thus, they cannot be listed under the clause of the crimes (clause (a) of Article (4)), or the offences provided for in the international conventions (clause (b) of Article 4)): (1) blackmail including financial blackmail, (2) human trafficking[19] and immigrants smuggling, (3) children's sexual abuse, (4) illicit trade of stolen goods, (5) counterfeiting and pirating of products, (6) environmental offences, (7) smuggling and (8) piracy. In addition, (9) fraud, (Articles 417-421 of the Penal Code), (10) sexual abuse (Articles 309-318 of the Penal Code), (11) offences related to financial markets manipulation (Securities Law) are not included in the predicate offences of the ML offence, regardless of being acts criminalized in Jordan, as the sanction for these offences is not criminal, and there are no international agreements ratified by Jordan, stipulating the criminalization of these acts. By the Methodology concept, (12) ML cannot be regarded a predicate offence for ML, as even though Jordan has ratified the UN Convention for the Suppression of the Financing of Terrorism under the Law No. (83) of 2003. Terrorism and the financing of terrorism were criminalized under the provisions of the Terrorism Prevention Law, but the financing of terrorism is limited to the terrorist acts excluding the individuals and organizations (see the special analysis for SR2).

94. **Predicate Offences Committed outside the Kingdom:** Article (3) of the AML Law stipulates that "Laundering of funds proceeding from any of the offences provided for in Article (4) of this law shall be prohibited, whether they were committed inside or outside the Kingdom provided that the action is punishable under the law applied in the country in which the action occurred". Thus, the definition of the predicate offences of the ML offence extends to comprise the acts committed in another country.

95. **Self ML:** the Jordanian laws do not contain anything that prevents the application of the ML offence on the persons who commit the predicate offence. It appears that the Jordanian law does not contain any general principle that prevents the application of the ML offence on the perpetrator of the predicate crime. The Jordanian authorities have stated that ML offence is an action independent of the predicate offence. As well as, Article (57) of the Penal Code, paragraph (a) regarding the crimes' moral meeting, stipulates that if the action had different specifications mentioned in the judgment, the court has to rule with the most serious sanction.

96. **Ancillary Offences of ML:** Article (24) of the AML law stipulates punishing the accomplice involved in the offence, the collaborator and the abettor by the principal's sanction. Pursuant to Article (76), the Jordanian Penal Code defines the accomplice as follows: "If several persons committed together a felony or misdemeanor, or if the felony or misdemeanor were made up of many acts where each one of them executed an action or more of the acts constituting it for the purpose of committing that felony or misdemeanor, all of them shall be considered accomplices and each one of them shall be punished by the sanction specified for this action by law, as if he were a dependent perpetrator". Whereas, according to Article (180)1, the abettor is the one who "urges or attempts to urge another person to commit an offence by offering money or a present or threatening or tricking or deceiving or offering money or abuse in the governance of the post. 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 offence'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 offence was committed for terrorizing the resisting persons or strengthening the will of the offence perpetrator or guaranteed committing the intended offence, (d) the one who helped the crime perpetrator in the predicate offences that led to or facilitated the crime, or in the committed acts, (e) the one who agreed with the crime perpetrator or

[19] 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. after the 7 weeks following the onsite visit). Article 9 of the law considers the compliance of any of the crimes stipulates in Article (3.2.a) a criminal offense punishable by temporary hard labor imprisonment.

one of the intervening institutions before committing the crime, and contributed to concealing facts, hiding or disposing of things arising 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 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 trial, with the absence of the clear provision, it is referred to the Jordanian Penal Code which stipulates in its Article (68) that "the attempt means starting the execution of one of the clear acts leading to committing a felony or misdemeanor, so if the perpetrator were not able to execute the acts necessary for the occurrence of this felony or misdemeanor due to reasons out of his control, he should be punished as follows (…) that he reduces any other temporary sanction from half to two quarters". Article (71) added that the attempt of a misdemeanor is not punishable except in the cases expressly stated in the law". Therefore, the fact that the AML law doe not stipulate the trial is not a weakness, as the AML offence is regarded as a felony (as it is punished by a felony's sanction: temporary hard labor) and thus the attempt in ML offence could be punished.

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

98. **Natural Persons' Liability:** The AML offence is applicable on the natural persons who practice ML activities deliberately, as Article (2) of the AML law comprised that ML is "each act that 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 hide or conceal its source or their real nature or place or the way of disposing of them or their possession or the rights related to the **bearing in mind** that they are proceeded from the offences provided for in Article (4) of this law". Moreover, according to Article (63) of the Penal Code, the intention is defined as "the will of committing the offence according to the definition provided by the law". The AML law does not clearly stipulate that the intention element in the ML offence could be deduced from the real, objective circumstances; however, the text of Article (27) of the AML law enables the Public Attorney or the Prosecutor to practice his powers regarding the ML offence under the Penal Procedure Code, as Article (147), paragraph (2) of the mentioned law stipulates that "evidence in felonies, misdemeanors and pretty offences 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 stipulates the liability of the natural persons for the AML offences. But, in the absence of the stipulation, it should be referred to the Penal Code which takes over the criminal liability from the natural authorities, as paragraph (2) of Article (74) of the Code stipulates: "the legal authorities excluding the government departments and the official, public authorities and institutions shall be partially liable for the offences committed by their managers or representatives or agents under their name or for their benefit". Whereas, paragraph (3) of the same Article states that "the legal persons shall not be judged except with a fine or confiscation (…)". 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 text in this regard, but the Jordanian authorities stated that the Jordanian Administrative Law derives its rules from unwritten sources such as the administrative custom, the general principles and the jurisprudence. Moreover, the Jordanian lawmaker has clearly adopted the permissibility of joining the criminal and administrative sanctions in the banking field pursuant to Article (88/e) of the Banking Law, as well as adopting the possibility of joining the disciplinary and the administrative sanctions on the public employee.

100. **Sanction of the ML Offence:** pursuant to Article (24)/a of the AML law, the ML offence is punished by temporary hard labor for a period not more than 5 years and at a fine not less than JOD 10 thousand and not more than JOD 1 million (approximately equivalent to 14.000-1.4 million USD). Paragraph (c) added that the sanction is doubled in case the offence is repeated. In addition to what is

mentioned in Article (24) of this law, Article (26) stipulates that in all cases the ruling of corporeal 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 possessions shall be subject to the confiscation provided for in this Article within the limit estimated for the proceeds and their gains". In addition, Article (52) of the law regulating the insurances 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 on the legal persons, the legal person is punished under the Penal Code (Article (74)) with a fine and confiscation. In addition to what is mentioned in Article (74), it is possible to ban a legal authority from working or dissolute it as a further precautionary measure (Articles (36) and (37) of the Penal Code).

101. Therefore, these sanctions seem dissuasive for the natural and legal person especially that the sanction of the corporeal confiscation for the proceeds or equivalent funds. As well as, they seem consistent if they are compared with the sanctions of the offences yielding proceeds. It is worth mentioning that the fine rate to be imposed in case of ML related to insurance is higher than that imposed in case of ML resulting from any other offence even if the latter was more dangerous such as trafficking drugs or arms…Whereas, regarding the effectiveness of these sanctions, it is hard to evaluate their efficiency as long as no one was pursued, tried and convicted for ML offence 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 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 predicate offence is not a condition.
- Criminalize the following acts to become predicate offences: (1) blackmail including financial blackmail, (2) persons trafficking and immigrants smuggling, (3) children's sexual abuse, (4) illicit trade of stolen goods, (5) counterfeiting of products and pirating them, (6) environmental offences, (7) smuggling and (8) piracy, and to try to include (9) fraud, (10) sexual abuse and (11) financial markets manipulation offences in the predicate offences of the ML offence, and (12) expend the financing of terrorism as a predicate offence of ML in 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	• Conviction for the predicate offence is required to prove that funds are illicit. • Non-inclusion of all the 20 crimes within the predicate offences list in accordance with the Methodology.
R.2	LC	• Lack of evidence on the effectiveness of the AML legal system and lack of statistics.

2.2 Criminalization of Terrorist 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 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 authority stated that I is possible to refer in ML criminalizing to Article 147 (2) of the Penal Code, which stipulates that "the suspicious banking businesses related to depositing funds in or transferring them to any authority related to a terrorist activity shall be regarded as terrorist offences".

105. It is noted that the judicial authorities consider that the text of Article 147.2 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 not applicable to the TF act as set forth in Article (2) of the International Convention for the Suppression of Terrorist Financing. What can be concluded from this is that the Jordanian lawmaker have not criminalized the TF act under an independent, clear text; instead, he regarded it as a terrorist act under Article (3) of the Terrorism Prevention Law ('TPL'). Referring to the text of Article (3) of the TPL, "…offering or gathering or disposing of funds for the purpose of committing a terrorist act..." is regarded a terrorist act. As the law indicates specifically to the terrorist acts; however, it does not expand the framework of the offence to include gathering and offering money by a terrorist organization or a terrorist.

106. Regarding 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) of 1976 defined the funds as "anything which could be possessed tangibly or intangibly, benefited from legally and by law, is 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 of immovable assets, financial or non-financial, no matter how they were obtained, as well as the legal documents or exhibits, whether electronic or digital, that establish the right of ownership of these assets or a part thereof, and all what arises from this ownership or any right related thereto including but not limited to the foreign currencies, bank credits, travelers cheques, bank cheques, money orders, shares, securities, bonds, bills and letters of credit, besides that it does not confirm the criminalization regardless if the source of funds was legitimate of illegitimate.

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

108. The TPL does not specifically address the attempt of committing a TF offence, 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 punished as follows (…) to reduce any other temporary sanction from half to two quarters". Article (71) added that the attempt of performing a misdemeanor shall not be punished except in the cases the law stipulates expressly". Since the TF sanction is the temporary hard labor under Article (7) of the TPL, then, the TF offence shall be regarded 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 involved in the TF offence and the abettor shall be punished by law.

109. **Predicate Offence of ML:** All offences which have a felony's sanction are regarded predicate offences of the ML offence as per the text 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 a predicate offence of the ML offence, but 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 of the predicate crime which is supposed to include the predicate crime does not cover all its aspects.

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 or not inside the Kingdom or against its citizens or interests abroad. Therefore, the TF offence is applicable regardless of the country in which the terrorist act was or will be committed. In addition to that, the general legal texts which are mentioned in the Jordanian Penal Code, Articles (7-11) and related to the criminal judgments with regard to place (regional jurisdiction, self-jurisdiction, personal jurisdiction) could be referred to.

111. **Mental Element in the TF Offence:** 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 (…).Therefore, the TF offence is applicable on the persons practicing TF and who know that. The intentional element of the money laundering offence can be inferred from objective factual circumstances, as the Jordanian lawmaker adopts the principle of the freedom of evidence by under paragraph (2) of Article (147) of the Penal Code as "evidence in felonies, misdemeanors and petty offences 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 offence, 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. As well as, even if there is no clear text 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 custom, the general principles and the jurisprudence. Moreover, the Jordanian lawmaker has clearly adopted the permissibility of joining the criminal and administrative sanctions in paragraph (88/e) of the Banks' Law, as well as adopting the possibility of joining the disciplinary and the administrative sanctions on the public employee.

113. **Sanction of the TF Offence:** pursuant to Article (7) of the TPL, the TF offence is punished by temporary hard labor unless a more severe sanction is prescribed 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 suspicious banking activities relevant to depositing funds or transferring them to any entity connected to a terrorist activity. This latter offence is punished 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 of Article (7) of the TPL of 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 predicate offence other than the fine, the mentioned offence would replaced by the fine and the legal persons would be punished by the fine within the limit determined in Articles 22 to 24". Therefore, the sanction which is imposed on the legal persons cannot be judged and considered dissuasive or suitable. In addition to what is mentioned in Article (74), it is possible to ban a legal authority from working or dissolute it as a further precautionary measure (Articles. In addition to what was mentioned in Article (24) of this law, Article (26) stipulates that in case it is impossible to seize or attach the proceeds or equivalent funds or in case they were disposed of for bona fide third parties, in any case they shall be tried by corporeal confiscation. (b) If the proceeds combine with possessions gained from illicit sources, these possessions shall be subject to the confiscation provided for in this Article within the limit estimated for the proceeds and their gains". In addition, Article (52) of the law regulating the insurances 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. Whereas, regarding the sanctions on the legal persons, the legal person is punished under the Penal Code (Article (74)) with a fine and confiscation.

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 following is recommended:

- 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 offence.

2.2.3 Compliance with Special Recommendation II

	Rating	Summary of factors underlying rating
SR.II	PC	• 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 CTF legal system due to the lack of statistics.

2.3 Confiscation, freezing and seizing of proceeds of 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 corporeally confiscate proceeds or equivalent funds in case it is impossible to seize or attach the proceeds or equivalent funds or in case they were disposed of for *bona fide* other institutions, (b) if the proceeds combine with possessions gained from illicit sources, these possessions shall be subject to the confiscation provided for in this Article within the limit 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 offence. Article (30) of the Penal Code stipulates that "subject to the rights of the *bona fide* other institutions, it is possible to confiscate all things resulting from a deliberate felony or misdemeanor or which were prepared for used in committing them, whereas, with regard to the non-deliberate misdemeanor or the petty offences, it is not permitted to confiscate these things unless the law stipulates that". Moreover, Article (31) of the Penal Code stipulates that "the things which are made or possessed or sold or used illicitly shall be confiscated even if they do not belong to the suspect or the court does not reach a judgment".

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 this law were committed, it is entitled to 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 decided according to the provisions of this law are regarded public funds which shall be raised under the Amiri Funds Collection Law or the Law of State Property Maintenance or any other legislation superseding them, and the court is entitled to return the funds to their owners. (3) The Public Attorney undertakes at the court which rendered the

decision executing the provisions of confiscation, compensation, fines and expenses, in addition to raising 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 funds, materials, equipments, machines, used recipients and transportation means which may have been used to commit the crime, without prejudice to the rights of *bona fide* other institutions. (b) Te Public Prosecution is entitled to investigate the real sources of the funds of the perpetrators of the offences provided for in this law in order to verify if the source of these funds is one of the acts prohibited by the law herein and the court shall be entitled to decide to seize and confiscate them".

119. Moreover, paragraph (c) Article (52) of the law No. (33) of 1999 regulating the insurance business and its amendments stipulates that "subject to the provisions of any other legislation, anyone who performs any of the acts provided for in paragraph (a) of this Article shall be punished 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 foregone, it appears that Jordan has an acceptable confiscation system which has been in effect 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 offences only without the TF. Moreover, the AML law does not expressly stipulate the confiscation of the instrumentalities intended for use in the ML/TF offences or the means intended to be used in ML. However, in this regard it could be referred to Article (30) of the Penal Code, which stipulates that it is possible to confiscate all things resulting from a deliberate felony or misdemeanor or **which were prepared for used in committing them**".

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 give notice here that in case the Insurance Law is considered the special law to be applied in the insurance field, the proceeds of the offences shall be excluded from the framework of confiscation.

122. The Jordanian legislation permits the initial implementation of freezing the confiscated properties or seizing them through a one-sided procedure or without prior notice, as the 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 to the ML offences provided for in this law according to the PPC in effect". 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 terrorist activity under the provisions of this law. (4) Precautionary seizure on any funds suspected to be related terrorist activities".

123. Moreover, Article (9) of the Economic Crimes Law stipulates that "(a) after the referral of the case to it, the Public Prosecution or the Court 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 this Article: (1) precautionary seizure on the funds of anyone who commits an economic offence, forbidding the disposal of these funds and banning him/her from travelling until proceeding with the investigation procedures and settling the case. (2) Precautionary seizure on the funds, assets, branches and the husband/wife of anyone who commits an economic offence, and prohibiting the disposal of these funds if there were a justification for doing that, and it is possible to ban anyone of them from travelling for a period not more than 3 months, which could be extended by a decision from the court 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 suspicious proceeds of offences.

125. Regarding the protection of the *bona fide* other institutions, Article (26) of the AML law stipulates that "(a) (…) in all cases, judgments are rendered to confiscate 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 *bona fide* other institutions. In addition, Article (30) of the Penal Code stipulates that "subject to the rights of the *bona fide* other institutions, it is possible to confiscate all things resulting from a deliberate felony or misdemeanor or which were prepared for used in committing them, while with regard to the non-deliberate misdemeanor or petty offences, it is not permitted to confiscate these things unless the law stipulates that".

126. There is no evidence that the power is available regarding the ML and TF offences to take steps to ban or cancel some acts, whether contractual or not, in the cases in which the concerned persons were acquainted with or were supposed to be acquainted with that these acts were able to 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 to the situation that was prior to the offence, 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 offences.
- 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.

2.3.3 Compliance with Recommendation 3

	Rating	Summary of factors underlying rating
R.3	PC	• No confiscation in TF offences. • 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.

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

2.4.1 Description and Analysis

129. SR.III stipulates the execution of S/RES/1267 (1999) related to freezing funds or other assets proceeding from terrorism and belonging to the persons designated by the UN Al Qaeda and Talban Sanctions Committee through taking all the suitable and necessary procedures to comply with the requirements of applying this Resolution which means that it is obligatory by law 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 S/RES/1267 (1999), but there is a mechanism which begins from receiving the regulations from Jordan's commissioner 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 by the Council of Ministers, consisting of representatives of the Ministry of Justice, to 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 pursue the requests of the UN Committee for Combating Terrorism and reporting to it. The Committee refers the issue for implementation according to the authority: to the security authorities for supervision as well as to the Central Bank and financial authorities for freezing. The Central Bank shall pass periodical circulars on all banks operating in the Kingdom about the implementation of the SC 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 formed under these resolutions. As well as, the website of the consolidated lists issued by the UN Committee established pursuant to Res/1267 (1999) for Al Qaeda, Talban as well as the persons and entities related to them has been circularized on the licensed banks operating in the Kingdom in order to take the names mentioned in the list into consideration upon any procedure. It is noted that this mechanism takes relatively a long time, which has negative effects on its effectiveness, in addition to the fact that the Central Bank's circulars include the banks only, and, therefore, in case of freezing, this freezing should include funds without the other types of assets.

130. Moreover, the authorities stated that the Customs are receiving official letters by the Ministry of Foreign Affairs in order to execute the resolutions and recommendations derived from the Security Council for combating terrorism and CFT where the Customs issues circulars to all Customs centers to comply with the content of the resolution and the recommendation set forth in it for combating terrorism. These circulars comprise all land, sea and air outlets, bearing in mind that the Customs subsidiary of the Ministry of Finance is not represented by the mentioned Committee.

131. The Central Bank has issued the AML/CFT instructions NO. (42) of 2008, and the manual handbook attached with instructions included general guidance in this field under clause "fifth: general guidance" which requires "(1) using all possible means to follow up the suspicious transactions 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 target funds or assets, regarding their compliance with 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 other funds or assets proceeding from terrorism for the designated persons, and there are effective laws or procedures 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 in relation to the mentioned Resolution. The Circular's aim is to draw their attention to the existence of an information guide 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 of the address of the Committee's website to refer to 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 a natural or a legal person listed by the Committee established pursuant to Security Council resolutions related to funds freezing. The team have not had 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 terrorist financer 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 terrorist financers or terrorist organizations.

134. Jordan has no effective and declared procedures for studying the deletion requests from the designation list and canceling the freezing of the other funds and assets belonging to the persons or entities which were accidentally affected by the freezing mechanism after verifying that the person or the entity is not the target, 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 this grievance to Jordan's permanent commissioner 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 fines, or service expenses and charges or extraordinary expenses.

136. **Freezing, seizure and confiscation under other circumstances (implementing the criteria from 1-3 to 3-4 and to 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 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 keeping anything related to a terrorist activity under the provisions of this law, imposing precautionary seizure on any funds suspected to be related terrorist activities. It is worth mentioning that it is stipulated that Jordan is able to confiscate funds only without 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 bona fide institutions according to the criteria provided for in Article (8) of the UN 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 the SR.III and there are no civil or administrative or felony's sanctions in case of the non-compliance with them.

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 that have been determined to be necessary for covering basic expenses, the payment of certain types of fees, or service expenses and charges, or for extraordinary expenses.

140. **Statistics:** The evaluation team has not received 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 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.

2.4.3 Compliance with Special Recommendation III

	Rating	Summary of factors underlying rating
SR.III	NC	• 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 and other assets of persons designated pursuant to UNSCR 1373. • Lack of laws and effective procedures for studying and executing measures taken pursuant to the frozen mechanisms in other countries. • Lack of evidence of 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 AML FIU has been established in Jordan pursuant to the AML law as an independent Unit following an administrative pattern and 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 STRs provided for in paragraph (c), Article 914) of this law, requesting, analyzing and providing the local, official, competent authorities with the information related to the mentioned STRs when necessary". Moreover, Article (14), paragraph (c) this law stipulates that "the authorities subject to the provisions of this 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 directing the STRs of ML only, whereas after 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 the AML STRs.

143. The National Anti-Money Committee which was established pursuant to Article (5) of the AML law makes sure that the FIU performs 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 Undersecretary of the Ministry of Justice, (3) the Undersecretary of the Ministry of Interior, (4) the Undersecretary of the Ministry of Finance, (5) the Undersecretary of the Ministry of Social Development, (6) the General Manager of the Insurance Authority, (7) the companies' Comptroller General, (8) commissioner of the Board of Commissioners of the Securities Authority, appointed by the and (9) the FIU President.

144. Practically, before the issuance of the AML law, the FIU had been a part of the Central Bank under the law and 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 connected or might be connected to any offence or any illicit act, it has to notify the Central Bank, which is entitled to notify any official authority about that, immediately about that. This notification to the Central Bank started in 2001.

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

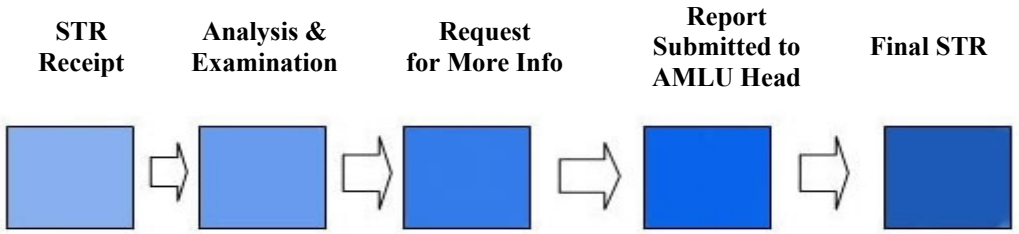
- The FIU receives suspicious transactions reports from all the authorities subject to the provisions of the law and which have to send notifications about the suspicious transactions.

- After receiving the STRs, the competent department analyzes the transactions technically and financially, and investigates them, according to which the FIU verifies if the transaction were suspicious pursuant to the definition of the AML law of the suspicious transaction, in addition to the necessary legal studies.

- The FIU may request further information from the internal or external or international authorities if it finds that they are necessary for the analysis, and so that this information shall be requested by the department according to the procedures.

- The competent department shall submit a final report to the FIU President – for taking the necessary decision – so that the report contains the results of the analysis and evaluation done on all information it received, in addition to the proposal of the procedure which 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 that support suspecting the existence 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 shortage in human resources of the Unit in relation to analysis may well lead to weak analysis.

147. **Instructions for Reporting Entities:** pursuant to Article (31) of the AML law, the Committee shall set up the controls and rules related to reporting of the suspicious transactions and the forms issued by the FIU, and to the organization 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 (except banks) subject to and obliged under the provisions of the law to report the suspicious transactions such as exchange companies, the authorities monitored and licensed by the Insurance Authority, and the dealers in properties and jewelry have been prepared and adopted. Moreover, a draft guidebook showing the side to which the report will be sent, the procedure of filling the draft, the reporting method and what is required for keeping the confidentiality of the information mentioned in it. Currently, the mechanism of submitting the form by hand or fax has been adopted. Furthermore, the Jordanian authorities stated that other drafts for the financial companies such as the financial leasing companies and the companies monitored by the Securities Authority are being currently 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 further information connected to the STRs it receives, if this information is necessary for the FIU to perform its duties or according to a request it receives from counterparts. In addition, the FIU informed the evaluation team that it is using the other sources of the 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 as information is available on a CD which is updated weekly. 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 gives 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 obliged to send reports for any additional information to perform its duty if that information was related to information previously received by the Unit during starting its jurisdictions or according to requests it receives from counterparts. Moreover, the authorities obliged to send reports should provide the FIU with the requested information during the period it specifies. The Unit also stated that, practically, according to the measures it has taken, the period extends for 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 suspicious transaction, the Unit prepares a report that and refers it to the Public Prosecution, attached with all relevant documents. The Public Prosecution Office has stated that the Unit is coordinated with in the event of requesting 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 and 30/6/2008, the Unit received 81 STRs, 3 suspicious AML offences of which were referred to the Public Prosecution and 3 other cases representing various offences.

151. **Independence:** the AML Unit has been established in the Central Bank as an independent Unit for receiving STRs (Article (7) of the AML law). However, it is worth mentioning that the operational independence of the FIU is insufficient 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 supervises the FIU performing its duties in addition to the fact that the FIU's President and members are appointed by a decision from the Committee's Chairman. In addition, the Central Bank is the party that funds the FIU for performing its duties until the issuance of a special regulation for this purpose. Thus, the Unit may not have a sufficient practical independence that ensures that it will not be affected by any inappropriate effects or interference.

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) comprised 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 of due to their work whether they have accessed or known either directly or indirectly, and that it is not permissible to disclose these information in any way for the purposes expressed in this law. This prohibition remains until after their work with the Committee and the FIU, and it is applicable on anyone who peruse of comes across directly or indirectly by virtue of his function or job any submitted or exchanged information under the provisions of the law, and the regulations and instructions issued in accordance therewith. Moreover, due its location inside the Central Bank of Jordan, the FIU will be protected, as there are security measures on any person entering the Bank (taking his ID and escorting him (by an employee) to the place he is heading to).

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

154. It is noted that the FIU's web server on which it saves the STRs sent to it electronically is located in a Central Bank's servers room, which indicates that the server could be used by the Central Bank's IT technicians and that these information are liable to being perused by persons unauthorized to do that. However, the Jordanian authorities stated that the FIU's IT consultant is the only person who is 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, and that the technician is responsible for

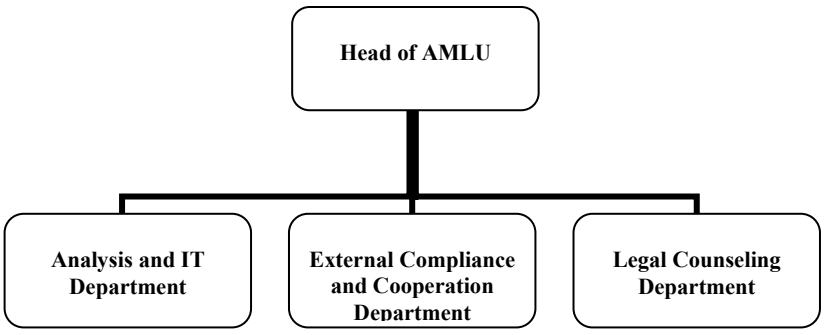
supervising the function of the equipment and the servers technically (flow of electricity … etc.). Moreover, the place in the Central Bank in which the servers are located is under surveillance as the place is fitted with surveillance cameras so that no one is authorized to enter except designated, authorized employees, and every employee who enters should register his entrance and the reason for signing in.

155. **Issuance of the annual reports:** The FIU may publish periodical, annual 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 from 18/7/2007 until 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 on many international authorities. Furthermore, the FIU has created a website www.amlu.gov.jo through which it publishes the activities it performs in terms of the conferences and training sessions. With regard to spreading awareness among the dealers with the financial institutions, a publication has been prepared for defining the ML offence 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 has 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 – the US FIU, the AML FIU in Cyprus 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 similar units provided that this exchange be reciprocal, these information not be used except for the purposes related to AML, and provided that the consent of the similar unit that provided those information be obtained. Furthermore, the Unit is entitled to making Memoranda of Understanding with the similar units to organize the cooperation in this regard. Moreover, the foregoing text has established the legal basis under which the Unit can execute its obligations related to international cooperation a well as executing the Egmont Group's objectives after joining it.

158. **Sufficiency of the resources available for the AMLU:** the AML framework 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 President, four full-time employees work in the Unit. In addition, two foreign consultants, one is an IT specialist and the other a legal consultant, work for the Unit. Those resources are highly insufficient in comparison with the expanding financial sector which might need sufficient human and technical resources for the Unit to be able top perform its functions completely, as the Unit has insufficient human and technical resources for analyzing the suspicious 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 on its employees, their rights, the method of appointing them and all other things 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 draft Regulation through the necessary constitutional phases. The team could not know if these available financial resources were sufficient for the Unit to perform its duties.

160. **Integrity of the FIU employees:** until the issuance of the Regulation, the Unit's employees are seconded from the Central Bank to work in the Unit according to the provisions of the Employees' Regulation in the Central Bank, which comprises many conditions of which is Article (7) of the Employees' Regulation in the Central Bank, which stipulate that "anyone who is appointed must: (a) be Jordanian, (b) be 18 years old, (c) (…), (d) have a good conduct, (e) non-convicted with a dishonoring and distrustful felony or misdemeanor, (f) possess the minimum, designated qualifications and experiences to hold the job 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 Jordan Bank Association.
- New Practical Methods for AML Compliance for Banks/ SABEQ and the Jordan Bank Association.
- Training and qualification work shop for the residents/ the MENAFATF, the AML/CFT National Committee in 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 AML Licensed Specialists Association
- 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 of the United States.
- Banning and investigating the cross-boarder trafficking 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 the perusal of the statistics of the reports received by the Unit during the period from 18/7/2007 to 30/6/2008, the Unit received 84 STRs, 84% of which 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 are recommended to:

- Include the TF offence 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 continuous training

2.5.3 Compliance with Recommendation 26

	Rating	Summary of factors relevant to s.2.5 underlying overall rating
R.26	PC	• 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 offences in Jordan, the law enforcement authorities represent the Public Prosecution. The Public Prosecution is handled by magistrates who practice the powers vested in them by law, and are connected to the and . Moreover, the Court of Cassation and the Court of Appeal have a Public Prosecution, and also an employee (called the Public Prosecutor), who practices the duty of the Prosecutor at it and at the Courts of Jurisdiction within his jurisdiction, is appointed in each Court of First Instance,

166. Article (8) of the AML law comprises that the Public Prosecution shall be competent to investigate the suspicious cases referred to it from the ML Unit. Pursuant to discovering the 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 General Prosecutor of Amman reserving the case's papers, 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 chain rule and are bound in their transactions and requests to follow the written orders issued for them by their supervisors 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 with the Public Prosecutor and are entrusted to execute his orders and the orders of the Minister of justice regarding the administrative affairs, instituting the lawsuit and following it up. In accordance with the hierarchical chain of the Public Prosecution system, the Head of Public Prosecutor at the Court of Appeal and his assistants are at the top of the Prosecutions System, followed by Public Prosecutors ad their assistants in Amman, Irbid, Maan and the Greatest Criminal Courts, and at the first level of the hierarchy there are the Public Prosecutors.

168. The specialized Public Prosecutions are constituted of:

1. The Greatest Criminal Court, which is affiliated with the Head of the Public Prosecution.

2. The Police Court Prosecution, the Public Security Director or whoever represents him appoints its members.
3. The Military Public Prosecution, the Joint Chiefs of Staff appoints its members.
4. The Customs Public Prosecution, the Minister of Finance appoints its members.
5. The State Security Prosecution, the Joint Chief of Staff appoints its members.

169. Whilst regarding the TF, the TPL stipulates that the State Security Court is competent with the terrorism and TF cases. Regarding investigation, there is no specific authority, as the Prosecutor in the State Security Court performs this duty.

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

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

172. The PID is chaired by a General Director appointed and removed by a Royal Decree according to a decision issued by the Council of Ministers, and the PID undertakes the intelligence duties and transactions for protecting the Hashemite Kingdom of Jordan; the works and duties it is entrusted with by written orders from the Prime Minister. In addition to AML/CFT, the PID contributes to the efforts of combating the different forms of corruption based on its absolute belief that corruption is one of the factors that hinders development, through an Anti-corruption Directorate established in 1996.

173. **Ability to postpone/overthrow the arrest of suspects or the confiscation of properties:** there is no evidence that the Jordanian authorities have taken into consideration to take procedures that permit the competent authorities that investigate in the ML cases to postpone or abandon the arrest of the suspects or the confiscation of funds.

174. **Additional element – ability of using the special investigation techniques:** Article (82) of the Criminal Procedures Law stipulates that "the Public Prosecutor is entitled to perform investigation in all the places in which there might be things or persons the discovery of which assists in revealing the truth". Article (88) mentioned specifically that "the Public Prosecutor may confiscate all letters, messages, newspapers, printings and packages at the post offices, and all telegrams. Moreover, he may spy on phone calls whenever this was beneficial for revealing the truth".

175. The Criminal Procedures that authorize the competent investigatory authorities and the judicial system to investigate the ML cases duly according to the principle of the 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 unless proven guilty.
2. Evidence in felonies, misdemeanors and petty offences is established through all forms of evidence, and the Judge shall rule at his sole discretion.
3. It the law comprised a certain way of proof, it should be abided by this was.
4. If the evidence were based on a fact, the magistrate shall decide that the suspect or the culprit or the defendant is innocent from the offence he is convicted with.

176. In addition to the foregoing, Article (4) of the TPL stipulates vesting the Public Prosecutor with the power of monitoring the place of residence of the suspect, his moves and means of communication; forbidding any suspect from traveling; searching the suspect's place of residence;

keeping anything connected to a terrorist activity pursuant to the provisions of this law; imposing precautionary seizure on any funds suspected of being connected to terrorist activities. There is no clear text on handing over the monitored person; however, it is permissible to adopt the necessary investigation methods.

177. The law enforcement authorities 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 offences, 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 police justice may directly request Moreover, Articles (81-92) comprised the provisions related to searching and confiscating 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 authority has powers to take the testimonies of the witnesses according to the procedural rules in the Criminal procedure law (Articles 67 and 75).

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

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

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

181. **Statistics:** the Public Prosecution has stated that the Unit has sent six cases in the ML field since the date of enforcing the law until 13/7/2008: 3 cases still under investigation, a case about which the Public Prosecutor of Amman has rendered a decision of keeping the papers, a case referred to Amman Peace Court and a case referred to Amman Court of First instance.

2.6.2 Recommendations and Comments

182. It is recommended to:

- 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.

2.6.3 Compliance with Recommendations 27 & 28

	Rating	Summary of factors relevant to s.2.6 underlying overall rating
R.27	PC	• No designated law enforcement authority responsible for ensuring TF is investigated. • Lack of evidence of the effectiveness of the competent law enforcement authorities.
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 movement of currency and bearer negotiable financial instruments:** paragraph (1) of Article (20) of the AML law No. (46) of 2007 stipulates the implementation of the declaration system: each person must declare the cross-border transferred funds **upon entering** the Kingdom if their amount exceeds the value determined by the Committee on the form prepared for this purpose. Moreover, Article (2) of the foregoing law defined the cross-border transferred funds as the cash and the negotiable financial instruments whether in JOD or foreign currencies and the precious metals and stones. Neither this Article nor another one has settled 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 post. It is therefore understood that the mentioned provisions theoretically cover those forms of physical cross-border currency movement.

184. Article (31) of the AML law clarified that the National AML Committee will establish the instructions related to the following: the controls related to declaring the cross-border transferred 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 Public Department for setting up the declaration form, determining the procedures which should be taken by the Customs in this regard and specifying the upper limit for the cross-border transferred funds which should be declared upon its entrance to the Kingdom, and the AML National Committee has approved in its meeting on 7/8/2007 the cross-border transferred funds' declaration form and the upper limit which should be declared which is JOD 15000, but this form is ineffective as the Committee has confirmed in the same decision that the discussion for starting 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 currency movement, as mentioned in the previous paragraph, as 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, pursuant to Article (21) of the AML law, the Unit should be notified immediately in case of giving false information (upon declaration) or there was a suspicious transaction, the Unit should be notified instantly, which confirms the link of this system with ML and not TF. In addition to that, the system adopted by law is applicable on the movement of currency and financial instruments entering the country without including the currency and instruments leaving it. However, this has been remedied in the declaration form (with no legal grounds).

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

- Date, and traveler's name, passport number and nationality.
- Passport and destinations.
- Statement of funds in domestic or foreign currencies.
- Ownership of the funds.
- Purpose from transferring the funds.
- Address in the host country and the destination country.
- Kind and value of the currency or the negotiable financial instrument
- 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 using them:** the AML law does not comprise determining the possibility of requesting information from the source of the currency or the bearer financial instruments and the purpose of using them, in the event of discovering that the funds or the negotiable financial instruments were not declared or were declared falsely. Even though it is worth mentioning that the form of declaring the cross-border currency movement, which was adopted by the AML National Committee includes a question about the purpose; however, this form is not yet in effect as previously mentioned.

188. **Stopping or restricting the movement:** the AML law granted the Customs the power to stop or whereas Article (21) of the law stipulates that the Customs Public Department has the power to confiscate or keep the cross-border transferred finances in case of non-declaring them or giving any false information about them or if there is a suspicious transaction, the Customs have to inform the Unit immediately, which has to issue a decision regarding these funds maximum in a week after being informed, either for returning them to their owner or referring them to the courts.

189. **Keeping the information on the amount of the currency or the instruments or statements of their bearers' ID:** paragraph (2) of the said Article (20) stipulates that the Customs Public Department shall keep the declaration forms of the cross-border transferred 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 are no coordination cases with the Unit; however, it is worth mentioning that there is coordination between the Customs and the law enforcement authorities.

192. **International cooperation between the competent authorities regarding the material transfer of the 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, of which are:

- 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 the Iran.

It is worth mentioning that in practice, no information related to reports on the cross-border physical movement of funds have been exchanged since the system has not been activated yet by the Jordanian authorities and because there is no evidence that there are 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 this law shall be punished with a fine of (10%) of the value of the undeclared funds". This sanction is appropriate if compared to the sanctions mentioned in the Customs Law; however, this ratio is clearly low, so that it could not be regarded as a dissuasive sanction.

194. **Confiscation of the currency pursuant to the SC resolutions:** there is no evidence that the Customs have reached to 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 on all Customs centers (32 centers) electronically regarding immediate confiscation.

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 about the unusual cross-border activity of gold or precious metals or precious stones.

196. **Safeguards for using the information properly:** no safeguards 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 monetary cross-border transfer.

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

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

2.7.2 Recommendations and Comments

200. The Jordanian authorities are recommended to:

- Expand implementation of the declaration system adopted for cross-border currency movement to include TF as well.
- Apply the said system to inbound and outbound 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 of requesting and obtaining further information from the couriers regarding the source of the currency or bearer negotiable instruments and the purpose from using them in case of suspicious ML or TF cases.
- 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 stones.
- 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.

2.7.3 Compliance with Special Recommendation IX

	Rating	Summary of factors relevant to s.2.7 underlying overall rating
SR.IX	NC	• Failure to apply the declaration system adopted for cross-border currency movement to TF. • Failure to apply the system on inbound and outbound currency and bearer negotiable instruments movements. • Failure to implement the declaration form. • Failure to vest competent authorities with the power of requesting and obtaining further information from the courier regarding the source of the currency or the bearer negotiable instruments and the purpose from using them in case of suspicious 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

3. PREVENTIVE MEASURES – FINANCIAL INSTITUTIONS

201. The major financial sector institutions comprise the banks, the insurance companies, the credit companies, the exchange companies, the financial leasing companies, the financial services companies and the intermediaries. The Central Bank of Jordan, the Insurance Authority and the Securities Authority are regarded 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 the banks license their 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 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 in anyone of them. Moreover, the insurance activities comprise the re-insurance; the works of the actuaries, the insurance agents and brokers; attracting, accepting and transferring the insurance contract as well as estimating the requests related to it, and settling it along with any insurance services related to it. Regarding the financial services companies and the intermediaries, the activities 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, most of which are affiliated with banks, perform the financial leasing activity

202. It is worth mentioning that the PSF is a governmental, financial institution which is financially and administratively independent and provides a banking, financial service equivalent to the services provided by the banks; and does not constitute entry into any competition or substitute to the banking services. The PSF law has granted many privileges for its dealers to encourage them to save, the most important of which (regarding its influence on the risks of ML and TF) is the inadmissibility of confiscating the funds deposited in the PSF and their profits. Despite that, the lawmaker has ignored including the PSF in the correspondent financial addressed by the AML law, which is regarded as a negligence of covering the risky institutions regarding the possibility of using them in the ML and TF transactions.

203. There are (23) licensed banks in Jordan until the end of 2007 of which are two Islamic banks and 8 foreign banks. All of these banks carry out their activities through 558 branches and 79 offices distributed inside the Kingdom, where the number of branches of those banks outside Jordan is 129 in addition to 9 representation offices of Jordanian banks abroad. There are 29 licensed insurance companies as well as 94 financial services companies licensed from the Securities Authority.

Legal and Regulatory Framework

204. The financial institutions and some non-financial companies shall comply with the imposed obligations pursuant to the Jordanian AML law, which defines the financial institutions as follows: the banks operating in 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 Securities Authority, the natural or legal person who performs any of the activities which are monitored and licensed by the Securities Authority as well as the financial companies the Articles of association of which stipulate that among its purposes is performing the following financial activities (; providing the payment and collection services; issuing and managing the 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 and developing properties; the trade of precious metals and stones). This determination includes a large number of the financial sector institutions as well as the non-financial institutions; however, the implementation of the obligations of the law 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 with 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 amount specific for the tender 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 or 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 from the relation established between those authorities and the client; the continuous follow up of the transactions occurring within the scope of a continuous relation with their clients. Moreover, these authorities are banned from dealing with anonymous persons or persons with false or illusionary names or with tramp banks. Moreover, the law stipulates other obligations such as notifying the Unit upon suspicion and complying 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, this law has not dealt with other basic requirements such as the CDD procedures regarding the tender clients, the cases of suspecting the possibility of ML or the cases of suspecting the information the client declared previously. 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 whether there was a person claiming that he is acting on behalf of the client is really authorized to do that as well as identifying and verifying his ID, in addition to the need for updating the data and keeping 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 this law", which could be considered as the secondary legislation under the concept which the evaluation Methodology of 2004 stipulates. Until the date of the onsite visit and immediately thereafter, the Council of Ministers has not issued any regulations related to the mechanisms for implementing the law or to obliging the entities subject to the law with the detailed requirements they should abide by.

210. On the regulatory level, many instructions have been issued by supervisory authorities for 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 sanctions in the laws under which these instructions have been issued. These instructions are: (1) the AML/CFT instructions No. (42) of 2008 issued by the Central Bank to the banks on 3 July, 2008, including slight amendments on the instructions No. (29) of 2006; (2) the AML instructions in the securities activities, issued in 2008 by the Securities Authority immediately after the onsite visit; (3) the AML instructions No.(3) of 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) of 2008 issued by the Central Bank for the exchange companies.

211. It is indicated that a guidebook on the AML/CFT procedures (the evaluation team has not received a copy of the guidebook, and it is noted that none of the banks did refer to this guidebook or stated being familiar with it) has been issued by the Central Bank of Jordan, attached with the instructions sent to the banks.

212. It is noted that the different supervisory authorities have no authority to issue CFT instructions, due to the nonexistence of a text in the laws regulating them that permits them to do that, 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 restriction of the scope of the Law No. (46) of 2007 to the field of AML only, which initially cancels the part related to TF of the instructions sent

to the banks. The guidebook is published on the AML Unit website, without being considered as one of the other means, according to its definition mentioned in the evaluation Methodology of 2004[20].

213. Moreover, it is noted that not all of the above mentioned instructions have been issued, according to what they comprised, by virtue of the AML law, where the banks instructions were issued in the beginning by virtue of the banks law No. (28) of 2000. Then, they were amended and referred to the AML law. In this form, 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 the even if it has been pointed out to their issuance, due to the reliance on the banks law and not to the AML law clearly in issuing them as the case is 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 necessity of notifying the Central Bank upon knowing that any transaction might be related to any offence. However, what is more important is Article 99 (paragraph b) stipulates that "the Central Bank may issue the orders it deems necessary for the execution of this law individually or collectively". Whereas all AML/CFT procedures mentioned in the instructions are not issued for implementing the provisions of the Banks Law (including notifying the Unit upon suspecting 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) of 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 the law has). 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 inappropriate with the sanctions which could be imposed on the other financial institutions in case of violation. Whereas, 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. In light of the foregoing, all instructions issued by the competent supervisory authorities could be regarded as the other binding means according to the concept set forth in the Methodology, except the insurance companies' instructions according what was clarified above.

216. On the other hand, the AML law does not stipulate on, or authorize, imposing administrative sanctions for the supervisory authorities on the financial institutions upon violating the instructions; but provides for criminal sanctions of imprisonment and fine against whoever violates the provisions of Articles 11, 14 and 15 of the law (the provisions of which comprise the necessary of abiding by the instructions issued by the competent supervisory authorities), which effects the possibility of imposing the administrative sanctions mentioned in the laws to which the AML/CFT instructions refer upon violating them (later on, a statement of the effects of this interference will be mentioned regarding imposing the sanctions on the banks violating the instructions).

Powers to issue instructions:

217. 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 this law.

218. While there is no clear text that grants the Central Bank of Jordan a special power to issue ML or TF instructions, the Central Bank of Jordan Law No. (23) of 1971 (Article 4, clause (i)) permitted

[20] JSC also issued a guidebook to identify ML suspicions. It was approved by the Board of Commissioners of the JSC on 9 October 2008 (, i.e. after more than 7 weeks following the onsite visit). The evaluation team was not able to have a copy of that guidebook.

the bank to carry out "any duty or transaction the Central Banks usually perform". Moreover, Article (99/b) of this law permitted "the Central Bank to issue the orders it deems necessary for the execution of the provisions of this 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".

219. Article (8) of the Securities Law of 2002 entrusted the Securities Authority 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".

220. Regarding the Insurance Authority, 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 Authority the power to bind the insurance companies with the "profession's code of ethics".

221. Regarding the exchange sector, clause (c), Article (3) of the Banks Law authorized the Central Bank "to subject any financial company to any of the provisions of this law pursuant to 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 stipulate that among its purposes is practicing financial activities except accepting unconditional deposits, which is a definition that includes the exchange companies. Moreover, the money changing Law No. (26/1992), Article (16) stipulates that "the money changer's records, entries and transactions related to money changing 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…".

222. It is worth mentioning that the AML Law No. (46) of 2007 has entrusted the AML National Committee pursuant to Article (31) with establishing "the controls and bases related to reporting the suspicious transactions and the forms adopted by the Unit…".

Other laws, instructions and guidelines:

223. The amended law regulating the insurances of 1999 comprised one of three Articles, dealing with ML (Article 52). It defined the ML offences in the insurances only (in a limited way, according to what is mentioned in paragraph (89) of this report), authorized the Insurance Authority to request to refuse 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 brokers, the dealers in metals and precious stones. In addition, we refer to Resolution No. (2) of 2008 of the scope of the application of the provisions of the AML instructions in the insurances (issued by the General Manager of the Insurance Authority)

Other relevant instructions:

224. They are instructions including obligations that intersect with the AML obligations especially regarding the regulation of the order 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.

Free zones institutions system:

225. 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 those zones or imported or exported through them. There are 5 public free zones and 41 private free zones in Jordan (11 are under construction) at 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	Supervisory authorities
Banks	A	N/A	A	Central Bank
Insurance Companies	A	N/A	A - invalid	Insurance Authority
Authorities supervised by the Securities Authority	A	N/A	A	Securities Authority
Exchange Companies	A	N/A	A	Central Bank
Remaining Financial Companies	A	N/A	N/A	Miscellaneous

3.1 Risk of money laundering or terrorist financing

226. The descriptive analysis of the nature of the Jordanian financial sector structure should notice the presence of elements increasing the ML and TF risks. For example, it is noted that the control position the two financial institutions hold within the banking sector, the rapid development in using technology in providing banking services and the division of the operational monitoring on the activity of issuing the payment and credit tools and on the e-money transfer activity could increase these risks. Moreover, it is possible to notice the presence of a an insurance company controlling the life insurance activities and the weakness of the AML/CFT culture of many entities operating in the non-banking financial sectors or of the institutions non-affiliated with banks.

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

Possibilities to exploit weaknesses:

228. These possibilities are available due to many reasons such as the novelty of the system (the legal and regulatory framework has loomed starting from 2007), its gaps 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 leasing[21], 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 appealing for the money launderers. If we add to that the fact that of the weakness or the failure of the monitoring and inspection authorities to initiate their auditing mission regarding the extent to which

[21] AML/CFT Instructions for Finance Leasing Companies were issues on 16 October 2008.

the sector's institutions have been compliant to date (an in many situations, failure to determine the inspection mechanism and methods), associated with the nature of the view of some monitoring and inspection institutions on the ML concept, which often fails to cover the basis 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.

229. While regarding the financial sector, some institutions, especially in the banking sector, have a low degree of awareness about the ML risks and specifications (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:

230. It is difficult to measure the probability of exploiting the above mentioned gaps, but it is possible to estimate that through realizing significant indications like the extent to which the predicate offences have spread (there are no detailed information about this issue but through following up the growth of the offence rate, (per thousand capita), it seems that this rate is very low, reaching around 7.5 per thousand capita in 2007 for all general offences[22]), the trafficking of drugs, the growth of deposits at he banks, of the securities sector, of the insurance subscription rates, of the money transfer activity and of the real estate market (to be mentioned in a following section).

Factors that could decrease the risk size:

231. 230. The most significant factors are: limited dealing in the foreign monetary (this dealing is sometimes restricted as per the institution's internal policy), focusing on the resident clients in dealing (whether through a legal text or an internal policy of the institution or a mere, real practice), the difficulty of establishing (private, financial) companies by the non-Jordanians, an intensive regulatory-monitoring level on the non-Jordanian companies, their assets, development, and the non-Jordanians' transactions (in the sector of banks, securities, free zones, real estate business…), strengthening the control on the transfer activities, the presence of strong bonds between the security authorities and the exchange sector. Regarding the insurance sector, the weakness of this sector (despite its growth) and of the insurance culture in general is notices.

232. 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 following up or tracking or arrest, then through trial and dissuasive sanctions. These reports rarely address the offence of financing this terrorism and its risks. While reports or information or statistics on the TF and terrorists' activities are absent, the size of the above mentioned terrorism risk gives an idea about the seriousness of the TF risks in the Kingdom. The second part of the report dealt with the lack of the legal framework which combats the TF in the Kingdom, which along with other weaknesses related to monitoring the cross-border financial activity (as mentioned in the second part 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 2007), control on the charitable societies (as will be mentioned in part five of this report),… are factors that lead to stress the notion of the seriousness of the risk of exploiting the banking and financial system in general in TF.

233. Jordan has not evaluated the risks related to ML/FT activities in the different sectors, financial or non-financial. For this reason, none of the sectors were exempted from the AML procedures and

[22] 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.

measures according to a study or research performed on the degrees of risks connected to the AML activities, as well as, no stress was put on any of the sectors through strengthening the level of the general policies and of the AML system in Jordan. Despite that, there are some cases in which 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

234. The CDD aspects in the AML system in Jordan deals in many previously mentioned legal, regulatory and guiding texts, as follows:

- Article (14) of the AML law.
- AML/CFT instructions No. (42) of 2008 issued by the Central Bank to the banks, in addition to the attached guidebook.
- AML instructions No. (3) of 2007 in the insurance activities.
- AML instructions No. (9/2/2437) of 2008 issued for the exchange companies.
- Instructions of licensing the Limited Liability Exchange Companies, issued on 27/2/2007.
- AML instructions issued by the Securities Authority to the authorities licensed by this Authority (not effective to date[23]).
- Circular of the exchange Law No. (26) of 1992.
- Circular for the exchange companies on 27/2/2008

Recommendation 5

Anonymous accounts, accounts in fictitious names and numbered accounts

235. The AML Law No. (46) of 2007, Article (14/1-b) stipulates: "that the authorities under the provisions of this law should 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 pursuit for the transactions that occur within the scope of a continuous relation with their clients, (b) non-dealing with anonymous persons or persons with false or illusionary names or tramp banks. Moreover, the AML/CFT instructions No. (42/2008), Article (3), clause (2) stipulate: "that it is not permissible to deal in or establishing banking relationships with anonymous persons, or persons with false or illusionary names.

236. Regarding the numbered accounts, the instructions issued for the banks by the Central Bank of Jordan, even though they do not for a primary or secondary text, 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 text tackles these accounts. However, the AML/CFT instructions No. (42/2008) in Article (6), clauses (second) and (third) stipulates that "the bank has to keep the records, the details supporting the continuous relationships, the banking transactions which it obtains…so that they include the original documents or copies of them accepted by the courts pursuant to the legislations in effect in the Kingdom for 5 years at least of the date of the accomplishment of the transaction or the termination of the

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

relationship according to the status-quo, and "the bank must develop an integrated information system for keeping the records and the documents mentioned in clauses (first) and (second) of this Article, and for enabling it to respond to the Unit and the competent official authorities' request for any data or information completely and swiftly, particularly any data showing if the bank had a persisting relation with a certain person during over the past 5 years and providing information on the nature of this relationship".

237. Regarding the supervisory authorities' powers, the Banks Law No. (28) of 2000, Article (70)/c, clause (1) stipulates that "the Central Bank and the auditors it appointed are entitled upon searching the bank and any company affiliated with it to: (1) check 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 Administrations must at least comply with the following:…providing the external and internal supervisory authorities such as the supervisory authorities, the internal authorities, the external authorities and any other relevant authorities at the time set by those authorities with the requested information and statements necessary for performing their duties perfectly". 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 for ensuring that the books and records are saved in an organized and safe way for a period not less than that provided for in the effective legislations, and in a manner that facilitate auditing and inspecting them".

238. Whereas, the AML instructions No. (3) of 2007 in the insurance activities also do not form a primary or secondary legislative text, and they bind the insurance companies under their provisions to investigate about all the clients such as "taking the CDD procedures 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 beneficiary…". Moreover, Article (12) of the instructions stipulates keeping the documents and records for 5 years.

239. 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 for that.

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

241. As stated above, no special text in the law or any other primary or secondary legislation has mentioned the numbered accounts (whether to allow their existence or not), but the administrators of the institutions the evaluation team had visited have 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 contradicting with this statement.

Timing of Taking the CDD

242. Article (14) of the AML law stipulates the necessity of conducting the CDD…and following up and continuing the transactions that occur within an everlasting relationship with their clients".

243. 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 conduct the CDD concerning the clients upon the establishment of any everlasting relationship.

4. The bank has to take the CDD procedures concerning the clients before or during the establishment of the everlasting relationship or upon the execution of the transactions for the tender clients.

5. The bank should conduct the CDD concerning the tender clients in the following conditions:

   a. If the value of the transaction or transactions which seem connected exceeded (JOD 10000) or its equivalence in foreign currencies

   b. If there is a doubt that the counter-transaction is suspicious or related to TF.

   c. Any electronic transfer transaction conducted by a tender client regardless of its value”.

9. The bank should update the data of knowing the client’s ID…upon the appearance of reasons requiring that, such that the bank doubts that the previously obtained information are true or appropriate.

244. Regarding the insurance sector, paragraph (a), Article (4) of the AML instructions No. (3) of 2007 in the insurance activities states that “the company has to take the CDD procedures concerning the client before and during the establishment of the insurance relation with him”. Moreover, the General Director of the Insurance Authority issued the Resolution No. (2) of 2008, which limited the application of the instructions to “the general insurances policy the single installment or the total annual installment of which exceeds (JOD 3000) and to the individual life insurance policy the single installment or the total annual installment of which exceeded (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 knowing the beneficiary and his activity until and verify them after making the insurance policy provided that:

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

2. The company should take the necessary procedures to avoid the ML risks during the postponement duration including the establishment of an internal policy suitable for the number, kind 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 about that pursuant to the provisions of these instructions.

4. The company should include the insurance policy forms, which will ensure that it has the right to terminate the insurance contract pursuant to the provisions of clause (3) of this paragraph”.

245. However, in the **exchange** sector, Article (3/first/3) stipulates that “the money changer has to conduct CDD if the value of the transaction or transactions which seem connected exceeded (JOD 10000) or its equivalence in foreign currencies and if the money changer suspects that the transaction is suspicious for any reason”.

246. Regarding the authorities supervised by the JSC, Article (4) of the instructions stipulate need for “taking the CDD procedures regarding the client and/or the beneficial owner before and while dealing with them”.

247. It is noticed that all the mentioned instructions, in addition to representing other binding means, have focused only on the implementation of the CDD procedures upon establishing the business relation or if the relevant transaction exceeded a certain limit, excluding the instructions sent to the banks. Neither the AML law, or any other primary or secondary legislation did clarify the other

circumstances that requires the implementation of the CDD which are the cases of performing transactions exceeding the specific applied number (15000 USD/Euro). This also includes the cases in which the transactions are performed in one transaction or in multiple, connected transactions; or the cases of performing counter-transactions as wire transfers in the cases the explanatory Memorandum of SR.VII; or the cases of suspecting the occurrence of ML or TF operation 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 extent to which the previously obtained data regarding the identification of the clients' ID are accurate or sufficient.

248. In reality, the administrators of the financial institutions the evaluation team had visited stated that their institutions implement the CDD procedures upon the establishment of any business relationship or dealing with any tender client. The available facts showed that some institutions (some banks) do not originally deal with tender clients, stipulating that in their internal policies, and that the other institutions such as the insurance and financial leasing companies…cannot provide services for tender clients (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 those companies regard their risks are low in terms of ML, which does not conform to the issued instructions (bearing in mind that these instructions have given a one-year deadline for the companies to settle their situation 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 settle for reporting the account or terminating the dealing, therefore, without implementing the CDD procedures

Required CDD

249. Article (14) of the AML law stipulates the need for "knowing 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 who was claiming he is acting on behalf of the client is authorized to do that, as well as identifying and verifying his ID.

Identifying and verifying the client's ID

250. Regarding the **banks**, Article 3.2, clauses (1), (2) and (3) 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, 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, including contacting the competent authorities exporting the official documents which prove these data".

251. Regarding the **insurance** sector, Article (5) of the AML instructions No. (3) of 2007 in the insurance activities stipulates that "the company 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, 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, work nature, as well as any further information the company might regard as necessary to obtain". Moreover, Article (5), clause (f) permitted "the company in case of collective insurance policies to 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".

252. Regarding the **Exchange** companies, Article 3.2 of the AML instructions stipulates that "the money changer 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…in the procedures of identifying the natural person's ID, it should be taken into consideration…that the data of identifying him 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 changer deems as necessary to be obtained".

253. Regarding the authorities supervised by the **JSC**, Article 4.1 of the AML instructions addresses the following: "the supervised authorities has to…identify and verify the client's ID and activities and/or the beneficial owner. In case a person dealt with the supervised authority on behalf of the client, the supervised authority has to take appropriate procedures 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), place 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

254. 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, and it is necessary to keep that person and the proxy or a certified copy of it in addition to the importance of identifying the agent's ID pursuant to 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 to the natural persons authorized to deal on the account, in addition to the need to identify the authorized persons according to the customer identification procedures provided in these Instructions". Furthermore, regarding the non-profit organizations, clause (6/c) indicated the requirement of "obtaining the documents indicating that the non-profitable authority has authorized the natural persons authorized to deal on account in addition to the necessity of identifying the ID of the authorized dealer pursuant to the procedures of identifying the client's ID provided in these instructions".

255. Regarding the **insurance** sector, Article (5) of the AML instructions stipulates that "in case a person deals with the company changer on behalf of the client, the official documents needed for authorizing this person should be verified, a copy of which should be kept and the ID and the activity of the client and his representative should be identified".

256. Regarding the **Exchange** companies, Article 3.2, clause (2/c) of the AML instructions stipulates that "in case a person deals with the money changer 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 necessity of keeping a copy of them and identifying the ID of the client and his representative pursuant to the procedures of identifying the client's ID provided in these instructions".

257. Regarding the authorities supervised by **JSC**, Article 4.2 of the AML instructions stipulates that "if the dealing were with a person authorized by the client, the necessary judicial proxies for authorizing this person should be obtained and a certified copy of them should be kept. 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

258. Regarding **banks**, Article 3.2, clauses (5/a), (b) and (d) of the AML instructions No. (42/2008) stipulates that "the data of identifying the ID should include the legal person's name, the legal form, the headquarters' address, the kind of activity, the capital, the registration date and number, the tax number, the names and nationalities of the persons authorized to deal on account, the phone numbers, the purpose from dealing and any other information the bank deems necessary to be obtained…and 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 in case the company were 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) stipulates that: "the data of 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 account, the phone numbers, the purpose from dealing 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 they contain such as the certificates issued by the Ministry of Social Development or any other competent authority".

259. Regarding the **insurance** sector, Article (5), clause (d) of the AML instructions stipulates that "the data of identifying the legal person, his name, legal form, headquarters' address, the kind 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 duly registration certificate of the legal person at the competent authorities…obtaining the documents referring to the presence of an authorization from the legal person for the natural persons representing him and the nature of their relation with him, and identifying their ID and activity pursuant to the procedures of identifying the client's ID and activity…and verifying that there is no legal restriction that prevents dealing with them ad obtaining samples of their signatures".

260. Regarding the **Exchange** companies, Article 3.2, clause (3) of the AML instructions stipulates that "ID 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 from the dealing and any other information the money changer deems necessary to be obtained including the beneficial owner…and to obtain the documents indicating that the legal person authorized the natural persons representing him and the nature of their relation with him, and identifying his ID pursuant to the procedures of identifying the client's ID provided in these instructions".

261. 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), he kind 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 though the necessary documents and the information they contain 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 with on behalf of the legal person in addition to the importance of verifying the ID of the authorized dealer…the names and the addresses of the shareholders whose share exceeds 10% of the company's capital…an official certificate issued by the competent authorities in case the company were registered abroad and duly ratified…and establishing the controls that guarantee the verification of the validity and accuracy of the information provided by the clients?

262. As stated above, neither the AML law nor any other primary or secondary legislation has mentioned the requirement of verifying this ID through using original documents or data or information from a reliable and independent source (ID identification data). Moreover, it neglected the requirement of verifying if the person claiming to be acting on behalf of the client is really authorized to do that as well as identifying and verifying his ID.

263. Moreover, it appears that the instructions issued for 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 this flaw bearing in mind that they gave the companies a one-year deadline for settling their situation (starting from 16/102007). Moreover, the AML instructions issued by the JSC have come into force since 31 July 2008.

264. The administrators of the financial institutions the evaluation team had visited stated that their institutions implement the measures of identifying the clients' ID and most of them (around 72%) stated that they verify this ID. Moreover, they stated that they verified the validity of the power of attorney the person claiming to be acting on behalf of the client holds, and have identified his ID, and a large number of them stated that they verified the ID of this agent. Regarding the verification of the legal status of the legal person or the legal arrangement, most of them stated they did that too.

265. 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 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 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

266. Article (14/a) of the AML law No. (46) of 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…". This law neglected the requirement of verifying if the client were acting on behalf of someone else, taking reasonable steps after that for obtaining sufficient data for verifying the ID of the other person and the requirement of determining 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.

267. 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 permit in which he determines the ID of the beneficial owner from the transaction intended to be performed whereas the permit 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 make the bank believe that it knows the ID of the beneficial owner…in identifying the beneficial owner with respect to the legal person, taking reasonable measures for understanding the framework of the ownership and the will controlling the legal person should be taken into consideration".

268. 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 to that, Article (68) and Article (72) (bis)

stipulate, under the clause "the types of shares and the company's administration", that it is important that the companies provide complete information on the powers of the Board of Directors, the voting power, the excellent shares campaign, the distribution of authorities…Bearing in mind that the registration certificate of the private shareholding companies, started from 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 ask the client to provide them with information on his ID . It is worth mentioning that the guidebook attached to the AML/CFT instructions No. (42/2008) has included a notification of some of the client's behavior which might be an indication for the bank about a potential illicit transaction such as the case of "the client who is controlled by another person when he arrives at the bank and the client does not know what he is doing".

269. 268. Regarding the **insurance** sector, Article (2) of the AML instructions No. (3) of 2007 in the insurance activities defined the beneficial owner as "the natural person having the original will or the real interest in the insurance relationship between the company and the client". Clause (1), paragraph (a), Article (4) of the instructions stipulates "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 make the company believe that it knows the ID of the beneficial owner…asking the client to submit a written permit including at least the information of identifying the clients' ID…taking reasonable measures for understanding the framework of the ownership and the will controlling the legal person".

270. Regarding the **exchange** companies, Article 3.2.3.a of the AML instructions bound the exchange companies to take into consideration the procedures of identifying the ID of the legal person such as "the ID identification data include…ay information the money changer deems necessary to be obtained including the beneficial owner".

271. Regarding the authorities supervised by the **JSC**, Article (4) of the instructions stated 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".

272. As stated above, neither the AML law nor any other primary or secondary legislation has mentioned the requirement of verifying if the customer were acting on behalf of another person, and taking reasonable steps after that for obtaining sufficient data for verifying the ID of the other person, as well as the requirement of determining the natural persons who really own or control the customer, including the persons who control the legal person or the legal arrangement completely and effectively. Moreover, it appeared that the AML instructions of the exchange companies do no bind them to take reasonable measures to become aware of the framework of ownership and the will in control of the legal person. Whereas, the instructions issued by the JSC do not include a text that bind the supervised authorities to understand the control over the legal person.

273. The available facts have showed that few financial institutions (some banks and financial services companies) resort to identifying and verifying the beneficial owner's ID, what confirms that with respect to many banks, for example, is that the form 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 company certainly identifies the customer's ID without verifying it.. Whereas, regarding the requirement of understanding the framework of possession within the legal person or the legal arrangement, few institutions comply with that (the banks in particular, especially due to obtaining a copy of the registration certificates of the private shareholding companies). Moreover, all financial institutions do not comply with the requirement of understanding the framework of actual control over the customer, including the persons who control the legal person of the legal arrangement effectively and completely.

Identifying the purpose and nature of the relationship

274. Regarding **banks**, the AML/CFT instructions No. (42/2008), Article 3.1, clause (1) stipulate that: "the CDD for the customer 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".

275. It is noted that no specific instructions have been issued binding the insurance, the Exchange and the securities sectors to obtain information related to the purpose and nature of the relationship. Moreover, the available facts have showed that more than 50% of the banks and some authorities supervised by the JSC identify the purpose and nature of the relationship, in addition to the financial leasing companies (necessarily due to the nature of the activity).

Taking continuous CDD measures

276. The AML law No. (46) of 2007, Article 14.a binds the authorities under the provisions of this law to conduct "the CDD for identifying the customer…and his activity…and to follow up continuously the transactions which occur in an everlasting relationship with their customers".

277. Regarding **banks,** the AML/CFT instructions No. (42/2008), Article 3.1, clause (1) stipulate that "…following up continuously the transactions which occur in an everlasting relationship with their customers…". Moreover, Article 4.2, clause (4) dealt with the situation of the PEPs, where it bound the bank to carry on accurately and continuously its transactions with those customers. When Article 4.2, clause (1) bound the bank to classify all its customers according to the risk degree, it did that "subject to…the extent to which the banking transactions the customer performs are consistent with the nature of his activity…and the extent to which the opened accounts are subdivided, interconnected and the degree of their activity". Whereas, Article 4.6, clauses (2) and (3) bound the "bank to make a special effort about the unusual transactions with the importance of keeping special records of those transactions regardless of the decision taken with regard thereto…and upon suspecting that the customer's ID identification data are neither valid or accurate after the establishment of the relationship".

278. The AML/CFT guidebook 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 in particular but without limitation:

- Large-scale and unusual cash deposits performed by a natural or legal person who usually performs his apparent, commercial activity through cheques 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 side not clearly connected to that person in a short period of time.
- Large-scale and unusual cash deposits using the ATMs for avoiding direct contact with the bank's employee, especially if those deposits were inconsistent with the works and/or the usual income of the customer concerned and the nature of his activity.
- Keeping many accounts and depositing cash amounts in each one by the customer to form a large total amount unsuitable with the nature of his work, except the customers whose work nature requires that they keep more than one account.
- The existence of accounts the nature of the executed movements through them is inconsistent with the nature of the customer's activity, whereas they are used for receiving or distributing large amounts for an unclear purpose or for a purpose unrelated to the account holder or the nature of his activity.
- Depositing cheques of third parties in large amounts and endorsed for the account holder and inconsistent with the relationship with the account holder or his work nature.

- Withdrawing large cash amounts from a previously inactive account or an account the withdrawals made through which are relatively small, or from an account to which large, unexpected amounts were transferred from abroad.
- Providing financial statements by the customer on his commercial activity, clearly different from the similar companies working in the same field.
- A fundamental change of the way of managing the customer's account, which is unsuitable for his data.
- Non-withdrawal by the company that accepts cheques from its customers of any large cash amounts from its accounts in return of depositing these cheques, which indicates to the possibility of other sources of income.
- An account receives transfers of large amounts not being received before by this account, which is inconsistent with the nature of the customer's activity.
- Non-routine transfer within a package of routine transfers that are done in one transfer.
- Purchasing securities for keeping them in the deposit boxes in the bank, with an inconsistency between the customer's activity and 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 indebtedness without a clear and reasonable explanation for the source of payment.
- The customer surprisingly transfers the value of the facilities obtained unexpectedly abroad.
- The customer pays a categorized indebtedness (such as a non-functioning debt) before the expected time and in amounts larger that expected.
- Requesting facilities in return of mortgaging assets owned by a third party, whereas the bank does not know the source of those assets or the size of those assets is inconsistent with the customer's financial situation.
- Developing large-scale deposits which are inconsistent with the customer's actual activity and the consecutive transfer to an account or accounts opened abroad.

279. Moreover, the guidebook stated above indicated that the behavior of the customer who is still a student and regularly requests issuing or receiving transfers or exchanging currencies in unusual large-scale amounts should be taken into consideration. The above mentioned guidebook guides towards identifying the source of the deposited funds upon opening the account, especially the large-scale cash deposits.

280. Regarding the **insurance** sector, paragraph (d), Article (40 of the AML instructions in the insurance activities No. (3) of 2007 addressed this issue whereas it required "the company to follow up continuously the insurance relationship with the customer and examining 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 oft hem and with its evaluation of the ML operations as a result of its relationship with him".

281. Regarding the authorities supervised by the **JSC**, Article (5) of the instructions stipulates that "if it is found out that the customer is risky, the supervised authorities should take into consideration the extent to which the transactions the customer performs 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 subdivided. Then, this Article stated the requirement of "lending special care for the

unusual complicated and large-scale transactions and those which have no clear investment purpose or those which are suspicious or represent an unusual investment policy for the customer".

282. For 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 update the client's ID identification data periodically each 5 years outmost, or when there are reasons for doing that, such as that the bank suspects that the previously obtained information are neither valid nor appropriate". Moreover, Article 4.1, clause (3) binds the bank, within the framework of the CDD related to dealing with the PEPs, to take sufficient measures to verify the sources of the wealth of the beneficial owners who are PEPs".

283. Regarding the **insurance** sector, paragraph (e), Article (4) of the AML instructions in the insurance activities No. (3) of 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 identification previously obtained data are neither valid or accurate".

284. Regarding the authorities supervised by the **JSC**, Article (9) of the instructions stated the following: "…the supervised authorities have to authenticate the information mentioned in Article (4) (the requirements of the CDD for the customer) of these instructions in their records accompanied by a true copy of the documents proving the validity of these information, and keep them for a period not less than 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 the customer performed…Moreover, the information should be updated periodically and continuously or when they become suspicious at any phase of the transaction?

285. It is noted that there are no instructions for the exchange sector on the requirement that "the continuous CDD measures for checking the transactions that occur throughout the period of the relation for ensuring the consistency of the transactions which are carried out with the information the institution has about the customers, their activity, the risks they represent, and if necessary the source of money "as well as the requirement of verifying that the documents or data or information obtained under the CDD requirement are updated continuously and appropriate through reviewing the current records, especially regarding the risky customers and relationships".

286. The administrators of the financial institutions which were visited by the evaluation team stated that their institutions lend a special care for checking the transactions and accounts in addition to updating the data and information, and some banks indicated that they use specialized informatics programs in this field. However, the available facts showed that even if a certain bank had these programs, 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 programmed to perform their duty. Regarding the remaining financial institutions, the transactions are checked using reports or developed programs or manual checking that secure an average sense of confidence towards the consistency and validity of the transactions (especially at the banks); however, they have most of the time of a limited ability to control all the possibilities that indicators of ML or financing of terrorists appear (especially regarding the non-banking financial institution). Finally, it is worth mentioning a point that is a main obstacle in checking the transactions, which is the weakness (but in many times the absence) of the information declared by the customer about his financial status (at more than half the financial institutions) within the form of identifying the accredited customer, and the current monitoring does not help in solving this problem.

Risks

Enhanced CDD

287. Regarding **banks**, the AML/CFT instructions No. (42/2008), Article (4) addressed the enhanced CDD 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 performed by the

customer are consistent with his nature of activity… the extent to which the accounts are subdivided at the bank, interconnected and the degree of their activity". Moreover, some categories were specified as definitely highly-risky according to the following requirement: "the non-resident customers and the customers of the special banking transactions shall be considered as highly-risky customers".

- Regarding the enhanced CDD connected to the high-risky customers: Article 4.1, regarding the category of the PEPs, that the bank has to develop a program for risk management for the PEPs or the 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 when discovering that one of those customers or the beneficial owners has become exposed to those risks… the bank has to take sufficient measures to verify the sources of the fortune of the customers and the beneficial owners both of which are PEPs… the bank has to carry on accurately and continuously with 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 has to pay special attention for the transactions that are done 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 has to take the necessary measures to understand the background of the circumstances surrounding these transactions and their purposes and write down the results of that 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 reputation in AML/CFT…". Moreover, it addressed the details of the necessary measures in this case.

- Regarding the enhanced CDD measures related to high-risky business relationships: Article 4.5 stipulates that "upon dealing indirectly with the customers, the bank should implement the necessary policies and measures for preventing the risks related to misusing the indirect dealings with the customers which are not done face to face, especially those occurring 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".

- Regarding the enhanced CDD measures related to high-risky transactions: Article 4.6 defined the unusual transactions as "the cash transactions over JOD 20,000 or their equivalence in foreign currencies, while the cash transactions below this limit are regarded as, and the evidence indicate that they are, transactions connected as one cash transaction…the large-scale or unusually complicated transactions…and any other unusual transaction which has no clear, economic purpose". Then, the Article bound "the bank to pay special attention for the unusual transactions with the importance of keeping special records regardless of the decision taken about them" and to do that "upon suspecting the validity or accuracy of the client's ID identification data after the establishment of the relationship". It is also worth mentioning that paragraph (6), Article 5.2 bound the exporting bank to ensure that the non-routine transfers are not sent with the one-package transfers in the cases that increase the ML/TF risks.

- 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 known, foreign, financial banks or institutions…upon requesting facilities in return of confiscating deposits…upon loaning the deposit boxes…and upon depositing cash amounts or traveler's chequess in a current account by a person/persons whose name/s do/does not appear in a retainer contract 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'.

288. Regarding the **insurance** sector, Article (70 of the AML instructions No. (3) of 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 establishing he 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 done with persons present in countries which have no appropriate systems for AML…and dealing with PEPs". Then, this Article bound the companies, regarding the PEPs, to "develop a system for the risk management, for deducing from it 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 the customers of this category, taking into consideration the classification of the customers according to the degree of risk they represent…obtain the approval of the General Manager of the company or the authorized manager or whoever represents him upon the establishment of a relation with those persons and upon discovering that one of the customers or the beneficial owners has become exposed to those risks…take sufficient measures to verify the sources of the customers and PEP's beneficial owners wealth… following up accurately and continuously the dealings of the company with those persons…any transaction the company finds according to its estimations that their dealings are highly-risky for the ML operations".

289. Regarding the **exchange** companies, Article (4) of the instructions of licensing the limited liability exchange companies, issued on 27/2/2007 stipulates that "the company is not permitted to open accounts or deal with any sides from abroad except after obtaining a written approval from the Central Bank in advance".

290. Regarding the authorities supervised by the **JSC**, Article (5) of the instructions addresses the cases which need a special care in terms of "determining if the customer were a PEP customer", so that if he is so, 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 subdivided and the activity of these accounts are interconnected". 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…the chartable societies, the civil organizations…the customers the company finds according to its estimations that their dealings are highly-risky for the ML operations". Finally, the said Article addressed the requirement or "lending special care for the unusually large-scale and complex transactions which have no apparent investment purpose or that are suspicious or doubtful or represent an unusual investment policy for the customer".

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

<u>Cases of simplifying or reducing the CDD</u>

292. The AML law or the AML/CFT instructions issued by the supervisory authorities, except the JSC instructions, does not include any provisions that permits the implementation of the reduced CDD measures.

293. Regarding the **insurance** sector, Article (8) of the AML instructions No. (3) of 2007 in the insurance activities stipulates 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 in which the information related to the customer and beneficial owner's ID and activity are available for the public or in case the customer were subject to special controls for AML, 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 controls for AML, similar to the controls mentioned in these instructions and decisions issued in accordance thereto, whereas their implementation of these controls is 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 this Article does not clarify the points of or the level of the reduced CDD measures which should be implemented in such cases, but indicated that the insurance company may reduce the measures of identifying the client and beneficial owner's ID and activity.

294. 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 (at least 95%). Moreover, many of these companies either refuse to deal with PEPs or have no such customers.

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

295. 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 or not the FATF Recommendations. 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 case high-risky circumstances are present

296. The issued instructions do not permit the financial institutions to reduce the CDD 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 with greater reason; however, the instructions issued for banks, for example, requires in Article (4) paying special care for any unusual transaction or a high-risky customer…Moreover, upon suspecting the validity or accuracy of the customer's ID identification data.

297. Whereas, regarding the **insurance** sector, Article (8) of the AML instructions No. (3) of 2007 in the insurance activities stipulates that the insurance company is permitted to reduce the measures of identifying the customer, his activity and the beneficial owner in some cases. Then, it mentioned examples about cases in which 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 does not mention, being the only Article that included the possibility of reducing the CDD measures, what permits the implementation of the reduced measured in case of suspecting ML or TF or in the presence of high risks.

298. 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, but this possibility remains present with the insurance companies, because 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 (en example of the reality of this possibility is the presence of an insurance company which has a policy that stipulate the cases of implementing simplified CDD measures while not having searching lists or systems or even a binding policy that helps it to ensure that the name of the beneficiary from the insurance policy is not mentioned on a terrorism list).

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

299. 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 high-risky categories, and they required the institutions subject to them to categorize their customers, without including specific guiding principles that establish a clear basis for the implementation of a system based on categorizing the customers or the transactions or the products according to the risk degrees and then specify special CDD measures according to this categorizing. 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 clear guiding principles regarding the level or scope of the reduced CDD measures the insurance companies should implement in those cases, but only referred to the admissibility of reducing the measures of identifying the customer, his activity and the beneficial owner.

300. In reality, the measures taken by the financial institutions regarding the categorizing of their customers according to the risk degree appeared to be consistent with the general principles or the different elements mentioned in the instructions. Despite that, 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 remark of the policy of one of the remarkable insurance companies, which stipulates not to implement the CDD measures for many kinds of insurance products which represent low risk at the ML level; and this contradicts with the issued instructions.

Timing of Verifying the ID

General rule for the timing of verifying the ID

301. 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 the execution of the transactions for the tender customers". Whereas, these CDD measures have been mentioned in detail in Article 3.2, including "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 has to 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 of identifying the customers' ID.

302. . Regarding the **insurance** sector, paragraph (a), Article (4) of the AML instructions No. (3) of 2007 in the insurance activities stipulates that "the company has to take the CDD measures regarding he customer before and during the establishment of the insurance relationship with him and decide to accept this relationship or not basing on those measures. The CDD 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".

303. 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.

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

Circumstances of postponing the identification of the ID

305. Regarding the **banks** sector, the AML/CFT instructions No. (42/2008), Article 3.1, clause (7) stipulate that the verification measures could be postponed until after the establishment of the continuous relationship according to the following: "the postponement of the verification measures should be necessary for maintaining the accomplishment of the usual works and so that no ML or TF risks result from that…the bank should complete the verification measures as soon as possible…and should have taken the necessary measures for a wise management for the AML risks regarding the postponement case, including setting a limit for the number, type and amounts of the transactions which could be accomplished before completing the verification measures… and should have taken the necessary measures for a wise management for the AML risks regarding the postponement case, including setting a limit for the number, type and amounts of the transactions which could be accomplished before completing the verification measures".

306. Regarding the **insurance** sector, paragraph (c), Article (4) of the AML instructions No. (3) of 2007 in the insurance activities addressed this issue, whereas it stipulates that the company may postpone the measures of identifying and verifying the beneficiary and his activity until after making the insurance contract, provided that "these measures be completed as soon as possible and in all cases, the company has to do that while r before paying the compensations or before the beneficiary practices any of the rights he is entitled to pursuant to the insurance contract…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 accomplished before completing these measures…in case the company could not comply with the requirements of verifying the ID and activity of the beneficiary, it has to terminate the insurance contract and notify the Unit about that pursuant to the provisions of these instructions…and include the insurance policy forms which guarantees granting it the right to terminate the insurance contract…".

307. 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 on the instructions of the **exchange** companies.

308. Moreover, there was no evidence 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 the purpose of which is restrict or ban 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 procedures of opening the account.

Failure in Continuing the CDD Measures

Failure in taking the CDD towards the customers before the beginning of the business relationship

309. Regarding the **banks** sector, the AML/CFT instructions No. (42-2008), Article 3.1, clause (6) stipulate that "in case the bank could not comply with the CDD measures towards the customers, it should not open the account or establish any banking relationship with the customer or execute any transactions for him". It is noted here that the banks are not requested in this case to consider reporting the suspicions, which is not commensurate with the requirements of R.5.

310. Regarding the **insurance** sector, paragraph (b), Article (4) of the AML instructions NO. (3) of 2007 in the insurance activities stipulates that "in case the company could not 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".

311. Regarding the **exchange** companies, Article 3.1, clause (4) of the instructions stipulates that "in case the money changer could not comply with the CDD measures towards the customers, he should not establish any exchange relationship with the customer or execute any transactions for him". It is noted here also not asking the companies to consider reporting the suspicion to the FIU.

312. 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) "bound the supervised authorities not to 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.

313. There was no evidence that the financial sector institutions have violated the above mentioned instructions; however, the possibility 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 increases, in terms of the low level of awareness of the ML/TF risks, as well as economic reasons.

Failure in taking the CDD measures towards the customers after the beginning of the business relationship

314. Regarding the **banks**, the AML/CFT instructions NO. (42/2008), Article 3.1, clause (8) stipulates that "in case the bank has started a persistent relationship with the customer before complying with the verification measures…and if the bank could not comply with them later on, it has to terminate this relationship and notify the Unit about that immediately…". It is noted that this clause might, in 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 as it is possible that the bank delays satisfying the CDD measures to complete them later. This confusion must be removed by expressly stipulating that Article 8 covers both the current or the old customers (as at the implementation of requirements); or upon any suspicions about 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.

315. Regarding the **insurance** sector, paragraph (b), Article (4) of the AML instructions No. (3) of 2007 in the insurance activities stated that "in case the company were 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…in case the company could not comply with the requirements of verifying the beneficiary's ID and activity, it has to terminate the insurance contract and notify the Unit about that pursuant to the provisions of these instructions…and include insurance policy forms which guarantees granting it the right to terminate the insurance contract…".

316. 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 that 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.

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

Existing Customers

CDD requirements towards the existing customers

318. Regarding **banks**, the AML/CFT instructions No. (42/2008), Article 3.1, clause (9) stipulates that "the bank should update the client's ID identification data periodically each 5 years outmost, or when there are reasons for doing that, such as that the bank suspects that the previously obtained information are 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 guidebook attached to the above mentioned instructions (the evaluation team has not been provided with a copy of this guidebook) according to the authorities' statement has included a notice about the behavior of the customer with might accompany the implementation of the CDD measures on customers, and are"

- The moody customer who refuses to provide the bank with the necessary ID documents.
- The customer who provides the bank with his permanent address outside the bank 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 try to persuade him not to verify the ID and other documents.

319. Regarding the **sector**, paragraph (e), Article (4) of the AML instructions No. (3) of 2007 in the insurance activities comprised the following: "the company has to review the data of its customers periodically and update them, regarding the high-risky customers or whenever it suspects the validity or appropriateness of the previously obtained data".

320. 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 during a period not more that 6 months after the provisions of these instructions become effective".

321. It is noted that the instructions issued for the financial sector institutions have not addressed the issue of implementing the CDD measures for the existing customers (the existing customers starting from the date the national requirements become effective) on the basis of the relative importance and risks, and they do not address the issue of the time of taking the CDD measures towards the internal business relationships.

322. Whereas, in terms of implementation, the administrators of some banks and some authorities supervised by the JSC, which were visited by the evaluation team, have stated that their institutions seeks to update the information and data related to the existing customers, but without yet finishing. However, the available evidence showed that some financial institutions have not limited the number of the existing customers' accounts which need to be updated. Regarding most of the other financial institutions, it has appeared that this update is not done on the basis of the relative importance or risks, but within the scope of periodical update or due to making a big change in the way of authenticating the customer's information.

Recommendation 6

Politically Exposed Persons

Basic Standards

323. Regarding the banks sector, Article (1) of the AML/CFT instructions No. (42/2008) defined the PEPs as "the persons who occupy or have occupied a senior public position in a foreign country such as the President of a state or a prime Minister or a politician or a judge or a military or an eminent, official position or prominent persons in a political party, including the members of the families of those persons until the first degree as a minimum". Then, Article 4.1 (the PEPs) bound the bank to:

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, and the Board of Directors of the company has to establish a policy for accepting the customers of this category, taking into consideration the categorization of the customers according to their risk degree.

2- Obtain the approval of the of the General Manager of the company or the authorized manager or whoever represents him upon the establishment of a relation with those persons and upon discovering that one of the customers or the beneficial owners has become exposed to those risks.

3- Take sufficient measures for checking the sources of fortune of the PEP customers and beneficial owners

4- Follow up accurately and continuously the company's transactions with those persons.

324. Regarding the **insurance** sector, Article (2) of the AML instructions NO. (3) of 2007 in the insurance activities defined the PEPs as "the persons who occupy or have occupied a senior public position in a foreign country such as the President of a state or a prime Minister or a politician or a judge or a military or an eminent, official position or prominent persons in a political party, including family members up to second degree. Moreover, Article (7) of these instructions addressed the measures the insurance company has to comply with upon dealing with those persons, whereas it stipulates the following:

1- Establishing 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, and the Board of Directors of the company has to establish a policy for accepting the customers of this category, taking into consideration the categorization of the customers according to their risk degree.

2- Obtaining the approval of the of the General Manager of the company or the authorized manager or whoever represents him upon the establishment of a relation with those persons and upon discovering that one of the customers or the beneficial owners has become exposed to those risks.

3- Taking sufficient measures for checking the sources of fortune of the PEP customers and beneficial owners

4- Following up accurately and continuously the company's transactions with those persons.

325. Regarding the **exchange** companies, Article (4), paragraph (2) of the instructions require the "money changer to lend a special care for the transactions"… "which are made with persons who occupy or have occupied a senior public position in a foreign country such as the President of a state or a prime Minister or a politician or a judge or a military or an eminent, official position or prominent persons in a political party".

326. Regarding the authorities supervised by the **JSC**, Article (3) of the AML instructions defined "the risky customers" as "the persons who occupy or have occupied a senior public position in a foreign country such as the President of a state or a prime Minister or a politician or a judge or a military or an eminent, official position or prominent persons in a political party, including family members up to second degree. Then, Article 5.1 stated the requirement of "determining if the customer were risky", so that if he is risky, 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 subdivided and the interconnection among the activity of these accounts".

327. It is noted that the instructions issued for banks bind them to develop a "risk management system" without touching on any guides or directions on the features and the way of developing this system or on the objective of this system in terms of using it for determining if the future customer or the customer or the beneficial owner is a PEP. Moreover, it is noted that the instructions issued for the exchange companies do not address the requirements listed by the basic standards in R.VI, except the

requirement of the continuous control over the transactions. Whereas, regarding the instructions issued by the JSC, they do not bind the supervised authorities to develop systems appropriate for risk management as well as they do not bind them to agree with the senior management on beginning the dealings and the requirements of determining the fortune and the source of funds.

328. Some administrators of the financial institutions stated that their institutions do not deal with PEPs, while others talked about the good implementation of the instructions related to them. However, evidence showed the evaluation team that around 25% of the financial institutions' sample do not deal with this category of customers (33% of which have a policy preventing the dealings with the non-Jordanians). The other institutions and the remaining percentage of financial institutions (around 25% of the specimen) do not implement any purposeful measures in this regard (basically, exchange companies).

Additional Elements

329. However, regarding the inclusion of this category of local persons, and regarding **banks**, the AML/CFT instructions No. (42/2008) defined the PEPs as "the persons who occupy or have occupied a senior public position in a foreign country…only…". The situation is the same in the **insurance** sector, whereas, in the **securities** sector, this category includes the political persons from any country, local and foreigners. Whereas, regarding the other institutions,

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

Recommendation 7

Cross-border Payable-through Accounts and Similar Relationships

Obligations of obtaining information on the original institution

331. Regarding **banks**, the AML/CFT NO. (42/2008), Article 4.4 stipulates regarding the category of the "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 understand the nature of the foreign bank's activity and reputation in the AML/CFT field.

3- The bank is not permitted to establish a banking relationship with a fictitious bank.

4- The General Manager of the bank or the regional Manager should approve on the establishment of the business relationship with the foreign bank.

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 the foreign bank has taken the CDD measures towards its customers who are authorized to use the payable-through accounts and that the foreign bank has the ability to provide the information related to those customers 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.

332. Whereas, in terms of confirming the responsibility of each institution in AML/CFT, the AML/CFT instructions (42/2008) have not addressed this issue directly regarding the banking correspondence relationships, but Article 5.2 (under the transfers' clause) of these instructions addressed the compliances of the transferring bank 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, this Article in "third" addressed the compliances of the bank receiving the transfer regarding in terms of dealing with the lack of information included in the order, 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 in case the bank receives incomplete information on the transfer request. 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 an intermediary in carrying out the transfer so that each bank holds the responsibility of 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 necessary means that each bank shall bear the risks within his responsibility, and for which an acceptable limit has been set.

333. Whereas, regarding the evaluation of the AML/CFT controls in the principal bank in the correspondence relationship, and as it has been previously indicated, Article (4), clause 4.6 stipulates that among the obligations of the bank upon dealing with foreign banks is that "it should verify that the latter has adequate AML/CFT systems.

334. Regarding the **exchange** companies, the Central Bank bound by virtue of the Circular issued on 27/02/2007 the license exchange companies to attach the following documents to their application: "a new 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 new registration certificate issued by the official authorities in the concerned country…and the draft agreement intended to be signed with the company".

335. It is noted that the instructions issued for the exchange companies have not bound them to know the level of control the foreign companies which are intended to be contracted with are exposed to, including whether those companies have been investigated on ML or TF, or have been monitored. Moreover, those instructions have not included the requirement of evaluating the controls used by the responding, correspondent institution for AML/CFT and verifying they are sufficient and effective.

336. Whereas, practically, there was no evidence about the violation of the financial sector institutions of the above mentioned instructions except the payable-through accounts, whereas more than 90% (of the sample) of the Jordanian financial institutions stated they do not keep 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 bans, for example, 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 towards its customers who are authorized to use these accounts.

Recommendation 8

Risks of the technological development and the indirect business relationship

337. Regarding **banks**, the AML/CFT instructions No. (42/2008), Article 4.5 (indirect dealing with the customers) "bound the bank to implement the necessary policies and measures for preventing the risks related to misusing the indirect dealings with the customers which are not done face to face, especially those occurring 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 guidebook attached to the AML/CFT instructions No. (42/2008) has referred to the possibility of ML through "…depositing large-scale payments regularly and with different methods including the electronic depositing…opening an account online by the customer and refusing to provide the necessary information for proceeding or refusing to provide information that usually allow him to enjoy services and facilities the customer usually deems an extra feature…using the online banking service by the customer for switching many times between his accounts without any clear reasons for doing that…".

338. In the same framework, the instructions No. (8/2001), in Article of the banks' electronic activities (2) bound "the bank which desires to perform any of its activities electronically…to study, evaluate and determine the activities intended to be practiced electronically, the practical systems and the security systems as well as their costs, risks and the means for preventing them and the stages 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 measures and the required protection, as well as implementing them and keeping on developing them". Then, Article (6) mentioned "the importance of regulating the contracting relation between the bank and the customer, including the data and responsibilities of each one 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 its risks…complying with transparency, educating the customers and introducing them to the electronically carried out transactions, their risks and the liabilities imposed on them as a result of those transactions; and establishing the clear directions and instructions with regard thereto". Whereas, Article (9) stipulates that "the electronically executed transactions should be subjected to internal inspection and monitoring according to a policy depending on the necessary, precautionary laws, instructions and measures.

339. . Moreover, the Central Bank, pursuant to the Circular No. (10/1/3344) of 21/3/2005, circulated the general principles the Basel Paper issued in July 2003 adopted under the title Risk Management Principles for Electronic, whereas 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 comprises determining the accountability and controls which should 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 justifications made thereto…".

340. 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 under the powers given for 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 educate its customers about the way of checking the bank's web ID…use the appropriate means for ensuring its compliance with the legal requirements of the jurisdiction in the country the bank is affiliated with, no matter where the bank is located…and develop incident response plans and measures for containing those problems and the unexpected situations and reducing their effects such as the attempts of internal and external breach of the electronic banking systems".

341. Regarding the **insurance** sector, Article (6) of the AML instructions No. (3) of 2007 in the insurance activities addressed the exploitation of the modern technology, whereas it bound "the company to implement the necessary policies and measures for preventing the risks related to misusing the indirect dealings with the customer, which are not done face to face, especially those performed by using modern technology such as the financial services through the internet, and the company has to ensure that the level of verifying the customer's ID and activity in such a case is equivalent to the verification measures of the direct dealing with the customer".

342. Regarding the authorities supervised by the **JSC**, Article 4.2, 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 technology such as dealing through the internet". Moreover, Article (7), clause (d) determined one of the special care requirements which is "obtaining the approval of the Executive Manager or in the supervised authority upon the establishment of any relationship with them, as well as when discovering that one of the customers of the supervised authority has fallen under the category of the customers mentioned in Article (5)".

343. The administrators 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 to be assured about the level of the compliance of the financial institutions (where applicable) with the requirements of R.VIII.

344. The first part of this report treats on the growth of the technological development in providing financial services in the Kingdom, mainly in the banks sector, in addition to the increase in the risks of exploiting this development in ML or TF. On the other hand, the instructions requiring the prevention of these risks, but there remain concerns about the extent to which the assurance provided by issuance of such instructions is, especially regarding the absence of the real monitoring methods to verify the accurate implementation of those instructions. This notion is supported by the availability of information (in some websites referring to Jordanian security sources) on an "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

345. The Jordanian legal framework has some weaknesses, whereas some requirements which should be defined in the primary or secondary legislation, have been addressed by other enforceable means or non-binding guiding principles. In some cases, the instructions listed for some sectors are either general or deficient, lacking the level of details required pursuant to the international standard.

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

- 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 secondary legislation as set 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 pursuant to the AML law so that sanctions mentioned in this 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 of issuing the payment and credit methods, the financial leasing sector, the Jordanian post financial services, the PSF and the sector of e-money transfer.
- Address the following in the law or any other primary or secondary 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 theses standards, and that customers' records should be

available for AML/CFT compliance officers, competent officers, and the competent authorities.

- Clarifying the other circumstances requiring the implementation of the CDD 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 Interpretative 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 extent to which the previously obtained data with regard to identifying the customers' ID are accurate or sufficient.

- The verification of ID by using original documents or data or information from a reliable and independent source (ID 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.

- Requiring the verification if the customer 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 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:

- 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 a legal person.

- Requiring insurance, exchange and securities companies to obtain information related to the purpose and the nature of the business relationship.

- 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 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 high-risk customers and business relationships.

- Extension of the instructions issued for the exchange sector regarding the enhanced CDD measures so that they include a wider range of risk-posing customers and high-risk business relationships and transactions.

- Removing the confusion related to banks' impermissibility to have a continuous relation with customers before completing the verification procedures.

- The implementation of the CDD measures vis-à-vis existing customers (existing customers as at the date national requirements became effective) on the basis of materiality and risk, and addressing the issue of the timing of taking the CDD 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 realized that it has no sufficient information on one of the existing customers).

- Requiring that the banks use "risk management system" to determine if a future customer, a customer or a beneficial owner is a 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 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 the original, correspondent institution uses for AML/CFT and verify 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 stipulates 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- AML instructions for the insurance sector are not issued by virtue of the AML law to allow imposing sanctions stipulates therein on institutions violating those instructions. 4- No law or principal or secondary legislative text tackle the following: • Numbered accounts (to permit it or not), so that financial institutions are requested to keep these accounts in a way that full compliance with the FATF Recommendations could be achieved. • Other circumstances requiring the application of CDD, i.e. circumstances mentioned under the last four items of c.5-2 under R.5. • Customer identification using documents, data or original information from an independent and reliable resource (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. • 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 addition to identifying natural persons that own the customer or have control over him, including those with full and effective control over the legal person or arrangement. 5- Instructions for financial institutions do not tackle the following: • Requiring FIs, concerning customers that are legal persons or arrangements, to obtain information on the instruments organizing the binding authority of the natural person or the legal arrangement. • Requiring insurance, money exchange and securities companies to obtain information on the objective and nature of the business relationship. • 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 money source in addition to the documents or data gained 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 CDD, 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 has come into effect) on the basis of materiality and risk, and to tackle the timing of CDD with regard to existing business relationships. 6- Confusion related to banks' inability to establish a continuous relation with the customers before completing the verification procedures. 7- Obligations under AML law do not cover the Financial Services of Jordanian Post and the PSF.
R6	PC	1- Instructions for financial institutions do not cover the following: • Requiring banks to use "a risk management system" to specify whether the potential customer, customer, or beneficial owner is a PEP. • Addressing exchange companies with comprehensive requirements in line with the Essential Criteria of R.6. 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. 3- Supervision deficiencies in some aspects (please see section 3-2-2)
R7	LC	– Instructions for exchange companies do not cover the examination of the level of supervision foreign companies intended to do business with are subject to, including whether they have been subject to an AML/CFT investigation or supervisory action; exchange companies are not required to assess the safeguards used by respondent institutions to combat ML and TF and make sure that these safeguards are sufficient.
R8	LC	1- FIs level of implementation of systems for follow-up and monitoring of transactions based on advanced technology and non-face to face transactions. 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.

3.3 Third parties and introduced business (R.9)

3.3.1 Description and Analysis

347. With regard to banks, it turned out that it do not rely on third parties or agents to do CDD procedures, as for the securities companies, Article (2) of the securities companies law of the year 2002 defined the financial agent as: "the person that buys securities and sells them to the benefit of tiers". Article (51) stipulates that "securities companies are allowed to get one license to practice one or more financial brokerage or agent and the investment secretary, investment manager and issuance manager", Article (2) of the AML law of 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 procedures to other institutions but do that through the employees of its office in the financial market regulated by the JSC.

348. It is noted that some of these companies stated that many of their customers are not 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 mentioned agents. To digress, in this case these statements impose an inquiry about whether the Jordanian brokerage companies are relying on the above mentioned third parties to do the CDD procedures (partially or completely) on its behalf, and whether it is asserting that the third parties are under the supervision and organization and to the regulated care requirements stipulates in recommendations 5 and 10.

349. With regard to the insurance sector, Article (9) of the AML instructions in the insurance sector no. (3) of the year 2007 stipulates that: "If the company counted on the insurance brokers or agents with regard to the CDD procedures , it should immediately get the necessary information related to the CDD procedures and to take sufficient measures to assert that the copies of identity data and other important documents pertaining to the CDD procedures are always available upon request and are well preserved…..on the other hand, the company holds responsibility of examining the customer's data and proving its correctness".

350. These instructions do not stipulate forcing insurance companies relying on third parties to immediately get from the third party the required information related to all the elements of the CDD operation stipulates in standards 5-3 to 5-6

351. It is also noted that the instructions do not require insurance companies to assert that the third parties are subject to control and organization of the CDD requirements stipulates in Recommendations five and ten. It is also noted that there is no evidence stating that competent authorities must take into consideration the case of the countries where third parties could exist with regard to the serious application of the FATF Recommendations, even though this shortage 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.

352. It turned out that asking the services of third parties and agents in the Kingdom is only related to insurance companies (check notes of previous paragraph), it is essential to remind that in Jordan and according to the 2007 estimates, (426) insurance agent are working in the Kingdom and (56) insurance broker in addition to (4) reinsurance brokers. Managers at the insurance companies covered during evaluation visits stated that their companies are obliged to abide with the instructions issued in this regard and that they are not obliged to verify whether the insurance broker is applying the CDD transaction (standards 3-5 to 5-6).

3-3-2 Recommendations and Comments

353. Authorities should take the following into consideration:

- 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 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	• Instructions issued by the JSC do not cover the possible existence of third parties that Jordanian financial services companies referred to in order to have business relationships with some customers. • 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.

		• Insurance instructions lack requiring that all relevant CDD measures be fully met and such information be obtained immediately, and financial institutions are not required to ensure that third parties are under supervision and regulation. In addition, competent authorities are not obliged to study the available information on countries where third parties could exist.

3.4 Financial institution secrecy or confidentiality (R.4)

3.4.1 Description and Analysis

354. With regard to the content of the AML Law no. (46) of the year 2007 on the secrecy or confidentiality issue and exchange of information, Article (29) stipulates the following: "the provisions related to banking secrecy and information exchange do not stop the application of any of the provisions of this 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 this law when any of them reports in good will any suspicious information or presents information or data about it according to the provisions of this law". Then Article (17) stipulates that: "….the unit is allowed to ask authorities regulated to report by virtue of Article 14/E of this law about any additional information deemed necessary to complete their job if these information are related to other information previously received by the unit while practicing its powers or based upon requests received from analogue units….the authorities regulated to report must provide the unit with the information referred to in paragraph (A) of this Article within the specified Article".

355. In addition, Article (18) stipulates that: "the unit is entitled to ask the following institutions and coordinate with them any additional information related to the notifications received if these information are necessary to perform their jobs or are based upon the request of an analogue unit: 1- Judicial authorities, 2- Control and supervisory authorities practicing their authorities on institutions subject to the provisions of this law and 3- any other administrative or security related party". As for Article (19), it stipulates that the "unit is entitled to exchange information with analogue units provided of reciprocity of treatment and provided that these information are only used for AML objectives and after receiving the approval of the unit that provided the information, and the unit is entitled to conclude memorandums of understanding with analogue units to organize cooperation in this regards". Article 6/A listed in clauses (3) and (7) "the facilitation of 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 condemnation sentences issued and confiscated or blocked properties and mutual legal aids" among the powers and the cognizance of the AML national Committee. As for Article (12) it pointed out that "…the unit is allowed to publish periodical statistics on the number of suspicious transactions received and the number of issued condemnation sentences and confiscated or blocked properties and mutual legal aids".

356. With regard to **banks** in a specific way, Banks Law no. 28 of the year 2000 stipulates in Article 93/E that: "The bank's reveal of any information by virtue of the provisions of this Article is not considered a breach to the banking secrecy obligation, in addition the Central Bank or any other banks are not held responsible about this". This Law stated in Article (74)/D that it is excluded from the provisions of Articles (72) and (73) of this law (related to bank secrecy) "the exchange of information related to customers regarding their indebtedness to provide required data for the safety of giving loans or with regard to returned checks without settlement or any other affairs that the Central Bank finds necessary due to its relation to the safety of the banking work 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".

357. With regard to the exchange of information between the financial institutions according to the special recommendation seven, Article (5) of the AML/CFT instructions no. (42/2008) stipulates in clause second, that the bank subject of the money order "attaches with the money order all data stipulates in paragraphs (1) and (2) of this clause….with regard to money orders sent in one package, the bank subject of the money order annexes the account number of the person requesting the money order or its specific reference number … stipulates ….that the bank is able to provide the receiving bank and competent authorities with the full required information within three working days after receiving the request…and that the bank can immediately obey any order issued by competent authorities obliging it to provide him with these 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

358. Bank Law no. (28) of the year 2000 stipulates in Article (15/A/6) that the bank must keep in its head quarter any data required by the Central Bank's orders. In addition, Article (15/E) stipulates that the bank must document his 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.

359. The AML/CFT instructions no. (42/2008) related to banks stipulates in Article (6) on the necessity of keeping records and documents, it asked 'the bank to keep records and evidences supporting the continuous relationship and the banking transactions received in execution of the compliances stipulates in Articles (3, 4, 5) of these instructions in a way that it covers original documents or photocopies accepted at courts according to the legislations in forced in the Kingdom for a minimum period of five years from the completion date of the transaction or the business relation termination according to the situation". By virtue of Article (7), "the bank must prepare special files related to suspicious transactions where copies of the reports about these transactions and related information and data are kept for a minimum period of five years or until a final sentence is ruled about the transaction depending on what comes first".

360. Likewise, the Control and Internal Monitoring Systems no. (35/2007), though not related to the AML/CFT objectives and procedures since it was issued and applied before the issuance of the AML Law, in Article 8, clause (3) stipulates 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 of time not inferior to the period stipulates in the in force legislations, and in a way that facilitates the control and inspection. In addition, Article (8) stipulates that it is essential to have appropriate monitoring systems covering all the bank systems to insure that each transaction is duly completed and documented and preserved in appropriate records according to the in force legislations. It also stipulates in clauses (2), (3) and (5) "that it is essential that the bank has sound and written financial, accounting and documentary systems proving the confirmation of financial transactions immediately when they occur…along with written procedures to assert that the books and records are regularly and safely kept for a period of time not inferior to the period stipulates in the in force legislations, and in 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".

361. In addition, the electronic banking work risk management issued by the Central Bank and circulated to all banks via circular no. (10/1/3344) stipulates in Article "second" that "the bank must assert that there is an efficient mechanism working on guarantying the integrity and accuracy of the information, data and records pertaining to electronic banking transactions".

362. As for the directions guide annexed with the AML/CFT instructions no. (42/2008) stipulates in clause fifth/5 on the programming 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 in a way that it includes the movements of each account during a given period of time (monthly or quarterly basis), along with the accounts balances at the end of each month and the balance average and the number of executed transactions in a way that allows the identification of any unusual activity.

- Money orders reports: covering all coming or going money orders on both internal and external levels, the amount of each money order, the used currency, the payment method check or cash for each customer separately.

- Foreign Banks Accounts Balances and Movement Reports: covering all executed money orders by any mean 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.

363. With regard to the insurance sector, Article (12) of the AML instructions related to insurance activities no. (3) of the year 2007 forced the companies to: "keep records and evidences related to the CDD procedures for a minimum period of five years from the completion date of the transaction or the business relation termination according to the situation whatever comes first…and to keep records and evidences supporting the insurance based relationship in a way that covers original documents or photocopies accepted at courts according to the legislations in forced in the Kingdom for a minimum period of five years from the termination of the insurance policy or the termination of the business relation whatever comes first….and to develop an appropriate information system to keep records and documents referred to in this Article in a way that allows the company to provide the unit and competent authorities with any data or information in a fast and comprehensive way".

364. With regard to **exchange** companies, Article (6) of the AML instructions obliged it to keep records and documents for a minimum period of five years following the date of the financial business termination and taking appropriate measures to answer the unit or competent authorities' request for any data or information in a quick and comprehensive way within the fixed time frame.

365. 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 that these information are true, and to keep them for a minimum period of five years from the date of the transaction execution or termination of relation with customer according to the situation".

Keeping identity identification data

366. With regard to **banks**, the AML/CFT instructions no. (42/2008) obliged in Article (6)" the bank to keep records and documents related to CDD stipulates in Article (3) for a minimum period of

five years following the transaction execution or termination of relation with customer according to the situation".

367. In the **insurance** sector, Article (12) of the AML instructions related to insurance activities no. (3) of the year 2007 forced the companies to: "keep records and evidences related to the CDD procedures for a minimum period of five years from the completion date of the transaction or the business relation termination according to the situation whatever comes first…and to keep records and evidences supporting the insurance based relationship in a way that covers original documents or photocopies".

368. With regard to **exchange** companies, Article (6) of the AML instructions required exchange companies to "keep records and documents pertaining to the CDD procedures stipulates in Article (3) for a minimum period of five years following the date of the financial business termination …. and to keep records and evidences supporting the insurance based relationship in a way that covers original documents or photocopies… for a minimum period of 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 must be capable of providing the party receiving the money order and official competent authorities with full information about issued money orders within three working days after having the receiving request…and that the exchange office can immediately obey any order issued by competent authorities obliging it to provide him with these information".

369. With regard to institutions regulated by the JSC, Article (9) of the instructions stipulates that "regulated institutions must document the information mentioned in Article (4) of these instructions in its records annexed with a true copy of the documents proving that these information are true, and to keep them for a minimum period of five years from the date of the termination of relation with customer or from the date of the last transaction executed by the customer".

Providing competent authorities with the records

370. With regard to **banks**, Article 6 of the AML/CFT instructions no. (42/2008) to "develop an appropriate information system to keep records and documents referred to in clauses (First) and (Second) of this Article, in a way that allows 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 a continuous relationship with a particular person during the last five years while providing information on the nature of this relationship".

371. In the **insurance sector,** the AML instructions in the insurance sector no. (3) of the year 2007 discussed in Article (12) clause (E) the necessity of developing "an appropriate information system to keep records and documents referred to in this Article in a way that allows the company to provide the unit and competent authorities with any data or information in a fast and comprehensive way".

372. As indicated above, and except as stated in the Banking Act No. (28) for the year 2000 that "the bank should document its transactions with its clients and retain information and data relating thereto," the financial sector institutions were not requested (clearly and explicitly) under the AML Law or any primary or secondary legislation to carry out the following:

- Maintaining 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 provision applies regardless of whether the account or the employment relationship continued to exist or bygone.

- Maintaining records of identification data and files of accounts and correspondence relating to the activity for a period of at least five years after the closure of the account or termination of the employment relationship (or longer at the request of the competent authority in certain cases and after obtaining the proper authorization).

- 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.

373. Those in charge 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 evidencing the level of compliance of the financial sector with R.10.

Special Recommendation VII

Limits of the applicability of the recommendation

374. For the banks, Article (5) / "first" / items (1) and (2) of the AML/CFT instructions No. (42/2008) stipulates as follows: "The provisions of this Article shall apply to electronic transfers worth more than seven hundred Dinars, or the 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 with the condition that all money orders arising from such electronic transactions are associated with the credit or debit card number... and the e-transactions in which each of the issuer and recipient is a bank acting on his own account."

375. As for the **money exchange** companies, the provisions of Article (5) of the AML instructions stipulates the obligations applicable to transfers in excess of 700 Jordanian Dinars.

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

376. For the **banks**, Article (5) / "II" of the AML/CFT instructions No. (42/2008) stipulates the obligations of the bank issuing the transfer, within the paragraphs (1), (2) and (3), obliging "the Bank to take action on customer due diligence provided for in Article (3) of these instructions so that it could get complete information about the transfer issuer, including: the name of the issuer, the account number, the national number or ID number and identity and nationality of non-Jordanians… in the absence of an account for the issuer with the bank, the Bank should establish a system whereby the issuer is given a special reference number to issue the transfer... and the bank must take action to verify all the information in accordance with the criteria and procedures set forth in Article (3) before sending the transfer. " The text of paragraph (4) obliges "the bank to attach to the transfer all data set forth in paragraphs (1) and (2) of this item."

377. The actions associated with remittances sent in one package, Article (5) / "II" of the instructions stated in paragraph (5), that "the issuing bank is bound to attach the account number of the transfer issuer or its special reference number in the absence of an account, provided that: the Bank maintains full information about the transfer issuer as set forth in paragraphs (1) and (2) of this item ... and that the banks has the ability to provide the recipient and the competent authorities with the information required in full within three working days from the date of receipt of the delivery request... and that the bank is able to respond immediately to any order issued by the competent authorities requesting access to this information." It is worth mentioning that Article (6) ordered the Bank to ascertain the source of non-routine transfers which are not sent within a single package transfers in cases that would increase the risk of money laundering and financing of terrorism.

378. For the **exchange** companies, Article (5) referred to above states that "the provisions of this Article shall apply to transfers in excess of seven hundred Dinars or their equivalent in foreign currencies, which are sent or received by the exchange office under these instructions." This Article has identified the exchanger's obligations with respect to the transfer as follows: "to obtain full information on the transfer issuer, including: name transfer issue applicant, the 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 by information on the origin of the transaction

379. For the **banks**, in Article (5) / "III" 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 issuer provided for in paragraphs (1) and (2) of section II ... and the bank must adopt effective procedures based on the degree of risk in dealing with money orders that lack any information on the issuer. Among these actions: to request updated information from the bank issuing the transfer, and in case of non-satisfaction of such request, the Bank should take action on the basis of the degree of risk, including the rejection of the transfer, and the reliance on such indicator in the evaluation of the extent of the suspicion of the transaction and notify the FIU immediately."

380. The obligations of intermediary bank are set forth in Article (5) / "IV" of the instructions as follows: "If the Bank participated in the execution of the transfer without being an issuer or a recipient, it must ensure the keeping of all the information attached to the transfer upon the execution of the transfer... if the bank fails to keep the information attached to the transfer for technical reasons, it must retain all information received for a period of five years, regardless of the completeness or incompleteness of the information, so as to enable the provision of information retained by it to the recipient Bank within three days from the date of request. .. and if the bank had received incomplete information about the issuance of the transfer, it must notify the bank receiving the transfer when executing the transfer."

381. For the **exchange** companies, the text of the Article (5 / c) of the exchange companies instructions stipulates as follows: "If the intermediary exchange office is involved in the execution of the transfer without being an issuer or recipient, it must ensure the keeping of all the attached information accompanying the transfer when executing the transfer.. .. and if the exchange office fails to keep the information attached to the transfer for technical reasons, it must retain all information received for a period of five years, regardless of the completeness or incompleteness of this information so as to enable the provision of information available to him for the receiving bank or exchange office within three days from the date of request ... and where the exchange office has received incomplete information about the transfer issuer, it must notify the recipient of the transfer when the transfer is done."

382. 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 the information on the issuer. Among these actions: to request updated information from the bank or the exchange office issuing the transfer, and if this information is not provided, the Bank should take action on the basis of the risk degree, including the rejection of transfer and to use such action as indicator in assessing the extent to which the exchange office has any suspicion in that transaction and notify the FIU accordingly."

Continuous compliance of financial institutions to apply their obligations

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

384. Article (16) of the **Exchange Business** Law No. (26/1992) states that "the 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. ".

385. In practice, the officials in the Bank 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. In spite of this, the mechanisms and procedures for follow-up of the level of compliance of financial institutions to regulations and rules relevant to the application of the compliances contained in the Special Recommendation VII, can not be considered adequate in the context of the apparent lack of possibilities in terms of their human and technical resources required for this follow-up; and this 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

386. Jordanian authorities have reported that, according to Article (88)/a of the Banking Law No. (28) of the 2000, "the Central Bank may take any action or impose any sanctions provided for in paragraph (b) of this Article and in cases found that the bank or any of the managers may have committed any of the following offenses: violation of the provisions of this 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 creditors or shareholders or depositors." Under this paragraph, "The Governor may take one or more action, or impose one or more of the following procedures and sanctions: 1 - directing 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 - demand Bank to discontinue some of its transactions or prevent it from the distribution of profits, 4 - to impose a fine on the bank not to 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 Dismiss the Chairman of the board of the bank or any of its members, 7 - the dissolution of the Board of Directors of the bank by the Central Bank for a term not exceeding twenty-four months, which may be extended as necessary, 8 - Cancellation of the permit of the bank."

387. Article (47) of the Central Bank Act No. (23/1971), stipulates that if a licensed bank violated any of the provisions of this 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 them. "In case of repetition of the violation, 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 limitation that it may deem appropriate, to appoint an observer to oversee the temporary course of its work, and to cancel its license."

388. It is noted in the previous legal texts that they impose sanction upon a violation of its provisions, or the regulations or the instructions or orders issued under it, or upon non-secure transactions. Since the instructions issued to banks had been issued on the basis of the banking law, as mentioned above, it is supposed to apply the sanctions contained therein upon violation of its provisions. However, by returning to the AML Law, the law specifies the sanction applied in case of violation of the instructions issued by the regulators in the AML field, in accordance with Article (25), by imprisonment and fine, and does not in any way refer to the authority of the regulator to impose any other type of sanctions. Based on this, it is likely that there is some inconsistency on 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 of instructions and the authority of the regulatory authority to impose the sanction upon any violation.

389. Jordanian authorities also reported that Article (27) of the Exchange Business Law No. (26/1992) states that "the Board mat take any of the following actions against any exchange office contravening any provision of this 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 in case of repetition of the violation of the provisions of this law or any regulation or decision issued under it."

390. The evaluation team believes that these sanctions could not be applied to exchange firms that violate the AML instructions, as those instructions had been issued based on the Anti-Money Laundering Law and were not issued in the framework of the Exchange Business Law. 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.

391. In general, as indicated above, the instructions issued to the institutions of the financial sector do not distinguish between local transfers and cross-border transfers in the application of duties.

392. According to those in charge 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) had been addressed to the bank without being binding to them. They have also stated that it is necessary to regulate the mechanisms for issuance and review of audit reports.

3.5.2 Recommendations and Comments

393. It is recommended that the financial institutions be required through the AML Law or any primary or secondary legislation, to carry out the following:

- 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 provision applies regardless of whether the account or the employment relationship continued to exist or bygone.
- Maintain records of identification data and files of accounts and correspondence relating to the activity for a period of at least five years after the closing of account or termination of business relationship (or longer at the request of the competent authority in certain cases and after obtaining the proper authorization).
- 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.

394. It is also recommended that texts 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 the adequacy of policies and procedures applied by the banks to this end.

395. In addition, it is recommended to remove the current confusion regarding the authority 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	PC	• Failure to require FIs through the AML law or any other primary or secondary regulation 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 exist or not. - 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 account or termination of business relationship (or longer at the request of the competent authority in certain cases and after obtaining the proper authorization). - 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.
SR.VII	PC	• Lack of effective monitoring of the compliance of banks with the rules and regulations relating to the application of this recommendation. • Lack of clarity of 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.

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

396. 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 Dinars or its equivalent in foreign currencies (including all cash transactions that are below this limit; however, the indicators show that they consist of related transactions reflected in one transaction),…. and the unusual complicated and large-scale transactions and any other unusual transaction that does not have an apparent 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 an apparent economic purpose.

397. With regard to the **insurance** sector, Article 7(a) of the AML/CFT Instructions related to insurance activities number (3) of the year 2007 specified the required procedure for the unusual transactions and stipulates that the company is required to give special attention to the identification of the customer's identity and activity as far as large insurance transactions or insurance transactions that do not have an apparent economic or legal purpose are considered and to implement the required measures to verify the background and purpose of those transactions and note down the verification result in their records.

398. With regard to **the exchange** companies, Article (4/3), item (5) of the AML/CFT instructions stipulates that the exchange office must pay special attention to large-scale or unusually complicated transactions.

399. 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-scale or unusually complicated transactions or transactions that do not have an apparent investment purpose or that are suspicious or represent an unusual investment policy and to 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

400. With regard to **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 about them". Items 2 and 6 of Article (6) of the AML/CFT Instructions stipulates that the bank shall retain records and proofs supporting the continuous relationships and banking transactions that the bank receives in implementation of the obligations stipulates in Articles (3,4,5) of these instructions. The mentioned records shall include original documents or copies thereof accepted at courts as per the Kingdom's applicable legislations to be maintained for a minimum period of 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 allows 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".

401. With regard to 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 inspect 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 resolution of the Board of Directors and the audit 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.

402. With regard to external auditing, Article 9.2 of the AML/CFT Instructions No. (42/2008) stipulates that "the bank's external auditor and as part of his duties shall verify that the bank is applying these instructions and the adequacy of bank's related policies and procedures, and include the auditing results in his report submitted to the administration with the requirement to immediately notify the Central Bank of any violation to these instructions."

403. With the regard to 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 at courts as per the Kingdom's applicable legislations for a minimum period of five years following the insurance policy expiry date or the termination of the relationship, whichever is later". It also requested the "development of an appropriate information system to save the above mentioned records and documents, in such a manner to allow 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".

404. With regard to the bodies regulated by the JSC, Article (9) of the Instructions stipulates that the regulated bodies shall maintain in their records the CDD information accompanied by a true certified copy of the documents proving the validity of this information, provided that they keep these records for a minimum period of five years following the termination of the customer's relationship or the date of the last transaction conducted by the customer.

405. As mentioned above, and with regard to the unusual large-scale and complicated transactions, it is noted that the instructions addressed to the exchange companies do not require an utmost examination of the transaction's background and purpose, nor did it require written records of the reached outputs. In addition, these instructions do not stipulate the obligation to keep these results available for competent authorities and account auditors for a minimum period of five years.

406. 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-scale and complicated transactions' background.

407. The data available through the examination of the occurrence of monitoring ways and level of the transactions within the financial institutions and the range of dependency on assisting software, and through the available awareness level among employees on the ML/FT 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:

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

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

409. With regard to the **insurance** sector, Article 7.b of the AML/CFT Instructions No. 3 of 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 apply appropriate AML systems.

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

411. As for the guarantee of informing the financial institutions of the fears 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 applies sufficient AML/CFT systems. It is noted that those provisions are limited to dealing with foreign banks only without covering the persons dealing with branches of Jordanian banks abroad or foreign persons generally dealing with banks in Jordan.

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

Examining transactions with no apparent economic or legal purpose issued by countries that do not sufficiently implement the FATF Recommendations

413. 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 apply appropriate AML systems that these transactions lack clear economic justifications, the bank should take required measures to reveal the background and purposes of the circumstances surrounding these transactions and note down the results in its records".

414. With regard to the **insurance** sector, the insurance companies are requested under Article 7.a of the AML/CFT Instructions No. (3) of 2007 to apply CDD measures with regard to any insurance transactions "that do not have a clear economic or legal purpose and to take required measures to

reveal the background and purposes of the circumstances surrounding these transactions and note down the results in its records".

Making the transactions examination results available to competent authorities and auditors

415. Pursuant to Article (6) of the AML/CFT Instructions No. (42/2008) the "bank is obliged to keep records and proofs supporting the continuous relationships and banking transactions upon which the obligations stipulates in Articles (3, 4 and 5) are executed, including original documents or copies accepted at courts as per the Kingdom's enforceable legislations for a minimum period of 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 manner that allows the bank to provide the Unit and the competent authorities with needed data or information in a comprehensive and timely way, 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 this 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 regulators 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.

416. Article (12) of the AML instructions related to insurance activities No. (3) of the year 2007 claimed insurance companies to "keep records and proofs supporting the insurance relationship, including original documents or copies accepted at courts as per the Kingdom's enforceable legislations for a minimum period of five years following the expiry date of the insurance policy or the termination of the relationship". It also requested the "development of a comprehensive appropriate information system to save the above mentioned records and documents in such a manner that allows the company to provide the Unit and the competent authorities with needed data or information in a comprehensive and timely manner".

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

417. With regards to 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.

418. Bank Law No. (28) of the year 2000 stipulates in Article (11) the mechanism of requesting foreign bank license to operate in the Kingdom and obliged foreign banks to comply with several conditions among which "that 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 its country of origin expressing its willingness to cooperate with the Central Bank of Jordan on the comprehensive supervision level and exchange of regulatory related information, 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 branches abroad, on the minimum level of Banking Supervision Standards internationally recognized and in line with the Basel Committee standards in this regard".

419. Despite what was previously mentioned, 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 financial institutions from dealing with the financial institutions in these countries or circulating warning letters or alarming instructions regarding dealing with persons belonging to these countries or residing in them.

420. With regard to insurance, and pursuant to clause (B) of Article (7) of the AML/CFT instructions No. (3) of the year 2007, companies must "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.

421. 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 exercise their insurance transactions outside the Kingdom, do not allow to apply the provisions of these instructions or decisions in accordance therewith, the company must inform the authority that it cannot apply the regulations of these instructions or decisions issued in accordance therewith and the authority can, in this case, take the appropriate decision in this regard".

422. Pursuant to the above, it is clear that Jordan is incapable of taking procedures against countries that do not apply the AML/CFT instructions or insufficiently apply them in the insurance sector (or other sectors).

423. The above analysis shows:

- The instructions do not include clear obligations related to dealing with persons belonging to countries that do not apply the FATF Recommendations or insufficiently apply them.
- The inexistence 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.
- Exchange Companies do not impose the examination of transactions with no apparent economic or legal reason issued from countries that do not sufficiently apply the FATF Recommendations.
- The limited ability to take appropriate measures if these countries pursued with their neglect to apply the FATF Recommendations or continue to apply them insufficiently.
- The Financial Services Companies are not at all covered within the enforceable regulations as far as it concerns dealing with persons from countries or residing in countries that do not apply the FATF Recommendations or insufficiently apply them, which raise some concerns 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).

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

3-6-2 Recommendations and Comments

425. 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 complicated transactions, keep the results reached 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 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 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 scrutiny that guarantees FI's 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	• Failure to require exchange companies to examine the background and purpose of unusual large-scale or complicated transactions, keep the reached results in writing, 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, which does not allow imposing sanctions on companies violating the instructions. • The actual compliance, control and supervision.
R.21	PC	• 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. • 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

426. The AML Law No. 46 of 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 this law must immediately notify the AML unit (AMLU) of suspicious transactions, whether these transactions took place or not, using the method or form adopted by the Unit. A suspicious transaction is defined as any transaction suspicious to be justifiably related to the proceeds of some of the crimes stipulates in Article 4 of the same law stipulating that any amount of money proceeded from any of the below mentioned crimes is a place for money laundering:

1. Any crimes punishable by virtue of the enforced legislations in the Kingdom or crimes stipulates in any other enforced legislation stating that the proceeds are considered to be related to ML crime.
2. Crimes stipulates in the International Conventions that the Kingdom is party to and that the proceeds are considered to be related to ML crime under the condition that it is punished by the Jordanian Law.

427. 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 modified , stipulates that if any bank administrator suspects that the transaction to be executed is a suspicious operation, he must inform the MLRO. 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 formed adopted by the AMLU.

428. Article 11 of the AML Instructions No. 3 issued in 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 could 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 ought to immediately notify the AMLU through the method or form adopted by it, he must also cooperate with the AMLU and provide it with data and facilitate its examination of the records and information in order to complete its tasks.

429. 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 and provide it with data and facilitate its examination of the records and information in order to duly complete its tasks.

430. 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, and 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, accompanied with all data and documents related to these transactions and reasons of suspicion. In addition, the same Article obliges the chairman, board members, general manager and all employees working in the regulated authority to comply with these instructions and to inform the MLRO of any suspicious transaction suspected to be related to ML. On his side, the MLRO ought to verify the notifications and related documents that raise the ML suspicion and notify the AMLU about them.

431. It is generally noted with regard to predicate offenses to be reported when suspecting the sources of its money proceeds that the AML Law No. 46/2007 classified predicate offenses on the threshold approach basis (please refer to the Section 2 of this report for a detailed analysis on those

offenses' range). The definition of those offenses 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 stipulates in Article 13 thereof. It is essential to note that some institutions operating in Non-Financial Businesses and Professions (NFBPs) were modulated in the law such as companies operating in the real-estate trade and development and the precious metals and jewels trading.

432. The AMLU have not received any STR from insurance companies considering that they are still adjusting their situation to set their internal policies accordingly to the AML instructions issued on 13/10/2007, which will come into force one year after 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 required information. There are still few money changers that prefer to notify the General Intelligence Department due to their quick reply.

433. 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 shed light over 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**

434. Below is the STRs' distribution according to the taken action:

Number of STRs kept, or under examination and follow up	75
Number of STRs transferred to the public prosecution for ML suspicion	3
Number of STR from the AMLU to the public prosecution regarding other crimes	3

435. The previous table shows the inefficiency of the reporting process on the concerned authorities side and the insufficient foundations of the suspicions raised to complete the investigation at a later stage following the required examination by the AMLU, whereas 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.

436. 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 onsite visit (includes 6 cases).

Number of cases	**Taken Measures**
1	The case was transferred to the Conciliation Court
1	The Public Prosecution ruled that the case be reserved
3	It is still under investigation
1	A copy was transferred to the Court of First Instance

437. During the evaluation team onsite visit, 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 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.

438. On the other side, the legislative texts do not oblige financial institutions to report any suspicious transaction, where valid reasons for suspicion in money proceeds or relationship with terrorism or terrorist acts or objectives from terrorist organizations or terrorism financing institutions occur. The AMLU stated that it is likely to receive STRs related to FT, knowing that the definition of suspicious transaction is extended to cover any transaction having justifiable reason to believe that it is related to the proceeds of one of the offenses stipulates 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 transactions 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 proceeded by it (that's what was mentioned in the second standard 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).

439. 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, on the local or international level, in a case of investigation, and if he discovers 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 is established as well. Having recourse 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 financial activity and in that case the following measures must be applied:

- Forbidding the disposal of the funds under a decision issued by the public prosecution until the investigation is over.
- 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 this banking transaction is related to any financial activity, he transfers the case to the competent court.

440. It is noted that the mentioned Article of the Penal Law, 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 and only in relation to banking. This provides a flawed 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 potential use by terrorist organizations or terrorism financers. On the other hand and most importantly, Article 147 of the Penal Code has not covered the reporting subject 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 text (in the Penal Law or other law) referring to the fact that the AMLU shall receive any STRs related to terrorism financing.

441. It is obvious that the relation between the Central Bank and the AMLU is inadequate in general, and in the domain of suspicious transactions reporting in particular, as the AMLU is not legally the only party authorized to receive STRs under Article 93 of the Banks Law No. 28 of 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 this Article, while not allowing AMLU to receive STRs related to financing terrorism, to prove the possibility of informing AMLU through the Central Bank of any crime. This requires the immediate segregation of the authorities invested 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 employment, the resources and the electronic systems for example.

442. Article 14/C of the AML Law No. (46) of the year 2007 stipulates that the institutions abiding by this 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.

443. The law stipulates the reporting of all suspicious transactions, but there is no legislative text stipulating that this request is registered in any form that allows the exclusion of transactions believed to be related among other things to tax issues.

444. A suspicious transaction is defined as any transaction believed to be justifiably related to the proceeds of any of the offenses stipulates 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 criminal by virtue of the local laws.

Recommendation 14

445. Article 16 of the AML law stipulates that the criminal or civil or administrative or disciplinary responsibility is dispelled of every natural or legal person among the institutions submitted to this 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 this 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 this Article is not considered a breach of the bank's secrecy obligation, in addition both the Central Bank and the bank are not held responsible for this disclosure.

446. 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 this 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.

447. 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 they had direct or indirect access to or dealing with such information, and that it is forbidden to disclose this information in any form unless for the purposes stipulates by this law and this restriction continues to be applied 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 within his position or job of any information that is being offered or exchanged by virtue of the provisions of this law and the systems and the instructions issued thereof.

448. Article (7) of the AML/ CFT instructions No. 42/2008 stipulates that it is strictly forbidden to disclose to the customer or beneficial owner in a direct or indirect way or with any mean the information procedures taken regarding suspicious transactions or related data.

449. There is no legislative text or laws that refer in particular to the obligation of the AMLU to maintain confidential the names and personal details of the financial institutions' MLROs; however, the evaluation team noticed during its presence at the public prosecution office that the latter maintains original STRs addressed by banks in its files.

Recommendation 25

450. The AMLU receives the STRs electronically 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 and the reporting institutions as well as the number of STRs

transferred 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, is issuing 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 been published, whether during or after the onsite visit.

451. Till 30/6/2008, the AMLU received several STRs from banks and Exchange Companies and one STR only from a Securities Company. In exchange, the reporting party would receive a receipt stating that the STR was well received by the AMLU. However, the AMLU has not informed the reporting party of the final examination result of the reported suspicious transaction; but, it has requested additional information from the reporting party upon the request of the public prosecution. The AMLU requested also that it is informed of any change occurring on the reported condition. In addition, some reporting institutions declared that they are following up with the AMLU to learn about the results of the reported case. This shows that there is no complete feedback on the fate of the suspicious case. In addition, no guiding bulletin including real examples of money laundering cases treatment were published to assist financial institutions.

Recommendation 19

452. 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 the Article four 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

453. Authorities are recommended to:

- Be more precise as for the predicate offenses 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/FT.
- Obligations stipulates in the Law should apply to all financial institutions in terms of reporting any suspicious 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 who 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 suspect in case the STR is referred 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 suspicious 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.

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

	Rating	Summary of factors underlying rating
R.13	PC	• Inappropriate range of ML predicate offenses. • AMLU is not the sole entity responsible for receiving ML STRs. • Absence of any obligations in a primary or secondary legislation to report ML from or connected to TF or used in terrorism financing or terrorist acts or by terrorism organizations or terrorism financers.
R.14	C	
R.19	NC	• 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.
R.25	NC	• Unavailability of a feedback mechanism to the reporting entities regarding the results of submitted STRs.
SR.IV	NC	• AMLU is not responsible for receiving FT STRs. • Absence of any obligations in a primary or secondary legislation to report suspicious transactions or transactions related or connected to terrorism financing. Reference is only made to the measures applied in case of transaction connected to a terrorist activity.

Internal controls and other measures

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

Recommendation 15

3.8.1 Description and Analysis

454. Article 8 of the AML/CFT Instructions No. 42/2008 issued for banks stipulates that the bank should set an adequate internal system including the 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 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 précising the powers and responsibilities.

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 regarding reporting them to the AMLU or reserving them provided that the reservation decision is justified.

2- Reporting suspicious transactions.

3- Keeping all received documents and reports.

4- Preparing regular 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 relatively to the information and data made available to the bank.

455. 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 this system includes a clear 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 relatively 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 work include dealing with insurance transactions that could be used in money laundering transactions, taking into consideration that those programs cover money laundering tools and how to discover them and report them, and how to deal with suspects, and apply the AML legislative texts. This necessitates keeping of records for all training programs occurring in a minimum period of five years and including the trainees' names and qualifications along with the training party whether it is from inside or outside the Kingdom.

456. With regard to institutions regulated by the JSC, Article 8 of the instructions stipulate that regulated institutions should develop adequate AML policies, procedures, and internal controls, and prepare required training programs for the employees of different grades, and to attend the training programs supervised by the JSC or the AMLU, and to provide the MLRO with all tools that allow him to execute his responsibilities independently and in a way that guarantees the secrecy of the information received or procedures implemented, including examination of required records and data allowing him to perform his job and review of systems and procedures set by the AML submitted party and its compliance with apply the same and provision of suggestions to complete any deficiency or required update and development to increase their efficiency and competency.

457. 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 whereas 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 ones 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 these banks; however it is not possible to test the efficiency of this policy due to the necessity to have a policy and internal specialized system for the insurance company that suits the nature of its business.

458. Securities companies do not have internal systems and policies related to AML procedures, as the AML instructions were not 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.

459. 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 few procedures to be taken inside 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 measurements to identify the identity of the customers and in case the transaction's amount exceeds 10000 Dinars, exchange companies inquire about the funds' source.

460. 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 with international or foreign leasing companies, and are therefore abided 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 general register. In addition, there is no law aiming at 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 work of these companies.[24] Despite the fact that the banks' subsidiaries are required to applying the AML banks rules, it is not possible to test the efficiency of these policies due to the necessity 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 it to the general manager, and then the bank or the parent company is informed to restudy the case and notify the AMLU in case suspicion was confirmed. (It is noted that the finance leasing law No. (5) of 2008 was issued and became effective on 16/9/2008. The new law limited the practice of finance leasing to funds companies alone).

461. 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 control these companies since they are related to banks. The Control administration of the banking system in The Central Bank of Jordan is exercising office monitoring on the financial leasing companies related to banks through the reports submitted by the company to the mother bank though no control party has conducted any onsite visits to these companies. The visited companies stated that only the compliance officer was trained on AML and he is training the rest of the employees.

462. 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 a way that these powers present in their minimum limit what allows the MLRO to proceed with his powers independently and in a way that guaranties the secrecy of received information and taken procedures, he must also be allowed to examine records and data necessary for him to examine and review the bank's regulations and procedures and to combat money laundering and terrorism financing transactions.

[24] Financial Leasing Law no. (45) of the year 2008 was issued and came into force on 16/9/2008 (more than seven weeks after the onsite visit). The new law limited the practice of financial leasing to funds 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 funds companies. The law stipulates clear obligations related to the obligations, 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.

463. 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 would 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 one or both of them was changed stipulates that these two persons have the adequate qualifications to handle this job, and to have the Committees prior approval to their designation, and to specify the powers of the MLRO to include, at least, receiving information and reports on suspicious transactions, examining them and taking the appropriate decision about 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, and 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 guaranties that the MLRO can independently proceed with his powers in a way that guaranties the secrecy of received information and taken procedures and that he is allowed to examine registers and data required for him to do his job. 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 to verify the efficiency of these procedures.

464. 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 a compliance manager and that it provide the AMLU with their names and with the persons replacing them along with a copy of the procedures taken by these authorities to apply the provisions of the AML law and to provide the AMLU and the Committee with those names and regulations.

465. Article 7 of the AML instructions related to exchange companies stipulates that the owner of the company should appoint one of the company's managers 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 case one of them was changed. During the onsite visits to financial institutions, the evaluation team noted 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.

466. Article 8, item 3 of the AML/CFT Instructions No. (42/2008) stipulates that the bank must set an adequate internal system including the policies, basis, procedures, and internal restrictions that must be fixed to combat money laundering transactions stipulates that this system includes a clear policy to combat ML operations adopted by the company's Board of Directors or authorized manager and continuously update it, including written detailed procedures to combat ML operations, as well as an appropriate mechanism to verify the abidance by the fixed instructions, policies and procedures to combat ML and FT while taking into consideration the coordination between the internal auditor and the MLRO in précising the powers, and the responsibilities. 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 any of them was changed stipulates they have appropriate powers.

467. The Compliance Control Instructions No. 33/2006 stipulates setting an independent position with the objective to ensure that the bank and its internal policies are abiding by all the laws, regulations, instructions, orders, code of conduct, standards, and adequate banking practices issued by the internal and external auditory institutions that defines, evaluates, advises, controls and submits reports to the administration board on the bank's compliance range.

468. In addition to the instructions of the Control and Internal Monitoring Systems No. 35/2007, the bank must commit to finding an independent internal examination administration that operates directly under the Auditing Committee (formed by virtue of the law No. 32 of the Banks Law) (or whoever replaces it in the branches of foreign banks) whereas periodical reports are submitted to it. The minimum tasks of the auditing administration are:

1. Develop an internal auditing manual and approve it by the Board of Directors, provided that it includes the auditing administration, powers and work Methodology.
2. Setting internal auditing procedures in line with the best practices and international standards.
3. Setting an annual auditing plan approved by the Auditing Committee and pursuant to 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 that the bank faces and work to provide appropriate recommendations to adjust the weaknesses points.
5. Supply the Audit 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 accompanying technology.
6. Pursuing violations and remarks noted by the regulators and the external auditor's reports and ensure that they are being resolved and that the executive administration has the appropriate restrictions in order not to repeat them.

469. The Central Bank of Jordan set the guide of a good corporate governance for Banks in Jordan in order to provide them with a standard of the best international practices in this field based upon what was mentioned in the Corporate governance Principles issued by the OECD and the Basel Committee instructions on the enhancement of the corporate governance in the banking institutions where the guide included that the bank must provide the internal auditing Committee with a sufficient number of qualified employees to be trained and rewarded appropriately. The auditing Committee must have timely access to any information and to any employee inside the bank, and must be given all powers that allow it to perform the required tasks as expected. The bank must also document the auditing Committee's tasks, powers and responsibilities in the auditing manual approved by the board and to circulate it within the bank.

470. Based upon the guidance Rules for Rank Licensing set by the Central Bank of Jordan, the owners of the bank requiring a license must provide the Central Bank, while presenting the license application demand, with all information on the tasks of the internal auditing administration including its organizational chart, its auditing range and responsibility channels, and regularity annexed with an organizational chart showing the channels through which the reports of the internal auditing administration will pass, along with data on the employment levels in the administrations and their obligations.

471. 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 Internal Audit performs its role represented in monitoring the internal controls and systems to ensure their effectiveness in combating money-laundering transactions and propose necessary actions to fill in any gaps or satisfy any update and development requirements to increase their efficiency and effectiveness.

472. In practice, there is no independent auditing unit at banks to test the compliance with AML procedures. The internal audit units set forth in the instructions above verify the bank's compliance with its internal policies and to all laws, regulations, instructions, orders, codes of conduct and sound banking practices issued by the domestic and international regulators. Reports are submitted to the Board of Directors on the extent of compliance in the bank. Among those systems 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.

473. 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 those banks. No independent auditing unit has been formed within the affiliate to ensure compliance with the AML procedures.

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

475. The instructions for securities companies do not contain 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.

476. With regard to continuous training of staff in banks, Article 8 (VII) of the AML/CFT Instructions No. 42/2008 stipulates the necessity of drawing up plans and ongoing training programs for workers in the AML/CFT field, ensuring that those programs include ML means and how to detect and report them, and how to deal with suspicious customers, with the retention of records of all training programs that have been conducted through a period of not less than five years and to include the names and qualifications of the trainees and the training carried out both within and outside the Kingdom.

477. Article III of the controls' systems and internal control 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 with 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 the 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.

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

479. Based on the guiding rules for licensing of banks, 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.

480. 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 means and how to detect and report them, and how to deal with suspicious customers and AML legislations, with the necessity to maintain records of all training programs that have been conducted through a period of not less than five years and to include the names and qualifications of the trainees and the training carried out both within and outside the Kingdom.

481. 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 commit to attend training courses sponsored by JSC or AMLU.

482. Article 9 of the instructions on the exchange companies stipulate that the exchange office should take the actions necessary for participation and involvement of staff assigned to training programs in the AML field, provided that those programs money-laundering methods and how to detect and report them and how to deal with suspicious customers.

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

484. Below is a table showing the insurance sector training courses:

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

485. It is noted that these training courses are not sufficient for the insurance sector. Knowing 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 training programs coherent with the AML provisions in the insurance activities.

486. A seminar was set for Exchange companies on 3/5/2008 to clarify the issued instructions, some of these companies are making their employees attend external training sessions in the banking studies institute and another development center specialized in money laundering transactions, along with the internal level training given to them by the GM. In addition, some of the companies will later on organize training programs to their employees. However, all this training remains insufficient.

- With regard to employees working with the JSC, they attend training sessions organized by banks to which they are regulated; in addition employees are being trained on the company's AML policy before they start working.

487. 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 not allowed to hire any employee/worker holder 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 in force laws and instructions.

488. Article 5 of the Control and Internal Monitoring Systems number 35/2007 stipulates that one of the Internal Supervision Department tasks is to provide Internal Supervision Department with qualified employees holder of educational powers and adequate and sufficient practical experience to monitor all types of activities and transactions, including employees capable of evaluating the accompanying information and technology risks.

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

490. Article 9 stipulates that the administrative organization must manage accompanying information and technology in a way that insures high quality of information, so that competent persons with sufficient knowledge and experience handle the administration, in addition to the presence of a specialized professional team doing its job according to a defined and documented job description approved by the administration board, stipulates that the tasks detachment is applied in order to preserve the preventive restrictions avoiding that one person executes entirely a delicate transaction.

491. 490. Generally, banks put logical conditions and specific powers to be available as a minimum level for persons submitting employment demands at the bank, and generally the applicants are submitted to tests revealing how much they are ready to do the tasks requested by them.

492. In the insurance sector, Articles 31, 33, and 30 of the insurance business organization number 33/1999 and its modifications stipulate that it is strictly forbidden for a company's board member or GM or employee or authorized manager to be:

a. Convicted with a felony or a crime violating the honor, honesty and general manners or a bankruptcy verdict and was not proven innocent.
b. Responsible according to the council's opinion of any serious violation to any provision of this law or of the company's law as a GM or a board member in a company and causing its forcible liquidation.

493. 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 communiqué including the qualifications and experience of each employee. And if the board found that one of the employees lacks competency or required experience, he may refuse to hire that person while clarifying the rejection causes. The company abides that all employees will be holders of the Jordanian nationality and that it is not allowed to hire holder of foreign nationalities in case they lack required experience and powers by virtue of a decision 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 have highly qualified

494. Instructions issued for the Exchange companies or financial services companies on the necessity of applying procedures to guaranty the existence of high competency standards upon appointing their employees.

495. As for the communication of the compliance manager with the bank's high administration or board, Article 8 of the AML/CFT instructions number 42/2008 stipulates the specification of the MLRO powers to include at least preparing periodical reports to be submitted to the administration board on all unusual or suspicious transactions, and specifying his powers to include at least all what allows him to independently practice his powers in a way that guaranties the secrecy of received information and taken procedures, and to be allowed to examine records and data allowing him to examine and review the bank's AML/CFT regulations and procedures.

496. Article 10 of the AML/CFT instructions of insurance companies stipulates that the company must commit to nominating a MLRO among the principal employees in the company and to allow him to directly and independently proceed with his powers in a way that that guaranties the secrecy of received information and taken procedures, and to be allowed to examine records and data necessary for him to perform his job.

497. 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 immediately and independently perform his powers in a way that guaranties the secrecy of received information and taken procedures, and to be allowed to examine records and data allowing him to examine and review the regulations and procedures set by the regulated authorities to combat money laundering and to present suggestions to compensate any shortage or required update and evolution or to increase its efficiency and competency.

498. Instructions issued by exchange companies stipulate that the compliance manager must cooperate with the AMLU and provide it with data and facilitate its examination of 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

499. Article 13/A of the AML law No. 46 of the year 2007 stipulates that:
Banks operating in the Kingdom and branches of Jordanian banks operating abroad are required to the obligations stipulates in Article 14 of this law.

500. Article 2 of the AML instructions No. 42/2008 stipulates that the provisions of these instructions are to be applied on all banks operating in the Kingdom and on all the branches of Jordanian banks operating abroad to the extent of which the in force laws and regulations applied in these countries permit, provided that the Central Bank should be informed about any impediments or restrictions that may limit or obstruct the application of the instructions provisions. As for companies related to Jordanian banks operating in the Kingdom unless these companies are subject to the supervision of other monitoring institutions in the Kingdom- and this party issues special AML/CFT instructions- and the companies related to Jordanian banks operating abroad to the extent of which in force laws and regulations applied in these countries permit, provided that the Central Bank should be informed about any impediments or restrictions that may limit or obstruct the application of the instructions provisions.

501. Pursuant to Article 3 of the Instructions on the External Banking Expansion of Jordanian Banks No. 18/2004 when considering requests of cross-border establishment, the Central Bank takes the following into consideration:

a. Monitoring nature and level by the supervisory authorities of the hosting country on the banking cross-border establishment of the Jordanian bank.

b. Nature of conditions, undertaking, and assurance letters asked by the supervisory authorities in the hosting country from the bank's general administration or from the Central Bank of Jordan.

c. The cooperation of the hosting country in terms of exchange of monitoring data, and its general abidance with the Basel recommendations regarding the Cross- Border Establishments.

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

502. The Central Bank of Jordan signed memorandums of understanding with a few 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 the banking monetary of the banking institutions activities in a way that does not contradicts with the international banking legislations and compliances of each party and to exchange information related to the situation of the banking and monitoring systems that might occur. And the most important clauses included in the memorandums of understanding were:

- Assertion on cooperation in the domain of banking monitoring of the banking institutions in a way that does not contradicts with the banking legislations and international compliances of each party.
- Exchange of information related to the situation of the banking and monitoring systems and occurring evolutions.
- Assertion that the banking institution that whishes to cross-border got the required approvals from the banking supervisory authorities in both countries.
- Exchange of information related to office monitoring including reports, financial statements, and statistics submitted by any form of cross-border banking of any banking institution in the other country, in a way that allows all the supervisory authorities to perform their responsibilities and tasks according to the Basel recommendations.
- Organizing the field monitoring procedures regarding the bank's cross-border establishment.

- Committing to keep information secrecy according to the in force laws in each country.

503. Pursuant to the cross-border establishments of Jordanian banks No. 18/2004, the minimum level of the conditions to be available in the bank applying for a cross-border establishment outside the Kingdom:

A. The bank operated in the Kingdom for a minimum period of five years.

B. The bank has a financial solvency that allows him to exercise banking activity abroad, in this regards the bank should be classified as Well Capitalized according to the definition mentioned in the memorandum of the correct procedures frame No. 4/2004, and that the bank's cross-reference does not cause the regression of this classification.

C. The bank's classification is 2, i.e. well rated according to CAMEL classification system is (2).

D. The administration classification (M) is not less than 2, i.e. well managed according to CAMEL classification system.

E. The bank has a written policy regulating the its relation to its cross-border establishment and including as a minimum:

- The Control and Internal Monitoring Systems of the administration for the bank's cross-reference establishment.
- The powers of the persons in charge of the administration of the bank's cross-reference establishment.
- The powers of the administration regarding the supervision of the management of the money sources of the bank's cross-reference and its functionalities.

504. In the insurance sector, Article 15 of the AML instructions in the insurance activities No. 3/2007 discussed the topic of insurance companies branches and auxiliary companies, whereas the company must assert that its branches or auxiliary companies practicing insurance business outside the Kingdom are applying the provisions of these instructions and thereof issued decisions especially in the countries that do not apply specific restrictions related to AML similar to restrictions mentioned in these instructions and the decisions issued thereof or that are insufficiently applicable, to the extent allowed in the in force laws and regulations of the countries operating in it. In case the in force laws and regulations in force in the countries where the company's branches or auxiliary companies practicing insurance business operate outside the Kingdom refused to apply these instructions or decisions issued thereof, the company must notify the AMLU that it cannot apply these instructions or decisions issued thereof, and in this case the Committee has to take the decision deemed appropriate

505. Practically, the branches and foreign companies regulated to banks and insurance companies are applying the AML actions in line with the recommendations requested in the home country (Jordan), especially in the countries that do not apply special restrictions related to CFT similarly to the restrictions included in these instructions and the decisions issued thereof or that are insufficiently applicable.

506. The rest of the financial institutions do not have in its laws or instructions anything that indicates the necessity of applying these laws and instructions on its foreign branches and auxiliary institutions.

3-8-2 Recommendations and comments

507. Competent authorities should ensure 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.

- 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 and insurance companies too) 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.

3.8.3 Compliance with Recommendations 15 & 22

	Rating	Summary of factors underlying rating
R.15	PC	• 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 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.
R.22	PC	• 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. • No obligation to apply AML/CFT requirements on foreign branches of banking and monetary institutions except banks and insurance companies.

3.9 Shell banks (R.18)

3.9.1 Description and Analysis

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

- It is strictly forbidden to any person to perform any banking transactions before getting the financial license from the Central Bank by virtue of this law.

- It is strictly forbidden for a non-licensed person to practice banking transactions such as accepting deposits without a prior written consent from the Central Bank.

- It is strictly forbidden for any financial company to practice a job or activity that contradicts with the Central Bank orders issued by virtue of Article 3/G of this law.

- It is strictly forbidden for any person to use in any form the word “Bank” or one of 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- That this use is legal by virtue of any law or international agreement that the Kingdom is party to.

  2- If the context showed that the usage is not at all related to banking affairs.

  3- If a Council of Ministers decision was rule based on the governor’s recommendation allowing that.

- It is strictly forbidden to any person to say or give misleading information to others regarding deposits taking.

509. In addition, Law banks no. 28 of 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 stipulates conditions in this law. Article 11 of the same law stipulates that the foreign bank is entitled to apply for a branch license request or more to operate in the Kingdom as dictated by the Central Bank orders stipulates that the following conditions are met:

1. To be licensed to accept deposits at the country of his head quarter.
2. To have a good reputation and fixed financial position.
3. To have got from the competent authority in the country of his head quarter the permission to work in the Kingdom.
4. That his monitoring by competent authority in the country of his head quarter is based on proper ground in the banking affairs monitoring and its minimum level, i.e. applying the internationally recognized banking monitoring standards.
5. The bank commits that his branch licensed to operate in the Kingdom will comply with all the in force legislations.

The Central Bank issues his decision regarding the license request of the foreign bank branch according to the conditions and procedures taken while licensing a Jordanian bank and any other requirements deemed necessary.

510. Article 17/B of the same law stipulates that the bank is not allowed opening a new branch or office inside the Kingdom or outside it or closing it or changing its location without the Central Bank prior approval. In addition some financial institutions check their Correspondence banks while filling a questionnaire proving the compliance levels of these banks to AML procedures. On the other hand, supervisory authorities assert that the Jordanian banks are not dealing with tramp banks through examining the bank’s existing accounts and the matching transactions executed by the Jordanian bank with foreign banks.

511. In order to achieve that, the Central Bank issued guiding rules to license the banks according to the standards and international practices among which the Central Bank’s ability to evaluate the ownership structure of the banking institutions, these rules also include requesting the bank owners to submit, when presenting the license request to the Central Bank, a detailed operational plan including the Control and Internal Monitoring Systems and human resources, and the evaluation of the efficiency extent of the board members and high administration. In case a foreign bank submitted a license request to open a branch in the Kingdom, The Central Bank of Jordan, must and based upon these rules assert that the foreign bank is committed to the minimum level of Basel Committee standards, and the license is not given before having the approval of the monitoring authority in the

mother country. In addition, The Central Bank of Jordan must make sure that the monitoring authority in the mother country is exercising the monitory based on the comprehensive monitoring principle, and that it is not only based on the nature and range of this authority's monitoring but on the fact that the applicant's structure does not obstruct the monitoring efficiency conducted by the monitoring authority in the mother or the hosting country. Authorities stated that the Central Bank examines the bank's financial existence before giving it a license.

512. AML law no. 46 of the year 2007 stipulates in Article 14/B on the necessity of not doing business 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 that:

- The bank must be sure that the foreign bank is under an efficient monitory control from the monitoring 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 SROs Role, functions, duties and powers (including sanctions) (R.23, 29, 17 & 25)

3.10.1 Description and Analysis

Recommendation 23 and Recommendation 30

513. The regulatory and supervision entities exercise the licensing and supervision functions on the financial institutions, and the Central Bank the securities and the Insurance Commissions one of the most important monitoring and supervision of the financial sector. Financial leasing companies are considered at a transitory stage, since a draft new law is being prepared to organize its business, and currently their activities are not under the supervision of 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 the AML domain of the regulated financial institutions, but, in general, Article 14/D stipulates that the institutions regulated by the provisions of this law should comply with the instructions that the competent supervisory authorities issue regarding the application of the provisions of this law. This law was granted the monetary institutions, in an indirect way, the issuance of instructions that the regulated institutions must comply with. Below is a description of these institutions and their monitoring and organizational roles along with their structures and resources.

514. The Central Bank is considered the monitoring authority responsible of the banking system safety in an attempt to increase the sufficiency and efficiency of banks while practicing banking transactions and protecting it from 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 in this domain, the Central Bank issued the AML/CFT instructions no. 29/2006, that were modified by virtue of the instructions no. 42 issued on 3/7/2008 and obliged banks to comply with them. In addition, the Central Bank prepared a directions guide to help identify the patterns suspicious to be related to

AML/CFT transactions and to use it as a tool to educate employees while keeping it updated (the team have not received a copy), noted that the instructions were made in a way that agrees with the FATF international recommendations.

515. With regards to the Central Bank's validity to assert that the regulated institutions are abiding by the issued instructions in general, and the AML instructions in particular, the law no. 23 of the year 1971and its amendments in the Article 4/F stipulate that the Central Bank's objectives are to keep the monetary stability in the Kingdom and guarantying that the Jordanian Dinar can be exchanged, and to encourage the economic development in the Kingdom according to the government's general policy. The Central Bank accomplishes these objectives while monitoring licensed banks in a way that guarantees the safety of its financial position and the rights of depositors and shareholders.

516. Banks Law No. 28 of the year 2000 stipulates in Article 70 that the bank and any auxiliary company can be subject to inspection by the Central Bank or the accounts auditors appointed by him for this purpose on the bank's expense, and the bank and auxiliary companies commit to cooperate with them so that they can complete their job. And if the bank to be inspected is a branch of a foreign bank or an auxiliary company regulated to a foreign bank, it is also subject to the inspection of the institutions responsible of monitoring and supervising it in the country of its head quarter in addition to the Central Bank's inspection.

517. The banking system Supervision Department of The Central Bank of Jordan handles the inspection of the correctness of the transactions and performance of the banking system institutions and the stability of its financial positions in the limits of banking laws, regulations, instructions and practices along with the requirements of the banking security and monetary stability, and among its tasks particularly:

1. Studying the banks and financial institutions licensing requests and the opening of branches inside and outside the Kingdom and submitting necessary requirements in this regard.

2. Studying related banking laws, regulations and instructions and submitting required recommendations to update it and modify it.

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 in force laws, regulations and instructions and to verify the stability of their financial positions.

4. Working on renewing and developing the monitoring and supervision methods using the developed methods, tools and programs and to benefit from the experiences of the concerned international organizations according to the international standards.

518. The banking system Supervision Department is composed of the monitory units including monetary group (field search groups), backup 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 study department. The monetary groups are in charge of the following tasks:

1. Studying, following –up and analyzing the concerned bank's periodical data.

2. Preparing, following-up and modifying the adopted inspection plan relatively to the analysis results, the nature of the task, and the preparation of the adequate time schedule to execute it.

3. Execution of field the inspection plan prepared relatively to its plans and stages.

4. Preparing a report of the inspection mission results including deviations, violations, notes and recommendations showing the strength or weakness of the bank compared to the adopted standards.

5. Preparing and following-up in due time the ratification programs of deviations and violations.

6. Following-up and studying the structure of the bank's Board of Directors and high administration and to examine the extent of homogeneity with the stipulates conditions in the in force laws and regulations.

The banking transactions follow-up department is 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 this policy 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 set in cooperation with the compliance Supervision Department and ask licensed banks to provide the Central Bank, that informs monitoring groups, about banks that did not provide the concerned bank with the plan and any remarks about it.

4. 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.

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

Employees currently working	**Number**
High administration (Assistant CEO)	2
Monitoring groups	31
Supporting departments	27
Secretary and typing	13
Total	**73**
Employees not working currently	Number
Studying delegations- unpaid leave- delegation	6
Total	**79**

520. The following table shows the educational qualifications of administration employees:

Educational qualifications	**Number**
MA in Economy and financial and banking studies	26
BA in Economy and financial and banking studies	35
Diploma in financial and banking studies and secretary	6
High School Degree	12
Total	**79**

521. Article 23 of The Central Bank of Jordan Law of the year 1971 stipulates that the Central Bank has the right to appoint employees and workers by virtue of the set regulations provisions in this regard and according to the need and to the adopted business management, and each employee or

worker at the Central Bank must take oath to preserve the secrecy of the Central Bank business and transactions, this oath is taken in front of the governor or his deputy before proceeding with his job.

522. The Central Bank issued a working ethics pact for the Central Bank of Jordan where the pact is considered a general frame for the best professional practices and behavior for all The Central Bank of Jordan 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 and during which employees are requested to follow specific detailed guidelines related to the compliance with secrecy and privacy of internal information and how to deal with documents and information and destroy it in addition to the special instructions when using electronic devices, internet and e-mail.

523. The banking examination mechanism is conducted within the banking system Supervision Department through the study and analysis of the data and statistics that are delivered to the supporting departments periodically and to continue to comply with the limits stated in the different instructions issued by the licensed banks and to inform the monetary groups (field inspection teams) in case of any violations or remarks requiring field follow-up.

524. The Department officials stated that the field inspection transactions conducted on banks to AML 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 inspection missions completed during 2007 and to this date are (18) missions in addition to (3) missions that are currently in the field with a total number of (21) missions covering around 91% of the number of licensed banks. The bank's onsite visit transactions take place once every year and a half, and the bank's size and complexity of its transactions and the existence of remarks and violations are taken into consideration during the bureau follow-up while big banks are being monitored at least once a year, the field inspection team bases its evaluation about the bank on the previous inspection according to CAMEL or ROCA. And based upon the administration opinion and monitoring results, big banks are the most committed and have more comprehensive systems because of the risks they might face.

525. They also stated that the competent authorities are working on setting a field inspection guide specialized in AML and a specialized foreign expert is working on preparing it. The administration is monitoring financial services from a strict financial way through the examination of the interim and final financial reports annexed with the bank's statements and joined with it in addition to the field inspection of these companies according to the provisions of Article 70/A of the Banks Law and according to each case. The monitoring is done through the examination of the bank's internal inspection reports that include the compliance level to the AML procedures. In addition, the reports of the Financial Market Authority could be requested.

526. The onsite visit varies between one and four months relatively to the size of the bank, and the inspection team is formed of four employees in addition to an IT employee that accompanies regularly every team to make sure that the information are safe. It is noted that there is only one person working in the IT domain in the banking system Supervision Department, where he follows-up banks during the field inspections in a synchronous way most of the times since there are no other employees helping him. In addition, the evaluation team was informed that the banks inspection transactions are conducted in a centralized manner by visiting the general administration of each bank (covering thereby all branches), which indicates the weakness of this operation compared to the number of the evaluation teams members and the fact that they do not cover the banks' branches divided in all the Kingdom.

527. There are some small banks that have not set ML policies or that are not at the required level, and according to some Jordanian authorities, the Central Bank was informed about them.

528. Concerning the training, the Central Bank is continuously training his employees on the AML/CFT while registering the employees of the banking system Supervision Department in

particular along with the employees of the banking transactions control administration in specialized local or foreign training programs and workshops.

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

Training session topic	Date	Organizing party	Location	Participants No.
AML/CFT	3/2007	AMF	Abu Dhabi	1
Fourth International Conference on Money Transfer	3/2007	UAE Central Bank in cooperation with IMF & MENAFATF	Abu Dhabi	2
Compliance in the MENA region	7/2007	Arab Banks Union	Charm El Sheikh	2
Organizing AML operations	8/2007	FDIC	USA	2
Special delegation of the MENAFATF	7/2007	Syria Central Bank	Syria	1
FSI Seminar on Risk Management, Government & Internal Control	3/2007	BIS/FSI-Switzerland	Switzerland	1
MENA FINANCIAL REGULATORS TRAINING INITIATIVE	11/2007	Egypt Banking Institute and Egypt Central Bank	Egypt	2
Combating Money Laundering	11/2007	Deutshe BundesBank-Frankfurt	Germany	1
Banking Consolidated Supervision	12/2007	IMF	Lebanon	3
On-Site Banking Supervision	1/2008	Deutshe BundesBank-Frankfurt	Germany	1
Risks management with emphasis on tolerance test	2/2008	AMF	Abu Dhabi	2
AML/CFT for financial sector responsible	3/2008	AMF	Abu Dhabi	1
Monitoring on electronic exchange risks and Banks IT	3/2008	AMF	Abu Dhabi	2
Banking secrecy and relation to ML	4/2008	Arab administrative development organization	Charm El Sheikh	3
Combating Money Laundering, Terrorism Financing and Misuse of Payment Systems: International Developments and National Perspectives	6/2008	Italy Central Bank	Rome	1
Organizing CFT transactions	6/2008	FDIC	USA	1
Corporate governance	5/2007	Banking studies institute	Banking studies institute/ Amman	1
Seminar on Building compliance unit	6/2008	Jordan Banks Association	Jordan Banks Association/ Amman	1

Workshop on corruption fighting through TAIEX	9/2007	Corruption fighting Committee	Corruption fighting Committee/ Amman	1
Corporate governance	5/2007	Banking studies institute	Banking studies institute/ Amman	4
Compliance control in the banking sector	3/2008	Jordan Banks Association	Jordan Banks Association/ Amman	5
Executive Seminar on Digital Investigation and Security	6/2008	USA Embassy	Movenpick Hotel/ Dead sea	1
Total				**39**

530. 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 issued thereof and among which the AML instructions in the insurance activities no. 3 of the year 2007. In addition, Article 14/D the AML law no. 46 of the year 2007 obliged the entities subject to its provisions to comply with the instructions issued by the competent supervisory authorities.

531. The Insurance Commission is a legal person independent on both financial and administrative level, it has the right to acquire movables and real estate to help it achieve its goals and to do all legal actions including contract signing and acceptance of assistance, donations, grants and offerings. It also possesses the litigation right and is represented in the judicial procedures by a civil general attorney or any other lawyer hired for this purpose. The Committee 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 Committee aims at organizing the insurance sector and supervising it in a way that ensures the appropriate atmosphere for its development and for the enhancement of the insurance sector role in insuring persons and properties against risks in order to protect the national economy and to collect national savings and develop them and invest them to support the economic development inside the Kingdom.

532. The following Directorates of the Insurance Commission will be in charge of the field inspection and bureau monitoring over the insurance companies in the AML domain: Financial and technical monitoring Directorate (6 employees), legal affairs Directorate (5 employees), follow-up insurance services monitoring Directorate (8 employees). The legal, technical and financial control and monitoring over the insurance sector on analyzing financial data- completing the organizational frame of the Islamic insurance- enhancing insurance companies corporate governance- continuing the application of the monitoring scale based on risks project- field inspection- 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.

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

Educational Qualifications	Number
PHD	1
MA	6
BA	12
Total	**19**

534. The Insurance Commission works hard so that all its employees are efficient, honest and highly professional; in addition its employees are obliged by virtue of the Employees Regulations no. 87 of the year 2002 to keep secrecy as far as the Committee's work is concerned, they are also obliged to take oath in this regard.

535. Officials have stated that to the date of the visit, the Insurance Commission conducted no onsite visits to ensure that insurance companies comply with AML procedures due to the period of time given to these companies to settle their situations according to the AML instructions knowing that this time period will end on October 2008. During inspection visits on large-scale and high risks institutions and the other institutions that can be visited once every year and a half. They also stated that a directions guide for insurance companies inspection procedures is being prepared, along with a directions guide to categorize customers on risks basis, and that foreign experts are helping in the preparation of this guide. 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.

536. 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 its combating procedures was organized by the Committee and in cooperation with the AFIRC and the IAIFA on the 23rd & 24th May 2007.

537. 536. They also participate in the following training sessions:

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

538. The training sessions attended by the Insurance Commission employees are considered insufficient to know about all the AML/CFT aspects.

539. 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 of the year 2007 stipulating that: institutions subject to the provisions of this law must comply with the instructions issued by the competent monitoring institutions with regard to the application of this law.

540. Article 3/A of the Exchange Business Law no. 26 of the year 2002 stipulates that it is strictly forbidden for a person to practice exchange business in the Kingdom unless he possesses a license issued by the board according to the provisions of this law, and the board term in the context refers to the Central Bank of Jordan administration. In addition, Article 6/A of the same law stipulates that the exchange company's records, registers and transactions related to exchange business are subject to scrutiny, review and inspection from the Central Bank and the governor is entitled to delegate in writing any employee or employees of the Central Bank to conduct these procedures stipulates that the employees in charge are titled to sequester the exchanger's registers and records if necessary.

541. The exchange monitoring department of the Central Bank of Jordan undertakes the monitoring of exchange companies, and there is also the Exchangers Association, which is an independent

association affiliated with the Ministry of Interior Affairs at the security level, formed 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 supervisory role. The exchange Supervision Department is formed of the inspection department including six employees and four other inspectors will be hired, the analysis and control department including five employees, and the licensing department including six employees. In addition to the administration's manager, his assistant, the secretary and typing employee's holders of the following educational degrees:

Educational qualifications	Number
PHD	1
MA	5
DEA	1
BA	7
Diploma	5
High School	5
Total	**24**

542. The Department employees concluded onsite visits on exchange companies since the issuance of the law 46/2007. In addition, and since the instructions issuance on 3/3/2008 and to the evaluation team's visit, the administration had already monitored 35 exchange companies among which there are126 operating companies according to officials' statements (only 23 companies working in the exchange domain and 103 companies working in the exchange and transfer domain). They also stated that each company is visited at least once a year in normal situations, and the visit includes in a concurrent way the visit of its branches knowing that these visits come in an unexpected way.

543. The emphasis is on large-scale companies and not on small secondary agents working with companies operating in the transfer domain since all their transactions will pass through principal agents, and the statistics arriving on a daily basis to the analysis and monitoring department are being controlled and in the event of an unusual transaction, a team is formed to investigate and perform a onsite visit. The accounts auditors do not audit on exchangers. When applying for a license request, the approval of the security institutions is a condition to be met.

544. 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 party	Period of time	No. of participants
Learning about AML and suspicious transactions	Washington	17-25/9/2005	1
Money Laundering	Security Federal Corporation - USA	8/6/2007-8/10/2007	1
AML	Banking Studies Institute- Amman		1
Computer, Financial Analysis & AML			1
Advanced AML	Banking Studies Institute	6/2/2006-2/4/2006	2
AML in Banks & Financial Institutions	Banking Studies Institute	30/4/2007	
Bank secrecy & relation to ML	Arab Administrative Development Organization-	6-10/4/2008	

	Egypt		
AML & CFT	AMF- Abu Dhabi	8-13/3/2008	1
ML & FT Investigation	Military Retired Commission	17-20/7/2006	
Money Financing Resources and financial verification	General security	17-21/7/2005	
AML	Banking Studies Institute	2-6/3/2003	
AML in Banks & Financial Institutions	Banking Studies Institute	3-9/5/2004	1
Advanced & diverse sessions in AML & CFT	Abu Dhabi & Banks Associations & Studies Institute	10-14/4/1993	1
AML in Banks & Financial Institutions	Banking Studies Institute	25-29/11/2007	1
Monitoring on electronic exchange risks and IT at banks	AMF- Abu Dhabi	16-20/3/2008	1

545. With regard to Jordan Securities Commission (JSC), the commission was formed by virtue of the Securities Law no. 23 of the year 1997 that was cancelled by virtue of the Securities Law no. 76 of the year 2002 and is under the control of the prime Minister and is independent on the financial, administrative, and corporate person levels. A board of managing directors appointed by a Ministerial decision runs it. 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 job is performed by the inspection and licensing administration currently having eight field inspectors with high qualifications and expertise and the trading Supervision Department with currently five employees expected to become 15 by the end of 2008.

546. Within the Commission, the monitoring task is being handled by the inspection and licensing administration that currently has five employees with high qualifications and expertise expected to become 15 employees by the end of the year. (Most of the employees are MA holders).

547. The supervisory process performed by the Commission have not covered yet AML measures applied in these companies whereas the official instructions issued currently stipulates the beginning of the onsite visit, and the authorities reported that prior to the issuance of the AML law, their objective was not to follow ML cases taking place in these companies. Currently, the commission is working on completing the preparation of monitoring software to be activated during the seventh month of 2008 according to the authority's statement in order to detect suspicious transactions. On the other hand, a directions guide on the suspicion standards is under preparation and will be distributed on all brokers.

548. With regard to securities companies visited by the team, they were related to banks, that's why they were applying the Central Bank's instructions as auxiliary companies. The financial brokerage companies and till the end of 2007 were of 69 companies among which there were 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 standing companies were given 14 licenses (a company can be given one or more license to practice different activities).
3. The full licenses of 3 companies were cancelled and 4 licenses of the ones given to 4 companies were cancelled.

4. The commission agreed on giving 199 credits to 187 natural persons to practice financial services business.

549. It is essential to mention what the authorities stated on not giving new licenses to financial brokerage companies since the number of standing companies is appropriate to the market size.

550. 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 Secretary of State
Execution & Legal affairs	1	16-20/6/2008	Organizing AML operations	Federal Deposits Financing Corporation

551. Companies Control Department: Monitors licensed companies through preventive monitoring achieved by the legal and control department affiliated with the financial audit department to audit the companies' minutes of meetings and financial statement. Officials stated that the department is not entitled to technically audit the companies and judge whether they are practicing ML but that it is the Directorate's right to examine the company's accounts and check their activities and impose sanctions such as cancelling their license or transferring it to the judicial system. The legal control department studies the suspicion standards since 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).

552. There are no trust funds in Jordan and debt buying companies are not licensed.

553. Practically, banks and exchange companies are organized sectors monitored in AML domain. As for the insurance companies, the legislative frame 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 were newly issued and are not yet in force. All issued instructions do not refer to AML 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 control over the financial institutions with regards to AML is neither sufficient nor complete.

554. 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 text 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, it only provides for the obligation of the regulated institutions, including FIs, to comply with the instructions issued by the supervisory authorities to apply the provisions of this law. That gives these monitoring institutions the right to follow-up the application of the related instructions (excluding others) by the regulated institutions. In this case, it is not clearly known to what extent 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 indicate the authority in charge of supervising their applications.

555. From the above mentioned, it is shown that ruling is possible in the presence of competent authorities holding in a general indirect way the responsibility of asserting the compliance of the financial institutions to CFT requirements, in addition to granting the supervisory authorities the competency to assert that the auxiliary institutions are abiding by these measures. It is essential to note that financial leasing companies' activities are new by virtue of the law no. (45) of the year 2008.

Recommendation 29 and 17

556. Article 4 of the Central Bank of Jordan no. 23 of the year 1971 stipulates that the Central Banks' objectives are to keep the monetary stability in the Kingdom and to guaranty 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 these objectives while monitoring licensed banks in a way that guaranties the safety of its financial situation and protects the rights of depositors and stakeholders.

557. Banks operating in the Kingdom and branches of Jordanian Banks operating abroad apply the AML provisions no. 46 of 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 this law.

558. The Central Bank issued the AML/CFT instructions no. 42/2008, and fixed a directions guide to help identifying the patterns suspicious to be related to AML/CFT and to use it as a tool to educate the employees, while keeping it updated, noting that the instructions considered to be one of the other forcing tools according to the evaluation Methodology definition was set in a way that goes in line with the FATF international recommendations.

559. 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.

560. The same applies for exchange companies abiding by the AML instructions by virtue of the provisions of Article 14/D of the AML law no. 46 of the year 2007.

561. With regard to securities companies, the submission of regulated institutions to the AML instructions issued by the Committee means that they are implicitly submitted to the Committee's control and supervision in its application.

562. As noted, supervisory authorities have enough powers to follow-up the financial institutions and assert their compliance except of the financial leasing companies sector that is still unregulated[25].

563. With regard to the possibility that the supervisory authorities inspect the financial institutions, Article 70 of the Banks Law no. 28 of the year 2000 stipulates that the bank and any auxiliary company is subject to inspection by the Central Bank or the accounts auditors hired by it for this purpose and on the bank's expenses. The bank and auxiliary companies commit to cooperate with them so that they can complete their job. And if the bank to be inspected is a branch of a foreign bank or an auxiliary company regulated to a foreign bank, it is also subject to the inspection of the institutions responsible of monitoring and supervising it in the country of its head quarter in addition to the Central Bank's inspection. On the other hand, the Central Bank and appointed auditors and during their inspection of the bank and any other auxiliary company to are allowed to:

[25] As at the date of the onsite visit and immediately thereafter.

1. Examining 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 these documents.
2. Ensuring that the accountant data of the bank's foreign branch operating in the Kingdom includes the collected budget and the final accounts along with an income statement of the mother company and its branches in other countries.
3. Asking the banks and auxiliary companies administrators and agents to provide the Central Bank or the auditors with any information deemed necessary.

564. With regard to insurance sector, responsible at the Insurance Commission stated that it will execute field monitoring on regulated authorities and are titled to assert its abidance to the instructions issued by virtue of the AML law provisions, even though the insurance business organization law does not give general or direct powers to do regular field inspection transactions. Nevertheless, the Insurance Business Organization Law stipulates in Article 37/C that the Insurance Commission general manager is titled to appoint one or more employees to check and assert in appropriate time any of the company's transactions or records or documents, and the company should put these documents at the disposition of the appointed employee and cooperate with them allowing him to complete his job.

565. With regard to exchange companies, Article 16/A of the Exchange Business Law stipulates that the exchange's registers, records and transactions related to exchange business for examination, review and inspection by the Central Bank. The governor is entitled to delegate in writing any employee or employees of the Central Bank to conduct these procedures stipulates that the employees in charge are titled to sequester the exchanger's registers and records if necessary.

566. 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 thereof. 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 this law and regulations, instructions and decisions issued thereof: accredited licensed issuers accredited capital market, joint investments funds and securities investment companies. These institutions are subject to inspection and monitoring of its documents, accounts and records by the competent authority legally titled, and in order to accomplish the objectives of this law, regulations, instructions and decision thereof, and the documents, accounts and records cover wherever used in bank statements, correspondences, memorandums, documents, computer files or any other tool to save information or data in a written or electronic form.

567. In addition, Article 17 of the same law stipulates that the commission is entitled, and through its competent authority, to conduct any investigation or research or audit to specify whether a person has committed a violation or has taken preparatory procedures leading to committing a violation to the provisions of this law, regulations, instructions and discussions issued thereof, and to investigate about any information or circumstances or practices deemed necessary and appropriate to execute the provisions of this law, regulations, instructions and discussions issued thereof, through the audit of documents, books and registers relevant to any licensed or credited party of the commission's regulated institutions and under its supervision and receiving copies of them, and to inspect it with or without a prior notice, or through the witnesses call and hearing of their testimonies under oath, and submitting any documents related to the investigation. The commission may recur to the services of experts and competent persons in the above mentioned investigation, inspection and audit.

568. It is noted that the supervisory authorities are allowed to conduct bureau and field inspection transactions on the financial institutions.

569. With regard to the obligation of the financial institutions to present all documents and data related to the audit procedure, Article 70 of the Banks Law no. 28 of the year 2000 stipulates that the Central Bank and appointed auditors and during their inspection of the bank and any other auxiliary company are entitled to examining 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 them, and ensuring that the accountant data of the bank's foreign branch operating in the Kingdom includes the collected budget and the final accounts along with an income statement of the mother company and its branches in the other countries, and asking the banks and auxiliary companies administrators and agents to provide the Central Bank or the auditors with any information deemed necessary.

570. 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 this law and the regulations, and orders issued thereof.

571. Control and Internal Monitoring Systems instructions no. 35/2007 stipulates that the bank is obliged to 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. It also stipulates that the bank should keep the audit reports and documents for a period of time coherent with the in force legislative provisions in this regard, in an organized and secure way and to make it ready to be examined by the monitoring systems and external auditor.

572. In the insurance sector, and by virtue of the Insurance Business Organization Law no. 33 of the year 1999 and its amendments according to Article (37/A), insurance companies are obliged to submit any data or information related to the execution of the law provisions and instructions requested by the Insurance Commission general manager.

573. With regard to exchange companies, Article 22/A of the Exchange Business Law stipulates that the exchange office must provide the Central Bank with semi-annual account statement not later than the eighth month of the current year, in addition to periodical information required about its business according to the template fixed by the Central Bank within 10 days of the ending date of fixed duration to present it annexed with any additional clarification statements provided that they are all identical to the accounts listed in his records.

574. Article 6 of the AML instructions issued on 3/3/2008 stipulates that the exchange office must maintain records and documents related to required care to be granted to CDD stipulates in Article 3 for a minimum period of five years following the completion of the transactions or the termination of the relationship"… and to keep the records and evidences supporting the financial transactions in a way that includes original documents or copies accepted by courts according to the Kingdom's in force legislations for a minimum period of five years following the completion of the transaction, he must also take required procedures in such a manner that allows him to efficiently and swiftly satisfy any request addressed by the Unit or the official competent authorities with regard to any needed data or information.

575. With regard to securities brokerage companies, Article 17 of the securities law stipulates the following:

A. The commission, and through competent authority is entitled to conduct any investigation or research or audit to specify whether a person has committed a violation or has taken preparatory procedures leading to committing a violation to the provisions of this law, regulations, instructions and discussions issued thereof.

B. The commission, and through competent authority is entitled to investigate about any information or circumstances or practices deemed necessary and appropriate to execute the provisions of this law, regulations, instructions and discussions issued thereof.

C. The commission, and through competent authority and in order to execute the investigations procedures mentioned in items A & B of this Article is entitled to:

1. Audit documents, books and registers relevant to any licensed or credited party of the commission's regulated institutions and under its supervision and obtaining copies of them, and to inspect 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 recur to the services of experts and competent persons in the above mentioned investigation, inspection and audit referred to in clause A of this Article.

576. We conclude that the supervisory authorities are directly entitled to impose the submission of all records, documents or information related to the compliance follow-up and abiding by it.

577. With regard to the competency of the supervisory authorities to impose compliances and sanctions in case of violation, Banks Law no. 28 of the year 2000 stipulates that the Central Bank is entitled to take any procedures or impose any sanctions stipulates below in case the bank or any of its administrators conducted a violation to the provisions of this law or any other regulations, instructions and orders issued thereof, or in case the bank or any of its auxiliary companies conducted unsound or unsafe transactions to the benefit of his stakeholders, debtors, or depositors, and in this case the governor is allowed to take one or more procedures and to impose one or more sanctions from the following procedures and sanctions:

1. Addressing a written warning.
2. Requesting the bank to submit an acceptable program summarizing the procedures to be taken to eliminate the violation and correcting the situation.
3. Requesting the bank to stop some of its transactions or forbidding it from distributing its profits.
4. Imposing a fine not more than one hundred thousand Jordanian Dinar.
5. Requesting the bank to temporary suspend an administrator that is not of the board members or requesting the termination of his employment relatively to the violation's severity.
6. Dismissing the bank's chairman or any of the board members.
7. Dissolving the bank's board and transferring its management 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) of the year 2004 a modified law of the Banks Law, published in the official gazette issue 4675 on 16/9/2004).
8. Cancelling the bank's license.

The governor should get a prior approval from the board before taking any procedure or imposing any sanction stipulates in the above mentioned Articles (4, 5, 6, 7 and 8).

578. For the insurance sector, the insurance business organization law no. (33) of the year 1999 and its amendments imposed sanctions in case the regulated authorities violated the law provisions and instructions issued thereof, but the law did not stipulate a specific fine, the violator is punished with a fine not less than one thousand Dinars and not more than ten thousand Dinars and the fine is doubled in case of recurrence, and if the violation recurred for more than twice, the fine is doubled at its head margin. It is noted that these sanctions are neither repellent nor convenient with the sanctions imposed over the other institutions violating the AML instructions as previously referred to.

579. In addition Article (92) of the same law stipulates that every person who abstained from providing the Committee or general manager with the documents, information and data to be submitted according to the provisions of this law and the regulations and instructions issued thereof or obstructed or prohibited the general manager or the duly authorized employee from executing his duties and powers stipulates in the provisions of this law and the regulations and instructions issued thereof, or abstained from delivering them on time, a fine not less than five hundred Dinars and not more than five thousand Dinars is imposed on him and the fine is doubled in case of recurrence, and in case the violation is recurred for more than twice, the fine is doubled at its head margin.

580. Article (41) of the law listed a group of procedures to be taken in case the insurance company violated any of the law's regulations or instructions issued thereof, it stipulates that:

a. If the general manager has sufficient information showing that the company committed a violation to the provisions of this law or regulations or decisions issued thereof, the general manager must verify the validity of these information.
b. If the general manger was sure of the validity of the information, he must directly refer the case to the board to take required information against the violating company, or he should ask the company to take specific measures to correct its situation during a given period of time, and in case it does not fix its situation, the general manager refers 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 head margin for the total premium amounts earned by the company from issued insurance policies.

3. Keeping in the Kingdom assets whose amount is equivalent to all its growing net obligations from its business in the Kingdom or a certain percentage of this amount.

4. Restricting the company while practicing any of its investment activities related to guarantying the scoring margin or obliging it to settle its investments in any of these activities to accomplish this objective.

5. Requesting the company or the head quarter of the foreign insurance company based on the case to take the appropriate measures to rectify 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 of the violation.

7. Dissolving the company's board and appointing a neutral administrative Committee of experts to replace it while appointing a manager to this Committee and a vice-President and defining the Committee's tasks and powers for a maximum period of six months, to be extended when necessary for a maximum period of one year in required cases and the company bears the expenses of the Committee as specified by the Committee's board, after that the Committee's work is done, 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 bank's license.

10. Restructuring the company.

11. Liquidating the company.

581. With regard to 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 a written warning to remove the violation during a defined period of time.
2. Closing his shop and forbidding him from exercising the exchange business for a fixed period of time.

The board is entitled to annul the license given to any exchange in a final way in case of violation recurrence of more than twice to the provisions of this law or any regulation or decision issued thereof.

582. The JSC is entitled to impose any sanctions on persons violating the provision of the securities law and regulations and instructions issued thereof, according to the Articles 21 & 22 of the securities law where the board is entitled to investigate with 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 its data 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 this law and regulations, instructions and decisions issued thereof, the board may take one or more of the following measures:

1. Publishing the investigation results.
2. Ordering the violating person, and for a period of time fixed by the board, to stop committing the violation or causing it or taking preparatory procedures leading to its compliance or removing it according to the case.
3. Imposing financial fines on the violator by virtue of the provisions (A) of the Article (22) of the law.
4. Cancelling or suspending the license of the violator or stop hiring him if he was licensed or hired according to the case.

583. The board is entitled to impose financial fines not exceeding fifty thousand Dinars on any person in the following cases:

1. Violating the provisions of this law and regulations, instructions and decisions issued thereof.
2. Deliberately assist or excite or advice or order 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 he should have stated it in the report or request.

584. The board must take into consideration, while taking his decision about imposing the mentioned fine that the sanction and amount suit the public benefit's requirements while taking into consideration the following things:

1. The violation included deliberate deceive or fraud or manipulation or neglect to the requirements stipulates in this law.

2. That the violation caused any direct or indirect damage to any person.

3. That the violation caused illegitimate wealth taking into consideration the compensations paid to the persons damaged from the violation.

4. Any factor resulting from the justice and equity requirements.

585. The person on whom the fine was imposed is allowed to object in front of the board during a period of time not exceeding the two weeks from the date he was notified and the board should take his decision to reply during a period not exceeding the two weeks from the date of receiving the objection, noting that not determining the objection during the fixed time frame is a rejection decision and in case of determination or not the person is allowed to object the board decision in front of the Higher Justice Court, and the board is entitled to refer the above mentioned committed violations to the competent authorities.

586. With regard to the financial institutions sanctions according to the AML law no. 46 of the year 2007, Article 25 stipulates that any person violating the provisions of Articles 11, 14 and 15 of this law will be punished with prison for a period of time not exceeding six months or with a fine not exceeding ten thousand Dinars or with both sanctions.

587. Pursuant to the sanctions law and its amendments no. 16, Article 147 considers terrorist crimes all suspicious banking transactions related to money deposit or transfer to any party related to terrorist acts and in this case, the following procedures should be applied:

- Forbidding the usage of this money by virtue of a decision issued by the Public Prosecutor till the termination of investigation.
- The Public Prosecutor must collaborate and cooperate with the Central Bank and any other related party, local and international to investigate in this case, and if it was proven that the banking transaction is related to terrorist act, the case is to be transferred to competent court.
- The person that commits the crime is punished with temporary forced labor and the administrator responsible at the bank or financial institution that concluded the transaction while knowing that it is illegal is punished by prison, and the money is confiscated and reserved.

588. With regard to the appointing of a Committee or more to impose sanctions when a violation occurs, 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 specialized by that by virtue of the Banks Law and the exchange business law.

589. In the insurance sector, the Insurance Commission administration board is imposing any of the fines mentioned in the law, where Article 95 of the law stipulates that the board is allowed and based upon the general manager's recommendation to impose any of the sanctions stipulates in this law, and every concerned person is entitled to object the decision in front of the High Justice Court within thirty days of the decision issuance date. In addition the Insurance Commission board is in charge of taking any of the decisions mentioned in Article 41/B of this law.

590. The JSC is entitled to impose sanctions on violators of the securities law and regulations and instructions issued thereof, according to the provisions of Articles 21 and 22 of the securities law.

591. We conclude that there are authorities in charge of imposing sanctions on the financial institutions in case the latter did not comply with the AML instructions.

592. With regard to not considering the sufficient imposing sanctions on Corporate persons and punishing natural persons, the Central Bank and the bank's Supervision Department takes procedures regarding the managers and the high administration members by virtue of the monitoring institutions specific laws, since Article 88 of the Banks Law no. 28 of the year 2000 stipulates that the Central Bank must take any of the instructions or impose sanctions stipulates in item B of this Article in the cases where the bank or any of his employees committed one of the following violations:

- Violating the provisions of this law or any of the regulations, instructions and order thereof.
- The bank or any of its auxiliary companies conducted unsafe and unsecure transactions for the benefit of its stockholders, creditors or depositors.

593. The JSC is entitled to impose sanctions on the managers of the regulated companies under its monitoring and administration in case they violated the provision of the securities law and regulations and instructions issued thereof, according to the Articles 21 & 15 of the securities law where the board is entitled to investigate with 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 its data along with the to 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 this law and regulations, instructions and decisions issued thereof, the board may cancel or suspend the license of the violator or stop hiring him if he was licensed or hired according to the case (this Article covers the manager and the administration).

594. With regard to exchange companies, Article 25 of the law stipulates that any person violating the provisions of Article 3/A of this law is to be punished by prison for a period of time not inferior to one month and not superior to six months and with a fine not inferior to 500 Dinars and not superior to 1000 Dinars.

595. With regard to the insurance sector, Article 94 of the Insurance Business Organization Law stipulates that "any violation to the provisions of this law or regulations and instructions issued thereof that the law did not attribute a specific fine for it, the violator is punished with a fine not less than one thousand Dinars and not more than ten thousand Dinars and the fine is doubled in case of recurrence, and if the violation recurred for more than twice, the fine is doubled at its head margin.

596. With regard to the increase of the sanctions range to be imposed on banks, the Banks Law no. 28 of the year 2000 Article 88/B stipulates that in case any of the violations mentioned in item A of this Article took place, the governor is allowed to take one or more procedures and to impose one or more sanctions from the following procedures and sanctions:

1. Addressing a written warning.
2. Requesting the bank to submit an acceptable program summarizing the procedures to be taken to eliminate the violation and correcting the situation.
3. Requesting the bank to stop some of its transactions or forbidding it from distributing its profits.
4. Imposing a fine not more than one hundred thousand Jordanian Dinar.
5. Requesting the bank to temporary suspend an administrator that is not of the board members or requesting the termination of his employment relatively to the violation's severity.
6. Dismissing the bank's chairman or any of the board members.

7. Dissolving the bank's board and transferring its management 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) of the year 2004 a modified law of the Banks Law, published in the official gazette issue 4675 on 16/9/2004).

8. Cancelling the bank's license.

597. Above is the sanctions statement that can be imposed on the insurance sector in the Articles 41, 92 and 94.

598. 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 this Law:

1 Send a written notification to remove the violation within the period specified by the Board.

2 Close the exchange store and prohibit it from practicing exchange activities for a period specified by the Board.

The Board is also authorized to revoke the license issued for any exchange institution if it frequently violates the provisions stipulates in this Law or violates more than twice the provisions of any regulations or order issued hereunder.

599. 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 this law, and the provisions of any regulations, instructions and resolutions issued hereunder.

2 When a person deliberately assists, incites, advises 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.

600. 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 stipulates in this law.
2 Whether the violation caused direct or indirect damage to any person.
3 Whether the violation resulted in illegal enrichment, 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.

601. 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 challenge 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.

602. Based on the abovementioned, it becomes clear that some sanctions stipulates 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 established.

Recommendation 23 (criteria 3, 5, 7) – Market Entry

603. 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, will 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. This applies when the transfer of shares belonged to a related group of persons.

604. Article 22 of the same law stipulates that the following requirements should be met by the chairman and the member of the Board of Directors of the Bank – in addition to what is stipulated in the Companies' Law:

1 To be above 25 years-old.
2 To have a good behavior and reputation.
3 Not to be member of the Board of Directors, or director general, regional director or employee of any other bank, unless the other bank was affiliated to this one.

The Central Bank has the right to oppose the candidacy of any person to the Board of Directors if this person does not meet the abovementioned requirements.

605. Article 25 of the same law stipulates that the following requirements should be met by the bank's director general or any person who occupies a high rank specified by the Central Bank:

1 To have a good behavior and reputation.
2 Not to be 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.

606. Article 30 of the same law stipulates the following:

a. Any employee working in the bank's administration loses its 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, director-general or branch director loses 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 this Article, is not allowed to work in 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 this Article, is allowed to work in any bank or be a member of its Board of Directors provided that he receives a prior written approval from the Central Bank.

607. Pursuant to the Corporate Governance Guidelines issued by the Jordanian Central Bank to the local banks in Jordan, the director general that should be appointed must enjoy integrity, know-how skills and banking experience, in addition the Board of Directors' approval is a requisite for the appointment of some executive directors, including the Chief Financial Officer and the Internal Auditing Director who should have the required experience and skills. The Board also adopts Succession Plans for the bank's executive directors that include the skills and requirements that are needed for these positions.

608. The Central Bank of Jordan (CBJ) has set guiding rules for licensing banks, 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 to 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 and skills in other fields. This evaluation also contains a historical overview of their past activities, including judicial or legal actions made against them, or any doubts over their competence, qualifications and integrity. It is necessary that candidates to the administrative team in a bank have a strong background in the banking sector.

609. Based on the guiding rules for licensing banks, the CBJ must be able to evaluate the ownership structure of banking institutions, and this 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 adequacy and their ability to offer more financial support when needed. In an attempt to investigate the integrity and financial position, the CBJ should also determine the primary capital resource intended to be invested.

610. 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 should meet some characteristics under the adequacy standards, including: competence reflected in a minimum of five-year 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 enjoy respect in the financial society. They should also have certain skills and experience that contribute to enriching the Board in the fields of accounting, financing or banking, or any other banking skills and knowledge in the banking sector.

611. 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 and 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 is 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 specified and approved regulations in evaluating the Board efficiency, so that the criterion for the performance assessment is objective and includes a 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.

612. As for exchange companies, they are all limited liability (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:

e- The founder (the natural person or persons related to the legal person) should have a good behaviour 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 certificate.

f- 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 partner relationship have disappeared.

g- The founder's name (the natural person or who has a relation with the legal person) should not be on the list of the defaulted employees (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 President of the manager's board or his deputy, should be a permanent resident of the Kingdom and a full-time employee. He should also have an acceptable experience in banking and/or exchange and he should provide the Central Bank with any information or documents that support his background.

613. With regard to the insurance sector, Article 31 of the law that regulates 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 bankrupt without being rehabilitated; or any person, in his capacity as

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 this law or the Companies' Law, including the responsibility for the forced liquidation of an insurance company, should not be authorized to be 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 this Article also apply to the insurance broker.

614. 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 every one of the above mentioned. If the Board found that an employee does not have the required skills and experience stipulates in paragraph (a) of this Article, it can refuse to appoint the said employee by presenting the reasons for its decision.

615. As for the institutions that are subject to the Jordanian Securities Commission (JSC), all financial services companies are subject to the licensing and monitoring 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.

616. Based on the abovementioned, we can conclude that there are specified criteria to appoint the managers and the members of the Board of Directors of financial institutions.

617. As for the licensing of institutions that offer money or value transfer or exchange services unlike 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 of the year 1992, stipulates that "a person shall not be authorized to practice exchange activities in the Kingdom unless he receives a license issued by the Board according to the provisions of this law." What is meant by Board is the Board of Directors of the Central Bank of Jordan.

618. Moreover, Article 16/A of the same law stipulates: "The exchange institution's documents, records and transactions shall be subject to the auditing, examination and inspection of 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."

619. A controversial issue remains, that is the definition of money transfer activities in the exchange activities law. In fact, this definition only includes the 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, those companies are, in theory, conducting illegal and unlicensed transactions when transferring money (in particular when these transactions are made inside Jordan or in local currency, as such transactions do not fall within the definition stipulates 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.

620. As for financial institutions that are not subject to the basic principles, their presence in Jordan is very limited. Those include companies that conduct payment and collection transactions, the issuance and management of payment and credit tools, as well as renting and financing companies.

These companies are subject to the Companies' Law when it comes 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)

621. The Central Bank of Jordan imposes an office 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 a field control on banks by making onsite visits to make sure that banks are abiding by the laws, regulations and directions, in addition to evaluating the management quality and the sufficiency of internal control systems.

622. 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 an attempt to organize this operation in order to allow banks wishing to open branches in the Kingdom to have a sound administrative and financial situation.

623. The CBJ issued the instruction No. 18/2004, concerning the external expansion of Jordanian banks, in an attempt to organize the external expansion of Jordanian banks, in 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.

624. 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 those authorities in the field of banking control.

625. The Banks' Law No. 28 of 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 directors who have the skills and the ability to manage the bank in a sound and appropriate manner.

626. The licensing operation should include an assessment of the ownership structure of the banking institutions, the members of the Board of Directors and the senior management, the operational plan, the internal control regulations and the financial statements, including the capital's foundation. In the event where the applicant for the license is a branch of a foreign bank, the prior approval of the regulatory authority in the bank's original country is required.

627. The CBJ has issued guidelines for licensing banks out of its concern over the conformity of the licensing standards with the prevailing practices in the field of banks' control. Accordingly, one of the reasons for withdrawing a license is the bank's failure to meet these standards.

628. 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, and 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 adequacy and their ability to provide

financial support when needed. The CBJ should also determine the primary capital resource that should be invested.

629. The Jordanian Central Bank issued the e-banking instructions No. 8/2001, pursuant to its compliance with preserve the safety of 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, including the internet, telephone, electronic cards and other modern electronic means.

630. The CBJ circulated the Risk Management Principles for Electronic Banking which were included in a paper issued by the Basel Committee on Banking Supervision. These principles include a general framework for the management of these risks entitled the "Risk Management Principles for Electronic Banking", and they 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.

631. As for licensing insurance companies, Article 25 of the Insurance Business Regulating Law No. 33/1999 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 An affiliate
4 An exempted company

632. Moreover, a new or an exempted insurance company cannot 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 cannot practice insurance activities unless it meets the minimum capital specified in this law. Article 36 of the same law stipulates that a person cannot practice the work of actuary in the insurance sector unless he receives permission from the Commission, in accordance with the principles and conditions specified by the Board under any instructions issued for this purpose.

633. Articles 54 and 55 of the same law stipulates that a person may not act as insurance agent unless the general manager is provided with the agreement signed between him and the relevant insurance company, stipulating that he is appointed as agent for the company. A person may not work as an agent for more than one company. Moreover, a person may not act as an insurance or reinsurance broker without obtaining a license from the Commission in accordance with the conditions specified by the Board under any instructions issued for this purpose.

634. Articles 31, 33 and 30 of the Law No. 33/1999 regulating insurance activities and its amendments, stipulate the following:
Cannot be member of the company's Board of Directors, or its director general, employee or delegated director:

a. Any person who was convicted with a felony or crime, or was declared bankrupt;
b. Any person who was found responsible for a major violation of any provision of this law or the Companies' Law, as director general or member in a company's Board of Directors, including the responsibility for the forced liquidation of an insurance company.

635. Competence and experience are a must for the insurance company's director general and the main employees. The company should provide the director general with a detailed report that includes the skills and experience of every employee. If the Board found that an employee does not have the required skills and experience, it can refuse to appoint the said employee by presenting the reasons for

its resolution. The company has the choice to hire only Jordanian employees or it can hire non-Jordanians if they have skills and experience that are lacking in the company, upon a decision by the Minister of Labor, based on the recommendation of the director general.

636. 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 manager should also have the necessary competence and experience in insurance activities. The director general is appointed as shown below:
The Company's director general should have one of the following requirements:

- A baccalaureate degree and a minimum 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 vice director general and his assistant should have one of the following requirements:

- A baccalaureate degree and a minimum 5-year experience in insurance issues;
- A professional degree in insurance and a 10-year practical experience in insurance issues;

A minimum of 15-year practical experience in insurance issues.

The director general's approval of professional degrees and practical experience is required.

637. 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 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 behavior
    2 Any other conditions decided by the Commission

b. The following requirements should be met by a natural person who is appointed in a professional position:
    1 Have full competence and good behavior
    2 Holding a university degree
    3 Successfully passed the exams decided by the Commission
    4 Participated in the sessions held by the Commission to fill the required position
    5 Pay the position 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, is 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 administrative employee.

638. In addition, Article 7 of instructions no.3/2007 stipulates that the Company should be very careful when inquiring about the client and his activities. The Company should the following into consideration:

1 Major insurance transactions and insurance transactions which do not have a clear economic or legal objective; adopting necessary measures to understand the circumstances surrounding these transactions and their objectives, in addition to writing down the results 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 clients, the Company would take the following measures:

– Set up a risk management system to check whether the client, his representative or the beneficial owner was 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 the level of political exposure.
– Obtain the approval of the Company's director general or his representative when establishing a relation with politically exposed clients. This approval should also be obtained when discovering that one of the clients or beneficial ownership became exposed to such risks.
– Take sufficient measures to ensure that politically exposed clients and beneficial ownership have sufficient resources.
– Follow-up in a detailed and continuous manner on the Company's transactions with those individuals.

639. As for common investment funds, they are subject to the JSC supervision. AML regulations also apply to these funds.

640. Based on the abovementioned, some regulatory and control measures that are implemented for precaution and which are related to ML and TF, also apply to banks and insurance companies for AML purposes only (without terrorist financing, as it is not included in the general framework of compliances that should be met by those institutions.) 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 law, with regards to fighting ML and TF.

641. 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 compliances that should be followed to implement the provisions of AML law, pursuant to Article 14/d, which stipulates that supervision authorities should ensure that its affiliated bodies are abiding by its regulations.

Recommendation 25

642. 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 stipulate that a bank should use the attached guidelines which was put to assist in the identification of transactions that are suspect of being money laundering or terrorist financing transactions. Banks should use this guide as a tool to educate their employees, while updating it when necessary.

643. The abovementioned guide includes the following:

1 Process of money laundering transactions
2 Money laundering means:
- Cash financial transactions
- Personal accounts
- Transfers
- Trust funds
- Investment related transactions
- Credit facilities
- Financing of credit accounts and business transactions
- International financial and banking transactions
- E-banking services

3 The client's behavior which might indicate its involvement in illegal transactions
4 The bank employee's behavior which might indicate its involvement in illegal transactions

5 General guidelines.

644. The team did not receive a copy of the above guide to ensure that it clarifies the means of money laundering in a detailed and sufficient way.

645. As for exchange institutions, the Central Bank issued AML regulations for licensed exchange institutions and circulated a form of reporting a suspicious operation that should be filled in by the institution and attached to a guide on the means to deal with those risks.

646. Guidelines issued by the relevant authorities were limited to the guidelines issued by the Central Bank for banks, in addition to guidelines on completing the reporting form which was sent to exchange and insurance companies.

2-10-3 Recommendations and Comments

647. Authorities are recommended to:

- Issue AML regulations for insurance activities based on the AML law, in order to impose the sentences stipulates in it on companies that violate these guidelines.
- 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.

3-10-3 Compliance with recommendations 23, 29, 17 and 25

	Rating	Summary of factors relevant to s.3.10 underlying overall rating
R.17	LC	• AML instructions for insurance are not based on the AML law, not allowing to impose sanctions stipulates in the law on companies that violate these instructions.
R.23	PC	• 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. • Failure to implement regulatory and supervision measures that exist for prudential purposes in financial institutions other than banks and insurance companies.
R.25	NC	• Failure to issue guiding principles in issues covered by the FATF Recommendations, 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.
R.29	C	

3.11 Money or value transfer services (SR.VI)

3.11.1 Description and Analysis (summary)

648. Article 11/f of the exchange activities law stipulates that an exchange office can do any of the following transactions with the approval of the Board and in line with instructions it issues in this regard: issue external transfers to finance unforeseen payment transactions. Consequently, money transfers can be practiced by exchange companies and banks.

649. Article 3/a of the same law stipulates that an individual cannot practice exchange activities in the Kingdom but 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.

650. 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 these companies to the Central Bank.

651. Article 5 of regulations issued on 3/3/2008 stipulates that the provisions of this Article apply to transfers which 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. This information includes 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 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, estimating the level of risks in transfers lacking information. These measures include the request of information that is not available to banks or the exchange office sending the transfer. In case the exchange office did not obtain this information, it should adopt the adequate measures based on the risk level, including the rejection of the transfer. This would be an indicator to follow when evaluating the exchange office as to the presence of this operation and informing the unit about it.

Exchange bureaus should comply with the following:

1. If the exchange office participated in the transfer without being a sender or receiver, it should guarantee the presence of all information attached to the transfer during the transfer operation.
2. If the exchange office failed to keep the information attached to the transfer for technical reasons, it should preserve all the attached information as it received it for a period of five years, whether this information is complete or not. It should also submit information available to him to the bank of to the exchange office receiving the transfer within a period of three days since the request.
3. If the exchange office received incomplete information on the person requesting the sending of the transfer, it should inform the receiving party when conducting the transfer operation.

652. Article 6 of AML regulations issued on 3/3/2008 stipulate that the exchange office should keep records and documents pertaining to clients' due diligence stipulates in Article 3 for a minimum period of five years since the closure of the financial transaction. It should also keep the records and evidence that support financial transactions, including original documents or copies accepted by the courts, in line with the laws prevailing in the Kingdom, for a minimum period of five years since the closure of the financial transaction. All these 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.

653. It was 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 transactions of sending money outside Jordan, in addition to linking them only with 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 Jordanian Central Bank. Consequently, the only regulated transfer activity in Jordan is the one conducted by banks licensed by the Jordanian Central Bank.

654. As for transfer transactions 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 this Article are applied 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 are exceptions to the provisions of paragraph 4 of the second and fourth provision of this 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, those include:

1. The bank should take client due diligence measures stipulates in Article 3 of these regulations, in a way that allows it to receive complete information on the person requesting the transfer that includes 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 before sending the transfer.
4. The Bank should attach to the transfer all statements stipulates in paragraphs 1 and 2 of this 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 he did not have an account at the bank, provided that:
    - The bank maintains the full information on the person requesting the transfer, stipulates in paragraphs 1 and 2 of this Article.
    - The bank is 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 is able to immediately comply with any order issued by the competent official authorities that forces it to inform it of this information.
6. The bank should ensure that irregular transfers are not sent in one batch in cases that might 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 the second provision. 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 the request of information from the bank sending the transfer. In case this information was not received, the bank should take the adequate measures based on the risk level. These measures include the rejection of the transfer, which is an indicator in evaluating the bank and the presence of a suspicious operation.
Four: The obligations of the mediating 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 maintain the information attached to the transfer 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

655. 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 putting more accurate and detailed information on the duties that these companies should comply with, as ordering, 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	• 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)

656. **Overview of the sector:** Concerning non-financial businesses and professions, the law profession is seen as an independent profession that is subject to the Bar Association Law and the legal lawyers' law. The Jordanian Bar Association supervises the organization of the law profession in line with the law. The lawyers' law defined the lawyer as "those whose profession is to provide judicial and legal assistance in return of remuneration. This includes: (1) representing a person in calling for their rights and defending them: (a. before all the Courts, excluding religious courts, b. before arbitrators and all parliamentary departments, and c. before the different administrative bodies, and public and private institutions); (2) organizing contracts and conducting the related procedures; and (3) offering legal consultation.

657. A lawyer cannot practice the law profession and at the same time preside over the Council of Ministers or Parliament; he cannot do trade or represent companies and institutions in their business. A lawyer cannot practice the law profession and preside over a Board of Directors of a certain company or institution. Moreover, he is not allowed to occupy the position of manager or any employee in any public company or institution. He is not allowed to practice any other profession that hampers his independence and the dignity of the law profession. A lawyer is not authorized to accept

commercial debts through transfers to his name. In addition, he cannot register at the specialized departments or any official authority a company's contract, the value of which exceeds 5,000 Dinars, but if it was stamped by a senior lawyer. Lawyers have the right to establish civil companies to practice the law profession. The number of registered lawyers in Jordan reaches around 10,000. During the team's visit to the Bar Association, it appeared that its officials did not know that the AML law was passed and came into force, and did not know that there was 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 shall be inapplicable.

658. The legal accounting profession is regulated by the law regulating the legal profession, which aims to organize and promote the profession, and to guarantee the compliance with accounting and auditing standards. The profession's regulations are determined by instructions issued by the higher Committee which is responsible for regulating the profession. The legal accountant should comply with the profession's regulations, assume his duties and preserve the profession secrecy. The legal accountant is not allowed to deal with shares and bonds of the party whose accounts are being audited by him, whether in a direct or indirect way, under his name or through one of his employees. He also does not have the right to participate in the establishment of a company whose accounts are being audited by him. He should not be a member in its Board of Directors or a permanent employee in the company's technical, administrative and counseling department. He should not be partner with any of the company's directors.

659. Moreover, the legal accountant should notify the relevant authorities of any defalcation of the funds in the accounts he is auditing. Civil companies should be established between legal accounting practitioners. The company should be registered at the department of the companies' public controller at the Ministry of Industry and Trade in line with the prevailing laws. In addition, the legal accounting 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 and 257 independent accountants who practice this profession in Jordan.

660. In Jordan, a notary is a government employee who works under the Ministry of Justice and his work is regulated by the law. The notary's tasks include the following: (1) organize all contracts for legal persons and individuals and document these contracts by his official seal so they become official; he keeps the original document and gives copies to the contracting institutions; (2) register the contracts that he organized and authenticate its dates and signatures, keep the original document and give copies to the relevant institutions; (3) put a sign on documents submitted to him so the signature date becomes a fixed date without authenticating the signatures; he keeps the original copy and gives copies to the concerned institutions; (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 and not original; (5) deliver the notifications requested by the legal persons or individuals; and (6) any other task stipulates in the law. . In light of the foregoing, and as 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.

661. 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 them. This profession is licensed by the real estate license and control Committee at the Ministry of Finance. There are around 690 real estate offices in Jordan.

662. The profession of precious metals and gemstones is licensed by the Ministry of Interior in line with regulations pertaining to jewelry shops for the year 2003. There are 648 individuals and 55 shops working in this profession. Gambling clubs are not allowed in Jordan.

Legal Framework

663. Article 13 of AML Law no. 46/2007 stipulates that companies that work in real estate, precious metals and gemstones 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 identity of the client, his legal situation, activity and beneficial owner and follow up on the transactions with the clients.
- Not deal with unidentified persons or those with fake names.
- Immediately notify the unit of any suspicious transactions where these transactions were made or not.
- Comply with the instructions issued by the specialized monitoring agencies to implement the provisions of this law.

664. It is noteworthy that precious metals and gemstones dealers working as exchange companies are subject to AML regulations pertaining to exchange companies, based on the licensing instructions of limited liability exchange institutions (issued in line with a decision by the Board of Directors of the Central Bank of Jordan on 27/02/2007), which specified in Article 1 exchange transactions as follows: "dealing with 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 conform with the international standards within the scope of AML/CFT for real estate agents, jewelers and DNFBPs.

Other texts that are accidently linked to due diligence procedures include:

665. Regulations pertaining to the licensing of selling jewels and its amendments in Article 5 stipulates 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 these instructions intersect with the requirements of recordkeeping, but they do not satisfy them in many aspects (such as that these instructions are not primary or secondary legislation, they do not oblige keeping the records for 5 years after the transaction is over, etc…).

666. 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 of 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 proxy or that the concerned person is authorized by virtue of a certificate from the Company Comptroller. The identity and nationality of the real estate agent and the client are also verified. It 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 (regarding the requirements to combat ML and TF)

Economic activity	AML Law	Anti-terrorist financing Law	Other binding regulations	Monitoring agency
Casinos	N/A	N/A	N/A	N/A
Real Estate brokerage	Available	Non-available	Non-available	Land Department
Precious metals and gemstones	Available	Non-available	Non-available	Industry and Commerce Ministry Interior Ministry
Notary	N/A	N/A	N/A	Ministry of Justice
Lawyers	Non-available	Non-available	Non-available	Bar Association
Accountants	Non-available	Non-available	Non-available	Legal Accountants

				Association
Investment Funds and Company Services	N/A	N/A	N/A	N/A

4-1-1 Description and Analysis

Due diligence measures towards the clients of non-financial businesses and professions
(Implementation of standards 5-1 to 5-18 in the fifth recommendation on non-financial businesses and professions)

667. Based on the legal and regulatory framework, the following can be deducted:

1 As for the conditions for the implementation of due diligence measures: the other cases that require the implementation of due diligence measures were not mentioned. Those cases include the transactions that exceed the amount of 15,000 USD/Euro. This also includes cases where several transactions are made in one operation or where several transactions seem to be linked together; or where there is a suspicion over an operation of money laundering or terrorist financing, regardless of any exemptions mentioned in other parts within the FATF Recommendations. These cases also include suspicions by the concerned entity over the accuracy and adequacy of statements received pertaining to the identity of the clients.
2 The necessity to include lawyers and accountants in the law and its regulations.
3 As for the required due diligence measures (c.5-3 to c.5-7): inefficient, as the following obligations were disregarded: to verify the identity; verify the authority given to an agent and the latter's identity; verify the legal status of the legal person; 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 necessity to update documents and statements pertaining to due diligence measures.
4 As for the issue of risks (criteria 5-8 to 5-12): no requirements.
5 As for the timing of verification (5-13 to 5-14): no requirements.
6 As for the neglect in implementing due diligence measures (5-15 to 5-16): no requirements.
7 As for the existing customers (5-17 and 5-18): no requirements.

Clients' due diligence measures pertaining to non-financial businesses and professions specified in special circumstances (implementation of criteria mentioned in recommendations 6, 8 and 9)
(Persons with political risks, means of payment and mediators)

668. Based on the legal and regulatory framework, we notice the lack of requirements that call for the content of the above recommendations.

Measures pertaining to the tenth recommendations (maintenance of records)

669. 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 requirements.
2 Concerning the maintenance of records pertaining to the identity of clients: no requirements.
3 Concerning the availability of records to the competent authorities: no requirements.

Measures pertaining to recommendation 11 (unusual transactions)

670. 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

671. 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 texts and mechanisms that 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 underlying rating
R.12	NC	• Lack of an adequate legal and regulatory framework to complete 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 (Recommendation 16)

(Application of recommendations 13, 15 and 21)

1-2-4 Description and Analysis

672. As we have already mentioned, some of the non-financial businesses and professions (including jewelers, precious metals and real estate dealers), are required to comply with the requirements mentioned in Recommendation 13, pursuant to Article 14 of the AML Law.

673. Article 14 of the AML Law of 2007 stipulates that the institutions subject to its regulations should immediately notify the unit of any suspicious transactions, whether these transactions were completed or not. The institutions subject to the AML Law, as stipulates in Article 13, include companies that work in real estate, precious metals and gemstones. These companies were listed under the name of monetary institutions while they are considered as non-financial. Consequently, the Article is unspecific and vague and did not include real estate mediation offices across Jordan but only mentioned companies. It is noteworthy that a notification form issued by the unit was distributed to 147 real estate offices out of 260 offices the license of which was renewed.

674. A reporting form was prepared pertaining to dealers of jewels, precious metals and real estate, in addition to a guide on how to fill in the form so that STRs are sent to the AML Unit.

675. As for companies working in the business of real estate, precious metals and gemstones, officers were appointed but do not work on a full time basis and they are not independent. Moreover, there are neither internal policies nor regulations to implement AML procedures nor an independent audit unit.

676. In general, similar to financial institutions, legal texts do not force non-financial professions to report any suspicious transactions which seem to have valid reasons for suspicion, including terrorist-linked transactions.

677. Regarding protecting the reporting non-financial institutions from the criminal civil liability resulting from 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 this law shall be exempted from the criminal or civil or administrative or punitive liability when

anyone of them reports any suspicious transactions or provides information or data about them pursuant to the provisions of this law. Moreover, the provisions of Article (15) of the same law shall be applicable on these institutions by prohibiting the disclosure for the customer or the beneficiary or for authorities other than the competent authority, and on the competent authorities by applying the provisions of this law directly or indirectly or by any other means on the notification or investigation measures taken regarding the suspicious transactions.

678. 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 gemstones. This shows that the AML law has disregarded both lawyers and accountants. The team also concluded that these sectors were not subject to any type of direct instructions or regulations like in the financial sector. There are no sanctions imposed on these professions in case they do not comply, as there are no AML regulations or policies in the first place. Sanctions are limited to those mentioned in Article 25 of the AML law no.46 of 2007, which stipulates that a person who violates Articles 11, 14 and 15 of this law shall be sentenced with imprisonment for a period that does not exceed six months or with a fine ranging between one thousand to ten thousand Dinars, or with both of them.

679. 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 jewellery 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 objectives from countries that do not implement in a sufficient way the recommendations of the FATF

680. There are no special regulations that guarantee the verification of the background of transactions that do not have a clear economic or legal objective 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 comply with the recommendations of the financial group in an adequate way

681. There are no indicators that Jordanian authorities have the right to implement counter measures when a state fails to implement the recommendations of the financial group.

4-2-2 Recommendations and Comments

- 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 stipulates in Recommendation 12.
- Establish a legal text 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 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 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 DNFBPs with AML measures.
- AMLU should continue its efforts to inform DNFBPs on reporting conditions, especially on how 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 and provide them with training. Administrative sanctions should also be considered for entities that do not comply.
- 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.

4-2-3 Compliance with Resolution 16

	Rating	Summary of factors underlying rating for part 4-2
R.16	NC	• 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 involving terrorist financing. • No legal obligation or supervisory regulations require DNFBPs 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 comply with the FATF Recommendations. • No policies or practical measures that ensure the compliance of DNFBPs with AML/CFT standards, promote their employees' awareness or provide for training them in this field.

4.3 Regulation, Monitoring and Follow-up (Recommendations 24 and 25)

4-3-1 Description and Analysis

682. Casinos are not allowed in Jordan and do not receive a license with this regard.

683. 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 Interior, while real estate dealers are subject to the Land Department at the Ministry of Finance and other professions, such as lawyers and legal accountants are subject to syndicates and professional associations as stipulates by the laws.

684. The efforts of the training and cooperation department are limited to the AML unit, which organizes regular meetings with these institutions and informs them if reports and studies 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.

685. 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 imposable 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) of 2007 as it stipulates that anyone who violates any of the provisions of Articles (11), (14) and (15) of this law shall be punished with imprisonment for a period not more than 6 months or with a fine not less that JOD 1,000 ad not more than JOD 10,000 or with both sanctions.

686. No guidance is available to non-financial businesses and professions in the implementation of the requirements of combating ML and TF.

4-3-2 Recommendations and Comments

687. 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 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 mechanism to report suspicious transactions, in addition to sector-specific guidelines so as to serve as educational material and guiding Methodology to invigorate the combating efforts.

4-3-3 Compliance with Recommendations 24 and 25 (criterion 25-1, specified non-financial businesses and professions)

	Rating	Summary of factors underlying rating for part 4-3
R.24	PC	• No authority responsible monitoring the compliance of DNFBPs subject to Law 46/2007 with AML regulations exists. No onsite visits are conducted to these professions to ensure their compliance.
R.25	NC	• 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 comply with the FATF standards.

4.4 Other non-financial businesses and professions – modern and secure means for transactions (Recommendation 20)

4-4-1 Description and Analysis

688. 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 form an apt venue for ML/FT transactions in Jordan.

689. On the other hand, there is no evidence that the Jordanian authorities have considered taking measures that 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 done on the global level in the Kingdom.

4-4-2 Recommendations and Comments

690. The authorities are recommended to:

- Conduct a risk assessment and consider the application of measures to fight ML and TF on NFBP 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	• 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 sensed based on the lack of provisions on risks imposed by new technologies.

5. LEGAL PERSONS AND ARRANGEMENTS & NON-PROFIT ORGANISATIONS

5.1 Legal Persons – Access to beneficial ownership and control information (R.33)

5.1.1 Description and Analysis

691. Trade activities in Jordan are regulated mainly by the Companies' Law no. 22 of 1997. This law regulates the registration of companies and the establishment of legal persons. Every company in Jordan is established and registered by this law. After being established and registered, every company is considered as a legal person of Jordanian nationality, with its headquarters in Jordan. The Companies Monitoring 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 stipulates in the Companies' Law, except for individual companies which are registered in the commercial register at the Ministry of Industry and Trade.

692. The Company Comptroller Department (CCD) is a national institution, administratively independent and is governed by the Companies Law No. (22) of 1997 and its amendments, where 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 employees. 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 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.

693. Companies in Jordan are divided into such types as defined in accordance with the provisions of this law, namely into partnership companies, simple and limited liability companies and partnership

companies and 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 in the Ministry. Non-profit companies may also be established according to any of the types set forth in the law, in addition to the possibility of setting up joint investment companies, such as public shareholding company to be registered with the controller in a special record.

694. The Companies Law (Section 12 – Articles 240-251) permits the establishment of foreign companies in Jordan. There are two types of foreign companies, the operating foreign companies and the foreign companies non-operating in Jordan. The operating foreign company means the company or authority registered outside the Kingdom, its headquarters is in another country and is non-Jordanian. Whereas, the foreign companies non-operating in Jordan is the company or authority that establishes its headquarters or an office representing its business it conducts outside the Kingdom in the Kingdom.

695. In addition to the foregoing, there is another type of companies, the exempted companies. They are either a public shareholding company or a Ltd. 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 (exempted company) shall be added to their name. They shall be registered at the controller in a register special for the Jordanian companies operating outside the Kingdom. This company shall be governed by the Exempted Companies Law no. (105) of 2007.

696. In addition to the commercial law, the Jordanian civil law addressed some provisions on the establishment of legal persons. The civil companies are granted constructive personality under the provisions of Article (50) of the Jordanian Civil Law. Article (51) defines the rights of the constructive person which 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 obligation 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 management is run. Companies that have their head office abroad and are active 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 stipulate that the company is considered as constructive person once it is formed and this personality is invoked on third parties only after satisfaction 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.

697. **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 a legislation in force. Each type of the mentioned companies has special provisions in relation to their registration; conditions for establishment; management; liquidation; and merger.

698. Registration requirements: Based on the Companies' Law, registration requirements for partnership companies include: (Article 11) The registration request is submitted to the monitoring agency, attached to 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 commercial 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 duration if specified.

7 Name of the delegated partner or partners who are assigned with managing the company and signing of its behalf.
8 The situation of the company in case of the death or bankruptcy of the partner, or the death of all partners.

699. Moreover, Article 13 of the same law stipulates the following: a partnership company can change its address or amend it with the approval of the monitoring agency. The request is signed by all the partners. This change or amendment does not affect any of the company's rights and duties and is not a reason for cancelling any legal or judicial proceeding carried out by the company or against it. The company can request the monitoring agency the 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 it in the Official Gazette and at least in one local daily newspaper at the company's expense.

700. Moreover, Article 14 of the same law stipulates the following: if any change occurred in the partnership company's contract, the company has to ask the monitoring agency to register this change of amendment in the special record of partnership companies, within a period of thirty days from the date of that change. Approval, registration and publication procedures are made according to this law. The monitoring agency should publish in a local newspaper any amendment or change in a company that it finds necessary at the company's expense.

701. A**s for companies of limited liability**, Article 57 stipulates: (a) the request to establish a company of limited liability is submitted to the monitoring agency attached to the company's establishment contract and by-laws. These documents are signed before the monitoring agency, a delegated 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 monitoring agency in line with the laws.

702. Shareholders Company: The establishment contract and the rules of procedures of a shareholders 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 if available.
7 Whether the shareholders have the priority to buy new issues by the company.
8 The way to manage the company and the delegated shareholders between the date of establishment and the first meeting of the general assembly which should take place within 60 days of the company's date of establishment.
9 The way that should be adopted by the Board of Directors to call for a meeting.

703. Regarding foreign companies operating in Jordan, they are not permitted to practice any commercial business in the Kingdom unless they are registered by the provisions of this 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 authority shall be submitted to the controller, accompanied by the following data and documents translated into Arabic, provided that the translation is certified by the notary in Jordan:

1. Copy of its Memorandum of Association and Articles of Association or any other document by which is was established in addition to the statement of the way of establishing it.
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 members of the Board of Directors of the company or the Manager's Authority or the partners as applicable, the nationality of each one of them ad the names of the authorized signatories.
4. Copy of the proxy 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 requires.

The registration application shall be signed before the controller or whoever he authorizes in writing or before the notary by the person authorized to register the company and the application should contain the main information about the company, especially the following:

1. The company's name, type and capital.
2. The company's purpose it will achieve in the Kingdom.
3. Detailed information on the establishers or the partners or the Board of Directors as well as the share of each one of them.
4. Any data or information the controller requires.

704. As to exempted companies, Article (3) of the Exempted Companies Regulation No. (105) of 2007 stipulates that the registration application shall be submitted pursuant to the form adopted for this purpose, accompanied by its Memorandum of Association and Articles of Association and showing the type and purpose of the company.

705. Article 273 of the Companies' Law stipulates that all companies should comply with the regulations of this law, the establishment contract, the rules of procedures and the publication statement. The company should also implement decisions made by the general assembly. The Minister and the monitoring agency can adopt the adequate measures to verify that the company is complying with these regulations, contract, rules and decision. The control mainly include: (a) controlling the company's accounts; (b) ensuring the company's compliance with its objectives.

706. **Special measures preventing exploitation 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 this way a Jordanian legal entity. Therefore, the commercial companies, but according to Article (6) of this 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 instructions issued by the Minister, any data or information at the CDD, not related to the company's accounts and financial statements, and the CDD may keep an electronic or mini photocopy for the assets of any documents kept or left with it. 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, those extracted photocopies, data and records shall have the same legal effects of the written documents including their proof.

707. The companies' registration procedures and the documents they require may be considered sufficient for obtaining 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 could be registered through the website.

708. **Obtaining accurate and up-to-date information on beneficial ownership in a timely manner:** Article (274) of the Companies Law stipulates that (a) each shareholder and partner in the registered companies shall under the provisions of this law have access to 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 of any such documents. 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 this law. (b) Each person may have access to the information related to the registered company. Access to the company file retained by the controller and obtaining a certified copy of any document thereof may only be granted by the competent court under the supervision of the controller and against the imposed fee. Article (283) of the Companies Law added that the controller and the CDD's employees which 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 this 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 add that through the website of the monitoring agency, they can access information on the registered company and its partners. However, no system is available through which one can get information on the legal persons and beneficial ownership. 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.

709. **Avoiding abuse of bearer shares**: There is no mention in the Financial Law and the Companies' Law that the company can issue shares.

710. **The Additional Element – Access of financial institutions to information on the beneficial ownership 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 monitoring agency, cannot be made by with the approval of the competent court and under the monitoring agency's supervision for a specified fee. The Jordanian Authorities said that information about the registered companies and their partners can be accessed through the monitoring agency's website.

5-1-2 Recommendations and Comments

711. 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	• Lack of evidence about the authorities' verification that the partners and the shareholders are the beneficial owners as well as ambiguity of how the authorities verify the information about the beneficial owners • No access to 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

712. Trust activities are not fount 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

713. The number of non-profit organizations in Jordan grew rapidly over the past years, as it increased by 50% from 700 to 1100 local organizations, in addition to 49 foreign organizations. Officials in the sector say that this rapid growth was due to the government's support for the establishment of 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 collaboration role, and (4) the general union of charitable associations which ensures the collaboration and the setting of policies pertaining to these associations. The value of fixed and current assets of these organizations is estimated at two hundred million Jordanian Dinars.

714. **Control over non-profit organizations that can be exploited for terrorist financing**: The Ministry of Social Development has the authority to issue licenses and control charitable associations and organizations. The Ministry works within the framework of Law no. 33 of 1966[26]. The Jordanian Authorities said that there was a new draft-law for charitable associations that was submitted to the constitutional authorities in the state before its issuance. This draft-law includes comprehensive monitoring criteria for charitable associations. According to the Social Associations Law of 1966, the Ministry of Social Development takes in charge the mission to control the activities of charitable associations and social Committees, as Article 14 of the law pertaining to the supervision over the activities of charitable associations and social Committees stipulates the following: the relations 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 to meet its objectives. The delegated employee should also ensure that the association is complying with the requirement of this law.

715. Regular visits should be 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 be outside the scope of the duty of this Department, in addition to the fact that this Department does not identify the possible weakness points that can be used for terrorist activities. There are also investigation Committees within this department, with a mission to look into suspicious cases and conduct surprise onsite visits to check records and audit the expenditures. Weaknesses include the unavailability at the Ministry of local or international lists of the names of terrorists. We were also informed that monitoring and inspection were conducted based on a mechanism to check receipts and donations, which is a relatively easy mechanism. Meanwhile, the mechanism based on controlling the expenditures and the beneficial ownership is complicated and weak. The evaluation team was also informed that no cases of terrorist financing were suspected until today and that the uncovered violations were related to defalcation and infidelity. Consequently, many associations were dissolved. Available sanctions include warning, isolation of the administrative association and dissolution. It has

[26] The eavaluation team was informed that the Associations Law no. 51 of 2008 was issued in the Official Gazette issue no. 4928 dated 16 September 2008, to come into force after the lapse of 90 days following its issuance (i.e. after 7 weeks following the onsite visit). The said law included some provisions that are related to the supervision of associations and their expenditure venues.

been noted that the number of inspectors was not commensurate with the total number of licensed associations. There are 11 inspectors while the number of registered associations reaches 1149, of which 49 are foreign. Therefore, it is practically impossible to conduct regular inspection visits covering all the associations spread 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 associations and submit reports with results to the Associations Directorates situated in the Directorates of the Ministry. Those Directorates cover all regions of the Kingdom and conduct inspections of associations within their geographical jurisdiction as prescribed in Article 14 of the Associations Law no. 33 of 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 the training in the field of anti-ML and TF).

716. **As for measures related to communication in the sector of non-profit organizations to avoid their exploitation in terrorist financing**, the Jordanian Authorities said that it prepared an awareness plan for associations and Ministry employees on the risks of ML and TF. However, we saw that there were no sensible 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 will be put into effect in 2009.

717. **Supervision and follow-up of non-profit organizations**: The law of associations and social Committees of 1966 gives the authority to monitoring institutions to access the financial bonds in banks and control the sources of money. The law includes restrictions on these associations and Committees on the necessity to receive a written approval to open bank accounts. The law obliged charitable associations to submit a financial report by a legal auditor that clarifies the sources and expenditures in all financial transactions. We were informed that onsite visits by the internal monitoring Committee were scheduled based on the analysis of these reports.

718. Based on the requirements of the registration of charitable associations in line with Article 6 of the Associations and Social Committees Law, the laws of procedures 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 this law. The monitoring agency, 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 the requirements stipulates in the law.

719. 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 and if he sees that the association has violated: (a) its rules of procedure; (b) did not achieve the objectives stipulates in its by-laws or failed to assume its duties over several months; (c) did not allow officials to attend its meetings or inspect its records; (d) use its funds for other purposes than those specified; (e) or submitted false statements to the competent official authorities; (f) violated any regulations of this law; (g) or two thirds of its general assembly voted for its dissolution.

720. 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 allows it to file a lawsuit or carry out any other activity stipulates in its by-laws. Based on Article 7 of this law:

1 The request to register a charitable association or social Committee is submitted to the Minister through the office of social affairs. The request should be attached to five copies of its rules of procedure.
2 The official at the office of social affairs 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. The Minister makes the decision he finds appropriate.

3 The Minister issues his decision approving or rejecting the registration of the company within a period of three months from the date of receiving the request.

721. Article 15 of the same law stipulates that the administration of any charitable association must maintain its correspondences in its main office and branches. The association's records should include the following information: (a) the company's rules of procedures 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 account of the meetings of the general assembly; (d) detailed account of the meetings of the administrative Committee; (e) detailed account of revenues and expenditures; and (f) equipment and assets. The Minister should be informed through the office of social affairs in the area of any change or amendment in the association's location, system or administrative body. A charitable association, social Committee or union should submit to the Minister through the office of social affairs in the area an annual report in two copies of its work and the total amounts spend to achieve its goals, in addition to its resources and any other information required in the form prepared by the Ministry. A copy of this report should be sent to the competent union. The above text did not set a time frame for associations to maintain their records. The charitable association should receive a certificate from a licensed accountant, who examines the association's accounts at least once a year. The charitable association, social Committee or union, the budget of which does not exceed 500 Dinars, can ask the Minister to delegate one of the employees to audit its accounts and grant it the certificate for free. In both cases, the charitable association, social Committee or union should send two certified copies of this certificate to the Minister and another copy to the competent union within one month of its publication.

722. The Associations' Law obliges all associations to include in their rules of procedures all information and statements pertaining to the association's structure. The rules of procedures contain information related to the names of founders, the association's objectives, the membership conditions, the resources and the agreed expenditures. The law also imposes certain conditions for the registration of associations and foreign organizations that offer social services in Jordan. These conditions include: (1) the association's original 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 one or several branches in Jordan; (5) the purposes of branches that are to be established in the Kingdom and their related projects; (6) the means to deal with the funds and properties of a branch when it is dissolved.
The Ministry of Development has also the right to inspect the locations of charitable associations to check any administrative or financial violations. The Ministry can also send for an expert in a certain field to improve the quality of supervision and control. If a penal violation was uncovered, the case is transferred to the competent Public Prosecutor.

723. There is an active collaboration between security bodies and the Ministry of Development in the field of monitoring the activities of charitable associations. Cooperation is also held between the ministries around charitable associations that practice their activities inside Jordan and which are linked to several institutions.

724. Pursuant to Article 14 of the Social Societies and Associations' Law of 1966, the Ministry of Social Development has the right to look into the association's records and documents to ensure that its funds are used to meet the association's objectives and that it is complying with the law. The Ministry has also the authority to seize any financial or administrative violations and send for an expert in a certain field to promote the quality of control.

725. Regarding the exchange of information, the Ministry coordinates actually with the security entities to control the charities in terms of the financing sources and the expenses needed to meet its objectives and goals as per the MOA. Exchange of information and response to foreign requests are conducted in cooperation between the Ministry of Development and the Ministry of Interior through the office of the Prime Minister.

726. Regarding the donations from a non-Jordanian entities, the authorities have stated that this issue is governed 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 these funds; (b) donating inside the Kingdom any cash or corporal funds in any way and for any side without obtaining the approval of the Minster 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 stipulation governs the non-profit companies only and does not include the associations.

5-2-3 Recommendations and Comments

727. The Jordanian authorities are recommended to:

- 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 persons employees in this sector.
- Require associations to maintain its records for a minimum period of five years.

5-3-3 Compliance with SR.VIII

	Rating	Summary of factors underlying rating
SR.VIII	PC	• 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.

6. NATIONAL AND INTERNATIONAL CO-OPERATION

6.1 National co-operation and coordination (R.31)

6.1.1 Description and Analysis

728. **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 "the anti-money laundering national Committee" was formed and is headed by the governor of the Central Bank. The Committee's members are the following:

- The Central Bank governor as President
- The Central Bank deputy governor as vice President
- The Ministry of Justice Secretary General
- The Ministry of Interior Secretary General
- The Ministry of Finance Secretary General
- The Ministry of Social Development Secretary General
- The director general of the insurance body

- The Companies' General Supervisor
- A representative of the Financial Committee appointed by the head of the delegates council
- The head of the AML unit.

729. Pursuant to Article 6 of the same law, the Committee's mission is to draw the general policy of combating money laundering; facilitate the exchange of information pertaining to money laundering transactions; collaborate 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 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 Authority has signed a MOU with AML Unit to enhance the cooperation and coordination between the two entities in the field of AML in the insurance activities.

730. **In the field of combating terrorist financing**: It is noteworthy that the Committee's work is limited to fighting money laundering. There isn't any clear policy or alternative mechanism to cooperate and collaborate on the issue of combating terrorist financing.

731. **The additional element**: No mechanisms were set to ensure the proper consultations for financial and non-financial companies that are subject to the regulations of combating ML and TF.

732. Statistics (compliance with R.32): No comprehensive statistics were made on this issue.

6-1-2 Recommendations and Comments

733. The following is recommended:

- 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 terrorist financing.

6-1-3 Compliance with Recommendation 31

	Rating	Summary of factors underlying rating
R.31	PC	• 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 national cooperation in combating terrorist financing.

6.2 The Conventions and UN Special Resolutions (R.35 & SR.I)

6.2.1 Description and Analysis

734. **Recommendation 35**: Jordan ratified the UN CONVENTION AGAINST ILLICIT TRAFFIC IN NARCOTIC DRUGS AND PSYCHOTROPIC SUBSTANCES (Vienna) pursuant to 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.)

735. Jordan also ratified the United Nations Agreement against Terrorist Financing, pursuant to Law no.83 of 2003, which was published in the Official Gazette no. 4606 on 16/6/2003. Terrorism and terrorist financing were considered as crimes pursuant to the AML Law. (Regarding the implementation of this agreement, kindly see the analysis of SR.II.)

736. The Convention against Transnational Organized Crime - 2002 (Palermo Convention) was also signed, and its ratification in line with the constitution is yet to be done.

737. **Additional element** – Jordan joined the Arab Agreement for the Suppression of Terrorism of 1998.

738. **Special Recommendation I**: Jordan ratified the United Nations Agreement against Terrorist Financing, pursuant to Law no.83 of 2003, which was published in the Official Gazette no. 4606 on 16/6/2003. Terrorism and terrorist financing were considered as crimes 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 unclearness of the definition of funds according to the stipulation of this agreement. (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 said that Jordan was a signatory of 12 UN agreements to fight terrorism.

739. **Security Council Resolutions**: There are no other measures or regulations that cover the requirements under the Security Council resolutions pertaining to fighting terrorist financing; i.e. UNSCR 1267 (1999) and the subsequent resolutions, and UNSCR 1373 (2001).

6-2-2 Recommendations and Comments

740. The authorities are recommended to:

- Ratify the Palermo Convention soon.
- Fully implement the Convention for the Suppression of the Financing of Terrorism.
- Set up laws, regulations or other measures to meet the requirements in UN Security Council resolutions on fighting terrorist financing.

6-2-3 Compliance with Resolution 35 and SR I

	Rating	Summary of factors underlying rating
R.35	PC	• Palermo Convention is not ratified. • Convention for the Suppression of the Financing of Terrorism is not fully implemented.
SR.I	NC	• 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 CFT.

6.3 Mutual Legal Assistance (R.36-38, SR.V)

6.3.1 Description and Analysis

741. **General Description**: Legal assistance is usually regulated by agreements that include judicial cooperation. The following is a list of the main agreements of judicial and legal cooperation ratified by Jordan:

- 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 Arab 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

742. **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 this law, the Jordanian judicial authorities cooperate with the non-Jordanian judicial authorities, in particular, regarding the legal assistance; letters of rogatory; handing in the accused and convicts; 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 reciprocity of treatment principle, without prejudice to the rights of bona fide third parties.

743. 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".

744. Procedures that are implemented in Jordan in dealing with legal assistance requests are the following (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, requests, requests to extradition of criminals, requests to transfer prisoners and other.
- 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 agreement, international diplomacy procedures 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 prosecutor general.
- If the case was transferred to the competent court, an official letter and the related documents are sent to that court to issue the adequate decision about the case.
- If the case was transferred to the prosecutor general, the office of the prosecutor general in Amman is contacted to take the adequate procedures.

745. As for judicial rogatory letters, they are dealt with through official diplomatic channels, mainly through the ministries of foreign affairs and justice, provided that a valid agreement did not stipulate that the writ be implemented in direct cooperation and collaboration with between the judicial authorities of Jordan and the other concerned country. The procedures to implement a judicial writ are summarized as follows:

1 Obtain a decision from the relevant authority to implement the writ in line with the prevailing laws and agreements.
2 A request for a judicial writ is returned to the Directorate of legal affairs and international cooperation through the Minister of foreign affairs.
3 A writ 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 is present between Jordan and the party requesting the writ. In case of lack of such agreement, the implementation of the writ will be based on international diplomacy regulations.
5 The request is studied at the Directorate and the Minister's report is prepared to show the facts of the writ, the legal opinion and the related international agreements.
6 After approving the implementation of the writ, it is referred to the Public Prosecutor, who opens an investigation file around the case and sends letters to the concerned institutions when necessary.
7 The Public Prosecutor 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 necessary letters to send them to the requested state through diplomatic means.

746. As for **judicial notifications**, the Ministry of Justice has the same role in case it received a request by the government or a foreign court to notify a person residing on 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 foreign Ministry, 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 of notifying the concerned person with his full name, address, lawyer name and address if available.

747. The Jordanian authorities told the evaluation team that according to Article 22 and 23 and the AML law, the mutual legal assistance that Jordan can 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 laundered properties. The above Articles stipulates that a bilateral or multilateral agreement should be present in order to provide such assistance, based on the principle of reciprocity.

748. In light of the abovementioned legal texts, 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 presence of volunteers to submit information or testify for the requesting state. As for terrorist financing cases, the Jordanian authorities said that the mutual legal assistance in this regard is regulated by the agreements that include legal assistance or the implementation of the similar treatment. Article (9/a, c, e) of the Arab Agreement on Combating Terrorism stipulates that every signatory state should request any other signatory state of conducting any judicial procedure pertaining to a terrorist case, including: a- listening to the testimonies of witnesses, c- implementing inspection transactions; e- receiving the requested documents or files, or certified copies. It is worth mentioning that the TF is not included in the scope of this agreement.

749. **Providing assistance in a timely manner and in an efficient way:** the competent authorities said that mutual legal assistance procedures take a lot of time that ranges between one year and a half and two years. These authorities said that this 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.

750. **There are no inadequate, unnecessary or binding conditions:** the judicial Jordanian authorities stated that the duality of criminality is lacking, no judicial legal assistance can be provided. As for mutual legal assistance that requires the duality of criminality, the same authorities said that they are cooperating to a great extent and surpass every legal or practical obstacle that prevents them from offering help in case the two states acknowledge the crime. Moreover, technical disparities between the regulations of the requesting state and Jordan do not form any obstacle to providing mutual legal help.

751. 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: firstly, there is no way for the implementation of the international rules of conduct for executing the international, legal assistance requests where there is a bilateral or international agreement 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 in particular but without limitation are:

1. Studying each application separately and understanding all the related aspects, whether legal or political or other aspects.
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 be 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 application 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 application.
6. That the assistance request be executed through the investigation or the national ruling authorities and that they 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 requesting the execution of the request.
8. That the rogatory be executed voluntarily without forcing the concerned person whether he was Jordanian or foreign, having a legal residence in the Kingdom.

752. Nothing in the Jordanian legislations refer to the possibility of rejecting a MLA request on the sole basis that it includes tax issues. In addition, laws imposing secrecy and confidentiality on FIs and DNFBPs are disregarded when executing MLA requests.

753. Despite the presence of general rules that facilitate mutual legal assistance, legal texts do not offer the requested authorities for the competent bodies to use them to reply to mutual legal assistance requests in the field of receiving related documents and files or certified copies or any other information. They also do not facilitate the presence of volunteers to testify in order to submit information for the requesting country, or determining or seizing the documents used in money laundering; in addition to the mediators used in committing these crimes and seizing the properties of similar value, through diplomatic channels or direct contacts with the competent authorities.

754. As for the responsiveness to request of legal assistance submitted by a foreign country pertaining to determining or seizing laundered properties related to money laundering crimes, 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 inspect and seize the money, as well as seizing the properties subject of money laundering crimes. However, the law does not mention the instrumentalities used or meant to be used in such crimes.

755. Regarding the cases which are prosecuted in more than one country, the Jordanian authorities have told the evaluation team that there have been no contradiction in the jurisdiction scopes with other countries, and mostly it is agreed on the jurisdiction scope though discussions held with the competent country. However, there are no specific mechanisms for determining the best place for filing the case against the accused for the justice. The latter issue shall be solved by referring to the rules of the criminal provisions with respect to the place (Articles from 7-11 of the Penal Code).

756. As for TF offense, Paragraph 2 of Article 147 of the penal law stipulates two cases of money deposit and transfer only through banks. In this case, this money can be reserved and then seized if the conviction was made. The anti-terrorism law did not specify the laundered properties coming from terrorism financing. Consequently, it did not specify the adequate procedures to reply to legal assistance requests, but used the abovementioned general rules. This reflects the insufficiency of these procedures and the lack of a special mechanism to deal with legal and judicial assistance requests in the CTF field.

757. 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. There are no special arrangements to cooperate seizure procedures with other countries.

758. 754. The evaluation team concluded from the meetings conducted that Jordan did not consider the creation of a fund in which all seized properties would be put and used for health care, education or other purposes. As for dividing the seized properties with the other concerned country, Article 23 of the AML law stipulates: a- the competent judicial Jordanian authorities should order the implementation of the requests submitted by non-Jordanian competent authorities to seize the properties of shops conducting money laundering, in line with the regulations specified by the Jordanian laws and the bilateral and multilateral agreements ratified by the Kingdom; b- the money is distributed in line with this law and the related agreements.

759. **Additional Element:** The judicial authorities said that it was not possible to recognize orders of non-penal foreign seizures and implement them in light of valid laws in Jordan.

760. As for offering legal assistance in investigations and administrative procedures or procedures related to implementing the civil and penal laws when it comes to terrorism financing or terrorist crimes, the Jordanian authorities said that this cooperation was conducted on two levels: the first on the level of the different security bodies, in particular the intelligence which exchanges information in this regard directly with its counterparts in 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 similar treatment principle, and after the ratification of the different related agreements, exchange was done according to the bilateral or multilateral agreements. The request needed three years to be completed, and now it does not exceed one year. Meanwhile, some Jordanian authorities said that requests might take between one year and a half and two years. They added that the best legal assistance in the field of terrorist financing was being conducted with the United States and the United Kingdom. Several joint investigations and judicial writs were implemented.

761. As we have already mentioned, there is nothing that shows that mutual legal assistance can be done when there is lack of duality of crime, regarding terrorist financing, terrorist acts and terrorist

organizations. As for handing over criminals and providing mutual legal assistance that requires duality of crime, the same authorities said 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 help in cases where two states convict the same criminal. Moreover, technical disparities between the laws of the two concerned states did not form any obstacle to providing mutual legal assistance.

762. As for terrorist financing, terrorist acts and terrorist organizations, the abovementioned regulations are implemented in the field of mutual legal assistance. There isn't any specific mechanism that speeds up the implementation of this assistance or increases its efficiency, apart from sending for the Interpol.

763. The central authorities in charge of sending and receiving mutual legal cooperation requests and requests of extradition of criminals are: the Ministry of foreign affairs, which includes several specialized departments and the Ministry of Justice/ legal affairs department.

764. Employees at the Ministry of Justice are subject to the civil service law, which includes certain rules and principles. In addition, the work of judges is regulated by the Judicial Independence Law and its amendments no.15 of 2001. Article 11 of that law stipulates:

a. Despite what was mentioned in any other law, it is not allowed to appoint any person in the position of judge, but if its competence was verified to serve the interest of the judiciary. A competition is to be held to fill vacant positions in the fourth, fifth and sixth grade, by a Committee appointed by the Council that would be formed of senior judges. The vacant positions and the date of the competition are announced by the President.
b. Graduates and students of the Law Institute are exempted from this competition, based on the law.

765. Judges are also subject to disciplinary measures stipulates in the law, in case he committed a violation. The judges are also subject to the judicial disciplinary measures.

6-3-2 Recommendations and Comments

766. 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 of them and any other information or evidence; facilitating the voluntary presence for 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 instrumentalities 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 interest 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 seizing and confiscation procedures with the other countries.
- Consider the creation of an asset fund where all seized laundered properties would be put and used for health care, education or other adequate purposes.

6-3-3 Compliance with Recommendations 36-38 and SR V

	Rating	Summary of factors underlying rating for part 6-3
R.36	PC	• Inadequate criminalization of ML and TF. • Deficiencies in the field of mutual legal assistance. • Lack of mechanism that shortens the time needed to response to a mutual legal assistance request. • Lack of specific mechanisms for determining the best place for filing the case against the accused in the interest of justice.
R.37	LC	• Authorities depend on dual criminality to provide mutual legal assistance, even with respect to less interfering measures
R.38	PC	• 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 seizing and confiscation procedures with other countries. • No consideration has been given to the creation of a fund where all seized laundered properties would be put. • Inadequate criminalization of ML and TF.
SR.V	NC	• Inadequate criminalization of TF. • Deficiencies in the field of mutual legal assistance. • Lack of mechanism that shortens the time needed to response 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 seizing and confiscation procedures with the other countries

6.4 Extradition (Recommendations 37 and 39 and SR V)

6-4-1 Description and Analysis

767. The Jordanian authorities have stated with respect to the criminals' extradition requests that the following provisions and measures be implemented:

- According to Article (21/2) of the Jordanian Constitution, it could be concluded that the international agreements and the laws determine the rules of turning in the fugitives, 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 Fugitives Surrender Law of 1927, it could be concluded that the requests of handing in the criminals, sent by a foreign country shall be unacceptable unless there were a treaty or an agreement among them about handing in the criminals. The jurisprudence has decided that the requests of handing in the criminals sent to the competent authorities in Jordan by a foreign country shall be unacceptable unless it were a result of an effective treaty or an agreement on handing in criminals.
- Article (22) of the AML Law stipulates as follows: "in order to achieve the intended goals of this law, the Jordanian judicial authorities cooperate with non-Jordanian judicial authorities, in particular with regard to legal and judicial assistance, extradition of accused and convicted persons and the proceeds, as well as requests for non-Jordanian tracing, freezing or seizure of assets subject to money-laundering offenses, 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 third parties of good faith.

768. 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 handover.
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 handover case.
5 When the extradition file is received by the Jordanian authorities, it is transferred to the Public Prosecutor in Amman or to the competent court, in order to look into 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 handover decision 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 state.

According to Article 2 of the extradition of escaped criminals' law of 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 then 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.

769. 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 basic act of the crime. Moreover, the technical differences between the laws of the countries requesting delivery and Jordan do not form any obstacle that hinders the execution of the request according to the laws in effect.

770. **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 side or according to the reciprocity of treatment principle.

771. The same regulations apply to procedures to extradition of criminals involved with terrorist acts and terrorist financing.

772. There isn't any file pertaining to the handover 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	• Inadequate criminalization of ML.
R.37	LC	• Previously mentioned factors affect the degree of compliance with this Recommendation

SR.V	NC	• Previously mentioned factors affect the degree of compliance with this Recommendation.

6.5 Other types of international cooperation (Recommendation 40 and SR.V)

6-5-1 Description and Analysis

773. Jordan ratified a number of international agreements in the field of legal cooperation. These conventions 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; the AML unit has also the right to ratify memorandum of understanding with similar units to organize cooperation in this regard.

774. 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 states. The AML unit can request information from the local authorities through notification and the judicial and security bodies if a request was submitted by a counterpart foreign unit, based on Articles 18 and 19 of the AML law.

775. According to Article 19 of the AML law, the FIU has the right to exchange information with counterparts. This information should only be used for AML purposes, provided that an approval was granted by the counterpart unit that delivered the information. The unit has also the right to ratify memorandums of accord with counterpart units to organize cooperation in this regard. As the AML law was recently issued, we did not have the time to inform about any international cooperation on exchange of information related to money laundering and other crimes between the AML unit and counterpart institutions.

776. Article 18 of the AML law stipulates that the unit has the right to ask the authorities below of additional information pertaining to notifications received, based on a request by counterpart units. Based on the above text, 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 this information following coordination with such institutions.

777. The Jordanian authorities said that there were no restrictions on the exchange of information except in accordance with the parameters set by virtue of the 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, which is both ratified by Jordan.

778. As for the protection of the secrecy of information exchanged and its use in a proper way, these measures are regulated by the memorandums of accord and the legal assistance regulations 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. This information should only be used for AML purposes, provided that an approval was granted by the counterpart unit that delivered the information.

779. 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 law that stipulates the possibility to cooperate and exchange information with non-counterpart institutions.

780. 782. Based on Article 17 of the AML law:

a. Taking into consideration Article 15 of this law, the unit can ask the institutions to notify them based on Paragraph c of Article 14 of this law, of any additional information that they find necessary to assume their duty and if this information was related to any information already received by the unit.
b. The institutions should provide the unit with the abovementioned information during the period specified by the unit.

781. There are no statistics pertaining to international cooperation with counterparts.

6-5-2 Recommendations and Comments

782. The authorities are recommended to:

- Give the competent authorities the right 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 underlying rating for part 6-5
R.40	PC	• Competent authorities do not have the power 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	• Competent authorities do not have the power to exchange information directly with counterparts and non-counterparts in the field of AML/CFT.

7. Other Issues

7.1 Resources and Statistics

783. Recommendation 32: The Hashemite Kingdom of Jordan issued the AML law in 2007. The Jordanian Authorities are currently working on implementing the requirements of this law, whether in establishing the institutions and authorities mentioned in the law or in setting policies related to fighting money laundering. The law does not cover terrorist financing, which is tackled in the anti-terrorism law.

784. As the AML law was recently issued, the Jordanian Authorities did not have the time to review the efficiency of their systems related to anti-money laundering. 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 Prosecutor and three others pertaining to other crimes. Moreover, statistics issued by the Public Prosecutor office showed that the latter received up to 13/7/2008 six notification cases. The following procedures were adopted: two cases were referred to the reconciliation court and the court of first instance in Amman. Sentences are yet to be issued. Three cases are still under investigation. The statistics also showed that the notifications were all made by the AML unit. No seizures have been made in all of these cases.

785. Statistics issued by the Public Prosecutor office in Amman for the years 2006, 2007 and 2008 up to 10/7/2008 show the number of legal assistance requests. In 2006, there were 10 requests that were rejected; in 2007, the office received 4 requests, three of which were rejected and only one is

being studied. In 2008, up to 10/7/2008 the office received 4 requests, three of which were rejected and only one is being studied. Statistics also show the number of judicial writs received by the Jordanian authorities in 2007 which amounted to 48, while the number of writs in 2008, up to the above date, reached 36 writs.

	Rating	Summary of factors relevant to Recommendations 30 and 32 and underlying overall rating
R.30	PC	• AMLU and other competent authorities working in fighting terrorist 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	• 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 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 institutions.

TABLES

Table 1: Ratings of Compliance with FATF Recommendations
Table 2: Recommended Action Plan to improve the AML/CFT system
Table 3: Authorities' Response to the Evaluation (if necessary)

Table 1: Ratings of Compliance with FATF Recommendations

The rating of compliance vis-à-vis the FATF Recommendations should be made according to the four levels of compliance mentioned in the 2004 Methodology (Compliant (C), Largely Compliant (LC), Partially Compliant (PC), Non-Compliant (NC)), or could, in exceptional cases, be marked as not applicable (na).

Forty Recommendations	Rating	Summary of factors underlying rating
Legal system		
1. ML offence	PC	▪ Conviction for the predicate offence is required to prove that funds are illicit. ▪ Non-inclusion of all the 20 crimes within the predicate offences list in accordance with the Methodology.
2. ML offence – mental element and corporate liability	LC	▪ Lack of evidence on the effectiveness of the AML legal system and lack of statistics.
3. Confiscation and provisional measures	PC	▪ No confiscation in TF offences. ▪ 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	1- CFT obligations are not included in obligations stipulates 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- AML instructions for the insurance sector are not issued by virtue of the AML law to allow imposing sanctions stipulates therein on institutions violating those instructions. 4- No law or principal or secondary legislative text tackle the following: • Numbered accounts (to permit it or not), so that financial institutions are requested to keep these accounts in a way that full compliance with the FATF Recommendations could be achieved. • Other circumstances requiring the application of CDD, i.e. circumstances mentioned under the last four items of c.5-2 under R.5. • Customer identification using documents, data or original information from an independent and reliable resource (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. • 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 addition to identifying natural persons that own the customer or have control over him, including those with full and effective control over the legal person or arrangement. 5- Instructions for financial institutions do not tackle the following: • Requiring FIs, concerning customers that are legal persons or arrangements, to obtain information on the instruments

Forty Recommendations	Rating	Summary of factors underlying rating
		organizing the binding authority of the natural person or the legal arrangement. • Requiring insurance, money exchange and securities companies to obtain information on the objective and nature of the business relationship. • 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 money source in addition to the documents or data gained 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 CDD, 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 has come into effect) on the basis of materiality and risk, and to tackle the timing of CDD with regard to existing business relationships. 6- Confusion related to banks' inability to establish a continuous relation with the customers before completing the verification procedures. 7- Obligations under AML law do not cover the Financial Services of Jordanian Post and the PSF.
6. Politically exposed persons	PC	1- Instructions for financial institutions do not cover the following: • Requiring banks to use “a risk management system” to specify whether the potential customer, customer, or beneficial owner is a PEP. • Addressing exchange companies with comprehensive requirements in line with the Essential Criteria of R.6. 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. 3- Supervision deficiencies in some aspects (please see section 3-2-2)
7. Correspondent banking	LC	▪ Instructions for exchange companies do not cover the examination of the level of supervision foreign companies intended to do business with are subject to, including whether they have been subject to an AML/CFT investigation or supervisory action; exchange companies are not required to assess the safeguards used by respondent institutions to combat ML and TF and make sure that these safeguards are sufficient.
8. New technologies & non face-to-face business	LC	1- FIs level of implementation of systems for follow-up and monitoring of transactions based on advanced technology and non-face to face transactions. 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.
9. Third parties and introducers	PC	▪ Instructions issued by the JSC do not cover the possible existence of third parties that Jordanian financial services companies referred to in order to have business relationships with some customers. ▪ 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. ▪ Insurance instructions lack requiring that all relevant CDD measures be fully met and such information be obtained immediately, and financial institutions are not required to ensure that third parties are under supervision and regulation. In addition, competent authorities are not obliged to study the available information on countries where third parties could exist.
10. Record keeping	PC	▪ Failure to require FIs through the AML law or any other primary or secondary regulation 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).

Forty Recommendations	Rating	Summary of factors underlying rating
		This should apply regardless whether the account or business relationship still exist or not. - 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 account or termination of business relationship (or longer at the request of the competent authority in certain cases and after obtaining the proper authorization). - 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.
11. Unusual transactions	PC	▪ Failure to require exchange companies to examine the background and purpose of unusual large-scale or complicated transactions, keep the reached results in writing, 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, 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	▪ Lack of an adequate legal and regulatory framework to complete the requirements from DNFBPs under R.5 and the content of Recommendations 6, 8, 9, 10 and 11. ▪ Actual supervision and oversight. ▪ Actual compliance.
13. Suspicious transaction reporting	PC	▪ Inappropriate range of ML predicate offenses. ▪ AMLU is not the sole entity responsible for receiving ML STRs. ▪ Absence of any obligations in a primary or secondary legislation to report ML from or connected to TF or used in terrorism financing or terrorist acts or by terrorism organizations or terrorism financers.
14. Protection & no tipping-off	C	
15. Internal controls, compliance & audit	PC	▪ 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 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. DNFBP – R.13-15 & 21	NC	▪ 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 involving terrorist financing. ▪ No legal obligation or supervisory regulations require DNFBPs 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 comply with the FATF Recommendations. ▪ No policies or practical measures that ensure the compliance of DNFBPs with AML/CFT standards, promote their employees' awareness or provide for training them in this field.
17. Sanctions	LC	▪ AML instructions for insurance are not based on the AML law, not allowing to impose sanctions stipulates in the law on companies that violate these instructions.
18. Shell banks	C	
19. Other forms of reporting	NC	▪ 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	NC	▪ No consideration has been given to widening the spectrum of NFBP subject to the law.

Forty Recommendations	Rating	Summary of factors underlying rating
transaction techniques		▪ 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 sensed based on the lack of provisions on risks imposed by new technologies.
21. Special attention for higher risk countries	PC	▪ 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. ▪ The actual compliance, control and supervision.
22. Foreign branches & subsidiaries	PC	▪ 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. ▪ 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	▪ 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. ▪ Failure to implement regulatory and supervision measures that exist for prudential purposes in financial institutions other than banks and insurance companies.
24. DNFBP - regulation, supervision and monitoring	PC	▪ No authority responsible monitoring the compliance of DNFBPs subject to Law 46/2007 with AML regulations exists. No onsite visits are conducted to these professions to ensure their compliance.
25. Guidelines & Feedback	NC	▪ 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, 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 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 comply with the FATF standards.
Institutional and other measures		
26. The FIU	PC	▪ 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
27. Law enforcement authorities	PC	▪ No designated law enforcement authority responsible for ensuring TF is investigated. ▪ Lack of evidence of the effectiveness of the competent law enforcement authorities.
28. Powers of competent authorities	C	
29. Supervisors	C	
30. Resources, integrity and training	PC	▪ AMLU and other competent authorities working in fighting terrorist financing and money laundering are not provided with adequate human, financial and technical resources to assume their duties in an efficient way.

Forty Recommendations	Rating	Summary of factors underlying rating
		▪ 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	▪ 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 national cooperation in combating terrorist financing.
32. Statistics	NC	▪ 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 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 institutions.
33. Legal persons – beneficial owners	PC	▪ Lack of evidence about the authorities' verification that the partners and the shareholders are the beneficial owners as well as ambiguity of 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	▪ Palermo Convention is not ratified. ▪ Convention for the Suppression of the Financing of Terrorism is not fully implemented.
36. Mutual legal assistance (MLA)	PC	▪ Inadequate criminalization of ML and TF. ▪ Deficiencies in the field of mutual legal assistance. ▪ Lack of mechanism that shortens the time needed to response to a mutual legal assistance request. ▪ Lack of specific mechanisms for determining the best place for filing the case against the accused in the interest of justice.
37. Dual criminality	LC	▪ Authorities depend on dual criminality to provide mutual legal assistance, even with respect to less interfering measures
38. MLA on confiscation and freezing	PC	▪ 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 seizing and confiscation procedures with other countries. ▪ No consideration has been given to the creation of a fund where all seized laundered properties would be put. ▪ Inadequate criminalization of ML and TF.
39. Extradition	LC	▪ Inadequate criminalization of ML.
40. Other forms of co-operation	PC	▪ Competent authorities do not have the power 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	▪ 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 CFT.
SR.II Criminalize terrorist financing	PC	▪ 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 CTF legal system due to the lack of statistics.
SR.III Freeze and confiscate	NC	▪ Lack of a legal system governing procedures for freezing funds and assets of the persons whose names are mentioned pursuant to UNSCR 1267.

Forty Recommendations	Rating	Summary of factors underlying rating
terrorist assets		▪ Lack of effective laws and procedures for freezing terrorist funds and other assets of persons designated pursuant to UNSCR 1373. ▪ Lack of laws and effective procedures for studying and executing measures taken pursuant to the frozen mechanisms in other countries. ▪ Lack of evidence of the effectiveness of the procedures related to freezing pursuant to the SC resolutions.
SR.IV Suspicious transaction reporting	NC	▪ AMLU is not responsible for receiving FT STRs. ▪ Absence of any obligations in a primary or secondary legislation to report suspicious transactions or transactions related or connected to terrorism financing. Reference is only made to the measures applied in case of transaction connected to a terrorist activity.
SR.V International co-operation	NC	▪ Inadequate criminalization of TF. ▪ Deficiencies in the field of mutual legal assistance. ▪ Lack of mechanism that shortens the time needed to response 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 seizing and confiscation procedures with the other countries ▪ Competent authorities do not have the power to exchange information directly with counterparts and non-counterparts in the field of AML/CFT.
SR VI AML requirements for money/value transfer services	PC	▪ Insufficient regulation of money transfer activity
SR VII Wire transfer rules	PC	▪ Lack of effective monitoring of the compliance of banks with the rules and regulations relating to the application of this recommendation. ▪ Lack of clarity of 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	▪ 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	▪ Failure to apply the declaration system adopted for cross-border currency movement to TF. ▪ Failure to apply the system on inbound and outbound currency and bearer negotiable instruments movements. ▪ Failure to implement the declaration form. ▪ Failure to vest competent authorities with the power of requesting and obtaining further information from the courier regarding the source of the currency or the bearer negotiable instruments and the purpose from using them in case of suspicious 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

AML/CFT system	Recommended Action (listed in order of priority)
1. General	
2. Legal System and Related Institutional	
2.1 Criminalization of Money laundering Measures (R.1 & R.2)	▪ 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 predicate offence is not a condition. ▪ Criminalize the following acts to become predicate offences: (1) blackmail including financial blackmail, (2) persons trafficking and immigrants smuggling, (3) children's sexual abuse, (4) illicit trade of stolen goods, (5) counterfeiting of products and pirating them, (6) environmental offences, (7) smuggling and (8) piracy, and to try to include (9) fraud, (10) sexual abuse and (11) financial markets manipulation offences in the predicate offences of the ML offence, and (12) expend the financing of terrorism as a predicate offence of ML in the Methodology concept. ▪ Remove any confusion about the Law Regulating the Insurance Business.
2.2 Criminalization of Terrorist Financing (SR.1)	▪ 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 offence.
2.3 Confiscation, freezing and seizing of proceeds of crime (R.3)	▪ Provide for confiscation in ML offences. ▪ 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 terrorist financing (SR.III)	▪ Set up a legal system that governs the procedures of freezing 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)	▪ Include the TF offence 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 continuous training
2.6 Law enforcement, prosecution and other competent authorities (R.27 & 28)	▪ 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	▪ Expand implementation of the declaration system adopted for cross-border currency movement to include TF as well. ▪ Apply the said system to inbound and outbound 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 of requesting and obtaining further information from the couriers regarding the source of the currency or bearer negotiable instruments and the purpose from using them in case of suspicious ML or TF cases. ▪ 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 stones. ▪ 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 terrorist financing	
3.2 Customer due diligence, including	▪ 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

AML/CFT system	Recommended Action (listed in order of priority)
enhanced or reduced measures (R.5 to 8)	the basic elements of the relevant Recommendations which should be set forth in the provisions of any primary or secondary 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 pursuant to the AML law so that sanctions mentioned in this 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 of issuing the payment and credit methods, the financial leasing sector, the Jordanian post financial services, the PSF and the sector of e-money transfer. ▪ Address the following in the law or any other primary or secondary 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 theses standards, and that customers' records should be available for AML/CFT compliance officers, competent officers, and the competent authorities. - Clarifying the other circumstances requiring the implementation of the CDD 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 Interpretative 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 extent to which the previously obtained data with regard to identifying the customers' ID are accurate or sufficient. - The verification of ID by using original documents or data or information from a reliable and independent source (ID 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. - Requiring the verification if the customer 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 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: - 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 a legal person. - Requiring insurance, exchange and securities companies to obtain information related to the purpose and the nature of the business relationship. - 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 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 high-risk customers and business relationships. - Extension of the instructions issued for the exchange sector regarding the enhanced CDD measures so that they include a wider range of risk-posing customers and high-risk business relationships and transactions. - Removing the confusion related to banks' impermissibility to have a continuous relation with customers before completing the verification procedures. - The implementation of the CDD measures vis-à-vis existing customers (existing customers as at the date national requirements became effective) on the basis of materiality and risk, and addressing the issue of the timing of

AML/CFT system	Recommended Action (listed in order of priority)
	taking the CDD 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 realized that it has no sufficient information on one of the existing customers). - Requiring that the banks use "risk management system" to determine if a future customer, a customer or a beneficial owner is a 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 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 the original, correspondent institution uses for AML/CFT and verify that they are sufficient and effective.
3.3 Third parties and introduced business (R.9)	▪ 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 in a sufficient manner with regard to the application 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)	▪ FIs should be required through the AML Law or any primary or secondary legislation, to carry out the following: - 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 provision applies regardless of whether the account or the employment relationship continued to exist or bygone. - Maintain records of identification data and files of accounts and correspondence relating to the activity for a period of at least five years after the closing of account or termination of business relationship (or longer at the request of the competent authority in certain cases and after obtaining the proper authorization). - 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. ▪ Texts 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 sanctions in accordance with the AML Law and other laws regulating the relevant supervisory bodies.
3.6 Monitoring of transactions and relationship (R.11 & 21)	▪ 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 complicated transactions, keep the results reached 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 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 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

AML/CFT system	Recommended Action (listed in order of priority)
	Recommendations. ▪ Ensure a level of supervision and scrutiny that guarantees FI's compliance with the content of these two Recommendations.
3.7 Suspicious transaction reports and other reporting (R.13-14, 19, 25 & SR.IV)	▪ Be more precise as for the predicate offenses 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/FT. ▪ Obligations stipulates in the Law should apply to all financial institutions in terms of reporting any suspicious 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 who 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 suspect in case the STR is referred 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 suspicious 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, audit and foreign branches (R.15 & 22)	▪ Issue the AML instructions related to insurance activities pursuant to the AML law to be able to impose sanctions 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 and insurance companies too) 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 oversight system – competent authorities and SROs. Role, functions, duties and powers (including sanctions) (R.23, 29, 17 & 25)	▪ Issue AML regulations for insurance activities based on the AML law, in order to impose the sentences stipulates in it on companies that violate these guidelines. ▪ 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)	▪ 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 ordering, intermediary or beneficiary institutions with respect to transfers they handle.

AML/CFT system	Recommended Action (listed in order of priority)
4. Preventive measures – Non-Financial Business and Professions	
4.1 Customer due diligence and record-keeping (R.12)	▪ 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 texts and mechanisms that ensure that supervisory institutions are verifying the compliance of DNFBPs with their requirements. ▪ Compliance by DNFBPs with the requirements.
4.2 Suspicious transaction reporting (R.16)	▪ 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 stipulates in Recommendation 12. ▪ Establish a legal text 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 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 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 DNFBPs with AML measures. ▪ AMLU should continue its efforts to inform DNFBPs on reporting conditions, especially on how 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 and provide them with training. Administrative sanctions should also be considered for entities that do not comply. ▪ 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)	▪ 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 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 mechanism to report suspicious 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)	▪ Conduct a risk assessment and consider the application of measures to fight ML and TF on NFBP 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 information (R.33)	▪ 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.
5.2 Legal Arrangements – Access to beneficial ownership and control information (R.34)	
5.3 Non-profit organisations (SR.VIII)	▪ 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

AML/CFT system	Recommended Action (listed in order of priority)
	the number of registered associations. ▪ Train the persons 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)	▪ 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 terrorist financing.
6.2 The Conventions and UN special Resolutions (R.35 & SR.I)	▪ Ratify the Palermo Convention soon. ▪ Fully implement the Convention for the Suppression of the Financing of Terrorism. ▪ Set up laws, regulations or other measures to meet the requirements in UN Security Council resolutions on fighting terrorist financing.
6.3 Mutual Legal Assistance (R.36-38 & SR.V)	▪ Extend the scope of mutual legal assistance to include providing the original copies of relevant files or documents or copies of them and any other information or evidence; facilitating the voluntary presence for 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 instrumentalities 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 interest 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 seizing and confiscation procedures with the other countries. ▪ Consider the creation of an asset fund where all seized laundered properties would be put 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)	▪ 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	

Table 3: Authorities' Response to the Evaluation (if necessary)

Relevant sections and paragraphs	Country Comments