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**ANTI MONEY LAUNDERING LAWS AND THEIR
IMPACT ON JORDANIAN BANKING INDUSTRY**

AHMAD MOHAMMAD ABDALLA ABU OLAIM



UUM
Universiti Utara Malaysia

**DOCTOR OF PHILOSOPHY
UNIVERSITI UTARA MALAYSIA
2016**

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**A Thesis Submitted to the Ghazali Shafie Graduate School of Government
in fulfilment of the requirements for the Doctor of Philosophy
Universiti Utara Malaysia**

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ABSTRAK

Kebelakangan ini perhatian diberikan kepada pembanterasannya jenayah pengubahan wang haram. Rentetan daripada isu ini, dan memandangkan bank juga merupakan antara saluran utama untuk pengubahan wang haram, kebanyakan negara telah mengguna pakai undang-undang berkaitan pencegahan pengubahan wang haram. Di Jordan, undang-undang sebegini baru digubal dengan kelulusan akta pengubahan wang haram pada tahun 2007. Undang-undang tersebut memerlukan bank-bank di Jordan mengambil beberapa langkah pencegahan seperti pengenalanpastian pelanggan, penyimpanan maklumat, pelantikan kakitangan pematuhan, dan pelaporan transaksi yang mencurigakan. Keadaan ini menjadi lebih sukar bagi Jordan dalam tempoh tiga tahun kebelakangan ini memandangkan negara tersebut terletak di antara negara-negara yang tidak stabil dari segi ketenteraan, politik, dan ekonomi. Tambahan pula, gelombang revolusi yang dikenali sebagai *Arab Spring* yang mengelilingi Jordan telah meningkatkan kadar jenayah pengubahan wang haram di Jordan dan turut mengurangkan koordinasi dan kerjasama antarabangsa dalam membanteras operasi jenayah ini. Justeru, kesan perundangan sedia ada masih belum diketahui. Kajian ini bertujuan untuk mengenal pasti faktor-faktor yang mendorong pemilihan bank sebagai sasaran utama untuk melakukan pengubahan wang haram di Jordan. Kajian turut menganalisis cara undang-undang pengubahan wang haram memberikan kesan kepada hubungan di antara bank dengan pelanggan. Menerusi kaedah sosio-perundangan, kajian ini menganalisis peruntukan-peruntukan berkaitan undang-undang pengubahan wang haram di Jordan dan cara peruntukan-peruntukan tersebut memberi kesan kepada bank-bank. Melalui borang soal-selidik, kajian menyelidik pandangan para pegawai bank terhadap kewajipan pencegahan pengubahan wang haram. Dapatan kajian mendedahkan bahawa undang-undang berkenaan telah membebankan bank-bank tersebut. Pihak bank terpaksa berhadapan dengan cabaran besar dalam menghadapi keperluan undang-undang tersebut. Tambahan pula, undang-undang tersebut telah mengubah cara pihak bank berunding dengan para pelanggan mereka. Kajian ini mencadangkan agar pihak berkuasa perundangan menyediakan lebih banyak garis panduan bagi memudahkan pematuhan. Langkah mewujudkan hubungan kerjasama yang berterusan di antara para penggubal undang-undang dengan industri perbankan adalah penting bagi mengurangkan masalah yang dihadapi oleh pihak bank dan seterusnya memastikan undang-undang tersebut dapat dilaksanakan dengan berkesan.

Kata Kunci: Industri perbankan, Pengubahan wang haram, Undang-Undang Pencegahan Pengubahan Wang Haram, Jordan.

ABSTRACT

The past few years have witnessed a broad concern in the fight against money laundering. Following the attention on this issue and considering that banks are one of the main channels for money laundering, many countries have adopted legislation and laws to combat the crime. The money laundering law in Jordan is newly enacted, with the passage of the law in 2007. The law requires banks to establish a number of counter-measures such as customer's identification, record keeping, appointment of compliance officers, and reporting of suspicious transactions. These matters came with tough conditions for Jordan in the last three years since the country is situated in the middle of militarily, politically, and economically unstable countries. The revolutionary wave is known as the Arab Spring surrounding Jordan has increased the crime rates in Jordan as well reduced the international coordination and cooperation to face money laundering operations. Hence, the impact of the law on Jordanian banks is unknown. This study aims to identify the driving factors for choosing banks to be the first target for money laundering in Jordan. It also analyses how the anti-money laundering laws have been affecting the relationship between banks and their customers. Through a socio-legal research method, this study analyses the relevant provisions of Jordanian anti-money laundering laws that have been directly affecting the banks. It also examines, via a questionnaire, the perceptions of the bank officers towards the anti-money laundering obligations. The findings reveal that the legislation has imposed significant burden on the banks. More importantly, the banks have been facing significant challenges to cope with the requirements imposed by the laws. Also, the legislation has altered the way the banks deal with their customers. It has been recommended that the regulatory authorities provide more guidelines to facilitate compliance. It is vital to have a continuous collaborative relationship between the Jordanian legislators and the banking industry to minimize problems faced by banks and thereby to ensure effective implementation of laws.

Keywords: Banking Industry, Money Laundering, Anti-Money Laundering Laws, Jordan.

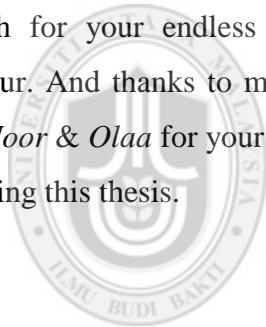
ACKNOWLEDGMENTS

First and foremost, I thank Almighty Allah for providing me with the strength and perseverance throughout my journey.

Many individuals assisted me in completing this thesis. First, I am grateful for the hospitality and courtesy extended by the Malaysian people, especially the staff of Universiti Utara Malaysia.

Most importantly, I would like to express my appreciation to my supervisors, *Dr. Aspalella bt A. Rahman* and *Dr. Ruzita binti Azmi* who contributed much thought, encouragement, and time. Without their assistance and guidance, this work would not have seen the light.

Special thanks to my beloved parents *Mohammad & Haniya* for their unconditional love, encouragement, and prayers. Also, to my beloved wife *Sarah*, thank you *Sarah* so much for your endless patience, support, and understanding throughout this endeavour. And thanks to my brothers *Mowaffaq, Ashraf, Nemer, & Fahad* and my sisters *Noor & Olaa* for your encouragements. Thanks to everyone who assisted me in completing this thesis.



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DECLARATION

I hereby declare that this thesis is based on my original work except for quotations and citations which have been acknowledged. I also declare that it has not been previously or concurrently submitted for any other degrees at Universiti Utara Malaysia or other institution.



DEDICATION

To my beloved parents, without you this world would be a desert, with you the world will be an eternal rainbow of hope, with all my love.

To my beloved wife Sarah, for many years of love and devotion and tolerance and for being willing to entertain the possibility that for every dark tunnel and light shall come one day as for every hardship relief shall surely come.

I dedicate this work to my grandfather Abdalla Taleb Abu Olaim (*Abu Awaad*). May Allah Almighty give him wellness and health. I also dedicate this work to the soul of my grandfather Saad Taleb Abu Olaim (*Abu Abdalla*) (1925-2000). My love and prayers are always for him and may his soul rest in peace.



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LIST OF ABBREVIATIONS

| | |
|----------------------------|---|
| AML/CFT | Anti-Money Laundering and Counter Financing of Terrorism |
| AML/CTF | Anti-Money Laundering and Counter Terrorism Financing |
| AML/CTF | Instructions Anti-Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010 |
| AML/CTF Law | Anti-Money Laundering and Counter Terrorist Financing Law 2007 |
| AML/CTF Regulation 40/2009 | Regulation of Anti-Money Laundering and Counter Terrorist Financing Unit No. 40/2009 |
| AML/CTF Regulation 44/2008 | Regulations of National Anti-Money Laundering and Counter Terrorist Financing Committee No. 44/2008 |
| AMLID | Anti-Money Laundering International Database |
| AMLU | Anti-Money Laundering Unit of Jordan |
| APG | Asia/Pacific Group on Money Laundering |
| BCBS | Basel Committee on Banking Supervision |
| BL | Banking Law 2000 |
| CBJ | Central Bank of Jordan |
| CBJL | Central Bank of Jordan Law 1971 |
| CDD | Customer Due Diligence |
| CIP | Customer Identification Program |
| CL | Customs Law 1998 |
| CSFL | Conservation of State Funds Law 1966 |
| CTR | Cash Transaction Report |
| EFT | Electronic Fund Transfer |
| FATF | Financial Action Task Force |
| FIU | Financial Intelligence Unit |
| FSRB | Financial Action Task Force Style Regional Body |
| GDP | Gross Domestic Product |
| IMF | International Monetary Fund |
| KYC | Know Your Customer |
| MEBL | Money Exchange Business Law 1992 |
| MENAFATF | Middle East and North Africa Financial Action Task Force |
| ML/TF | Money Laundering and Terrorism Financing |
| MLAT | Mutual Legal Assistance Treaty |
| MLRO | Money Laundering Reporting Officer |
| MOU | Memorandum of Understanding |
| NCC | National Co-ordination Committee to Counter Money Laundering |
| NCCT | Non-Cooperative Countries and Territories |
| NDPSL | Narcotic Drugs and Psychotropic Substances Law 1988 |
| NGO | Non-Governmental Organizations |
| PEP | Politically Exposed Person |
| PL | Penal Law 1960 |
| SAR | Suspicious Activity Report |
| STR | Suspicious Transaction Report |
| WB | World Bank |

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Money laundering may be defined as the process of cleaning “dirty” money that resulted from criminal activities so that it appears to have been acquired from legitimate sources.¹ It can also be defined as any act or attempt that aims to hide any money earned from illegal means by which people gained money, so that criminals can use their money as if they were earned by legitimate sources. The end of this process is the use of money in legal activities and outside the country.² According to Article 2(a) from Jordanian Anti Money Laundering and Counter Terrorist Financing Law 2007, money laundering is described as

every conduct involving acquiring, possessing, disposing of, moving, managing, keeping, exchanging, depositing, investing, manipulating the value or transferring the funds, or any other act, where the purpose of the act is to conceal or disguise the source, true nature, place, movement, disposal means, ownership or related rights, or otherwise preventing from identifying the person who committed the crime that generated the funds, with the knowledge that the funds are the proceeds of any of the crimes stipulated in article (4) of this law.³

Money Laundering has become a global issue that spreads in many countries.

Although this illegal process is not a new phenomenon,⁴ it has threatened numerous

¹Aspalella A Rahman, *An Analysis of The Malaysian Anti- Money Laundering laws*, Vdm Verly Dr

²Ibrahim Al-Anany, *A Research on Money Laundering* ,

<http://www.qataru.com/vb/showthread.php?t=134548>, Accessed 20-6-2013. In Arabic.

³Literal translation taken from website of Jordanian Anti Money Laundering unit, http://www.amlu.gov.jo/Public/English.aspx?Lang=2&Page_Id=2721&Menu_Parent_ID=49&type=R , Accessed 20-1-2014.

⁴Aspalella A Rahman, *Ibid*.pp.1.

countries and communities because many organized crime groups support such acts.⁵ This phenomenon has political and security consequences: it leads to political unrest as well as instability of societies. The perpetration of money laundering, although not apparently associated to physical violence, can be categorized as a form of white collar crime. Left unchecked, it could lead to the collapse of any country's economy.⁶ However, it has been recognized that money laundering has no direct victim who can give evidence against the perpetrator, unlike other criminal offences.⁷ So, most money laundering crimes do not involve individual victims; rather, the victims are the society, the bank or the government.

Money laundering that involves banks can be defined as any act or attempt that aims to use any banking transaction to hide any money earned from illegal means by the bankers or customers or other people. Banks may be considered as the main and the first factor to encourage currency circulation in a country under different law.⁸ Therefore, the use of banking institutions is one of the common ways to carry out the act of money laundering.⁹ Many factors make it difficult for the crime to be separated from the banking business in the state. Among which are (1) the growth of transactions between local and international banks, and (2) the banks' adherence to the secrecy principle on accounts in an absolute manner. Additionally, the emergence of new methods of money laundering via internet or by using a mobile phone and

⁵Rick McDonnell, *Money Laundering Methodologies and International and Regional Counter-Measures*, http://www.aic.gov.au/media_library/conferences/gambling/mcdonnell.pdf, Accessed 30-11-2013.

⁶Aspalella A. Rahman, *The Impact of Reporting Suspicious Transactions Regime on Banks: Malaysian Experience*, *Journal of Money Laundering Control* Vol. 16, No. 2, (2013), pp. 159-170.

⁷Aspalella A Rahman, *Ibid*.pp.96.

⁸Naim Al-Kadi And Ayman Abu Al-Haj and Musa Matar and Mashhor Barbour, *Banks and Money Laundering Operations*, *Journal of Baghdad College of Economic Sciences University*, Vol. 33,(2012), pp.347-371.In Arabic.

⁹Tim Bennett, *Money Laundering Compliance*, Tottel Publishing Ltd, Second Edition, London-England, (2007), pp. 177.

their evolutions—enables electronic laundering to be done in minutes or a few seconds. It is easier to carry out those operations and deal with banks via the internet.¹⁰

In Jordan, a number of legislations regulate the phenomenon of money laundering in banks. Examples include Jordanian Anti-Money Laundering and Counter Terrorist Financing Law 2007. These legislations require that banks follow certain procedures to combat money laundering. The practice includes (1) having procedures for education and training of employees in anti-money laundering requirements, (2) having procedures for profiling customer's transactions and business, and (3) the appointment of a money laundering reporting officer.

These obligations have positive impact on the Jordanian banking sector. They protect the national economy from the dangers of money laundering through banks, and they protect the banks from getting involved in money laundering operations. Furthermore, these procedures also protect Jordanian banking activity from collapsing and ensure legal accountability.

On the other hand, these obligations also have negative impacts when applied to the processes and procedures of anti-money laundering in the Jordanian banking secrecy. Such procedures increase service costs the factor that can negatively affect the quality and the volume of the provided banking services. Also, it has significant effect on the bank operations and on the relationship between the banks and their customers. This will cause clients' dissatisfaction because of the many procedures related to customer secrecy. This negatively affects the volume of deposits in the Jordanian banking

¹⁰Mohamed Arafa, *Causes of money laundering and their obstacles of combating in Saudi Arabia*, AL-AQTESADIAH newspaper, Vol.5366, Issue data 20/6/2008, http://www.aleqt.com/2008/06/20/article_12716.html , Accessed 11-4-2014. In Arabic.

system. For one thing, these procedures have acted as obstacles to attracting capital into Jordan.

1.2 Problem Statement

The past few years have been witnessing a broad concern in fighting financial crimes such as money laundering and terrorism financing. Following the attention on this issue,¹¹ and considering that banks are one of the main channels for money laundering, countries have adopted legislation and laws to combat the crime.

The money laundering laws in Jordan are newly enacted, with passage of the Jordanian anti-money laundering law in 2007 amended in 2010¹² and amended recently in 2015.¹³

According to the 2015 amendment, the original bill of “Anti-Money Laundering Law” was renamed as “Anti-Money Laundering and Counter Terrorist Financing Law”, also some of the articles were redefined in an attempt to conform to the newly approved law. In addition, some agencies were also added as members to the National Anti-Money Laundering and Terrorism Financing Committee, for instance, the Anti-Corruption Commission headed by the Governor of the Central Bank. In fact, among the reasons behind the renaming of the bill and the amending of some articles were to address the emerging issues related to combating money laundering and financing terrorism and to increase cooperation in applying international standards.

¹¹The Jordanian annual Anti Money Laundering Unit report 2008. pp.3.

¹²Law Amending to the Jordanian Anti-Money Laundering and Counter Terrorist Financing Law No. (31) for 2010, Publication in Jordanian Official Gazette No (5057), dated 21/9/2010, pp. 5521.

¹³Law Amending No. (31) for 2015, Publication in Jordanian Official Gazette No (5345), dated 16/6/2015, pp. 6007.

Furthermore, such amendment would enable the government to join the international organizations.¹⁴

However, the period between 2007 and 2015 has changed the efficiency of the banks in Jordan. The country has local banks and branches of foreign banks¹⁵ with increasingly available efficient means of communication and internet banking in recent years. Most of the banks compete in internet banking operations to cope with the changes of customers' needs towards a faster transaction at lower cost.¹⁶ These matters came with tough conditions for Jordan in the last three years since the country is situated in the middle of militarily, politically, and economically unstable countries like Syria, Egypt, Tunisia, Libya, and Yemen.

These tough conditions, known as the Arab Spring, have negatively affected Jordan.¹⁷ The Syrian revolution particularly has brought the revolutionary waves to Jordan because of its long border with the latter. Furthermore, this revolution has caused economic weakness and loss of security. Accordingly, Jordan has witnessed demonstrations during the last period because of the weakness of the economy and increasing in prices.¹⁸

The direct relationship between Jordan, money laundering, and the Arab Spring can be gauged as follows: The former members of the Arab Spring countries smuggled

¹⁴House debates Money Laundering legislation, Jordan News Agency (Petra), 13/1/2015(Petra), http://www.petra.gov.jo/Public_News/Nws_NewsDetails.aspx?lang=2&site_id=1&NewsID=179226&CatID=13, accessed 18/9/2015.

¹⁵Nael Abdulrahman Al-taweel ,*Crimes Committed on Banking*, Vol. 1, first edition, Dar Wa'el Publishers, Amman Jordan, (2000), pp. 19. In Arabic.

¹⁶Mohammad O. Al-Smadi, *The Impact of E- Banking on the Performance of Jordanian Banks*, Journal of Internet Banking and Commerce, Vol. 16, No.2, August (2011), pp.3.

¹⁷Mikkel Fugl Eskjær, *Changing Revolutions, Changing Attention? Comparing Danish Press Coverage of the Arab Spring in Tunisia and Syria*, Global Media Journal, Vol. 2, No.1, (2012),pp.9

¹⁸Abdalziz Bin Othman Bin Sager, *Jordan Between the Economic Crisis and the Arabian Gulf Solutions*, Asharq Al Awsat newspaper, 22/1/2013, No. 12474, http://www.aawsat.com/leader.asp?section=3&issueno=12474&article=714143#.U0IZ3qh_u4k, accessed 7/4/2014.In Arabic.

their huge funds (which resulted from embezzlement and corruption) abroad through money laundering either before, during or after the Arab Spring revolutions during which the estimated amount of money stolen in Egypt was around 132.28 billion U.S. dollars.¹⁹ The estimated size of stolen money in Libya was about 200 billion U.S. dollars.²⁰ Naturally, this smuggled money had to be laundered, and Jordan appeared to be one of the countries into which money can be smuggled because of the country's adjacency to the Arab Spring countries. Moreover, Jordan has national banks and branches of foreign banks that provide high efficient means of communication. The second chapter discusses in detail the impact of the Arab Spring on Jordan and on money laundering activities.

Although the accurate information and complete statistics on Jordan's anti-money laundering in banks are covered by secrecy, the researcher managed to find, from some statistics, the gaps in the anti-money laundering laws, especially in the banking sector. According to the statistics,²¹ there is an increase in the number of suspicious transactions by banks that the Jordanian money laundering unit had received. Here is a brief look at the statistics between 2008 and 2011:

¹⁹Osama Diab, *will we Retrieve our Stolen Money* ?economic and social justice Unit, First Edition, 2013, Cairo Egypt, http://eipr.org/sites/default/files/pressreleases/pdf/can_we_recover_our_stolen_assets_ar.pdf ,accessed 3/7/2014.In Arabic.

²⁰Tripoli: "Interpol" is Ready to Help Libya in Retrieving Stolen Funds. The Seventh Day electronic newspaper,10/5/2014, <http://www1.youm7.com/News.asp?NewsID=1657784#.U7TRM5SSxKA>, accessed 3/7/2014.In Arabic.

²¹These statistics issued by the Jordanian anti-money laundering unit, the unit was established in accordance with the Jordanian Anti-Money Laundering and Counter Terrorist Financing Law 2007, as a financially and administratively independent unit and linked with the Central Bank of Jordan, for more information see the website of the unit: <http://www.amlu.gov.jo>.

Table 1.1

Number of the Notifications Received by the Anti-Money Laundering Unit

| Year | The Number of Notifications of Suspected Transactions Related to Anti-Money Laundering the Unit²² Received from Obligated Entities of Reporting²³ | From Banks |
|-------------|--|-------------------|
| 2008 | 195 ²⁴ | 190 |
| 2009 | 141 ²⁵ | 124 |
| 2010 | 194 ²⁶ | 177 |
| 2011 | 242 ²⁷ | 214 |

Having analyzed these statistics, the researcher concludes that the number of notifications received by the Jordanian Anti-Money Laundering Unit continue to increase, as well as those notifications by banks. Hence, the researcher deduced that banks are the first target of money laundering transaction in Jordan and arrived to an important question: What are the impacts of anti-money laundering laws on the Jordanian banks?

In 2012, Jordan's Anti-Money Laundering Unit published its annual report that states the number of practical cases of anti-money laundering in Jordanian banks. One of the cases²⁸ is as follows: A notification of suspected transaction related to money laundering was received by Jordan's Anti-Money Laundering Unit from one of the Jordanian banks. It was about a customer's bank account activity and transactions that he carried out through a bank account that was considered incompatible with his nature of activity: the size of the cash deposits did not match the fact that he was

²²The Jordanian Anti-Money Laundering Unit.

²³Article (13) from Jordanian Anti-Money Laundering and Counter Terrorist Financing Law 2007 has identified the obliged entities of reporting, and they are more than 15 entities, such as Jordanian banks, exchange companies, companies performing any of the activities that are subject to control and license of securities commission.

²⁴The Jordanian annual Anti Money Laundering Unit report 2008. pp.11.

²⁵The Jordanian annual Anti Money Laundering Unit report 2009. pp.30.

²⁶The Jordanian annual Anti Money Laundering Unit report 2010. pp.51.

²⁷The Jordanian annual Anti Money Laundering Unit report 2011. pp.31-32.

²⁸The Jordanian annual Anti Money Laundering Unit report 2012. pp. 30

working as a doctor in one of the countries. This was revealed by the anti-money laundering unit after conducting the intelligence analysis on the suspect, and the unit found out that the suspect had been performing many cash deposits in large amount in the Jordanian bank which reported him. The suspect also obtained two loans from the same bank against high insurance. Furthermore, it was revealed by the unit that the suspect had bought a number of properties with several cheques. He had also rented some of these properties and had two taxi cars that were used by other people for a fee.

As revealed by Jordan's Anti-Money Laundering Unit, the suspect was also married to a woman who owned a medical complex in one of the countries, and he worked as an administrative director in that complex. The marriage contract submitted by the suspect to the Jordanian bank showed that he was married to another woman while another official document showed that this woman (his wife) was a partner in one of the companies found in the country where he worked. However, the official database showed that the suspect had divorced that woman. The suspect had also established a number of companies, for instance, two of the companies had the same aim, and the period between establishing the first company and the second one was within a month. In the context of proving the suspect's source of income, it was found that the suspect had provided a bank statement of one of the two companies he owned. The bank statement was issued by another bank within the period that preceded the date of establishing the other company.

When Jordan's Anti-Money Laundering Unit requested information from Jordanian official authorities, they found that another company owned the same commercial name as the company the suspect had instituted. It was also found that the suspect had obtained another loan from another bank. Hence, Jordan's Anti-Money Laundering

Unit requested for information from the counterpart unit of the country where the suspect was working, particularly as the administrative director of the medical complex owned by his wife. The response of the counterpart unit revealed that the suspects' wife had submitted a complaint against him in that country, accusing him of threatening, fraud and embezzlement of a large amount of money from the medical complex; in fact, before leaving the country, he had transferred a huge part of the sum. Jordan's Anti-Money Laundering Unit then revealed that the suspect had performed transactions of properties and cars the establishment of the companies were carried out after the date of his leaving that country. The cash deposit transactions at the Jordanian bank which reported him were carried out a day or two before transferring the transactions from the country of his location at that time. For that reason, Jordan's Anti-Money Laundering Unit decided to refer the case to Jordanian general prosecutor who decided to refer the case to the concerned court. Such a decision was made because the case involved the committing of money laundering crime. The case is still under consideration.

After the analysis and examination of this practical case, the researcher finds that the system for investigating money laundering operations in Jordan needs the help from banks to find out of any suspicious money laundering operation. Second, the completion of the investigation is in need of international coordinate and cooperation from different countries and this coordination and cooperation should be effective, fast and serious, especially among the neighboring countries to Jordan. However, the Arab Spring has weakened the coordination and cooperation between Jordan and its neighboring countries because of the latter political, economic and military instability, and because of the preoccupation in the internal affairs for the authorities in those

countries. These circumstances have negatively affected the investigation efficiency of money laundering operations in Jordan.

However, from the banks` perspective, the main reason for their existence is to make as much profit as possible. Hence, their cultural and commercial interests are totally distinct from that of the law enforcement authorities. Undoubtedly, anti-money laundering laws create a major dilemma for the banks as complying with these obligations can increase the costs and complexity of their banking operations.²⁹ It has been argued that the laws also produce a significant shift in the way the banks interact with their customers.³⁰ As such, this study considers these matters and analyzes them within the perspective and background of the Jordanian anti-money laundering laws.

For instance, according to Jordanian Anti-Money Laundering Instructions,³¹ in case the bank enters into an ongoing relation³² with the customer before completion of the verification procedures, the bank shall terminate the relation and notify the Unit (Jordanian Anti-Money Laundering and Counter Terrorism Financing Unit) if there is a suspicious transaction related to money laundering from any act by the customer (such as a customer's request to transfer a large amount of money to another account). This operation is not necessarily a money laundering act. However, according to other Jordanian instructions,³³ the termination of the relationship must be secretly placed on hold without the knowledge of the customer, while waiting for a response from the

²⁹Foong Tow ML, Foo Li Nie, Ong Hwee Ping & Tew Pei Yi, *Money Laundering and Banking Practices*, Singapore Management Review 1, (2001).

³⁰ Isaacs M, *Money Laundering: Dilemmas for Banks*, 8 JIBLR 284, (2004).

³¹Article 3 (7) from Jordanian Anti Money Laundering and Counter Terrorist Financing Instructions No. 51/2010.

³²According to Article 1 (b) from The Jordanian Anti Money Laundering and Counter Terrorist Financing Instructions No. 51/2010, ongoing relation is described as: "The banking relation which is expected, upon the time of commencement, to last for undetermined period of time and involves multiple transactions".

³³Article 8 (4/b) from Jordanian Anti Money Laundering and Counter Terrorist Financing Instructions No. 51/2010.

Unit about this operation without any regard to commercial consequences resulting from pending. Hence, what is the analysis for the bank? In order to follow the bank's law, it is likely that the bank would delay the completion of the customer's transaction, which in turn, will have a negative impact on the customer's confidence in bank, and result in loss of profit that might be gained through this transaction for the bank itself.³⁴

The core dilemma of the bankers is when it comes to considering their response to legislative requirements that require them to establish effective anti-money laundering initiatives. First of all, not all the money that needs to be laundered stems from criminal activity. Second, money laundering is not restricted to the actions of those who practice exclusively within the banking.³⁵ According to the Jordanian Anti-Money Laundering Law,³⁶ the work of a bank is checked with all banking operations, whether there is any suspicious operation of money laundering. In addition, the banks have a sensitivity to being connected with money laundering scandals on the front pages of newspapers,³⁷ which can negatively affect their reputation. Therefore, these institutions are compelled to comply with the anti-money laundering law so that they would not be exposed to legal accountability.

Furthermore, any business which has the ability to generate a high volume of cash transactions (such as betting shops, amusement arcades, etc.) can be used for the purpose of disguising dirty money and that is why regulators have strongly emphasized the need for banks to get accurate information about their clients.³⁸

Through this way, the banks can send accurate information about their clients'

³⁴ Aspalella A Rahman, Ibid.pp.3.

³⁵ Rowan Bosworth-Davies and Graham Saltmarsh, *Money Laundering: A Practical Guide to the New Legislation*, Chapman & Hall, first edition, London-UK (1994), PP. 53-54.

³⁶ Article (14) from Jordanian Anti-Money Laundering and Counter Terrorist Financing Law 2007.

³⁷ Tim Bennett, Ibid, PP.117

³⁸ Rowan Bosworth-Davies and Graham Saltmarsh, Ibid, PP. 82.

operations to competent authorities, including those of suspected money laundering acts.

Therefore, it has been argued that the anti-money laundering laws also threaten the principles of banking secrecy.³⁹ This principle of banking secrecy prevents a bank from revealing any information or data about its customers.⁴⁰ Banking secrecy is a customer privilege whereas combating money laundering is critical for public safety and security. On one hand, reporting obligation under the Jordanian anti-money laundering laws means that the banks have to strike a balance between complying with the laws and protecting customers' confidentiality. Indeed, achieving such balance is a question encountered by the banking industry. Therefore, it is vital at this stage to examine the effect of disclosure under the Jordanian anti-money laundering laws on the traditional duty of banks to keep the customer's information confidential. Moreover, it is critical to identify whether the Jordanian laws provide a right balance between the duty to keep customer's information secret and the duty to disclose such information in the fight against money laundering.

Hence, what is the vision of Jordanian bankers on money laundering laws? Are the laws sufficient and do not affect the bankers work when applied? Or do they cause problems in the banker's system of work and affect their relationship with customers?

To conclude, three problems inspired the present study. The first is that the anti-money laundering laws in Jordan are newly-enacted, but there are new developments not covered by the laws. Hence, the impact of the laws on Jordanian banks is unknown.

³⁹Lawson HD, *Bank Secrecy and Money Laundering*, 17 *Banking and Financial Law Review* 145, (2002).

⁴⁰Amjad al-Juhani, *Money Laundering and its Impact on Banking Secrecy*, 29/1/2008, <http://www.cojss.com/article.php?a=180> , Accessed 21-1-2014. In Arabic.

The second problem is that the main reason for banks` existence is to make as much profit as possible. However, the anti-money laundering laws create a major dilemma for the banks as complying with these obligations can increase the costs and complexity of their banking operations. Hence, the perceptions of the bankers towards anti-money laundering obligations imposed on them are unknown.

The third problem is that the anti-money laundering laws in Jordan have affected the relationship between the banks and their customers.

This research is an exploratory research on the impact of anti-money laundering in Jordan. The researcher could not find significant and reported examples and proofs of the negative impact of anti-money laundering due to the stated reasons. This study, as far as the researcher is aware, is the first of its kind to provide a comprehensive examination of the impact of anti-money laundering laws on Jordanian banks.

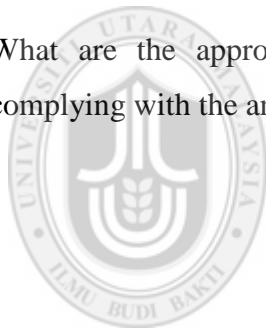


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1.3 Research Questions

This study aims to answer the following questions:

1. What are the Jordanian anti-money laundering laws that have impacted the banking sectors in Jordan?
2. Do the anti-money laundering laws especially the reporting obligations affect the banks' operation?
3. How did the anti-money laundering laws affect the relationship between the banks and their customers, especially on the duty to keep customers information secret?
4. What are the Jordanian bankers' perceptions towards the anti-money laundering obligations imposed on them?
5. What are the appropriate measures to be taken by Jordanian banks in complying with the anti-money laundering laws?

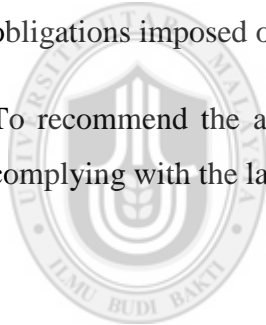


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1.4 Research Objectives

This study generally aims to examine the Jordanian anti-money laundering laws and their impacts on the banking industry. The specific objectives are as follows:

1. To study the Jordanian anti-money laundering laws that have impacted the banking sectors in Jordan.
2. To examine the impact of the anti-money laundering laws especially the reporting obligations that affect the operations of banks.
3. To analyze how the anti-money laundering laws affect the relationship between banks and their customers, especially on the duty to keep customers information secret.
4. To investigate the perceptions of the bankers towards anti-money laundering obligations imposed on them.
5. To recommend the appropriate measures to be taken by Jordanian banks in complying with the laws.



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1.5 Significance of the Study

The literature on the impact of anti-money laundering laws on banking industry are vast, but most concern either the experience of western banks or how the laws affect specific aspects of banking. For example, many researchers investigated how the laws have been affecting banking secrecy, correspondent banking, and electronic banking. Other researchers have attempted to study how the US laws have been affecting the US and other European banks. Nevertheless, little was carried out to address how the laws have been affecting the entire operations of banks, particularly the Jordanian banking industry.

While there are significant similarities between the Jordanian anti-money laundering laws and those of the developed western countries, Jordanian banks are at different stage of development. Many Jordanian banks are still rationalizing their operations and attempting to strengthen their systems. It is unclear at this stage whether the banks in Jordan are able to cope with the onerous requirements imposed by the anti-money laundering laws. Therefore, it would be timely to examine the impact of the existing laws on the Jordanian banking industry before more complex laws are passed. It is vital that the laws do not create any significant compliance problems for banks.

This study, as far as the researcher is aware, is the first of its kind to provide a comprehensive examination of the impact of anti-money laundering laws on Jordanian banks. Hopefully, this study will provide some insight into this area for academic, banks, banks legal advisers, policy makers, and practitioners, not only in Jordan but also somewhere else. When considering the international nature of money laundering and banking, there will be significant interest in how banks operations in Jordan are affected by the Jordanian laws.

1.6 Methodology

1.6.1 Research Design

A socio-legal research is a systematic method of exploring, investigating, analyzing, and conceptualizing certain facts of social life in order to contribute to legal knowledge.⁴¹ This study aims to examine, analyze and investigate how the anti-money laundering laws affect the relationship between banks and their customers. Consequently, this study is a socio-legal study, since it aims to study the interaction between law and social factors. So, the type of research design reflects the purpose for which the work is undertaken.⁴² Hence, the legal method will be used to achieve the first and the second objectives of the study. To achieve the third and fourth objectives of the study, the social method will be adopted. Anwarul Yaqin⁴³ pointed out five types of legal studies: descriptive and exploratory studies, analytical and critical studies, historical studies, and comparative studies. Additionally, there are thirteen types of social research methods in legal studies: exploratory studies, descriptive studies, explanatory studies, causal studies, basic studies, applied studies, evaluation research, pilot studies, cross-sectional studies, longitudinal studies, predictive research, quantitative research, and qualitative research.⁴⁴

This study uses more than one approach in that each type has its own purpose to meet a particular objective. Respectively, the first and the second objectives aim to (1) study the Jordanian anti-money laundering laws that have impacted the banking sectors in Jordan and (2) examine the impact of laws and obligations of money laundering on banks. This rightfully calls for a legal studies method with analytical

⁴¹Mahdi Zahraa, *Research Methods for Law Postgraduate Overseas Students*, published in Malaysia by UNIVISION PRESS (c/o STILGLOW SDN.BHD), Kuala Lumpur Malaysia, (1998), pp.63.

⁴²Mohd Darbi Bin Hashim, *legal research methodology*, (2002), pp.16.

⁴³Anwarul Yaqin, *Legal Research and Writing*, Malaysia : LexisNexis, (2007), pp. 14-18.

⁴⁴Anwarul Yaqin , *Ibid*, pp.128-139.

and critical approaches. Such approaches help to analyze the factors and laws in order identify points of weaknesses, en route to answering the research questions and solve the aforementioned problem.

The researcher uses a different method and approach to achieve the third and fourth objectives, which respectively aim (i) to analyze how the anti-money laundering laws have affected the relationship between banks and their customers, and (ii) to investigate the perceptions of bankers towards anti-money laundering obligations imposed on them. (Bankers, their customers, the Jordanian central bank and Jordan's Anti-Money Laundering Unit are considered as a part of the business community). The right method was thought to be socio studies with exploratory study as an approach. This method helps to explore the opinions of the bankers, their customers, the Jordanian central bank and Jordan's Anti-Money Laundering Unit on how the anti-money laundering laws have been affecting the relationship between banks and their customers. This in hope will facilitate the researcher in ascertaining the points of weaknesses in this scope of community.

A survey would be appropriate for a study that intends to ascertain individual's feelings, values, expectations, or other similar factors.⁴⁵ The survey method can be defined as (1) the gathering of data at a particular point of time with the intention to describe the nature of an existing condition, or (2) the identifying of standards against which existing conditions can be compared, or (3) the determining of the relationships that exist between specific events⁴⁶

The survey includes structured questions that result in easy statistical summaries and open-ended questions, which enabled the researcher to get more insight on the subject

⁴⁵Anwarul Yaqin, Ibid, pp154.

⁴⁶Mahdi Zahraa, Ibid, pp.65.

from the selected respondents.⁴⁷ The purposive sampling method adopted in this study facilitated the researcher in choosing respondents who were directly involved in the subject area. The researcher then attempted to understand the obstacles and opinions of the bankers, their customers, officers at the Central Bank of Jordan, and officers of Jordan's Anti-Money Laundering Unit.

Therefore, in achieving the third research objective required the questionnaire survey to be conducted on the bankers, their customers, officers at the Central Bank of Jordan, and those at Jordan's Anti-Money Laundering Unit. Questionnaire is a method of collecting information from the respondents' answers. This method enabled the researcher to get information about views, opinions, beliefs, ideas, feeling, reactions, appreciation or rejection, the likes or dislikes of a person's, or perceptions on any particular matter.

On the other hand, the fourth objective of this study necessitates the use of a field survey that also depends on the questionnaire survey method because the objective targets to obtain the perceptions of the bankers on anti-money laundering laws.

According to Jordanian Anti-Money Laundering Instructions,⁴⁸ each Jordanian bank should appoint officers to work as anti-money laundering compliance officers. These compliance officers must be fully knowledgeable about the anti-money laundering requirements and the related regulations and laws because they are responsible for managing, coordinating, and monitoring the bank's compliance system toward anti-money laundering. Therefore, those officers were part of the sample (respondents) of the questionnaire (in achieving the third objective), and these officers were the only

⁴⁷Terry Hutchinson, *Researching and Writing in Law, Sweet and Maxwell Asia Petaling Jaya* , Second Edition, Selangor Malaysia, (2006), pp.97.

⁴⁸Article 9 (3) from Jordanian Anti Money Laundering and Counter Terrorist Financing Instructions No. 51/2010.

sample of the questionnaire for the purpose of achieving the fourth objective of the study.

Regarding the customers sample, to obtain accurate information from more than one source, the customers sample was divided into two types: selective and random sample. Participants from the selective customers sample were chosen according to their work nature; they needed to use bank services extensively for withdrawal, depositing, and transfer. Furthermore, to deal with the sample of random customers, the cluster sampling method was adopted.

In the Jordanian central bank, there is a Banking Supervision Department which can be selected for the study. The main objective for selecting this department is to ensure the safety and soundness of the banking system; the reason is also to protect the interests of depositors and shareholders and to ensure a positive contribution to the development of the national economy by banks.⁴⁹ This department is responsible for the supervision of anti-money laundering in Jordanian banks; for this reason, the department will be the target of the questionnaire at the central bank (in achieving the third objective). Jordan's Anti-Money Laundering Unit is the last sample of subjects for the questionnaire; they were interviewed in hope to fulfill the third research objective. The main mission of this unit is to ensure the protection of the community and the financial systems from money laundering and terrorists' financing risk, particularly by providing the required information immediately with high accuracy in coordination with the related concerned authorities. Jordan's Anti-Money Laundering Unit is responsible for receiving the notifications related to any suspected transaction that can be related to money laundering from the Jordanian banks. The unit also

⁴⁹For more information see website of Central Bank of Jordan at: http://www.cbj.gov.jo/organizational.php?menu_id=120 , accessed 11/7/2014.

requests such information, analyze and investigate the report, as well as provide the concerned authorities with such information. The purpose is to combat money laundering when necessary.⁵⁰ For this reason, this unit is the final target of the questionnaire survey (in achieving the third objective).

Accordingly, the questionnaire for fulfilling the third objective aims to explore the extent the anti-money laundering laws have affected the relationship between the banks and their customers. The questionnaire for fulfilling the fourth objective aims to investigate the perceptions of the bankers on the anti-money laundering laws and how the perceptions affect the relationship between the banks and their customers.

1.6.2 Scope of the Study

The scope of this study is to examine the Jordanian anti-money laundering laws that have directly affected Jordanian banks and their relationship with customer. The laws include Jordanian Anti-Money Laundering and Counter Terrorist Financing Law 2007, Regulation of the Anti-Money Laundering and Counter Terrorist Financing Unit, No. (40) for 2009, Regulation of the National Anti-Money Laundering and Counter Terrorist Financing Committee No. (44) for 2008, Instructions of Anti-Money Laundering and Counter Terrorist Financing Instructions for Entities Exercising any of the Financial Activities No. (3) for 2011 and other relevant legislations. It is worth to mention that this study only examines the anti-money laundering laws and not the anti- terrorism laws.

The scope of a survey must be clearly identified, whether it is a large scale one at government level or a small scale one at individual or small organizations level.⁵¹ In this study, the survey includes questionnaires' distribution. The first questionnaire

⁵⁰For more information see website of Jordanian Anti Money Laundering Unit at : <http://www.amlu.gov.jo> , accessed 11/7/2014.

⁵¹Mahdi Zahraa, , Ibid, pp,66.

particularly was conducted to fulfill the third objective, and the samples include (1) the Jordanian anti-money laundering compliance officers at the banks, (2) banks' customers, (3) officers of the banking supervision department at the Jordanian central bank, and (4) officers of Jordan's Anti-Money Laundering Unit. Specifically, this questionnaire analyzes how the anti-money laundering laws have been affecting the relationship between the banks and their customers.

The second questionnaire was used to fulfill the fourth objective. The sample for the questionnaire includes the Jordanian anti-money laundering compliance bank officers. In particular, this questionnaire intends to analyze the banker's obligations under the anti-money laundering laws.

The questionnaires of this study do not include the perceptions of criminals, victims, and the police due to the following reasons: (1) According to the Jordanian law, Jordan's Anti-Money Laundering Unit is responsible for receiving notifications from banks and investigating the cases. The unit is also responsible for sending the cases to the court, thus, it can be considered to function as the police in this regard; (2) the police have no experience about the impact of the anti-money laundering laws on the Jordanian banks, and even if they do, they do not have the power to disclose the information.

With regard to criminals, they cannot be included in the survey for the following reasons: (1) Money laundering crime has a certain privacy. Money laundering criminals are mostly members of an organized crime group (Mafia), and they are not ordinary criminals. Therefore, it's hard to deal with them inside or outside prison. (2) These criminals have experience on how to launder money, but they do not have experience on the extent of the impact of the anti-money laundering laws on banks.

The researcher also did not include victims in the survey for the following reasons: (1) Most money laundering crime do not involve individual victims; rather, the victims are the society, the bank and the government. (2) Hence, even if few individual victims are found, they will not have enough experience to know the impact of the anti-money laundering laws on the works of banks.

Many countries have implemented anti-money laundering laws which are based on the similar international standards by the Financial Action Task Force.⁵² However, this study refers to the experiences of developed countries in which there is a shortage or silence in the Jordanian law on the main subject of the study. The purpose is to enrich the Jordanian law and offer recommendation. These experiences are considered in this study as a guiding and correcting tool to any shortage or silence that exists in the Jordanian law. They do not serve as a mean of comparison for the following reasons: (1) Almost all measures of anti-money laundering are globally unified, as well as the problem of banks' dealing with anti-money laundering laws; (2) The matter of the comparative study is very broad and it needs to be searched individually and independently; (3) As such, the study then would be distant from the objectives of this study, which aim to look at the application of the current anti-money laundering laws in Jordan.

Nevertheless, the subject of comparing the issue with that of the developed countries' can be forwarded to further studies after the completion of the present one. Such an

⁵² The Financial Action Task Force is an inter-governmental body established in 1989 by the Ministers of its Member jurisdictions. The mandate of the FATF is to set standards and to promote effective implementation of legal, regulatory and operational measures for combating money laundering. The FATF Recommendations are comprehensive and consistent framework of measures which countries should implement in order to combat money laundering. The FATF Recommendations set an international standard, which countries should implement through measures adapted to their particular circumstances. For more information see website of FATF at: <http://www.fatf-gafi.org/>, accessed 30/8/2014.

extension would allow comparison to be made between the Jordanian laws on money laundering and that of the developed countries.

1.6.3 Type of Data

The data are divided into two parts: primary sources and secondary sources.⁵³ The primary data sources are supplemented with information from the secondary sources. The former includes (1) the formal and authoritative records of the law, (2) statutory provisions formed by lawmaking bodies, (3) constitutional provisions, (4) subordinate or subsidiary legislation framed by administrative bodies or authorities, (5) reported decisions of courts and tribunals or anybody or authority having power to decide a dispute.

One of the sources of primary data for social studies is a survey. In this regard, the survey can be used to gain information about how the anti-money laundering laws have been affecting the relationship between banks and their customers, particularly by using the questionnaire method. Additionally, the questionnaire method allows the researcher to obtain information about the perceptions of the Jordanian bankers towards anti-money laundering obligations imposed on them.

The secondary sources consist of journal, books, digests of cases, indexes, legal encyclopedias, official statistics, relevant documents, other library based sources of information, and works that explain or write about the primary sources.

1.6.4 Data Collection

The primary data for this research were collected through library research in public universities in Malaysia and Jordan and other tertiary institutions such as University Utara Malaysia, University Malaya, University Putra Malaysia, International Islamic

⁵³Mohd Darbi Bin Hashim, Ibid.pp 7.

University Malaysia, The University of Jordan, Yarmouk University, Mutah University, AL al-Bayt University, and AL-Balqa Applied University.

The secondary data were collected through internet research, online databases, and popular search engines like Google. Online databases used for this study included CLJ Law, CCH Online Library, Law NET, Journal of Money Laundering Control, Cambridge Journals, LexisNexis Academic Universe, Lexis Research for Academic, Lexis Malaysia and others. Additionally, the researcher used Online Malaysian thesis, E-journals, E-resources, E-thesis, Jordanian and international research, to list a few.

1.6.5 Data Analysis

The content analysis approach is one of the approaches used in this research. Although it originates from social and behavioral sciences, it has also been used in legal studies.⁵⁴ Content analysis can be defined as a systematic examination of anything that are listed in written form like books, letters, newspaper, laws or any other form.⁵⁵ The method largely deals with documentary materials from statutes, cases, questionnaire, scholarly articles, legal encyclopedias, books, digests of cases, journal, official statistics, relevant documents and indexes, statutory provisions formed by lawmaking bodies, constitutional provisions, subordinate or subsidiary legislation framed by administrative bodies or authorities, formal and authoritative records of the law, reported decisions of courts and tribunals.

Additionally, when the raw data from the questionnaires are collected, edited, coded and entered into the computer, they are ready for analysis. Analysis is the process of examining, summarizing and drawing conclusion from the information contained in

⁵⁴Kimberly A. Neuendorf , *The Content Analysis Guidebook*, <http://www.stiba.malang.ac.id/uploadbank/pustaka/RM/CONTENT%20KIMBERLY%20PDF.pdf>, Accessed 14-2-2014.

⁵⁵Anwarul Yaqin, Ibid, pp. 239.

the raw data.⁵⁶ In this study, the data was analyzed using the statistical package for the social sciences (SPSS), which can produce findings in the form of graphs and charts.⁵⁷

Through the use of the SPSS program, the data was analyzed through the following procedures: (1) defining the attributes of the variables, including their names; (2) defining the data; (3) defining the labels; and (4) defining the values.

The second stage is the entering of the questionnaires' results on a "variables" page. The third stage is the analysis stage, which involves obtaining descriptive statistics in the program from the option of "analyze", and then completing the procedures to obtain the percentages from the questionnaires' responses.

The fourth stage is obtaining the results of the questionnaires survey. After the charts and graphs are completed, the results will be analyzed to reach the goal of the questionnaires survey.⁵⁸ The fourth and the fifth chapter discuss in detail how the SPSS program was used to analyze the questionnaires.

⁵⁶Anwarul Yaqin, Ibid, pp. 252.

⁵⁷Alan Bryman and Duncan Cramer, *Quantitative Data Analysis with Spss 12 and 13 A Guide For Social Scientists*, http://rufismada.files.wordpress.com/2012/02/quantitative_data_12_13.pdf, Accessed 14-2-2014.

⁵⁸For more information see: Vijay Gupta, *SPSS for Beginners*, Published by VJBooks Inc, www.uploadkon.ir/uploads/1041cbeb8db5c23fa327150d1662bea7.pdf , (1999), Accessed 13-4-2014. And see: Imad Nashwan, *Practical Guide to Rapporteur Applied Statistics*, Al-Quds Open University, <http://www.qou.edu/portal/alMouqrrat/pdfFiles/Statistics.pdf> , (2005) Accessed 13-4 2014. In Arabic.

1.7 Limitation of the Study

This study faces a number of challenges. The researcher anticipates the difficulty in obtaining precise information about the size of the money laundering phenomenon in Jordan since the data is considered sensitive by security agencies, concerned departments, and banks.

Other challenges include the lack of legal references on anti-money laundering laws that have directly affected Jordanian banks and the lack of literature on Jordan's anti-money laundering in English language, especially on the liability of banks. Most of the literature, including all Jordanian legislation, are written in Arabic. Although they can be translated to English, the meanings may be distorted because the style of expression in Arabic language differs from that of English, especially in the translation of literal text. To overcome this problem, the researcher relied on the literature written in English and non-literal translating of the Arabic texts.

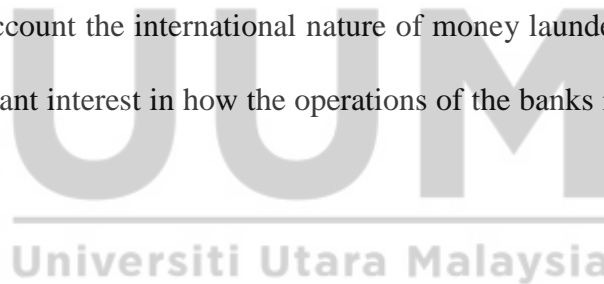
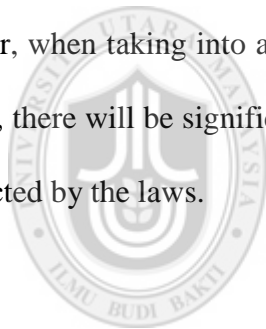
Another difficulty the researcher encountered was that the Jordanian case laws in this area are rare and could not be reached. This could be attributed to the newness of the law governing money laundering in Jordan. Certainly including some available case laws would make the study better. The judicial judgments in this area are also surrounded with secrecy and cannot be accessed because they have a (special military court (Jordanian State Security Court)) to be looked in. To counter this problem, the researcher depended on the very few case law written in the available literature.

Finally, in the final stage of this study, the researcher learned that the Jordanian legislator has amended the Jordanian anti-money laundering law on June 16, 2015, thus this new amendment was not included and was not covered extensively in this study.

Generally, this amendment is not substantial and is a confined amendment. It includes the name of the law with some of the material modified, particularly those that will increase international cooperation between the anti-money laundering unit of Jordan and the international community.

Also, the new amendment does not include the banks' commitments in the fight against money laundering. Nothing has been changed in terms of the impact of these liabilities on banks and customers.

Therefore, the 2015 amendment has no clear and direct effect on this study, which hopefully, will provide some insight into this area for academic, banks, banks legal advisers, practitioners and policy makers, not only in Jordan but also anywhere. However, when taking into account the international nature of money laundering and banking, there will be significant interest in how the operations of the banks in Jordan are affected by the laws.



1.8 Literature Review

The researcher found many international researchers who examined anti-money laundering laws that have affected banks, and many other works that have tackled money laundering in general. Nevertheless, the researcher noted scarcity in studies that concern the effects of anti-money laundering laws on the Jordanian banks. Money laundering is still new in this region, but since Jordan is located in the middle of unrest economic and military region, this crime seems to be flourishing. Hence, the issue becomes crucial since it imposes destructive effects over the world.

1.8.1 Money laundering and anti-money laundering laws

The idea of money laundering is simple: a criminal who has acquired illegal funds will seek to ensure that he can use his illegal funds without the authorities' realization that they are resulted from criminal activities. The researcher found the simplest definitions of money laundering in more than one study, including in the study by Reynolds,⁵⁹ who states: "Washing of dirty money to make it appear legitimate". In Lal's⁶⁰ study, money laundering is defined as "cleansing of money earned through illegal activities like extortion, drug trafficking and gun running etc." Money laundering is identified by Bennett⁶¹ as "concealment of the identity of illegally obtained money so that it appears to have come from a legitimate source". A deeper definition was found in another study⁶²: "The use of money derived from illegal activity by concealing the identity of the individuals who obtained the money and converting it to assets that appear to have come from a legitimate source." However, the best definition was thought to be the one stated in the Commonwealth

⁵⁹John A. Reynolds, *The New US Anti-Money Laundering Offensive: Will It Prove Successful?*, Cross Cultural Management: An International Journal, Vol. 9 N. 3, (2002). pp. 4.

⁶⁰Bhure Lal, *Money Laundering An Insight Into The Dark World Of Financial Frauds*, Siddharth Publications, First Edition, New Delhi- India, (2003), pp. 12.

⁶¹Tim Bennett, *Ibid*, PP. 1.

⁶²John Madinger *Money Laundering A Guide For Criminal Investigator*, taylor & francis group LLC, Third Edition, USA, (2012) pp. 5.

Secretariat's⁶³ study which states that “money laundering is the process by which criminals attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities, thereby avoiding prosecution, conviction and confiscation of the criminal funds.⁶⁴” The latter definition is the most appropriate because it includes the main reasons for the money laundering process: avoiding prosecution, conviction, and confiscation of the criminal funds.

The beginning of the constitution of Jordanian laws that aimed to fight money laundering operations is explained by Al-Rimawi.⁶⁵ Earlier in 1997, the need to address the question of money laundering in Jordan appeared. In 1997, specifically on November 18, the Central Bank of Jordan sent Memorandum No. 210/97 to license Jordanian banks, counseling them on issues related to money laundering. In very general terms, it had advised banks to “recognize” their customers, in other words the need to verify their identity. The memorandum that was sent to banks included a reasonable general description of the suspicious conditions regarding the banks customers' identity. However, It must be admitted that when addressing the question of money laundering not much practical guidance was provided by the description of such conditions, which could have been translated into a comprehensive procedural manual for Jordanian banks. In addition, the lack of a correlated structure was among the numerous problems affecting the Memorandum No. 210/97, and it did not give a detailed explanation what money laundering means. In 2000, these deficiencies were slightly remedied, where a completely new legal provision was added to the 2000

⁶³The Commonwealth is international voluntary association of 53 independent countries. - See more at: <http://thecommonwealth.org>.

⁶⁴*Combating Money Laundering and Terrorist Financing: A Model of Best Practice for the Financial Sector, the Professions and Other Designated Businesses*, Commonwealth Secretariat, second Edition, London- United Kingdom, (2006), PP.6.

⁶⁵Lu'ayy Minwer Al-Rimawi, *Money Laundering Regulations in Jordan: A Positive Example of A Middle Eastern Country Earnest about Catching up with International Financial Standards*, Journal Of Money Laundering Control Vol. 7, No. 1,(2003), pp. 15-17.

Jordanian Banks Law to address money laundering operations. A more specialized money laundering regulation was enacted in 2001. Actually, Article 93 of the Jordanian Banks Law 2000 was found to be one of the most important legal provisions in combating money laundering in Jordan. This article has made it compulsory for any bank in Jordan to report immediately the central bank of Jordan of any financial dealing that involve or may be linked to an illegal act or a crime.

Mohamed and Ahmad⁶⁶ examined the money laundering cases investigated by the Central Bank of Malaysia under the Anti-Money Laundering and Anti-Terrorism Financing Act 2001. Since money laundering mainly involves the transfer of money through financial institutions, Malaysia has taken a major step in curbing the activity by enacting Anti-Money Laundering and Anti-Terrorism Financing Act 2001. The Central Bank of Malaysia has a major role to ensure that Anti-Money Laundering and Anti-Terrorism Financing Act 2001 are effective in curbing these illegal activities. The cases reported in the Central Bank of Malaysia's web site were investigated to understand the trends in money laundering investigations. Most cases investigated by the Central Bank of Malaysia were related to section 4(1) of Anti-Money Laundering and Anti-Terrorism Financing Act 2001 and the predicate offence related to the money laundering charges were related to illegal deposit taking.

According to Al-Shami,⁶⁷ money laundering has no legal texts that criminalize this phenomenon in Palestine. Since the crime brought negative effects on the country, the study recommended identifying the dimensions of this phenomenon and highlighting the aspects of the international conventions related to money laundering operations.

⁶⁶Zakiah Mohamed and Khalijah Ahmad, *Investigation and Prosecution of Money Laundering Cases in Malaysia*, Journal Of Money Laundering Control, Vol. 15, No. 4, (2012), pp. 421-429.

⁶⁷Abdul-Karim Al-Shami, *The Phenomenon of Money Laundering in the Light of International Conventions*, Journal of Law and Justice, No.16, (2005). In Arabic.

Also, there was a need to increase the awareness at national and international levels on the importance of measures and preventive procedures to combat this crime. Additionally, the legislative vacuum need to be filled by establishing a special department at the Ministry of Justice to combat this illegal activities and hold training courses to develop the capacity of workers to be familiar with the methods used in money laundering operations.

Salman and Meka⁶⁸ claim that in the late thirties of the twentieth century the concept of money laundering has appeared in the United States and has been linked to organized crimes, especially drug trade offence. After the World War 1 the mafia purchased economic enterprises with illegal funds generated from criminal activities. In that way they could disguise the source of this money in order to use it in legal activities. The banking and financial sector has witnessed continuous evolution at the international level, which resulted in increase in the size of the flow of capital across borders, including illegal money, through the use of banking and financial transactions to hide their illegal source. Gangs and organizations might use precision techniques to accomplish their illegal goals in an attempt to hide the criminal and illegal nature of their work. This drew the attention of many countries and international institutions to the need of taking the necessary procedures for preventing such phenomenon in the framework of international cooperation. They also cooperated with various institutions and international bodies that intend to combat this phenomenon on the global level. This required the emergence of specialized entities (private and government), who further issued a number of laws to combat this phenomenon. Controls were issued to make sure that the money resulting from the

⁶⁸Ahmed Hedi Salman and Laheb Toma Meka, *The Reflections of the Phenomenon of Money Laundering*, The Journal of Administration & Economics, No. 67, (2007), PP.212-234, <http://www.iasj.net/iasj?func=fulltext&aid=26199>, Accessed 23-4-2014. In Arabic.

illegal operations will not find a way to pass through the banking system. These operations are classified as economic offense.

1.8.2 The causes and dangers of money laundering through banks

Money laundering negatively affects economic growth and global finance because it facilitates corruption and crime and diverts resources to unproductive activities. Consequently, it could restrict legitimate business and instability in banks and financial institutions. Money laundering also aims to perpetuate crimes activities because it encourages the underlying criminal activity from which illicit proceeds are originated. Without a doubt, the damage caused by money laundering to the economy and the community is the same as the one committed by the underlying crime itself.

Exploiting the principle of banking secrecy is the main reason for choosing banks as the best institution for money laundering. The principle of banking secrecy was the focus of Obaidat's ⁶⁹ study. The anti-money laundering laws imposed on banks have brought negative effects due to the inconsistency between the principle of banking secrecy and mandatory notification of suspicion to the concerned authorities of money laundering. When exceptions of principle of banking secrecy is needed in such cases, negative effects were noted as the result of compliance to the laws; this could be seen from the delay in the operations of customers, as well as in the increased cost of banking services to the latter. Such circumstances have forced the bank to employ a larger number staff to monitor customers' financial operations. Sometimes, the banking secrecy principle of banks can be exploited by launderers: they could launder their money without having to reveal the source.

⁶⁹Fadi Fouad Obaidat, *The Legal Dimensions of Banking Secrecy*, PhD thesis, Amman Arab university, Amman Jordan, 2005. In Arabic.

Awadallah⁷⁰ claims that banks have a great responsibility to fight against money laundering since these institutions are the main target of money launderer. Consequently, the need to strengthen international and regional efforts to combat this phenomenon is emphasized, giving birth to banking legislation with provisions that criminalize these operations and the perpetrators.

Tarawneh and Batosh⁷¹ claim that banks have to fight money laundering and sustain the negative effects of this fight; this is because the institutions are involved in money laundering operations that could lead to their collapse. Consequently, they will face the risk of losing public's confidence because of the negative publicity that resulted from association with criminals, whether intentionally or not. In addition, banks may be subjected to direct loss from fraud, like neglecting the identity of undesirable customers. Another negative impact was on the safety and stability of banks managers and their employees through their dealings with the criminal unknowingly.

A recent article⁷² refers money laundering as a global phenomenon that has weakened the economic and political stability of countries. Apparently, developing countries are more exposed to this phenomenon, taking Nigeria as an example. Nigeria is a developing country where money laundering has affected the country's financial stability, along with economic and political developments. Bagher and Aluko conclude that among the financial and economic crimes, money laundering fared better in breaking into the economic and political structures of most developing countries, linking the crime to the countries' corruptions.

⁷⁰Safwat Awadallah, *The Economic Effects of Money Laundering Operations and the Role of Banks in Control*, Journal of Law, Vol.29, No.2, (2005). In Arabic.

⁷¹Musleh Tarawneh and Hossam Batosh, *The Basis of Banks' Commitment to Combating Money Laundering and the Scope of this Commitment in The Jordanian Legal System*, Law Journal, Vol 29, No. 3, (2005).In Arabic.

⁷²Mahmood Bagheri and Ayodeji Aluko, *The Impact of Money Laundering on Economic and Financial Stability and on Political Development in Developing Countries the Case of Nigeria*, Journal of money laundering control 2012 2012, Vol. 15, No. 4, (2012), pp. 442-457.

The dangers of money laundering, as mentioned by Abdel Mawla,⁷³ are represented in the increase of money laundering activities through (1) the use of open borders free trade zones, banking centers and electronic transfers and (2) the presence of foreign money through speculation in the financial markets. Competition between international banks has led to the increase of money laundering operations, as well as to the exploitation of some of the points of weakness of procedures and systems to combat this phenomenon. The increasing rates of poverty, unemployment, crime and corruption in developing countries have made them fertile grounds for money laundering. These growths of money laundering are caused by liberalization and the opening up of global markets, as well as changes in legislation and technological developments in the banking sector.

Because money laundering is an organized crime as discussed by Abu El-Wafaa,⁷⁴ it can also have damaging effects at international level. This phenomenon can harm a country's economy, security, and society since it provides a fertile ground for terrorists, drug dealers, fraud, corrupted public officials, illegal arms dealers, and others to operate and expand their criminal enterprises. This crime has become increasingly international and hence, the financial aspects of money laundering have become more complex following globalization of financial services industry.

Like floodwater seeking out any crack, money laundering usually begins with cash and in an anti-money laundering system, the danger continues to evolve at a rapid pace. According to Simser,⁷⁵ the financial systems evolve and so does the anti-money

⁷³Said Abdel Mawla, *Money Laundering Operations and their Repercussions on the Economic and Social Changes*, the Arab Journal of Security Studies and Training, Vol.14, No. 28, (1999). In Arabic.

⁷⁴Mohamed Ibrahim Abu El-Wafaa, *Informing Banks of Suspicious Financial Transactions*, A research presented to the conference in the bank operations legislation, this conference was held at the faculty of law at Yarmouk University from 22 to 24 December 2002, Irbid Jordan. In Arabic.

⁷⁵Jeffrey Simser, *Money Laundering: Emerging Threats and Trends*, Journal Of Money Laundering Control, Vol. 16, No. 1, (2013), pp. 41-54.

laundering systems. The emergence of unlawful activities in turn, can give rise to new techniques and typologies in money laundering, like online gaming, online transfer or in the form of a prepaid access card, piracy, football and various forms of trade-based money laundering. In other words, these dangers are systemic.

Barakat⁷⁶ studied money laundering from all aspects because of its negative effect on the political, economical and social aspects. His study aimed to show the impact of combating money laundering on the international level, and to identify the size of money laundering and its methods. He claimed that the reason behind the spread of money laundering phenomenon could be because the national laws failed to fight such crime, also the lack of coordination and cooperation between the concerned parties. Furthermore, he pointed out that money laundering is associated with corruption, drug trade, slavery, and organized crime, it is worth mentioning that exploitation of banks is widely used in money laundering operations. The danger of this phenomenon is represented in that money laundering combating efforts are encountered by counter efforts, where money laundering operations witness the entering of specialized criminal groups in different professions, by money launderers in order to help them in cleaning their dirty money and transfer them into legal fund.

Salman and Meka's study⁷⁷ focused mainly on the negative impact of money laundering process, and they are as follows: (1) disable of financial policies, which negatively affects the government economic performance, (2) impose more indirect taxes or increase their prices to meet the shortfall in public revenues, the low purchasing power, rising inflation and high unemployment rates, (3) the multiplicity

⁷⁶Abdallah Barakat, *Phenomenon of Money Laundering and its Effects on Economic and Social on the International Level*, Journal of the Economies of North Africa, No. 4, PP. 215-232 http://www.univ-chlef.dz/renaf/Articles_Renaf_N_04/article_09.pdf, Accessed 28-4-2014. In Arabic.

⁷⁷Ahmed Hedi Salman and Laheb Toma Meka, *Ibid*.

of money laundering channels from traditional to the most sophisticated, including the Internet, (4) an inverse relationship between the rate of domestic savings and money laundering through smuggling, where the higher the smuggling operations the decline of savings that are directed to investment, (5) the spread of extremism, sabotage acts, violence, the occurrence of political coups, the emergence of imbalances in the social structure and the spread of financial and administrative corruption, higher crime rates and the spread of illegal practices such as gambling and nightclubs.

1.8.3 The impact of anti-money laundering laws on banks

The relationship between banks and money laundering usually includes three stages: placement, layering and integration.⁷⁸ Often banks would be affected during these three stages of money laundering.

Placement is the initial stage of the process, in which illegitimate funds are placed into the banking system.⁷⁹ In Lal's study,⁸⁰ the placement is defined as "the process of placing, through deposits, wire transfers, or other means, unlawful proceeds into financial institutions". Another study⁸¹ has defined it as "the physical disposal of cash proceeds derived from illegal activity". Often this stage poses the greatest risk to the launderer, because of the chance that he can be discovered.⁸² A person might be seen as an unknown individual who walks into a bank and deposits a very large amount of cash into an account; thus, he may arouse suspicion and this does happen. One scholar, Cox,⁸³ concluded that the placement process can take the following ways: (1) purchase of paintings, (2) purchase of antiques, (3) purchase of investment products,

⁷⁸Norman Mugarura, *The Global AML Framework and its Jurisdictional Limits*, a thesis submitted in partial fulfillment of University of East London for (PhD), (2012), pp.80.

⁷⁹Dennis W. Cox, *An Introduction to Money Laundering Deterrence*, John Wiley & Sons Ltd, First Edition United Kingdom, (2011), PP. 10.

⁸⁰Bhure Lal, *Ibid*, PP. 16.

⁸¹Commonwealth Secretariat, *Ibid*, PP. 9.

⁸²Rowan Bosworth-Davies and Graham Saltmarsh, *Ibid*, PP. 81.

⁸³Dennis W. Cox, *Ibid*, pp. 11.

(4) purchase of boats, (5) acquiring of shares from private companies, (6) provision of cash loans to companies, and (7) purchase of things in a market. For the launderer this initial or “placement” stage is the most dangerous. As Reynolds⁸⁴ claimed, the process usually requires physical transportation of the criminal’s cash proceeds within the jurisdiction where most likely the original criminal act occurred. As a result, it is the stage that most closely monitored by law enforcement. The anti-money laundering initiatives, which originated from legislative sources and law enforcement, throughout history have been focused roughly exclusively on this “placement” phase. In particular, the focus was on the theory that any later step, following the “placement” process, always makes it difficult to keep track of the origins of their funds.

In principle, the layering stage involves making the appearance of the illegal funds as legal, particularly by making complex transactions in order to hide or disguise the original sources of these funds. The layering stage is defined as “the process of separating the proceeds of criminal activity from their origin through the use of layers of complex financial transactions”.⁸⁵ In a further study⁸⁶, the process is defined as “the process of separating illicit proceeds from their sources by creating complex layers of financial transactions designed to disguise the audit trail and provide anonymity”. Bosworth-Davies and Saltmarsh⁸⁷ have also claimed that the dirty money in the layering stage is distributed within the financial institution, in which it has been initially deposited and manipulated to create a false picture of the source of the original cash. The cash can also be moved through a number of other institutions.

⁸⁴John A. Reynolds, *Ibid*, PP. 5.

⁸⁵Bhure Lal, *Ibid*, PP. 16.

⁸⁶ Commonwealth Secretariat, *Ibid*, PP. 9.

⁸⁷Rowan Bosworth-Davies and Graham Saltmarsh, *Ibid* PP. 87.

Money laundering encounters difficulty during the layering stage when money launderers move their funds between a number of accounts into a number of different branches of banks through buy and resale of assets, stock, antiques and other complex operations. In his study, Reynolds⁸⁸ claimed that the goal of the launderer in the “layering” stage is to disguise or hide the funds and distance them from their origin and their financial system access points. Several methods can be used in this stage, such as the undertaking of a great volume of transactions, the utilization of different instruments and currencies, and several transfers among accounts in various jurisdictions. Every following transaction in the “layering” process makes it much more difficult to discover money laundering activities. Furthermore, each transaction complicates the audit trail.

Integration is the third and final stage of the money laundering operations; simply put, it is the stage in which illegal proceeds are reintegrated into a legitimate financial system. This stage is defined as “the process of using an apparently legitimate transaction to disguise the illicit proceeds. Through this process the criminal tries to transform the monetary proceeds derived from illicit activities into funds with an apparently legal source”.⁸⁹ Another study⁹⁰ defines integration as “the provision of apparent legitimacy to criminally derived wealth. If the layering process has succeeded, integration schemes place the laundered proceeds back into the economy in such a way that they reenter the financial system and provide to be normal business funds”. This can happen when the cleaned-up money is legitimately brought back into

⁸⁸John A. Reynolds, *Ibid*, PP. 6.

⁸⁹Bhure Lal, *Ibid*, PP. 16.

⁹⁰Commonwealth Secretariat, *Ibid*, PP. 9.

the financial system once it is safe from any enquiry by any agency about their source.⁹¹

Reynolds⁹² points out in his study that the “integration” stage is the last step in the money laundering process, and the money launderer ultimate goal. In the last stage, the now-laundered funds are entered back into the mainstream economy as bona fide funds. It is can be achieved through the purchase of liquid assets such as equities, life insurance products, or government and corporate debt instruments. Usually, a legitimate business may be entirely taken over by using the laundered proceeds.

Cox⁹³ mentions in his study that the common methods of integration used by money launderers are as follows: (1) the transfer of money to a legitimate bank from a shell bank owned by the launderers (the simplest method), (2) the delivery of embellished invoices overvaluing goods or services which allow them to move funds from one country to another; the bills act as verification for the origins of the funds placed with the financial institutions, (3) the establishment of anonymous companies in countries, where money launderers are able to grant themselves loans out of the laundered money in the case of future legal transaction, (4) the cancellation of an insurance policy after the premium has been paid, with the laundered money acting as the return of the premium by the insurance company, (5) the selling of an acquired asset in an open market, through private sale, with funds ideally being received electronically into a legitimate bank account.

Anti-money laundering laws may create a great dilemma for banks. For example, failure to report suspicious transactions is an offence according to the law. If the bank

⁹¹Rowan Bosworth-Davies and Graham Saltmarsh, *Ibid*, PP. 98.

⁹²John A. Reynolds, *Ibid*, PP. 6.

⁹³Dennis W. Cox, *Ibid*, pp. 13.

fails to make a proper disclosure in this regard, it could be liable for breach of duty of confidentiality or could face the risk of being liable for notification of the suspected customer. The banks could be held liable as a trustee for the rightful owner of the corrupted funds. Regardless, the anti-money laundering system appears to be reasonably effective in protecting the integrity of the core financial system in major financial centers.

Simwayi and Guohua⁹⁴ have assessed the role of commercial banks in fighting money laundering in the Republic of China, and the extent to which anti-money laundering regulations and rules have been adopted and implemented by commercial banks at a partial level of the People's Republic of China. In particular, they aimed to present an effective anti-money laundering system in the banking sector, which can make an important contribution in fighting money laundering both nationally and internationally. Money laundering laws helped policy makers, especially at the People's Bank of China, to reorganize their strategies with what is going on the ground. Although the banks are not assessed by the People's Bank of China, they are audited independently by external auditors. All banks have anti-money laundering procedures and policies in place, and they have appointed a compliance officer to undertake anti-money laundering activities. They also trained their employees to cope with anti-money laundering laws.

The experience of Lebanese operating banks and their commitments and compliance with the international regulation on anti-money laundering were the focus of Shahin's.⁹⁵ In particular, Shahin has hoped to achieve a global anti-money laundering

⁹⁴Musonda Simwayi and Wang Guohua, *The Role of Commercial Banks in Combating Money Laundering*, *Journal of Money Laundering Control*, Vol. 14, No. 4, (2011), pp. 324-333.

⁹⁵Wassim Shahin, *Compliance with International Regulation on AML/CFT: The Case of Banks in Lebanon*, *Journal of Money Laundering Control*, Vol. 16, No. 2, (2013), pp. 109-118.

strategy. According to this study, Lebanese banks have achieved their anti-money laundering and the counter-financing of terrorism procedures by abiding to the recommendations of the international body in charge of the regulation—the Financial Action Task Force. This Task Force focuses on the laundering of money and personal unilateral initiatives cooperation among countries in the form of mutual agreements. The anti-money laundering laws have resulted in an effective domestic initiatives and have also shed light on the positive international regulatory assessment of these initiatives. They also addressed the positive view of the Lebanese banking sector that has kept it outside the current Financial Action Task Force’s list of countries with anti-money laundering and the counter-financing of terrorism insufficiency.

Buqami⁹⁶ mentioned the importance of coordination and cooperation between various security agencies in fighting money laundering. The purpose was to face the dangers of the crime on a country’s economy, society and policy. There is a close cooperation between security agencies in anti-money laundering crimes to monitor suspects. Most workers in concerned agencies (like in financial sectors) are familiar with money laundering crimes and the ways to fight them. However, there are obstacles that hinder the coordination and cooperation between security and concerned agencies to combat money laundering that can further result in the wide spread of this phenomenon.

The traditional methods of money laundering in the banking industry were explained in Alesh’s study,⁹⁷ according to the study here are some of the ways: (1) depositing and transferring through banks, which is the traditional way of laundering dirty

⁹⁶Matleq Buqami, *Effectiveness of Coordination between the Security Agencies and the Saudi Arabian Monetary Agency in the Anti-Money Laundering Crimes*, Master Thesis, Naif Arab University for Security Sciences, Riyadh-Saudi Arabia, (2005). In Arabic.

⁹⁷Fred Alesh, *Money Laundering Crime - Stages and Methods*, *Journal of Human Sciences*, No. 12, (2007), PP. 249-264, http://www.webreview.dz/IMG/pdf/_3-2.pdf , Accessed 30-4-2014. In Arabic.

money: where the funds resulted from criminal activity are deposited in account or in a number of accounts in different banks and different countries, it can be either because they allow it; in other words the banks are complicit, or because those banks apply banking secrecy principle. Finally, the funds are transferred to be invested and it is mostly the original homeland of the depositors, in this way bank has carried out the act of money laundering legitimately, (2) re-borrowing: where consistently perpetrators of money laundering activity deposit their money in banks, then they apply for a loan from a bank which they deal with; by using the funds deposited in the other country as collateral for the loan, in this way money launderers legally launder their money, thus they can use them in purchasing property, business deals or other similar activities, (3) Credit Cards: they are either issued by banks; all banks around the world have been involved in issuing them under the supervision of a global organization, such as (Visa, Master card) or issued through a single financial institution, where the issuance operations and the settlement with merchants are monitored by the issuing institutions, these cards are issued for customers to be dealt with instead of cash, the cardholder can purchase goods through the use of the credit card and the bills are sent to the cards issuance center, and the value to be repaid from the branch where the purchase process was made, after that the value is requested from the customer's account, and then the customer/buyer sell these goods that have already been purchased by credit card (and get a price without passing through channels and transfers constraints it can be pointed out that concealed or lost card can be used of in the committing laundering money crime especially since this theft may be real or faked, regarding to the latter, it may be faked for the purpose of committing a crime of money laundering where the card is in the holder possession and is not stolen or lost, in case of loss or theft take necessary procedures in terms of notifying the

bank, however the card continue to be used in purchasing goods or services from the merchant , and the merchant might be committing fraud to accept the stolen card or lost, where he complicit with the offender in making unreal invoices purchases by using the card.

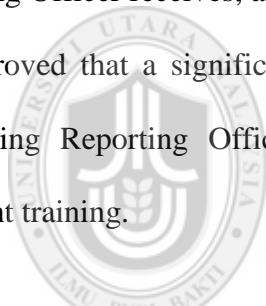
According to Salman and Meka⁹⁸, efforts on both local and international level to combat money laundering phenomenon are not at the required level, however this phenomenon can not be eliminated, due to the following reasons: (1) banks complete confidentiality principle would limit the effectiveness of the control procedures, (2) the decriminalization of the money laundering phenomenon in legislation in many countries around the world even today, (3) the inadequate level of international cooperation in addressing the phenomenon. This study Recommended that in order to reduce and eliminate money laundering phenomenon around the world, the international organizations and governments need to take a set of measures including: (1) the need for international and domestic coordination to address the phenomenon, (2) passing legislation to prevent illegal trade not only the drug trade, (3) passing legislation to facilitate the control of the financial markets, (4) passing international legislation prohibiting the use of the Internet in money laundering operations, (5) to impose sanctions on states that tolerate in combating money laundering, (6) tighten controls on the suspicious companies and follow up their commercial operations.

Finally, a questionnaire study was conducted by Rowan Bosworth⁹⁹ about Money-Laundering Reporting Officers in the US. Its aim was to examine the Officers' attitudes towards specific aspects of ensuring the provision of good compliance, and

⁹⁸ Ahmed Hedi Salman and Laheb Toma Meka, Ibid.

⁹⁹ Rowan Bosworth-Davies, " *Living with the Law: A Survey of Money-Laundering Reporting Officers and Their Attitudes towards the Money-Laundering Regulations*", Journal of Money Laundering Control, Vol. 1 Iss: 3, (1998), pp.245 – 253.

to ascertain whether there were any other areas of compliance where further training was particularly necessary. The important findings of the questionnaire were: (1) It demonstrated that very few Money Laundering Reporting Officers have any real knowledge of US legislation implications. (2) It identified the fact that a number of persons employed in the role of Money Laundering Reporting Officer have not received the necessary amount of training to enable them to be effective in their jobs. (3) It demonstrated that the commitment to the provision of well-qualified staff in the role of the Money Laundering Reporting Officer is still lacking among a significant number of employing institutions. (4) It demonstrated briefly that there is a direct correlation between the amount of training an individual Money Laundering Reporting Officer receives, and his effectiveness in the role for which he is employed. (5) It proved that a significant number of employees are being trained by Money Laundering Reporting Officers who have themselves not received adequate or sufficient training.



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Furthermore, another survey about Money-Laundering Reporting Officers in the UK was conducted by Laurence Webb.¹⁰⁰ The aim of this survey was to assess the attitudes of London city banks towards the UK money laundering regulations, and the attitudes of the money laundering reporting officers, including how seriously the banks took their new anti-money laundering responsibilities. Also, how did the person responsible for implementing anti-money laundering compliance (the Money Laundering Reporting Officers) view their responsibilities as well. This study examined the main benefits and costs to the bank for compliance with the regulations, and the type of anti-money laundering training provided by the banks. There was a

¹⁰⁰ Laurence Webb, "A survey of money laundering reporting officers and their attitudes towards money laundering regulations", *Journal of Money Laundering Control*, Vol. 7 Iss: 4, (2004), pp.367 – 375.

broad range of Money Laundering Reporting Officers' attitudes found in this survey, they were classified to three categories: positive attitudes (27 per cent), neutral attitudes (40 per cent) and negative attitudes (33 percent). Additionally, 60 percent of respondents thought that money laundering regulations would not be effective. It was concluded that these banks took their anti-money laundering responsibilities very seriously, since the Financial Services Authority has new powers to prosecute non-compliance. Larger banks tended to have more positive attitudes than small or medium sized banks, and this study recommended specific measures for optimizing compliance.

On the whole, the reviewed literature on anti-money laundering system appear to be effective in protecting the integrity of the financial system in financial centers. The literature showed various negative impacts of anti-money laundering laws on banks and financial institutions despite the positive impacts. Since there is no uniformity across the world in terms of legislations, the effectiveness of the anti-money laundering laws is still dubious. Countries are free to define what they regard as legal sources of money or otherwise. The above mentioned studies are outdated and do not go along with the late problems imposed by money laundering crimes in banks. In addition, these studies do not reflect the modern changes in the Jordanian society, probably because money laundering is new in Jordan and to the Jordanian legislations that are trying to suit the updates of money laundering regulations.

To the knowledge of the researcher, no similar study was conducted with the same objectives of this study. Therefore, this study provides measures to be taken by Jordanian bankers in complying with the laws. In particular, the study examines the Jordanian anti-money laundering laws that have affected the banking industry. It also

analyzes how the laws have affected banks operation and its relationship with customer and investigating the perception of the bankers towards their anti-money laundering obligations.

1.9 Outline of the Chapters

The study is divided into six chapters. The first chapter includes the contents of the proposal: introduction, problem statement, research questions, research objectives, significance of the study, and methodology. The methodology section reports on the research design, scope of the study, type of data, data collection, and data analysis. This is followed by the limitation of the study, literature review, and outline of the chapters.

The second chapter reviews money laundering in general. It aims to look at the definition, background, stages, methods and dangers of money laundering. The chapter also provides an overview of the banking system in Jordan and the driving factors for laundering money through banks. In addition it looked at terrorism financing, the Arab Spring, international efforts, and coordination and cooperation to anti-money laundering.

The third chapter deals with the pre-Jordanian regime and current Jordanian anti-money laundering laws. It also examines the anti-money laundering obligations and their impact on the banks.

The fourth chapter intends to examine the perceptions of Jordanian bankers towards the anti-money laundering laws. This chapter aims to discover—through a questionnaire survey – the perceptions of the bankers towards their duties and liabilities under the laws.

The fifth chapter examines the impact of the anti-money laundering laws on the relationship between banks and their customers. This chapter aims to discover—through the questionnaire the opinions of the bankers, their customers, the Jordanian central bank and Jordan’s Anti-Money Laundering Unit on how the anti-money laundering laws have been affecting the relationship between banks and their customers.

The sixth chapter is the conclusion chapter. It recommendations area for further study and concludes the research.

1.10 GANTT Chart / Schedule of Work.

Table 1.2

Schedule of Work

| Start | End | Research activities |
|----------------|----------------|--|
| February 2013 | March 2014 | <ul style="list-style-type: none"> • Literature search. • Finalize the research area. • Prepare and write up a research proposal. • Research proposal submission • Proposal colloquium. |
| March 2014 | July 2014 | <ul style="list-style-type: none"> • Enhance literature review • Proposal write up • Proposal defense. |
| July 2014 | February 2015 | <ul style="list-style-type: none"> • Collecting data in Jordan • Doing the study survey • Thesis write up |
| February 2015 | September 2015 | <ul style="list-style-type: none"> • Enhance literature review • Analyze data • Thesis write up |
| September 2015 | January 2016 | <ul style="list-style-type: none"> • Thesis submission • Pre-Viva • Thesis editing and finalizing • Thesis submission • Viva. |
| | 22 March 2016 | |

CHAPTER TWO

MONEY LAUNDERING: AN OVERVIEW

2.1 Introduction

This chapter provides an overview of money laundering. As such it will focus on the definition of money laundering and highlight the stages, methods, and dangers of the crime. Also discussed are the driving factors for laundering money through banks, which are the institutions considered the most common channel for carrying out money laundering. The researcher also discusses the Arab Spring, terrorism financing and the international cooperation in combating money laundering within the framework of the study.

2.2 Definition and Background to Money Laundering

Simpson and Weiner, editors of the Oxford English Dictionary, define money laundering as “funds of dubious or illegal origin, usually from a foreign country, and then later to cover them from what seem to be “clean” (i.e., legitimate) sources.”¹⁰¹

The United Nations Convention 1988 defines money laundering as “the conversion or transfer of property, knowing that such property is derived from any offence or offences established in accordance with subparagraph (a) of this paragraph, or from an act of participation in such offence or offences, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such an offence or offences to evade the legal consequences of his actions.”¹⁰² The convention also defines the crime as “the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or

¹⁰¹ John Simpson and Edmund Weiner, *Oxford English Dictionary*, Oxford University Press, United Kingdom, (1989), pp. 702.

¹⁰² Article (3) (1-b-i) from United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1988.

ownership of property, knowing that such property is derived from an offence or offences established in accordance with subparagraph (a) of this paragraph or from an act of participation in such an offence or offences.”¹⁰³ The most important part of this definition is the transfer of illegal money into legitimate one by hiding its real illegal source or owner. In accordance with the Vienna Convention, many countries limited money laundering law drafts to laundering drugs money. As a result, the definition of money laundering started to expand in order to include illegal acts other than drugs trafficking, such as fraud, smuggling, sale of stolen goods, and other financial crimes.¹⁰⁴

Article 6 in Convention on Laundering, Search, Seizure, and Confiscation of the Proceeds from Crime in the Council of Europe 1990 clearly states that in laundering offences, “(1) each party shall adopt such legislative and other measures as may be necessary to establish as offences under its domestic law, when committed intentionally: (a) the conversion or transfer of property, knowing that such property is proceeds, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of the predicate offence to evade the legal consequences of his actions; (b) the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of, property, knowing that such property is proceeds; and, subject to its constitutional principles and the basic concepts of its legal system; (c) the acquisition, possession or use of property, knowing, at the time of receipt, that such property was proceeds; (d) participation in, association or conspiracy to commit, attempts to commit and aiding,

¹⁰³Article (3) (1-b-ii) from United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1988.

¹⁰⁴Rick McDonell, Money Laundering Methodologies and International and Regional Counter-Measures, Paper presented at the conference Gambling, Technology and Society: Regulatory Challenges for the 21st Century, convened by the Australian Institute of Criminology in conjunction with the Australian Institute for Gambling Research and held in Sydney, 7-8 May 1998.

abetting, facilitating and counseling the commission of any of the offences established in accordance with this article.”

The Commonwealth Model Law in 1996 defines money laundering as “(a) (i) engaging, directly or indirectly, in a transaction that involves property that is proceeds of crime: or (ii) receiving, possessing, concealing, disguising, transferring, converting, disposing of, removing from or bringing into the (territory) any property that is proceeds of crime; and (b) (i) knowing, or having reasonable grounds for suspecting that the property is derived or realized, directly or indirectly, from some form of unlawful activity; or [(ii) where the conduct is conduct of a natural person, without reasonable excuse failing to take reasonable steps to ascertain whether or not the property is derived or realized directly or indirectly, from some form of unlawful activity;] or (iii) where the conduct is conduct of a financial institution, failing to implement or apply procedures and control to combat money laundering.”¹⁰⁵

Money laundering is defined, according to Article 2 (a) from the Jordanian Anti Money Laundering and Counter Terrorist Financing Law 2007, as “every conduct involving acquiring, possessing, disposing of, moving, managing, keeping, exchanging, depositing, investing, manipulating the value or transferring the funds, or any other act, where the purpose of the act is to conceal or disguise the source, true nature, place, movement, disposal means, ownership or related rights, or otherwise preventing from identifying the person who committed the crime that generated the funds, with the knowledge that the funds are the proceeds of any of the crimes stipulated in article (4) of this law.”

¹⁰⁵Part: Definitions and Provision for Regulations Common to all Parts of the Law, (1), Money Laundering Means, from the Commonwealth Model Law for the Prohibition of Money Laundering and Supporting Documentation 1996.

Money laundering has many definitions depending on which perspective being adapted for the sake of definition.¹⁰⁶ Lal¹⁰⁷ for instance, defines money laundering as “cleansing of money earned through illegal activities like extortion, drug trafficking and gun running etc.” Bennett¹⁰⁸ identifies money laundering as “concealment of the identity of illegally obtained money so that it appears to have come from a legitimate source.” As for Levi and Reuter, money laundering is “the techniques for hiding proceeds of crime including transporting cash out of the country, purchasing businesses through which funds can be channeled, buying easily transportable valuables, transfer pricing, and using underground banks.”¹⁰⁹

Madinger¹¹⁰ provides a profound definition of money laundering. He states the crime as “the use of money derived from illegal activity by concealing the identity of the individuals who obtained the money and converting it to assets that appear to have come from a legitimate source.” Nevertheless, the best known definition of money laundering is stated in the Commonwealth Secretariat’s¹¹¹ study as “the process by which criminals attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities, thereby avoiding prosecution, conviction and confiscation of the criminal funds.”¹¹²

¹⁰⁶Lin Liu, An analysis of money laundering and terrorism financing typologies, *Journal of Money Laundering Control*, Vol. 15 No. 1, (2012),pp. 85-111.

¹⁰⁷Bhure Lal, *Money Laundering An Insight Into The Dark World Of Financial Frauds*, Siddharth Publications, First Edition, New Delhi- India, (2003), pp. 12.

¹⁰⁸Tim Bennett, *Money Laundering Compliance*, Tottel Publishing Ltd, Second Edition, London-England, (2007), PP. 1.

¹⁰⁹Michael Levi and Peter Reuter, *Money Laundering*, 34 *Crime & Justice* (2006), PP. 289.

¹¹⁰John Madinger *Money Laundering A Guide For Criminal Investigator*, taylor & francis group LLC, Third Edition, US, (2012) pp. 5.

¹¹¹The Commonwealth is international voluntary association of 53 independent countries. - See more at: <http://thecommonwealth.org>.

¹¹²*Combating Money Laundering and Terrorist Financing: A Model of Best Practice for the Financial Sector, the Professions and Other Designated Businesses*, Commonwealth Secretariat, second Edition, London- United Kingdom, (2006), PP.6.

After examining the definition of Money Laundering, and according to the researcher's point of view, the above definition is deemed the most suitable since it points out the main reasons for the process of money laundering, which are (1) avoiding prosecution, (2) conviction, and (3) confiscation of the illegal cash. Hence, it is explicit that the previous definitions include various activities of which the main activity is to conceal the proceeds of crimes, such as drugs, corruption, and any other type of crimes that are within the scope of the law on money laundering. Drugs trafficking, according to a report by Financial Action Task Force, is the first largest source of criminal proceeds. The second largest source of criminal proceeds is fraud, followed by smuggling, gambling, human trafficking, and tax evasion.

2.3 Stages and Methods of Money Laundering

While authors differ in their approaches and terms of money laundering, they all agreed on the main purposes of the crime: to hide the real source and owner of the illicit money and to transfer illegal proceeds into legitimate sources. Criminals who commit money laundering need to secure the ownership of the proceeds and protect the proceeds from suspicion, investigation, and seizure. Often to achieve this purpose, they adopt a sophisticated money laundering process that consists of three sequential stages: placement, layering and integration. However, not all money laundering process sequentially follow this process; some criminals treat the means separately or distinctly or in other words, the process may overlap or be conducted simultaneously. A range of mechanisms and typologies may be used in money laundering operation, such as through currency, gold, precious metals; through the banking sector; through

precious stones smuggling; through stock market; and through trade-based money laundering.¹¹³

Placement

This process involves depositing illegal cash in a local or international financial institution or buying valuable goods like paintings and precious metals. Since this stage is the weakest link in the process of money laundering,¹¹⁴ it often becomes the point for money laundering detection.

Layering

This stage involves separating illegal proceeds from its real sources by creating layers of financial transactions. Aimed to conceal the audit trail and provide anonymity, the layering process is accomplished through a complex series of financial transactions in shell operations or through a series of transfers into different accounts.

Many scholars argued that electronic transfer of money between banks has facilitated money laundering. The anonymity of *e*-money helps make the source of proceeds untraceable,¹¹⁵ and during placement and layering, money laundering has a serious impact on financial institutions and banks. In these stages, the illegal money is laundered but not integrated into the economy.

Integration

This is the stage where the illegal funds are converted into legitimate source with no

¹¹³Chat Nguyen Le, *The growing threat of money laundering to Vietnam: The necessary of intensive countermeasures*, Journal of Money Laundering Control, Vol. 16 No. 4 (2013), PP. 321-332.

¹¹⁴Harjit S Sandhu, *The Global Detection and Deterrence of Money Laundering*, Journal of Money Laundering Control, Vol. 4. No. 3 (2000), PP. 336-337.

¹¹⁵Steven Philippsohn, *The Dangers of New Technology-Laundering on the Internet*, Journal of Money Laundering Control, Vol. 5. No. 1 (2001), PP. 87.

proven links to illicit activities. At this point, money launderers can integrate illegal funds into the legitimate financial systems, allowing them to access these funds legitimately and freely. Tracing the source and prosecuting the launderers becomes difficult at this stage.

After considering these three stages, the researcher perceives that money laundering involves the transfer of property (mainly cash) into another form of assets, the concealment of the real owner of the property, and the creation of apparently legitimacy of the ownership of such property. Thus the crime is very difficult to investigate, detect, and prosecute because these process may involve complex techniques, methods, and mechanisms. Therefore, heavy obligations were imposed on banks to combat money laundering activities by the Jordanian Anti-Money Laundering and Counter Terrorist Financing Law 2007 and the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010. One of the obligations is to establish risk assessment, identify and verify customers, report cash and suspicious transactions, establish compliance program, and keep records.¹¹⁶

The real sources of money laundering phenomenon are (1) drugs, (2) illegal arms trafficking, (3) administrative and political corruption, (4) human trafficking, (5) prostitution, (6) bribery, (7) gambling, (8) counterfeiting money, (9) currency smuggling, (10) terrorism, (11) embezzlement, (12) tax and customs evasion, and (13) unpaid back banks loans, where money launderers take loans from local banks without sufficient guarantees, and transfer these loans abroad without being paid

¹¹⁶ See section 3.3.3

back. Other sources include the escape of these debtors out of the country.¹¹⁷ One example of such a case is the liquidation of the Bank of Petra in Jordan.¹¹⁸

Money launderers may launder either in the banking fields,¹¹⁹ or in private banking. Often in the latter case, wealthy individuals receive private services either through private banking circles as one of the bank's departments, or through a private bank. A deposit of one million dollars or more is set to the client's manager, or special services administrator who would be responsible for dealings with the bank for this client.¹²⁰

Private banks are able to facilitate client's use of the bank's services and financial products, including estate planning, and tax and global wealth management. Hence private banking is vulnerable to money laundering for the following reasons:

- (1) Banks are reluctant to ask the typically wealthy and powerful clients serious questions about their wealth.
- (2) Private banks that conduct jurisdictions business have strict banking secrecy laws.
- (3) The existence of secrecy culture in private banks. Routinely, private banks help in creating shell companies and trusts in order to shield the identity of the account beneficial owner. These institutions then develop a very close personal

¹¹⁷Taghreed Azzam, Amal Tommalieh, *Money Laundering and its Impact on the Jordanian Economy*, Interdisciplinary Journal of Contemporary Research in Business, Vol 5, No 4, (2013).

¹¹⁸The details of Petra's collapse have always been murky. But a look at documents collected by auditors from an Arthur Andersen branch in Geneva sheds some light on where the missing money went. The audit found that 40 percent of the bank's loans and commitments were "non-performing," or not paid back. Part of the problem was what the accountants call "related-party transactions," in which a bank lends money to its owners, their companies, their relatives or their business partners. Fourteen percent of the bank's assets, or about \$130 million before the Jordanian devaluation, were dubious loans to, or commitments from, "related parties". For more information visit: Salon Media Group, 5/5/2004, <http://www.salon.com/2004/05/04/petra/>, Accessed 30-12-2014.

¹¹⁹Taghreed Azzam, Amal Tommalieh, *Ibid*.

¹²⁰Taghreed Azzam, Amal Tommalieh, *Ibid*.

relationship with their clients. Correspondent banking becomes crucial to the system of international payment since it enables banks to provide services and conduct businesses for their customers in jurisdictions when the latter are absent. Correspondent relationships are very important for money launderers because the means provide access to international transfer systems.

In 2001, the US banks had generally failed to take adequate steps to prevent money laundering through their correspondent banks accounts. Hence the risk posed by correspondent banking services, particularly where a respondent bank is in a jurisdiction that has inadequate anti-money laundering measures, should be considered seriously by the banking industry.¹²¹

(4) Phantom companies are companies that already existed, but in reality, they do not engage in real activities. Established to hide illegal criminal activities, the financial edema and trade name of these companies are often used by money launderers to open bank accounts for transferring and smuggling dirty money and as a final step they to escape abroad.¹²²

(5) Brokering is the transfer of funds of illegal money (dirty money) to a collaborator broker in one of the brokerage countries in order to purchase a large quantity of bonds and stocks in the broker's name or on behalf of any other person.¹²³ Money laundering method used by criminals are affected by a number of factors: the required amount of money to be laundered; the available professional services to be involved in money laundering; the extent to which the obvious accumulation of funds become problematic; the extent to which

¹²¹Aspalella A Rahman, Ibid, pp.19.

¹²²Taghreed Azzam, Amal Tommalieh, Ibid.

¹²³Taghreed Azzam, Amal Tommalieh, Ibid.

members of the financial services sector can be corrupted to cooperate in a laundering scheme; the ability to travel to another jurisdiction for making financial arrangements; the acquisitive committed crime geography; the network of available trustees of the person with illegal proceeds; the amount of intimidation and fear that can be caused by a criminal enterprise; the types of committed crimes and the criminal's professional, business and educational background.¹²⁴

When money launderers' methods were analyzed, the researcher concludes that money launderers use many methods to cleanse their funds, ranging from the simplest to the most sophisticated end. Ultimately, the most important thing for them is to make their illegal money appear as if it is derived from clean and legitimate sources. The simple method can be described by feeding the money through buying luxurious goods, gambling arrangements, casinos, and promoting sporting events.¹²⁵

2.4 The Dangers of Money Laundering

Money laundering is a significant problem in developed countries, and synonymous with developing countries. The illegal funds proceeds of corruption do not always need to be internationally laundered. The proceeds of the biggest thefts of public property may be laundered either as money or as goods, such as fine arts and real estate. Money laundering has a distinguished tendency to frustrate legitimate business

¹²⁴Anthony Kennedy, *Dead Fish Across the Trail: Illustrations of Money Laundering Methods*, Journal of Money Laundering Control, Vol. 8. No. 4 (2005), PP. 305, 317.

¹²⁵Andrew Haynes, *Money Laundering and Changes in International Banking Regulation*, Journal of International Banking Law, Vol. 11, (1993), PP. 455.

enterprises and corrupt the financial systems, as well as corrupt the social-political systems.¹²⁶

In the Jordanian economy, money laundering has posed several effects, particularly when the laundered money is smuggled abroad (external money laundering). Among the effects are as follows¹²⁷:

(1) low national income: Money launderers smuggle money to be laundered abroad in foreign banks. This smuggled money is a missing part of the national income derived from taking loans without giving sufficient warranty and transferring loans to foreign banks, bribery, or commission of Jordanian banks.

As a result, the poor bear the burden of money-laundering operations. The rich escape the consequences of low national income by avoiding taxes and by taking loans without intending to pay them back.

(2) poor distribution of national income: The distribution of national income is affected negatively by money laundering operations because the source of the laundered money is illegal. Money laundering operations weaken domestic savings, and this leads to the failure of adopting the Jordanian savings as a source of the Jordanian capital, which is needed for continuous expansion in investment and business.

(3) domestic savings deficit: The increase of money laundering operations decreases the rate of domestic savings because administrative and political corruption cause capital flight. For example, when money is laundered by

¹²⁶Olatunde Julius OtUSnya and Sarah Lauwo, *The role of offshore financial centers in elite money laundering practices evidence from Nigeria*, Journal of Money Laundering Control, Vol. 15. No. 3 (2012), PP. 336-361.

¹²⁷Taghreed Azzam, Amal Tommalieh, Ibid.

buying gold, the consumption trend does not benefit the community. Thus when domestic savings face deficiency, the state takes loans from abroad, increasing further the proportion of foreign debt and burden on the national economy.

(4) devaluation of national currency: The value of the national currency is affected negatively by money laundering operations. Money launderers convert local funds into foreign currencies for smuggling them abroad, so the demand for foreign currency increases and the demand for the local currency (the dinar) decrease which leads to devaluation in the value of the Jordanian dinar (JOD).

(5) increase of unemployment rate: Money laundering operations and unemployment rate are interrelated in a developing country like Jordan. The crime is closely related to smuggling money abroad through banking channels. In Jordan, the relationship between unemployment and money laundering leads to social, economical and financial problems.

(6) negative impact on the efficiency of the overall economy: The economic efficiency means the stage in which the highest possible achieved benefit to the economy of the available resources is achieved through appropriate economic mechanism which reflects the optimal price system. Therefore, the currency devaluation, the rise in unemployment and inflation lead to inefficient economy. Also, speculation in real estate, securities, and consumer spending because of money laundering creates what is called “hot money”, which is the profit of money laundering and not of production and investment products.

(7) the high inflation rate: Inflation involves increasing production for the increased consumption and raising prices with a shortage of savings. The operations of money laundering raise the inflation rate in Jordan. When money

launderers in Jordan transfer their money to industrial countries they feel secured, which causes intern inflation in a developing country like Jordan. This process raises the prices industrial countries, particularly the imported goods.

(8) unjust consumption distribution: In Jordan, money laundering leads to increasing demand, rising price level, and decreasing purchasing power of the Jordanian currency. The increase in inflation leads to lower consumption from the low-income earners who earn their income legally, unlike the high-income earners whose incomes are earned illegally. This is considered unjust in the Jordanian society.

The world's third largest industry after international oil trade and foreign exchange is money laundering. Worldwide, the size of money laundering according to the Monetary Fund is estimated between USD 600 million and USD 1.5 trillion, which is about 2-5 per cent of the world's gross domestic product.¹²⁸ Undoubtedly, a substantial amount of this illegal money flow out of developing countries. Annually, cross-border illegal money flows approximately between USD 1 to 1.6 trillion. Complex offshore ladders operating through the global banking system launder the vast majority of these funds. Of the developed world, major international banking centres receive half of this money that flows out of developing and transitional economy. A report documents the role and the indictment of politically exposed persons in exploiting the infrastructures in offshore financial centers through professionals and financial institutions.¹²⁹

¹²⁸Angela Veng Mei Leong, *Chasing dirty money: domestic and international measures against money laundering*, Journal of Money Laundering Control, Vol. 10 No. 2, (2007), pp. 140-156.

¹²⁹Olatunde Julius OtUSnya and Sarah Lauwo, *Ibid*.

Money laundering is the cornerstone of most illegal activities. Effective laundering operation enables the criminals to use, hide, and invest their illegal funds without the fear of being prosecuted and caught by the enforcement authorities. In other words, successful money laundering operation enables criminals to distance or remove themselves from the illegal activity that generates the illegal money. This effectiveness makes it more difficult for authorities to prosecute launderers. In addition, the process of distancing profits from the illegal activity prevents the law enforcement authorities from confiscating the launderers' illegal funds. The money launderers can even enjoy the benefits of their illegal profits without bringing attention to themselves, and they can reinvest the illegal profits in future illegal activities or even in legitimate businesses.¹³⁰

The vast scale of the money laundering process exists within drug trade across the world. Hundreds of millions of dollars are used in this trade, and some of the major drug cartels involve billions of dollars of illegal deals over a single year. There are also some well-renowned drug cartels such as the Zetas cartel in Mexico, although there is clearly a degree of secrecy surrounding such illegal activities. This presents the best chance for the police to identify the source of drug cartels and the challenges facing the drug dealers, who need to launder a large amount of money without being detected. Acting on this is crucial because of the pressing need to protect the public and to eliminate the large scale of illegal behaviour. Illegal activities of this scale are not only damaging to those directly involved in the illegal groups themselves but also

¹³⁰Rick McDonnell, *Ibid.*

encouraging a widespread use of drugs, as well as having a knock on effect on the stability of financial markets .¹³¹

Because these activities effectively fund drug trades and the cartels engaged in, they are highly worrying and controversial. In any sense, illicit money is not considered effective capital or currency because it is not legitimately integrated into the financial system. Derived from drug deals, this illegal money is not valuable to the dealers; it can only be valuable and actionable if converted into legitimate capital. Thus, every single dollar that is laundered successfully funds the activities of drug dealers; in other words, when drug money is laundered, it goes to fund new criminal enterprises and finance the expansion of the drugs trade and operation. It becomes easier to identify how the authorities can work to fight the negative effects of drugs trade, particularly by recognising the balancing agendas that the various different entities have when it comes to drug activities. On one hand, launderers will be looking to “clean” drug money in an undetected manner in order to keep the drug activities undercover. On the other hand, authorities will be looking not only to identify the roots of these funds but also to prevent the money laundering operation that is taking place.¹³²

The process of money laundering seems to be a significant problem that equates hundreds of billions of dollars a year, and part of this illegal money would be added to an international stock of illegal cash and assets purchased with proceeds of the crime. This increases the strength of a number of transnational organised crime groups. As a result, globally, money laundering now not only presents a problem for criminal justice systems but also is a macroeconomic problem. Left unchecked, the crime

¹³¹Khaled A. A. Alasmari, *Cleaning up Dirty Money: The Illegal Narcotics Trade and Money Laundering*, Economics & Sociology, Vol. 5, No 2a, (2012), pp. 139-148.

¹³²Khaled A. A. Alasmari, *Ibid.*

could cause many social and financial problems. Money laundering counter measures can stop criminals from enjoying their illegal money and more importantly prevent them from reinvesting their funds in future criminal activities, so it is imperative to establish money laundering counter measures. Such measures can provide law enforcement with innovative tools in order to provide an evidentiary link for prosecution purposes between criminal acts and major organizers, and to detect criminal activities through paper trail.¹³³

For this reason, the fight against money laundering consists of two important legal devices: the criminalization of money laundering and the confiscation of the proceeds of the crime. It is explicit that both approaches emphasise the financial elements of crimes. Preventing criminals from enjoying their illegal profits is possible, and more importantly, they can be prevented from building capital for future crimes particularly by attacking the financial structures of criminal organizations. Fighting money laundering has a significant impact on combating such crimes, particularly organised crimes.¹³⁴

Anti-money laundering laws aim to prevent criminals from taking advantage of financial institutions and their systems to launder illegal money. The aims are also to confiscate the criminals' funds, and criminalize money laundering. This is crucial for persevering the integrity of the financial systems, which play a significant role in financial growth and global economic.

After the dangers of money laundering have been studied, the researcher concludes that the cornerstone of an organized crime lies in where it provides continuous illegal ventures of the criminal organized groups and individuals. Recently, political stability

¹³³Rick McDonnell, *Ibid.*

¹³⁴Guy Stessens, *Money Laundering: A New International Law Enforcement Model*, (2000), PP.85.

and security of many developing countries have been threatened by the exploits of organised crimes the criminal organized groups and individuals. Recently, political stability and security of many developing countries have been threatened by the exploits of organised crimes. Such crimes have exploited many forms of corruption to infiltrate into political process of most developing countries. Criminals tend to adopt corruption predicates for abusing governments' resources, particularly by diverting them from sectors of critical importance such as education, development, and health. As a result, ordinary people are deprived of development opportunities and economic growth. In addition, to the increase of violence, social instability escalates, poverty, inequality, and spurs mass mistrust of political process, leading to political and civil unrest. The recent political and civil unrest in the Arab world is a testimony to this fact.¹³⁵

2.5 Overview of the Banking System in Jordan

The Jordanian government established a well-developed regulatory and supervisory framework for administering its banking and financial institutions. This is imperative in ensuring a strong functioning of the financial system since the system is considered one of main components of economic progress. On the other hand, a sound and strong financial system is believed to be vital for providing investors confidence to invest in Jordan; this in turn, would create income, wealth, and employment.

2.5.1 Overview of Legal Organization.

In 1950s Jordan set out preparations to establish the Central Bank of Jordan. In 1959 the Law of the Central Bank of Jordan was enacted, and later in October 1964, the

¹³⁵Mahmood Bagheri and Ayodeji Aluko, *The Impact of Money Laundering on Economic and Financial Stability and on Political Development in Developing Countries the Case of Nigeria*, Journal of money laundering control, Vol. 15, No. 4, (2012), pp. 442-457.

operational procedures of the bank commenced.¹³⁶ Although its capital is owned entirely by the government, the Central Bank of Jordan enjoys the status of an independent and autonomous corporate body.¹³⁷

The banking system in Jordan consists of the Islamic banking system and the conventional banking system (commercial banks). Islamic banks¹³⁸ offer banking financing and services in accordance with the Islamic laws or Shari'a. The Central Bank of Jordan controls the banking sector (Islamic and Conventional), and it was established as an independent institution (authority) which acts as the government fiscal agent. The bank also sponsors the creation of new financial institutions.¹³⁹

Article 4 of Central Bank of Jordan Law stipulates that “the objectives of the Central Bank shall be to maintain monetary stability in the Kingdom and to ensure the convertibility of the Jordan Dinar, and to promote the sustained economic growth in the Kingdom in accordance with the general economic policy of the Government. The Central Bank shall accomplish these objectives.”

To achieve these goals, the Central Bank's functions have evolved, first, as the only issuer of the Jordanian currency. In this role, the Central Bank issues and regulates bank notes and coins in Jordan. In order to meet the needs of the national economy, the Central Bank ensures the availability and maintain and adequate inventory of bank

¹³⁶For more information visit Central Bank of Jordan website at: http://www.cbj.gov.jo/pages.php?menu_id=2&local_type=0&local_id=0&local_details=0&local_detail_s1=0&localsite_branchname=CBJ, accessed 6/5/2015.

¹³⁷ According to article 3 (a) of Central Bank of Jordan Law 1971.

¹³⁸ According to article 2 (a) of the Jordanian Banking Law 2000, Islamic bank; a company licensed to engage in banking activities, in accordance with the regulations and principles of Islamic Jurisprudence, and any other activities and operations pursuant to the provisions of this law.

¹³⁹ Rami Zeitun and Hicham Benjelloun, *The Efficiency of Banks and the Financial Crisis in a Developing Economy: The Case of Jordan*, Journal of Finance, Accounting and Management, Vol. 4 Iss: 1, January 2013, pp. 1-20.

notes and coins. The Central Bank also replaces damaged, soiled, and mutilated bank notes and re-issues the Jordanian currency as well as commemorative coins.¹⁴⁰

The second role of the Central Bank is to manage and maintain Jordan's gold and the foreign exchange reserves, determine suitable investment opportunities, and set ratios and components of reserve. The purpose of the latter is to ensure their liquidity, profitability, and safety, since these reserves represent a cornerstone in the stability of exchange rate of the Jordanian Dinar. To meet this task, the Central Bank adopts a flexible investment policy that is compatible with the constant developments in international financial markets and foreign exchange.¹⁴¹

The third role of the Central Bank is to organize quality, quantity, and cost of credit to meet the requirements of monetary stability and economic growth. The monetary policy tools available to the Central Bank to regulate credit include reserve requirement ratio, the discount rate, and open market operations.¹⁴²

The fourth role of the Central Bank, in accordance to its legal powers, is to adopt procedures and measures to deal with local economic and financial problems in order to avoid their adverse effects on the Jordanian economy.¹⁴³

The fifth role of the Central Bank is to serve as a banker to the Specialized Credit Institutions and the Licensed Banks. The Central Bank also maintains banks' deposits, extends credit to them through advances and rediscounts, and provides banks with information on the credit risk, custody, and services of electronic clearing. In addition, it sells to and buys from banks, be foreign exchange or treasury bills, to cover their

¹⁴⁰ According to article 4 (a) of Central Bank of Jordan Law 1971.

¹⁴¹ According to article 4 (b) of Central Bank of Jordan Law 1971.

¹⁴² According to article 4 (c) of Central Bank of Jordan Law 1971.

¹⁴³ According to article 4 (d) of Central Bank of Jordan Law 1971.

external payment needs. The Central Banks also issues licenses that authorize banks and branches to operate in Jordan.¹⁴⁴

The sixth role of the Central Bank is to supervise Licensed Banks in order to ensure their financial positions soundness and to protect the depositors and shareholders' rights. The Central Bank focuses on increasing paid-up capital, improving the adequacy ratio capital, as well as expanding the scope of the international auditing and accounting standards application related to solvency, management, assets, liquidity and profitability. Additionally, it stresses on the importance of continuous education and training of banks' employees in order to keep in pace with the financial market developments. The Central Bank even performs the surveillance of licensed banks both on-site and off-site.¹⁴⁵

The seventh role of the Central Bank is to act as a banker and fiscal agent to the Government and public entities so it maintains their expenditure accounts and revenue, opens letters of credit, makes transfers, manages and implements trade agreements and loan , as well extends treasury credit. In Jordan, the Central Bank manages and issues public debt securities on behalf of the government and public institutions. Moreover, on behalf of the government it administers Jordan's subscriptions in financial institutions both internationally and regionally, and it manages and implements payment agreements between the government and other countries.¹⁴⁶

The eighth role of the Central Bank is to advise the Government on the financial and economic policy of its formulation and the manner of implementation. Upon the

¹⁴⁴ According to article 4 (e) of Central Bank of Jordan Law 1971.

¹⁴⁵ According to article 4 (f) of Central Bank of Jordan Law 1971

¹⁴⁶ According to article 4 (g) of Central Bank of Jordan Law 1971.

Central Bank's initiative or government request, it proposes specific recommendations related to the predominant monetary, financial, and economic conditions. The Central Bank also participates in formulating economic policies, particularly on plans of economic development. The bank has a distinguish role in the regular consultations between international financial organizations and Jordanian authorities.¹⁴⁷

The ninth role of the Central Bank is to perform any other functions and transactions normally performed by central banks, also any operations entrusted to it under this law, or any other law, or under any international agreement to which the Government is a party of it. In addition, the Central Bank has also actively participated in establishing a number of corporations and financial institutions, for instance, Amman Stock Exchange, Jordan Loan Guarantee Corporation, Jordan Mortgage Refinance Company, and Deposit Insurance Corporation. All of these institutions have played a role in supporting economic development efforts in Jordan.¹⁴⁸

As a matter of fact, the role of Central Bank in controlling banks operating in Jordan is carried out through a number of means, including: (1) Licensing: The Central Bank of Jordan is the only authority to license Jordanian banks and their branches both inside and outside the country, (2) Supervision of desk work: through the data and statements it periodically receives, the Central Bank supervises and follows up the banks financial situation. So this information gets analysed then the most significant ratios and financial indicators are calculated to learn the banks financial situation and the extent of their adherence to instructions, laws and regulations (3) Field control: This type of supervision includes visits to banks to ensure their compliance with the instructions, laws and regulations, and it also aims to evaluate the of banks' situation

¹⁴⁷ According to article 4 (h) of Central Bank of Jordan Law 1971.

¹⁴⁸ According to article 4 (i) of Central Bank of Jordan Law 1971.

in a comprehensive way particularly the quality and administrative aspects that cannot be assessed through financial lists and reports; like the administrative systems and adequacy of controls and internal audit.¹⁴⁹

Jordanian Banking Law No. 28 of 2000 is the most important legislation governing the Jordanian banking system and was enacted to provide an integrated, well-supervised banking and financial system in Jordan. It also deals with the licensing and regulation of institutions carrying on banking.

The word bank, by virtue of Article 2 (a) of the Banking Law, refers to “a company licensed to engage in banking activities, in accordance with the provisions of this law, including branches of foreign banks licensed to operate in the Kingdom”. Furthermore, “banking activities” means “accepting deposits from the public and using these deposits in full or in part to grant credit, or for any other activities designated by the Central Bank as banking activities pursuant to special orders issued for this purpose.”

Article 6 (a) states the following: “It is provided that to be licensed, a bank must be a public shareholding company, with the following exceptions: (1) a branch of a foreign bank. (2) a subsidiary. (3) an offshore company.” Under Article 4 (a) of the Banking Law, “no person shall engage in banking activities without first obtaining a final license from the Central Bank.”

In addition, Article 4 (d) of the Banking Law states the following: “It shall be prohibited for any person to use the word ‘bank’ or its equivalent in any form, whether in Arabic or any foreign language, or to use in its documents or

¹⁴⁹The Association of Banks in Jordan Report 2000-2010, *Development of the Jordanian Banking Sector*, pp.20.

advertisements any term or expression, related to or suggesting banking activities, except in the following cases: (1) Where such use is permitted by any law or international agreement to which the Kingdom is a party. (2) Where the context indicates that the particular use of such term is not related to banking activities. (3) Where the Council of Ministers issues a resolution allowing the particular use, upon a recommendation of the Governor.”

The Banking Law in Jordan provides the Central Bank with all the powers, functions, and duties necessary to regulate and control the banking and financial activities. The Central Bank is empowered to issue guidelines, notes, or circulars with regard to bank management.¹⁵⁰

Articles 60 to 71 of the Banking Law provides the Central Bank with inclusive powers of supervision and control over the banking institutions. Article 88 of the Banking Law entrusts the Central Bank with significant powers on investigation, search, and confiscation. Article 88 (b) enlists the penalties for noncompliance with the Law and various offences. Revoking the license of the bank is the maximum penalty. Also, this penalty shall not prevent the civil and criminal accountability under the legislation of any other provisions. Apparently, banks and financial institutions may face serious consequences for violating any clause in the law.

After considering legal organization of banking system in Jordan, the researcher believes that the Jordanian government established a well-developed regulatory and supervisory framework for administering its banking and financial institutions. This is imperative in ensuring a strong functioning of the financial system since the system is considered one of main components of economic progress. On one hand, a sound and

¹⁵⁰ According to article 99 of the Banking Law No. 28 of 2000.

strong financial system is believed to be vital for providing investors confidence to invest in Jordan; this in turn, would create income, wealth, and employment. On the other hand, any abuse of the financial system would undermine the confidence of public in the financial system alongside with its negative consequences.¹⁵¹

2.5.2 Overview of Banks' Reality

The Jordanian banking system consists of the Central Bank of Jordan and the licensed banks. The licensed banks include all Jordanian banks and non-Jordanian banks operating in Jordan (Islamic and commercial). According to Central Bank, all together there are twenty-five banks in Jordan.¹⁵² The following table shows the operating banks in Jordan.

Table 2.1

The Jordanian Banks

| Commercial Banks | | |
|-------------------------|-----|---------------------------------------|
| 1. | 1. | Arab Bank. |
| 2. | 2. | Arab Banking Corporation (Jordan) |
| 3. | 3. | Arab Jordan Investment Bank |
| 4. | 4. | Bank of Jordan |
| 5. | 5. | Cairo Amman Bank |
| 6. | 6. | Capital Bank of Jordan |
| 7. | 7. | Jordan Commercial Bank |
| 8. | 8. | Investbank |
| 9. | 9. | Jordan Kuwait Bank |
| 10. | 10. | Jordan Ahli Bank |
| 11. | 11. | Societe Generale de Banque / Jordanie |
| 12. | 12. | The Housing Bank for Trade & Finance |
| 13. | 13. | Bank al Etihad |
| Foreign Branches | | |
| 14. | 1. | Standard Chartered |
| 15. | 2. | Egyptian Arab Land Bank |
| 16. | 3. | National Bank of Abu Dhabi |
| 17. | 4. | CitiBank |
| 18. | 5. | Rafidain Bank |
| 19. | 6. | National Bank of Kuwait |

¹⁵¹Aspalella A Rahman, Ibid.pp.177.

¹⁵²For more information visit website of Central Bank of Jordan at:
http://www.cbj.gov.jo/pages.php?menu_id=34&local_type=0&local_id=0&local_details=0&local_details1=0&localsite_branchname=CBJ, accessed 28-4-2015.

| | | |
|---------------------------------|----|---------------------------------|
| 20. | 7. | Bank Audi |
| 21. | 8. | Blom Bank |
| Jordanian Islamic Banks | | |
| 22. | 1. | Islamic International Arab Bank |
| 23. | 2. | Jordan Islamic Bank |
| 24. | 3. | Jordan Dubai Islamic Bank |
| Foreign Islamic Branches | | |
| 25. | 1. | Al Rajhi Bank |

From 2003 until the end of 2012, the number of licensed banks operating in Jordan increased from twenty-one to twenty-six banks. Of this total number, sixteen are Jordanian banks, three of which are Islamic banks. The remaining ten banks are foreign banks including one Islamic bank. The number of banks increase following the increasing number of foreign banks operating in Jordan. In 2000, five banks operated and this number had increased particularly after the Central Bank licensed another three foreign banks to operate in Jordan, which include Audi Bank, the National Bank of Kuwait, and BLOM Bank. On the contrary, the number of Jordanian banks dropped from sixteen to fifteen as a result of Jordan Ahli Bank merging with Philadelphia Bank in 2005. However, after the Central Bank licensed National Bank of Abu Dhabi and Jordan Dubai Islamic Bank in 2009, the number of licensed banks increased to twenty-five before the Central Bank granted licenses to another bank, Al Rajhi Bank in 2011.¹⁵³ Two years later, the Arab Jordan Investment Bank acquired HSBC bank, causing the number of foreign branches to drop from nine to eight banks.¹⁵⁴

In the end of 2011, the number of licensed banks' branches inside Jordan reached 702, with an annual growth rate reaching an average of 5.3% between 2003 and 2011.

¹⁵³The Association of Banks in Jordan Report 2003-2012, *Development of the Jordanian Banking Sector*, pp. 28.

¹⁵⁴The Jordan Times journal, *Arab Jordan Investment Bank agrees to acquire HSBC's business in Jordan*, date Jan 20, 2014, <http://jordantimes.com/arab-jordan-investment-bank-agrees-to-acquire-hsbcs-business-in-jordan>, accessed 6/5/2015.

The banking density index (population/ total number of branches of banks operating Jordan) reached about 8900 people per branch at the end of 2011 compared to 9200 people per branch in 2010. In 2009, the index was 9700 people per branch, and in 2008, 9900 people per branch.¹⁵⁵ Consequently in 2015, the total number of operating banks in Jordan is twenty-five, thirteen of which are commercial banks, eight are foreign branches banks, three are Jordanian Islamic banks, and one is a foreign Islamic branch.

The banks constantly try to increase the number of branches to cover the whole kingdom as an attempt to keep in touch with their clients and help them get the best banking service. Hence in 2013, thirteen banks opened new branches, and this number increased to twenty-three inside Jordan.¹⁵⁶

In 2011, 165 branches expanded outside Jordan, and the annual growth rate between 2003 and 2011 was approximately 5.3 percent. This strategy of expanding to the neighbouring and regional markets was due to the limited local market. The banks sought to benefit from the growing opportunities and new scopes to develop their activities and operations. They also wanted to compete and widen their base of customers, hence they pursued new and vital outlets for investments in the region.¹⁵⁷

At the end of 2013, the number of branches of licensed banks operating outside Jordan reached 172.¹⁵⁸

¹⁵⁵The Association of Banks in Jordan Report 2003-2012, *Development of the Jordanian Banking Sector*, pp. 29.

¹⁵⁶The Association of Banks in Jordan, annual report thirty-fifth 2013, pp. 69.

¹⁵⁷The Association of Banks in Jordan Report 2003-2012, *Development of the Jordanian Banking Sector*, pp. 29.

¹⁵⁸The Association of Banks in Jordan, annual report thirty-fifth 2013, pp. 71.

In terms of governorate, the largest number of branches is concentrated in Amman (62.8 percent) followed by in Irbid (10 percent) and Zarqa (9 percent). The remaining 18 percent are located within the nine governorates in Jordan.¹⁵⁹

By the end of 2011, the number of bank offices in Jordan dropped to 72, in comparison to 138 offices at the end of 2003. This represents an annual decrease in the number of offices in Jordan by an average of 6.7%. However, this drop in the number of offices can be explained by the expansion strategies of the operating banks in Jordan, because of transferring some offices into branches, which led to the increase in branches and the drop in the number of offices. At the end of 2011 the number of offices outside Jordan reached 9 offices, where the annual average growth rate during the period of (2003-2011) recorded 4%. In 2003, the number of offices outside Jordan had reached its highest growth rate 79%, where the number of offices jumped from 14 to 25 offices. While, in the following years the number of offices had witnessed obvious fluctuation where the average rate of growth and regression recorded 4%.¹⁶⁰

Banks tend to open offices in universities, malls, commercial centers, and many other places in Jordan for the sake of extending their services to the largest number of customers. In 2013, nine offices were opened by four banks inside Jordan.¹⁶¹

Banks always choose to increase the number of ATMs they have in order to keep up with the financial services sector developments and to absorb the growing number of ATM users. At the end of 2012 the number of ATMs reached to 1291, and this figure

¹⁵⁹ The Association of Banks in Jordan Report 2003-2012, *Development of the Jordanian Banking Sector*, pp.30.

¹⁶⁰The Association of Banks in Jordan Report 2003-2012, *Development of the Jordanian Banking Sector*, pp.32.

¹⁶¹The Association of Banks in Jordan, annual report thirty-fifth 2013, pp. 73.

reached to 1346 in the following year. Those ATMs are spread in all governorates in different numbers, with most in the capital Amman (66.7 percent) followed by 9.6 percent in Irbid governorate, 6.8 percent in Zarqa governorate. The rest are spread around the remaining governorates.¹⁶²

With regard to the employees total number in all banks operating in Jordan at the end of 2012 was 17866 employees, whereas at the end of 2013 the number increased to 18423 employees. The division of the employees in banks is as follows; 13631 of the total employees in Jordanian commercial banks (which is 74% of the total number), the number of employees in Islamic banks is 3176 (which is 17.2% of the total number), and the remaining 1616 employees in foreign commercial banks (which is 8.8% of the total number).¹⁶³

As for the bank employees distribution of according to gender, at the end of 2013 the percentage of males dropped to 66.2% compared with the percentage of 69.3% in 2005. On the contrary, the females' percentage increased to 33.8% at the end of 2013 compared with 30.7% in 2005. Accordingly, these statistics indicate a continued rise in the participation percentage of both genders in the Jordanian banking sector, thus positioning it with the highest gendered sector among Jordanian economic sectors. In addition, the educational level for the employees of banks continued to improve as those holding higher diploma degrees, bachelor, masters and doctorate represent 72% of the total number of employees at the end of 2013, whereas in the year 2005 the percentage was 55.7%. Interestingly, at the end of 2013 the diploma holders number

¹⁶²The Association of Banks in Jordan, annual report thirty-fifth 2013, pp. 76.

¹⁶³The Association of Banks in Jordan, annual report thirty-fifth 2013, pp. 125.

of dropped reaching 13.8%. As well, in the same year the percentage of employees who hold High school or less dropped to 14.3%.¹⁶⁴

Eventually, in 2012 the percentage of employees aged less than 25 years decreased from 13.6% compared with 12.1% in 2013, while in 2012 the percentage of employees aged between 25 and 39 years increased from 59.8% compared with 61.1% in 2013. Moreover, in 2012 the percentage of those aged between 40 and 59 years increased from 26.1% compared with 26.4% in 2013. And finally, the percentage of those above 60 years of age and still working remained unchanged with 0.5% of the total number of employees.¹⁶⁵

2.6 The Driving Factors for Laundering Money through Banks

Making use of financial institutions is the most common way for laundering money. Financial institutions can provide various services, and they have provided various ways for financial resources transition and diversified financial instruments. Transferring funds across international borders is convenient and prompt with the integrated financial markets and global economy. Furthermore, the principle of banking secrecy is almost similar in every country. For the mentioned reasons, financial institutions are the most vulnerable sectors for money launderers.¹⁶⁶ Criminals have the convenience of being able to move money electronically rather than transporting physical currency, and they can gain access to the international payment system by utilizing banks.¹⁶⁷ Nowadays, professional money launderers can easily utilize the whole range of modern international financial services from international wire transfers to private banking and correspondent banking.

¹⁶⁴The Association of Banks in Jordan, annual report thirty-fifth 2013, pp. 145.

¹⁶⁵The Association of Banks in Jordan, annual report thirty-fifth 2013, pp. 146.

¹⁶⁶He Ping, *New Trends in Money Laundering - From the Real World to Cyberspace*, Journal of Money Laundering Control, Vol. 8. No. 1 (2004), PP. 48-55.

¹⁶⁷Jackie Johnson and Desmond Lim, *Money Laundering: Has the Financial Action Task Force Made a Difference?*, Journal of Financial Crime, Vol. 10. No.1, (2002), PP. 8.

In the banking field, money launderers use different methods of money laundering, which include

(1) Automated teller machines (ATM): This process aims to get rid of cash deposit and withdrawals in banks in order to get rid of mobilizing private reports of suspicious cash transactions. Often criminals use these devices for depositing and withdrawal in order to escape having to report deposits that exceed the amount the bank's supervisory authorities determined through a magnetic card.¹⁶⁸ From an ATM machine in a foreign country, these launderers withdraw a large sum of money, then the branch that cashes the money would request converting the amount from the branch that issued the card for payment. The latter would submit to transferring the money by computer and the amount is deducted from the customer's account.

(2) Online banking: Banks use the internet to provide fast services to its customers. Online banking allows money transfer, bill payment, account-checking, and other related e-operations for their customers, quite similar to the services offered by banks traditionally.¹⁶⁹

(3) Internet banking: Not technically banks, this type of banks is considered one of the modern technological means of banking. They do not provide banking facilities such as accepting deposits or other normal banking operations. The facility can be used to implement legitimate business deals and other illegal deals by brokers in order to do some financial and sales operations. This allows money launderers to convert or transfer a huge amount of money safely and

¹⁶⁸Faouri, Fayez and Qutaishat, a money laundering offense, Dar Wael for publication, the first edition, Amman, Jordan, (2002) .pp. 88.

¹⁶⁹Huda Kashkoush, the crime of money laundering in the scope of international cooperation, the Dar Al Nahda Al Arabia, (2002), pp.59.

quickly. Operating in secrecy, online banks allow the identity of the dealers be unknown, and they are not subject to regulatory laws.¹⁷⁰

(4) Smart cards: These cards operate on the basis of cashing the money that has already been converted directly from the customer to the magnetic disk, a computer chip located in the card, through a conversion mechanism or a telephone intended for this purpose. A smart card enables its user to dispense bank notes, and the chip within keeps track of the balance of funds on the card after each purchase or deposit. Also, smart card users do not need to call the company or bank that issued the card in order to get approval for the required operation. As a result, money launderers can transfer a huge amount of money to be smuggled abroad, and they can use the same card for ATM withdrawals and direct buying.¹⁷¹

(5) Placement and transferring: The funds obtained from a crime are deposited in an account or several bank accounts in different banks and countries in order to be transferred to the country in which it is intended to be invested in, mostly in the depositors' origin country.¹⁷² For all the three stages of money laundering process, wire transfers remain a crucial tool. They are favoured especially for funds layering, and they provide an effective way for launderers to move their illegal funds. In wire transfers, relatively little information is disclosed on transactions. Money launderers are enabled to access financial systems globally by the use of the sophisticated system of wire transfers today, which makes it easy for illegal funds to be moved from one account to another until their origins become opaque. Private banking is also vulnerable to money laundering

¹⁷⁰Taghreed Azzam, Amal Tommalieh, Ibid.

¹⁷¹Taghreed Azzam, Amal Tommalieh, Ibid.

¹⁷²Huda Kashkoush, Ibid , pp.85.

because it is specialized in furnishing financial services to wealthy individuals. To open an account at a private bank, normally, a prospective customer must deposit a substantial amount of money, that amounts to usually USD 1 million or more. The private bank assigns a relationship manager to act as a liaison between the customer and the bank after the opening of an account .¹⁷³

(6) Re-lending: When money launderers deposit illegal money in a bank that is characterized by its noncomplex system, they may request a loan from a local bank in another country to ensure the illegal money deposited in the first bank. As a result, the launderer gets legitimate and clean money.¹⁷⁴

Money launderers use banks for laundering their illegal money in different ways. Australian launderers use misleading or false identification details in a number of different banks and bank branches, and they buy telegraphic transfers for accounts in Canada and Hong Kong. They managed to transfer A\$1.3 million in cash out of Australia while all the transactions registered were under A\$10,000 in order to avoid the threshold of cash transaction reporting. The same operation was synchronized with another where money was moved from Australia through the cash purchase of bank drafts and carried out to Hong Kong. Again the purchases of bank drafts were below the A\$ 10,000 threshold and were all in cash.¹⁷⁵

In Oslo, a heroin dealer from Pakistan wanted to have his profits sent home to Pakistan. He discussed this issue with a "hawala banker" who contacted a colleague in Karachi. The "hawala banker" knew a local factory owner who wanted to buy machinery in New York, but because of currency restrictions, he could not get his

¹⁷³Aspalella A Rahman, *An Analysis of The Malaysian Anti- Money Laundering laws*, Vdm Verly Dr Muller Gmbh & Co.Kg, (2010).pp.18.

¹⁷⁴Huda Kashkoush, *Ibid* , pp.85.

¹⁷⁵Rick Mcdonell, *Ibid*.

Pakistani rupees exchanged. The proceeds from the sale of heroin were sent to pay for the machinery in New York. Through the "hawala banker" in Karachi, the factory owner deposited his money, in Pakistani rupees, which the "hawala banker" paid into the heroin dealers' local account.¹⁷⁶

In another example, a New York-based Chinese heroin syndicate has been investigated by the US authorities. This smuggling operation was for an organization that controls a multistate food supply business for hundreds of small Chinese restaurants. The deliveries of these restaurants were usually in cash. Money launderers provided an inflated invoice to the restaurant which included the cash plus the value of the supplies. They then added cash to the restaurant income and deposited in banks accordingly. The restaurant's owner then wrote a cheque, amounting the inflated invoice, for the supplier. Then the inflated total invoices were used as their cost of supplies. The cash is deposited in banks, and cash cheques, postal orders and bank money orders were purchased and sent to Hong Kong. The food supplier was able to use extortion tactics since he enjoyed a monopoly position.¹⁷⁷

After considering this issue, the researcher perceives that it is vital for a successful money laundering operation to manipulate the banking systems. Thus the best method of money laundering is to own a bank. Money launderers, in some extreme cases, establish their own rogue bank, typically a wholly-owned abroad bank, or engage in financial transactions through an unregulated abroad or offshore banking entity. Offshore jurisdictions have minimal banking supervision. Another method, cyber laundering, is one of the most common methods that pose considerable challenges to law enforcement authorities. This method is appalling because of the inadequacy of

¹⁷⁶Rick McDonnell, Ibid.

¹⁷⁷Rick McDonnell, Ibid.

audit trails; the inability to identify and authenticate parties, the technology provider record keeping for suspicious reports, the use of high-level cipher to block out law enforcement authorities, and the transactions that fall outside the existing regulatory definitions.¹⁷⁸

Speed, access, anonymity, and capacity to extend beyond national borders are the internet features that make it ideal for commerce and money laundering. Accordingly, cyber-launderers benefit from the following: the inability to identify parties, the inadequacy of audit trails, technology provider record keeping reports, the use of high-level cipher to block out law enforcement authorities, and transactions that fall outside the existing regulatory definitions.¹⁷⁹

Although the internet was nonexistent thirty years ago, the closure of was agreed in Antigua a decade and a half later. The European Union Bank became famous for being the first bank that operates through the internet and advertises explicitly via the web. Hence, this bank was suitable for money launderers and tax evaders because they reproduced the advertisements that the "European Union Bank" made available in the internet. Nowadays, about three-quarter of households in the European Union have internet access, over a third of the population do banking online, and in the world has 2,267,000,000 internet users.

In October 2010, the Financial Action Task Force developed a report that regards the use of new payment methods for money laundering, which focused on payment services on the internet, steady growth, prepaid cards, and the misuse of the implementation of cyber laundering—a phenomenon also linked to payments with mobile phones as well as for terrorist financing. The researcher estimates that in 2015,

¹⁷⁸Steven Philippsohn, *ibid*, PP.88.

¹⁷⁹Steven Philippsohn, *ibid*, PP.88.

1,400,000,000 people will use mobile phones payments services for their financial transactions. On February 2012, the Financial Action Task Force has provided further recommendations: Recommendation number 15 indicates that countries and financial institutions should identify and assess the risks of money laundering related to new technologies, while recommendation number 16 discusses electronic transfers and identification of both their beneficiaries as originators.¹⁸⁰

2.7 Terrorism Financing

In 2002 the permanent representative of Jordan submitted a report to the Security Council that indicated the existence of some terrorist cells and organizations in Jordan, which carried out or attempted to carry out terrorist attacks in Jordan. Jordan has been exposed to terrorist attacks, the last of which was in 2005 explosions that took place in some hotels, killing sixty persons and wounded others. Al-Qaeda (in Iraq) announced their responsibility of the attacks. Hence the Jordanian government has been trying to fight and terminate any terrorist act or any source of its support or assistance. Accordingly in 2006, the Terrorism Prevention Law was issued and the Jordanian Criminal Law was amended. Jordan has also ratified the International Convention for the Suppression of the Financing of Terrorism.¹⁸¹

Terrorism threatens a number of nations around the world. Faced with the serious challenges that affect the nations' high values of civil and human rights, victims of terrorism often find ways to prevent and ideologically motivated violence without violating civil liberties and political freedoms. Violence against civilians is inexcusable and must be prevented whenever possible and, surely, prosecuted when it

¹⁸⁰Miguel Abel Souto, Money laundering new technologies FATF and Spanish penal reform, *Journal of Money Laundering Control*, Vol. 16. No.3, (2013), pp. 266-284.

¹⁸¹ Mutual Evaluation Report Anti-Money Laundering and Combating the Financing of Terrorism, 19 May 2009, issued by Middle East and North Africa Financial Action Task Force .pp 15.

occurs. In the past decade, several cases arose, in which the threat of "international terrorism" was used by authorities to violate the basic civil rights of many people in the Muslim and Arab communities. Such cases have reinforced religious and ethnic stereotypes against Middle East immigrants and have produced numerous movements of and anti-Arab anti-Muslim discrimination.¹⁸²

The anti-money laundering and counter-terrorism financial enforcement efforts have already gained enormous momentum although they are relatively new. In order to contribute positively to global welfare and comply with international law, governments must participate in the enforcement initiatives. Should they fail to comply, they may find themselves on the list of noncomplying countries and will be subject to sanctions by members of certain organizations, such as the United Nations and the Financial Action Task Force.¹⁸³

After the September 11 attack, it became more evident that the macroeconomic performance of a country could be affected by terrorists' actions through several mechanisms ranging from changes in economic expectations to physical destruction of the productive capacity. Many terrorists' activities are financed with illegal money. In the US, a terrorist operational or logistical cell might have begun with seed money from Al-Qaeda or some other source, but over time, it gained its own means of support through illegal activities.¹⁸⁴

The primary motivation for terrorism financing is not financial gain but for the use of funds to "encourage, plan, assist or engage in" terrorism activities. Funds are

¹⁸²Kamal Nawash, *US Anti-terrorism Legislation: The Erosion of Civil Rights*, Global Dialogue, Vol. 2 No.4 , ABI/INFORM Complete, (2000), pp. 64-73.

¹⁸³Bruce Zagaris, *The merging of the counter-terrorism and anti-money laundering regimes*, Law and Policy in International Business, , Vol. 34 No.1 , ABI/INFORM Complete (2002),pp.45.

¹⁸⁴Ricardo Azevedo Araujo, *The effects of money laundering and terrorism on capital accumulation and consumption*, Journal of Money Laundering Control Vol. 9 No. 3, (2006) pp. 265-271.

transferred by using complex tactics that are in a continuous progress. Since they operate globally, terrorist financing networks are able to gain access to the financial systems of both developed and developing countries. Money laundering and terrorism financing activities are inextricably linked, although they have different motivations. Terrorists groups usually have publicity, nonfinancial goals, and dissemination of an ideology, their main goal being the destruction of a regime and simply spreading of intimidation and terror. Practically, terrorists have ideological motivations: they need finances, and they are often profit-oriented.¹⁸⁵

Preventing terrorist finances is difficult because the money comes from enterprises that range from legitimate sources such as charitable entities to illegitimate activities like smuggling. Money is moved through complex wire transfers and unregulated alternative remittance systems by terrorists who also physically carry money abroad, which makes it hard to detect the amounts involved. Jordan considers the interruption of terrorist finance one of its top priorities despite these difficulties.¹⁸⁶

The September 11 attack accelerated, to a great move, the trend against terrorist-related offenses in Jordan. Also, the Arab Bank (Jordan's largest bank) crackdown in 2005 gave a strong instance of the flow of terrorist funds and the difficulty of preventing their transfer and acquisition. Allegedly, the bank failed to monitor and report transfers of suspicious fund. Because the institution was involved in transactions that involved Saudi donations to Palestinian charities, the Arab Bank was accused by private lawsuits filed in the US of allowing Saudi money to be funneled through the US to Palestinians involved in terrorist attacks. Jordan is considered a

¹⁸⁵Angela Samantha Maitland Irwin and Kim-Kwang Raymond Choo, *An analysis of money laundering and terrorism financing typologies*, Journal of Money Laundering Control, Vol. 15 No. 1,(2012), pp. 85-111.

¹⁸⁶Bashar H. Malkawi and Hikmet O. Malkawi, *Anti-terrorist finance provisions in Jordan: important step but insufficient*, Journal of Money Laundering Control Vol. 10 No. 2, (2007), pp. 180-188.

latecomer to the world of anti-terrorist finance. Before the September 11 attack, Jordan ignored this field. In 2001, Jordan modified its Penal Law, in the legal area, to criminalize terrorist finance. In 2003, the country signed the United Nations' International Convention for the Suppression of the Financing of Terrorism.¹⁸⁷

It is worth noticing that an organized crime terrorism is different in its ultimate drives and motives. Organized crime is typically driven predominantly by financial gains, while terrorism is driven by religious, political, or ideological motives. Terrorists groups, although not motivated by financial gain, require financial support to achieve their aims. Therefore, it is crucial for terrorist groups to maintain and develop an effective financial infrastructure. In terms of sources of laundering techniques, funding, and risks posed to the financial systems, money laundering share multiple characteristics with terrorism financing despite their different motives. Obviously, both are illegal activities that attempt to disguise the destination and sources of funds, and both need to utilize financial intermediaries in order to move and channel their funds.¹⁸⁸

It is worth to note that not all terrorism finances come from illegal means; some funds can be raised through fund raising efforts, donations and legitimate businesses. It must also be noted that terrorism and money laundering financing do not essentially go side by side because a great deal of money laundering activities are for private profiteering only and not for political purpose as terrorism. Since 9/11, a convergence between organized crime and terrorism has been noted. For example, the FBI noted that "international organized criminals provide logistical and other support to terrorists, foreign intelligence services, and foreign governments, all with interests acutely

¹⁸⁷Bashar H. Malkawi and Hikmet O. Malkawi, *Ibid*

¹⁸⁸Aspalella A Rahman, *Ibid*, pp.29.

adverse to those of U.S. national security". Terrorism financiers do not utilize as many of the layering, placement and placement techniques, as money launderers, although they use similar channels as money launderers. To a certain extent, they prefer using a few techniques that sustain high levels of anonymity and appear inoffensive. Money launderers and terrorism financiers' choice of individuals to carry out their illegal activities usually contribute to the detection of such activities although they both like using structuring and smurfing to deposit cash into the financial system.¹⁸⁹

2.8 The Arab Spring

Jordan has been affected negatively by the Arab Spring.¹⁹⁰ The Syrian revolution in particular, has brought the revolutionary influences and waves to Jordan due to its long border with the latter. Such revolution has caused lack of security and economic weakness, and because of the increase in prices and weak economy, Jordan has witnessed demonstrations during the last period.¹⁹¹ The number of Syrian refugees in Jordan is 1.3 million, which represents about fourteen percent of Jordan's population.¹⁹² About eighty percent of Syrian refugees in Jordan live outside the camps.¹⁹³

The Jordanian Finance Minister stated that the Arab Spring has additional effects on the Jordanian economy, during which the local government revenue fell by more than JD 550 million (USD 775 million in estimation), and the total expenditures have

¹⁸⁹Angela Samantha Maitland Irwin and Kim-Kwang Raymond Choo, *Ibid*.

¹⁹⁰Mikkel Fugl Eskjær, *Changing Revolutions, Changing Attention? Comparing Danish Press Coverage of the Arab Spring in Tunisia and Syria*, *Global Media Journal*, Vol. 2, No.1, (2012),pp.9

¹⁹¹Abdalziz Bin Othman Bin Sager, *Jordan Between the Economic Crisis and the Arabian Gulf Solutions*, *Asharq Al Awsat* newspaper, 22/1/2013, No. 12474, http://www.aawsat.com/leader.asp?section=3&issueno=12474&article=714143#.U0IZ3qh_u4k, accessed 7/4/2014. In Arabic.

¹⁹²Mohammed al-Najjar, *Jordan's population is 9.9 million including 14% Syrians*, *Aljazeera Net*, <http://www.aljazeera.net/news/pages/82a511e0-a822-492a-9fc0-9e4b200166d6>, Accessed 23-4-2014. In Arabic.

¹⁹³Jordan is suffering under the pressure of hosting the Syrian refugees, *Majalla magazine*, <http://www.majalla.com/arb/2014/04/article55250629>, accessed 20/4/2014. In Arabic.

increased by more than JD 700 million JD (USD 986 million in estimation) in 2011. These circumstances have put pressure on the treasury resources, until the fiscal deficits in the general budget reached to unsafe limits.¹⁹⁴ The cost of hosting Syrian refugees in Jordan reached more than USD 5 billion until 2014.¹⁹⁵ Nevertheless, the president of the Jordanian Senate has warned about the frustrating results from the Arab Spring in Jordan, mainly unemployment, the increase of financial and administrative corruption, and economic crisis and its consequences, which are represented in the form of inequitable distribution of development gains.¹⁹⁶ As a result, Jordan has been dealing with an increased rate of crimes in general, where money laundering operations cross national borders. Unfortunately, international coordination and cooperation between countries to fight money laundering were not at the required level, and this has driven money laundering groups to exploit the situation.

The direct relationship between the Arab Spring, money laundering, and Jordan can be gauged as follows: Huge funds, earned via corruption and embezzlement of the former members of the Arab Spring countries, were smuggled abroad via money laundering operation either before, during, or after the Arab Spring, during which the estimated amount of money stolen in Egypt was around USD 132.28 billion.¹⁹⁷ The

¹⁹⁴Tukan: the Arab Spring affected the Jordanian economy, Ammon News e-Newspaper, 1/9/2012, <http://www.ammonnews.net/article.aspx?articleno=107560>. accessed 7/4/2014. In Arabic.

¹⁹⁵Mohammed al-Najjar, Ibid.

¹⁹⁶Rawabdeh: the Arab Spring has imposed difficult situations on Jordan, Alrai Newspaper, 1/11/2013, No. 12541, pp.20, <http://www.alraimedia.com/UI/PDF.aspx?i=12541&p=20> and <http://www.alraimedia.com/Articles.aspx?id=462839> , accessed 7/4/2014. In Arabic.

¹⁹⁷Osama Diab, will we Retrieve our Stolen Money ?economic and social justice Unit, First Edition, 2013, Cairo Egypt, http://eipr.org/sites/default/files/pressreleases/pdf/can_we_recover_our_stolen_assets_ar.pdf ,accessed 3/7/2014. In Arabic.

estimated amount of the stolen money in Libya was about USD 200 billion.¹⁹⁸ Logically, this smuggled money need to be laundered urgently, and Jordan, apparently, is one of the countries into which money can be smuggled easily because of the country's adjacency to the Arab Spring countries. Furthermore, Jordan has national banks and branches of foreign banks that provide high efficient means of communication.

As for the close relationship between the Arab Spring and the stolen money, head of the Jordanian public prosecutor stated that the stolen funds increased with the Arab Spring repercussions. Hence the main concern of the Arab Spring people after the fall of the Arab Spring countries' systems was to recoup their money which was possessed by the former regimes members, regardless of the money's location, whether it was still inside the country or had been smuggled abroad before or during the Arab Spring.¹⁹⁹

The Jordanian officials have been dealing with money laundering issues since 2012, where this year witnessed a high-profile case regarding such crime. On November 11th, 2012, Mohammad Al-Dahabi, the former General Intelligence Department chief between 2005 and 2008, was sentenced to 13 years and 3 months in prison by the Jordanian court where he was indicted of several charges including corruption and graft. On February 9th, 2012, Al-Dahabi was arrested when inspectors of the Central Bank of Jordan suspected huge transactions worth of millions of Jordanian dinars had gone through his bank account. During the period when he was held in prison pending

¹⁹⁸Tripoli: "Interpol" is Ready to Help Libya in Retrieving Stolen Funds. The Seventh Day electronic newspaper, 10/5/2014, <http://www1.youm7.com/News.asp?NewsID=1657784#.U7TRM5SSxKA>, accessed 3/7/2014. In Arabic.

¹⁹⁹Research in "Retrieve Looted Funds", Zad Jordan electronic newspaper, 14/4/2014, <http://www.jordanzad.com/index.php?page=article&id=156210>, accessed 2/7/2014. In Arabic.

investigation, many bail requests were submitted by his defense team, however, they were rejected by the court.

In accordance to Article 1/174 of the Penal Code, the prosecution argued that the defendant must be convicted of embezzlement, therefore, it had sought the maximum sentence in its final statements. Moreover, in accordance to article 175 of the penal code, articles 3 and 4 of the 2007 Money Laundering and Terrorism Financing law, and articles 2, 3, and 4 of the Economic Crimes Law, Al-Dahabi was found guilty in embezzlement, money laundering, exploitation of public position, and abusing his position as the former General Intelligence Department chief for personal gain. In addition, the court imposed a fine in total of 21 million JD, and seizing 24 million JD of his possessions.²⁰⁰

In 2013, a member of Jordan's House of Representatives directed a question to Jordan's prime minister regarding the Jordanian government and how the Central Bank of Jordan granted permission to a person, wanted by the Interpol, to own twenty-five Jordanian companies. This particular member wondered, "Isn't this facilitate money laundering?"²⁰¹

2.9 International Efforts, Coordination, and Cooperation

Recently, the pressure to combat money laundering and terrorism financing came from different quarters: national regulatory agencies, multinational organizations, and international agencies. This is not surprising considering the international nature of

²⁰⁰ Ammon News Newspaper, *Ex-intelligence Chief Sentenced to 13 yrs, 21 million Fine, and Assets Seized*, Ammon News e-Newspaper, 11/11/2012, <http://en.ammonnews.net/article.aspx?articleNO=18948#.Vz6hXDUrK1t>, accessed 20/5/2016.

²⁰¹ *Al-Khalayla: the Government Facilitates Money Laundering*, The website of Alwakeel news, 18/6/2013, <http://www.alwakeelnews.com/index.php?page=article&id=52814#.U7QzDZSSxKB>, accessed 2/7/2014. In Arabic.

money laundering, which has the potential to undermine not only financial institutions but legitimate economies and the sovereignty of nation states.

The National Committee for anti-money laundering, which was established according to the anti-money laundering law, carries out the national coordination and cooperation in Jordan. Jordan has ratified the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna) in addition to the United Nations Convention for the Suppression of the Financing of Terrorism. Furthermore, in 2002 the United Nations Convention against the Transnational Organized Crime (Palermo) was signed. Jordan has cooperated well in providing legal assistance, having been governed by the conventions that cover legal assistance, the anti-money laundering law, and the principle of reciprocity.²⁰² Table (2.2) shows the date when the international treaties came into force in Jordan.

Table 2.2

The International Treaties

| Treaty | Date of Signature | Date of the Formal confirmation |
|---|--------------------------|--|
| Vienna Convention. ²⁰³ | Dec 20, 1988 | Apr 16, 1990 |
| The United Nations Convention against Transnational Organized Crime. ²⁰⁴ | Nov 26, 2002 | May 22, 2009 |
| The Financial Action Task Force. ²⁰⁵ | June 27, 2007 | |

²⁰²Mutual Evaluation Report Anti-Money Laundering and Combating the Financing of Terrorism, 19 May 2009, issued by Middle East and North Africa Financial Action Task Force .pp 10.

²⁰³For more information visit:

https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=VI-19&chapter=6&lang=en, accessed 24/5/2016.

²⁰⁴ For more information visit:

https://treaties.un.org/Pages/ViewDetails.aspx?src=IND&mtdsg_no=XVIII-12&chapter=18&lang=en, accessed 24/5/2016.

²⁰⁵For more information visit website of the Middle East and North Africa Financial Action Task Force at: <http://www.menafatf.org/ArticleDetail.asp?rid=731>, accessed 17/8/2014.

The Basel Committee
on Banking
Supervision.²⁰⁷

The Central Bank of Jordan has taken a series of measures to apply the aims of the Basel standards to regulate banks' works. This includes by issuing:

- 1- Market Risk Instructions.
- 2-Operational Risk Instructions.
- 3-Credit Risk – the Standardized Approach.
- 4- Credit Risk Mitigations Instructions
- 5- Rules for the Specialized Lending Instructions.
- 6- Recognition of External Credit Assessment Instructions.

The following circulars were also issued:

- 1-Circular No.10/5/7228 dated 9/7/2008
 - 2-Circular No.10/1533 dated 3/2/2010.
 - 3-Circular No.10/9410 dated 19/8/2010
 - 4- Circular No.10/5/11952 dated 16/10/2011.
 - 5-Circular No.10/5/928 dated 27/1/2013.
 - 6-Circular No.10/5/3681 dated 24/3/2013.
 - 7-Circular No.10/1/1565 dated 3/2/2014.
-

It is widely acknowledged that only with full cooperation and assistance from the entire international community can money laundering be dealt with effectively. This section will examine the various initiatives undertaken by agencies such as the United Nations, the Basel Committee on Banking Regulation and Supervisory Practices, the Financial Action Task Force, the Wolfsberg Group and the Middle East and North Africa Financial Action Task Force. Jordan is among the countries that have adopted the measures proposed by these agencies and this accounts for the relative uniformity of anti-money laundering laws worldwide.

2.9.1 Vienna Convention

Vienna Convention, which was concluded in Vienna in 1988, was the first major breakthrough in the effort to address money laundering problems internationally. The

²⁰⁶The Jordanian annual Anti Money Laundering Unit report 2007. pp.27.

²⁰⁷For more information visit:

http://www.cbj.gov.jo/arabic/pages.php?menu_id=203&local_type=0&local_id=0&local_details=0&local_details1=0&localsite_branchname=CBJ, accessed 15/1/2015.

convention has so far imposed significant impact on later initiatives. It has been widely viewed as constituting the minimum standard of the required conduct of each participating country in the criminalization of money laundering activities.

The Vienna Convention acknowledges that the strong link between illegal trade and other related organized criminal activities requires urgent attention from the international community. The cornerstone of the Vienna Convention is in Article 3 (1), which reflects the outcome of the convention. As pointed in Article 3(1/a),²⁰⁸ every participating country is required to legislate in order to establish a developed code of criminal offences relating to all aspects of illegal trading.

Subparagraph (1/b) of Article 3 of the Vienna Convention specifically should be noted. It deals with the institution of drug-related money laundering as a criminal offence.²⁰⁹ The convention also obliges all participating countries to institute, under their national laws, activities that represent money laundering, such as the acquisition or use of property and knowing the time of receipt as criminal offences.²¹⁰ This

²⁰⁸ Article 3 (1/a) of the Vienna Convention: Each Party shall adopt such measures as may be necessary to establish as criminal offences under its domestic law, when committed intentionally: (a) (i) The production, manufacture, extraction; preparation, offering, offering for sale, distribution, sale, delivery on any terms whatsoever, brokerage, dispatch, dispatch in transit, transport, importation or exportation of any narcotic drug or any psychotropic substance contrary to the provisions of the 1961 Convention, the 1961 Convention as amended or the 1971 Convention. (ii) The cultivation of opium poppy, coca bush or cannabis plant for the purpose of the production of narcotic drugs contrary to the provisions of the 1961 Convention and the 1961 Convention as amended. (iii) The possession or purchase of any narcotic drug or psychotropic substance for the purpose of any of the activities enumerated in (i) above. (iv) The manufacture, transport or distribution of equipment, materials or of substances listed in Table I and Table II, knowing that they are to be used in or for the illicit cultivation, production or manufacture of narcotic drugs or psychotropic substances. (v) The organization, management or financing of any of the offences enumerated in (i), (ii), (iii) or (iv) above.

²⁰⁹ Article 3 (1/b) of the Vienna Convention: (i) The conversion or transfer of property, knowing that such property is derived from any offence or offences established in accordance with subparagraph (a) of this paragraph, or from an act of participation in such offence or offences, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such an offence or offences to evade the legal consequences of his actions. (ii) The concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from an offence or offences established in accordance with subparagraph (a) of this paragraph or from an act of participation in such an offence or offences.

²¹⁰ Article 3 (1/c/i) of the Vienna Convention: Subject to its constitutional principles and the basic

important innovation should be emphasized because it ensures that all participating countries have money laundering offences in their legislations. Thus, the lack of relevant laws would not be available as an excuse when legal assistance requests are made. Also, the convention requires legislation of laws on conspiracy, abetting, and aiding or otherwise assisting money laundering and other similar arrangements.²¹¹

Article 5 of the Vienna Convention places a second major approach relating to the confiscation of proceeds held by money launderers and drug dealers. Both measures are to be taken nationally along with other necessary mechanism in order to affect international cooperation in this area. The aim of these confiscation measures is to incapacitate criminals who continue to engage in the illegal behavior and to prevent criminals from enriching themselves unjustly. The measures will also probably eliminate the gained benefits and will weaken the ultimate profitability, thus the stability of legal economies will be protected.

Improved international cooperation in combating money laundering is one of the objectives of the Vienna Convention. In this regard, the member states are required to institute a mutual legal assistance in relation to investigations, judicial proceedings, and prosecutions which are related to money laundering and other serious criminal activities.²¹² The concept of mutual legal assistance majorly contributes to combating money laundering since it is one of the essential elements that can unlock the barriers to investigation and confiscation of criminal proceeds of money laundering. Another

concepts of its legal system:(i) The acquisition, possession or use of property, knowing, at the time of receipt, that such property was derived from an offence or offences established in accordance with subparagraph (a) of this paragraph or from an act of participation in such offence or offences.

²¹¹Article 3 (1/c/iv) of the Vienna Convention: Participation in, association or conspiracy to commit, attempts to commit and aiding, abetting, facilitating and counselling the commission of any of the offences established in accordance with this article.

²¹²Article 3 (1) of the Vienna Convention: The Parties shall afford one another, pursuant to this article, the widest measure of mutual legal assistance in investigations, prosecutions and judicial proceedings in relation to criminal offences established in accordance with article 3, paragraph 1.

method of cooperation, namely extradition, has been equally attended.²¹³ Other articles provide different forms of training and cooperation.²¹⁴

The Vienna Convention does not criminalize money laundering whereas it remains the international standard for identifying money laundering counter-measures. Instead, the convention obligates its members to adopt a national legislation that makes the proceeds of laundering drug a crime. Until 2001, thirty-eight signatory members of the Vienna Convention had yet to criminalize the laundering proceeds of drugs. The fact that pact defined money laundering as a crime based on drug dealing has limited its effectiveness and that there are other important sources of illicit funds such as fraud and corruption.²¹⁵

2.9.2 The United Nations Convention against Transnational Organized Crime

The main international instrument for combating transnational organized crimes is the United Nations Convention against Transnational Organized Crime, adopted by General Assembly Resolution 55/25 of November 15, 2000. In Palermo, Italy, a high-level political conference was held in December 2000 to assemble members' signatures. However, it was only on September 29, 2003 that the measures were enforced. Also supplemented in the convention were three protocols that targeted organized crime manifestations and specific areas: the Protocol against the Illicit Manufacturing of and Trafficking in Firearms, their Parts and Components and

²¹³Article 6 of the Vienna Convention: Extradition (1). This article shall apply to the offences established by the Parties in accordance with article 3, paragraph 1.(2). Each of the offences to which this article applies shall be deemed to be included as an extraditable offence in any extradition treaty existing between Parties. The Parties undertake to include such offences as extraditable offences in every extradition treaty to be concluded between them.

²¹⁴Article 9 of the Vienna Convention: Other forms of co-operation and training: (1) The Parties shall co-operate closely with one another, consistent with their respective domestic legal and administrative systems, with a view to enhancing the effectiveness of law enforcement action to suppress the commission of offences established in accordance with article 3, paragraph 1. They shall, in particular, on the basis of bilateral or multilateral agreements or arrangements.

²¹⁵Aspalella A Rahman, *An Analysis of The Malaysian Anti- Money Laundering laws*, Vdm Verly Dr Muller Gmbh & Co.Kg, (2010).pp.39.

Ammunition; the Protocol against the Smuggling of Migrants by Land, Sea and Air; and the Protocol to Prevent, Suppress, and Punish Trafficking in Persons, Especially Women and Children. Before becoming a party of any of the protocols, a country must become a party to the convention itself.²¹⁶

In 1992 and at its forty-seventh session, the General Assembly requested the Commission on Crime Prevention and Criminal Justice to organize an ongoing review and analysis of transnational organized criminal activity cases. During several government interactions and experts meetings held for this process, a few parties the Commission, the Economic and Social Council, and the General Assembly supported the desirability of elaborating a multilateral convention to combat organized crimes. To elaborate a preliminary draft of an international comprehensive convention, the Assembly established an inter-sessional open-ended intergovernmental group of experts in 1997. In the following year, an ad hoc committee was established by the Assembly to draft a convention. In 2000, after several meetings, the ad hoc committee approved the text of the convention's and the protocols' drafts on people trafficking and smuggling.²¹⁷

The United Nations Convention against Transnational Crimes represents an important step in combating transnational organized crimes, and it signifies the recognition by member countries of the seriousness of the problems posed by the crimes. The convention also encourages and promotes close international cooperation to tackle those problems. Countries that have ratified this instrument have to commit in taking a series of measures to combat transnational organized crimes, particularly by promoting training and technical assistance for building, or by upgrading the

²¹⁶ For more information visit : <http://www.unodc.org/unodc/treaties/CTOC> , accessed 12/1/2015.

²¹⁷ For more information visit : <http://legal.un.org/avl/ha/unctoc/unctoc.html>, accessed 12/1/2015.

necessary capacity of national authorities. Other measures include by creating domestic criminal offences (participation in an organized criminal group, money laundering, corruption and obstruction of justice) and by adopting new frameworks for extradition, mutual legal assistance, and law enforcement cooperation.

This convention provides a universally powerful weapon in the war against transnational organized crimes and has been welcomed by communities worldwide. Pino Arlacchi describes the convention in the following terms: First, it includes the most advanced toolkit to ever be made available to investigators, policy makers, and civil society to prevent crime on large scale. Second, it will help eliminate the contradictions among countries that criminal networks are currently exploiting. Third, it brings together the best practices in fighting criminal powers developed in many parts of the world.²¹⁸

This convention consisted of forty-one articles that require member parties to criminalize the laundering of the crime proceeds,²¹⁹ corruption,²²⁰ and participation in an organized group.²²¹ Members are also obligated to adopt measures for the prosecution of criminals,²²² and for the seizure and confiscation of such crimes proceeds.²²³ Every protocol identifies a number of obligations for the three specific sub-areas of transnational organized crime that are focused upon.

Furthermore, this convention deals with international cooperation in order to confiscate the crime's proceeds²²⁴ and prevent transnational organized crime.²²⁵ It

²¹⁸Aspalella A Rahman, Ibid.pp.40.

²¹⁹Article 6of The United Nations Convention against Transnational Organized Crime 2000.

²²⁰Article 8of The United Nations Convention against Transnational Organized Crime 2000.

²²¹Article 5of The United Nations Convention against Transnational Organized Crime 2000.

²²²Articles 10 and 11 of The United Nations Convention against Transnational Organized Crime 2000.

²²³Articles 12 and 14 of The United Nations Convention against Transnational Organized Crime 2000.

²²⁴Article 13 of The United Nations Convention against Transnational Organized Crime 2000.

²²⁵Article 31 of The United Nations Convention against Transnational Organized Crime 2000.

also provides mutual legal assistance,²²⁶ extradition,²²⁷ settlement of disputes,²²⁸ and acceptance, ratification, approval and accession,²²⁹ signature and denunciation²³⁰ of this convention.

Article 7 of the convention sets out comprehensive measures to fight money laundering including customer identification, reporting of suspicious transactions requirements, and record-keeping. In addition to banks and nonfinancial institutions, these measures also apply to other bodies susceptible to money laundering, for instance, lawyers, real estate agents, and accountants.

2.9.3 The Basel Committee on Banking Supervision

The Basel Committee on Banking Supervision has its history in the financial market turmoil in 1973 which followed the breakdown of the Bretton Woods system of managed exchange rates. After the collapse of Bretton Woods, many banks incurred large foreign currency losses. The West Germany's Federal Banking Supervisory Office withdrew Bankhaus Herstatt's banking licence on June 26, 1974, after finding that the bank's foreign exchange exposures amounted to three times its capital. Further, banks outside Germany took big losses on their unsettled trades with Herstatt, which added to the turmoil an international dimension. Also in October of the same year, the Franklin National Bank of New York closed its doors after incurring large losses in foreign exchange. The Basel Committee on Banking Supervision consists of the representatives of central banks and supervisory authorities of Canada, Belgium,

²²⁶Article 18 of The United Nations Convention against Transnational Organized Crime 2000.

²²⁷Article 16 of The United Nations Convention against Transnational Organized Crime 2000.

²²⁸Article 35 of The United Nations Convention against Transnational Organized Crime 2000.

²²⁹Article 39 of The United Nations Convention against Transnational Organized Crime 2000.

²³⁰Article 40 of The United Nations Convention against Transnational Organized Crime 2000.

Germany, the Netherlands, Japan, Italy, Sweden, Luxembourg, the United Kingdom, the United States, and Switzerland.²³¹

The Committee issued a proposal for a new capital adequacy framework to replace the 1988 Accord, which was in June 1999. This led to the release of the Revised Capital Framework in June 2004. Known as "Basel II", the three pillars included in the revised framework are as follows: (1) Minimum capital requirements that seek to expand and develop the unified rules set out in the 1988 Accord, (2) Effective use of disclosure as a means to encourage sound banking practices and to strengthen market discipline, (3) Supervisory review of internal assessment process and the institution's capital adequacy.²³²

The need for a basic reinforcement of the Basel II framework had become clear even before Lehman Brothers collapsed in September 2008.²³³ However, the banking sector had entered the financial crisis with inadequate liquidity buffers and too much leverage. These flaws were accompanied by inappropriate incentive structures as well as by poor governance and risk management. The dangerous combination of these factors was clearly demonstrated by the excess credit growth, and mispricing of credit and liquidity risk.²³⁴

In September 2010, the Group of Governors and Heads of Supervision announced higher global minimum capital standards for commercial banks. The former announcement came after an agreement was reached about the liquidity reform package and overall design of the capital, which is now referred to as "Basel III". The

²³¹Visit: <http://www.bis.org/bcbs/history.htm> , accessed 13/1/2015.

²³²Visit: <http://www.bis.org/publ/bcbs118.htm>, accessed 13/1/2015.

²³³For more information visit : <http://www.investopedia.com/articles/economics/09/lehman-brothers-collapse.asp>, accessed 14/1/2015.

²³⁴Visit: <http://www.bis.org/bcbs/history.htm> , accessed 14/1/2015.

new standards of liquidity and capital were endorsed at the G20 Leaders Summit in Seoul in November 2010, who later agreed on the standards in December 2010. Furthermore, the Basel Committee developed a comprehensive set of reform measures, i.e. "Basel III", on Banking Supervision, the purpose being to strengthen the supervision, regulation and risk management of the banking sector. The aims of these measures are to (1) improve governance and risk management, (2) reinforce banks' disclosures and transparency, and (3) improve the banking sector's ability to absorb shocks resulting from financial and economic sources.²³⁵

In addition to their supervisors, banks and financial institutions play an important role in money laundering deterrence and control. The Basel Committee agreed that the supervisors of governmental banking have a responsibility to encourage ethical conduct among banks and other financial institutions. Consequently, the main objective of the Statement of Principles is to encourage bank managements to establish and maintain effective identification procedures,²³⁶ in order to (1) prevent any illegal transactions, (2) demonstrate to the law enforcement authorities its openness to cooperate,²³⁷ and (3) demonstrate compliance with laws²³⁸ and Statement of Principles Adherence.²³⁹ Thus the Committee recommends that banks adhere to the Statement of Principles and implement certain procedures for identifying customers and retaining transactions internal records. Establishing an effective means for general compliance with the Statement of Principles banks should ensure that their internal audits are extended.

²³⁵Visit : <http://www.bis.org/bcbs/basel3.htm>, accessed 14/1/2015

²³⁶Statement II.

²³⁷Statement IV.

²³⁸Statement III.

²³⁹Statement V.

It would be useful to point out that the Central Bank of Jordan has taken a series of measures to apply the aims of the Basel standards to regulate banks' works and to strengthen their role in the economic activity. This includes by issuing Market Risk Instructions, Operational Risk Instructions, Credit Risk – the Standardized Approach, Credit Risk Mitigations Instructions, Rules for the Specialized Lending Instructions, and recognition of External Credit Assessment Instructions. The following circulars were also issued: Circular No.10/5/7228 dated 9/7/2008, Circular No.10/1533 dated 3/2/2010, Circular No.10/9410 dated 19/8/2010, Circular No.10/5/11952 dated 16/10/2011, Circular No.10/5/928 dated 27/1/2013, Circular No.10/5/3681 dated 24/3/2013, and Circular No.10/1/1565 dated 3/2/2014.²⁴⁰

2.9.4 The Financial Action Task Force

In July 1989 the heads of seven major industrial nations and the President of the European Commission set up the Financial Action Task Force. A few countries were invited to join the summit participants. The Task Force is a freestanding specialist body which comprises the world's leading experts in the finance field, legal agencies and law enforcement. It was established to develop and promote policies to combat money laundering both nationally and internationally, and to set out international standards on terrorism financing.²⁴¹

The Financial Action Task Force membership original number has grown from sixteen to thirty-six. To expand its membership, the Financial Action Task Force

²⁴⁰For more information visit:

http://www.cbj.gov.jo/arabic/pages.php?menu_id=203&local_type=0&local_id=0&local_details=0&local_details1=0&localsite_branchname=CBJ, accessed 15/1/2015.

²⁴¹For more information visit: <http://www.fatf-gafi.org/media/fatf/documents/reports/2003%202004%20ENG.pdf/>, accessed 6/4/2015.

agreed to start the process in June 2014.²⁴²

The Financial Action Task Force currently includes two regional organizations and thirty-four member jurisdictions that represent most major financial centers all around the world. Participating countries include the United States, the United Kingdom, Turkey, Switzerland, Sweden, Spain, South Africa, Singapore, Russian Federation, Republic of Korea, Portugal, Norway, the Netherlands, Mexico, Luxembourg, the Kingdom of New Zealand, Japan, Italy, Ireland, India, Iceland, Hong Kong, Gulf Co-operation Council, Greece, Germany, France, Finland, European Commission, Denmark, China, Canada, Brazil, Belgium, Austria, Australia and Argentina. Also participated is the Financial Action Task Force Observer (Malaysia). The Financial Action Task Force Associate members are as follows: North Africa Financial Action Task Force, Inter Governmental Action Group against Money Laundering in West Africa and Middle East, Financial Action Task Force of Latin America, Eastern and Southern Africa Anti-Money Laundering Group, Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, Caribbean Financial Action Task Force and Asia/Pacific Group on Money Laundering.²⁴³

The Financial Action Task Force also regularly monitors its members' progress in implementing the measures of anti-money laundering. Other than that, it reviews money laundering counter-measures and techniques and promotes the adoption and implementation of money laundering measures worldwide. However, the implementation of the recommendations is monitored through self-assessment by

²⁴²For more information visit : <http://www.fatf-gafi.org/media/fatf/documents/brochuresannualreports/FATF%2025%20years.pdf>, accessed 6/4/2015.

²⁴³For more information visit : <http://www.fatf-gafi.org/pages/aboutus/membersandobservers/>, accessed 6/4/2015.

individual countries in the form of report and on-site evaluation by a team of experts.

When performing the above activities, the Financial Action Task Force collaborates with other international bodies involved in preventing money laundering. In other words, the Task Force was built on the fixed foundations established by the Basel Committee Statement of Principles and the Vienna Convention. Until now the task force is the most comprehensive multisectoral and multidimensional approach in the international efforts in preventing money laundering.²⁴⁴

Furthermore, the Forty Recommendations provide a complete set of countermeasures against money laundering covering the financial system and its regulation, the criminal justice system, and law enforcement and international cooperation. The Recommendations were first introduced in 1990 to prevent money launderers misusing of the financial institutions. It focuses on three main areas: the enhancement of the role of the financial systems, the national legal systems improvement, and the international cooperation strengthening. Between 1990 and 2012, a few interpretative notes were developed to provide additional guidance and to clarify the application of specific Recommendations. In 2012, the latest revision of the Financial Action Task Force Recommendations was completed. New concerns such as weapons proliferation of mass destruction has been the Task Force's radar since 2008. While working closely with the United Nations Security Council, the Financial Action Task Force developed two guidance papers in order to to assist financial institutions and governments in implementing their obligations under related resolutions of United

²⁴⁴Abdullahi Y Shehu, *International Initiatives Against Corruption and Money Laundering: An Overview*, Journal of Financial Crime, Vol. 12, No. 3,(2005), pp. 221-245.

Nations Security Council.²⁴⁵

Since 2001, the United Nations and Financial Action Task Force have worked together to fight terrorist financing and proliferation financing. This collaboration has resulted in Financial Action Task Force Recommendations, which complement the UNSCR and United Nations Conventions. In November 2013, the President of the Financial Action Task Force, Vladimir Nechaev, and the Chairs of the United Nations Security Council Sanctions Committees informed the members of United Nations about the Financial Action Task Force Recommendations. They also informed how the recommendations support the United Nations Security Council Resolution's by helping countries to implement the obligations of the financial sanctions oriented against terrorist financing and proliferation financing. An experts meeting on oriented financial sanctions took place in June 2014 in coordination with the relevant bodies from the United Nation. The meeting was participated by sixteen organizations and fifty-one countries, and had increased the coordination, collaboration, and sharing of information between the relevant bodies.²⁴⁶

In October 2013, the third experts meeting on corruption was organized by the Financial Action Task Force and the Group of Twenty "G20" Anti-Corruption Working Group. This meeting brought together anti-corruption laundering and anti-money experts from fifteen organizations and twenty-seven jurisdictions. The discussion focused on issues of mutual concern, such as transparency and beneficial ownership of legal and persons arrangements. The priority of these issues went beyond money laundering and corruption as the issues also concerned corporate governance and tax transparency. The lack of information about beneficial ownership

²⁴⁵For more information visit : <http://www.fatf-gafi.org/media/fatf/documents/brochuresannualreports/FATF%2025%20years.pdf>, accessed 6/4/2015.

²⁴⁶Financial Action Task Force Annual Report 2013 – 2014, P.P 8.

or transparency have created serious obstacles to tracing proceeds of corruption. Several feedbacks contributed to the guidance that the Financial Action Task Force has been developing, including those on the key challenges in determining the measures that can be taken and the beneficial ownership in corruption cases. The Financial Action Task Force Recommendations could be used to fight corruption; however, the anti-corruption and anti-money laundering experts agreed that more information was needed to increase the understanding of the Financial Action Task Force Recommendations and their benefits to anti-corruption efforts.²⁴⁷

Since its inception in 1990, the Financial Action Task Force Recommendations have been adopted by over 190 countries. These Recommendations are periodically revised, most recently in 2012, in order to ensure that they respond to the current threats of money laundering and terrorist financing as well as to other financial system threats.²⁴⁸

The Forty Recommendations are divided into four sections. The first section outlines the scope of the criminal offence of money laundering. According to the Vienna Convention and the Palermo Convention, member countries should criminalize money laundering. A stronger standard for money laundering predicate offences was adopted by the Task Force.²⁴⁹

The second section is aimed at preventing money laundering and terrorism financing, and is also addressed at the financial institutions, nonfinancial business and professions. Originally, the Forty Recommendations were designed to prevent money launderers from misusing financial institutions. Nevertheless, experience has shown

²⁴⁷Financial Action Task Force Annual Report 2013 – 2014, P.P 7 .

²⁴⁸Financial Action Task Force Annual Report 2013 – 2014, P.P 6 .

²⁴⁹See: Recommendation No.1 of the Financial Action Task Force.

that to launder their profits, criminals will use any form of business and profession. A significant change was made in the revised version of the Forty Recommendations, including on various businesses and professions in money laundering prevention. Furthermore, the Customer Due Diligence process for financial institutions was extended by the Task Force.²⁵⁰ This requires financial institutions to enhance customer due diligence measures while dealing with non-face-to-face business transactions,²⁵¹ correspondent banking transactions,²⁵² and politically exposed persons.²⁵³ In addition, financial institutions are required to maintain all necessary records for at least five years according to Recommendation 10. The record-keeping and customer due diligence requirements also apply to designated professions and non-financial business such as real estate agents, casinos, dealers in precious metals and jewelries, accountants, and lawyers as well as trust and company service providers.²⁵⁴ In fact, such requirements are crucial to strengthen the measures to combat terrorist financing and money laundering.

Recommendations 13 and 14 provide detailed rules and procedures on suspicious transactions reports. The recommendations also require financial institutions to establish compliance frameworks that meet the following criteria: (1) establish ongoing employee training programs; (2) develop an independent audit function to check and test the compliance program effectiveness; (3) develop and implement internal programmes, procedures, policies and controls to protect against terrorist financing and money laundering.²⁵⁵

²⁵⁰See: Recommendation No.5 of the Financial Action Task Force.

²⁵¹See: Recommendation No.8 of the Financial Action Task Force.

²⁵²See: Recommendation No.7 of the Financial Action Task Force.

²⁵³See: Recommendation No.6 of the Financial Action Task Force.

²⁵⁴See: Recommendation No.12 of the Financial Action Task Force.

²⁵⁵See: Recommendation No.15 of the Financial Action Task Force.

The establishment of shell banks²⁵⁶ or any correspondent banking relations with such banks is prohibited in Recommendation 18. A shell bank is a bank incorporated in a jurisdiction that has no physical presence and is unaffiliated to any regulated financial group.

Furthermore, The Task Force also states that all countries need sufficient measures in order to ensure that financial institutions, professions, and other businesses are complying with their obligations. It is important that the risks and regulatory structures that already exist in the relevant sectors be considered by the required measures.²⁵⁷

Section three of the revised Recommendations deals with basic institutional measures in the transparency of legal persons and arrangements²⁵⁸ and anti- money laundering systems.²⁵⁹

Additionally, the Task Force has agreed that it is quite important to enhance international cooperation between financial institutions, enforcement agencies, and its supervisors and regulators in order to facilitate money laundering investigations and prosecutions.

Consequently, Section Four of the Forty Recommendations deals with mutual legal assistance in relation to prosecutions, investigations, and related proceedings of terrorist financing and money laundering.²⁶⁰ Recommendations 38 and 39 deal with the seizure and confiscation of the criminal proceeds and extradition.

²⁵⁶Shell banks mean banks that have no physical presence in the country where they are incorporated and licensed.

²⁵⁷See: Recommendations No. 23 to 25 of the Financial Action Task Force.

²⁵⁸See: Recommendations No. 33 to 34 of the Financial Action Task Force.

²⁵⁹See: Recommendations No. 26 to 32 of the Financial Action Task Force.

²⁶⁰See: Recommendations No. 36 to 37 of the Financial Action Task Force.

The most recent update of the Financial Action Task Force Recommendations emphasizes the risk-based approach. The recommendations require countries to assess and understand the risks that affect their country through terrorist financing and money laundering. These risks are different for every country, for instance, a country that is a large financial centre faces more significant risks than a country that does not have an international important role in the financial market. This approach enables countries to use their resources more wisely by devoting them to the highest risks areas. Also, the risk-based approach extends to specific business sectors that are subject to the requirements of anti-money laundering. The Financial Action Task Force issued a series of sector-specific guidance documents in this area, between 2007 and 2009. In 2013, the Financial Action Task Force continued to revise this guidance and brought it in line with the 2012 Financial Action Task Force Recommendations thus it works with representatives from the relevant sectors, and the revised risk-based approach guidance for the banking sector.²⁶¹

2.9.5 The Middle East and North Africa Financial Action Task Force

The efforts of the Financial Action Task Force in fighting money laundering have resulted in the emergence of Financial Action Task Force-Styled Regional Bodies that promote, interpret and implement the Financial Action Task Force standards worldwide. And since Jordan is part of the Middle East, a brief mention of the Middle East and North Africa Financial Action Task Force (one of the Styled Regional Bodies) is relevant here.

Money laundering can be effectively tackled if the threats of terrorist financing and money laundering operations to countries in the Middle East and North Africa Region are acknowledged, and if co-operation is present between countries within the Middle

²⁶¹Financial Action Task Force Annual Report 2013 – 2014, P.P 6 .

East and North Africa Region. Moreover, recalling measures taken by the United Nations with regard to combating the financing of terrorism and money laundering, acknowledgement the Financial Action Task Force 40 Recommendations on Combating Money Laundering and Financing of Terrorism and Proliferation, the related United Nations Conventions and United Nations Security Council Resolutions, as the worldwide-accepted international standards in this regard, additionally to any other standards that are adopted by the Arab States in order to enhance the fight against the financing of terrorism and money laundering and proliferation in the area.²⁶²

Hence on November 30, 2004, an inaugural Ministerial Meeting was held in Manama, Bahrain where the Governments of fourteen countries decided to establish Middle East and North Africa Financial Action Task Force as a Financial Action Task Force Style Regional Body. The attendants agreed that the Kingdom of Bahrain will be headquarter of this body. The Middle East and North Africa Financial Action Task Force is voluntary and co-operative in nature and independent from any other organisation or international body. The Middle East and North Africa Financial Action Task Force was established by agreement between the governments of its members and is not based on an international treaty. However, it determines its own work, rules, regulations, and procedures and co-operates with other international bodies to achieve its objectives, particularly the Financial Action Task Force.²⁶³

The objectives of the Middle East and North Africa Financial Action Task Force are as follows:

²⁶²For more information visit : <http://www.menafatf.org/topiclist.asp?ctype=about&id=546>, accessed 4/4/2015.

²⁶³For more information visit : <http://www.menafatf.org/topiclist.asp?ctype=about&id=546>, accessed 4/4/2015.

(1) To adopt and implement the Financial Action Task Force Special Recommendations against terrorist financing; To implement the relevant United Nations agreements and treaties and United Nations Security Council Resolutions concerned with countering terrorist financing and money laundering; (2) To adopt and implement the Financial Action Task Force's Forty Recommendations against money laundering; (3) To cooperate in raising compliance with these measures and standards within the MENA Region and to work with other international organizations in raising compliance internationally; (4) To build effective arrangements throughout the region to combat terrorist financing and money laundering effectively in accordance with the particular cultural values, legal systems, and constitutional framework; and (5) To work together to identify terrorist financing and money laundering issues of a regional nature, and to share these problems experiences and develop regional solutions in order to deal with them .²⁶⁴

The Members of Middle East and North Africa Financial Action Task Force are Yemen, United Arab Emirates, Tunisia, Syria, Sudan, Saudi Arabia, Republic of Iraq, Qatar, Oman, Morocco, Libya, Lebanon, Kuwait, Jordan, Islamic Republic of Mauritania, Egypt, Bahrain, and Algeria. And the Observers are World Customs Organization, World Bank, the United States, the United Nations, the United Kingdom, Spain, Palestine, International Monetary Fund, France, the Financial Action Task Force, Eurasian Group on combating money laundering and financing of terrorism, Egmont Group of Financial Intelligence Units, Co-operation Council for the Arab States of the Gulf, Asia/Pacific Group on Money Laundering, and Arab Monetary Fund.²⁶⁵

²⁶⁴For more information visit : <http://www.fatf-gafi.org/pages/menafatf.html>, accessed 5/4/2015.

²⁶⁵For more information visit : <http://www.fatf-gafi.org/pages/menafatf.html>, accessed 5/4/2015.

The Plenary should organize a continuous evaluation program in cooperation with the Secretariat as stipulated in the Memorandum of Understanding. Each member should agree to participate in the program. In the first round the members of Mutual Evaluation shall carry out by The Middle East and North Africa Financial Action Task Force in order to determine their conformity with the Forty Recommendations issued by the Financial Action Task Force, using the 2004 Methodology of combating the financing of terrorism and anti-money laundering. The Mutual Evaluation aims individual's existing combat of the financing of terrorism and anti-money laundering regime be assessed by an Assessors' expert Team in the area of combating the financing of terrorism and anti-money laundering. This team who were required to review and analyze all current laws and regulations related to combating the financing of terrorism in the assessed country and all related to anti-money laundering. The purpose was to determine the conformity and efficiency of their efforts with the international recommendations.²⁶⁶

2.9.6 The Wolfsberg Group

The Wolfsberg Group is an association that consists of several leading international financial institutions.²⁶⁷ In 2000 the group was established in order to develop the standards for global financial services industry with regard to the activities of counter-terrorism financing and anti-money laundering.²⁶⁸

In October 2000, the Wolfsberg Group together with the representatives from Transparency International published the “Principles on Money Laundering

²⁶⁶For more information visit : http://www.menafatf.org/TopicList.asp?cType=train_sub1, accessed 7/4/2015.

²⁶⁷ABN Amro Bank N.V, Banco Santander Central Hispano S.A, Bank of Tokyo-Mitsubishi Ltd, BarclaysBank, Citigroup, Credit Suisse Group, Deutsche Bank AG, Goldman Sachs, HSBC, J.P. Morgan Chase,Société Generale, UBS AG.

²⁶⁸For more information visit : [http://www.wolfsberg-principles.com/pdf/standards/Wolfsberg_Statement_on_the_Suppression_of_the_Financing_of_Terrorism_\(2002\).pdf](http://www.wolfsberg-principles.com/pdf/standards/Wolfsberg_Statement_on_the_Suppression_of_the_Financing_of_Terrorism_(2002).pdf), accessed 7/4/2015.

Prevention in Private Banking.” The principles were developed to address to private banking the dangers of money laundering and more significantly to tackle the scandals of reputational damage suffered by banks involved in money laundering.²⁶⁹ The principles were also established for banks to create a common standard to reduce the resulting complexities and uncertainties from running multinational banks across disparate anti-money laundering system.²⁷⁰ Moreover, customer identification and due diligence procedures are covered by these principles, and they are considered an extension to the Financial Action Task Force Know Your Customer policy.²⁷¹

Bank managements have shown their commitment in combatting serious crimes by agreeing to the principles. The participating banks have displayed a commitment to apply these standards to all their operations at home and at offshore centres, though such standards would not be required in that country’s local law. This is considered the strength of the principles.²⁷² The participating banks also represented the private bankers' willingness to go beyond the identification of the client to tracing the source of the dirty money.²⁷³

The Wolfsberg Group has also presented its own set of principles in response to the global initiative in war on terrorism. In November 2002, the Wolfsberg Group issued the Wolfsberg Anti-Money Laundering Principles for Correspondent Banking. These principles assign a global standard to govern the establishment and maintenance of the relationships of correspondent banking. Clearly, they ban financial institutions from

²⁶⁹ Mark Pieth and Gemma Aiolfi, *The Private Sector Becomes Active: The Wolfsberg Process*, *Journal of Financial Crime*, Vol. 10 Iss: 4, (2003), pp.359 – 365.

²⁷⁰ Andrew Haynes, *The Wolfsberg Principles - an analysis*, *Journal of Money Laundering Control*, Vol. 7 Iss: 3, (2004), pp.207 – 217.

²⁷¹ Kris Hinterseer, *"The Wolfsberg Anti-Money Laundering Principles"*, *Journal of Money Laundering Control*, Vol. 5 Iss: 1, (2001), pp.25 - 41

²⁷² Mark Pieth and Gemma Aiolfi, *Ibid.*

²⁷³ Michael Brindle, *"Private banks' Initiative Against Money Laundering"*, *Journal of Money Laundering Control*, Vol. 4 Iss: 4, (2001), pp.344 – 347.

doing business with shell banks. The principles also promote a risk-based approach to evaluate correspondent banking customers and deal with the identification and follow-up of suspicious or unusual activities.

The Wolfsberg Group continuous effort implies that banks can establish a common standard, and by sharing their rules and experiences, they can learn much from each other.²⁷⁴ This proves that it is able to not only harmonize banking standards but be beneficial for banking business.

On August 5, 2001, Jordan issued instruction No. 10 for the year 2001, namely before the September 11 attack. Accordingly, the UN Security Council Resolution 1373 issued an instruction on September 28, 2001, which requires all countries to take appropriate measures to combat terrorism and eliminate its sources of funding, including money gained from criminals activity. It was the most important decision among all, as all countries shall undertake the following measures:

- (1) Prevent and suppress the financing of any terrorist activities,
- (2) Freeze funds, financial assets, or economic resources of persons who attempt to commit, facilitate, or participate in the commission of terrorist activities,
- (3) Criminalize the deliberate collection or provision, by any means directly or indirectly, of funds in their territories or by their citizens with the intention or the knowledge in order to carry out terrorist activities,

²⁷⁴Hans-Peter Bauer, Martin Peter, "Global standards for money laundering prevention", Journal of Financial Crime, Vol. 10 Iss: 1, (2002), pp.69 – 72.

(4) Prohibit those who plan, finance, facilitate, or commit terrorist activities against other countries or their citizens from using their respective territories for those purposes,

(5) Prevent anyone or their nationals and entities within their territories from making any funds, namely, financial assets, financial resources, or economic, or other available related services, directly or indirectly, in favour of persons who facilitate, attempt to commit, commit, or participate in the committing of terrorist activities,

6) Also, all countries are requested to (a) pay attention to the close connection between transnational organized crime and international terrorism, for instance, illegal drugs trafficking and money laundering, and (b) find ways of accelerating and intensifying the operational information exchange regarding the terrorists' movements or acts.²⁷⁵

In response to the United Nations Security Council's decision, Jordan sought to develop its own system in combating money laundering, particularly by participating in conventions, treaties, and international meetings. Most importantly, Jordan has participated in the Arab Interior Ministers' meetings, and most of the papers presented by the Jordanian police officers concerned money laundering. Jordan also participated in all Arab and international meetings of anti-drug crimes and signed the Regional Convention for the legal and judicial co-operation between the Arab Cooperation

²⁷⁵For more information visit website of The Security Council at: <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N01/557/43/PDF/N0155743.pdf?OpenElement>, accessed 2/8/2014.

Council. The convention was signed among Jordan, Egypt, Iraq, Yemen in regard to combating crimes such as drug trafficking and its resulting activities and behaviors.²⁷⁶

On November 30, 2004, Jordan became the co-founder of the Middle East and North Africa Financial Action Task Force, the governments of fourteen Arab countries. The government decided to establish the Middle East and North Africa Financial Action Task Force as the Financial Action Task Force Style Regional Body to fight money laundering and the financing of terrorism.²⁷⁷

Jordan also joined the Financial Action Task Force, particularly in the third Financial Action Task Force plenary meeting in the eighteenth round, which was held at the headquarters of the Organization for Economic Cooperation and Development on June 27, 2007 in Paris.

In the meeting, the request of the Middle East and North Africa Financial Action Task Force an associate member status was considered. Such status was granted to the Middle East and North Africa Financial Action Task Force by consensus to appreciate the tremendous efforts made by the Middle East and North Africa Financial Action Task Force members to develop their anti-money laundering and counter-terrorist financing regimes. It was also a recognition of the effectiveness and seriousness of the measures they were taking in this regard.²⁷⁸

²⁷⁶ Taghreed Azzam and Amal Fadel Tommalieh, *Money Laundering and its Impact on the Jordanian Economy*, Journal of Contemporary Research in Business, August 2013 VOL 5, NO 4.

²⁷⁷The Jordanian annual Anti Money Laundering Unit report 2007. pp.27.

²⁷⁸For more information visit website of the Middle East and North Africa Financial Action Task Force at: <http://www.menafatf.org/ArticleDetail.asp?rid=731>, accessed 17/8/2014.

2.10 Summary

Money laundering is not just synonymous with developing countries, but also a significant problem in developed countries. The illegal money of corruption do not always need to be laundered internationally. However, the profits of many of the biggest thefts of public property have to be laundered, either as money or as goods such as fine art and real estate. Money laundering tend to frustrate legitimate business enterprises, corrupt the financial systems and eventually, corrupt the social-political systems.

The real causes of money laundering are as follows: prostitution, drugs dealing, political corruption, bribery, human trafficking, arms trafficking, embezzlement, gambling, currency smuggling, counterfeiting money, and tax evasion. Money laundering activities had been associated with organized crime in the past. The September 11 attack has highlighted the link between terrorism financing and money laundering.

Many of the world's nations have been plagued by terrorism, which presents serious challenges to all those victimized by the crime. Terrorism challenges become very complicated when the affected nations place high value on civil and human rights. The challenges are in finding ways to punish and prevent ideologically motivated violence without violating civil liberties and political freedoms. Violence against civilians is unjustified, and must be prevented and prosecuted whenever.

International bodies such as the Financial Action Task Force, the Basel Committee and the United Nations have played an important role in developing strategies preventive. A lot of the focus has been on customer due diligence, since it is generally considered one of the basic elements in preserving the banking systems integrity and

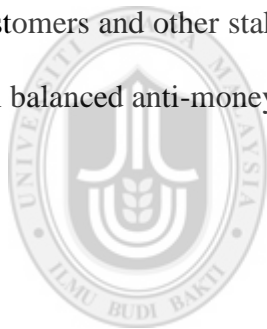
reputation. A strong international cooperation between governments is vital because money laundering is international in nature. It would be difficult to combat money laundering effectively without mutual assistance in the investigation and prosecution of offences and cooperation in the confiscation of the crime proceeds. Furthermore, through the efforts of these international bodies, an important progress has largely been made.

The direct relationship between the Arab Spring, money laundering, and Jordan can be gauged as follows: Huge funds, earned via corruption and embezzlement of the former members of the Arab Spring countries, were smuggled abroad via money laundering operation either before, during, or after the Arab Spring. During this revolutions, the estimated amount of money stolen in Egypt was around USD 132.28. In Libya, the stolen money was estimated to amount USD 200 billion. Logically, this smuggled money need to be laundered urgently, and Jordan, apparently, is one of the countries into which money can be smuggled easily because of the country's adjacency to the Arab Spring countries. Furthermore, Jordan has national banks and branches of foreign banks that provide high efficient means of communication.

Making use of financial institutions is the most common way to launder money. Financial institutions provide various ways to transit financial resources and diversify financial instruments. Transferring funds across international borders is convenient and prompt with the integrated financial markets and global economy. Furthermore, the principle of banking secrecy is similar in almost every country. For the previous reasons, the most vulnerable sectors for money launderers are financial institutions. Criminals have the convenience of being able to move money electronically rather than to transport physical currency, and they can gain access to the international

payment system by utilizing banks. Nowadays, professional money launderers make use of the whole range of modern international financial services from private banking to international wire transfers and correspondent banking.

Fighting money laundering is not just a matter of fighting crime; it also concerns preserving the integrity of financial institutions and banks from the abuse of money launderers. As a result, many of the efforts to combat the threat of money laundering have been concentrated on financial institutions and banks. However, significant regulatory and compliance burdens have been put by money laundering counter-measures on the institutions involved. Such measures have not only affected the business operations of financial institutions and banks, but also their relationship with their customers and other stakeholders. Thus, it is very important to create a workable and well balanced anti-money laundering regime.



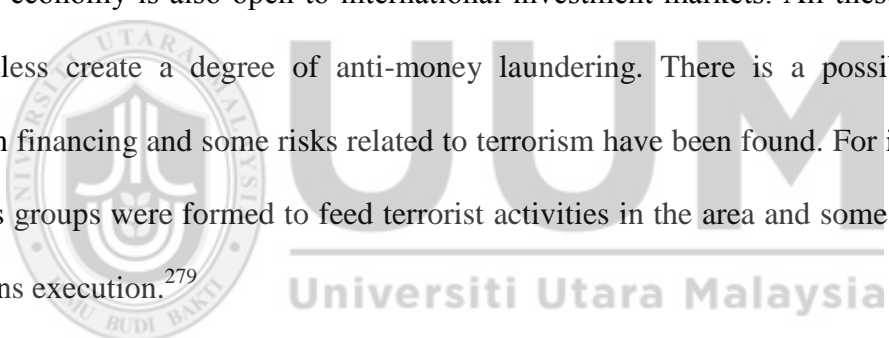
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CHAPTER THREE

ANTI-MONEY LAUNDERING LAWS IN JORDAN

3.1 Introduction

In the Middle East, Jordan is considered one of the countries with stable and advanced economic systems, particularly in the banking sector. The system exhibits an awareness about anti-money laundering and combating the financing of terrorism requirements as well as a remarkable overall progress. Crime rate in the country is relatively low despite drug traffickings and smuggling of antiques from Iraq, and Jordan's economy is also open to international investment markets. All these factors nevertheless create a degree of anti-money laundering. There is a possibility of terrorism financing and some risks related to terrorism have been found. For instance, terrorists groups were formed to feed terrorist activities in the area and some terrorist operations execution.²⁷⁹



There is no evidence to suggest that Jordan is a major regional money laundering centre. However, various financial services, both locally and internationally, are offered in Jordan and they could be misused by those intending to launder money. This necessitates Jordan to put in place laws that can fight money laundering.

Money can be laundered in various ways, among which are by (1) placing of criminal proceeds into the banking system using family members or nominees, (2) purchasing insurance products, (3) purchasing high value goods, (4) purchasing real property, (5) investing in capital markets, (6) setting up of front companies, and (7) using money

²⁷⁹Mutual Evaluation Report Anti-Money Laundering and Combating the Financing of Terrorism, 19 May 2009, issued by Middle East and North Africa Financial Action Task Force, pp 5.

changers and gatekeepers. Criminals may also manipulate cash transactions to hide money trails through cash financial transactions, investment-related transactions, transfers, trust funds, persons' accounts, financing commercial transactions, electronic financial services, and credit facilities.²⁸⁰

In the past few years, Jordan and many other countries have implemented anti-money laundering laws. Jordan was committed to fight money laundering and terrorist financing and hence enacted the Jordanian Anti Money Laundering and Counter Terrorist Financing Law in 2007. This chapter aims to examine the main provisions of the Jordanian Anti Money Laundering and Counter Terrorist Financing Law 2007 since it is the main legislation relating to money laundering. The following subsection briefs the pre-Jordanian anti-money laundering regulatory regime before examining the law provisions.

3.2 Pre Jordanian Anti Money Laundering Regulatory Regime

In combating money laundering, the Jordanian system was a set of disparate laws with no direct link to money laundering. These laws dealt with the negative effects of certain crimes such as smuggling, drug offenses, and tax evasion.

All over the years, the reach-out efforts in the form of technical assistance and other engagements have been implemented by Jordan either on its own or by cooperating with other regional and international bodies.

In general the following laws have been indirectly governing anti-money laundering: the Jordanian Penal Law 1960, the Jordanian Conservation of State Funds Law 1966,

²⁸⁰The Jordanian Guidance Manual for Anti Money Laundering and Counter Terrorist Financing, Issued by the Central Bank of Jordan. For more information, see: <http://amlu.gov.jo/Portals/0/English/02%20Guidance%20Manual%20for%20Anti-Money.pdf>. Accessed 9/1/2015.

the Jordanian Narcotic Drugs and Psychotropic Substances Law 1988, the Jordanian Customs Law 1998, the Jordanian Money Exchange Business Law 1992, and the Jordanian Banking Law 2000.

On November 18, 1997, the first direct efforts to deal with money laundering transpired in Jordan. Jordan's Central Bank sent Memorandum No. 210/97 to license and advise Jordanian banks on questions related to money laundering. Nevertheless, this memorandum was less directive than generic and exhortative; it advised banks of "knowing" their customers and it provided the general description of the circumstances when banks may reasonably suspect about their customers identity. When the question of money laundering for Jordanian banks was confronted, the circumstances description did not provide much practical guidance which can be interpreted in a comprehensive procedural manual. Problems that beset Memorandum No. 210/97 included (1) lack of coherent structure, and (2) lack of its coherent structure. The memorandum did not even detail the means of money laundering.²⁸¹

According to Jordanian Conservation of State Funds Law 1966, confiscating the funds that criminals gained was imposed by the Jordanian legislator to deprive the criminals thus preventing them from using these funds. The law also imposes follow-ups in cases of disposal in order to hide the funds or make it seen as if they were legitimate.²⁸²

In Jordanian Customs Law 1998, the Jordanian legislator confirmed the combating of customs smuggling. However, combating smuggling was only limited to smuggled

²⁸¹ Lu'ayy Minwer Al-Rimawi, *Money Laundering Regulations in Jordan: A Positive Example of A Middle Eastern Country Earnest about Catching up with International Financial Standards*, *Journal Of Money Laundering Control* Vol. 7, No. 1, (2003), pp. 15-17.

²⁸² Articles 4 and 5 from the Jordanian Conservation of State Funds Law 1966.

goods and detected crimes. The funds are illegal which are subject to imposed confiscation and a fine besides imprisonment.²⁸³

The Jordanian Customs Law 1998 Article 206 (C²⁸⁴ and D²⁸⁵) identifies the crimes that are part of illegal funds and smuggling penalties. The paragraphs dictate that the penalty to be charged sums to equal or less than 50 percent of the transport tools and goods to goods and materials that in some way managed to get away with fees obligations and with the registration matters. Nevertheless, the law does not fully deal with the transactions that emerge from the smuggling crimes and overabundant funds and the taken sentence is to be equal of the escaped amount from the confinement.²⁸⁶

The main objective of the Jordanian Narcotic Drugs and Psychotropic Substances Law 1988 is to combat drug trafficking, whether in its cultivation, manufacturing, and export. Anyone involved in this illegal act will be responsible to the law hence will also be sentenced.²⁸⁷ The court stands as the authority on analyzing the matters and making decisions. As Article 15 of the law dictates, the court is given the right of making decisions in identifying the sources of these funds. Nevertheless, if the funds are generated with the consent of the law and the sources are relevant to the law, the act is thought to be legal.

In the Jordanian Money Exchange Business Law 1992, the Jordanian legislator confirmed that in order to audit the financial operations and reporting of the Central

²⁸³ Articles 206 and 235 from the Jordanian Customs Law 1983.

²⁸⁴ Article 206 (c): The confiscation of the goods involved in the smuggling or levying the equivalent of their value including the duties if the goods were not seized or escaped seizure.

²⁸⁵ Article 206 (d): Confiscation of the transportation means and the instruments and items used in the smuggling or a fine not exceeding 50% of the value of the smuggled goods provided that it does not exceed the value of the transport means with the exception of ships, planes and trains unless they were prepared or hired for this purpose or levying the equivalent of their value if they were not seized or escaped seizure.

²⁸⁶ Ahmed Adnan Al-Nuemat, *Money Laundering and Banking Secrecy in the Jordanian Legislation*, Journal of International Commercial Law and Technology, Vol.9, No.2 (2014).

²⁸⁷ Articles 8, 9,15 and 25 from the Jordanian Narcotic Drugs and Psychotropic Substances Law 1988.

Bank for any suspicion in operations linked to a crime, there will be a need to audit and review ATM accounts.²⁸⁸ According to the law, money exchange is a licensed practice for Jordanian banks.

As in the Jordanian Penal Law 1960, the Jordanian legislators consider suspicious money regarding any banking operation a terrorism crime if it is revealed that the money is related to a terrorist activity. The law penalties in this case are money confiscation, fine, and imprisonment.²⁸⁹

As a matter of fact, Article 93 of the Jordanian Banks Law 2000 is one of the most important Jordanian legal provisions against money laundering. The article dictates that it is mandatory that every bank in Jordan immediately report any financial transaction that may or may not be related to an illegal crime, and that every bank act to the Jordan's Central Bank.²⁹⁰ And when such notification is received from the concerned bank the Jordan's Central Bank considers the obligation to instruct that bank to stop the transaction which includes to stop receiving or paying money for a maximum of thirty days. Hence the Jordan's Central Bank has to notify the official authorities or relevant judicial.²⁹¹

Central Bank Instructions No. 10 for 2001 has introduced better awareness of what is exactly involved in confronting money laundering. The definition of money laundering in this instruction is one of the most important contributions to Jordan.²⁹²

Money laundering, as defined in this instruction, includes the following: 1) hiding the illegal money source, 2) replacing illegal money or laundering it in order to hide or

²⁸⁸ Articles 21 and 24 from the Jordanian Money Exchange Business Law 1992.

²⁸⁹ Article 147 from the Jordanian Penal law 1960.

²⁹⁰ Article 93 (a) from the Jordanian Banks Law 2000.

²⁹¹ Article 93 (b) from Jordanian Banks Law 2000.

²⁹² The Central Bank instructions No. 10 for the year 2001, <http://www.pogar.org/publications/ac/compendium/jordan/antimoneylaundering/aml-01-ar.pdf>, accessed 2/8/2014.

disguise its source, 3) providing incorrect information about the illegal money origins, 4) using this money to purchase perceptible or imperceptible properties, 5) illegal money ownership. Nevertheless, the definition of money laundering by no means is comprehensive as it disregards the complex nature of financial transactions. It is important to mention that the Central Bank Instruction No. 10 for the year 2001 also highlights the need to verify the identity of customers, particularly if they are corporate entities. However, this is also a new concept of combating money laundering in Jordan where "know your customer" means checking the natural individuals' identity not the corporate persons'.²⁹³

The main purpose of this regulation is to stop fake accounts. Hence it is customary for all Jordanian banks and their national or international operating branches that the person who is keeping the account display his real identity and that the accounts have to be verified. The Central Bank also makes it mandatory for the banks to ensure that if a person is holding an account of more than 10000 JD the identity of the customer has to be verified by the authorities in order to refrain from foul transactions. The transactions of this account need to be monitored well in order to make sure that the money has not been transferred illegally. The Central Bank also instructs that the third parties who are given the authority to conduct the transactions be verified. Additionally, any suspicious activities and transactions of transferring money are highly recommended to be monitored and verified.²⁹⁴

²⁹³ Lu'ayy Minwer Al-Rimawi, Ibid.

²⁹⁴ Ahmed Adnan Al-Nuemat, ibid.

3.3 Jordanian Anti-Money Laundering Laws

Jordan faces several challenges due to being located among countries that encounter internal conflicts, such as Syria, Yemen, Egypt, Tunisia, and Libya. Regardless, the country is determined to respond effectively to these challenges.

In Jordan, most of the sectors concerned with anti-money laundering are covered by a legislative and supervisory framework. To combat money laundering, efforts from Jordan and other countries have produced a comprehensive legal framework that criminalizes money laundering namely the Jordanian Anti-Money Laundering Law.²⁹⁵ The framework became effective thirty days after the document was published on the official gazette. To establish a good anti-money laundering system in Jordan, the subject law has covered the fundamental aspects of the required legal framework.

3.3.1 Strategies and Priorities of Jordan's Anti-Money Laundering

The aim of anti-money laundering law in Jordan is to strengthen the procedures and precautionary measures for anti-money laundering particularly in the financial sector. Major precautionary procedures in anti-money laundering have been established by the Jordanian Anti-Money Laundering Law 2007 and these procedures are strengthened by the issued instructions and imposed control. Control authorities and inspection measures have further strengthened the efforts. However, full co-operation is needed among authorities on the local level, similar units, and foreign authorities in order to eliminate the effect of the crime at international level. This law also aims to raise the awareness among the citizens on the law provisions and among the

²⁹⁵ The Jordanian Official Gazette No (4831), dated 17/6/2007, pp. 4130.

authorities in general. It also seeks to train employees in the control and supervisory authorities besides the authorities that are subject to the law provisions.²⁹⁶

3.3.2 The institutional framework for combating money laundering

To supervise the activities of the Jordanian anti-money laundering unit, the law dictates the formation of a national committee to outline Jordan's general policy. The governor of Central Bank of Jordan is the head of the committee that includes the deputy governor of Central Bank of Jordan as the deputy chairman, the Commissioner of Securities Commission, company's controller, the head of Jordanian anti-money laundering unit, commission director general, and the insurance members of various ministries who hold the position of secretary general.²⁹⁷ These authorities have the necessary powers to control the businesses of the institutions regulated by them in accordance with the following laws: the Central Bank Law,²⁹⁸ the Banking Law,²⁹⁹ the Insurance Regulatory Law,³⁰⁰ and the Securities Law.³⁰¹

The Central Bank

The Central Bank of Jordan serves to (1) maintain the monetary stability, (2) guarantee the convertibility of the Jordanian Dinar,³⁰² and (3) promote the continual economic growth in Jordan according to the government's general economic policy. These goals shall be achieved by controlling the licensed banks in a manner that ensures the rights of the depositors and shareholders and by securing the safety of the banks' financial status. The Central Bank also performs any job or transaction that a

²⁹⁶ Awad Abdalla al-Kdaa, *The Liability of the Jordanian Banks for the Money Laundering*, Master thesis submitted to Faculty of Law of in the Middle East University, Amman, Jordan,(2010), pp.143-146 In Arabic.

²⁹⁷ According to article 5 from Jordanian Anti Money Laundering Law 2007.

²⁹⁸ Central Bank Of Jordan Law No.23 of 1971.

²⁹⁹ Jordanian Banking Law No. 28 of 2000.

³⁰⁰ Jordanian Insurance Regulatory Law No. 33 of 1999.

³⁰¹ Jordanian Securities Law No. 76 of 2002.

³⁰² The Jordanian currency.

bank often performs and exercises the Central Bank law or any other law or any international agreement the government is a part of. Registers, transactions and exchangers' records shall be reviewed, audited, and inspected by the Central Bank.³⁰³

Jordan Securities Commission

Jordan Securities Commission authorizes the licenses, the exporters, the accredited, the market, the joint investment funds, the center, and the investment companies through supervision and control according to the provisions of the Securities Law, instructions, the regulations, and resolutions issued by virtue therewith. These authorities shall also be subject to inspection and its entries, records, and documents shall be audited by the respective legally competent authority.³⁰⁴

Jordan Insurance Commission

The insurance sector in Jordan shall be regulated and supervised by the Insurance Commission in order to develop the insurance services and protect the rights of the insured. The Insurance Commission shall regulate the insurance companies and the supportive insurance services providers. The General Director of the Insurance Commission shall be given the right to authorize one or more of the Commission employees to audit or confirm in the appropriate time any of the company's documents or transactions or records. The company must put any of the above under the command of the employee and cooperate with the general director for him to carry out his duties.³⁰⁵

³⁰³ For more information visit:

http://www.cbj.gov.jo/pages.php?menu_id=2&local_type=0&local_id=0&local_details=0&local_detail_s1=0&localsite_branchname=CBJ , accessed 9/4/2015.

³⁰⁴ For more information visit:

http://www.jsc.gov.jo/public/english.aspx?site_id=1&Lang=3&site_id=1&page_id=2011&menu_id=160, accessed 9/4/2015.

³⁰⁵ For more information visit: <http://www.irc.gov.jo/about.asp>, accessed 15/3/2015.

The Ministry of the Interior regulates nonfinancial entities such as jewellery traders and the Department of Lands and Survey regulates real estate agents. Other professions, such as lawyers and accountants, must be subject to the provisions of special laws which regulate their work; they shall also be regulated by the trade unions which are established in accordance with the law provisions.³⁰⁶

The committee works are as follows: (1) developing the general policy for anti-money laundering, (2) following-up with the respective authorities in order to fulfil the obligations according to the relevant and enforceable international resolutions, (3) participating in international forums that are relevant to the general policy of anti-money laundering, (4) approving and adopting the annual budget of the unit as proposed by the unit's chief, (5) setting-up the plans necessary for the implementation of the policy, (6) studying the necessary legislation draft for implementing this law provisions as the unit prepared for submission to the Council of Ministers, (7) studying the submitted annual reports by the unit regarding the activities of anti-money laundering, and (8) studying the instructions and guidelines to be issued by the supervisory and regulatory authorities in accordance with this law provisions.³⁰⁷ It was the Recommendation No. 26 of the Financial Action Task Force Recommendations that derived the idea for the Jordanian lawmakers to create such a unit.³⁰⁸

The law created an independent unit in Jordan to receive reports of suspicious activities from the entities subject to the law provisions, such as banks, money

³⁰⁶ Mutual Evaluation Report Anti-Money Laundering and Combating the Financing of Terrorism, May 19 2009, issued by Middle East and North Africa Financial Action Task Force, pp 37.

³⁰⁷ According to Article 6 from Jordanian Anti Money Laundering Law 2007.

³⁰⁸ Recommendation No. 26 of The Financial Action Task Force Recommendations: Countries should ensure that financial institutions are subject to adequate regulation . . .

transfer companies, exchange companies, and other Jordanian entities.³⁰⁹ However, the unit requested further information so that the activities can be technically and legally analyzed for further action. The law specifies that the parties subject to its provisions are obligated by the law to inform the Jordanian Anti-Money Laundering Unit about suspicious transactions, regardless whether the transaction actually took place. The law also defines the role of the regulatory bodies that supervise these parties,³¹⁰ and Recommendation No. 29 of the Financial Action Task Force Recommendations derived the idea of creating such a unit.³¹¹

In general, the law organizes the needed local means and international co-operation to combat money laundering because of the understanding that it is a cross-border crime. The law also states that the Jordanian Anti-Money Laundering Unit authorities has to co-operate with their foreign counterparts units. In this regard the law gives Jordanian Anti-Money Laundering Unit the authority to sign an understanding memorandum to organize the co-operation with their counterpart units. In fact, from Recommendation No. 37 of the Financial Action Task Force Recommendations the Jordanian lawmakers derived the idea of organizing the needed local means and international co-operation to combat money laundering.³¹²

³⁰⁹ According to Article 13 from Jordanian Anti Money Laundering Law 2007.

³¹⁰ According to article 7 from Jordanian Anti Money Laundering Law 2007.

³¹¹ Recommendation No. 29 of The Financial Action Task Force Recommendations :Countries should establish a financial intelligence unit (FIU) that serves as a national centre for the receipt and analysis of: (a) suspicious transaction reports; and (b) other information relevant to money laundering, associated predicate offences and terrorist financing, and for the dissemination of the results of that analysis. The FIU should be able to obtain additional information from reporting entities, and should have access on a timely basis to the financial, administrative and law enforcement information that it requires to undertake its functions properly.

³¹² Recommendation No. 37 of The Financial Action Task Force Recommendations :Countries should rapidly, constructively and effectively provide the widest possible range of mutual legal assistance in relation to money laundering, associated predicate offences and terrorist financing investigations, prosecutions, and related proceedings. Countries should have an adequate legal basis for providing assistance and, where appropriate, should have in place treaties, arrangements or other mechanisms to enhance cooperation.

3.3.3 The Legal System

The application of Anti-Money Laundering Law 2007: Jordan's Anti-Money Laundering Law No. (46) of 2007 was published in the Official Gazette in volume 4831 dated June 17, 2007, on page 4130. The law became effective thirty days after the document was published. This law has covered the basic aspects of the legal framework needed to establish a good anti-money laundering system in Jordan.

The law was then amended by Temporary Law No. (8) of 2010, published in the Official Gazette in volume 5028 dated May 2, 2010, on page 2383 and by Temporary Law No. (31) of 2010, published in the Official Gazette in volume 5057 dated September 21, 2010 on page 5521. Recently, the law was amended by Law Amending No. (31) of 2015, published in the Official Gazette in volume 5345 dated June 16, 2015, on page 6007.

Criminalization of money laundering: the Jordanian Anti-Money Laundering Law of 2007³¹³ covered a wide series of financial bases, therefore, with regard to the offence the law's definition of money laundering is compatible with (Palermo Convention) the United Nations' convention against Transnational Organized Crime 2000.³¹⁴ Consequently, the Jordanian lawmakers have applied Recommendation No. 3 of the Financial Action Task Force Recommendations.³¹⁵

³¹³ According to article 2(a) from Jordanian Anti Money Laundering Law 2007, money laundering is described as: every conduct involving acquiring, possessing, disposing of, moving, managing, keeping, exchanging, depositing, investing, manipulating the value or transferring the funds, or any other act, where the purpose of the act is to conceal or disguise the source, true nature, place, movement, disposal means, ownership or related rights, or otherwise preventing from identifying the person who committed the crime that generated the funds, with the knowledge that the funds are the proceeds of any of the crimes stipulated in article (4) of this law.

³¹⁴ Article 6 (1) of the United Nations Convention against Transnational Organized Crime 2000, about Criminalization of the laundering of proceeds of crime: Each State Party shall adopt, in accordance with fundamental principles of its domestic law, such legislative and other measures as may be necessary to establish as criminal offences, when committed intentionally: (a) (i) The conversion or transfer of property, knowing that such property is the proceeds of crime, for the purpose of concealing or disguising the illicit origin of the property or of helping any person who is involved in the

As in Article 4, the law includes criminalizing money laundering as a different crime than the predicate crime:

"a- Every Fund that generates from any of the crimes indicated below shall be considered the subject of money laundering: - 1- Any crime punishable pursuant to the provisions of the valid legislation in the Kingdom. 2- Crimes, the proceeds of which are considered, according to the provisions of international agreements ratified by the Kingdom, as a subject of a money laundering crime. b- The money laundering crime is considered independent from the crime that generated the funds; a conviction in the crime that generated the funds is not a condition to prove its illegitimacy."

After examining this article, the researcher claims that the scope of predicate offences was widened to include the punishable felonies and misdemeanors in Jordan; therefore the twenty offences included were listed in the methodology.³¹⁶ To prove that the funds are illicit a predicate offence conviction is not required. For certain the Law is the concerned law in this area.

Freezing, seizure, and confiscation of property: The proceeds are defined according to Article (2) of the Anti-Money Laundering Law 2007 as “the funds which

commission of the predicate offence to evade the legal consequences of his or her action. (ii) The concealment or disguise of the true nature, source, location, disposition, movement or ownership or rights with respect to property, knowing that such property is the proceeds of crime. (b) Subject to the basic concepts of its legal system:(i) The acquisition, possession or use of property, knowing, at the time of receipt, that such property is the proceeds of crime.(ii) Participation in, association with or conspiracy to commit, attempts to commit and aiding, abetting, facilitating and counselling the commission of any of the offences established in accordance with this article.

³¹⁵ Recommendation No. 3 of The Financial Action Task Force Recommendations: Countries should criminalise money laundering on the basis of the Vienna Convention and the Palermo Convention. Countries should apply the crime of money laundering to all serious offences, with a view to including the widest range of predicate offences.

³¹⁶ The 20 offences listed in the Methodology of Financial Action Task Force : participation in an organized criminal group and racketeering, terrorism, including terrorist financing, trafficking in human beings and migrant smuggling, sexual exploitation, including sexual exploitation of children, illicit trafficking in narcotic drugs and psychotropic substances, illicit arms trafficking, illicit trafficking in stolen and other goods, corruption and bribery, fraud, counterfeiting currency, counterfeiting and piracy of products, environmental crime, murder, grievous bodily injury, kidnapping, illegal restraint and hostage-taking, robbery or theft, smuggling, (including in relation to customs and excise duties and taxes), tax crimes (related to direct taxes and indirect taxes), extortion, forgery, piracy, and insider trading and market manipulation. When deciding on the range of offences to be covered as predicate offences under each of the categories listed above, each country may decide, in accordance with its domestic law, how it will define those offences and the nature of any particular elements of those offences that make them serious offences.

are the direct or indirect results of committing any crime provided for in Article (4) of the subject law.” The article defines funds as “each property or right having a financial value in transactions and the legal documents and bonds, of any form whether electronic or digital that show the possession of such funds or any interest thereof, including the bank accounts, securities, commercial instruments, traveler's checks, transfers, letters of guarantee and letters of credit.” This definition is considered sufficiently comprehensive.

Predicate offenses committed outside Jordan’s territory: Article (3) of the Anti-Money Laundering Law 2007 stipulates that “laundering of money proceeds from any of the crimes provided for in Article (4) of the subject law shall be prohibited, whether they were committed inside or outside the Jordan provided that the act is punishable under the law in force in the country in which the act occurred.” Consequently, the predicate offenses of the money laundering crime definition extends to include the acts committed in another country.

Regarding dual criminality, the Law stipulates that an act is not considered a crime of money laundering if the crime proceeds were earned by an act that was committed in another country where this act is not considered a crime; however, if the crime is committed it would have been a predicate offense.

Ancillary crimes of money laundering: Punishing the accomplice involved, the interferer, and the abettor in the crime by the same principal's sanction is stipulated by Article (24) of the Anti-Money Laundering Law 2007. The accomplice is defined by Article (76) of the Jordanian Penal law as follows: “If several persons committed together a felony or misdemeanor, or if the felony or misdemeanor made up of many acts where each one of them executed one act or more of the acts constituting it for

the purpose of committing that felony or misdemeanor, all of those involved shall be considered accomplices and each one of them shall be punishable by the sanction specified for this act by law, as if he was an independent perpetrator.” According to Article (80/1) of the Jordanian Penal Law, the abettor is the one who “urges or attempts to urge another person to commit a crime by offering money or a present or threatening or tricking or deceiving or spending money or abuse in his employment position.”

Paragraph (2)³¹⁷ adds that the accomplice is “the person intervening in a felony or misdemeanor is the one who (a) gave instructions to commit it, (b) gave the crime’s perpetrator a weapon or tools or anything else that might help him commit it, (c) was present in the place in which the crime was committed for terrorizing the resisting persons or strengthening the will of the crime perpetrator or guaranteed committing the intended crime, (d) helped the crime perpetrator in the acts that led to or facilitated the crime, or in the committed acts, (e) agreed with the crime perpetrator or one of the accomplices before committing the crime, and contributed in concealing indications, hiding or disposing of matters resulting from the crime, or hiding one or more accomplices to keep them away from justice, (f) was aware of the criminal history and track of wrongdoers who committed banditry or violent acts against the State’s security and public safety, or against persons or properties, and gave them food, shelter or a place to meet.”

As for the case of attempt, a clear provision is absent. Article (68) of the Jordanian Penal Law defines attempt as “starting the execution of one of the evident acts leading to committing a felony or misdemeanor, so if the perpetrator was not able to execute the acts necessary for the occurrence of this felony or misdemeanor due to reasons

³¹⁷ Article (80) of the Jordanian Penal law 1960.

beyond his control, he should be punishable as follows (...) that any other temporary sanction is to be reduced from half to two thirds.” Article (71) of the Jordanian Penal Law added that the attempt of a misdemeanor is not punishable except in the cases clearly declared in the law.

As a matter of fact, the Anti-Money Laundering Law 2007 stipulates “attempt” in a misdemeanor in Article 24 (a/1) as follows: “Anyone who committed or has attempted to commit a money laundering crime as stipulated in this law, shall be penalized by imprisonment for a period not less than one year and not more than three years, and with a fine of not less than the same amount of the money subject to the crime if the money was the proceeds of committing a misdemeanor.”

Normal and legal persons’ liability: Article (24) of the Anti-Money Laundering Law 2007 in force stipulates that each normal person who attempts to commit or commits the crime of terrorist financing according to this law shall be punished by provisional hard labor for at least ten years and a fine not less than 100000 JOD (which is about 140000 U.S. dollars), as well confiscating the money and all instrumentalities intended to be used or used in the crime. In addition, the collaborator, instigator, and partner shall also be punished by the same penalty stipulated for the primary criminal.

With respect to penalties imposed on the legal person, it is stipulated in Article (31) of the Anti-Money Laundering Law 2007 that the legal person shall be responsible for the crimes committed by the person responsible for the actual management according to the law provisions. The fines stipulated in the law shall be thereon imposed. In addition, the legal person may also be suspended by the court, from working, partially or fully, where this period does not exceed one year and not less than one month.

However, in case of recurrence, the court may decide to revoke the legal person registration or liquidate him and prevent each person who is found to be responsible personally for committing any of these crimes whether he is president, chairman, a member in the director board, a partner, or a manager from contributing in any legal person capital of having similar objectives or to participate in the management. Thus, regarding to the natural and legal persons it seems that these sanctions are deterrent.

3.3.4 Regulations, instructions, and guidance

A number of regulations, instructions, and guidance manuals were issued under the Jordanian law of anti-money laundering, for instance, the regulations of National Anti-Money Laundering and Counter Terrorist Financing Committee No. 44/2008. The most important among them is Regulation of Anti-Money Laundering and Counter Terrorist Financing Unit No. 40/2009.³¹⁸ This regulation determines the powers and functions of the unit and its president as well as the unit's cooperation with their counterparts and with supervisory authorities. The most important powers and functions of the Jordanian units in regulation are as follows: (1) to adopt intelligence on notifications of suspicious transactions that can be related to money laundering received by the entities subject to the law provisions and to request any necessary information, (2) to adopt the suspected transactions' means and forms of notifications that can be related to money laundering, (3) to set and implement capacity building and training programs for the obliged entities employees of reporting and other authorities, (4) to establish a database where all information on suspicious transactions that can be related to money laundering received by the unit can be maintained, and (5) to prepare the necessary legislation for implementing the

³¹⁸ Issued pursuant to the provisions of Article 10 of the Jordanian Anti-Money Laundering and Counter Terrorist Financing Law 2007, Publication in Jordanian Official Gazette No (4970), dated 1/7/2009, pp. 3026.

law provisions.³¹⁹ Therefore, under this regulation the unit has direct authority on the Jordanian entities system to combat money laundering, and it was from Recommendation No. 31 of the Financial Action Task Force Recommendations the Jordanian lawmakers derived the powers of this unit.³²⁰

To exchange information related to counter terrorist financing and money laundering and criminal activities related there to, in addition to the spirit of cooperation and common interests in facilitating the investigation and prosecution through the analysis of money laundering relating information and related criminal activities, besides the emphasis on information exchanged confidentiality between the unit and the corresponding units. In 2010 the Jordanian Unit has signed Understanding Memorandum with the Counterpart Units, which are as follows:

(1) The Anti-Money Laundering and Suspicious Cases Unit of the United Arab Emirates. The chief of Jordan's Unit assumed signing the Memorandum with Executive Director and Head of Anti-Money Laundering and Suspicious Cases Unit of the United Arab Emirates; (2) The Financial Crimes Investigations Board of the Republic of Turkey. The chief of Jordan's Unit assumed signing the Memorandum with Chief of The Financial Crimes Investigations Board. The Memorandum of Understanding entered into force on September 21, 2010.

(3) Financial Intelligence Unit of Understanding with The Counterpart Unit of the Palestinian National Authority in Amman on December 5, 2010, during a meeting

³¹⁹ Article 3 from regulation of the Anti-Money Laundering and Counter Terrorist Financing Unit No. 40/2009.

³²⁰ Recommendation No. 31 of the Financial Action Task Force Recommendations about powers of law enforcement and investigative authorities: When conducting investigations of money laundering, associated predicate offences and terrorist financing, competent authorities should be able to obtain access to all necessary documents and information for use in those investigations, and in prosecutions and related actions. This should include powers to use compulsory measures for the production of records held by financial institutions, DNFBPs and other natural or legal persons, for the search of persons and premises, for taking witness statements, and for the seizure and obtaining of evidence . . .

between the Chief of Jordan's Unit and the Director of the Financial Follow-Up Unit of the Palestinian National Authority.³²¹

A number of instructions were established by the Jordanian Anti-Money Laundering Law 2007, for instance: (1) anti-money laundering and counter terrorist financing regulation related to Money Exchange Companies No. 2/2010 and guidelines thereto, (2) instructions on anti-money laundering and counter terrorist financing in Securities Activities and Guidelines related thereto, (3) anti-money laundering and counter terrorist financing instructions of Insurance Activities No. 6/2010 and guidelines related thereto, (4) anti-money laundering and counter terrorist financing instructions pertaining to goldsmithing and sale of jewellery, precious metals, and gems shops for 2010 and guidelines related thereto, besides other instructions and guidelines that govern anti-money laundering in Jordan.³²²

In this regard, the most important instruction is Instructions for Anti-Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.³²³

All banks operating in Jordan shall apply the instructions provisions,³²⁴ and they include the procedures for combating money laundering, for instance, (1) obligations of customers due diligence (know your customer), (2) risk assessment obligations, (3) transaction monitoring obligations, (4) reporting obligations, (5) record-keeping obligations, (6) training obligations, (7) compliance obligations.

³²¹ The Jordanian annual Anti Money Laundering Unit report 2010. pp.17.

³²² The Jordanian annual Anti Money Laundering Unit report 2012. pp.34.

³²³ Issued pursuant to the provisions of article 14 (a/4) of the Jordanian Anti Money Laundering Law 2007 and to the provisions of article 99 (b) of the Banking Law 2000, dated 23/11/2010.

³²⁴ Article 2 from Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

3.4 Anti-Money Laundering Obligations

In 2007, Jordan passed the Anti-Money Laundering Law to fulfil its international obligations and to demonstrate its commitment in combating money laundering. This law criminalizes money laundering; imposes specific obligations on banks and financial institutions; and provides for the seizure, freezing and confiscation of properties that have been resulted from criminal activities proceeds. Regarding the global combat terrorism, the Anti-Money Laundering Law 2007 has been amended by the Anti-Money Laundering (Amendment) Law in 2015. Thus this law brings terrorism financing within the domain of the regime of anti-money laundering regulatory.

Specific obligations were imposed on banks to combat money laundering activities by the Jordanian Anti-Money Laundering and Counter Terrorist Financing Law 2007 and the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010. One of the obligations is to establish risk assessment, identify and verify customers, report cash and suspicious transactions, establish compliance program, and keep records.

Due to the complex nature of money laundering operations, the Central Bank of Jordan had to review the instructions and guidelines. The bank consequently issued a new set of guidelines: Guidelines on Anti-Money Laundering. These guidelines explain the techniques of suspected transactions to be related to money laundering and are in line with the best practices of international anti-money laundering issued by Financial Action Task Force.

The guidelines were issued under Article 99 (b) of the Banking Law 2000 and Article 14(a/4) of the Anti-Money Laundering 2007, Instructions No. 51/2010. These articles

enable the Central Bank of Jordan to issue relevant guidelines to discharge any international obligations on Jordan.

This section critically analyses the main obligations imposed on banks under the Law 2007, and Instructions No. 51/2010. Consequently, it will focus on the requirements relating to obligations of customers due diligence (know your customer), risk assessment obligations, transaction monitoring obligations, reporting obligations, record-keeping obligations, training obligations and compliance obligations.

3.4.1 Obligations of customers due diligence and risk assessment

It is worth to note that in accordance with the anti-money laundering's international standards, Instructions No. 51/2010 focuses on specific customers and transactions of which beneficiary account, wire transfers, non-face-to-face business relationships, private banking, correspondent banking, and foreign politically exposed persons. Because these customers and transactions are considered vulnerable to money laundering thus the procedure becomes necessary.

Also Instructions No. 51/2010 adopts a risk assessment approach to the requirements of customer due diligence. The banks will have the flexibility to implement the obligations depending on the type of customer, transaction, service, and product.

This section examines the customer acceptance policy and customer identification. Consequently, it would be significant to mention the customer due diligence procedures prescribed by the Jordanian regime.

3.4.1.1 Customer acceptance policy

Articles 14 (a/1 and 2) and 14 (a/5) of the Law 2007, and Articles 3 and 5 of Instructions No. 51/2010 require that banks develop a customer acceptance policy

before establishing a business relationship with customers. For each customer the banks must create a risk profile. This is vital particularly for identifying the customers' type which is associated with high risk of money laundering.

According to the degree of risk related to money laundering the bank shall classify all its customers by considering the following: (1) the customer's banking transactions consistency with the nature of customer business activity, and (2) the degree of interrelation and divergence between the opened accounts and level of its activity.³²⁵

A lot of factors need to be considered to ensure that the banks know their customers well thus are able to detect any suspicious activities and assess risks. In other words, banks should put greater effort in obtaining information about the customer. Hence the implementation of a number of effective risk management arrangements should be the result of this process. Moreover, Article 5 (First/2) of Instructions No. 51/2010 dictates that banks are required to place the necessary procedures in order to deal with the risks and review and regularly update the profile of customers, particularly when there are changes in their nature of business or employment.

In accordance with the risk perceived the Jordanian banks are required to apply anti-money laundering measures to their customers. The adoption of an anti-money laundering risk assessment regime identify that banks are in the best place to design programs of anti-money laundering that deals with specific risks they may encounter. This is because banks know their customers and business better than any government body. In addition, a risk assessment regime also gives banks more flexibility in implementing the measures of anti-money laundering. This could in turn lead to result greater customer satisfaction and cost-savings.

³²⁵ Article 5 (First/1) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

According to the risk assessment approach, banks have to explain that the range of their anti-money laundering law controls is convenient to the risk level in their business operations. In addition, banks need to focus on the higher risk customers and transactions for instance private banking customers, politically exposed persons, non-resident customers and customer who belong or are in countries that insufficiently apply or do not apply the Financial Action Task Force Recommendations.³²⁶

However, instead of the approach that says one size fits all, banks are now have the flexibility to implement controls and systems in the most appropriate way in accordance to the real money laundering risk they perceived. For high risk customers, more detailed information must be obtained in order for the banks to conduct enhanced due diligence.³²⁷ Otherwise, a less stringent approach would be sufficient for low risk customers.³²⁸

While the risk assessment anti-money laundering regime has been welcomed by the banking industry, it still leaves more rooms for interpretation. It remains uncertain the way that risk is conceptualized,³²⁹ thus the risk-based regulation effectiveness depends on the regulated agreeing with the regulators concerning what risks need to be controlled and the way of control.³³⁰ This is critical to ensure that a country's financial system can be protected in the best possible affordable way.³³¹ In fact, the risk-based approach concept is based on principles that are sound. Nevertheless, to

³²⁶ Article 5 (First/3) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

³²⁷ Article 5 (First/4) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010

³²⁸ Article 4 of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010

³²⁹ Stuart Ross, Michelle Hannan, *Money Laundering Regulation and Risk-based Decision-Making*, *Journal of Money Laundering Control*, Vol. 10 Iss: 1, (2007), pp.106 – 115.

³³⁰ Sam Stewart, *Coping with the FSA's Risk-Based Approach*, *Journal of Financial Regulation and Compliance*, Vol. 13 Iss: 1, (2005), pp.43 – 47.

³³¹ Jos de Wit, *A Risk-based Approach to AML: A controversy between financial institutions and regulators*", *Journal of Financial Regulation and Compliance*, Vol. 15 Iss: 2, (2007), pp.156 – 165.

generate a workable, flexible, effective and high level framework is the real challenge.³³²

3.4.1.2 Customer identification and due diligence

Customer identification and due diligence procedures are considered the basic element of the anti-money laundering regime. They are also vital for obtaining sufficient and reliable information to determine the customers' true identity. From a broader financial integrity and prudential objective, sufficient identification of customer and due diligence procedures would protect banks from credit, operational, reputational, concentration and legal risks. Consequently, customer identification not only help banks detect, deter and combat terrorism financing and money laundering , but also provide tangible benefits to the banks, its customers, and the entire financial systems.³³³ Customer identification and due diligence can be identified as a process of (1) identifying and verifying a customer, (2) obtaining information on the intended nature and purpose of the banking relationship, (3) identifying and verifying the beneficial ownership and control of the transaction, and (4) conducting on-going due diligence and scrutiny in ensuring the provided information is relevant and updated.³³⁴

To conduct customer identification and due diligence, the anti-money laundering regime often imposes obligations on banks. A bank must maintain accounts in the name of the account holder, as dictated in Article 3 (First/2) of Instructions No. 51/2010 and the bank is prohibited from opening, maintaining, or operating any

³³² Aspalella A Rahman, Ibid.pp.123.

³³³ Aspalella A Rahman, Ibid, pp.124.

³³⁴ According to Article 3 (First/1) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010 the Due diligence mean “identifying the identity of the customer, his legal status, his activity and the purpose of the business relationship and its nature, and the beneficiary owner of the relationship, if any, and verifying such, as well as the continuous follow up of the transactions that are conducted within the framework of an ongoing relation by any of the means determined in accordance with the relevant legislation, in addition to indentifying the nature of the future relation between the bank and the customer and the purposes thereof as well.”

accounts that are anonymous, fictitious, incorrect, or bearing false names. These provisions aim to prevent criminals from using the channel accounts.

3.4.1.2.1 Existing Customers

Conducting customer due diligence requirements is repeated in Article 3 (First/8) of Instructions No. 51/2010. This article provides that “the bank shall exert due diligence for existing customers upon issuance of these instructions on the bases of materiality and risk, and applying customer due diligence measures to such relations with such customers at the following times: (a) Upon performing transactions of significant amount or using banking tools unusually, (b) when a significant change occurred on the documentation mechanism of customer's information, (c) when there is a material change in the way of managing the account, and (d) when the bank realizes that there is lack of sufficient information about an existing customer.”

In conditions where the risk of money laundering is low, procedures of customer's identity verification may be delayed until after the ongoing relation commencement. However, if delaying the verification procedures is necessary for maintaining the normal course of the business provided and that such delaying does not involve money laundering risks, the banks shall perform the verification procedures as soon as possible.³³⁵

3.4.1.2.2 Corporate customers

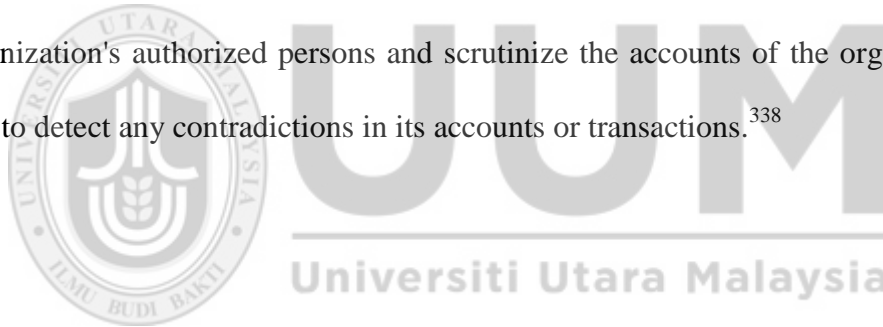
For companies customers or businesses, a bank must obtain constituents documents of the customer such as article, memorandum, incorporation's certificate, directors' documents identification, partners or shareholders, authorisation for any person to

³³⁵ According to Article 3 (first/6) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

represent the corporation or business, and identification document of the authorised person to represent the corporation or business in its bank dealing.³³⁶

In fact, nonprofit organization such as charities can also be misused for terrorism purposes in many ways. They can be used to raise terrorist money or to transfer money from one place to another.³³⁷ Accordingly, the Jordanian lawmaker requires banks to be vigilant when dealing with these customers.

While conducting customer due diligence on a nonprofit organization, a bank should require that this organization provide relevant constituent documents including the registration certificate, the identification of the office bearer, and any person's authorization to represent the organization. The bank should also verify the identity of the organization's authorized persons and scrutinize the accounts of the organization in order to detect any contradictions in its accounts or transactions.³³⁸



³³⁶ According to Article 3 (Second/5/a) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010, "procedures for identifying the identity of a legal person shall take into consideration the following: Identity data shall include the name of the legal person, legal status, name of owners and their shares, the authorized signatories, domicile of the legal person, line of business, the capital, registration's date and number, tax number, national identity number of the installation, names and nationalities of signatories authorized to run the account, phone numbers, purpose of the business relationship and its nature, and so the bank is aware of the ownership structure and the provisions governing the powers to take binding decisions for the legal person and any information the bank deems necessary."

³³⁷ Financial Action Task Force, Report on Money Laundering Typologies 2003-2004, 8.

³³⁸ According to Article 3 (Second/6) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010, "procedures for identifying the identity of a non-profit organization shall take into consideration the following: a- Identity data shall include the name of the non-profit organization, legal status, domicile, line of business, date of incorporation, names and nationalities of signatories authorized to manage the account, phone numbers, purpose of the business relationship and any information the bank deems necessary. b- The existence and legal form of the non-profit organization shall be verified by virtue of official documents and information contained therein, such as, certificates issued by the Ministry of Social Development and any other competent authority. c- Obtaining the required documents that prove authorization by the non-profit organization to the natural persons to manage the account as well as identifying the identity of the authorized persons according to procedures of identifying customer identity stated in these instructions."

3.4.1.2.3 Individual customers

Instructions No. 51/2010 states that the customer due diligence procedures should at least include the following customer identification: (1) full name, (2) nationality, (3) phone number, (4) permanent address, (5) work address, (6) purpose of business relationship and its intended nature, (7) the activity type, (8) names and nationalities of the authorized persons to manage the account, and (9) any information the bank suppose necessary.³³⁹

However, if a customer is not able to comply with the procedures of due diligence, then a bank should not begin any business relations or perform any transactions with the customer. Nevertheless in the case of the customer existing, then a bank should terminate these business relations. A bank should also consider depositing a suspicious transactions report to the Jordanian Unit.³⁴⁰ Indeed, the customer's unwillingness to provide the requested information and to cooperate in the due diligence procedure may itself be a suspicion factor.³⁴¹ Clearly, banks have to adopt more rigorous procedures of identifying and verifying their customers alongside implementing the anti-money laundering law.

Generally, it is recognised that to avoid customer identification procedures criminals have used beneficiary accounts. However, the banks are required by the Jordanian lawmaker to identify if the customer is acting on behalf of another as nominee, trustee or another intermediary.³⁴²

³³⁹ According to Article 3 (Second/4/a) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

³⁴⁰ Article 3 (First /5) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

³⁴¹ Aspalella A Rahman, Ibid.pp.125.

³⁴² According to Article 7 (First) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010, "the bank shall request each customer to provide a

The beneficiary accounts' Identification procedures must be performed on the beneficiaries and the entities or agents acting on their behalf. As well, the verification should be done to ensure that the entities or agents are authorized to act on their behalf. In fact, wherever possible, the identification process should be done on individual basis. Generally, more rigorous customer identification and verification is required when the transactions involve nominee, trustee or fiduciary accounts that are opened by professional intermediaries. These procedures are vital for ensuring that criminals do not abuse such accounts.³⁴³

3.4.1.2.4 Beneficiary account

It has been recognized that criminals have been manipulating beneficiary accounts to launder their illegal proceeds. They also use beneficiary accounts to hide the property's beneficial owner.³⁴⁴ Beneficiary owner is the natural person with the real interest for whom the business relationship or on his behalf is conducted or who has ultimate or effective control over a legal person or has the right to conclude a legal arrangement on its behalf.³⁴⁵

According to Article 7 (a and b) of Instructions No. 51/2010, banks are required to perform identification procedures on the beneficiaries and the agents or entities operating on beneficiaries' behalf. In addition, verification must be done to ensure that the agents or entities are authorized to act on the beneficiary's behalf. Wherever

written declaration in which he/she determines the identity of the Beneficiary owner of the intended transaction. Such declaration shall contain the identification data of the customer identity.”

³⁴³ According to Article 7 (b and c) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010: “b- The bank shall verify the identity of the Beneficiary owner and shall take reasonable procedures to verify the same. This includes depending on data or information obtained from official documents to get the contentedness about the identity of the beneficiary owner. c- In case the beneficiary owner is a legal person, reasonable procedures shall be taken to verify the ownership structure and the controlling management of the legal person. This includes depending on data or information obtained from official documents and data to get the contentedness about the identity of the beneficiary owner.”

³⁴⁴ Aspalella A Rahman, Ibid.pp.130.

³⁴⁵ Article 1 (b) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

possible the process of identification should be done on an individual basis. A bank shall also request every customer to provide a written declaration where the identity of the beneficiary owner of the intended transaction is determined.

Banks must take reasonable measures in the case of trustee or nominee account for the following reasons: (1) to understand the relationship among the relevant parties, (2) to obtain satisfactory proof about the legal status, and (3) to identity of the trustee or nominee and the nature of their duties and capacity.³⁴⁶

When the person who is acting on the beneficiary's behalf is unable or refuses to provide the information on the beneficiaries' identity, then the bank must not allow that person to open a client account and consider submitting a report of a suspicious transaction. While for an existing customer, the bank must stop transacting for and with that person till more satisfaction verification is conducted.³⁴⁷

The identification and verification of the beneficiary account places a significant burden on Jordan's banks because of the complex nature of the account. To deal with such accounts, an average bank employee needs further training or certain skills. Bank employees are unlikely to be able to discharge their obligations unless they are sufficiently trained.

3.4.1.2.5 Higher risk customers

A bank is required to conduct enhanced due diligence for higher risk customers. This means that more detailed information from these customers are needed. In fact, a bank shall place a proper risk management system in order to determine if a potential

³⁴⁶ According to Article 7 (c) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

³⁴⁷ Article 3 (First /5) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

customer, a beneficiary owner, or the customer is one of the said categories. When commencing a relation with these customers the approval of the bank's general manager, or regional manager, or the authorized person shall be obtained. Additionally, this approval shall be obtained when a beneficiary owner or a customer is discovered to be within such categories. All necessary procedures shall be taken by the bank to verify the sources of the customers' fortune and beneficiary owners who fall within such categories. The banks shall also continuously and precisely monitor the transactions with these customers and give special attention to transactions and business relationships that occur. Eventually, the bank shall exert the necessary procedures to identify the surrounding circumstances of these transactions and business relationships and their purposes. If the bank becomes aware that any of the customers have no clear economic substance, the records of the outcome are maintained.³⁴⁸

Examples of higher risk customers are laid out in Article 5 (First/3) of Instructions No. 51/2010 as follows: nonresident customers,³⁴⁹ politically exposed persons,³⁵⁰ customers of private banking, and customers who belong or are in countries that insufficiently apply or do not apply the Recommendations' of Financial Action Task Force .

³⁴⁸ Article 5 (First/4) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

³⁴⁹ According to Article 1 (b) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010, non-resident means natural or legal person who usually resides or his residence is outside the kingdom or who does not complete a full year within the kingdom, regardless of his/her nationality, except for individuals who have permanent commercial activity and residence in the kingdom.

³⁵⁰ According to Article 1 (b) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010, politically exposed persons means "persons occupying or have occupied a high public office in a foreign country such as a head of state or government, a judge, a military person, or was a prominent statesman or member of political party or senior executive of state owner corporation. This includes, at minimum, first degree family members or their partners."

Banks are required to conduct enhanced due diligence for private banking services according to Instructions No. 51/2010.³⁵¹ As specified, this measure is critical because private banking could be exploited by criminals especially the corrupt politically exposed persons and their partners in laundering illegal money.

3.4.1.2.6 Foreign politically exposed persons

The politically exposed person is identified as the person who has occupied or is occupying a high public office in a foreign country such as a judge, a military person, member of political party, a once prominent statesman, senior executive of state owner corporation, or a head of government or state. At minimum, this includes the first degree family members or their partners.³⁵²

There are concerns that banks may be accidentally be involved in the laundering of illegal money which is associated with politically exposed persons. Due to the special status of this customer, often a specific degree of discretion is allowed by financial institutions to the financial activities carried out by politically exposed persons. Such a discretion often becomes an obstacle to bringing politically exposed persons to justice, if they are involved in some sort of criminal activity.

When analyzing the special status of this customer, the researcher agrees that the politically exposed persons may abuse their public powers and be involved in laundering their illegal gains in countries where corruption is widespread. Adding

³⁵¹ Private banking services refer to preferential banking services provided to high net worth individuals. These services are administered by a relationship manager and his support team who could establish a strong rapport and intricate knowledge of the client's financial affairs.

³⁵² Article 1 (b) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

insult to injury, dishonest or corrupt politically exposed persons can be found worldwide.³⁵³

Apparently in countries where corruption is widespread, the politically exposed persons may abuse their public powers for their own illegal enrichment, which can be committed by illegal kickbacks, bribes receipt, and other directly profits linked to corruption. These persons may also be involved in tax fraud, organized crime activities, and embezzlement. If a bank is found to have been managing or accepting money from the corrupted politically exposed persons, its reputation will be affected and will weaken the public confidence in the bank's ethical standards.³⁵⁴

Banks are required to conduct enhanced due diligence on politically exposed persons according to Article 5 (3 and 4) of Instructions No. 51/2010. Additionally, the Jordanian lawmaker requires a bank to identify if its customer is a politically exposed person by collecting adequate information from the customer and available public information. As soon as a politically exposed person is identified, immediate appropriate measures to establish the source of wealth and money of this person should be taken by the bank. Accounts connected to the politically exposed person should be monitored in order to detect any discrepancies in their accounts or transactions. The family members or close associates of the politically exposed persons' business relationships are imposed the same risks as the politically exposed persons. Consequently, the Instructions require banks to conduct due diligence on this person's family members or close associates who have dealings with the banks. Also required by the Instructions is for the banks to monitor the politically exposed

³⁵³ Financial Action Task Force, Report on Money Laundering Typologies 2003-2004, 19.

³⁵⁴ Aspalella A Rahman, Ibid.pp.201.

persons' connected accounts in order to detect discrepancies based on their profiles, their accounts activities, and transactions.

However, it appears that the definition of politically exposed persons does not include persons who hold distinct functions locally, under Instructions No. 51/2010. Thus, it is apparent that Jordanian banks need only to pay attention to the foreign politically exposed persons. While there is evidence to suggest that Jordan needs to cover domestic politically exposed persons. When Jordanian officials have been dealing with money laundering issues since 2012, the year that witnessed the most famous Jordanian cases regarding such crime. In one case, Criminal Court of Amman sentenced the former Jordanian chief intelligence to imprisonment for thirteen years and a fine of JD 21 million (about USD 30 million) after being convicted of money laundering charges.³⁵⁵ This provision was considered the most important issue of money laundering in Jordan, particularly when the case underwent the first trial of its kind on the highest-level of Jordanian security officials in the period of the Arab Spring.

Having analyzed politically exposed persons, the researcher believes that there is no good reason to separate the Politically Exposed Persons whether foreign or domestic. So, it would be better if the definition be reviewed. Normally it is not an easy task to detect corrupted politically exposed persons because these people use intermediaries on their behalf to conduct financial business. The concealments of their illegal proceeds usually involves shell banks or companies, and this makes it the identification procedure more difficult. Concerns arose whether the politically exposed persons can have strong influence on the effectiveness of suspicious

³⁵⁵ 13 Years in Prison the Sentence for the Former Jordanian Intelligence Chief Althahaby, Al Arabiya Network, 11/11/2012, <http://www.alarabiya.net/articles/2012/11/11/248883.html>, accessed 2/7/2014. In Arabic.

transaction reporting by financial institutions thus contributing to poor governance standards and blocking anti-money laundering regimes.

3.4.1.2.7 Electronic banking

The information technology development has led to a wide range of modern banking facilities such as internet banking and other *e*-banking products. Consequently, personal contact between banks and customers is eliminated. Such services could be manipulated by criminals; they may control their accounts throughout the world and may have unrestricted online access.³⁵⁶

There are three characteristic of internet banking that pose risks of money laundering:

(1) no actual/material contact between the bank and the customer, (2) easy access to the internet, and (3) the rapidity of electronic transactions. If an account is accessed through the internet, no human intervention can help detect any unusual or suspicious activities. Information about the locations from where the account is accessed is also not detectable. It is a challenge to determine the jurisdiction for the supervision and licensing of financial services that are offered online. Commonly when determining the location where the online transaction takes place, jurisdictional issues arise in order to know where should the investigative authorities go to search for documentary evidence of transactions that are related to money laundering.³⁵⁷

The Central Bank of Jordan issued the Risk Management Principles for Electronic Banking No.10/1/3344, in 21/3/2005. These principles serve to facilitate the use of electronic means in the procedures of bank's transactions. The principles also cover several domains, such as active oversight by the board of directors and senior

³⁵⁶ Financial Action Task Force Report on Money Laundering Typologies 2000.

³⁵⁷ Aspalella A Rahman, Ibid.pp.132.

management, risk management practices,³⁵⁸ internet banking risks,³⁵⁹ security requirements, i.e. privacy issues and consumer protection, and compliance with other regulatory requirements.³⁶⁰

The face-to-face interaction's requirement reinforces Article 5 (Third) of Instructions No. 51/2010 that requires banks to pay special attention when establishing and conducting non-face-to-face business relationship through information communication technology, for instance, through post, internet, fax, or telephone. Hence the banks should only establish business relationship after completing the customer due diligence process via face-to-face interaction.

Additionally, banks must establish convenient measures for customer verification that are as rigorous as that for customers' face-to-face. They must also apply mechanisms of monitoring and reporting in order to identify the potential activities of money laundering.³⁶¹ Applying the Risk Management Principles for Electronic Banking together with Instructions No. 51/2010 provides an effective instrument for preventing the abuse of *e*-banking in Jordan. Nevertheless, it is crucial for bankers to constantly be alert of any unusual activities arising from these relationships because of the complicated features of *e*-banking services.

3.4.1.2.8 Wire transfer

Wire transfers are widely used in commercial transactions since they provide a high-volume, efficient, and low-cost payment system. Wire transfers have been recognized as one of the most efficient methods of laundering the proceeds' of criminals. It has

³⁵⁸ Article 1 of the Risk Management Principles for Electronic Banking No.10/1/3344.

³⁵⁹ Article 3 of the Risk Management Principles for Electronic Banking No.10/1/3344.

³⁶⁰ Article 2 of the Risk Management Principles for Electronic Banking No.10/1/3344.

³⁶¹ Article 5 (Third) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

been reported that large banks provide a safer environment to send wire transfers and an ability to transfer through multiple hubs so the money trace would be lost before it arrives its final destination. Hence detecting through law enforcement will be hindered because the complicated wire transfers create confusing and complex route of financial transactions.³⁶² Accordingly the Jordanian lawmaker requires banks to pay attention to this serious matter.

It is almost impossible to detect dirty money flows through wire transfers because of their complexity, volume, or frequency. Therefore dealing with wire transfers requires detailed procedures as provided by Instructions No. 51/2010. These procedures aim at ensuring that a bank has more information about the transfer's beneficiary and that throughout the payment chain.

When a bank is the ordering institution, it should get the originator's information for the customer due diligence purpose. The information includes the ordering customer's name, national number or identity number, nationality (for non-Jordanians), and account number.³⁶³ If the ordering customer has no account with the bank, then the bank should establish a system under which the ordering customer shall have a reference number that is distinct.³⁶⁴

With respect to transfers sent in one batch, the ordering bank shall add the distinct reference number or the account number of the ordering customer in case the same has no account provided that (1) the bank shall keep full information about the ordering customer, (2) the bank shall be able to provide the receiving bank and the

³⁶² Aspalella A Rahman, Ibid.pp.128 and 199.

³⁶³ Article 6 (Second/1) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

³⁶⁴ Article 6 (Second/2) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010

competent official authorities with the full required information in a period within three business days from the date of receiving the request, and (3) the bank shall be able to immediately respond to any order by the relevant competent official authorities that require having access to these information.³⁶⁵

To identify potentially suspicious transactions, it has been recognized that transactions that contain full information of the originator could assist beneficiary financial institutions to do so.

A bank must also ensure that the accompanying originator's information is retained with the wire transfer when acting as intermediary to a wire transfer transaction.³⁶⁶ If a bank is the beneficiary institution, an effective risk-based approach must be adopted to identify any wire transfer with incomplete information of the originator and to decide whether to stop, proceed, or request from the corresponding institution for the missing originator's information. Incomplete originator's information with wire transfers may be considered as a factor for suspicion and wherever necessary, the bank must submit a suspicious transaction report.³⁶⁷

A bank should check details of higher risk customers including the beneficiary's name, the amount of wire transfer, and the destination. However, if the transfer does not appear to be consistent with the customer's usual activity or business, then the customer should be asked to provide further explanation of the wire transfer nature.³⁶⁸

³⁶⁵ Article 6 (Second/5) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

³⁶⁶ Article 6 (Third/1) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

³⁶⁷ Article 6 (Third/2) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

³⁶⁸ According to Article 6 (Forth) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010: Ordering Bank's Obligations: " Intermediary Banks Obligations 1- If the bank takes part in effecting the transfer without being an ordering or receiver, it

The Guidance specified a number of activities that could be used as indicators for wire transfers abuse. The activities include (a) directly transferring the deposited money in the account abroad, either in one or several payments, (b) making transfers to a person who has no account with the bank by using various payment instruments all of them are below the threshold stipulated for in these instructions, (c) transferring similar amounts whether on weekly or monthly basis, where the whole total is big, (d) attaching incoming transfers are attached with instructions to transfer the transferred money into checks and send them to a person who have no account with the bank by mail, (e) making transfers with substantial amounts to countries that are known for their havens of tax or banking secrecy, (f) the beneficiary using the transferred credited in his/her account immediately for buying different cash instruments to pay another party once transfers received, (g) an account receiving unprecedented transfers with great amounts that are inconsistent with customer's business nature, (h) regularly making external transfers of money by the customer, and claiming that their source are international, (i) depositing bearer instruments by the customer into his/her account after that the same amount is transferring to a third or fourth party, (j) opening an account with an exchange company receiving cash deposits or transfers of amounts that are less than the stipulated threshold in these instructions, (k) making extraordinary transfer within a set of ordinary transfers which are performed as one transfer, (l) transferring of great amounts abroad or receiving the same from outside Jordan attached with instructions to be paid in cash to other.³⁶⁹ When studying the

shall ensure that all information annexed with the transfer shall be retained with the said transfer at transferring. 2- If the bank fails to maintain such information annexed to the transfer for technical reasons, it shall keep the annexed information as received for five years regardless of the lack or completeness of the information. The bank shall also provide all available information to the receiving bank within three days of receiving a request. 3- If the bank receives incomplete information about the ordering customer, it shall notify the receiving bank upon effecting the transfer."

³⁶⁹ Article Third (3) of Guidance Manual for Anti Money Laundering and Counter Terrorist Financing.

Guidelines, the researcher concludes that the Guidelines considered these indicators, and this can be accounted as a positive point of the Guidelines.

3.4.1.2.9 Correspondent banking

Correspondent banking indicates the provision of banking services by the correspondent bank to the respondent bank. This kind of service is easily exploited by money launderers because the correspondent bank provides services through correspondent relationships for individuals or entities where it has neither verified the identities nor obtained first-hand knowledge of the customers of respondent bank. The correspondent bank must also rely on the respondent bank to carry out all the necessary due diligence and continuously monitoring of its own customer's account activity.³⁷⁰ Assessing the quality of anti-money laundering measures the respondent bank has taken is very difficult for a correspondent bank.

In fact, correspondent banking relationships also need to practice enhanced due diligence. A bank should take the adequate measures to ensure that the relationship is not exposed to terrorist financing or money laundering activities. Hence it must assess and capture at the minimum, the respondent bank's related information. These information includes (1) the management and the board of directors, (2) business products and activities, (3) applicable legislation, regulations and anti-money laundering measures, and (4) control of the respondent bank. However, the approval for establishing or continuing a correspondent banking relationship must be made at the bank's senior management level. Most significantly, the relationship with shell banks is absolutely prevented.³⁷¹

³⁷⁰ Financial Action Task Force Report on Money Laundering Typologies 2001, pp.8.

³⁷¹ According to Article 5 (Second/1,2,3 and 4) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010, "1- The bank shall apply the

Moreover, since the correspondent banking relationship includes the maintenance of a “payable-through-account”, the bank must assert itself that the respondent bank has performed all the normal obligations on its customers who have direct access to the accounts of the bank and it can provide relevant customer identification data upon the bank’s request.³⁷²

3.4.1.2.10 Private banking

Cases of corrupt politicians embezzling public money and laundering them through banks have increased the focus on the activities of private banking. Private banking refers to the banking often preferred by high net worth individuals. Unlike the service offered to retail customer, private banking usually involves a higher degree of confidentiality and discretion for the customer.³⁷³

The weakness of private banking could be exploited as the private banker fails to apply an appropriate and due diligence procedure to customers and their activities.³⁷⁴

The nature of the service itself can result in failure to apply necessary due diligence in the private banking.

When dealing with private banking services the Jordanian law maker requires a bank to initiate enhanced due diligence procedures. A more strict approval process must be

customers due diligence requirements in relation to customers stated in Article (3) when commencing a relation with an external bank. 2- The bank shall verify the nature of the external bank’s business activity and reputation thereof in the field of anti-money laundering and counter terrorist financing transactions; 3- The approval of the bank’s general manager or regional manager shall be obtained before the commencement of a relation with an external bank. 4- The bank shall ensure that the external bank is subject to an effective supervision by a supervisory authority in the bank’s home country.”

³⁷² According to Article 5 (Second/5 and 6) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010, “5- Anti-money laundering and counter terrorist financing systems shall be verified by the bank and applied by the external bank; 6- The bank shall ensure that the external bank has exerted due diligence regarding its customers who have authority to use (payable-through accounts) and that the external bank is able to provide information related to such customers and transactions made to such accounts when needed.”

³⁷³ Financial Action Task Force Report on Money Laundering Typologies 2001, pp. 12.

³⁷⁴ Financial Action Task Force Report on Money Laundering Typologies 2001, pp. 12.

adopted and acceptance of a customer for that service must be approved by the senior management of the bank. An independent review of the conduct and development of such banking relationship must be undertaken annually by the bank.³⁷⁵

It is worth to note that in complying with such a requirement, the Jordanian banks refer to the Wolfsberg Principles on the Global Anti-Money Laundering Guidelines for Private Banking for sound business conduct in private banking internationally. These principles cover the guidelines relating to the identification of suspicious or unusual transactions, due diligence to be performed for normal and high risk customers, establishment for all accounts beneficial owners, customer identification and acceptance and account activity monitoring.³⁷⁶

3.4.1.2.11 Shell banks

Shell banks can be characterized as banks that do not have a permanent location of business to receive customers, do not have employees to perform actual administrative duties, do not keep transactions records, and are not an inspection subject by a competent supervisory entity, either in the country of incorporation or in any other country.³⁷⁷

Shell banks and shell companies have been recognized among the most important tools in the schemes of money laundering.³⁷⁸ Consequently in Jordan banks are not allowed to establish or conduct banking relationship with shell banks or shell companies. Jordanian lawmaker also requires that banks identify and verify directors'

³⁷⁵ Article 5 (3 and 4) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

³⁷⁶ The Wolfsberg Group is an association consists of several leading international financial institutions, and it was established in 2000 aiming to develop global financial services industry standards with respect to anti-money laundering and counter-terrorism financing activities.

³⁷⁷ Article 1 (b) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

³⁷⁸ Aspalella A Rahman, *Ibid.* pp. 202.

details, companies' authorized signatories and shareholders before establishing any banking relationship in order to ensure that the companies are not shell companies.³⁷⁹

Hence it is clear that banks face significant challenges in complying with the requirements of anti-money laundering law. Banks are required to conduct enhanced customer due diligence on existing customers, individual customers, wire transfer, on-profit organization, shell banks, beneficiary account, corporate customers, politically-exposed persons, correspondent banking and private banking. In this context, banks are provided with a degree of flexibility that was not given before. However, it is difficult to implement this measure with vague end point to the information that prevent money laundering.³⁸⁰ Apparently every bank must interpret the customer due diligence obligation according to its business before determining which anti-money laundering system to be applied.³⁸¹

In fact, it has been argued that the great burdens faced by compliance officers range from identification of customer to reporting of suspicious transactions. Customer identification particularly poses serious challenges of authenticating documents of identity as these documents can be forged easily.³⁸²

3.4.2 Obligations of transaction monitoring

The Anti-Money Laundering Laws require that banks monitor customer activity in order to identify any unusual or suspicious activity during the continuing relationship. The law also necessitates banks to conduct customer identification and verification.

³⁷⁹ According to Article 3 (First/2) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010: "The bank shall not be permitted to keep numbered accounts or enter into banking relations with anonymous persons, persons with false or fictitious names or shell companies or banks."

³⁸⁰ Andrew Jackson, *Recognising and Reporting Money Laundering: How Well Should You Know Your Customer?* Journal of Money Laundering Control, Vol. 3 Iss: 4, (2000), pp.317 – 324.

³⁸¹ Aspalella A Rahman, Ibid. pp.139.

³⁸² Musonda Simwayi, Wang Guohua, "The role of commercial banks in combating money laundering", Journal of Money Laundering Control, Vol. 14 Iss: 4, (2011) , pp.324 – 333.

Monitoring of transaction is integral to the measures of risk-based anti-money laundering because while recognizing the level of risk posed by customers, the intention of the law is to enable businesses to flow smoothly. Without a clear image of the financial behavior of customer at any moment in time, the risk-based approach is operating with a reduced information level; hence its effectiveness can be reduced significantly. Ongoing monitoring is vital throughout the relationship in order to ensure that the banking services are not being exploited for money laundering or any other criminal activities.

While designing monitoring procedures, banks must provide adequate management information systems that can provide them with appropriate information to effectively identify, analyze, and detect any suspicious activities. However, over a certain period this information would cover large transactions, anomaly in transactions pattern, multiple transactions, and transactions that exceed any specified limit.

Article 5 (Fourth/2) of Instructions No. 51/2010 states that “the bank shall exert enhanced due diligence regarding unusual transactions by carrying out analysis and studies necessary to verify the sources of funds and any other procedures necessary to verify the nature of the process.” In addition, the bank should apply convenient systems to ensure the customer's identity identification and verification.³⁸³ The bank should also set appropriate risk management system to define whether the customer, the potential customer, or the beneficiary owner is one of politically exposed persons, private banking customers, nonresident customers, and customer who are in or belong countries that insufficiently apply or do not apply the Financial Action Task Force

³⁸³ According to article 3 (Second/1) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

Recommendations.³⁸⁴ In addition, the bank should place effective systems to detect any shortage of ordering customer's information.³⁸⁵ It is stipulated in Article 9 of Instructions No. 51/2010 that “the bank shall set proper internal system which includes internal policies, procedures and controls for anti-money laundering.” The bank is also required to place the necessary systems in order to classify customers according to their degree of risks, and this can be done through available information that is periodically reviewed.³⁸⁶

One of the main aspects to address money laundering is to conduct with each customer an ongoing monitoring of the business relationship. This means that not only banks should monitor customer's transactions to ensure that they fall among expectations, they should also ensure that all documentation of the customer is precise, full, and up-to-date.³⁸⁷

Increased cost of anti-money laundering compliance is due to transaction monitoring.³⁸⁸ Banks need to spend great amounts to install or upgrade advanced monitoring systems in order to keep up with the increasing regulatory obligations. Due to banking secrecy or data protection rules, banks also face challenges while monitoring transaction and account status of a customer across several different countries. As money laundering and terrorist financing activity become more

³⁸⁴ According to article 5 (First/4/a) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

³⁸⁵ Article 6 (Third/1) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

³⁸⁶ According to article 9 (Ninth) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

³⁸⁷ Global Anti-Money Laundering Survey 2011 "*How banks are facing up to the challenge*", pp28 <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/anti-money-launderingv2.pdf>, accessed 14/4/2015.

³⁸⁸ Global Anti-Money Laundering Survey 2011 , Ibid, pp28

complicated, there is the need for developing a more complex transaction monitoring approaches.³⁸⁹

3.4.3 Obligations of reporting

According to Article 14 (a/3) of the Law 2007 “the entities subject to the provisions of the law³⁹⁰ shall undertake to comply with Notify the Unit immediately of any transaction suspected to be related to money laundering or terrorist financing whether such transaction is conducted or not.”

Article 8 (First and Second) of Instructions No. 51/2010 stipulates that “If any administrator³⁹¹ in the bank suspects that the transaction to be executed is suspected to be related to money laundering or terrorist financing, he/she shall notify the Reporting Officer. The Reporting Officer³⁹² shall notify the Unit immediately of transactions suspected to be related to money laundering or terrorist financing whether such transactions have taken place or not pursuant to the form or means approved by the Unit and not to close the account/accounts of the suspects.”

There are two types of reports that directly affect banks required by the Jordanian laws: suspicious transaction reports and cash transaction reports.

The proposition that great cash movements are linked to money laundering has led to submitting of the cash transaction report. Such a report is designed to expose the

³⁸⁹ Aspalella A Rahman, Ibid.pp.153

³⁹⁰ According to article 13 (a) of the Law 2007 the Jordanian Banks are one of entities which shall comply with the procedures stipulated in this law, regulations, instructions and decisions issued pursuant thereto.

³⁹¹ According to Article 3 (First/1) of Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010 the Administrator mean: A member of the board of directors of a bank, whether serving in his/her own behalf or representing a legal person, or the general manager of a bank or any other bank officer.

³⁹² According to Article 3 (First/1) of Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010 the Reporting Officer mean: A manger in the higher management of the bank, appointed basically for the purpose of notification of transactions suspected to be related to money laundering or terrorist financing.

process of laundering at its most vulnerable points, which is when cash enters the financial system and then is transferred among financial intermediaries.

The regimes of cash transaction report are designed to serve a number of serious policing functions. It has been argued that the system could have a significant effective role that affects the police investigations since it provides information for ongoing investigations, and probably acts as an obstacle for any financial intermediaries and money launderer who would make themselves vulnerable to activities of money laundering. It has been recognized that the threshold level should be carefully designed so that it is high enough to block out insignificant transactions yet low enough to detect transactions possibly linked to financial crime. The cash transaction reports should also be implemented to multiple transactions carried out in the same day. This is to prevent retailing and structuring that includes breaking up a transaction into smaller transactions less than the amount of threshold.³⁹³

A number of activities identified by the Guidance can be used as indicators for cash financial transactions abuse. They may take any of the following forms: (1) Large increase in the cash deposits with no justified reason of any person, particularly if these deposits are transferred to a party which has no clear connection to that customer and within a short period of time, (2) depositing amounts of money along different periods where the value of every amount is below the threshold identified by the instructions, however the whole amount of these deposits exceeds that threshold, (3) extraordinary great cash deposits made by a legal or natural person whose normal business activities are usually made through checks or other payment methods, (4) performing many great cash deposits in different branches of the bank at the same day by the customer or by many persons on behalf of the customer, (5) focusing on

³⁹³ Aspalella A Rahman, Ibid.pp.142

deposits and withdrawals of cash rather than using banking transfers or other negotiable instruments without an obvious justification, (6) deposits of amounts of money over different periods so eventually those amounts constitute large amounts, (7) withdrawing of customers balances suddenly and promptly without any clear justification, (8) exchanging significant amounts of small denomination bank notes with large ones without clear justification, (9) retrieving a part of a deposited amount when being informed of the due diligence procedures of extraordinary transactions to be followed, (10) great cash deposits in bundles sealed by other bank seals, (11) large amounts of cash deposits of bank notes that might be in the form of forged, worn or old, (12) depositing uncommon huge amounts of money using ATMs in order to avoid direct contact with the bank's employee, particularly if the deposits are not compatible with concerned customer's business and/or ordinary income or nature of business.³⁹⁴ In fact, it appears that the Guidelines are not silent about the indicators, and this can be considered a positive point of the Guidelines.

In 2010 the number of cash transaction reports received by the Unit from all Jordanian entities was forty,³⁹⁵ while ninety-two reports were received in 2011³⁹⁶ and forty-five in 2012³⁹⁷. No statistics revealed how many of these reports were followed up by the authorities or laying of charges. Recent statistics on cash transaction reports are also not available to the public.

Regarding suspicious transaction reporting, the purpose of its regime is ambitious and reflects the general objectives of anti-money laundering systems. The requirements of anti-money laundering reporting were designed to identify the crimes financiers and

³⁹⁴ Article Third (1) of Guidance Manual for Anti Money Laundering and Counter Terrorist Financing.

³⁹⁵ The Jordanian annual Anti Money Laundering Unit report 2010. pp.52.

³⁹⁶ The Jordanian annual Anti Money Laundering Unit report 2011. pp.34.

³⁹⁷ The Jordanian annual Anti Money Laundering Unit report 2012. pp.24.

beneficiaries, which had remained hidden from detection by techniques of traditional investigation.³⁹⁸ The reporting of suspicious transactions or activities is crucial to a country's ability to use financial information to fight money laundering, terrorist financing, and other financial crimes.³⁹⁹

Money laundering crime that is subject of Suspicion includes any crime punishable according to the provisions of the legislation that are valid in Jordan. It also includes crimes and their proceeds of which are considered under the provisions of international agreements ratified by Jordan.⁴⁰⁰ For reporting purposes, Instructions No. 51/2010 considers terrorist financing a predicate crime. Thus it can be said that the instructions also require banks to report transactions that are suspected to be related to terrorism financing activity Article 8 (First) of Instructions No. 51/2010 also indicates that terrorist financing is a basis for filing reporting of suspicious transaction.

Any bank employee who deems to suspect in any transaction, must not close the suspects' account.⁴⁰¹ He or she must instead report that suspicion to the bank's anti-money laundering compliance officer.⁴⁰² The reporting officers in their turn and after agreeing with the employee's suspicious shall immediately notify the unit of the suspected transactions to be linked to money laundering or terrorist financing regardless whether the transaction had actually taken place.

³⁹⁸ David Chaikin, "How effective are suspicious transaction reporting systems?", *Journal of Money Laundering Control*, Vol. 12 Iss: 3, (2009), pp.238 – 253.

³⁹⁹ Financial Action Task Force, *Guidance on the Risk-Based Approach to Combating Money Laundering and Terrorist Financing*, 2007, pp. 27.

⁴⁰⁰ According to article 4 (a) of the Law 2007.

⁴⁰¹ According to Article 8 (Second) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

⁴⁰² According to Article 8 (First) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

For Jordanian banks, the Anti-Money Laundering and Counter Terrorist Financing Guidance Manual offers many examples of suspicious transactions. They include nine subheadings, namely the persons' accounts,⁴⁰³ the cash financial transactions,⁴⁰⁴ the transfers,⁴⁰⁵ the credit facilities,⁴⁰⁶ the trust funds,⁴⁰⁷ the International financial transactions,⁴⁰⁸ the investment-related transactions,⁴⁰⁹ the electronic financial services,⁴¹⁰ and the financing commercial transactions.⁴¹¹

Apparently, such examples provide some guidance on the basis of suspiciousness. However, it can be said that identifying a suspicious transaction is not an easy task since suspicion is a subjective fact. It is doubtful even if more examples were given as they can cover the entire range of suspicious transactions.

It must be noted that the term *suspicion* is not defined in Jordanian anti-money laundering laws, and ambiguous reasons for suspicion is among the main problems faced by banks in implementing suspicious transaction reporting. However, the meaning of the word "suspect" was somehow detailed; the accurate force of "suspect" needs to be noticed a suspicion that something exists is more than an abstract idle wondering whether it exists or not. It is a positive feeling of actual apprehension or mistrust, amounting to "a slight opinion, but without sufficient evidence." Therefore a

⁴⁰³ Article Third (2) of Guidance Manual for Anti Money Laundering and Counter Terrorist Financing.

⁴⁰⁴ Article Third (1) of Guidance Manual for Anti Money Laundering and Counter Terrorist Financing.

⁴⁰⁵ Article Third (3) of Guidance Manual for Anti Money Laundering and Counter Terrorist Financing.

⁴⁰⁶ Article Third (6) of Guidance Manual for Anti Money Laundering and Counter Terrorist Financing.

⁴⁰⁷ Article Third (4) of Guidance Manual for Anti Money Laundering and Counter Terrorist Financing.

⁴⁰⁸ Article Third (8) of Guidance Manual for Anti Money Laundering and Counter Terrorist Financing.

⁴⁰⁹ Article Third (5) of Guidance Manual for Anti Money Laundering and Counter Terrorist Financing.

⁴¹⁰ Article Third (9) of Guidance Manual for Anti Money Laundering and Counter Terrorist Financing.

⁴¹¹ Article Third (7) of Guidance Manual for Anti Money Laundering and Counter Terrorist Financing.

reason to suspect that a fact exists is more than a reason to look into or consider its existence possibility.⁴¹²

Suspicious or doubtful transactions in banks come almost everyday. However, it is a difficult task to realize an exact and timely report. Suspicious transactions frequently occur but it is not possible to check each one of them. In addition, the standards of identification are not quantitative but depend on the logic of the employee. More often than not, the attempt has led to some banks' failure to report to the relevant authorities of some suspicious transactions.⁴¹³ Therefore, for banks the identification of suspicious transactions is an increasing challenge.⁴¹⁴

Furthermore, it is widely recognized that the anti-money laundering laws imposed on banks have brought negative effects because of the inconsistency between the banking secrecy principle and mandatory notification of suspicion to the authorities that are concerned of money laundering.⁴¹⁵ However, the duty of secrecy is an implied duty which emerges from the contractual relationship between the banker and its customer, although it is stipulated in article 72 of the Banking Law 2000 that A bank shall consider full confidentiality with respect to all accounts, trusts, deposits, and its customers safe-deposit boxes. Also, the bank shall be prohibited from providing any information whether directly or indirectly except upon a written approval of the owner of such account, trust, deposit or the safe-deposit box, or his heir, according to a decision issued by a competent judicial authority, or because of one of the permissible situations according to this law provisions. However, even if the relationship between

⁴¹² Sydney Law Review 87, for more information see Website of Australasian Legal Scholarship Library at <http://www.austlii.edu.au/au/journals/SydLRev/1968/7.pdf> or <http://www.austlii.edu.au/au/journals/SydLawRw/1968/7.html>, pp. 93, accessed 18/4/2015

⁴¹³ Musonda Simwayi, Wang Guohua, Ibid.

⁴¹⁴ Rowan Bosworth-Davies, "*Money laundering – chapter three*", Journal of Money Laundering Control, Vol. 10 Iss: 1, (2007), pp.47 – 65.

⁴¹⁵ Fadi Fouad Obaidat, *The Legal Dimensions of Banking Secrecy*, PhD thesis, Amman Arab university, Amman Jordan, 2005. In Arabic.

the bank and the customer has terminated for any reason, this prohibition shall remain in effect.

According to Banking Law the information disclosure by a bank to any banking transaction or the payment or receipt of money could be linked or linked to any illegal activity or crime, shall not be considered as a violation of the obligation to maintain banking secrecy. Therefore, this bank or the Central Bank shall not bear any consequent responsibility.⁴¹⁶

Nevertheless, it is stipulated in Article 35 of the Anti-Money Laundering Law 2007 that the provisions regarding to secrecy including banking confidentiality that is stipulated in any other law shall not prevent the application of any of this law provisions.

With respect to Article 35 is the view of the Financial Action Task Force that the banking secrecy should be lifted so that it will not hinder the implementation of the Financial Action Task Force Recommendations. Thus, secrecy law needs to be excluded to enable the exchanging of information among the competent authorities and the exchanging of information among the financial institutions.⁴¹⁷ Consequently, the legislation of Article 35 has increased the exceptions lists to the secrecy law in Jordan.

Banking secrecy is one of the basic principles of banking business due the commercial success of the sanctity of the relationship between the banker and the customer and the banking business. Banking secrecy prevents the disclosure of information and the safety and soundness of the banking system. Lack of secrecy

⁴¹⁶ According to article 93 of the Banking Law No. 28 of 2000.

⁴¹⁷ Recommendation No. 4 of the Financial Action Task Force Recommendations.

could weaken the public confidence in banks thus secrecy protects banks and financial institutions in fluctuating business and market pressure environment.⁴¹⁸

It has been said that the banking secrecy principles are threatened by the anti-money laundering laws.⁴¹⁹ This principle prevents a bank from revealing its customers information or any data.⁴²⁰ Banking secrecy is considered a customer privilege while fighting money laundering is critical for public security and safety. According to the Jordanian anti-money laundering laws, the reporting obligation means that banks have to achieve a balance between protecting customers' secrecy and complying with laws. In fact, achieving this balance is a question faced by the banking industry.

At first sight, it seems that anti- money laundering law makes greater progress into the rule of secrecy, where customer's information can be disclosed on the basis of suspicion of activities of money laundering. Nevertheless, this is not really true on closer inspection as there are limits to disclosure.

First, only the reporting officer who has the responsibility for providing the Unit with the data of suspected transactions that can be linked to money laundering.⁴²¹ Second, disclosure by any administrator directly, or indirectly, or by any way of notifying the Unit or any procedures of notification taken towards the suspected transactions to be linked to money laundering shall be prohibited.⁴²² Third, disclosure by persons who

⁴¹⁸ Aspaella A Rahman, Ibid.pp.218.

⁴¹⁹ Lawson HD, *Bank Secrecy and Money Laundering*, 17 Banking and Financial Law Review 145, (2002).

⁴²⁰ Amjad al-Juhani, *Money Laundering and its Impact on Banking Secrecy*, 29/1/2008, <http://www.cojss.com/article.php?a=180> , Accessed 21-1-2014. In Arabic.

⁴²¹ According to Article 8 (Third) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

⁴²² According to Article 8 (Forth/a) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

have access to or that comes to their knowledge of any information exchanged or provided whether directly or indirectly shall be prohibited.⁴²³

In spite of the imposed limits on disclosure, some of the reporting obligations aspects would make the customers wonder if they can depend on the banks to keep their affairs confidential. For instance, the legislations of Jordanian anti-money laundering provide guidance for suspicion identification. Nevertheless the definition of "suspicion" is not clearly defined, thus it is not an easy task for the bank to identify suspicious transaction or cash. The measure of suspicion also differs from one employee or bank to another. Traditionally the relationship between a banker and a customer was built on mutual trust basis; however, with the enactment of anti-money laundering laws it seems that it will eventually be replaced with built on mutual suspicion basis.

3.4.4 Obligations of record-keeping

Record keeping is considered a significant element of the audit trail that the law enforcement agencies intend to establish in investigating money laundering. Article 14 (a/6) of Law 2007 provides that the bodies subject to this law provisions shall commit to comply with record keeping and legal instruments to document the financial transactions whether locally and internationally. Article 7 of Instructions No. 51/2010 also stresses that the bank shall keep the documents and records for recording the conduct national and international financial transactions.

The following information to be included in such a record are placed according to Article 14 (a/6) of Law 2007 and Article 7 of Instructions No. 51/201: (1) the identity and address of the person in whom name is in the conducted transaction, (2) the

⁴²³ According to Article 8 (Forth/b) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

identity and address of the person on whose behalf or the beneficiary person is in the conducted transaction, (3) the accounts' identity (if any) that are affected by the transaction, (4) the type of transaction involved, for instance, withdrawal, deposit, cheque cashing, exchange of currency, purchase of cashier's cheques, or money orders, or other transfer or payment through, or to such reporting institution, the date where the transaction occurred, (5) the identity of the reporting institution, and (6) the transaction's amount and time.

The above articles require that banks keep all records for not less than five years from the date the transaction was completed or the date of the business relationship termination. The kept records and documents shall include the original copies or documents that are acceptable by courts under the enforced legislations in Jordan.⁴²⁴ Microfilm copies or any other modern electronic means can be kept which shall have the same legal effect as the originals with respect to the evidence, and retrieved in accordance with bases identified.⁴²⁵

Article 7 (Third) of Instructions No. 51/2010 requires that banks provide for the centralization of the information collected in a way that enables it to quickly respond to the Unit and the competent official authorities requesting the information. The bank shall provide any information which clarifies if the bank has an ongoing relation with a certain person during the past five years and provides information about the nature of such relation.

However, not being able to comply with this requirement would make banks subject to a fine not exceeding 1000 JOD (1400 U.S. dollar) and not more than 10000 JOD

⁴²⁴ According to Article 7 (Second) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

⁴²⁵ According to article 14 (a/7) of the Jordanian Anti Money Laundering Law 2007.

(14000 U.S. dollar). In the case of recurrence where the violation is repeated for more than twice, the fine shall be doubled up to the maximum end.⁴²⁶

In order to comply with the obligations of record-keeping, it seems that at present banks are required to record more information than they had before. Moreover to allow reconstruction of individual transactions, customer records must contain enough information. This might in turn require changes in the management and archiving arrangements of the banks' existing files.

In view of the number of transactions in the banking business, the record keeping requirements would be burdensome. However, to facilitate the money launderers' investigation and prosecution, the Jordanian lawmaker has clearly identified significant details which banks must keep.

3.4.5 Obligations of training

Article 9 (Eighth) of Instructions No. 51/2010 dictates banks to establish internal programs which include continuous training plans for the operating staff in the anti-money laundering and counter terrorist financing transactions field with special attention on the methods of money laundering, detection and reporting, and ways of handling suspected customers. All the training programs records shall be kept for less than five years and shall include the trainees' names, qualifications, and the training body, whether inside or outside Jordan.

Furthermore, the bank shall instruct staff of the necessary information about the different legislations of anti-money laundering, the procedures of notification that are suspected to be linked to money laundering transactions, the suspected patterns to be linked to money laundering transactions and the bank's establishment of internal

⁴²⁶ According to article 30 of the Jordanian Anti Money Laundering Law 2007.

controls in order to fight money laundering.⁴²⁷

In 2007 a KPMG⁴²⁸ survey showed that 97 percent of banks worldwide recognized that to monitor and identify suspicious activity they were dependent on the employees' wakefulness. With reference to banks, the best AML control is the carefully trained employees', which is reflected in their training programs in high spending.⁴²⁹

In 2011 a KPMG survey concluded that the costs of anti-money laundering compliance in the last three years have increased by an average of 45 percent, and more than 80 percent of the respondents reported cost increase during that period.⁴³⁰

In spite of the advanced monitoring technology available for detecting and monitoring the risks of money laundering, it seems that identifying and monitoring suspicious activities banks still greatly depend on their employees' wakefulness.⁴³¹

3.4.6 Obligations of compliance

The Anti-Money Laundering Compliance Program is considered one of the banks' basic measures to appropriately detect and prevent money laundering and terrorism financing risks which affect their work. Procedures included in the program should ensure high standards of employees' integrity, the ongoing programs of employee training, and an independent audit job for checking compliance.

⁴²⁷ Article 11 (Third) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

⁴²⁸ KPMG's Global Anti-money Laundering Survey 2011 explores the range of strategic and implementation challenges that the international banking community faces in complying with evolving AML requirements. This is the third survey of its kind, following the previous research conducted in 2004 and 2007, for more information see : <http://www.kpmg.com>.

⁴²⁹ Global Anti-Money Laundering Survey 2007 "*How Banks Are Facing Up to the Challenge* ".pp8. <http://us.kpmg.com/microsite/FSLibraryDotCom/docs/AML2007FULL.pdf>, accessed 19/4/2015.

⁴³⁰ Global Anti-Money Laundering Survey 2011 "*How banks are facing up to the challenge*", pp12 <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/anti-money-launderingv2.pdf>, accessed 20/4/2015.

⁴³¹ Aspalella A Rahman, Ibid.pp.161.

Article 9 of Instructions No. 51/2010 provides that a bank must place an adequate internal system that contains internal policies, controls, and procedures for anti-money laundering and counter terrorist financing.

In accordance with these instructions, the Anti-Money Laundering Compliance should include procedures and controls, internal policies, staff training and awareness programs, compliance officers, and independent audit. Each is elaborated below.

3.4.6.1 Internal policies, procedures, and controls

The bank shall place an internal system that contains “a clear policy for anti-money laundering and counter terrorist financing approved by the board of directors or the regional manager of foreign banks’ branches, where continuous updating shall be carried out and it shall include preventative measures of the misuse of modern technologies in money laundering and terrorist financing transactions.”⁴³² With regard to this, such procedure have to be formulated and effectively implemented by the senior management.

For anti-money laundering, the board of directors must be fully committed to establishing an effective internal control system and to ensure that such controls are implemented effectively. The senior management must also ensure that techniques to monitor and detect unusual and complex transactions are available.

Instructions No. 51/2010 further requires that banks place an internal system that contains “written detailed procedures for anti-money laundering and counter terrorist financing specifying accurately the duties and responsibilities.”⁴³³

⁴³² Article 9 (First) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

⁴³³ Article 9 (Second) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

There should also be an internal system to classify customers according to their degree of risks, and this can be done in light of data and information available to the bank and by periodically reviewing them.⁴³⁴

In fact, identifying and verifying a customer's identify requires that banks place appropriate systems.⁴³⁵ To avoid risks related to misuse of (Non-face-to-face) indirect dealing with customers the bank must set the necessary procedures and policies.⁴³⁶

3.4.6.2 Compliance officer

Article 9 (Fifth) of Instructions No. 51/2010 requires banks to place a proper internal system that contains internal policies, procedures, and controls for appointed compliance officers. The article also requires banks to identify the name of the reporting officer and his/her substitute, and in case of replacing any of them the unit should be notified. Besides that, it is important for the compliance officer to have the necessary knowledge, required authority, and expertise to effectively perform his/her responsibilities.

However, banks should place an internal system that includes internal policies, procedures, and controls for identifying the reporting officer authorities in order to contain the minimum authorities to act independently and keep the secrecy of information received and the taken procedures. In fact, the reporting officer must have access to data and records which are required to perform the tasks of inspection and

⁴³⁴ Article 9 (Ninth) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

⁴³⁵ Article 3 (Second/1) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

⁴³⁶ Article 5 (Third) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

reviewing of procedures and systems put for anti-money laundering by the bank.⁴³⁷

3.4.6.3 Independent audit

Article 9 (Third) of Instructions No. 51/2010 requires banks to place an internal system that contains internal procedures, controls, and policies to designate a qualified and an independent staff in the Internal Audit Department who is provided with adequate resources to check the compliance with internal controls, policies, and procedures to fight money laundering.

In addition, establishing a convenient mechanism to verify the compliance with policies and procedures of anti-money laundering and counter terrorist financing by all staff of the audit and the Reporting Officer, taking into account the authorities coordination and responsibilities determination among them.⁴³⁸

Banks should also place systems and procedures that ensure the internal audit bodies perform their role in checking internal control and supervision systems so as to guarantee their efficiency in anti-money laundering and counter terrorist financing.

These staff should also be periodically reviewed and that banks should suggest whatever necessary to supplement any insufficiency and develop and update the effectiveness and efficiency.⁴³⁹

3.4.6.4 Noncompliance

As mentioned, the Jordanian lawmaker requires a bank's official to take all reasonable steps to ensure compliance with the obligations of anti-money laundering. At the

⁴³⁷ Article 9 (Seventh) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

⁴³⁸ Article 9 (Fourth) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

⁴³⁹ Article 9 (Tenth) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

same time, various penalties for noncompliance are provided in accordance with the Anti-Money Laundering Law 2007 and Instructions No. 51/2010.

Article 30 explicitly mentions that any breach of the law provisions, instructions, regulations and decisions issued for which a penalty is not identified in the law, the fine should be not less than 1000 JOD (1400 U.S. dollars) and do not exceed 10000 JOD (14000 U.S. dollars). However, in the case of recurrence (the breach is repeated for more than twice), the fine should be doubled up to the maximum end. In the case the bodies are subject to the Unit's regulation and supervision breach any of this law provisions, regulations, instructions or decisions issued, then it may notify the regulatory and supervisory authorities.⁴⁴⁰

Article 11 (Forth) of Instructions No. 51/2010 dictates that if any provision of these instructions were breached by the bank, then it should be subject to the punishment or measure or more of the procedures and sanctions established regarding the provisions of the Banking Law No. (28) for the year 2000, and amendments, and / or the Anti - Money Laundering and Counter Terrorist Financing Law in force.

Regardless of the imposed penalties on the banks, the court may wholly or partially stop the bank's operations for not less than one month and not more than one year if the bank commits any of the crimes stipulated in the law 2007. In the case of recurrence, the court may order to liquidate or cancel the registration of the bank. Furthermore, any person found to be responsible for committing any of these crimes—whether the chairman of the board, the chief executive officer, member of the board of directors, manager or any partner—should be prohibited from contributing or participating in any other legal person capital with similar objectives or being a part of

⁴⁴⁰ article 17 (d) of the Jordanian Anti Money Laundering and Counter Terrorist Financing Law 2007.

the management .⁴⁴¹ Clearly this is a very important issue and that banks cannot turn a blind eye to the obligations of anti-money laundering.

It is worth to note that regardless of the penalties, noncompliance with the obligations of anti-money laundering may also affect a bank's reputation. In this case banks have to suffer high compliance costs to avoid these risks. However, the spent money for preventing the reputational risks could be greater than the cost of money laundering itself.⁴⁴²

The failure of anti-money laundering systems is often denoted to the overall weaknesses in the corporate governance framework of a bank. Such a system cannot be expected to work in isolation. It seems that the measures of anti-money laundering have significant impact on a bank's corporate governance efficiency. This is considered the basic element to ensure that the bank is working in a safe and sound way.⁴⁴³

In fact, it is recognized that the imposed measures of anti-money laundering on the banks are subject to continuous development. Hence banks have to adopt new procedures to detect and deter money laundering because of the increased regulatory requirements. Ultimately the process is not only time-consuming but also costly.⁴⁴⁴

A survey conducted by KPMG in 2011 found that the cost of anti-money laundering compliance had increased sharply in 2004. Over three years, the average increase had

⁴⁴¹ article 31 (b) of the Jordanian Anti Money Laundering and Counter Terrorist Financing Law 2007.

⁴⁴² Jackie Harvey, "Compliance and reporting issues arising for financial institutions from money laundering regulations: a preliminary cost benefit study", *Journal of Money Laundering Control*, Vol. 7 Iss: 4, 2004, pp.333 – 346.

⁴⁴³ R. Barry Johnston, Ian Carrington, "Protecting the financial system from abuse: Challenges to banks in implementing AML/CFT standards", *Journal of Money Laundering Control*, Vol. 9 Iss: 1, 2006, pp.48 – 61.

⁴⁴⁴ Mark Yeandle and Michael Mainelli, *Anti-Money Laundering Requirements : Costs , Benefits And Perceptions*, Z/Yen Limited 5-7 St Helens Place London, June 2005.pp. 20. See: http://www.zyen.com/PDF/AMLR_FULLL.pdf, accessed 17/4/2015.

reached 61 percent, with no decrease of investment reported by the respondents. Anti-money laundering costs grew beyond expectation in 2007. In the previous three years the average costs grew 58 percent, compared to 2004's prediction of 43 percent growth. The costs continued to increase in 2011 at 45 percent average rate, against a prediction of over 40 percent in 2007. Many had underestimated the extent of cost rises.⁴⁴⁵

Transaction monitoring and staff training are believed to have largely contributed to the increased costs. The increased requirements for verifying customers' identity raises the cost of the operation. Banks are still considering the regulatory burden acceptable despite the increased compliance costs, indicating the financial industry's high commitment in protecting the integrity of the banking institutions apart from complying with their obligations. However, following the increased costs incurred by the banks, it is probable that such costs will be moved to the customers.⁴⁴⁶

Apparently, the benefits of anti-money laundering laws may not always be clear to individual institutions, who potentially tend to benefit a country as a whole rather than to individual institutions.⁴⁴⁷ These benefits include improved fairness and competitive conditions that arise from reduced fraudulent and illegal behaviours and law abiding places to do business.⁴⁴⁸

It is worth to mention the potential benefits of complying with anti-money laundering laws as the improvements of the regulatory compliance level. Commercial benefits through an increased financial crime prevention and improved customers' database.

⁴⁴⁵ Global Anti-Money Laundering Survey 2011, *How Banks are Facing up to the Challenge*, pp9 <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/anti-money-launderingv2.pdf>, accessed 21/4/2015.

⁴⁴⁶ Mark Yeandle and Michael Mainelli, *Ibid*, pp. 20.

⁴⁴⁷ Martin Gill and Geoff Taylor, *Preventing Money Laundering or Obstructing Business*. British Journal of Criminology, Volume 44, Issue 4, July 2004, pp. 582-594.

⁴⁴⁸ Mark Yeandle and Michael Mainelli, *Ibid*.pp. 21.

These benefits are usually seen as flowing from the costs that are avoided otherwise. Thus it is important to ensure that the effectiveness of the laws can be enhanced with what is spent in anti-money laundering compliance, where money launderers will be increasingly prosecuted and their assets seizures will be more frequent.⁴⁴⁹

3.5 Summary

Jordan does not have any specific laws to fight money laundering before the enactment of Anti-Money Laundering and Counter Terrorist Financing Law 2007. Thus the term *money laundering* is still considered relatively modern in Jordan. However the concept of concealing the origins of illegal funds is not new.

Before 2007, the anti-money laundering system in Jordan was a set of non-integrated and non-consistent laws. The system is not specialized in combating money laundering independently; it has always followed laws that aim to prevent another crime. The laws include (1) Jordanian Conservation of State Funds Law 1966, which aims primarily to protect the funds of countries, (2) Jordanian Customs Law 1998, which aims primarily to combat smuggling, (3) Jordanian Narcotic Drugs and Psychotropic Substances Law 1988, which primarily aims to fight drug trafficking, (4) Jordanian Money Exchange Business Law 1992, which aims primarily to regulate money exchange in Jordan and prevent financial crimes in general, (5) Jordanian Penal Law 1966, which primarily aims to prevent crime in general and to combat drug trafficking and (6) Jordanian Banking Law 2000.

In 2007, Jordanian lawmaker established the Anti-Money Laundering Law which has major precautionary procedures in anti-money laundering. The law is strengthened by instructions issued by the control authorities and inspection measures. In addition, the

⁴⁴⁹ Aspalella A Rahman, Ibid.pp.165.

intent of the law is to establish co-operation among the local authorities, the similar units, and the foreign authorities so that they can eliminate the effect and help eliminate the crime internationally. The laws also intend to raise the awareness among the authorities and the entities that are subject to the law provisions.

The past few years have witnessed a fundamental change in the regulatory and legal environment related to the measures of anti-money laundering in Jordan. Jordanian banks have found themselves having to comply with an increasing number of guidelines and regulations during the implementation of anti-money laundering laws. More importantly, the laws have set administrative and legal burdens on banks which are onerous and may involve serious legal and other liabilities for deficient compliance. Banks need to comply with substantial changes in due diligence procedures and customer identification. This requirement produces a significant shift in the ways banks interact with their existing and potential customers. Without clear guidelines, it is doubtful how banks can effectively implement the customer identification and due diligence requirements.

It is also required from banks to monitor customer activity in order to identify any unusual activity that may be related to money laundering. It has been recognized that transaction monitoring has been the major reason of increased anti-money laundering cost. Through experience, banks are still facing a significant challenge in monitoring customer's transaction and account status across many various countries especially because of the rules of banking secrecy or data protection.

The suspicious transaction report requirement also poses many challenges and issues. Apparently it is difficult for banks to justify suspicious transaction report because such a transaction is very subjective. This problem could also lead to mistaken

reporting and defensive reporting. Left unchecked, the misreporting could result in a flood of reporting and jeopardize the effectiveness of the suspicious transaction report regime.

Banks also face challenges to comply with the requirement of anti-money laundering training programs. Appropriately trained employees are known to be the best anti-money laundering control. The complex and sophisticated nature of money laundering often leads to training programs deficiency, which needs to be overcome.

Worldwide, banks have spent considerable sums of money on anti-money laundering compliance. It seems that the amounts spent by Jordanian banks could be very significant, and it is likely that the costs will be moved to the customers. Unfortunately at this stage it is still unclear whether the benefits of anti-money laundering compliance surpass its cost.

Indeed the laws have had a significant impact on the banks' operations in Jordan. Effective implementation of the laws requires Jordanian banks to adopt a risk assessment anti-money laundering regime. Although the regime is based on sound principles, the effectiveness of the regime is still unknown. Only time will tell whether the banks will sufficiently be able to cope with the increased anti-money laundering obligations or otherwise. Obviously it is crucial at this stage to establish effective coordination among regulators, legislators, and the banking industry in order to minimize problems that banks faced and hence ensure effective implementation of the law.

CHAPTER FOUR

THE PERCEPTIONS OF BANKERS TOWARDS THE OBLIGATIONS OF ANTI-MONEY LAUNDERING LAW

4.1 Introduction

This chapter describes the questionnaire used to support the legal analysis findings that have answered the research question in this thesis. The fourth research question queried that “What are the Jordanian bankers perceptions towards the anti-money laundering obligations imposed on them?” Such methodological step is significant since it seeks to make descriptive inference and attempts to determine the weakness of the legal infrastructure in a specified area of law.

The academic literature on money laundering is vast. However, little has been discussed about banks’ reaction to the management challenges of implementing anti-money laundering systems. The industry surveys which cover the attitudes of anti-money laundering compliance officers at the Jordanian banks are either out-of-date or are not comparable to the situation of anti-money laundering compliance officers in the Jordanian banks. This is partly due to the studies having involved different samples or having been conducted in different countries.⁴⁵⁰

This chapter presents findings from the questionnaire survey, which aimed to uncover the bankers' perceptions towards anti-money laundering obligations imposed on them.

Also reported are the descriptive statistics of the participants’ answers for the

⁴⁵⁰ For instance; (1) Rowan Bosworth-Davies, "Living with the Law: A Survey of Money-Laundering Reporting Officers and Their Attitudes towards the Money-Laundering Regulations", Journal of Money Laundering Control, Vol. 1 Iss: 3, 1998, pp.245 – 253. And (2) Laurence Webb, "A survey of money laundering reporting officers and their attitudes towards money laundering regulations", Journal of Money Laundering Control, Vol. 7 Iss: 4, 2004, pp.367 – 375.

questionnaire items. These data can provide answers towards concluding the bankers' perceptions towards anti-money laundering obligations imposed on them.

4.2 Research Design

A survey would be appropriate for a study that intends to ascertain individual's feelings, expectations, values, or other similar factors.⁴⁵¹ The survey method can be identified as (1) the data collecting at a particular point of time with the intention to describe the existing condition nature, or (2) the relationships determining that exist among specific events, or (3) the identifying of standards against which existing conditions can be compared.⁴⁵²

An empirical legal study is significant because it evaluates the function of the law in the real world and it supports the many areas of social and legal policies.⁴⁵³ A survey allows for structured questions that can result in statistical summaries. Open-ended questions enable researchers to obtain more insight on the subject from the selected respondents.

In this study, the researcher attempts to investigate how the law effects the Jordanian bankers' perception on anti-money laundering obligations imposed on them. The purpose is to understand the obstacles and opinions of the bankers and suggest solutions to the addressed problem.

⁴⁵¹ Anwarul Yaqin, *Legal Research and Writing, Malaysia*, lexisnexis, 2007, pp154.

⁴⁵² Mahdi Zahraa, *Research Methods for Law Postgraduate Overseas Students*, published in Malaysia by UNIVISION PRESS (c/o STILGLOW SDN.BHD), Kuala Lumpur Malaysia, 1998 , pp,65.

⁴⁵³ Dame Hazel Genn, Martin Partington and Sally Wheeler, *Law in the Real World: Improving our Understanding of How Law Works*, the Nuffi Eld Foundation 28 Bedford Square London wc1b 3js, 2006, pp.1. For more information see: <http://www.nuffieldfoundation.org/sites/default/files/Law%20in%20the%20Real%20World%20full%20report.pdf>, accessed 23-4-2015.

4.3 The Questionnaire Survey

This study considers law as a social fact, with the purpose being to order society and influence human behavior.⁴⁵⁴ In other words, this study considers laws as the rules imposed by the legislature to affect human behavior and improve their activities.

A survey would be appropriate for a study that intends to ascertain individual's feelings, values, expectations, or other similar factors.⁴⁵⁵ The survey method can be defined as (1) the gathering of data at a particular point of time with the intention to describe the nature of an existing condition, or (2) the identifying of standards against which existing conditions can be compared, or (3) the determining of the relationships that exist between specific events.⁴⁵⁶ Scholars also recognize that surveys are often conducted as part of a non-experimental design. The method is ideal for understanding the attitudes, views, beliefs, and opinions of people on various aspects of social life.⁴⁵⁷

The flexibility of data gathering was the reason for choosing the questionnaire survey method. A survey also allows the data to be gathered by various methods, for instance, through face-to-face interviews. A questionnaire survey also allows the researcher to cover wider geographical areas and a large number of people. It imposes lower cost compared to other means of data collection and no previous arrangements are required.

⁴⁵⁴ Mark Van Hoecke, *Methodologies of Legal Research*, Published in the United Kingdom by Hart Publishing Ltd 16C Worcester Place, Oxford, OX1 2JW, 2011, pp.1, for more information see: http://www.ius.bg.ac.rs/prof/Materijali/jovmio/DS_primerimetodoloskihpristupa/van%20Hoecke%20%28ed.%29,%20Methodologies%20of%20legal%20research%20_%20which%20kind%20of%20method%20for%20what%20kind%20of%20discipline.pdf, accessed 27-4-2015.

⁴⁵⁵ Anwarul Yaqin, *Ibid*, pp.154.

⁴⁵⁶ Mahdi Zahraa, *Ibid*, pp.65.

⁴⁵⁷ McConville, Mike and Hong Chui, Wing, *Research Methods for Law (Research Methods for the Arts and the Humanities)*, 1st edition, July 6- 2007. pp.59.

4.4 The Design of the Questionnaire

The questionnaire used in this study was constructed to query the attitudes of anti-money laundering compliance officers towards the legislation in Jordan. The first and the final drafts of the questionnaire were prepared and written in English and were later translated to Arabic, considering that English is not the first language for most of the respondents. It was thought that the translated version would be better understood by these respondents.⁴⁵⁸

4.5 The Pilot Study

The purpose of the pilot study was to ascertain if the participants understood the questions, if the responses would provide the required data, and the time taken for answering the questions is adequate. To conduct the pilot study, a plan was determined with regard to how, where, and when to collect the data for the pre-test purposes. The data were collected from the main branches of the banks in Amman, Jordan, from November 9, 2014 to November 23, 2014 during office hours. Accordingly, twenty one officers participated in this pilot study, and they represented four banks out of the twenty five banks in Jordan. They are (1) The Housing Bank For Trade & Finance, (2) Cairo Amman Bank, (3) Jordan Islamic Bank, (4) and Union Bank.

After testing the questionnaire, the researcher discovered that some questions are ambiguous and weak. Also the variables were unclear and were mixed in various sections. As a result, the whole structure of the questionnaire was redeveloped. Some questions were deleted, where the number of questions were decreased. For example, the following item has been removed: The main reason for comply with the anti-money laundering legislations in order to avoid their sanctions and not because the

⁴⁵⁸ Both the English and Arabic versions of the questionnaires can be found in the Appendix.

legislations represent good business practice. However, the following item has been edited: Non-compliance of bank with anti-money laundering obligations can result in fines and penalties. And, the following item has been added: The highly risky customers are not clearly defined in legislations.

4.6 Evaluating the Questionnaire

The researcher referred to several university lecturers and academics in Jordan to ascertain that the translated questionnaire was accurate and that each item had measured exactly what it intended to measure. Having received the comments, several questions were deleted and some were modified. The final draft was reviewed again before being translated to Arabic in order to ensure that the translated version was accurate and that the topics had covered the intended objectives of the questionnaire.

The questionnaires were evaluated by three doctorate graduates who majored in English. They also evaluated the translation from English to Arabic. Another two doctorate graduates who majored in commercial law had evaluated the content of the questionnaires. Table (4.1) shows the profiles of the evaluators.

Table 4.1

The Profile of Evaluators

| No | Name | University | Faculty | Department | Academic Rank. |
|----|----------------------|------------------------|---------------------|------------------------|---|
| 1. | Dr. Ahmad El-Sharif | AL- al Bait University | Arts and Humanities | English and Literature | Assistant Professor |
| 2. | Dr.Salim El-Ibia | AL- al Bait University | Arts and Humanities | English and Literature | Assistant Professor |
| 3. | Dr. Khaled Masaeed | AL- al Bait University | Arts and Humanities | English and Literature | Assistant Professor |
| 4. | Dr. Omer Falah | AL- al Bait University | Law | Private law | Associate Professor - Commercial law |
| 5. | Dr.Abdullah Alsofani | AL- al Bait University | Law | Private law | Associate Professor - Commercial law |

4.7 Field Study Plan

To conduct the questionnaire survey, a plan was determined with regard to how, where, and when to collect the data. The data were collected from the main branches of the banks in Amman, Jordan, from December 14, 2014 to February 16, 2015 during office hours. Some banks refused to participate on grounds that their anti-money laundering compliance officers were not allowed to contact the public. Hence the researcher took two measures: First, the questionnaires were handed over to the reception department at the bank. The questionnaires were then handed over to the human resource (HR) in order to be viewed and approved for distribution to the compliance officers. Once the HR approved, the questionnaires were distributed to the required samples. Later, the researcher asked to interview the anti-money laundering compliance officers at the banks at their free time. The completed questionnaires were then handed over to the researcher by the reception department; Second, the researcher directly (without going through the pre-mentioned procedures) interview the anti-money laundering compliance officers at the banks and gave the questionnaires for them to fill in. The researcher left for the bank to decide whichever method they preferred.

4.8 Data Processing

Ten days after the data collection, the researcher began with the data entry and verification. The data were entered manually by using a computer and the statistical package for the social sciences (SPSS) software.

When the raw data were collected, edited, coded, and entered into the computer, they were ready for analysis. Analysis is the process of examining, summarizing, and

drawing conclusion from the information contained in the raw data.⁴⁵⁹ The SPSS software produces findings in the form of graphs and charts.⁴⁶⁰

By using the SPSS program, the data were analyzed through the following procedure:

(1) Defining the attributes of the variables, including their names e.g. (the name of first question, the name of second question and name of third question, etc.), (2) defining a data type (e.g. numeric), (3) defining a label (e.g., the first question, “Is the position of Money Laundering Reporting Officer your only job?” The second question, “Are the costs of monitoring electronic transfers added to the provided customers services cost?” The third question, “Do the obligations of record keeping imposed on banks require banks to change existing file management and archiving arrangements?” etc.), (4) defining values (e.g. no. 1 represents the answer “yes”, no.2 represents the answer “no”).

The second stage was the entering of the questionnaires’ results on a "variables" page. For example, five people answered “yes” and three people answered “no” to the first question. Six people answered “yes” and one person answered “no” to the second question. Two people answered “yes” and five people answered “no” to the third question, etc. The third stage was the analysis stage, which involved obtaining descriptive statistics in the program from the option of "analyze", and then completing the procedures to obtain the percentages from the questionnaires’ responses.

The fourth stage was obtaining the results of the questionnaires survey. For example, the percentage of “yes” for first question was 50 percent, and 20 percent for the second question, and 30 percent for the third question. The percentage of “no” in the

⁴⁵⁹Anwarul Yaqin, Ibid, pp. 252.

⁴⁶⁰Bryman,A, *Quantitative Data Analysis with SPSS 12 and 13 A Guide For Social Scientists*, http://rufiismada.files.wordpress.com/2012/02/quantitative_data_12_13.pdf , Accessed 14-2-2014.

first question is 60 percent, and 20 percent for the second question, and 30 percent for the third question. After the charts and graphs were constructed, the results were analyzed to reach the goal of the questionnaire survey.⁴⁶¹

4.9 The Questionnaire

In this study the questionnaires were distributed in Arabic. Each set of questionnaire includes eight sections and sixty-three questions in total.

Section A (*Demographic Variables*) contains ten items. These questions sought to establish an image of the individual's experience, level of education, and professional qualifications. The aim of this section was to identify the employees employed as the anti-money laundering compliance officers. The researcher believes that such information would indicate the degree of seriousness besides knowing the perceptions of Jordanian bankers towards the anti-money laundering obligations was felt that this would give an indication of the degree of seriousness besides knowing the Jordanian bankers' perceptions towards the anti- money laundering obligations.

Section B (*General Anti-money Laundering Practices*) contains five question. The first question consists of two items (A and B) and the second section seeks to ascertain attitudes of the respondents towards general anti-money laundering practices. There are five questions in Section C (*Obligations of Compliance*). The first question is divided into seven items (A, B, C, D, E, F, and G) and the third section seeks to ascertain the attitudes of the bank officers towards obligations of compliance.

Section D (*Obligations of Customers Due Diligence: Know-Your customer Principle*)

⁴⁶¹For more information visit: Vijay Gupta, SPSS for Beginners, Published by vjbooks Inc, www.uploadkon.ir/uploads/1041cbeb8db5c23fa327150d1662bea7.pdf , (1999), Accessed 13-4-2014. And see: Imad Nashwan, Practical Guide to Rapporteur Applied Statistics, Al-Quds Open University, <http://www.qou.edu/portal/almouqarrat/pdf/files/Statistics.pdf> , (2005) Accessed 13-4 2014. In Arabic.

contains nine items and the fourth sections seeks to ascertain the officers' attitudes towards obligations of customers due diligence.

In addition, five questions in Section E (*Obligations of Monitoring of Transactions*), the first question is divided into four items (namely A, B, C and D), the fifth section sought to ascertain attitudes towards obligations of monitoring of transactions. Five questions in Section F (*Obligations of Reporting*), the first question is divided into two items (namely A and B), the sixth section sought to ascertain attitudes towards obligations of reporting. Also, five questions in Section G (*Obligations of Record-Keeping*), the first question is divided into two items (namely A and B), the seventh section sought to ascertain attitudes towards obligations of record-keeping. At last, five questions in Section H (*Obligations of Training*), the first question is divided into three items (namely A, B, and C), the eighth section sought to ascertain attitudes towards obligations of training.

The questionnaire is composed of six A4 pages. The first page is the front cover which includes the logo of the Universiti Utara Malaysia, sample of letter of appreciation to the participants, the title of the study, the questionnaire objective, name of the university, and a brief explanation about the questionnaire.

The questionnaire also consisted of open-ended questions. In response to each question there was a set of pre-designed replies for the participant to choose from.

Furthermore, this research adopted the typical seven-level⁴⁶² Likert scale,⁴⁶³ that

⁴⁶² According to Dane Bertram, "Variations: Most commonly seen as a 5-point scale ranging from "Strongly Disagree" on one end to "Strongly Agree" on the other with "Neither Agree nor Disagree" in the middle; however, some practitioners advocate the use of 7 and 9-point scales which add additional granularity". For more information see: <http://poincare.matf.bg.ac.rs/~kristina//topic-dane-likert.pdf>, accessed 29/4/2015.

⁴⁶³ According to Dane Bertram, , Likert scales defined as: "A psychometric response scale primarily used in questionnaires to obtain participant's preferences or degree of agreement with a statement or set of statements. Likert scales are a non-comparative scaling technique and are unidimensional (only

ranged from strongly disagree, disagree, disagree a little, neutral, agree a little, agree and strongly agree. There were also “Yes” and “No” responses for the respondents to fill in.

The reason for choosing the seven-level instead of five-level is because rating scales with more response categories transmit a greater amount of information and are therefore inherently more precise in their measurement, thus is strongly supported.⁴⁶⁴ Moreover, the former is a finer scale which has the potential to contain more information, and allows the participants to express how much they agree or disagree with a particular statement.

In the attempt to overcome the resistance commonly identified among financial services practitioners towards the provision of any information about themselves or their employer's policies, the questionnaire sought the information on a wholly confidential basis, and respondents were specifically given a choice to provide or not any information which would identify themselves or their employing institution.

4.10 Data Analysis Techniques

Cronbach Alpha test was used to measure the internal consistency of the questionnaire statements. Means was used to measure the central tendency scales, and standard deviations were used to measure the dispersion of any set of observations. Bivariate correlation was adopted to determine if two variables were linearly related to each other.

measure a single trait) in nature. Respondents are asked to indicate their level of agreement with a given statement by way of an ordinal scale", Ibid.

⁴⁶⁴ DUANE F. ALWIN, *Feeling Thermometers Versus 7-Point Scales: Which are Better?*, Sociological Methods & Research, vol. 25, 3, (1997), pp. 318-340.

4.11 Sample Population

The population of this study represents the twenty-five banks in Jordan.⁴⁶⁵ The sample size is crucial in a quantitative study as it determines the generalizability of the results upon the main population.

According to Jordanian Anti-Money Laundering Instructions,⁴⁶⁶ each Jordanian bank should appoint officers to work as anti-money laundering compliance officers. These officers must be fully knowledgeable about the anti-money laundering requirements and the related regulations and laws because they are responsible for managing, coordinating, and monitoring the bank's compliance system toward anti-money laundering. Hence these officers will be part of the sample (respondents) of this questionnaire, and they were the only sample to represent the Jordanian banks.

Determining the sample size depends on the type of sample, whether it is a probability sample or a nonprobability one. The probability sample consists of simple random sampling, systematic sampling, stratified sampling, and cluster sampling.⁴⁶⁷

It has been recognized that in the process of collecting data, researchers need to determine the number of participants to include in their studies. A number of options were available: (1) The researchers can make an educated guess as to how many people are needed, such as 10% of the population, or (2) they can ask as many people as possible to participate within the resources and time that both researchers and participants can provide.⁴⁶⁸ In this study, the researcher attempted to collect as many

⁴⁶⁵ For more information visit website of Central Bank of Jordan at:

http://www.cbj.gov.jo/pages.php?Menu_id=34&local_type=0&local_id=0&local_details=0&local_details1=0&localsite_branchname=CBJ, accessed 28-4-2015.

⁴⁶⁶ According to article 9 of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010. Also, See supra section 3.4.6.2.

⁴⁶⁷ Anwarul Yaqin, Ibid, pp.277.

⁴⁶⁸ John W. Creswell, John W. Creswell, *Educational Research Planning, Conducting, and Evaluating Quantitative and Qualitative Research*, 4th Edition, the Publisher Pearson, 2011, pp.609.

participants as possible, as long as the minimum participation percentage is not less than 15% of the population size.

Accordingly, sixty-five officers participated in this study, and they represented twelve out of the twenty-five banks in Jordan (48%). This percentage was deemed appropriate for generalizing the results and testing the questionnaire and questions.

Table (4.2) shows the banks that participated in this study.

Table 4.2

The Banks Participated in the Questionnaire of Chapter Four

| No. | Name of Bank |
|------------|--------------------------------------|
| 1. | Jordan Ahli Bank |
| 2. | Cairo Amman Bank |
| 3. | The Housing Bank For Trade & Finance |
| 4. | Jordan Islamic Bank |
| 5. | Arab Jordan Investment Bank |
| 6. | Union Bank |
| 7. | Capital Bank |
| 8. | Egyptian Arab Land Bank |
| 9. | Standard Chartered Bank |
| 10. | Blom Bank |
| 11. | National Bank of Abu Dhabi |
| 12. | Al Rajhi Bank |

4.12 Describing the characteristics of the study sample

The study sample consisted of sixty-five Jordanian anti-money laundering compliance officers at banks. Table (4.3) shows the distribution of the sample by personal and functional variables.

Table 4.3:

Distribution of the Sample by Personal and Functional Variables

| Variable | Categories | Frequency | Percent |
|---------------------|----------------|-----------|---------|
| Age | 25-34 years | 42 | 64.6 |
| | 35-44 years | 14 | 21.5 |
| | 45-54 years | 5 | 7.7 |
| | Above 54 years | 4 | 6.2 |
| | Total | 65 | 100.0 |
| Gender | Male | 46 | 70.8 |
| | Female | 19 | 29.2 |
| | Total | 65 | 100.0 |
| Degree | Bachelor | 49 | 75.4 |
| | Master | 16 | 24.6 |
| | Total | 65 | 100.0 |
| Years of Experience | 1- 5 Years | 27 | 41.5 |
| | 6 - 10 Years | 16 | 24.6 |
| | 11-15 Years | 12 | 18.5 |
| | Above 15 years | 10 | 15.4 |
| | Total | 65 | 100.0 |

Table (4.3) shows that majority of the respondents aged between twenty-five and thirty-four, and only 6.2% of the respondents were above fifty-four years of age. Most of the respondents were male (70.8%) and hold a bachelor degree (75.4%). They mostly have one to five years of related experience (41.5%).

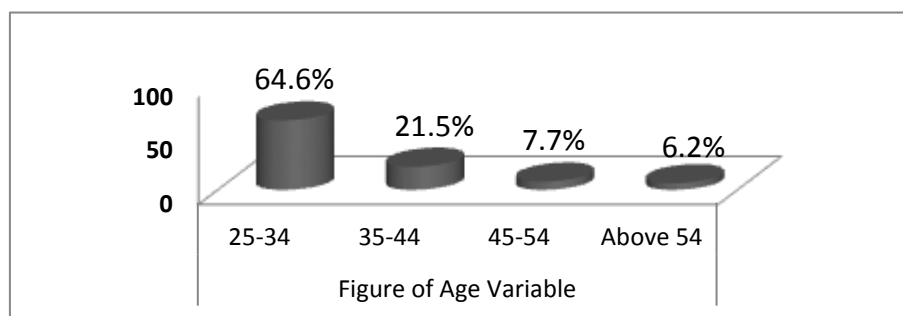


Figure 4.1: Distribution of sample according to age

Figure (4.1) shows that the highest percent of the sample according to age variable is 64.6% for the 25-34-years category.

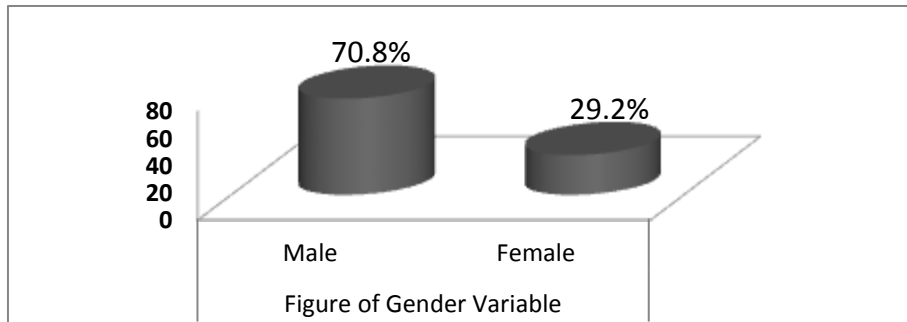


Figure 4.2: Distribution of sample by gender

Figure (4.2) shows that the highest percent of the sample according to gender variable is 70.8 % for the males category.

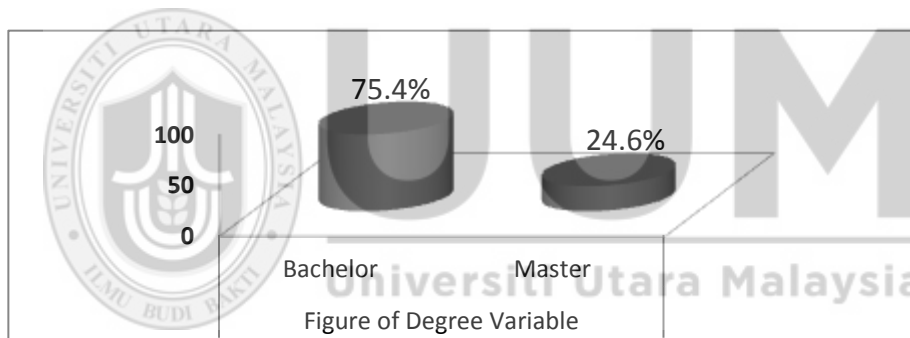


Figure 4.3: Distribution of sample by educational background

Figure (4.3) shows that majority of the respondents (75.4%) have a Bachelor degree.

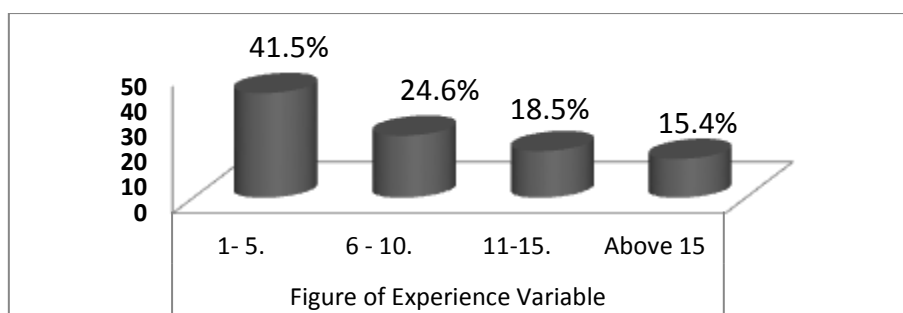


Figure 4.4: Distribution of sample by years of experience

Figure (4.4) shows that the highest percent of the sample according to years of experience variable is 41.5% for the 1-5-years category.

4.13 Reliability Analysis

The internal consistency reliability of each dimension was assessed by Cronbach's Alpha. The highest Cronbach alpha value reached 0.89 for the domain *Obligations of Reporting*. The lowest alpha value was 0.78 for the domain *General Anti-money Laundering Practices*. The total alpha values of *Study Tool* reached 0.88, indicating the acceptance of reliability. Table (4.4) shows the result of the reliability test.

Table 4.4

The Result of Reliability (Cronbach Alpha)

| No | Domain | Alpha | Item No |
|-------------------------|--|-------------|-----------|
| 1 | General Anti-money Laundering Practices | 0.78 | 2 |
| 2 | Obligations of Compliance | 0.84 | 7 |
| 3 | Obligations of Customers Due Diligence -Know Your Customer Principle | 0.85 | 9 |
| 4 | Obligations of Monitoring of Transactions | 0.83 | 4 |
| 5 | Obligations of Reporting | 0.89 | 2 |
| 6 | Obligations of Record-Keeping | 0.80 | 2 |
| 7 | Obligations of Training | 0.86 | 3 |
| Total study tool | | 0.88 | 29 |

4.14 Appropriate test data of the study

The problem of multilink is one of the problems facing the statistical estimation of the regression coefficients, and so it becomes difficult to determine the effects of discrete variables, and to assess the problem multilink been relying on test ((VIF) Variance Inflation Factor), which was to show the results in the following table (4.5):

Table 4.5

The Result of (VIF) of Independent Variables

| Independent Variable | Tolerance | VIF |
|--|------------------|------------|
| General Anti-money Laundering Practices | 0.674 | 1.484 |
| Obligations of Compliance | 0.620 | 1.614 |
| Obligations of Customers Due Diligence -Know Your Customer Principle | 0.456 | 2.195 |
| Obligations of Monitoring of Transactions | 0.579 | 1.726 |
| Obligations of Reporting | 0.473 | 2.116 |
| Obligations of Record-Keeping | 0.846 | 1.183 |
| Obligations of Training | 0.876 | 1.141 |

Table (4.5) shows that the values of VIF are less than 10, and the values of *Tolerance* are more than 0.05 for all the independent variables. This indicates the lack of correlation between the multi-independent variables, and the acceptance of the variation in the level of each variable of the independent variables of the study.

4.15 The Normal Distribution of the Variables of the Study

A Kolmogorov–Smirnov Z test was applied to the dependent and independent variables to reveal the curve of normality. For each variable, a Z value of less than the criteria value (1.96) indicates normality distribution (Table 4.6).

Table 4.6

The Normal Distribution of the Variables of the Study

| Variables | Positive trend | Negative trend | Kolmogorov-Smirnov Z | Significant |
|---|-----------------------|-----------------------|-----------------------------|--------------------|
| General Anti-money Laundering Practices. | 0.099 | -0.143 | 1.152 | 0.141 |
| Obligations of Compliance. | 0.117 | -0.080 | 0.947 | 0.331 |
| Obligations of Customers Due Diligence -Know Your Customer Principle. | 0.052 | -0.083 | 0.670 | 0.760 |
| Obligations of Monitoring of Transactions. | 0.093 | -0.144 | 1.157 | 0.137 |
| Obligations of Reporting | 0.092 | -0.161 | 1.301 | 0.068 |
| Obligations of Record-Keeping.. | 0.096 | -0.181 | 1.460 | 0.028 |
| Obligations of Training. | 0.109 | -0.148 | 1.194 | 0.116 |
| Total study tool | 0.061 | -0.045 | 0.495 | 0.967 |

4.16 Data Analysis and Results

What are the Jordanian bankers' perceptions towards the anti-money laundering obligations imposed on them? To answer this question, the means and standard deviation for each domain and for each item of each domain item, and total means of them were calculated. The following table (4.7) reports the findings.

Table 4.7

Means and Standard Deviation for Each Domain and Total Means of them (n= 65)

| No | Domain | Mean | Standard. Deviation | Rank | Agreement rate |
|-----------|---|-------------|----------------------------|-------------|-----------------------|
| 1 | General Anti-money Laundering Practices. | 5.50 | 1.17 | 3 | 0.79 |
| 2 | Obligations of Compliance. | 5.60 | 0.74 | 2 | 0.80 |
| 3 | Obligations of Customers Due Diligence -Know Your Customer Principle. | 5.22 | 0.69 | 5 | 0.75 |
| 4 | Obligations of Monitoring of Transactions. | 5.43 | 0.81 | 4 | 0.78 |
| 5 | Obligations of Reporting. | 4.95 | 1.54 | 7 | 0.71 |
| 6 | Obligations of Record-Keeping. | 5.05 | 0.99 | 6 | 0.72 |
| 7 | Obligations of Training. | 6.07 | 0.72 | 1 | 0.87 |
| | Total Means | 6.72 | 0.53 | - | 0.96 |

Table (4.7) shows that the highest mean was recorded for domain "Obligations of Training" (6.07) by agreement rate (0.87), then for domain "Obligations of Compliance" (5.60) by agreement rate 0.80. This is followed by the domain "General Anti-money Laundering Practices" (5.50) by agreement rate 0.79. The lowest mean (4.95) was recorded for domain "Obligations of Reporting" by agreement rate 0.71. The total means for "study tool" was 6.72 by agreement rate (0.96).

4.16.1 Data Analysis and Results for the General Anti-Money Laundering Practices Domain

Table 4.8

Means and Standard Deviation for "General Anti-Money Laundering Practices" Domain and Total Means of them (n= 65)

| No | The Items of Question No.1 | Mean | Standard. Deviation | Rank | Agreement rate |
|--------------------|--|-------------|---------------------|----------|----------------|
| a | Jordanian legislations aim primarily to meet all the international standards concerning anti-money laundering legislations imposed on banks. | 6.17 | 1.01 | 1 | 0.88 |
| b | Not all imposed international standards are applicable in Jordanian banks; Jordanian banks have different economic strength. | 4.83 | 1.89 | 2 | 0.69 |
| Total Means | | 5.50 | 1.17 | - | 0.79 |

Table (4.8) shows that the highest mean was recorded for item (a) *Jordanian legislations aim primarily to meet all the international standards concerning anti-money laundering legislations imposed on banks* (6.17) by agreement rate 0.88, and the lowest means was recorded for domain (b) *not all imposed international standards are applicable in Jordanian banks; Jordanian banks have different economic strength* (4.83) by agreement rate (0.69). The total means for "General Anti-money Laundering Practices" reached 5.50 by agreement rate 0.79.

Table 4.9

Frequencies and Percentages of Questions Relating to "General Anti-Money Laundering Practices" Domain

| No. | Question | Answering | Frequency | Percent |
|-----|---|-----------|-----------|---------|
| 2 | Are all the Jordanian legislations of anti-money laundering applicable in the bank? | YES | 44 | 67.7 |
| | | No | 21 | 32.3 |
| | | Total | 65 | 100.0 |
| 3 | Is the position of Money Laundering Reporting Officer your only job? | YES | 23 | 35.4 |
| | | No | 42 | 64.6 |
| | | Total | 65 | 100.0 |
| 4 | How much time, of your total work hours, do you spend on preparing Anti-Money Laundering reports? | 1% - 25% | 9 | 13.8 |
| | | 26% - 50% | 23 | 35.4 |
| | | 51% - 75% | 25 | 38.5 |
| | | Above 75% | 8 | 12.3 |
| | | Total | 65 | 100.0 |
| 5 | To what extent are you satisfied with the Jordanian's anti- money laundering legislations? | 25% | 6 | 9.2 |
| | | 50% | 16 | 24.6 |
| | | 75% | 33 | 50.8 |
| | | 100% | 10 | 15.4 |
| | | Total | 65 | 100.0 |

Table (4.9) shows that 67.7% of the respondents thought that all the Jordanian legislations of anti-money laundering are applicable in bank. A total of 64.6% of the respondents thought that the position of money laundering reporting officer is not the only position for them. Around one third 38.5% of the respondents spent 51% to 75% of their total working hours on preparing anti-money laundering reports, and half of them (50.8%) were satisfied with (75%) of the Jordanian's anti- money laundering legislations.

4.16.2 Data Analysis and Results for the Compliance Domain

Table 4.10

Means and Standard Deviation for "Obligations of Compliance" Domain (n= 65)

| No | The Items of Question No.1 | Mean | Standard. Deviation | Rank | Agreement rate |
|--------------------|--|-------------|---------------------|----------|----------------|
| a | The main reason for the existence of bank is to make as much profits as possible, whereas, the main reason for enacting the anti-money laundering obligations is for public safety and security. Hence, their cultural and commercial interests are distinct from that of the law enforcement authorities. | 5.03 | 1.79 | 6 | 0.72 |
| b | Non-compliance of bank with anti-money laundering obligations can result in fines and penalties. | 6.63 | 0.63 | 1 | 0.95 |
| c | Non-compliance of bank with anti-money laundering obligations can result in negative publicity. | 6.51 | 0.71 | 2 | 0.93 |
| d | If the bank does not comply with anti-money laundering obligations, crime prevention objectives will be taken down. | 6.17 | 1.15 | 3 | 0.88 |
| e | Anti-money laundering obligations create a major dilemma for banks, as compliance with these obligations can increase the costs and complexity of banking operations. | 5.06 | 1.73 | 5 | 0.72 |
| f | The compliance of bank with anti-money laundering obligations in an absolute manner threatens the principles of banking secrecy. | 4.02 | 2.10 | 7 | 0.57 |
| g | The effectiveness of anti-money laundering measures have a significant impact on the efficiency of the corporate governance of the bank, which is a key element in ensuring that the bank operates in a safe and sound manner. | 5.80 | 1.28 | 4 | 0.83 |
| Total Means | | 5.60 | 0.74 | - | 0.80 |

Table (4.10) shows that the highest mean was obtained for item (b) *non-compliance of bank with anti-money laundering obligations can result in fines and penalties* (6.63)

by agreement rate (0.95), then for item (c) *non-compliance of bank with anti-money laundering obligations can result in negative publicity* (means 6.51) by agreement rate (0.93), then for item (d) *if the bank does not comply with anti-money laundering obligations, crime prevention objectives will be taken down* (means 6.17) by agreement rate (0.88). The lowest means was obtained for item (f) *the compliance of bank with anti-money laundering obligations in an absolute manner threatens the principles of banking secrecy* (4.02) by agreement rate (0.57). The total means for "Obligations of Compliance" reached 5.60 by agreement rate 0.80.

Table 4.11

Frequencies and Percentages of Questions Relating to "Obligations of Compliance" Domain

| No | Question | Answering | Frequency | Percent |
|----|--|---|-----------|---------|
| 2 | Which one of the following costs the most when the bank complies with anti-money laundering obligations? | Customer identification | 11 | 16.9 |
| | | Monitoring transactions | 28 | 43.1 |
| | | Training | 26 | 40.0 |
| | | Total | 65 | 100.0 |
| 3 | Which obligation consumes the most time when complying with the obligations? | Customer identification | 12 | 18.5 |
| | | Monitoring transactions | 38 | 58.5 |
| | | Training | 15 | 23.1 |
| | | Total | 65 | 100.0 |
| 4 | What is the main benefit for banks when complying with the obligations? | Reducing crimes | 36 | 55.4 |
| | | increased market confidence | 29 | 44.6 |
| | | Total | 65 | 100.0 |
| 5 | What is the main burden for banks when complying with anti- money laundering obligations? | These obligations are considered as intrusive by many customers | 29 | 44.6 |
| | | These obligations take a long time | 30 | 46.2 |
| | | There is no burden | 6 | 9.2 |
| | | Total | 65 | 100.0 |

Table (4.11) shows that 43.1% of the participants thought that monitoring transactions cost the most when the bank complies with anti-money laundering obligations. More than half of the participants (58.5%) thought that the monitoring transactions consumes the most time when complying with the obligations and that reducing crimes is the main benefit for banks when complying with the obligations. Nearly half (46.2%) thought that complying with anti-money laundering obligations is a prolonged process that burdens the banks.

4.16.3 Data Analysis and Results for the Customers Due Diligence Domain

Table 4.12

Means and Standard Deviation for "Obligations of Customers Due Diligence: Know-Your-Customer Principle" (n= 65)

| No. | Items | Mean | Standard. Deviation | Rank | Agreement rate |
|-----|--|------|---------------------|------|----------------|
| 1 | Customer due diligence procedures are vital for obtaining satisfactory evidence concerning the identity and the legal existence of the customer. | 6.14 | 0.77 | 1 | 0.88 |
| 2 | The Importance of Customer identification does not only help banks to detect, deter and encounter money laundering, but also provide tangible benefits to the banks, their customers and the financial systems as a whole. | 6.05 | 0.80 | 2 | 0.86 |
| 3 | The due diligence procedures produce a significant shift in the way the banks interact with their existing and potential customers. | 5.97 | 1.06 | 3 | 0.85 |
| 4 | Knowing Your Customer policy is difficult to be implemented because there is no obvious end point to the information collected by the bank. | 4.37 | 1.77 | 7 | 0.62 |
| 5 | The unwillingness of the customer to provide the requested information and to cooperate in the due diligence process may by itself be a factor of suspicion. | 5.86 | 1.16 | 4 | 0.84 |
| | The requirements for identifying | 5.20 | 1.44 | 6 | 0.74 |

| | | | | | |
|--------------------|---|-------------|-------------|----------|-------------|
| 6 | and verifying beneficiary account add a significant burden on the bank because of the complex nature of these accounts and the bank employees need special skills to deal with such accounts. | | | | |
| 7 | The highly risky customers are not clearly defined in legislations. | 4.34 | 1.87 | 8 | 0.62 |
| | Verifying highly risky customers and determining whether their money is earned out of legitimate sources or not are not an easy task for Banks. | 5.42 | 1.68 | 5 | 0.77 |
| 8 | | | | | |
| 9 | The requirement of not permitting dealing with numbered accounts has affected the commercial interest of the bank. | 3.65 | 1.95 | 9 | 0.52 |
| Total Means | | 5.22 | 0.69 | - | 0.75 |

Table (4.12) shows that the highest means were recorded for item (1) *customer due diligence procedures are vital for obtaining satisfactory evidence concerning the identity and the legal existence of the customer* (6.14) by agreement rate 0.88, then for item (2) *the importance of customer identification does not only help banks to detect, deter and encounter money laundering, but also provide tangible benefits to the banks, their customers and the financial systems as a whole* (6.05) by agreement rate (0.86), then for item (3) *the due diligence procedures produce a significant shift in the way the banks interact with their existing and potential customers* (means 5.97) by agreement rate 0.85, and the lowest means was recorded for item (9) *the requirement of not permitting dealing with numbered accounts has affected the commercial interest of the bank* (3.65) by agreement rate (0.52). The total means for obligations of customers' due diligence: know-your-customer principle" reached 5.22 by agreement rate 0.75.

4.16.4 Data Analysis and Results for the Monitoring of Transactions Domain

Table 4.13

Means and Standard Deviation for "Obligations of Monitoring of Transactions" Domain and Total Means of them (n= 65)

| No | The Items of Question No.1 | Mean | Standard. Deviation | Rank | Agreement rate |
|--------------------|--|-------------|---------------------|----------|----------------|
| A | The bank needs to spend significant amounts of money to install or upgrade sophisticated monitoring systems to keep pace with the increasing regulatory obligations. | 5.75 | 1.29 | 2 | 0.82 |
| B | The bank faces challenges in monitoring the account that crosses several different countries due to banking secrecy and data protection rules. | 5.38 | 1.35 | 3 | 0.77 |
| C | Despite of having sophisticated monitoring technology that detects and monitors money laundering risks, banks still greatly depend on the vigilance of their staffs to identify and monitor suspicious activities. | 5.88 | 0.88 | 1 | 0.84 |
| D | The bank has to monitor suspicious transactions. But, generally, legislations do not provide adequate guidance on how banks should determine which transactions are suspicious. | 4.72 | 1.60 | 4 | 0.67 |
| Total Means | | 5.43 | 0.81 | - | 0.78 |

Table (4.13) shows that the highest means were recorded for item (c) *despite of having sophisticated monitoring technology that detects and monitors money laundering risks, banks still greatly depend on the vigilance of their staffs to identify and monitor suspicious activities* (5.88) by agreement rate 0.84, then for item (a) *the bank needs to spend significant amounts of money to install or upgrade sophisticated monitoring systems to keep pace with the increasing regulatory obligations* (5.75) by agreement rate 0.82, then for item (b) the bank faces challenges in monitoring the account that crosses several different countries due to banking secrecy and data

protection rules" (5.38) by agreement rate 0.77, and the lowest means was received for item (d) *the bank has to monitor suspicious transactions. But, generally, legislations do not provide adequate guidance on how banks should determine which transactions are suspicious* (4.72) by agreement rate 0.67. The total means for "Obligations of Monitoring of Transactions" are 5.43 by agreement rate 0.78.

Table 4.14

Frequencies and Percentages of Questions Relating to "Obligations of Monitoring of Transactions" Domain

| No. | Question | Answering | Frequency | percent |
|-----|--|---|-----------|---------|
| 2 | What is the main challenge facing the bank when applying the obligations of monitoring? | Monitoring requirements are applicable in business relationships and transactions with individuals, business, Companies and financial institutions. | 23 | 35.4 |
| | | Employees are responsible for any failure in observing the anti-money laundering requirements. | 21 | 32.3 |
| | | Monitoring requirements need high cost. | 21 | 32.3 |
| | | Total | 65 | 100.0 |
| 3 | Do you consider the obligations of monitoring operations and the movement of customer accounts as one of the reasons that led to the increase in the cost of combating money laundering? | Yes | 58 | 89.2 |
| | | No | 7 | 10.8 |
| | | Total | 65 | 100.0 |
| 4 | Do the obligations of monitoring of unusual transactions and transactions of occasional customer delay banking operations? | Yes | 48 | 73.8 |
| | | No | 17 | 26.2 |
| | | Total | 65 | 100.0 |
| 5 | Are the costs of monitoring electronic transfers added to the provided customers services cost? | Yes | 20 | 30.8 |
| | | No | 45 | 69.2 |
| | | Total | 65 | 100.0 |

Table (4.14) shows that 35.4% of the respondents thought that monitoring requirements in business relationships and in transactions with individuals, businesses, companies, and financial institutions is the main challenge facing the bank when applying the obligations of monitoring. Majority of the respondents (89.2%) considered the obligations of monitoring operations and the movement of customer accounts as contributory to the increased cost of combating money laundering. Seventy-four percent of them thought that the obligations of monitoring of unusual transactions and transactions of occasional customer delay banking operations and 69.2% thought that the costs of monitoring electronic transfers added to the provided customers services cost.

4.16.5 Data Analysis and Results for the Reporting Domain

Table 4.15

Means and Standard Deviation for "Obligations of Reporting" Domain and Total Means of them (n= 65)

| No | The Items of Question No.1 | Mean | Standard. Deviation | Rank | Agreement rate |
|--------------------|--|-------------|---------------------|----------|----------------|
| A | Jordanian anti-money laundering legislations provide guidance for identifying suspicion, however the word 'suspicion' is not explicitly defined, so identifying suspicious cash or transaction is not an easy task for the bank. | 5.29 | 1.50 | 1 | 0.76 |
| B | Jordanian anti-money laundering legislations were not clear enough in the procedures related to cash transaction reports; this may be due to the fact that a cash transaction is clearly identifiable when compared to a suspicious transaction. | 4.62 | 1.88 | 2 | 0.66 |
| Total Means | | 4.95 | 1.54 | - | 0.71 |

Table (4.15) shows that the highest mean was received for item (a) *Jordanian anti-money laundering legislations provide guidance for identifying suspicion, however*

the word 'suspicion' is not explicitly defined, so identifying suspicious cash or transaction is not an easy task for the bank (5.28) by agreement rate 0.76, and the lowest means was received for item (b) Jordanian anti-money laundering legislations were not clear enough in the procedures related to cash transaction reports; this may be due to the fact that a cash transaction is clearly identifiable when compared to a suspicious transaction (4.62) by agreement rate 0.66. The total means for "Obligations of Reporting" were 4.95 by agreement rate 0.71.

Table 4.16

Frequencies and Percentages of Questions Relating to "Obligations of Reporting" Domain

| No. | Question | Answering | Frequency | percent |
|------------|--|--|------------------|----------------|
| 2 | On average, how many money laundering operations do banks disclose per year? | (Classified) Not available to the public. | 58 | 89.2 |
| | | Medium. | 7 | 10.8 |
| | | Total | 65 | 100.0 |
| 3 | Which task does Money Laundering Reporting Officer spend most of his/her work hours on? | Training. | 15 | 23.1 |
| | | Obtaining client identification. | 8 | 12.3 |
| | | Analyzing money laundering report forms. | 42 | 64.6 |
| | | Total | 65 | 100.0 |
| 4 | Which means does Money Laundering Reporting Officer use for reporting suspicious transactions? | Telephone. | 8 | 12.3 |
| | | Mails. | 18 | 27.7 |
| | | Internet. | 39 | 60.0 |
| | | Total | 65 | 100.0 |
| 5 | If you suspect any banking operation related to money laundering, whom will you report it to? | To the Bank Administration. | 17 | 26.2 |
| | | To the Jordanian Anti Money Laundering Unit. | 33 | 50.8 |
| | | To both. | 15 | 23.0 |
| | | Total | 65 | 100.0 |

Table (4.16) shows that 89.2% of money laundering operations that banks disclosed were classified not available to the public. As much as 64.6% of the money laundering reporting officers spent most of their working hours analyzing money laundering report forms. Sixty percent of them used the internet to report suspicious transactions, and half of the (50.8%) would report to the Jordanian Anti Money Laundering Unit when they suspected any banking operation related to money laundering.

4.16.6 Data Analysis and Results for the Record-Keeping Domain

Table 4.17

Means and Standard Deviation for "Obligations Of Record-Keeping" Domain and Total Means of them (n= 65)

| No | The Items of Question No.1 | Mean | Standard. Deviation | Rank | Agreement rate |
|--------------------|--|-------------|---------------------|----------|----------------|
| A | Jordanian anti-money laundering legislations request the bank to maintain certain records for a period of time, not less than four years, because normally money laundering investigations take a long time due to the complicated nature of the process and the challenges faced by the law enforcement agencies. | 5.82 | 1.01 | 1 | 0.83 |
| B | The record-keeping requirements are perceived as the biggest challenge for the banking industry. | 4.29 | 1.73 | 2 | 0.61 |
| Total Means | | 5.05 | 0.99 | - | 0.72 |

Table (4.17) shows that the highest mean was recorded for item (a) *Jordanian anti-money laundering legislations request the bank to maintain certain records for a period of time, not less than four years, because normally money laundering investigations take a long time due to the complicated nature of the process and the challenges faced by the law enforcement agencies* (5.82) by agreement rate 0.83, and the lowest mean was recorded for item (b) *the record-keeping requirements are*

perceived as the biggest challenge for the banking industry (4.29) by agreement rate 0.61. The total means for "Obligations of Record-Keeping" reached 5.05 by agreement rate 0.72.

Table 4.18

Frequencies and Percentages of Questions Relating to "Obligations of Record-Keeping" Domain

| No. | Question | Answering | Frequency | Percent |
|-----|--|---|-----------|---------|
| 2 | The main benefit of record keeping for the bank is | Organizing bank's internal work. | 25 | 38.5 |
| | | Facilitating tax audits. | 5 | 7.7 |
| | | Compliance with anti-money laundering laws. | 35 | 53.8 |
| | | Total | 65 | 100.0 |
| 3 | Do the obligations of record keeping imposed on banks require banks to change existing file management and archiving arrangements? | Yes | 53 | 81.5 |
| | | No | 12 | 18.5 |
| | | Total | 65 | 100.0 |
| | | | | |
| 4 | In keeping records, which of the following do you use? | Hardcopy for all transactions. | 7 | 10.8 |
| | | Softcopy for all transactions. | 10 | 15.4 |
| | | Hardcopy for paper transactions and softcopy for electronic transactions. | 19 | 29.2 |
| | | Hardcopy and softcopy for all transactions. | 29 | 44.6 |
| | | Total | 65 | 100.0 |
| 5 | Do the obligations of record keeping of e-transactions imposed on banks are effective enough to combat money laundering? | Yes | 33 | 50.8 |
| | | NO, because of the use of a higher level of encryption by criminals. | 11 | 16.9 |
| | | NO, because of the inadequacy of cooperation between technology providers at the international level to exchange information. | 21 | 32.3 |
| | | Total | 65 | 100.0 |

Table (4.18) shows that more than half of the participants (53.8%) thought that the main benefit of record keeping for the bank is compliance with anti-money laundering laws. Majority (81.5%) believed that the obligations of record keeping require banks to change their existing file management and archiving arrangements. Nearly half (44.6%) of the bankers used hardcopy and softcopy for all transactions in keeping records, and half (50.8%) thought that the obligations of record keeping of *e*-transactions imposed on banks are effective enough to combat money laundering.

4.16.7 5 Data Analysis and Results for the Training Domain

Table 4.19

Means and Standard Deviation for "Obligations of Training" Domain and Total Means of them (n= 65)

| No | The Items of Question No.1 | Mean | Standard. Deviation | Rank | Agreement rate |
|--------------------|---|-------------|---------------------|----------|----------------|
| a | The effectiveness of the suspicious transaction reports system seriously depends on the professional knowledge and expertise of the compliance officer. Therefore, it is crucial to ensure that the compliance officer is given sufficient training on money laundering combating measures. | 6.15 | 0.78 | 1 | 0.88 |
| b | Weak training among employees in anti-money laundering leads to wrong reporting, so it could jeopardize bona fide customers | 6.03 | 0.98 | 2 | 0.86 |
| c | Employees need training to deal with money laundering operations. Unless bank employees are sufficiently trained, they are unlikely to be able to discharge their obligations of anti-money laundering. | 6.03 | 0.85 | 2 | 0.86 |
| Total Means | | 6.07 | 0.72 | - | 0.87 |

Table (4.19) shows that the highest means was received for the item (a) *the effectiveness of the suspicious transaction reports system seriously depends on the*

professional knowledge and expertise of the compliance officer. Therefore, it is crucial to ensure that the compliance officer is given sufficient training on money laundering combating measures (6.15) by agreement rate 0.88 The lowest means was received for item (b) *weak training among employees in anti-money laundering leads to wrong reporting, so it could jeopardize bona fide customers* and item (c) *employees need training to deal with money laundering operations. Unless bank employees are sufficiently trained, they are unlikely to be able to discharge their obligations of anti-money laundering* (6.03) by agreement rate 0.86. The total means for "Obligations of Training" reached 6.07 by agreement rate 0.87.

Table 4.20

Frequencies and Percentages of Questions Relating to "Obligations of Training" Domain

| No. | Question | Answering | Frequency | Percent |
|------------|---|--|------------------|----------------|
| 2 | How often does the bank conduct training in anti-money laundering for employees? | Once a year. | 36 | 55.4 |
| | | Twice a year. | 14 | 21.5 |
| | | Three times a year. | 15 | 23.1 |
| | | Total | 65 | 100.0 |
| 3 | What kind of training does the bank conduct for employees? | Self-training (self-directed, video). | 21 | 32.3 |
| | | External provider (classroom, seminar). | 36 | 55.4 |
| | | Computer assisted (online training) . | 8 | 12.3 |
| | | Total | 65 | 100.0 |
| 4 | What is the main challenge that faces the bank in applying the obligations of anti-money laundering training? | These obligations require concentrated training. | 29 | 44.6 |
| | | High cost staff training. | 18 | 27.7 |
| | | Training includes a large number of employees. | 18 | 27.7 |
| | | Total | 65 | 100.0 |
| 5 | The hardest training in anti-money laundering is | How to suspect banking operations. | 35 | 53.8 |
| | | Methods of monitoring banking | 14 | 21.6 |

| | | |
|-----------------------------|----|-------|
| transactions. | | |
| Methods of validation data. | 16 | 24.6 |
| Total | 65 | 100.0 |

Table (4.20) shows that more than half of the respondents (55.4%) were trained in anti-money laundering annually at the bank. The same percentage of respondents received their training from external provider (classroom, seminar). Less than half (44.6%) thought that concentrated training is the main challenge that faces the bank in applying the obligations of anti-money laundering training and slightly more than half (53.8%) of respondents thought that how to suspect banking operations is the hardest training in anti-money laundering.

4.17 Discussion

4.17.1 Discussion of the personal and functional variables

The questionnaires were distributed to the anti-money laundering compliance officers at the banks in Jordan in an attempt to provide a contemporary research on the subject. The study sought to establish a better understanding of the respondents' qualifications and experience. Overall, 70.8% of the respondents were male, and 29.2% were female. Most of the respondents were between 25 and 34 years. All of the respondents have professional and academic qualifications; 75.4% of them hold a bachelor degree while 24.6% of them hold a master degree. A total of 41.5% of the respondents had experience between 1 and 5 years and 24.6 % of them had experience between 6 and 10 years.

From these statistics initial extrapolating, it appears the respondents were well-qualified, sufficiently experienced, and have a sound knowledge of their industrial sector. Also, all of the respondents possess recognizable professional or academic

qualifications, reflecting the importance attached by employers to the employment of recognizable well-qualified practitioners in this important industrial sector.

In terms of the period the respondents had spent in the role of anti-money laundering compliance officers, various types of experience emerged. Nearly forty percent mentioned having been in this post for eleven to fifteen years or more. This could have been erroneous as the identification of the role of anti-money laundering compliance officers at banks was not made as a legal requirement until 2007. When such information was supplied by those respondents, it was necessary to go through their job description again, where it was observed that they all fulfilled a wide variety of internal banks functions, and it was clear that the role of anti-money laundering compliance officers at banks was a job that had been simply added on to their other roles, within an overall compliance function. On the other hand, 66.1% respondents stated that they had been in such post for between one to ten years, which would, of course, be accurate in terms of time.

Moreover, 67.7% of the participants mentioned that the position of money laundering reporting officer was only their job, whereas the remaining 32.3% had other responsibilities.⁴⁶⁹

In terms of the time they spent on preparing anti-money laundering reports, 38.5% of the participants mentioned that they spent between 51% and 75% of their total work hours on the reports; 35.4% of the participants spent between 26% and 50% of their total work hours on the reports; 13.8% of the participants spent between 1% and 25%

⁴⁶⁹ Question (3) of General Anti-money Laundering Practices domain.

of their total work hours on the reports; and 12.3% of the participants spent above 75% of their total work hours on the reports.⁴⁷⁰

The above statistics indicate that all the participants were able to answer the questionnaire based on their extensive practical experience in the anti-money laundering field.

4.17.2. The Bankers' Perceptions on the Obligations of Compliance

The anti-money laundering legislations clearly protect banks from being exposed to civil, criminal, or even disciplinary proceedings.⁴⁷¹ The respondents recognized that *non-compliance of bank with anti-money laundering obligations can result in fines, penalties and negative publicity for banks.*⁴⁷² In addition to that, they believed that *if the bank does not comply with anti-money laundering obligations, crime prevention objectives will be taken down.*⁴⁷³ Chapter 5 discusses how the anti-money laundering legislations protect the banks.⁴⁷⁴

As stated, the benefits of anti-money laundering laws may not always be clear to individual institutions as they do to the entire country. These benefits brings an improved reputation as a fair and improved competitive conditions arising from the reduction of illegal behavior, fraudulent, and law abiding place to do business.⁴⁷⁵

However, the statistic indicates that the participants were divided between reducing of crimes and increased market confidence, where 55.4% of them believed that the main

⁴⁷⁰ Question (4) of General Anti-money Laundering Practices domain.

⁴⁷¹ See supra section 3.4.6.4.

⁴⁷² Items (b) and (c) of Obligations of Compliance domain.

⁴⁷³ Item (d) of Obligations of Compliance domain.

⁴⁷⁴ See section 5.17.3.

⁴⁷⁵ See supra section 3.4.6.4.

benefit is the reducing of crimes while 44.6% believed that the obligations increased market confidence.⁴⁷⁶

The respondents also believed that *the effectiveness of anti-money laundering measures have a significant impact on the efficiency of the corporate governance of the bank, which is a key element in ensuring that the bank operates in a safe and sound manner.*⁴⁷⁷ The failure of anti-money laundering systems is often symptomatic of overall weaknesses in a bank's corporate governance framework as such systems cannot be expected to operate in isolation. Apparently, an effective anti-money laundering measures significantly affect the efficiency of the bank's corporate governance, and this is considered a key element in ensuring that the bank is working in a safe and sound way.⁴⁷⁸

As already stated, the enacted anti-money laundering legislations in Jordan are based on the Financial Action Task Force standards, which are accepted as the best international practice in the war against money laundering.⁴⁷⁹ So, when the respondents were asked whether they thought that *Jordanian legislations aim primarily to meet all the international standards concerning anti-money laundering legislations imposed on banks,*⁴⁸⁰ their answers scored 6.17 out of 7. Thus, it appears that they agree to this item.

In fact, there has been a widespread call for comprehensive anti-money laundering laws. Many countries are implementing laws that are based on the international standards issued by the Financial Action Task Force. It is generally accepted that the

⁴⁷⁶ Question (4) of Obligations of Compliance domain.

⁴⁷⁷ Item (g) of Obligations of Compliance domain.

⁴⁷⁸ See supra section 3.4.6.4

⁴⁷⁹ See supra section 3.3.2.

⁴⁸⁰ Item (a) of General Anti-money Laundering Practices domain.

Financial Action Task Force Forty Recommendations on anti-money laundering contain consistent and comprehensive framework to combat the threat. However, the international standards have various negative repercussions on the banks. For instance, they have a great effect on the normal business operation of banks.

As it has been detailed in the supra section 3.4. In 2007, Jordan passed the Law to fulfil its international obligations and to demonstrate its commitment in combating money laundering. So, Specific obligations were imposed on banks to combat money laundering activities by the Law and the Instructions No. 51/2010. One of the obligations is to establish risk assessment, identify and verify customers, report cash and suspicious transactions, establish compliance program, and keep records. Undoubtedly, anti-money laundering obligations create a major dilemma for the banks as complying with these obligations can increase the costs and complexity of their banking operations.⁴⁸¹

Nevertheless, the respondents did not object to that *not all imposed international standards are applicable in Jordanian banks; Jordanian banks have different economic strength.*⁴⁸² Hence to verify the accuracy of this result, the researcher paraphrased the previous item as follows: *are all the Jordanian legislations of anti-money laundering applicable in the bank?*,⁴⁸³ also, *to what extent are you satisfied with the Jordanian's anti- money laundering legislations?*⁴⁸⁴ The analysis of these questions' answers found that 32.3% of the respondents believed that not all the Jordanian legislations of anti-money laundering are applicable in the bank. In addition, half of the respondents (50.8%) were satisfied with the Jordanian anti-

⁴⁸¹Foong Tow ML, Foo Li Nie, Ong Hwee Ping & Tew Pei Yi, *Money Laundering and Banking Practices*, Singapore Management Review 1, (2001).

⁴⁸² Item (b) of General Anti-money Laundering Practices domain.

⁴⁸³ Question (2) of General Anti-money Laundering Practices domain.

⁴⁸⁴ Question (3) of General Anti-money Laundering Practices domain.

money laundering legislations in rate 75%, while 24.6% of the respondents were satisfied with the legislations in rate 50%, and 9.2% of them were satisfied with the legislations in rate 25%. Only 15.4% were satisfied with the legislations in rate 100%. Chapter 5 explains why not all of the imposed international standards are applicable in Jordanian banks.⁴⁸⁵

Furthermore, the respondents could be categorized as having positive attitudes towards the items which mentioned that *anti-money laundering obligations create a major dilemma for banks, as compliance with these obligations can increase the costs and complexity of banking operations.*⁴⁸⁶ Chapter 5 will further discuss how these obligations create major dilemma for banks.⁴⁸⁷

In terms of the causes that have increased the banking operation costs and complexity, 44.6% of the respondents mentioned that the anti-money laundering obligations are considered intrusive by many customers and more than 46% of the participants believed that the main burden for banks when complying with the anti-money laundering obligations is that these obligations take a long time to act upon.⁴⁸⁸

The respondents were asked to state which obligation consumes the most time when the bank complies with the anti-money laundering obligations, and 58.5% of them identified that the monitoring transactions, while 23.1% identified that training, and 18.5% identified that customer identification.⁴⁸⁹

⁴⁸⁵ See discussion of Item (5) of General Measures domain and Item (2) of Banking Products domain, in section 5.17.4.

⁴⁸⁶ Item (e) of Obligations of Compliance domain.

⁴⁸⁷ see discussion of Items (3,4 and 5) of General Measures domain and see discussion of Item (1) of Customer's Satisfaction domain, in section 5.17.5.

⁴⁸⁸ Question (5) of Obligations of Compliance domain.

⁴⁸⁹ Question (3) of Obligations of Compliance domain.

The respondents were also asked to state which obligation costs the most when a bank complies with the anti-money laundering obligations. A total of 43.1% identified that the obligations monitoring transactions costs the most. Another 40% identified that the obligations of training costs the most, and 16.9% of them identified that the obligations of customer identification costs the most.⁴⁹⁰ Clearly, the obligations of monitoring transactions takes the most time and costs.

On the other hand, the effective measures of anti-money laundering adopted by the banks will make it difficult for criminals to get their dirty money into the financial system. Because of that, the anti-money laundering legislations require banks to establish a number of counter-measures such as customer identification and due diligence, record keeping, reporting of suspicious transactions, appointment of compliance officers, and anti-money laundering training.⁴⁹¹

Accordingly, the respondents were then asked to state whether, in their opinion, *the main reason for the existence of bank is to make as much profits as possible, whereas, the main reason for enacting the anti-money laundering obligations is for public safety and security. Hence, their cultural and commercial interests are distinct from that of the law enforcement authorities.*⁴⁹² Overall, they agreed to it.

In fact, for law enforcement agencies, banks are considered to be an important source of valuable information for money laundering detection.⁴⁹³ Undoubtedly the main reason for the existence of banks is to make profits, not to combat money laundering.

⁴⁹⁰ Question (2) of Obligations of Compliance domain.

⁴⁹¹ See supra section 3.4.

⁴⁹² Item (a) of Obligations of Compliance domain.

⁴⁹³ See supra section 1.2.

Chapter 5 particularly discusses the different interest between banks and the law enforcement authorities.⁴⁹⁴

The participants also perceived that the Jordanian legislations primarily aim to meet all the international standards, and not all imposed international standards are applicable in banks. The main reason for the existence of banks is to make as much profits as possible, whereas, the main reason for enacting the anti-money laundering obligations is for public safety and security. Nevertheless, non-compliance of banks with anti-money laundering obligations could result in fines, penalties, and negative publicity. Additionally, the crime prevention objectives will be taken down.

Furthermore, the anti-money laundering measures effectiveness has a significant impact on the efficiency of the corporate governance of the bank. Thus, the anti-money laundering obligations create a major dilemma for banks, as compliance with these obligations can increase the banking operations' costs and complexity.

Apparently, the main benefits of the legislations are crimes' reducing and increased market confidence. However, most of the bank's time and costs spent when complying with the obligations of monitoring transactions and training, and all these procedures require a prolonged process.

4.17.3. The Perceptions on the Obligations of Customers Due Diligence and Risk Assessment

It has been recognized that the anti-money laundering legislations impose obligations on banks to conduct customer identification and due diligence. For instance, a bank must keep accounts in the name of the account holder. A bank is also prohibited from opening, operating, or maintaining any anonymous accounts, or fictitious accounts,

⁴⁹⁴ See discussion of Item (5) of General Measures domain, in section 5.17.4 .

false or incorrect names. Clearly, the effect of these provisions is to prevent the criminals' use of conduit accounts. Besides, from a wider prudential and financial integrity objective, the due diligence procedures and adequate customer identification are also significant as they would protect banks from reputational, credit, legal, operational, and concentration risk.⁴⁹⁵ The respondents were asked to state in their opinion whether *the Importance of customer identification does not only help banks to detect, deter and encounter money laundering, but also provide tangible benefits to the banks, their customers and the financial systems as a whole.*⁴⁹⁶ Their answers scored 6.05 of 7, indicating their agreement to this item.

Generally, if a customer fails to comply with the due diligence requirements, a bank should not commence any banking relationship with, or perform any transaction for the customer. In the case of an existing customer, the bank should terminate the relationship and consider depositing a suspicious transaction report to the Anti-Money Laundering Unit, because of that these procedures are vital for obtaining satisfactory evidence concerning the customer's identity and the legal existence.⁴⁹⁷ Accordingly, the participants agreed that *customer due diligence procedures are vital for obtaining satisfactory evidence concerning the identity and the legal existence of the customer.*⁴⁹⁸

Nevertheless, banks need to comply with substantial changes in customer identification and due diligence procedures. For instance, banks are required to obtain more detailed information of higher risk customers. However, it appears that in the Jordanian legislations the higher risk customers examples are not clearly defined.

⁴⁹⁵ See supra section 3.4.1.2.

⁴⁹⁶ Item (2) of Obligations of Customers Due Diligence domain.

⁴⁹⁷ See supra section 3.4.1.2.3.

⁴⁹⁸ Item (1) of Obligations of Customers Due Diligence domain.

Indeed, it is doubtful that, without clear guidelines, the banks can effectively implement the requirements of Customer identification and due diligence.⁴⁹⁹

Because of that, this questionnaire participants believed that *the due diligence procedures produce a significant shift in the way the banks interact with their existing and potential customers.*⁵⁰⁰ Also, they did not object to that *the highly risky customers are not clearly defined in legislations.*⁵⁰¹ Chapter 5 will discuss further how the anti-money laundering obligations produce a shift in the ways banks interact with their customers.⁵⁰²

At the same time, it is not an easy task to detect corrupt highly risky customers or politically exposed persons. These customers normally they use intermediaries to conduct financial business on their behalf. The concealment of their illegal proceeds often involves the use of shell companies or offshore banks which makes identification more difficult and burdensome.⁵⁰³ Also, when the respondents were asked whether they thought that *the verifying highly risky customers and determining whether their money is earned out of legitimate sources or not are not an easy task for banks,*⁵⁰⁴ they agreed to it.

In fact, when the person who is acting on behalf of the beneficiary is unable or refuses to provide information on the identity of the beneficiaries, the bank must not permit that person to open a client account and consider submitting a suspicious transaction report. As for an existing customer, the bank must not continue to transact with and

⁴⁹⁹ See supra section 3.5.

⁵⁰⁰ Item (3) of Obligations of Customers Due Diligence domain.

⁵⁰¹ Item (7) of Obligations of Customers Due Diligence domain.

⁵⁰² For example see discussion of Item (3) of General Measures domain, Item (3) of Banking Products domain and discussion of Items Item (4 and 7) of Customer's Satisfaction domain, in section 5.17.5.

⁵⁰³ See supra section 3.4.1.2.6.

⁵⁰⁴ Item (8) of Obligations of Customers Due Diligence domain.

for that person until further verification is conducted so it can get satisfaction.⁵⁰⁵

Because of that, the participants of this questionnaire believed that *the requirements for identifying and verifying beneficiary account add a significant burden on the bank because of the complex nature of these accounts and the bank employees need special skills to deal with such accounts.*⁵⁰⁶ In Chapter 5 there will be clarification of the requirements for verifying beneficiary account effect on the relationship between the Banks and customers.⁵⁰⁷

On the other hand, the difficulty of implementing customer identification and due diligence measure is one of the main dilemmas facing banks, because there is no obvious end point to the information that would be useful to a bank to prevent money laundering. Each bank must interpret the customer identification and due diligence obligation in the context of its business and then determine what type of anti-money laundering system to be utilized. Nevertheless, the customer's unwillingness to cooperate in the due diligence process may itself be a suspicion factor.⁵⁰⁸ Because of that, the participants did not object to *Knowing-Your-Customer policy is difficult to be implemented because there is no obvious end point to the information collected by the bank.*⁵⁰⁹ Also, they believed that *the unwillingness of the customer to provide the requested information and to cooperate in the due diligence process may by itself be a factor of suspicion.*⁵¹⁰ In Chapter 5 there will be clarification on how checking bank's customers data leads to increasing the burden of the bank.⁵¹¹

⁵⁰⁵ See supra section 3.4.1.2.4.

⁵⁰⁶ Item (6) of Obligations of Customers Due Diligence domain.

⁵⁰⁷ See discussion of Item (6) of Banking Products domain, in section 5.17.4 and Item (10) of Customer's Satisfaction domain, in section 5.17.5.

⁵⁰⁸ See supra section 3.4.1.2.3.

⁵⁰⁹ Item (4) of Obligations of Customers Due Diligence domain.

⁵¹⁰ Item (5) of Obligations of Customers Due Diligence domain.

⁵¹¹ For example see discussion of Item of Item (3) of Banking Products domain, in section 5.17.4 and Items (4 and 7) of Customer's Satisfaction domain, in section 5.17.5.

It is worth to mention that the Jordanian legislations⁵¹² require banks not to deal with numbered accounts.⁵¹³ The participants refused the idea of *the requirement of not permitting dealing with numbered accounts has affected the commercial interest of the bank.*⁵¹⁴ This refusal may be because of the fact that dealing with numbered account is prohibited by central bank in Jordan before enact the Instructions No. 51/2010.⁵¹⁵ Hence there is no effect on the commercial interest when Instructions No. 51/2010 prohibited dealing with numbered accounts.⁵¹⁶

The results also indicate that the participants perceived that the customer due diligence procedures are vital for obtaining satisfactory evidence concerning the identity and the legal existence of the customer. To them, the importance of customer identification does not only help banks to detect, deter and encounter money laundering, but also provide tangible benefits to the entire financial systems. For this reason, the due diligence procedures produce a significant shift in the way the banks interact with their customers: (1) the Know-Your-Customer policy is difficult to be implemented since there is no obvious end point to the collected information, (2) the customer's unwillingness to provide the requested information and to cooperate in the due diligence process might be a factor of suspicion, (3) the beneficiary account identifying and verifying requirements add a significant burden on the bank where the complex nature of these accounts and the bank employees need special skills to deal with such accounts, (4) in legislations the highly risky customers are not clearly defined, (5) the highly risky customers verifying and determining whether their money is gained from legal sources or not are not an easy task for banks.

⁵¹² Article 3 (First/2) of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010.

⁵¹³ Numbered Account is an anonymous account.

⁵¹⁴ Item (9) of Obligations of Customers Due Diligence domain.

⁵¹⁵ Article 2 of the Risk Management Principles for Electronic Banking, No.10/1/3344, date 12/3/2005.

⁵¹⁶ Also see the discussion of Item (13) of Customer's Satisfaction domain, in section 5.17.4

4.17.4. The Perceptions on Obligations of Monitoring of Transactions

Banks must conduct intensive monitoring on high risk customers and accounts, such as those involving individuals or businesses from countries that have insufficient measures of anti-money laundering.⁵¹⁷ Because of that, the respondents believe that *the bank needs to spend significant amounts of money to install or upgrade sophisticated monitoring systems to keep pace with the increasing regulatory obligations.*⁵¹⁸ Therefore if this result is put into consideration with those identified in the previous result,⁵¹⁹ which identified when the bank complies with obligations of legislations the most costs is obligations of monitoring transactions, it can be observed that there are stability in participants answers.

Banks are as well required to monitor customer activity to identify any unusual activity that may a money laundering indicative. Furthermore, due to banking secrecy or data protection rules particularly, banks still encounter a significant challenge in monitoring customer's transaction and account status across several different countries.⁵²⁰ Because of that, the participants believed that *the bank faces challenges in monitoring the account that crosses several different countries due to banking secrecy and data protection rules.*⁵²¹

For banks, properly trained staff is the best anti-money laundering control, and this is reflected in continued high spending on training programs.⁵²² In spite of the available sophisticated monitoring technology to detect and monitor the risks of money laundering, apparently banks still greatly depend on the vigilance of their staffs to

⁵¹⁷ See supra section 3.4.2.

⁵¹⁸ Item (a) of Obligations of Monitoring of Transactions domain.

⁵¹⁹ Result of question (2) of Obligations of Compliance domain.

⁵²⁰ See supra section 3.4.2.

⁵²¹ Item (b) of Obligations of Monitoring of Transactions domain.

⁵²² Also, result of question (2) of Obligations of Compliance domain.

identify and monitor suspicious activities.⁵²³ When the respondents were asked whether they thought that *despite of having sophisticated monitoring technology that detects and monitors money laundering risks, banks still greatly depend on the vigilance of their staffs to identify and monitor suspicious activities.*⁵²⁴ The participants agreed to this item.

Although banks still greatly depend on the vigilance of their staffs to identify and monitor suspicious activities. The legislations do not provide adequate guidance on how banks should determine suspicious transactions. It appears that each bank must interpret the regulations in the context of its business and then determine what type of anti-money laundering system to be utilized.⁵²⁵ Because of that, the respondents recognized that to some extent *the bank has to monitor suspicious transactions. But, generally, legislations do not provide adequate guidance on how banks should determine which transactions are suspicious.*⁵²⁶ Where the answer of this item indicated neutral inclined to agreement to some extent.

In fact, the hesitation in answering is due to the fact that to some extent the Jordanian anti-money laundering legislations provide guidance for identifying suspicion. For instance the Jordanian Guidance Manual identified a number of activities which could be used as indicators for the abuse of cash financial transactions, such as when there are extraordinary large cash deposits made by a natural or legal person or when there are deposits of amounts of money over different periods and such amounts constitute large sums of money eventually.⁵²⁷ However, the basic dilemma lays in the word

⁵²³ See supra section 3.4.2.

⁵²⁴ Item (c) of Obligations of Monitoring of Transactions domain.

⁵²⁵ See supra section 3.4.2.

⁵²⁶ Item (d) of Obligations of Monitoring of Transactions domain.

⁵²⁷ See supra section 3.4.3

suspicion under the anti-money laundering legislations is not explicitly defined, this can also be noted by discussing the result of Item No.1 of Reporting domain.⁵²⁸

On the other hand, to determine the main challenge facing the bank when applying to the obligations of monitoring, the participants were asked to identify the main challenge facing the bank when applying the obligations of monitoring. Their answers came out as follows 35.4% of them believed that the main challenge is that monitoring requirements are applicable in business relationships and transactions with individuals, business, companies and financial institutions. While, 32.3% of them believed that main challenge is that the employees are responsible for any failure in observing the anti-money laundering requirements. And the same percentage 32.3% believed that main challenge is that monitoring requirements require high cost. It is clear in this question that the percentages were close to each other.⁵²⁹

Also, the Participants were asked to identify if the obligations of monitoring operations and the movement of customer accounts is considered as one of the reasons that led to the increase in the cost of combating money laundering, as what is expected, an overwhelming majority 89.2% stating that the obligations of monitoring operations and the movement of customer accounts is considered as one of the reasons that led to the increase in the cost of combating money laundering.⁵³⁰ While, 73.8% of the participants claimed that the obligations of monitoring of unusual transactions and transactions of customer delay banking operations increase in the cost of combating money laundering.⁵³¹

⁵²⁸ See section 4.17.5.

⁵²⁹ question (2) of Obligations of Monitoring of Transactions domain.

⁵³⁰ Question (3) of Obligations of Monitoring of Transactions domain.

⁵³¹ Question (4) of Obligations of Monitoring of Transactions domain.

Amazingly, 30.8% of respondents admitted that the costs of monitoring electronic transfers added to the provided customers services cost.⁵³² It is frankly inconceivable that these costs being passed along to the customers, since customers did not ask for such service (monitoring), at the same time, under the laws banks have to monitor electronic transfers. This state of affairs clearly indicates that it is possible that the costs of all anti-money laundering monitoring being passed along to the customers.

The most important extrapolated finding from the answers was that the bank needs to spend significant amounts of money to establish monitoring systems. Banks still greatly depend on the vigilance of their staffs to identify and monitor suspicious activities, in spite of having sophisticated monitoring technology. However, bank encounters challenges in monitoring the account that crosses several various countries because of banking secrecy and data protection rules. At the same time, legislations do not provide adequate guidance on how banks should determine which transactions are suspicious. It is clear that banks are facing challenges in complying with obligations of monitoring of transactions.

A picture begins to emerge by extrapolating these statistics, It is clear that the main challenge facing the bank when applying the obligations of monitoring is that monitoring requirements are applicable in business relationships and transactions with individuals, business, companies and financial institutions, then that employees are responsible for any failure in observing the anti-money laundering requirements, then that monitoring requirements need high cost, where these obligations consider as one of the reasons that led to the increase in the cost of combating money laundering. In some banks, the costs of monitoring electronic transfers added to the provided customers services cost. Also, the obligations of monitoring of unusual transactions

⁵³² Question (5) of Obligations of Monitoring of Transactions domain.

and transactions of customer delay banking operations. Generally, in Chapter 5 there will be discussing on how the obligations of monitoring of transactions effect the relationship between banks and their customers.⁵³³

4.17.5. The Perceptions on the Obligations of Reporting

As will be noted from the results in Chapter 5, the commercial success of a banking business and the sanctity of the relationship between banker and customer are based on principle of banking secrecy. At the same time, the banking secrecy is a customer privilege whereas combating money laundering crime is critical for the security and safety of public.⁵³⁴

The Jordanian anti-money laundering legislations require banks to report a suspicious transaction where the identity of the persons involved in the transaction, or the transaction it, or any other circumstances concerning that transaction gives reason to suspect that the transaction involves proceeds of illegal activity. Suspicion is usually aroused by the sheer size of the transactions in relation to the known financial circumstances of the customer. The basic dilemma here is that the word *suspicion* is not explicitly defined under the anti-money laundering legislations. Therefore, identifying suspicious cash or transaction is not an easy task for the bank.⁵³⁵ Because of that, the participants believed that *Jordanian anti-money laundering legislations provide guidance for identifying suspicion, however the word 'suspicion' is not explicitly defined, so identifying suspicious cash or transaction is not an easy task for the bank.*⁵³⁶

⁵³³ See discussion of Items (4,6 and 7) of Banking Products domain, in section 5.17.4 and discussion of Items (5 and 9) of Customer's Satisfaction domain, in section 5.17.5.

⁵³⁴ See discussion of Items (1 and 2) of Banking Secrecy Principle domain, in section 5.17.5.

⁵³⁵ See supra section 3.4.3.

⁵³⁶ Item (a) of Obligations of Reporting domain.

Additionally, the obligations of reporting under the Jordanian anti-money laundering legislations threaten the principles of banking secrecy. As previously mentioned, to some extent this is true because under the existing laws, banks may disclose information when compelled by the law. In Jordan for instance, to the secrecy rule there are various statutory exceptions. In order to facilitate police investigation, the exceptions allow some information to be disclosed. This rule is a powerful tool in investigations involving malpractices in the banking sector including cases of money laundering.⁵³⁷ Because of that, this study shows that the participants did not deny and did not prove that *the compliance of bank with anti-money laundering obligations in an absolute manner threatens the principles of banking secrecy*,⁵³⁸ and that they were neutral. Nevertheless, it should be noted to that in Chapter 5, the customers' samples agree to that the anti-money laundering procedures threaten the principle of banking secrecy.⁵³⁹

On the other hand, the Jordanian anti-money laundering legislations are silent about the procedures relating to reports of cash transaction. This may be due the fact that cash transaction is clearly identifiable when compared to a suspicious transaction. Therefore, the numbers of suspicious transaction reports are still small compared to cash transaction reports. It appears that it is hard for the banks to decide when a suspicious transaction report should be submitted.⁵⁴⁰ Because of that, the respondents did not object to that *Jordanian anti-money laundering legislations were not clear enough in the procedures related to cash transaction reports; this may be due to the fact that a cash transaction is clearly identifiable when compared to a suspicious*

⁵³⁷ See supra section 3.4.3.

⁵³⁸ Item (f) of Obligations of Compliance domain.

⁵³⁹ Item (3) of Banking Secrecy Principle domain, in section 5.17.5

⁵⁴⁰ See supra section 3.4.3.

transaction.⁵⁴¹ Their responses indicated a neutral inclination toward a agreement to some extent.

On the other hand, to determine on which task does Money Laundering Reporting Officer spend most of his/her working hours, 64.6% of the respondents mentioned that Money Laundering Reporting Officer spend most working hours in the task of analysing money laundering report forms. While 23.1% of them believed that Money Laundering Reporting Officer spend most working hours in the task of training, and 12.3% believed that Money Laundering Reporting Officer spend most working hours in the task of obtaining client identification.⁵⁴²

In addition, to know that in case the Money Laundering Reporting Officer suspect any banking operation related to money laundering, whom will he/she report it to, 50.8% of the participants claimed that if suspect any banking operation related to money laundering will report it to the Jordanian Anti Money Laundering Unit, 26.2% of them mentioned that will report it to the bank administration and 23% of them mentioned that will report it to both (Unit and bank administration).⁵⁴³ Furthermore, 60.0% respondents admitted that the mean to send for reporting is through Internet, while 27.7% of them admitted that the mean is Mails and 12.3% of them admitted that the mean is Telephone.⁵⁴⁴

As previously noted, there are no statistics available on how many of these reports were followed up by the authorities or how many of them led to the laying of charges. Unfortunately, recent statistics on cash or transaction reports are not available to the public, hence, no longer surprisingly that an overwhelming majority of 89.2% of the

⁵⁴¹ Item (b) of Obligations of Reporting domain.

⁵⁴² Question (3) of Obligations of Reporting domain.

⁵⁴³ Question (5) of Obligations of Reporting domain.

⁵⁴⁴ Question (4) of Obligations of Reporting domain.

respondents stating that this information is not available to the public. Some of the respondents about 10.8% going so far as to say that the Unit's check annual report for available information in this regard.⁵⁴⁵

The most important finding extrapolated from the answers was that the Jordanian anti-money laundering legislations provide guidance for identifying suspicion, however the word 'suspicion' is not explicitly defined, so identifying suspicious cash or transaction is not an easy task for the bank. Also, the Jordanian anti-money laundering legislations were not clear enough in the procedures related to cash transaction reports; this due to the fact that a cash transaction is clearly identifiable when compared to a suspicious transaction. Nevertheless, the participants did not object to that the compliance of bank with anti-money laundering obligations in an absolute manner could threaten the principles of banking secrecy.

When The statistic are extrapolated they indicates that the majority believed that most of working hours spent in analysing money laundering report forms. there was a wide divergence of opinion in case suspicion in any banking operation, it could be said that The majority to broadly agree that they will report directly to the Unit, While nearly quarter of the respondents will firstly report to the bank administration, while the minority opinion favoured report it to both in the same time. The common means of sending reporting were namely; The Internet where it was the most common mean, Mails was the second most common means and Telephone was the third most common means. In addition, in Chapter 5 there will be a discussion on how the

⁵⁴⁵ Question (2) of Obligations of Reporting domain.

obligations of reporting effect on the relationship between banks and their customers.⁵⁴⁶

4.17.6. The Perceptions on the Obligations of Record-Keeping

The participants were asked to identify the main benefit of record keeping for the bank. Half of them (53.8%) believed that the main benefit of record keeping for the bank is in analyzing money laundering report forms and 38.5% believed that the main benefit is in organizing bank's internal work. However, only 7.7% believed that the main benefit is that Facilitating tax audits.⁵⁴⁷ Nevertheless, the majority 81.5% broadly agree that the obligations of record keeping imposed on banks require banks to change existing file management and archiving arrangements.⁵⁴⁸

In fact, the Jordanian regime requires banks to keep the records beyond four years when it is subject to a prosecution or money laundering investigation. In this respect, it can be said that the Jordanian approach is preferable because normally money laundering investigation takes a long time because of the complicated nature of the process and the challenges faced by the agencies of law enforcement.⁵⁴⁹ Because of that, the participants of this questionnaire believed that *Jordanian anti-money laundering legislations request the bank to maintain certain records for a period of time, not less than four years, because normally money laundering investigations take a long time due to the complicated nature of the process and the challenges faced by the law enforcement agencies.*⁵⁵⁰

⁵⁴⁶ See discussion of Items (4,5and 6) of Banking Secrecy Principle domain and discussion of Items (2 and 6) of Customer's Satisfaction domain, in section 5.17.5.

⁵⁴⁷ Question (2) of Obligations of Record-Keeping domain.

⁵⁴⁸ Question (3) of Obligations of Record-Keeping domain.

⁵⁴⁹ See supra section 3.4.4.

⁵⁵⁰ Item (a) of Obligations of Record-Keeping domain.

At the same time, the record-keeping requirements requires banks to ensure that the retained documents and records are able to create an audit trail on individual transactions that are traceable by the law enforcement authorities for money laundering investigation purpose. Basically, the records must contain the identities of the customer and beneficiary; the form of transaction; the instruction, origin and destination of fund transfers and the amount and type of currency. It is clear that the record-keeping requirements could be burdensome especially in view of the large number of transactions in banking business.⁵⁵¹ Because of that, the respondents did not object to that *the record-keeping requirements are perceived as the biggest challenge for the banking industry.*⁵⁵²

Furthermore, the Participants were asked to identify they used for record-keeping in banks, 44.6% of them identified that they using in keeping-records the hardcopy and softcopy for all transactions, while 29.2% of them admitted that they using only hardcopy for paper transactions and only softcopy for electronic transactions, also, 15.4% of them identified that they using only softcopy for all transactions and 10.8% of them admitted that they using only hardcopy for all transactions.⁵⁵³

On the other hand, when the sample was asked that, do the obligations of record keeping of E-transactions imposed on banks are effective enough to combat money laundering? Their answer were divided as follows 50.8% of them answered Yes and 49.2% of them answered No, those who answered 'No' justified their answer for two reasons, namely; firstly they believed that these obligations are not effective enough because of the inadequacy of cooperation between technology providers at the international level to exchange information, secondly they believed that these

⁵⁵¹ See supra section 3.4.4.

⁵⁵² Item (b) of Obligations of Record-Keeping domain.

⁵⁵³ Question (4) of Obligations of Record-Keeping domain.

obligations are not effective enough because of the use of a higher level of encryption by criminals.⁵⁵⁴

However, the most important finding extrapolated from the answers was that the legislations require the bank to maintain certain records for a period, because normally money laundering investigations take a long time. There was a wide divergence of opinion in definition of the main benefit for record keeping, it could be said that the majority to broadly agree that the main benefit of record keeping is that analyzing money laundering report forms, while the minority opinion is divided into two opinions; firstly opinion which said that the main benefit is organizing bank's internal work, secondly opinion which said that the main benefit is facilitating tax audits.

However, the majority agree that these obligations require banks to change existing file management and archiving arrangements. the means used by banks to keeping-records, were split into four forms; (1) the hardcopy and softcopy for all transactions, (2) only hardcopy for paper transactions and only softcopy for electronic transactions,(3) only softcopy for all transactions (4) only hardcopy for all transactions..

At the same time, slightly more than half agreed that the record keeping obligations of e-transactions are effective enough to combat money laundering, while slightly less than half agreed that these obligations are not, either because of (1) the inadequacy of cooperation between technology providers at the international level to exchange information, or (2) the use of a higher level of encryption by criminals. For all of

⁵⁵⁴ Question (5) of Obligations of Record-Keeping domain.

these and more the record-keeping requirements are perceived as the biggest challenge for the banking industry.

4.17.7 The Perceptions on the Obligations of Training

As stated earlier, the obligations of anti-money laundering state that when receiving any internal suspicious transaction report, whether from the bank's administrators or employees, the compliance officer should evaluate the reasons for suspicion and if suspicion is confirmed, he or she must immediately submit the suspicious transaction report to the Jordanian Unit. However, in the case where the compliance officer decides that there are no reasonable reasons for suspicion, the officer must record the decision. Hence the effectiveness of the suspicious transaction report system depends on the professional knowledge and expertise of the compliance officer. Consequently, it is critical to ensure that a sufficient training on money laundering counter-measures is given the compliance officer.⁵⁵⁵ For this reason, the participants believed that *the effectiveness of the suspicious transaction reports system seriously depends on the professional knowledge and expertise of the compliance officer. Therefore, it is crucial to ensure that the compliance officer is given sufficient training on money laundering combating measures.*⁵⁵⁶

The participants were then asked to determine the main challenge that faces the bank in applying the obligations of anti-money laundering training. Majority of the (44.6%) of them stated that these obligations require concentrated training, while 27.7% of them identified the main challenge is the high cost of staff training. The same number

⁵⁵⁵ See supra section 3.4.3.

⁵⁵⁶ Item (a) of Obligations of Training domain.

of respondents (27.7%) thought that the main challenge is that training includes a large number of employees.⁵⁵⁷

Additionally, the identification and verification of beneficiary account requirement places a significant burden on Jordanian banks due to the complex nature of such accounts. An average bank employee needs training or skills to deal with these accounts. Unless they are sufficiently trained, they are unlikely to be able to discharge their obligations.⁵⁵⁸ Because of that the respondents recognized that *employees need training to deal with money laundering operations. Unless bank employees are sufficiently trained, they are unlikely to be able to discharge their obligations of anti-money laundering.*⁵⁵⁹

Moreover, banks are required to conduct for its employees awareness and training programs on anti-money laundering practices and measures, in particular, front line staff and officers in charge of processing and accepting new customers as well as staff responsible to monitor transactions. The senior management must ensure that appropriate channels of communication are in place to effectively communicate the anti-money laundering procedures and policies to all levels of employees. The employees should be made aware that they may be held responsible for any failure to observe the internal requirements of anti-money laundering.⁵⁶⁰ When the respondents were asked whether they thought that *weak training among employees in anti-money laundering leads to wrong reporting, so it could jeopardize bona fide customers,*⁵⁶¹ they agreed to this item (mean 6.03).

⁵⁵⁷ Question (4) of Obligations of Training domain.

⁵⁵⁸ See supra section 3.4.1.2.4.

⁵⁵⁹ Item (c) of Obligations of Training domain.

⁵⁶⁰ See supra section 3.4.5.

⁵⁶¹ Item (b) of Obligations of Training domain.

On the other hand, to identify how often the bank does conduct training in anti-money laundering for employees, 55.4% of the participants mentioned that once a year the bank conduct training for employees, while 23.1% of them stated that the training was conducted three times a year, and 21.5% stated twice a year.⁵⁶² At the same time, to determine what kind of training the bank conduct for the employees, 55.4% of them stated that they were receiving training form of external provider (classroom, seminar), while 32.3% of the respondents relied upon self-training (self -directed , video) and 12.3% of the them mentioned that they relied upon computer assisted (online training).⁵⁶³

In terms of the hardest training in anti-money laundering, 53.8% of the respondents identified that the hardest training is how to suspect banking operations, while 24.6% of them thought that the hardest training is for the methods of validation data, and 21.6% of them stated the hardest training is for the methods of monitoring banking transactions.⁵⁶⁴

The statistics also indicate that the respondents realize the importance of training to combat money laundering at banks. They strongly believed that the effectiveness of the suspicious transaction reports system depends on the professional knowledge and expertise of the compliance officer. Therefore, it is crucial to ensure that the compliance officer is given sufficient training on money laundering combating measures. These officers also strongly believed that employees need training to deal with money laundering operations. Unless bank employees are sufficiently trained, they are unlikely to be able to discharge their obligations of anti-money laundering.

⁵⁶² Question (2) of Obligations of Training domain.

⁵⁶³ Question (3) of Obligations of Training domain.

⁵⁶⁴ Question (5) of Obligations of Training domain.

Also, weak training among employees in anti-money laundering leads to wrong reporting, thus jeopardize bona fide customers.

The majority stated that the bank conduct training just once a year. While the minority is split between two: The first are those who identify that the bank conduct training in twice a year; the second are those who admitted that the bank conduct training at three times a year. Also, the statistics indicate that there are varying levels in kind of training that the bank conduct for employees, the most frequent form being external provider (classroom, seminar) followed by self-training (self-directed , video) and computer-assisted (online training).

It appears that the main challenges for training obligations were as follows: These obligations require concentrated training; they need of high cost for staff training; and they include a large number of employees. The hardest training were as follows; how to suspect banking operations; training in the methods of validation data; and training in the methods of monitoring banking transactions.

After recognizing the importance, challenges, difficulties and types of training from participants point of view, one question that needs to be asked is whether an annual training is sufficient in order for the compliance officer and employees to be able to discharge their obligations of anti-money laundering. Unfortunately, here is no authority or entity that can determine that training once or more per year is sufficient. "Sufficient or not sufficient", this matter can only be estimated by the bank and the employees.

4.18 Summary

This chapter has shown the adopted methods of research and the type of data required to test research questions. In addition, it has illustrated the procedure followed in the distribution of the questionnaire and the main research tools used for data collection. Data were collected from 65 participants for data analysis purposes, who represent 12 banks of 25 banks in Jordan.

The chapter revealed the perceptions of Jordanian bankers towards the anti-money laundering obligations imposed on them, however, this study focused on their perceptions towards obligations of customers due diligence (know your customer), obligations of risk assessment, obligations of transaction monitoring, Obligations of reporting, obligations of record-keeping and obligations of training, and obligations of compliance. As a result, the chapter has shown that there are aspects of the obligations satisfied by the participants, while there were aspects that are unsatisfactory. It is clear that banks in Jordan faces challenges to cope with the requirements imposed by the anti-money laundering laws.

It is critical for Jordan to constitute a flexible workable and effective anti-money laundering laws framework to ensure effective implementation of the laws. Also, it is critical for the management of banks to understand how the anti-money laundering obligations apply to their operations and establish effective anti-money laundering program. It is clear that more detailed guidance is required from the anti-money laundering regulator to enable banks and their employees to discharge their legal obligations properly. Moreover, the effective coordination between anti-money laundering regulator and the banking industry is vital to minimize problems encounter by the banks and to ensure effective implementation of the laws.

In fact, at this stage it is not clear whether banks in Jordan are able to cope with the onerous requirements imposed by the anti-money laundering laws. Therefore, it would be timely to examine how the anti-money laundering laws affect the relationship between banks and their customers before more complex laws are passed. In addition, it is vital that the laws do not create any significant compliance problems for banks.



CHAPTER FIVE

THE IMPACT OF THE ANTI-MONEY LAUNDERING LAWS ON BANKS AND THEIR CUSTOMERS

5.1 Introduction.

The banking system has long been recognized as the central element of money laundering partially because of the system's complexity. Many of the efforts to fight money laundering have concentrated on the adopted procedures by financial institutions and banks. The effective anti-money laundering measures adopted by banks would make it difficult for criminals to get their dirty money into the financial system. For this reason, the anti-money laundering laws require banks to establish a number of counter-measures, for instance, customer identification and due diligence, record keeping, reporting of suspicious transactions, appointment of compliance officers, and anti-money laundering training. To the law enforcement agencies, banks are considered an important source of valuable information for money laundering detection.

From the banks perspective, they exist to make as much profits as possible. Their commercial and cultural interests are totally distinct from that of the law enforcement authorities. Hence the anti-money laundering laws create a major dilemma for the banks; the laws make a significant shift in the way banks interact with their customers. Implementing the law has not only created great compliance problems for banks, but also negatively affected the banks' operations.

For instance, it has been argued that the anti-money laundering laws also threaten the principles of banking secrecy.⁵⁶⁵ This principle of banking secrecy prevents a bank from revealing any information or data about its customers.⁵⁶⁶ As is detailed in the supra section 3.4.3, banking secrecy is a customer privilege whereas combating money laundering is critical for public safety and security. So, customers may lose confidence that their secrets are safe with the banks, if anti-money laundering obligations should take precedence over customer confidentiality rules in order to improve the information flow to the law enforcement authorities and facilitate investigation of money laundering. The authorities are asking banks to act as informers by requiring banks to disclose suspicious transactions, and this is a role that conflicts with the banks' commercial objectives.⁵⁶⁷ Accordingly, reporting obligation under the Jordanian anti-money laundering laws means that the banks have to strike a balance between complying with the laws and protecting customers' confidentiality.

This chapter will look into the above issues and examine the impact of the anti-money laundering laws on the relationship between banks and their customers. It aims at discovering—by surveying the opinions of the bankers, their customers, the Jordanian central bank, and Jordan's Anti-Money Laundering Unit—how the anti-money laundering laws have been affecting the relationship between banks and their customers.

⁵⁶⁵Lawson HD, *Bank Secrecy and Money Laundering*, 17 *Banking and Financial Law Review* 145, (2002).

⁵⁶⁶Amjad al-Juhani, *Money Laundering and its Impact on Banking Secrecy*, 29/1/2008, <http://www.cojss.com/article.php?a=180> , Accessed 21-1-2014. In Arabic.

⁵⁶⁷Aspalella A Rahman, *Ibid*.pp.258.

5.2 Research Design.

A survey is considered appropriate for a study that intends to ascertain individual's feelings, values, expectations, or other factors that are similar.⁵⁶⁸ This method can be explained as follows: (1) The data are gathered at a particular point of time with the intention to describe the nature of an existing situation, (2) the standards are identified against which existing situations can be compared, and (3) the relationships that exist among particular events are determined.⁵⁶⁹

In legal research, an empirical study is important in the case a researcher needs (1) to evaluate the law function in the real world, and (2) to underpin the many areas of legal and social policies.⁵⁷⁰ For the researcher to delve further into the subject, a survey will include structured questions that will result in easy statistical summaries.

The chapter reports the results of the investigation. It presents the opinions of the bankers, their customers, the Jordanian central bank, and Jordan's Anti-Money Laundering Unit on how the anti-money laundering laws have been affecting the relationship between banks and their customers.

5.3 The Questionnaire Survey

In this study, law is considered a social fact. It aims at influencing human behavior and ordering society.⁵⁷¹ Laws are the rules imposed by the legislature for benefiting

⁵⁶⁸ Anwarul Yaqin, *Legal Research and Writing, Malaysia*, LexisNexis, 2007, pp154.

⁵⁶⁹ Mahdi Zahraa, *Research Methods for Law Postgraduate Overseas Students*, published in Malaysia by UNIVISION PRESS (c/o STILGLOW SDN.BHD), Kuala Lumpur Malaysia, 1998 , pp.65.

⁵⁷⁰ Dame Hazel Genn, Martin Partington and Sally Wheeler, *Law in the Real World: Improving our Understanding of How Law Works*, the Nuffi Eld Foundation 28 Bedford Square London wc1b 3js, 2006, pp.1. For more information see: <http://www.nuffieldfoundation.org/sites/default/files/Law%20in%20the%20Real%20World%20full%20report.pdf>, accessed 23-4-2015.

⁵⁷¹ Mark Van Hoecke, *Methodologies of Legal Research*, Published in the United Kingdom by Hart Publishing Ltd 16C Worcester Place, Oxford, OX1 2JW, 2011, pp.1, for more information see: http://www.ius.bg.ac.rs/prof/Materijali/jovmio/DS_PrimeriMetodoloskihPristupa/van%20Hoecke%20%28ed.%29,%20Methodologies%20of%20legal%20research%20_%20which%20kind%20of%20method%20for%20what%20kind%20of%20discipline.pdf, accessed 27-4-2015.

society or for influencing human behavior and improving his activities. The questionnaire survey in this study was chosen for its flexibility in data collection; the data could be collected by different methods, one of which is the face-to-face method. The method can also cover a large number of people and wider geographic area. No prior arrangements were needed and the data can be collected at lower cost.

5.4 The Questionnaire Design

The first and the final drafts of the questionnaire were written in English and were later translated to Arabic. It was anticipated that most of the respondents would not fully understand the questions since English is a foreign language to them, hence the questionnaire was translated to a language comprehensible to the respondents.⁵⁷²

5.5 The Pilot Study

A pilot study helps to ascertain whether the participants understood the questions, if the questions implied the same meaning to all the participants, and if the questionnaire provided them with the data they needed. A pilot study can also determine how long it would take to complete the questionnaire. To conduct the pilot study, a plan was determined with regard to how, where, and when to collect the data for the pre-test purposes. the data were collected from November 9, 2014 to November 23, 2014 during office hours.

Accordingly, twenty one participants of the banks sample participated in this pilot study, and they represented four out of the twenty five banks in Jordan. They are (1) The Housing Bank For Trade & Finance, (2) Cairo Amman Bank, (3) Jordan Islamic Bank, (4) and Union Bank. Also, twelve respondents from the Selective Customers Sample, where they represented three out of fifty six firms in Jordan, namely(1) Al-

⁵⁷² Both the English and Arabic versions of the questionnaires are enclosed in the Appendix.

amal Financial Inv, (2) Ajiad For Securities, (3) Sanabel Alkhair For Financial Investments. Furthermore, thirty seven respondents from the Random Customers Sample, as well as five respondents from the Central Bank Sample, and finally, one respondent from the Unit Sample.

After testing the questionnaire the researcher discovered some ambiguous and weak questions. The researcher also found that the variables were unclear and were mixed in various sections. As a result, the whole structure of the questionnaire was redeveloped. Some questions were deleted, and the number of questions were decreased. For example, the following item has been removed: The banking secrecy principle is a right and an advantage to the customers. However, the following item has been edited: Despite the fact that e-banks provide fast services, banks commitment to monitor and audit the movement of client's account increases the time of transaction. And the following item has been added: The bank's restrictions on funds transfer hinder attracting capitals.

5.6 Evaluation of the Questionnaire

The draft questionnaire was reviewed by a number of academics and university lecturers in Jordan to confirm its validity. The evaluation also served to ensure that the questionnaire was accurately translated from English to Arabic and that each item measured exactly what it intended to measure. After receiving comments, several questions were modified and a number of questions were deleted. After reviewing the questionnaire again it appeared that the translated questionnaire was accurate and had correctly measured to meet the objective of the survey.

The questionnaire was evaluated again by three doctorates majoring in English, who evaluated the translation from English to Arabic. The content of the questionnaire was

reviewed by another two doctorates majoring in commercial law. Table (5.1) shows the data of the evaluators.

Table 5.1

The Profile of Evaluators

| No | Name | University | Faculty | Department | Academic Rank |
|----|----------------------|------------------------|---------------------|------------------------|--------------------------------------|
| 1. | Dr. Ahmad El-Sharif | AL- al Bait University | Arts and Humanities | English and Literature | Assistant Professor |
| 2. | Dr.Salim El-Ibia | AL- al Bait University | Arts and Humanities | English and Literature | Assistant Professor |
| 3. | Dr. Khaled Masaeed | AL- al Bait University | Arts and Humanities | English and Literature | Assistant Professor |
| 4. | Dr. Omer Falah | AL- al Bait University | Law | Private law | Associate Professor - Commercial law |
| 5. | Dr.Abdullah Alsofani | AL- al Bait University | Law | Private law | Associate Professor - Commercial law |

5.7 Field Study Plan

The questionnaire survey was planned with regard to how, where, and when to collect the data. For the bankers sample, the data were collected from the main branches in Amman, Jordan during office hours between December 14, 2014 and February 16, 2015. As for the customers sample, the data were collected from brokers firms and from meeting with the customers at various bank branches in Amman, during office hours between January 4, 2015 and February 25, 2015.

As for the sample of officers of the banking supervision department at the Jordanian Central Bank, the data were collected from the central bank in Amman during office hours between February 2, 2015 and February 9, 2015. As for the officers of Jordan's Anti-Money Laundering Unit, the data were collected from the Jordan's Anti-Money Laundering Unit in Amman during office hour on January 1, 2015.

5.8 Data Processing

The questionnaire was kept once the researcher completed the data collection. The process of data entry and verification began after ten days. Manual data entry was performed by using a computer and the statistical package for the social sciences (SPSS) software.

Once the raw data were collected, edited, coded, and entered into the computer, they were ready for analysis. Analysis is the process of examining, summarizing, and drawing conclusion from the information contained in the raw data.⁵⁷³ The data in this study were analyzed using the statistical package for the social sciences (SPSS), which can produce findings in the form of graphs and charts.⁵⁷⁴

The data were analyzed through the following procedures: (1) the attributes of the variables were defined including their names e.g. (the name of first item, the name of second item and name of third item, etc.); (2) the data type (e.g. numeric) was defined; (3) the labels were defined (e.g., the first item, combating money laundering is not just a matter of fighting crime but also the matter of preserving the integrity of banks from being abused by money launderers. The second item, the anti-money laundering obligations, have posed legal and administrative burdens on banks which are onerous and may involve serious legal obligations and other deficient compliance liabilities. The third item, the anti-money laundering obligations, produce a significant shift in the ways banks interact with their existing and potential customers. etc.); (4) the values were defined (e.g. no. 1 represents the answer “strongly disagree”, while no.2 represents the answer “disagree”, while no. 3 represents the answer “disagree a little”, while no.4 represents the answer “neutral”, while no.5 represents the answer

⁵⁷³Anwarul Yaqin, Ibid, pp. 252.

⁵⁷⁴Bryman,A, *Quantitative Data Analysis with Spss 12 and 13 A Guide For Social Scientists*, http://rufiismada.files.wordpress.com/2012/02/quantitative_data_12_13.pdf , Accessed 14-2-2014.

“agree a little”, while no. 6 represents the answer “agree”, and no.7 represents the answer “strongly agree”).

The second stage is the entering of the questionnaires’ results on a “variables” page. For example, for the first item, five people answered “strongly agree”, three people answered “neutral”, two people answered “disagree”. For the second item, six people answered “agree”, one person answered “disagree”, three people answered “neutral”. For the third item, two people answered “strongly agree”, five people answered “disagree”, and three people answered “strongly disagree”, etc.

The third stage is the analysis stage, which involves obtaining descriptive statistics in the program from the option *analyze*, and then completing the procedures to obtain the means of the responses. The fourth stage is obtaining the results of the questionnaires survey. For example, the mean for the first item is 6.5, 5.3 for the second item, and 4.2 for the third item. After the charts and graphs were obtained, the results were analyzed to reach the goal of the questionnaires survey.⁵⁷⁵

5.9 Description of the Questionnaire

The questionnaire consists of six sections and fifty-two items in total. Section A (*Demographic Variables*) contains nine items. These items sought to establish a portrait of sample type, experience and individual level of education, and professional qualifications. The aim of this section is to identify the sort of samples; it was felt that this would give an indication of the degree of seriousness in terms of how the anti-money laundering obligations have affected the relationship between banks and their customers.

⁵⁷⁵For more information see: Vijay Gupta, *SPSS for Beginners*, Published by VJBooks Inc, www.uploadkon.ir/uploads/1041cbeb8db5c23fa327150d1662bea7.pdf , (1999), Accessed 13-4-2014. And see: Imad Nashwan, *Practical Guide to Rapporteur Applied Statistics*, Al-Quds Open University, <http://www.qou.edu/portal/alMouqrrarat/pdfFiles/Statistics.pdf> , (2005) Accessed 13-4 2014. In Arabic.

Section B (*General Measures*) consists of eight items. The second set of items sought to ascertain the officers' attitudes towards general measures in anti-money laundering. Section C (*Protection of Bank*) contains five items. The third set of items sought to ascertain the officers' attitudes towards the anti-money laundering obligations and how the regulations can protect banks. Section D (*Banking Secrecy Principle*) contains seven items. The fourth set of items sought to ascertain attitudes towards the importance and impact of the principle of bank secrecy on bank and its customers.

Section E (*Banking Products*) contains five items. The fifth set of items sought to ascertain attitudes towards the impact of anti-money laundering obligations on banking products provided to the customers. Section F (*Customer's Satisfaction*) consists of sixteen items. The sixth set of items sought to ascertain attitudes towards customers' satisfaction with the anti-money laundering obligations.

The questionnaire is composed of four A4 pages. The front cover is the first page which includes the logo of Universiti Utara Malaysia, letter of appreciation to participants, title of the study, the questionnaire objective, name of the university, and brief explanation about the questionnaire.

Each item was measured with seven-point⁵⁷⁶ Likert scale⁵⁷⁷ that ranges from strongly disagree, disagree, disagree a little, neutral, agree a little, agree, and strongly agree.

⁵⁷⁶ According to Dane Bertram, "Variations: Most commonly seen as a 5-point scale ranging from "Strongly Disagree" on one end to "Strongly Agree" on the other with "Neither Agree nor Disagree" in the middle; however, some practitioners advocate the use of 7 and 9-point scales which add additional granularity". For more information see: <http://poincare.matf.bg.ac.rs/~kristina//topic-dane-likert.pdf>, accessed 29/4/2015.

⁵⁷⁷ According to Dane Bertram, Likert scales defined as "a psychometric response scale primarily used in questionnaires to obtain participant's preferences or degree of agreement with a statement or set of statements. Likert scales is a noncomparative scaling technique and is unidimensional (it only measures a single trait) in nature. The respondents are asked to indicate their level of agreement with a given statement by way of an ordinal scale", Ibid.

To overcome the common resistance of financial services practitioners in providing information about themselves or about their employer's policies, the questionnaire sought the information on a confidential basis. The recipients were given freedom to provide or not provide information which would identify themselves or their employing institution.

5.10 Data Analysis Techniques

Through SPSS, the following statistical methods were used to analyze the collected data: Cronbach Alpha test to measure the internal consistency of questionnaire statement, means to measure the central tendency scales, standard deviations to measure the dispersion of any set of observations, and bivariate correlation to determine if two variables are linearly related to each other.

5.11 Sample Population

In an attempt to provide a contemporary research on the subject, the questionnaires included four independent samples, and were circulated among four samples that represented four views: (1) the Jordanian anti-money laundering compliance officers at banks, who represented the opinion of Jordanians bankers (who applies the law), (2) the bank's customers, who represented the opinion of Jordanian banks customers (who is applied by the law), (3) the officers of the banking supervision department at the Jordanian Central Bank, who represented the opinion of the Central Bank of Jordan (who monitors the applied law), and (4) the officers of Jordan's Anti-Money Laundering Unit, who represented the opinion of the Jordanian law enforcement authority (the authority of police).

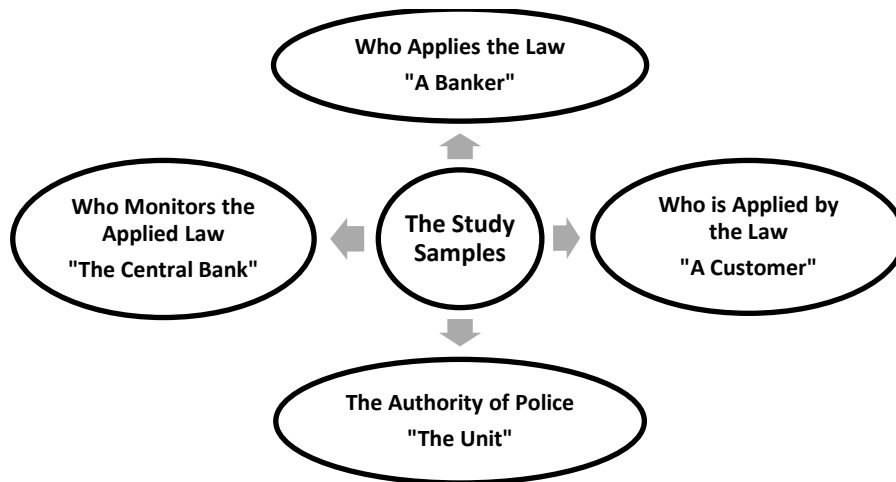


Figure 5.1: Sample population

Sample size is a crucial issue for generalizing the result upon the main population. As Anwarul Yaqin⁵⁷⁸ states, “if the population is homogeneous⁵⁷⁹, a small simple can serve the purpose of the researcher.” In homogeneous sampling the researcher selects certain people who possess similar characteristics or features. The researcher also purposefully samples individuals or sites based on membership in a subgroup that has defining characteristics. In this procedure, the researcher needs to identify the characteristics and find individuals or sites that possess it.⁵⁸⁰

In this study each sample was independent of other samples, and each sample's results were analyzed independently. Then all the results were compared and each sample was considered homogeneous with itself. For instance, all participants from the Jordanian Central Bank sample are working in Jordan thus similar job and similar obligations apply to them. Hence this sample was considered one of the homogeneous samples, and this applies to all the other samples.

⁵⁷⁸ Anwarul Yaqin, Ipid, pp.236.

⁵⁷⁹ A homogeneous population is one where all individuals can be regarded as the same type.

⁵⁸⁰ John W. Creswell, *Educational Research Planning, Conducting, and Evaluating Quantitative and Qualitative Research*, 4th Edition, the Publisher Pearson, 2011, pp.208..

Determining the sample size depends on the type of sample. There are two types of samples: probability and nonprobability. Probability sample can be divided into four types: simple random sampling, systematic sampling, stratified sampling, and cluster sampling⁵⁸¹. Each type requires certain method to determine its sample size.

In most cases researchers can consider several options to determine the number of participants for a study: (1) They can make an educated guess as to how many people are needed, such as 10% of the population, or (2) they can ask as many people to participate as possible within the resources and time that both researchers and participants can provide.⁵⁸²

In this study, the method to determine the sample size was to collect as much as possible of the available participants from different samples, as long as that the minimum participation of each sample was not less than 15% of its population size. This applies to all types of samples with the exception of the second type of the bank customers “random sample.” The customer sample was divided into two types: selective and random, and this will be discussed in section 5.11.2

5.11.1 The Jordanian Anti-Money Laundering Compliance Officers at Banks

Concerning the first sample, each Jordanian bank according to Jordanian Anti-Money Laundering Instructions should appoint officers to work as anti-money laundering compliance officers.⁵⁸³ These officers must be fully knowledgeable about the requirements of anti-money laundering, and the related regulations and laws because they are responsible for managing, coordinating, and monitoring the bank’s

⁵⁸¹ Anwarul Yaqin, Ibid, pp.277.

⁵⁸² John W. Creswell, Ibid, pp.609.

⁵⁸³ According to article 9 of the Instructions for Anti Money Laundering and Counter Terrorist Financing for Banks Instructions No. 51/2010. Also, see supra section 3.4.6.2.

compliance system toward anti-money laundering. These officers are representing the Jordanian bank and they were the first sample in this questionnaire.

As mentioned, altogether there are twenty-five banks in Jordan.⁵⁸⁴ This means that the survey applied to twenty-five banks. The number of participants in the first sample (the anti-money laundering compliance officers at banks) was sixty two, and they represented twelve (48%) out of the twenty-five banks in Jordan. This response rate is considered for generalizing the results of the study. Table (5.2) shows the participated banks in this study.

Table 5.2

The Banks Participated in the Questionnaire of Chapter Five

| No. | Name of bank |
|-----|--------------------------------------|
| 1. | Jordan Ahli Bank |
| 2. | Cairo Amman Bank |
| 3. | The Housing Bank For Trade & Finance |
| 4. | Jordan Islamic Bank |
| 5. | Arab Jordan Investment Bank |
| 6. | Union Bank |
| 7. | Capital Bank |
| 8. | Egyptian Arab Land Bank |
| 9. | Standard Chartered Bank |
| 10. | Blom Bank |
| 11. | National Bank of Abu Dhabi |
| 12. | Al Rajhi Bank |

5.11.2 The Bank Customers

To obtain accurate information from more than one source, the customers sample was divided into two types: selective and random sample. Participants from the selective customers sample were chosen according to their work nature; they needed to use bank services extensively for withdrawal, depositing, and transfer. The brokers firms “stock market” may have been affected by the procedures of anti-money laundering

⁵⁸⁴ For more information see website of Central Bank of Jordan at: http://www.cbj.gov.jo/pages.php?menu_id=34&local_type=0&local_id=0&local_details=0&local_details1=0&localsite_branchname=CBJ, accessed 28-4-2015.

thus the brokers firms "stock market" were to represent the bank customers sample because (1) the brokers firms "stock market" deal with banks extensively due to the nature of their work, (2) they are knowledgeable about anti-money laundering because they are legally required to have enough knowledge about anti-money laundering.⁵⁸⁵ According to the Securities Depository Center of Jordan, the total number of brokers firms "stock market" in Jordan is fifty-eight. One of them has restricted activity and another's work is suspended,⁵⁸⁶ leaving the total number of operating firms to fifty-six.

Twenty-six respondents, from ten out of fifty-six firms, participated in the survey, and they were from ten out of the fifty-six firms. This implies that the survey represented 17.8% from the brokers firms "stock market" in Jordan. This percentage was considered sufficient to generalize the results. Table (5.3) shows the firms which participated in the survey.

Table 5.3

Firms which Participated in the Survey

| No. | Name of Firm |
|------------|---|
| 1. | International Financial Center |
| 2. | The Financial Investment Company For Shares & Bonds |
| 3. | Arab Co-operation For Financial Investments |
| 4. | Al-amal Financial Inv. |
| 5. | Al- Eman Financial Investments |
| 6. | Jordanian Expatriates For Financial Brokerage |
| 7. | Al-multaqaa Brokerage and Financial Services |
| 8. | Ajiad For Securities |
| 9. | Shua'a For Securities Trading & Investment |
| 10. | Sanabel Alkhair For Financial Investments |

⁵⁸⁵ According to Article 13 from Jordanian Anti Money Laundering Law 2007.

⁵⁸⁶ For more information see website the Securities Depository Center of Jordan at; http://www.sdc.com.jo/english/index.php?option=com_public&member_cat=902 accessed 14/5/2015.

Regarding the random sample of banking customers, unfortunately, there is no official statistics that determine the number of customers in Jordanian banks. It is difficult to determine the size of such population, but the researcher recognized that the population is indeed sizable. The population is also widely dispersed thus this study adopts a different method to represent the population.

The cluster sampling is ideal in conditions where it is impossible or impractical to create a sampling frame of a target population or the target population is geographically dispersed. Cluster sampling is the least expensive sampling method used in large-scale studies. It is a procedure of probability sampling where elements of the population are randomly selected in naturally occurring groupings “clusters”. A cluster, in the context of cluster sampling, is an aggregate or intact grouping of population elements. Element sampling is the selection of population elements individually, one at a time.⁵⁸⁷

The idea of cluster sampling involves selecting large groups “first cluster”, then from the first cluster a smaller unit of “second cluster” is selected, and from the second cluster the “third cluster” is selected, and so forth until the final sampling unit is reached.

In cluster sampling the clusters or groups are selected by using a simple random sampling method.⁵⁸⁸ In other words, in random sampling the usual procedure is to assign a number to each person or sampling unit in the sampling frame. Once this is done, the researcher can pick numbers at random without following any pattern

⁵⁸⁷ Johnnie Daniel, *Sampling Essentials: Practical Guidelines for Making Sampling Choices*, SAGE Publications, 4 May 2011, pp.151.

⁵⁸⁸ Anwarul Yaqin, *Ibid*, pp.231.

⁵⁸⁹(e.g. specify a number to each bank of the twenty-five banks then the researcher can pick numbers at random without following any pattern.)

To deal with the sample of random customers, the cluster sampling method was adopted. Five cluster of five sampling stages were required to be applied with the cluster sampling method.

The "first cluster" first stage was to determine the regions and governorates "location" to collect data from the sample. Geographically, Jordan is divided into twelve governorates by the administrative divisions system of the Ministry of Interior. The governorates of Jordan are located in one of the three regions: (1) the northern region, which includes four governorates: Irbid, Ajloun, Jerash and Mafraq; (2) the central region, which includes four governorates: Amman, Balqa, Zarqa, and Madaba; (3) the southern region, which includes four governorates: Karak, Tafilah, Ma'an and Aqaba.⁵⁹⁰

This study used the simple random sampling method; where three types of bank customers from three governorates "location" were selected, each governorate represent one region, namely; (1) bank customers in Irbid governorate which represent governorates of the northern region, (2) bank customers in Amman governorate which represent governorates of the central region, (3) bank customers in Karak governorate which represent governorates of the southern region.

The "second cluster" second stage was to determine the working days to collect data from the sample in the three aforementioned governorates. This study used the simple

⁵⁸⁹ Anwarul Yaqin, Ibid, pp.228.

⁵⁹⁰ According to the Jordanian Administrative Divisions Regulation No. (46) of 2000.

random sampling method. The data were collected in twenty-one working days; each governorate has a share of seven working days.

The "third cluster" third stage was to determine the time to collect data from the sample within the twenty-one working days. This study used a simple random sampling method in which five working hours per day were used to meet with the bank customers.

The "fourth cluster" fourth stage was to determine which banks to conduct the questionnaire with their customers. This study adopted a simple random sampling method; seven banks were selected for the researcher to conduct a survey on their customers. The banks were (1) Cairo Amman Bank, (2) Jordan Kuwait Bank, (3) Jordan Ahli Bank, (4) Bank of Jordan, (5) Jordan Commercial Bank, (6) Housing Bank, and (7) Jordan Islamic Bank.

The "fifth cluster" fifth stage was to determine the branches of the aforementioned banks which conduct the survey with their customers. The aforementioned banks have many branches: Cairo Amman Bank currently operates three branches across Karak and thirteen branches across Irbid, and thirty-nine branches across Amman.⁵⁹¹ Jordan Kuwait Bank currently operates one branch in Karak, four branches across Irbid, and forty-two branches across Amman.⁵⁹² Jordan Ahli Bank currently operates one branch in Karak, seven branches across Irbid, and thirty-seven branches across Amman.⁵⁹³

⁵⁹¹ For more information see website of Cairo Amman Bank at; <http://www.cab.jo>, accessed 15/10/2014.

⁵⁹² For more information see website of Jordan Kuwait Bank at; <http://www.jkb.com>, accessed 15/10/2014.

⁵⁹³ For more information see website of Jordan Ahli Bank at; <http://www.ahli.com>, accessed 12/10/2014.

The Bank of Jordan currently operates one branch in Karak, nine branches across Irbid, and seventy-one branches across Amman.⁵⁹⁴ The Jordan Commercial Bank currently operates one branch in Karak, three branches across Irbid, and eighteen branches across Amman.⁵⁹⁵ The Housing Bank currently operates four branches across Karak, fourteen branches across Irbid, and fifty-seven branches across Amman,⁵⁹⁶ and the Jordan Islamic Bank currently operates two branches across Karak, six branches across Irbid, and twenty-eight branches across Amman.⁵⁹⁷

This study used the simple random sampling method; twenty-one branches of the aforementioned banks were selected for the researcher to conduct a questionnaire survey with their customers. Each bank represents three branches distributed on three governorates. The branches are (1) Cairo Amman Bank, (1/a) Yarmouk University Branch in Irbid, (1/b) Al-Abdali Branch in Amman and (1/c) Mutah University Branch in Karak; (2) Jordan Kuwait Bank, (2/a) King Abdullah II St. Branch in Irbid, (2/b) Khalda Branch in Amman and (2/c) Al-Qalaa St. Branch in Karak; (3) Jordan Ahli Bank, (3/a) Army St. Branch in Irbid, (3/b) Ibn Khaldoun St. Branch in Amman and (3/c) Italian Hospital St. Branch in Karak; (4) Bank of Jordan, (4/a) Hakama St. Branch in Irbid, (4/b) Sweifieh Branch in Amman and (4/c) Al-Nuzha St. Branch in Karak; (5) Jordan Commercial Bank, (5/a) Bagdad St. Branch in Irbid, (5/b) Downtown Branch in Amman and (5/c) Main St. Branch in Karak; (6) Housing Bank, (6/a) Omar Al Mokhtar St. Branch in Irbid, (6/b) Abdoun Branch in Amman and (6/c) University St. Branch in Karak; and (7) Jordan Islamic Bank, (7/a) Al-Hashemi St.

⁵⁹⁴ For more information see website of Bank of Jordan at; <http://www.bankofjordan.com>, accessed 13/10/2014

⁵⁹⁵ For more information see website of Jordan Commercial Bank at; <http://www.jcbank.com.jo>, accessed 16/10/2014.

⁵⁹⁶ For more information see website of Housing Bank at <http://www.hbtf.com>, accessed 15/10/2014.

⁵⁹⁷ For more information see website of Jordan Islamic Bank at; <http://www.jordanislamicbank.com>, accessed 16/10/2014.

Branch in Irbid, (7/b) Shmeisani Branch in Amman and (7/c) al-Marj Branch in Karak.

Interviewing the customers inside the bank branches requires procedures, for instance, it requires the approval from the main branch. Often the main branches refused, believing that such studies may disturb their customers, which may negatively affect the bank's commercial interest. To overcome this, the researcher decided to interview the customers at the entrance of the branches.

With regard to the cluster sampling method, three out of the twelve governorates were selected; twenty-one working days out of the twenty-three working days in a month were selected; each governorate has seven working days and five working hours out of seven working hours in the working day were selected. Twenty-one branches were selected for the carrying of the interview with customers. Through the cluster sampling method, the researcher was able to collect 533 samples of bank customers. Table (5.4) shows the details and the results of the random sampling of the banks customers.

Table 5.4

Details and the Results of the Random Sampling of Banks Customers

| (A) The Northern Region "Irbid Governorate" | | | | | |
|--|----|---|-----------|----------------------------|---------------|
| No | No | The Customers' Meeting Place | Date | Time | Total Samples |
| 1. | 1. | In the entrance of Jordan Islamic Bank - Al-Hashemi St. Branch, Irbid. | 4/1/2015 | 5 hours from 10 am to 3 pm | 25 |
| 2. | 2. | In the entrance of Cairo Amman Bank - Yarmouk University Branch, Irbid. | 6/1/2105 | 5 hours from 10 am to 3 pm | 24 |
| 3. | 3. | In the entrance of Jordan Ahli Bank - Army St. Branch, Irbid. | 27/1/2015 | 5 hours from 10 am to 3 pm | 30 |
| 4. | 4. | In the entrance of Bank of Jordan - Hakama St. Branch, | 28/1/2015 | 5 hours from 10 am to 3 pm | 35 |

| | | | | | |
|----|----|---|-----------|----------------------------|----|
| | | Irbid. | | | |
| 5. | 5. | In the entrance of Jordan Commercial Bank - Bagdad St. Branch, Irbid. | 29/1/2015 | 5 hours from 10 am to 3 pm | 25 |
| 6. | 6. | In the entrance of Housing Bank - Omar Al Mokhtar St. Branch, Irbid. | 12/2/2015 | 5 hours from 10 am to 3 pm | 24 |
| 7. | 7. | In the entrance of Jordan Kuwait Bank - King Abdullah II St. Branch, Irbid. | 18/2/2015 | 5 hours from 10 am to 3 pm | 30 |

(B) The Central Region “Amman Governorate”

| No | No | The Customers' Meeting Place | Date | Time | Total Samples |
|-----|----|---|-----------|----------------------------|---------------|
| 8. | 1. | In the entrance of Jordan Commercial Bank - Downtown Branch, Amman. | 1/2/2015 | 5 hours from 10 am to 3 pm | 31 |
| 9. | 2. | In the entrance of Jordan Ahli Bank - Ibn Khaldoun St. Branch, Amman. | 2/2/2015 | 5 hours from 10 am to 3 pm | 27 |
| 10. | 3. | In the entrance of Jordan Islamic Bank - Shmeisani Branch, Amman. | 8/2/2015 | 5 hours from 10 am to 3 pm | 32 |
| 11. | 4. | In the entrance of Housing Bank - Abdoun Branch, Amman. | 9/2/2015 | 5 hours from 10 am to 3 pm | 25 |
| 12. | 5. | In the entrance of Cairo Amman Bank - Al-Abdali Branch, Amman. | 10/2/2015 | 5 hours from 10 am to 3 pm | 24 |
| 13. | 6. | In the entrance of Bank of Jordan- Sweifieh Branch, Amman. | 15/2/2015 | 5 hours from 10 am to 3 pm | 29 |
| 14. | 7. | In the entrance of Jordan Kuwait Bank - Khalda Branch, Amman. | 16/2/2015 | 5 hours from 10 am to 3 pm | 16 |

(C) The South Region “Karak Governorate”

| No | No | The Customers' Meeting Place | Date | Time | Total Samples |
|-----|----|---|-----------|----------------------------|---------------|
| 15. | 1. | In the entrance of Jordan Commercial Bank - Main St. Branch, Karak. | 5/1/2016 | 5 hours from 10 am to 3 pm | 19 |
| 16. | 2. | In the entrance of Cairo Amman Bank-Mutah University Branch, Karak. | 11/2/2015 | 5 hours from 10 am to 3 pm | 22 |
| 17. | 3. | In the Jordan Ahli Bank - Italian Hospital St. Branch, Karak. | 17/2/2015 | 5 hours from 10 am to 3 pm | 28 |
| 18. | 4. | In the entrance of Jordan Kuwait Bank - Al-Qalaa St. Branch, Karak. | 22/2/2015 | 5 hours from 10 am to 3 pm | 20 |
| 19. | 5. | In the entrance of Jordan Islamic Bank - al-Marj Branch, Karak. | 23/2/2015 | 5 hours from 10 am to 3 pm | 20 |
| 20. | 6. | In the entrance of Housing Bank | 24/2/2015 | 5 hours from 10 | 24 |

| | | | | |
|--------------|---|-----------|---|----------------|
| 21. 7. | – University St. Branch, Karak. In the entrance of Bank of Jordan- Al-Nuzha St. Branch, Karak. | 25/2/2015 | am to 3 pm 5 hours from 10 am to 3 pm | 23 |
| Total | | | | 533 Samples |

5.11.3 The Officers of the Banking Supervision Department at the Jordanian Central Bank

Article 70 of the Jordanian Banking Law 2000 stipulates that the bank and any affiliate company can be subject to inspection by the Central Bank. Thus the Central Bank is considered the supervisory authority responsible for the safety of banking system. While supervising licensed banks the Central Bank accomplishes such objectives, in a way that guarantees the rights and the financial position of the depositors' shareholders are safe. The Central Bank of Jordan Banking Supervision Department handles the performance of the banking system institutions, the inspection of the correctness of the transactions, the stability of its financial positions in the limits of banking laws, instructions, regulations and practices besides the requirements of the monetary stability and banking security.⁵⁹⁸

The Central Bank of Jordan Banking Supervision Department is in charge of a number of tasks: (1) Cooperating and coordinating with the Jordanian anti-money laundering unit and providing it with available information on suspicious transactions at the banks, (2) contributing in developing evidences that can help monitoring groups and banks to discover the illegal financial transactions via specific indicators, (3) asserting that banks have a compliance monitoring policy and providing the department with this policy also with the names of the persons who are in charge of executing it; (4) asserting that banks have a plan to manage compliance risks to be set

⁵⁹⁸ For more information see website of Central Bank of Jordan at: http://www.cbj.gov.jo/organizational.php?menu_id=120 , accessed 11/7/2014.

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.⁵⁹⁹ Hence to represent the Central Bank in this survey, the officers of the banking supervision department were selected.

In 2009 the number of employees at the banking supervision department in the Jordanian central bank was seventy-nine.⁶⁰⁰ In 2013, the Central Bank of Jordan supported fifteen new employees to the banking supervision department.⁶⁰¹ Currently, the total number of employees in the banking supervision department is ninety-four.

Hence the survey applied to ninety-four employees. The number of participants in the third sample (the officers of the banking supervision department at the Jordanian Central Bank) was sixteen, thus the survey represented 17% of officers. This percentage was considered appropriate for generalizing the results.

5.11.4 The Officers of Jordan's Anti-Money Laundering Unit

The Jordan's Anti-Money Laundering Unit was established by virtue of the anti-money laundering law 2007. This law⁶⁰² has all the necessary powers to analyze and study the suspicious transaction reports it receives. It can also request information from the entities subject to the law as well as from any other supervisory, administrative, judicial, and security authorities. The unit had been a part of the Central Bank and was separated by law, practically and before the issuance of the

⁵⁹⁹ Mutual Evaluation Report Anti-Money Laundering and Combating the Financing of Terrorism, 19 May 2009, issued by Middle East and North Africa Financial Action Task Force .pp. 123.

⁶⁰⁰ Mutual Evaluation Report Anti-Money Laundering and Combating the Financing of Terrorism, 19 May 2009, issued by Middle East and North Africa Financial Action Task Force .pp. 123.

⁶⁰¹ Mutual Evaluation Report Anti-Money Laundering and Combating the Financing of Terrorism, 30 April 2013, issued by Middle East and North Africa Financial Action Task Force .pp. 14.

⁶⁰² According to article 7 and 8 from Jordanian Anti Money Laundering Law 2007.

Anti-Money Laundering Law 2007, where it had been operating pursuant to the Banking Law 2000.⁶⁰³

It was previously mentioned that Jordan issued the Anti-Money Laundering Unit Regulation No. (40) of 2009 which regulates many matters including the unit's administrative and financial affairs of the employees. In fact, the Jordan's Anti-Money Laundering Unit is divided into three parts: (1) Analysis and IT Department, (2) External Compliance and Cooperation Department, and (3) Legal Counseling Department in addition to the Unit Head. According to the organizational structure, the employee cadre was appointed. Ten employees are distributed among all the departments of the unit,⁶⁰⁴ implying that the survey applies to ten employees.

When the researcher requested the unit to conduct the survey the secretary of the unit claimed that only two employees were specialists in the subject of the questionnaire. Thus, the number of participants in the fourth sample (the officers of Jordan's Anti-Money Laundering Unit) was two, implying that the survey represented 20% of the officers. This percentage was considered appropriate for generalizing the results.

5.12 Characteristics of the Study Sample

The study sample consisted of 639 individuals. The questionnaires were distributed to four categories of respondents: (1) the Jordanian anti-money laundering compliance officers at banks, (2) the bank customers "selective and random sample", (3) the officers of the banking supervision department at the Jordanian Central Bank, and (4) the officers of Jordan's Anti-Money Laundering Unit. The following table shows the distribution of the sample according to personal and functional variables.

⁶⁰³ Article 93 of the Banking Law No. 28 of 2000.

⁶⁰⁴ Mutual Evaluation Report Anti-Money Laundering and Combating the Financing of Terrorism, 30 April 2013, issued by Middle East and North Africa Financial Action Task Force .pp. 19.

5.12.1 Characteristics of the Jordanian Anti-Money Laundering Compliance Officers in Banks

Table (5.5) shows the distribution of the sample based on personal and functional variables.

Table 5.5

Distribution of the Jordanian Anti-Money Laundering Compliance Officers at Banks Sample by Personal and Functional Variables

| Variable | Categories | Frequency | Percent |
|---------------------|---------------------------|-----------|---------|
| Age | 25-34 years | 41 | 66.1 |
| | 35-44 years | 14 | 22.6 |
| | 45-54 years | 6 | 9.7 |
| | Above 54 years | 1 | 1.6 |
| | Total | 62 | 100.0 |
| Gender | Male | 32 | 51.6 |
| | Female | 30 | 48.4 |
| | Total | 62 | 100.0 |
| Degree | High school or equivalent | 1 | 1.6 |
| | Bachelor | 42 | 67.7 |
| | Master | 16 | 25.8 |
| | PhD | 3 | 4.9 |
| | Total | 62 | 100.0 |
| Years of Experience | 1- 5 Years | 26 | 41.9 |
| | 6 - 10 Years | 17 | 27.4 |
| | 11-15 Years | 11 | 17.8 |
| | Above 15 years | 8 | 12.9 |
| | Total | 62 | 100.0 |

Table (5.5) shows that majority of the participants in this sample were between twenty-five and thirty-four years of age. Only 1.6% were above fifty-four. Nearly half were male (51.6%) and nearly half were female (48.4%).

Most of the respondents have a bachelor degree (67.7%) followed by master degree (25.8%) and a doctorate degree (4.9%). They mostly have one to five years of related experience (41.9%).

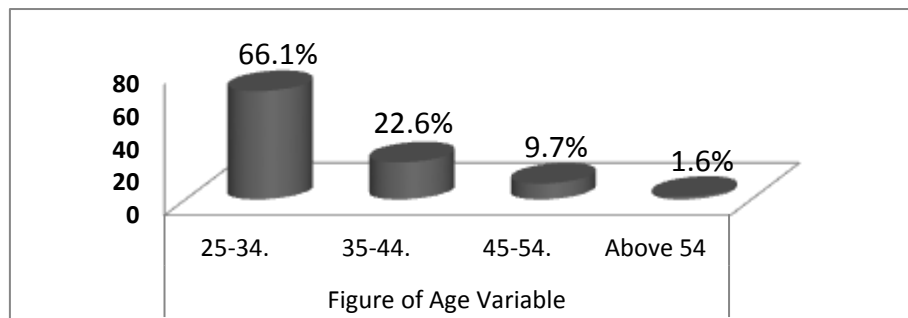


Figure 5.2: Distribution of the Jordanian anti-money laundering compliance officers at banks according to age

Figure (5.2) shows that majority of the participating Jordanian anti-money laundering compliance officers were between twenty-five and thirty-four years of age (66.1%).

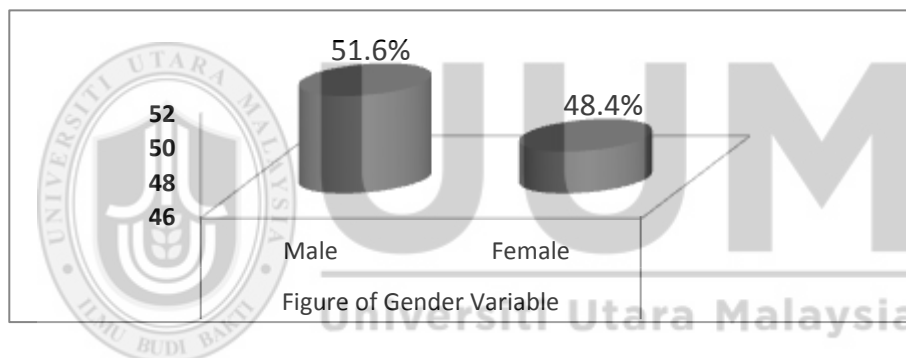


Figure 5.3: Distribution of the Jordanian anti-money laundering compliance officers at banks according to gender

Figure (5.3) shows that majority of the participating Jordanian anti-money laundering compliance officers were male (51.6%).

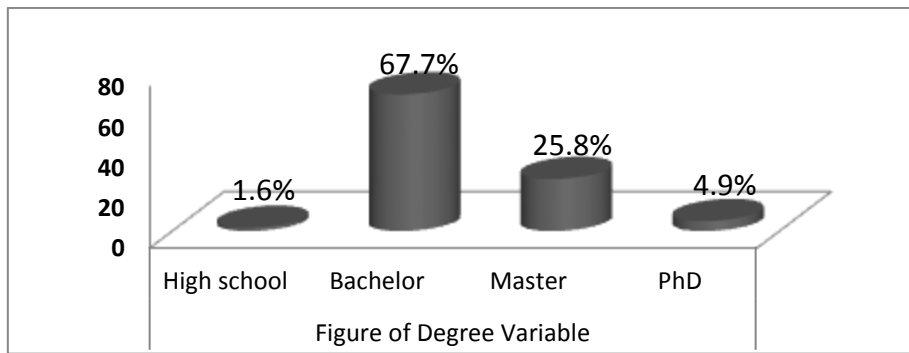


Figure 5.4: Distribution of the Jordanian anti-money laundering compliance officers at banks according to academic qualification

Figure (5.4) shows that majority of the participating Jordanian anti-money laundering compliance officers have a bachelor degree (67.7%).

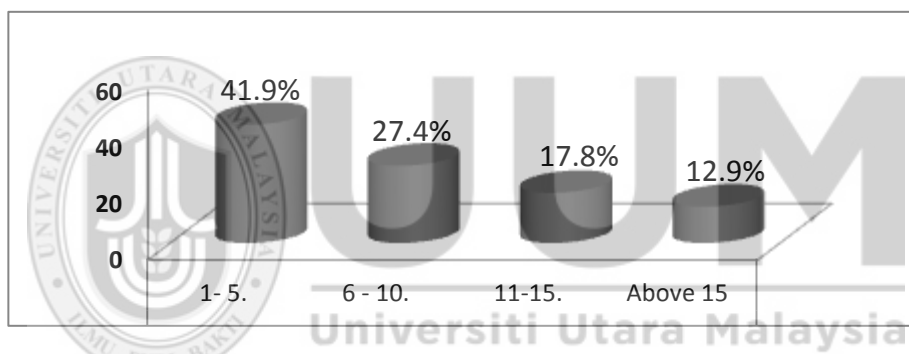


Figure 5.5: Distribution of the Jordanian anti-money laundering compliance officers at banks according to years of relevant experience

Figure (5.5) shows that majority of the participating Jordanian anti-money laundering compliance officers have one to five years of related experience (41.9%).

5.12.2 Characteristics of the Bank Customers “Selective” Sample

Table (5.6) shows the distribution of the sample based on personal and functional variables.

Table 5.6

Distribution of Bank Customers “Selective” Sample by Personal and Functional Variables

| Variable | Categories | Frequency | Percent |
|---------------------|-------------------|------------------|----------------|
| Age | 25-34 years | 9 | 34.6 |
| | 35-44 years | 10 | 38.5 |
| | 45-54 years | 3 | 11.5 |
| | Above 54 years | 4 | 15.4 |
| | Total | 26 | 100.0 |
| Gender | Male | 15 | 57.7 |
| | Female | 11 | 42.3 |
| | Total | 26 | 100.0 |
| Degree | Bachelor | 18 | 69.2 |
| | Master | 6 | 23.1 |
| | PhD | 2 | 7.7 |
| | Total | 26 | 100.0 |
| Years of Experience | 1- 5 Years | 4 | 15.4 |
| | 6 - 10 Years | 11 | 42.3 |
| | 11-15 Years | 4 | 15.4 |
| | Above 15 years | 7 | 26.9 |
| | Total | 26 | 100.0 |

Table (5.6) shows that majority of the bank customers from the selective sample (38.5%) aged between thirty-five and forty-four. A total of 34.6% were between twenty-five and thirty-four and only 11.5% were between forty-five and fifty-four. Most have a bachelor degree (69.2%) and only 7.7% hold a doctorate degree. Most have quite extensive experience: 42.3% have between six and ten years of related experience and 26.9% have more than fifteen years of related experience.

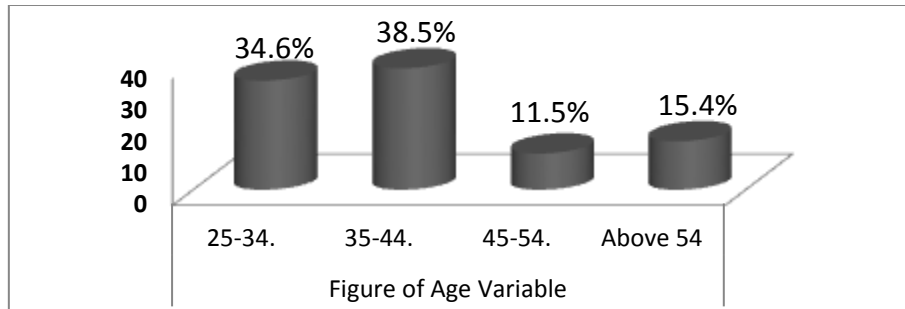


Figure 5.6: Distribution of bank customers from the selective sample according to age
 Figure (5.6) shows that most of the bank customers from the selective sample aged between thirty-five and forty-four (38.5%).

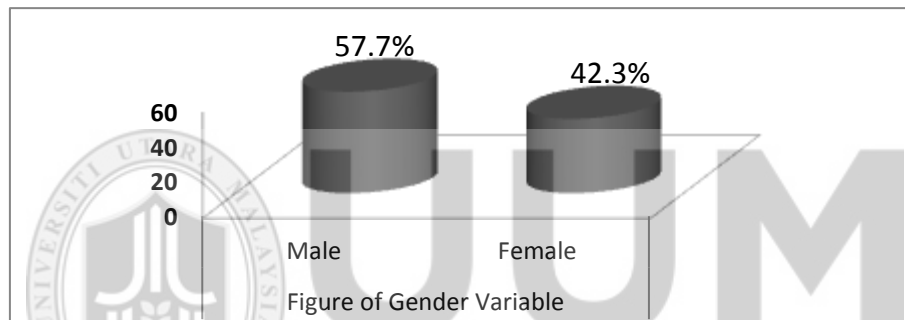


Figure 5.7: Distribution of bank customers from the selective sample according to gender

Figure (5.7) shows that most of the bank customers from the selective sample were males (57.7%).

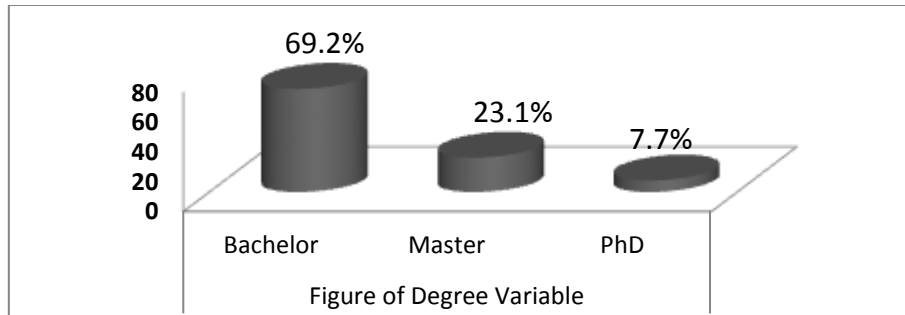


Figure 5.8: Distribution of bank customers from the selective sample according to academic qualification

Figure (5.8) shows that most of the bank customers from the selective sample (69.2%) hold a bachelor degree.

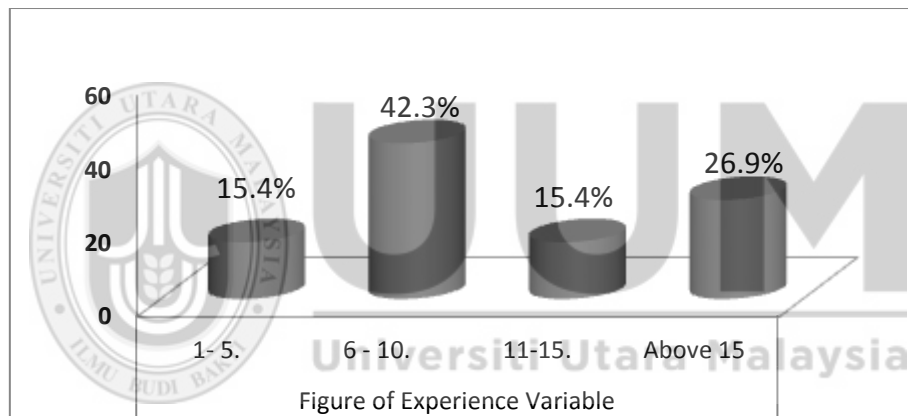


Figure 5.9: Distribution of banks customers from the selective sample according to years of relevant experience

Figure (5.9) shows that majority of the bank customers from the selective sample (42.3%) have between six and ten years of relevant experience.

5.12.3 Characteristics of Bank Customers “Random” Sample

Table (5.7) shows the distribution of sample according to personal and functional variables.

Table 5.7

Distribution of Bank Customers from Random Sample by Personal and Functional Variables

| Variable | Categories | Frequency | Percent |
|---------------------|---------------------------|------------------|----------------|
| Age | 25-34 years | 128 | 24.0 |
| | 35-44 years | 214 | 40.2 |
| | 45-54 years | 117 | 22.0 |
| | Above 54 years | 74 | 13.8 |
| | Total | 533 | 100.0 |
| Gender | Male | 372 | 69.8 |
| | Female | 161 | 30.2 |
| | Total | 533 | 100.0 |
| Degree | High school or equivalent | 58 | 10.8 |
| | Bachelor | 270 | 50.7 |
| | Master | 132 | 24.8 |
| | PhD | 73 | 13.7 |
| | Total | 533 | 100.0 |
| Years of Experience | 1- 5 Years | 106 | 19.9 |
| | 6 - 10 Years | 187 | 35.1 |
| | 11-15 Years | 133 | 25.0 |
| | Above 15 years | 107 | 20.0 |
| | Total | 533 | 100.0 |

Table (5.7) shows that most of the bank customers from the random sample aged between thirty-five and forty-four (40.2%) and only 13.8% aged more than fifty-four. Most are males (69.8%), and most (50.7%) hold a bachelor degree. Only 10.8% have a high-school or equivalent qualification. In terms of work experience, 35.1% have between six and ten years of relevant experience and another 25.0% have between eleven and fifteen years of experience.

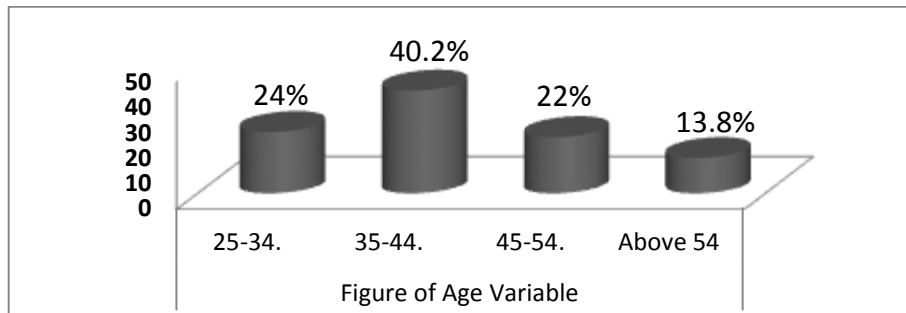


Figure 5.10: Distribution of bank customers from random sample according to age
 Figure (5.10) shows that most of the bank customers form the random sample (40.2%) aged between thirty-five and forty-four.

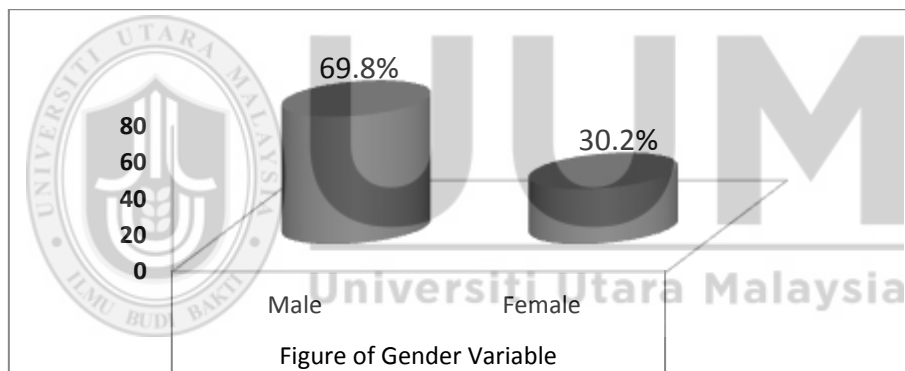


Figure 5.11: Distribution of bank customers from random sample according to gender
 Figure (5.11) shows that most of the bank customers form the random sample (69.8%) were males.

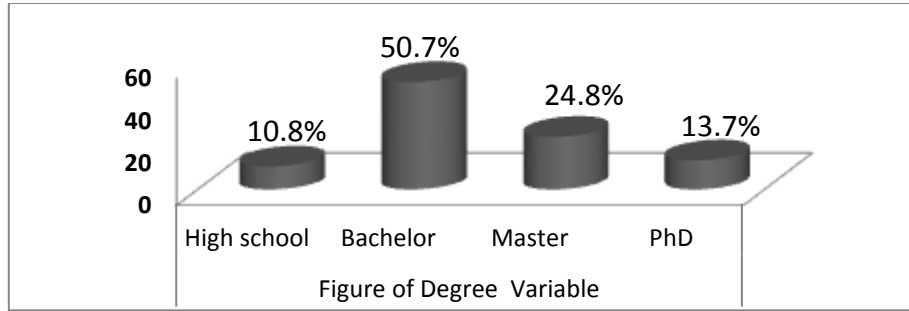


Figure 5.12: Distribution of bank customers from random sample according to academic qualification

Figure (5.12) shows that most of the bank customers form the random sample hold a bachelor degree (50.7%).

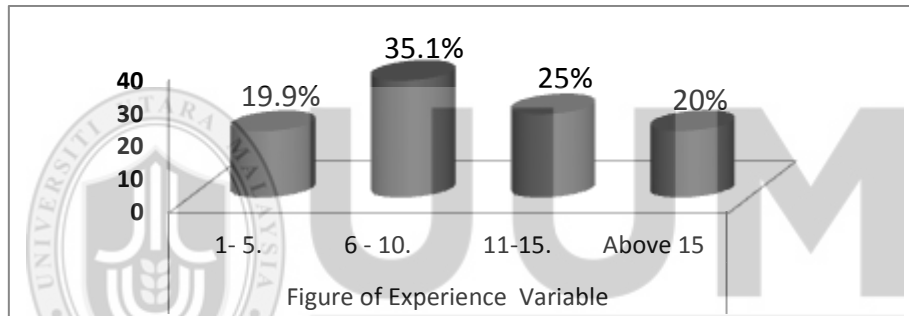


Figure 5.13: Distribution of bank customers from random sample according to years of relevant experience

Figure (5.13) shows that most of the bank customers form the random sample has between six and ten years of relevant experience (35.1%).

5.12.4 Characteristics of the Officers from the Banking Supervision Department

Table (5.8) shows the distribution of officers from the banking supervision department according to personal and functional variables.

Table 5.8

Distribution of Officers from Banking Supervision Department by Personal and Functional Variables

| Variable | Categories | Frequency | Percent |
|---------------------|-------------------|------------------|----------------|
| Age | 25-34 years | 12 | 75.0 |
| | 35-44 years | 4 | 25.0 |
| | Total | 16 | 100.0 |
| Gender | Male | 10 | 62.5 |
| | Female | 6 | 37.5 |
| | Total | 16 | 100.0 |
| Degree | Bachelor | 5 | 31.2 |
| | Master | 8 | 50.0 |
| | PhD | 3 | 18.8 |
| | Total | 16 | 100.0 |
| Years of Experience | 1- 5 Years | 6 | 37.5 |
| | 6 - 10 Years | 8 | 50.0 |
| | Above 15 years | 2 | 12.5 |
| | Total | 16 | 100.0 |

Table (5.8) shows that most of the officers from the banking supervision department aged between twenty-five and thirty-four. Another 25.0% aged between thirty-five and forty-four. Majority of them are males (62.5%). Half of them have a master degree (50.0%) and half (50.0%) have between six and ten years of relevant experience.

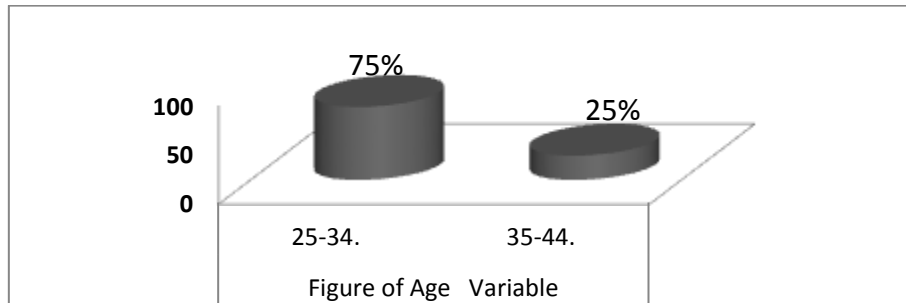


Figure 5.14: Distribution of officers from banking supervision department sample according to age

Figure (5.14) shows that most of the officers from the banking supervision department aged between twenty-five and thirty-four (75.0%).

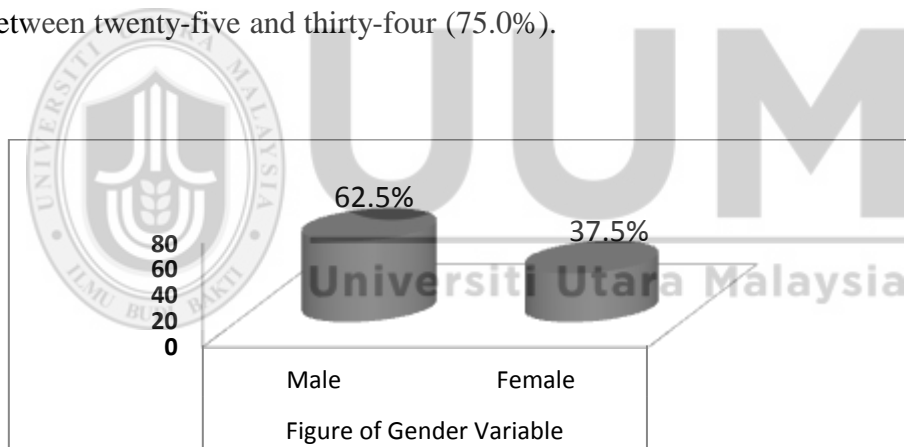


Figure 5.15: Distribution of officers from banking supervision department according to gender

Figure (5.15) shows that most of the officers from the banking supervision department were males (62.5%).

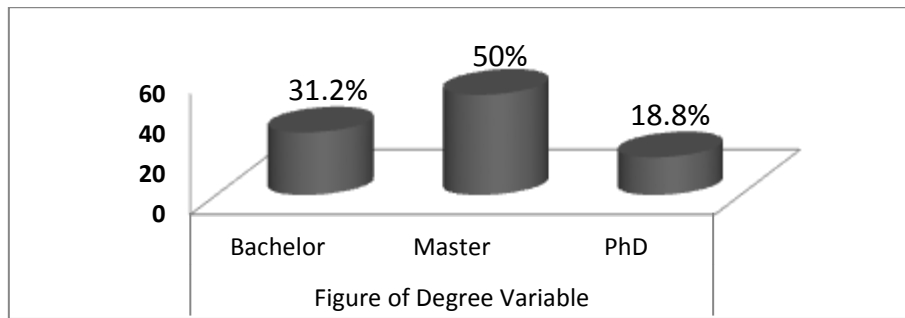


Figure 5.16: Distribution of officers from banking supervision department sample according to academic qualification

Figure (5.16) shows that most of the officers from the banking supervision department hold a master degree (50.0%).

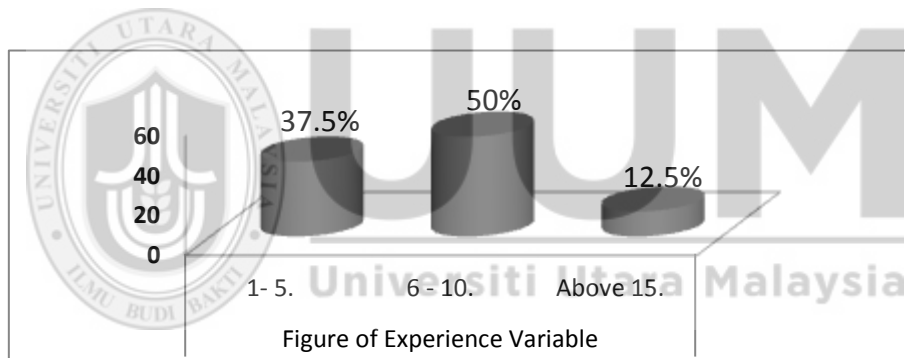


Figure 5.17: Distribution of officers from banking supervision department according to years of relevant experience

Figure (5.17) shows that most of the officers from the banking supervision department according have between six and ten years of relevant experience (50.0%).

5.12.5 Characteristics of Officers from the Unit Sample

Table (5.9) shows the distribution of officers from the Unit sample based on personal and functional variables.

Table 5.9

Distribution of Officers from Unit Sample According to Personal and Functional Variables

| Variable | Categories | Frequency | Percent |
|---------------------|-------------------|------------------|----------------|
| Age | 25-34 years | 1 | 50.0 |
| | 35-44 years | 1 | 50.0 |
| | Total | 2 | 100.0 |
| Gender | Male | 2 | 100.0 |
| | Total | 2 | 100.0 |
| Degree | Bachelor | 2 | 100.0 |
| | Total | 2 | 100.0 |
| Years of Experience | 1- 5 Years | 1 | 50.0 |
| | 6 - 10 Years | 1 | 50.0 |
| | Total | 2 | 100.0 |

Table (9) shows that half of the officers from the Unit sample were between thirty-five and forty-four (50.0%) and another half (50.0%) were between twenty-five and thirty-four. All (100.0%) were males and all (100.0%) hold a bachelor degree. Half of them have between six and ten years of relevant work experience and another half have between one and five.

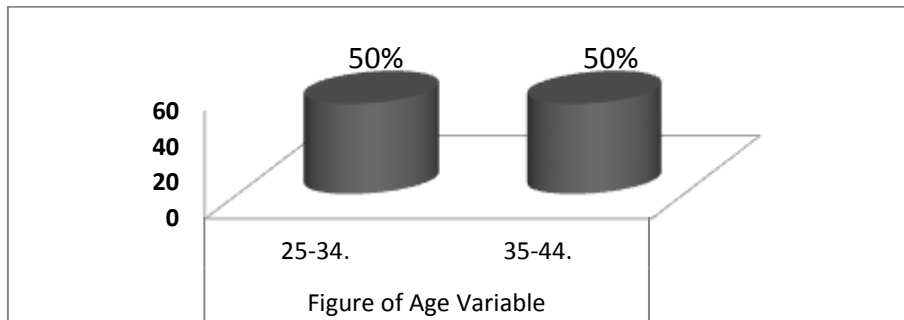


Figure 5.18: Distribution of officers from the Unit sample according to age

Figure (5.18) shows that half of the officers from the Unit sample were between twenty-five and thirty-four (50.0%), and another half were between thirty-five and forty-four (50.0%).

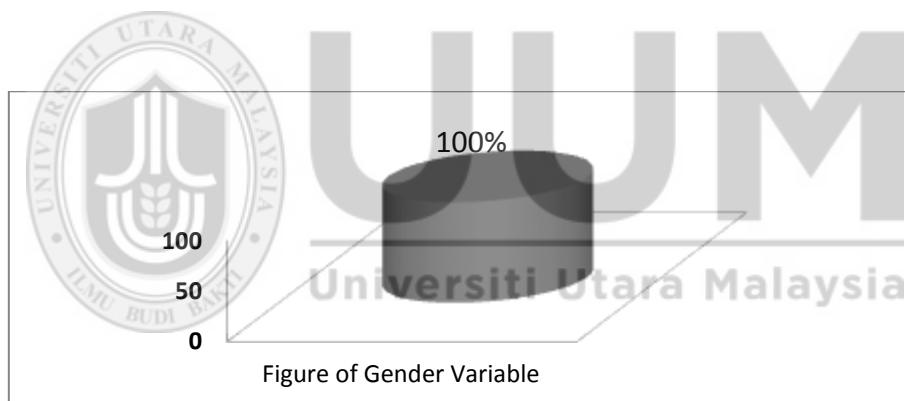


Figure 5.19: Distribution of officers from the Unit sample according to gender

Figure (5.19) shows that all of the officers from the Unit sample were male.

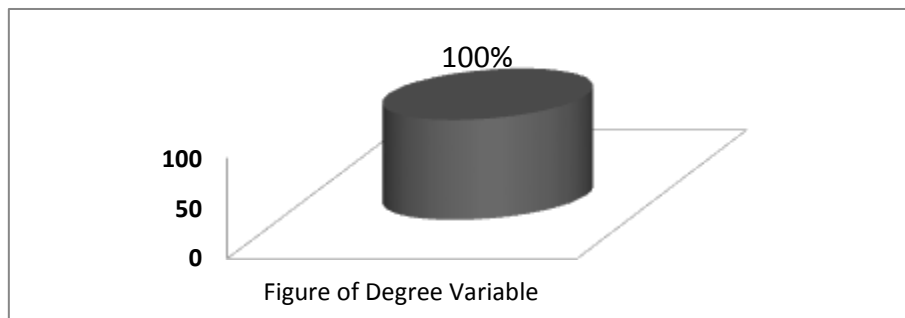


Figure 5.20: Distribution of officers from the Unit sample according to academic qualification

Figure (5.20) shows that all of the officers from the Unit sample have a bachelor degree.

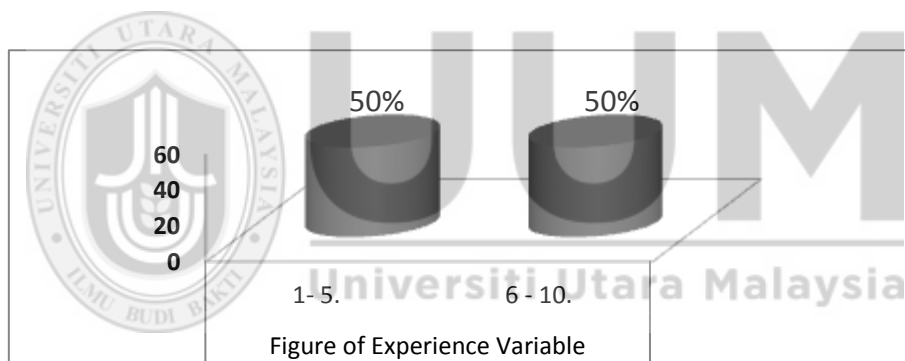


Figure 5.21: Distribution of officers from the Unit sample according to years of relevant experience

Figure (5.21) shows that half of the officers from the Unit sample have between one and five years of relevant experience, and another half have between six and ten years of relevant experience.

5.13 Reliability Analysis

The internal consistency reliability of each dimension was assessed by Cronbach's Alpha. The highest Cronbach' alpha value reached 0.87 for *customer's satisfaction* domain. The lowest alpha value was 0.75 for *banking secrecy principle* domain. The total alpha values of *study tool* reached 0.84, indicating that the reliability is accepted. Table (5.10) shows the result of the reliability test.

Table 5.10

Result of Reliability Test (Cronbach' Alpha)

| No | Domain | Alpha | Items No |
|------------------|---------------------------|-------|----------|
| 1 | General Measures | 0.79 | 8 |
| 2 | Protection of Bank | 0.83 | 5 |
| 3 | Banking Secrecy Principle | 0.75 | 7 |
| 4 | Banking Products | 0.80 | 7 |
| 5 | Customer's Satisfaction | 0.87 | 16 |
| Total study tool | | 0.84 | 43 |

5.14 Appropriate Test Data of the Study

Multilink is one of the problems facing the statistical estimation of the regression coefficients, hence it was difficult to determine the effects of discrete variables and assess the problem that multilink has been relaying on Variance Inflation Factor (VIF). Table (5.11) shows the result of VIF or the independent variables.

Table 5.11

The Result of (VIF) of Independent Variables

| Independent Variable | Tolerance | VIF |
|---------------------------|-----------|-------|
| General Measures | 0.943 | 1.060 |
| Protection of Bank | 0.908 | 1.102 |
| Banking Secrecy Principle | 0.926 | 1.080 |
| Banking Products | 0.825 | 1.213 |
| Customer's Satisfaction | 0.857 | 1.167 |

Table (5.11) shows that the values of VIF are less than 10, and the values of *tolerance* are more than 0.05 for all the independent variables. This indicates the lack of correlation between the multi-independent variables and the acceptance of the variation in the level of each variable of the independent variables of the study.

5.15 Normal Distribution of the Study Variables

A Kolmogorov – Smirnov Z test was applied to the dependent and independent variables to reveal normality and curve normality. The *z* value for each variable was less than the criteria value (1.96), indicating a normality distribution for the variables, as shown in Table (5.12).

Table 5.12

Normal Distribution of the Study Variables

| Variables | Positive trend | Negative trend | Kolmogorov-Smirnov Z | Significant |
|---------------------------|-----------------------|-----------------------|-----------------------------|--------------------|
| General Measures | 0.064 | -0.109 | 2.767 | 0.000 |
| Protection of Bank | 0.067 | -0.051 | 1.704 | 0.000 |
| Banking Secrecy Principle | 0.090 | -0.128 | 3.224 | 0.000 |
| Banking Products | 0.048 | -0.095 | 2.404 | 0.000 |
| Customer's Satisfaction | 0.047 | -0.090 | 2.286 | 0.000 |
| Total study tool | 0.051 | -0.076 | 1.913 | 0.001 |

5.16 Data Analysis and Results

The following tables show the means and standard deviation for each domain and for each item of each domain. The total means according to the sample type were calculated.

Table 5.13

Means and Standard Deviation for Each Domain and Each Sample

| Domain No. General Measures | | | | | | | | | |
|---|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| The Banks Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 5.44 | 0.60 | 5.64 | 0.57 | 5.56 | 0.54 | 5.33 | 0.52 | 4.13 | 0.00 |
| Domain No. (2) Protection of Bank | | | | | | | | | |
| The Bank Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 6.41 | 0.66 | 5.62 | 0.99 | 4.71 | 0.74 | 6.24 | 0.57 | 6.90 | 0.14 |
| Item No. (3) Banking Secrecy Principle | | | | | | | | | |
| The Banks Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 5.31 | 0.66 | 5.64 | 0.66 | 5.58 | 0.59 | 5.24 | 0.59 | 5.07 | 0.10 |
| Domain No. (4) Banking Products | | | | | | | | | |
| The Banks Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 4.41 | 1.21 | 4.77 | 1.15 | 5.23 | 0.63 | 3.89 | 0.83 | 2.00 | 0.00 |
| Item No. (5) Customer's Satisfaction | | | | | | | | | |
| The Banks Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 4.68 | 1.11 | 5.63 | 0.85 | 5.09 | 0.55 | 4.46 | 0.60 | 2.88 | 0.35 |
| Total Means | | | | | | | | | |
| The Banks Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 5.08 | 0.69 | 5.50 | 0.54 | 5.23 | 0.29 | 4.86 | 0.37 | 3.79 | 0.13 |

Table (5.13) shows that for the sample of Jordanian anti-money laundering compliance officers, the highest mean (6.41) was recorded for *protection of bank* domain, and the lowest mean (3.89) was recorded for *banking products* domain. As for the bank customers selective sample, the highest mean (5.64) was recorded for

general measures domain and *banking secrecy principle* domain, and the lowest mean (4.77) was recorded for *banking products* domain.

The table also shows that for the random sample of bank customers. The highest mean (5.58) was recorded for *banking secrecy principle* domain, and the lowest mean (4.71) was recorded for *protection of bank* domain. As for the officers of the banking supervision department at the Jordanian Central Bank, the highest mean (6.24) was recorded for *protection of bank* domain, and the lowest mean (3.89) was recorded for the *banking products* domain.

Regarding the officers of Jordan’s Anti-Money Laundering Unit, the highest mean (6.90) was recorded for *protection of bank* domain, and the lowest mean (2.00) was recorded for *banking products* domain.

5.16.1 Data Analysis and Results for General Measures Domain

Table 5.14

Means and Standard Deviation for General Measures Domain

Item No. (1) Combating money laundering is not just a matter of fighting crime but also preserving the integrity of banks from being abused by money launderers.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 6.52 | 0.65 | 5.96 | 0.77 | 5.87 | 1.21 | 6.69 | 0.48 | 7.00 | 0.00 |

Item No. (2) The anti-money laundering obligations have posed legal and administrative burdens on banks which are onerous and may involve serious legal obligations and other deficient compliance liabilities.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 5.68 | 1.26 | 5.69 | 1.01 | 5.86 | 1.27 | 5.56 | 1.26 | 2.00 | 0.00 |

Item No. (3) The anti-money laundering obligations produce a significant shift in the ways banks interact with their existing and potential customers.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 6.34 | 0.81 | 6.04 | 0.87 | 5.95 | 1.05 | 6.00 | 1.26 | 6.00 | 0.00 |

Item No. (4) The anti-money laundering obligations ask banks to act as informers when they are asked to disclose suspected transactions.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 4.92 | 1.77 | 5.69 | 1.05 | 5.76 | 1.31 | 4.69 | 1.58 | 1.00 | 0.00 |

Item No. (5) In complying with anti-money laundering obligations banks are placed in a difficult commercial position when trying to find a balance between the avoidance of criminal liability on the one hand and commercial liability on the other.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 5.06 | 1.48 | 5.42 | 1.47 | 5.10 | 1.33 | 4.44 | 1.71 | 1.00 | 0.00 |

Item No. (6) The Anti-Money Laundering department in banks is a non-productive department and increases the economic burdens on banks.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 2.69 | 2.12 | 4.50 | 1.84 | 4.66 | 1.11 | 2.50 | 1.63 | 2.00 | 0.00 |

Item No. (7) Money laundering through banks increases the threat posed by serious crime, by facilitating the underlying crimes and providing funds for investments that allow the criminal enterprise to continue its operations.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 6.05 | 1.34 | 5.81 | 0.98 | 5.55 | 1.20 | 6.44 | 0.51 | 7.00 | 0.00 |

Item No. (8) The flow of large amounts of funds from money laundering could significantly affect exchange, interest rates, create artificial demand and affect pricing in a particular area.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 6.29 | 0.89 | 6.04 | 0.72 | 5.74 | 1.42 | 6.31 | 1.01 | 7.00 | 0.00 |

| The Bankers Sample | | The Selective Customers Sample | | Total Means The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|--|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 5.44 | 0.60 | 5.64 | 0.57 | 5.56 | 0.54 | 5.33 | 0.52 | 4.13 | 0.00 |

Table (5.14) shows that the highest mean reached for the Jordanian anti-money laundering compliance officers was 6.52 for item (1) “combating money laundering is not just a matter of fighting crime but also preserving the integrity of banks from being abused by money launderers”, and the lowest mean (2.69) was recorded for item (6) “the anti-money laundering department in banks is a non-productive department and increases the economic burdens on banks.” For the bank customers selective sample, the highest mean was recorded at 6.04 for item (3) “the anti-money laundering obligations produce a significant shift in the ways banks interact with their existing and potential customers” and item (8) “the flow of large amounts of funds from money laundering could significantly affect exchange, interest rates, create artificial demand and affect pricing in a particular area.” The lowest mean (4.50) was recorded for item (6) “the anti-money laundering department in banks is a nonproductive department and increases the economic burdens on banks.”

As for the bank customers random sample, the highest mean (5.95) was recorded for item (3) “the anti-money laundering obligations produce a significant shift in the ways banks interact with their existing and potential customers.” The lowest mean (4.66) was recorded for item (6) “the anti-money laundering department in banks is a nonproductive department and increases the economic burdens on banks.” As for the officers of the banking supervision department at the Jordanian Central Bank, the highest mean (6.69) was recorded for item (1) “combating money laundering is not

just a matter of fighting crime but also preserving the integrity of banks from being abused by money launderers”, and the lowest mean (2.50) was noted for item (6) “the anti-money laundering department in banks is a nonproductive department and increases the economic burdens on banks.”

With regard to the officers of Jordan’s Anti-Money Laundering Unit, the highest mean recorded was 7.00 for item (1) “combating money laundering is not just a matter of fighting crime but also preserving the integrity of banks from being abused by money launderers”, item (7) “money laundering through banks increases the threat posed by serious crime, by facilitating the underlying crimes and providing funds for investments that allow the criminal enterprise to continue its operations”, and item (8) “the flow of large amounts of funds from money laundering could significantly affect exchange, interest rates, create artificial demand and affect pricing in a particular area”, and the lowest means (1.00) was recorded for item (4) “the anti-money laundering obligations ask banks to act as informers when they are asked to disclose suspected transactions” and item (5) “in complying with anti-money laundering obligations banks are placed in a difficult commercial position when trying to find a balance between the avoidance of criminal liability on the one hand and commercial liability on the other.”

5.16.2 Data Analysis and Results for Protection of Bank Domain

Table 5.15

Means and Standard Deviation for Protection of Bank Domain

Item No. (1) The Bank's anti-money laundering procedures protect it from legal liability.

| The Bankers Sample | The Selective Customers Sample | The Random Customers Sample | The Central Bank Sample | The Unit Sample |
|--------------------|--------------------------------|-----------------------------|-------------------------|-----------------|
|--------------------|--------------------------------|-----------------------------|-------------------------|-----------------|

| | | | | | | | | | |
|---|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 6.61 | 0.78 | 6.00 | 0.94 | 3.96 | 1.58 | 6.25 | 1.06 | 7.00 | 0.00 |
| Item No. (2) The Bank's anti-money laundering procedures protect it from the boycott of international banks. | | | | | | | | | |
| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 6.35 | 0.94 | 6.04 | 0.66 | 5.06 | 1.44 | 6.56 | 0.63 | 7.00 | 0.00 |
| Item No. (3) The Bank's anti-money laundering procedures protect it from collapse. | | | | | | | | | |
| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 6.50 | 0.65 | 5.46 | 1.24 | 4.42 | 1.36 | 6.56 | 0.51 | 6.50 | 0.71 |
| Item No. (4) The Bank's anti-money laundering procedures protect its customers from getting involved in money laundering crimes. | | | | | | | | | |
| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 6.08 | 1.30 | 5.38 | 1.30 | 5.10 | 1.74 | 5.44 | 1.63 | 7.00 | 0.00 |
| Item No. (5) The Bank's anti-money laundering procedures prevent money-laundering criminals from getting into the banking system. | | | | | | | | | |
| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 6.48 | 0.92 | 5.19 | 1.77 | 5.00 | 1.59 | 6.38 | 0.62 | 7.00 | 0.00 |
| Total Means | | | | | | | | | |
| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 6.41 | 0.66 | 5.62 | 0.99 | 4.71 | 0.74 | 6.24 | 0.57 | 6.90 | 0.14 |

Table (5.15) shows that for the sample of Jordanian anti-money laundering compliance officers at banks, the highest mean (6.61) was reached for item (1) "the bank's anti-money laundering procedures protect it from legal liability", and the lowest mean (6.08) was reached for item (4) "the bank's anti-money laundering

procedures protect its customers from getting involved in money laundering crimes.”

As for the selective sample of bank customers, the highest mean (6.04) was recorded for item (2) “the bank's anti-money laundering procedures protect it from the boycott of international banks”, and the lowest mean (5.19) was recorded for item (5) “the bank's anti-money laundering procedures prevent money-laundering criminals from getting into the banking system.”

On the other hand, for the random sample of bank customers, the highest mean (5.10) was recorded for item (4) “the bank's anti-money laundering procedures protect its customers from getting involved in money laundering crimes”, and the lowest mean (3.96) was recorded for item (1) “the bank's anti-money laundering procedures protect it from legal liability.” Regarding the officers of the banking supervision department at the Jordanian Central Bank, the highest mean (6.56) was recorded for item (2) “the Bank's anti-money laundering procedures protect it from the boycott of international banks” and item (3) “the bank's anti-money laundering procedures protect it from collapse.” The lowest mean (5.44) was recorded for item (4) “the bank's anti-money laundering procedures protect its customers from getting involved in money laundering crimes.”

As for the officers of Jordan’s Anti-Money Laundering Unit, the highest mean (7.00) was recorded for item (1) “the bank's anti-money laundering procedures protect it from legal liability”, item (2) “the bank's anti-money laundering procedures protect it from the boycott of international banks”, item (4) “the bank's anti-money laundering procedures protect its customers from getting involved in money laundering crimes”, and item (5) “the bank's anti-money laundering procedures prevent money-laundering criminals from getting into the banking system”, but the lowest mean (6.50) was

recorded for item (3) “the bank's anti-money laundering procedures protect it from collapse.”

5.16.3 Data Analysis and Results for Banking Secrecy Principle Domain

Table 5.16

Means and Standard Deviation for Banking Secrecy Principle Domain

Item No. (1) The commercial success of banking business and the sanctity of the relationship between banker and customer are based on banking secrecy principle.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 6.23 | 0.82 | 6.04 | 1.04 | 6.26 | 1.17 | 6.13 | 1.15 | 7.00 | 0.00 |

Item No. (2) The banking secrecy is a customer privilege whereas combating money laundering crime is critical for public safety and security.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 6.24 | 0.82 | 6.23 | 0.65 | 6.36 | 1.14 | 6.31 | 0.79 | 6.50 | 0.71 |

Item No. (3) The anti-money laundering procedures threaten the principle of banking secrecy because banks may disclose information when compelled by legislation.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 3.81 | 1.98 | 5.15 | 1.71 | 6.20 | 1.15 | 3.94 | 1.65 | 2.00 | 0.00 |

Item No. (4) The threat of money laundering makes the overriding of banking secrecy unjustified because without a flow of information from the banks, the effective prevention of the menace is not possible.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 5.16 | 1.53 | 5.50 | 1.24 | 5.17 | 1.18 | 4.38 | 1.67 | 5.50 | 0.71 |

Item No. (5) Customers prefer to deal with banks that absolutely adhere to the banking secrecy principle.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|--|--------------------------------|--|-----------------------------|--|-------------------------|--|-----------------|--|
|--------------------|--|--------------------------------|--|-----------------------------|--|-------------------------|--|-----------------|--|

| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
|---|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| 5.82 | 1.09 | 5.77 | 0.91 | 5.54 | 1.50 | 6.13 | 1.15 | 6.00 | 0.00 |
| Item No. (6) By requiring banks to disclose suspected transactions, there is the danger that customers may lose confidence since their secrets are not kept safely with banks. | | | | | | | | | |
| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 4.11 | 1.88 | 5.12 | 1.45 | 5.41 | 1.36 | 4.13 | 1.75 | 1.50 | 0.71 |
| Item No. (7) Anti-money laundering obligations provide sufficient safeguards to ensure that the disclosure of customer's information is carried out in a manner that is not prejudicial to the interest of customers. | | | | | | | | | |
| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 5.79 | 1.19 | 5.69 | 1.01 | 4.09 | 1.07 | 5.69 | 1.20 | 7.00 | 0.00 |
| Total Means | | | | | | | | | |
| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 5.31 | 0.66 | 5.64 | 0.66 | 5.58 | 0.59 | 5.24 | 0.59 | 5.07 | 0.10 |

Table (5.16) shows that for the Jordanian anti-money laundering compliance officers at banks, the highest mean was recorded at 6.24 for item (2) “the banking secrecy is a customer privilege whereas combating money laundering crime is critical for public safety and security”, and the lowest mean was recorded at 6.08 for item (3) “the anti-money laundering procedures threaten the principle of banking secrecy because banks may disclose information when compelled by legislation”. For the selective sample of bank customers, the highest mean was recorded at 6.23 for item (2) “the banking secrecy is a customer privilege whereas combating money laundering crime is critical for public safety and security”, and the lowest mean was recorded at 5.12 for item (6) “by requiring banks to disclose suspected transactions, there is the danger that customers may lose confidence since their secrets are not kept safely with banks.”

As for the random sample of bank customers, the highest mean reached 6.36 for item (2) “the banking secrecy is a customer privilege whereas combating money laundering crime is critical for public safety and security”, and the lowest mean was 4.09 for item (7) “anti-money laundering obligations provide sufficient safeguards to ensure that the disclosure of customer’s information is carried out in a manner that is not prejudicial to the interest of customers.” With regard to the officers of the banking supervision department at the Jordanian Central Bank, the highest mean obtained was 6.31 for item (2) “the banking secrecy is a customer privilege whereas combating money laundering crime is critical for public safety and security”, and the lowest mean obtained was 3.94 for item (3) “the anti-money laundering procedures threaten the principle of banking secrecy because banks may disclose information when compelled by legislation.”

Regarding the officers of Jordan’s Anti-Money Laundering Unit, the highest mean reached 7.00 for item (1) “the commercial success of banking business and the sanctity of the relationship between banker and customer are based on banking secrecy principle” and item (2) “the banking secrecy is a customer privilege whereas combating money laundering crime is critical for public safety and security”, and the lowest mean was recorded at 1.50 for item (6) “by requiring banks to disclose suspected transactions, there is the danger that customers may lose confidence since their secrets are not kept safely with banks.”

5.16.4 Data Analysis and Results for Banking Products Domain

Table 5.17

Means and Standard Deviation for Banking Products Domain

Item No. (1) The bank's commitment to anti-money laundering procedures ceases some banking services.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 4.24 | 1.77 | 4.12 | 1.34 | 4.12 | 1.58 | 3.44 | 1.46 | 2.00 | 0.00 |

Item No. (2) Forcing banks to bear the costs of anti-money laundering affects providing the best time and price of banking service.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 4.45 | 1.70 | 4.69 | 1.41 | 5.60 | 1.43 | 2.88 | 1.20 | 2.00 | 0.00 |

Item No. (3) The bank commitment for checking all its customers data, whether valid or not, leads to increasing the burden of the bank.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 4.53 | 1.74 | 5.12 | 1.42 | 5.84 | 1.35 | 4.19 | 1.76 | 2.00 | 0.00 |

Item No. (4) Despite the fact that e-banks provide fast services, banks commitment to monitor and audit the movement of client's account increases the time of transaction.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 4.82 | 1.48 | 5.31 | 1.41 | 5.95 | 1.51 | 4.69 | 1.45 | 2.00 | 0.00 |

Item No. (5) The costs resulting from following up customer's accounts and reporting the financial operations costs weaken the banks' competitive capacity.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 3.82 | 1.74 | 4.38 | 1.58 | 4.63 | 1.96 | 3.00 | 1.03 | 1.50 | 0.71 |

Item No. (6) The nature of the transferred money makes it difficult for the bank to verify the true beneficiary of the wire transfer.

| The Bankers Sample | | The Selective Customers | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|--|-------------------------|--|-----------------------------|--|-------------------------|--|-----------------|--|
|--------------------|--|-------------------------|--|-----------------------------|--|-------------------------|--|-----------------|--|

| Sample | | | | | | | | | |
|--|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 3.95 | 1.91 | 4.35 | 1.55 | 4.43 | 1.60 | 4.25 | 1.81 | 2.50 | 0.71 |
| Item No. (7) If the bank is requested to monitor the use of money, the nature of transactions, the commercial as well as the security background of its clients, the burden and the time of the banking operation will increase. | | | | | | | | | |
| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 5.08 | 1.59 | 5.46 | 1.10 | 6.02 | 1.45 | 4.81 | 1.22 | 2.00 | 0.00 |
| Total Means | | | | | | | | | |
| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 4.41 | 1.21 | 4.77 | 1.15 | 5.23 | 0.63 | 3.89 | 0.83 | 2.00 | 0.00 |

Table (17) shows that for the Jordanian anti-money laundering compliance officers at banks, the highest mean reached 5.08 for item (7) “if the bank is requested to monitor the use of money, the nature of transactions, the commercial as well as the security background of its clients, the burden and the time of the banking operation will increase”, and the lowest mean was 3.82 for item (5) “the costs resulting from following up customer's accounts and reporting the financial operations costs weaken the banks' competitive capacity.” As for the selective sample of banks customers, the highest mean reached 5.46 for item (7) “if the bank is requested to monitor the use of money, the nature of transactions, the commercial as well as the security background of its clients, the burden and the time of the banking operation will increase”, and the lowest mean was 4.12 for item (3) “the bank commitment for checking all its customers data, whether valid or not, leads to increasing the burden of the bank.”

As for the random sample of bank customers, the highest mean reached 6.02 for item (7) “if the bank is requested to monitor the use of money, the nature of transactions,

the commercial as well as the security background of its clients, the burden and the time of the banking operation will increase,” and the lowest mean was 4.12 for item (1) “the bank's commitment to anti-money laundering procedures ceases some banking services.” As for the officers of the banking supervision department at the Jordanian Central Bank , the highest mean recorded was 4.81 for item (7) “if the bank is requested to monitor the use of money, the nature of transactions, the commercial as well as the security background of its clients, the burden and the time of the banking operation will increase”, and the lowest mean recorded was 2.88 for item (2) “forcing banks to bear the costs of anti-money laundering affects providing the best time and price of banking service.”

As for the officers of Jordan’s Anti-Money Laundering Unit, the highest mean recorded was 7.00 out of 7 for item (6) “the nature of the transferred money makes it difficult for the bank to verify the true beneficiary of the wire transfer”, and the lowest mean was 1.50 for item (5) “the costs resulting from following up customer's accounts and reporting the financial operations costs weaken the banks' competitive capacity.”

5.16.5 Data Analysis and Results for Customer's Satisfaction Domain

Table 5.18

Means and Standard deviation for Customer's Satisfaction Domain

| Item No. (1) Some clients do not understand the reasons for such procedures taken by banks to combat money laundering. | | | | | | | | | |
|--|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 6.02 | 1.15 | 5.85 | 1.01 | 4.86 | 1.76 | 5.13 | 1.09 | 6.00 | 0.00 |

| Item No. (2) The bank’s mistaken reports of suspicious transactions leads to the client's dissatisfaction, thereby this may jeopardize the client's relationship with the bank. | | | | | | | | | |
|---|--|---------------|--|------------|--|-------------|--|-----|--|
| The Bankers | | The Selective | | The Random | | The Central | | The | |

| Sample | | Customers Sample | | Customers Sample | | Bank Sample | | Unit Sample | |
|--------|------|------------------|------|------------------|------|-------------|------|-------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 5.03 | 1.68 | 6.04 | 0.92 | 6.62 | 0.85 | 5.19 | 1.38 | 1.00 | 0.00 |

Item No. (3) The banks are reluctant to ask their wealthy clients questions related to anti-money laundering because banks are afraid of their dissatisfaction and want to maintain a close relationship with their clients.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 4.34 | 1.77 | 5.58 | 1.60 | 5.51 | 1.73 | 4.75 | 1.29 | 2.00 | 0.00 |

Item No. (4) The bank's commitment to collect information about the customers when carrying out business with large amounts of money causes the client's dissatisfaction.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 5.19 | 1.45 | 5.81 | 0.98 | 5.66 | 1.42 | 4.38 | 1.54 | 6.00 | 0.00 |

Item No. (5) Tracing the customer's account movement such as withdrawing and depositing causes the client's dissatisfaction.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 4.89 | 1.42 | 5.92 | 1.13 | 5.61 | 1.57 | 4.25 | 1.81 | 1.00 | 0.00 |

Item No. (6) The bank's duty to send the client's confidential information to the competent authorities requested causes the client's dissatisfaction.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 4.24 | 1.79 | 5.69 | 1.44 | 4.56 | 1.30 | 4.50 | 1.93 | 1.00 | 0.00 |

Item No. (7) The Bank's procedures of updating clients' information periodically cause the client's dissatisfaction.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 4.66 | 1.85 | 5.65 | 1.41 | 4.84 | 1.90 | 3.69 | 1.58 | 3.50 | 2.12 |

Item No. (8) The Bank's procedures of verifying the source of the customer's money (deposit) cause the client's dissatisfaction.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| | | | | | | | | | |

| | | | | | | | | | |
|------|------|------|------|------|------|------|------|------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 5.32 | 1.42 | 5.77 | 1.11 | 5.50 | 1.55 | 4.56 | 1.67 | 4.50 | 0.71 |

Item No. (9) The Bank's procedures of monitoring unusual activity cause the client's dissatisfaction.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 5.08 | 1.53 | 5.65 | 1.32 | 5.18 | 1.58 | 4.56 | 1.71 | 2.00 | 0.00 |

Item No. (10) The Bank's procedures of verifying the identity of the real beneficiary owner cause the client's dissatisfaction.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 5.02 | 1.66 | 5.35 | 1.52 | 4.66 | 1.71 | 3.56 | 1.63 | 3.50 | 2.12 |

Item No. (11) The bank's restrictions on funds transfer hinder attracting capitals.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 4.32 | 1.68 | 5.19 | 1.47 | 5.46 | 1.52 | 4.56 | 1.50 | 2.00 | 0.00 |

Item No. (12) The bank's commitment to not dealing with digital accounts hinders attracting capitals.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 3.81 | 2.13 | 5.31 | 1.44 | 4.41 | 1.31 | 4.44 | 1.09 | 2.00 | 0.00 |

Item No. (13) The bank's commitment to not opening an account for a client who did not provide all his information hinders attracting capitals.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 3.63 | 1.99 | 5.12 | 1.48 | 4.96 | 1.64 | 4.50 | 1.37 | 2.00 | 0.00 |

Item No. (14) The costs of complying with anti-money laundering obligations are added to the cost of the service provided to the customers.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 3.60 | 1.84 | 5.46 | 1.36 | 2.45 | 1.52 | 4.19 | 1.56 | 1.50 | 0.71 |

Item No. (15) The anti-money laundering obligations are not enough capable of

preventing money launderers from using banks, also they add burdens on the banks and their customers.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 3.55 | 2.00 | 5.31 | 1.46 | 4.64 | 1.85 | 2.94 | 1.39 | 1.50 | 0.71 |

Item No. (16) It is crucial at this time in Jordan to establish effective coordination between legislators and the banking industry in order to minimize problems faced by the banks with their customers.

| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 6.18 | 1.31 | 6.46 | 0.71 | 6.53 | 0.97 | 6.13 | 1.31 | 6.50 | 0.71 |

| Total Means | | | | | | | | | |
|--------------------|------|--------------------------------|------|-----------------------------|------|-------------------------|------|-----------------|------|
| The Bankers Sample | | The Selective Customers Sample | | The Random Customers Sample | | The Central Bank Sample | | The Unit Sample | |
| Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. | Mean | S.D. |
| 4.68 | 1.11 | 5.63 | 0.85 | 5.09 | 0.55 | 4.46 | 0.60 | 2.88 | 0.35 |

Table (5.18) shows that for sample of Jordanian anti-money laundering compliance officers at banks, the highest means reached (6.18) out of (7) for item (16) “it is crucial at this time in Jordan to establish effective coordination between legislators and the banking industry in order to minimize problems faced by the banks with their customers”, and the lowest mean was (3.55) for item (15) “the anti-money laundering obligations are not enough capable of preventing money launderers from using banks, also they add burdens on the banks and their customers.” As for the selective sample of bank customers, the highest means reached (6.46) out of (7) for item (16) “it is crucial at this time in Jordan to establish effective coordination between legislators and the banking industry in order to minimize problems faced by the banks with their customers.” The lowest mean (5.12) was reached for item (13) “the bank's commitment to not opening an account for a client who did not provide all his information hinders attracting capitals.”

On the other hand, the highest mean for the random sample of bank customers was 6.62 for item “the bank’s mistaken reports of suspicious transactions leads to the client's dissatisfaction, thereby this may jeopardize the client's relationship with the bank”, and the lowest mean was 2.45 for item (14) “the costs of complying with anti-money laundering obligations are added to the cost of the service provided to the customers.” As for the officers from the banking supervision department at the Jordanian Central Bank sample, the highest mean was recorded at 6.13 for item “it is crucial at this time in Jordan to establish effective coordination between legislators and the banking industry in order to minimize problems faced by the banks with their customers” and the lowest mean (2.94) was recorded for item (15) “the anti-money laundering obligations are not enough capable of preventing money launderers from using banks, also they add burdens on the banks and their customers.”

As for the officers of Jordan’s Anti-Money Laundering Unit sample, the highest mean was recorded at 6.50 for item (16) “it is crucial at this time in Jordan to establish effective coordination between legislators and the banking industry in order to minimize problems faced by the banks with their customers”, and the lowest means (1.00) was recorded for item (2) “the bank’s mistaken reports of suspicious transactions leads to the client's dissatisfaction, thereby this may jeopardize the client's relationship with the bank”, item (5) “tracing the customer's account movement such as withdrawing and depositing causes the client's dissatisfaction” and item (6) “the bank's duty to send the client's confidential information to the competent authorities requested causes the client's dissatisfaction.”

5.17 Discussion

Questionnaires were distributed among the four samples: the Jordanian anti-money laundering compliance officers at banks, who represent the Jordanians bankers' (whom the law is applied) opinion; (2) the bank customers, who represent the Jordanian banks' customers' (who is applied by the law) opinion; (3) the officers of the banking supervision department at the Jordanian Central Bank, who represent the Central Bank of Jordan's (who monitors the applied law) opinion; and (4) the officers of Jordan's Anti-Money Laundering Unit, who represent the Jordanian law enforcement authority's (the police of law) opinion.

5.17.1 Discussion of the Personal and Functional Variables

This study seeks to empirically ascertain a basis for better understanding of the officers' experiences and qualifications. With regard to the bankers sample, 51.6% were males and the rest were females. Sixty percent of them aged between twenty-five and thirty-four, and only 1.6% were over fifty-four. Only 1.6% of them hold a high school degree, and most of them (67.7%) have a bachelor degree. Majority (41.9%) have between one and five years of working experience and only 12.9% had more than fifteen years of relevant experience. From these statistics, the researcher extrapolated that the sample consisted of well-qualified individuals who are sufficiently experienced and knowledgeable of their industry sector. It also reflects the employers' attention to hiring specialists for their banks.

With regard to the length of time the respondents have been spending as anti-money laundering compliance officers at banks, distinct types of services emerged. About thirty percent stated that they had been in the post for between eleven and fifteen years or more. This cannot be technically correct as the role of anti-money laundering compliance officers at banks has only been made a legal requirement since 2007.

After further analysis, the researcher observed that the officers have actually fulfilled various internal banks functions. It was also clear that the job as anti-money laundering compliance officer was simply “added” to their overall compliance function. Nevertheless, 69.3% of them stated that they had been in that post between one and ten years, which in this case, is rather accurate.

With regard to selective sample of bank customers, 57.7% of them were males and 34.6% aged between twenty-five and thirty-four. A total of 38.5% aged between thirty-five and forty-four and only 11.5% aged between forty-five and fifty-four. All of the respondents have professional and academic qualifications: Majority (69.2%) hold a bachelor degree, 23.1% have a master degree, and 7.7% have a doctorate degree. Majority of them (42.3 %) have between six and ten years of related experience.

After extrapolating the above statistics, the researcher gathered that the sample consisted of well-qualified and sufficiently experienced individuals from the industry. It also reflects the importance attached by the employers in hiring recognizable and well-qualified practitioners.

With regard to the random sample of bank customers, 69.8% of the respondents were male, and majority (40.2%) aged between thirty-five and forty-four. More than half (50.7%) hold a bachelor degree and only 10.8% of them hold a high school. Also, most of them (35.1%) had experience “naturally different from their works” between six and ten years, 25.0% between eleven and fifteen years and 20.0% had such experience for more than fifteen years.

After extrapolating of the above statistics, the researcher concluded that this sample is well-qualified individuals who are sufficiently experienced and knowledgeable about

the industry that is “naturally different from their works.” This also reflects how much they understand the subject of this questionnaire.

Regarding the officers of the banking supervision department, most of them (62.5%) were male, and most (75.0%) aged between twenty-five and thirty-four. Half of them (50.0%) hold a master degree, 31.2% hold a bachelor degree, and 18.8% hold a doctorate degree. Half of them have between six and ten years of working experience (50.0%) and 37.5% of them have between one and five years of relevant experience.

The above statistics suggest that the sample consists of well-qualified officers with sufficient experience and knowledge about their industry. This reflects the Jordanian government attention in hiring specialists in the Jordanian central bank.

The Unit sample consisted of only two participants. Both were male, one aged between twenty-five and thirty-four and another was between thirty-five and forty-four. Both of them hold a bachelor degree. One had experience between one and five years, and another had experience between six and ten years.

In conclusion, the above statistics indicate the sample is made of well-qualified individuals who are sufficiently experienced and knowledgeable about their industry sector, reflecting the Jordanian government’s attention in hiring specialists in the unit.

5.17.2 Discussion of the Dangers of Money Laundering

As mentioned, money laundering can have devastating social, political, and economic consequences for countries, particularly for developing countries and countries with fragile financial systems. Criminal organizations often use their illegal profits to bribe governments or individuals. This can undermine democratic institutions and threaten good governance by promoting public corruption via bribery, kickbacks, collection of

referral fees, and misappropriation of corporate taxes, licence fees, and illegal campaign contributions.

Money laundering can threaten national economies and private sectors. Criminals can use their profits to acquire control or infiltrate legitimate business, putting legal competitors out of business. As a cover for the criminals' activities, the legitimate business is useful for their organizations. Such business operation is for laundering illegal proceeds.

Usually, money laundered via legitimate business is placed in investments that generate little additional productivity for the broader economy, for instance, in real estates, arts, jewelleries, antiques, and luxury automobiles. Diverting resources to less productive domestic assets or luxury imports is a serious detriment to economic growth for developing countries. It can distort the capital flows and international trade for long- term economic development.

For the above reasons, all of the participants believed that *the flow of large amounts of funds from money laundering could significantly affect exchange, interest rates, create artificial demand and affect pricing in a particular area.*⁶⁰⁵

As defined in previous chapters, it is clear that money laundering encompasses a wide range of activities that aim to disguise or hide the crime proceeds. As such, drug trafficking, corruption proceeds, and any other form of serious crimes are within the range of the law on money laundering. Drug trafficking, according to a report by the Financial Action Task Force, remains the single largest source of criminal proceeds. The next largest sources are the various types of frauds, smuggling, casino gambling, and human trafficking. The motive for money laundering is tax evasion, thus the

⁶⁰⁵ Item (8) of general measures domain.

crime must be criminalized and criminal proceeds must be disrupted in the interests of banks and customers so that the crimes will no longer pay and criminals will have less motivation to commit the crimes.

It is clear that facilitating the underlying crimes and providing funds for reinvestment allow the criminal enterprise to continue its operations. For this reason the samples believed that *money laundering through banks increases the threat posed by serious crime, by facilitating the underlying crimes and providing funds for investments that allow the criminal enterprise to continue its operations.*⁶⁰⁶

5.17.3 Discussion of the Positive Repercussions of the Obligations

Effective implementation of the anti-money laundering law is vital to protect banks from being abused by money launderers and criminals. A sound and strong financial system is vital for bringing confidence to investors in order to invest in a country and thus to create incomes, wealth, and employment. Any abuse of banks by money launderers would weaken public confidence in banks alongside with all its negative consequences. For this reason the participants of this survey believed that *combating money laundering is not just a matter of fighting crime but also preserving the integrity of banks from being abused by money launderers.*⁶⁰⁷

In fact, the objectives of crime prevention will be taken down if the bank does not comply with anti-money laundering obligations. Noncompliance can result in penalties and fines and negative publicity for the banks.⁶⁰⁸ The anti-money laundering law could expose the management and employees of banks to a very severe

⁶⁰⁶ Item (7) of general measures domain.

⁶⁰⁷ Item (1) of general measures domain.

⁶⁰⁸ See supra section 4.17.2.

punishment if they are negligently involved in activities of money laundering.⁶⁰⁹ However, the anti-money laundering law is still considered a major tool for preventing the Jordanian banks from being abused by criminals. The enactment of the anti-money laundering law is seen as a proactive approach of the Jordanian government to protect banks' integrity from being abused by criminals.

As mentioned in chapter three, the Jordanian anti-money laundering law criminalizes money laundering and introduces mechanisms for financial intelligence and investigation. The legislation also provides measures for the freezing, seizure, and forfeiture of property involved or derived from activities of money laundering. The legislation also imposes various preventive procedures, measures, and obligations to be undertaken by banks. The preventive measures include the obligation to report cash transactions and suspicious transactions, keep records, establish compliance program, and identify and verify customers. Chapter four mentions that customer identification does not only help banks to detect, deter, and encounter money laundering, but also provide tangible benefits for the banks, their customers, and the entire financial systems.⁶¹⁰

By giving a positive analysis of the effective implementation of the anti-money laundering obligations and procedures, it is clear that these obligations and procedures have positive impact on the Jordanian banking sector. The procedures will protect banks from legal liability and the boycott of international banks. They also protect the banks from collapse and their customers from getting involved in crimes, and prevent

⁶⁰⁹ See supra section 3.4.6.4.

⁶¹⁰ See supra section 4.17.3.

criminals from getting into the banking system. The main benefits are increased market confidence and reduced crimes.⁶¹¹

For the above reasons, the four sample respondents with the exception of the random customers sample recognized that *the bank's anti-money laundering procedures protect it from legal liability.*⁶¹² They also believed that *the bank's anti-money laundering procedures protect it from collapse.*⁶¹³

It appeared that the random customers sample was not convinced about the importance of combating money laundering at banks. This response was not unexpected due to the lack of coverage media on the issues of money laundering in Jordan. Therefore the Jordanian law enforcement authorities must concentrate on raising the awareness among the public, for instance, by raising awareness through the media. Lack of awareness may lead to the citizens' not understanding the reasons of anti-money laundering procedures taken by the banks.

Nevertheless, the lack of conviction by the random customers sample was to some extent "not absolute." All of the samples believed that *the bank's anti-money laundering procedures protect it from the boycott of international banks.*⁶¹⁴ They also believed that *the bank's anti-money laundering procedures protect its customers from getting involved in money laundering crimes.*⁶¹⁵ As previously mentioned, they believed that *the bank's anti-money laundering procedures prevent money-laundering criminals from getting into the banking system.*⁶¹⁶

⁶¹¹ See supra section 4.17.2.

⁶¹² Item (1) of Protection of Bank domain.

⁶¹³ Item (3) of Protection of Bank domain.

⁶¹⁴ Item (2) of Protection of Bank domain.

⁶¹⁵ Item (4) of Protection of Bank domain.

⁶¹⁶ Item (5) of Protection of Bank domain.

It was also mentioned that the anti-money laundering obligations require banks to establish a number of counter-measures such as hiring of compliance officers. To the law enforcement agencies, banks are considered an important source of valuable information for money laundering detection. Moreover, banks are required to conduct training and awareness programs on anti-money laundering practices and measures for its compliance officers. These officers should be aware that they may be held personal liable for any failure to observe the internal requirements of anti-money laundering.⁶¹⁷

Hence, when the respondents were asked whether they thought that *the anti-money laundering department in banks is a non-productive department and increases the economic burdens on banks*,⁶¹⁸ the bankers, the central bank officers and the Unit officers disagreed. The rest of the samples were neutral. It is clear from the respondents' experience that the establishment of such a department in banks would lead to protecting their customers from getting involved in crimes, thus preventing criminals from getting into the banking system. The establishment also protects banks from the boycott of international banks, hence it protects banks from collapse.

5.17.4 Discussion of the Negative Repercussions of the Obligations

The previous analyses concluded that views of almost all of the samples were compatible about the positive impact of the law and about the dangers of money laundering. However, there is still a very clear divergence of opinion between the samples, partly because of their different backgrounds. The bankers looked at the subject from the viewpoint of applying the law. The customers looked at the subject from the viewpoint of who is applied by the law. The Central Bank, on the other hand,

⁶¹⁷ See supra section 3.4.6.2

⁶¹⁸ Item (6) of General Measure domain.

looked at the subject from the viewpoint of who monitors the law while the Unit looked at the subject from the viewpoint of the police of law. Accordingly, each sample would defend its interests in answering the various items.

Indeed, the obligations of anti-money laundering have positive impact on the Jordanian banking sector; they protect the national economy from the dangers of money laundering through banks, and they protect the banks from getting involved in operations of money laundering. These procedures also protect Jordanian banking activity from legal accountability and collapsing. However, the obligations have negative impacts when the processes are applied on bank operations. The procedures increase service costs, the factor that can negatively affect the quality and volume of the banking services. This has a negative consequence on the volume of deposits in the Jordanian banking system.

As mentioned in chapter three, the past few years have witnessed a fundamental change in the legal and regulatory environment relating to the measures of anti-money laundering in Jordan. Chapter four denotes that Jordanian legislations primarily aim at meeting all the international standards regarding anti-money laundering legislations imposed on banks. In spite of that, not all the imposed international standards are applicable in Jordanian banks.⁶¹⁹ In implementing the anti-money laundering laws, the Jordanian banks have found themselves having to comply with an increasing number of obligations. The laws have put legal and onerous administrative burdens on banks and may involve serious legal and other liabilities for deficient compliance.

For instance, the banks need to comply with substantial changes in due diligence procedures and customer identification. They are also required to obtain more detailed

⁶¹⁹ See supra section 4.17.2

information of higher risk customers. They need to identify any unusual activity that may be indicative of money laundering thus they are required to monitor customer's activity. The requirement of suspicious transaction report also poses several challenges and issues. Clearly it is hard for banks to justify suspicious transaction report because it is very subjective. This problem would also lead to defensive and mistaken reporting. If left unchecked, the misreporting would result in a flood of reporting and consequently may jeopardize the effectiveness of the suspicious transaction report regime.

Because of that, all the survey participants, with the exception of the Unit sample, believed that *the anti-money laundering obligations have posed legal and administrative burdens on banks which are onerous and may involve serious legal obligations and other deficient compliance liabilities.*⁶²⁰ (This item recorded a mean of 2.00 out of 7.) This finding was expected because the Unit contributed to enacting the obligations with the Jordanian law maker. They believed that it is their duty to defend the obligations. However, the experiences of banks, customers, and the central bank have proven the otherwise: The responsibility has indeed posed legal and administrative burdens on banks.

Legal and administrative burdens are imposed when the banks have to establish on-going training programs for their staff.⁶²¹ They are also imposed when the banks have to adopt new procedures to detect and deter money laundering, and such a measure is not only costly but also time consuming.⁶²² To make matters worse, severe punishment awaits those who fail to comply with the laws.⁶²³ This is the price to be

⁶²⁰ Item (2) of General Measures domain.

⁶²¹ See supra section 3.4.5.

⁶²² See supra section 3.5.

⁶²³ See supra section 3.4.6.4

paid given the risks posed by money laundering to the banks. Furthermore, it is clear that the knowing-your-customer policy is difficult to be implemented since there is no obvious end point to the information collected by the bank.⁶²⁴

At the same time, the obligations of anti-money laundering also impose hard standards on correspondent banking arrangements due to the bank's vulnerability to money laundering. Before establishing correspondent banking relationship, banks are legally required to identify and verify other banks. Even if the parties are not their direct customers, the banks are required to know the details of all parties in a correspondent banking transaction. The banks are also required to understand and monitor the nature of the transactions, the intended use of the funds, the people to whom they deal with and their background, and the countries involved.⁶²⁵

The obligations on the correspondent banking relationship can be regarded as a significant step towards further protection of the international banking system. However, the responsibilities may put unnecessary burden on banks if they are left unchecked. In fact, the laws prescribe to whom the bank could do business with, and this is particularly true. Hence all of the survey participants and again, with the exception of the Unit sample, believed that in complying with anti-money laundering obligations, banks are placed in a difficult commercial position when trying to find a balance between the avoidance of criminal liability and commercial liability.⁶²⁶

Also here the Unit's position represents the position of defender of obligations. (Their response reached 1.00 out of 7.00.) This current status clearly indicates a gap between

⁶²⁴ See supra section 4.17.3.

⁶²⁵ See supra section 3.4.1.2.

⁶²⁶ Item (5) of General Measures domain.

the views of the Jordanian law enforcement authority and the views of banks and customers.

The obligations also require banks to monitor customer activity in order to identify any unusual activity during the course of a continuing relationship. Transaction monitoring is an integral part of the measures of risk-based anti-money laundering because it aims to allow businesses to flow smoothly while acknowledging the level of risk posed by the customers. However, without a clear picture of the customers' financial behavior at any point of time, the approach of risk assessment is operating with a reduced level of information, thus it can significantly reduce its effectiveness. Therefore, throughout the relationship ongoing monitoring is vital in ensuring that the banking services are not being exploited for money laundering.⁶²⁷

Previous chapters also confirm that the obligations have imposed a number of obligations on banks, for instance, customer identification and due diligence, record keeping, reporting suspicious transactions, appointment of compliance officers, and training. Complying with these obligations can increase the costs and complexity of banking operations.⁶²⁸ Clearly the Jordanian banks are spending high for complying with anti-money laundering. They need to spend significant amounts of money to install or upgrade sophisticated monitoring systems in order to keep pace with the increasing regulatory obligations.⁶²⁹

More importantly, it is likely that the increased costs incurred by banks will be passed to the customers. The survey uncovered that 30.8% of the respondents admitted that

⁶²⁷ See supra section 3.4.2.

⁶²⁸ See supra section 4.17.2.

⁶²⁹ See supra section 4.17.4.

the costs of monitoring electronic transfers added to the provided customers services cost.⁶³⁰

When the respondents were asked whether they agree or disagree that *the costs of complying with anti-money laundering obligations are added to the cost of the service provided to the customers*,⁶³¹ almost all did not agree to that the banks added the costs of complying obligations to the cost of the service. Only the selective customers sample agreed to this item.

The selective customers may have approved to this item because the Jordanian laws also impose obligations on brokers firms to counter money laundering activities. These obligations also include the obligation to identify and verify customers, report cash and suspicious transactions, establish risk assessment, establish compliance program, and keep records. Hence the brokers firms are forced to bear the costs of these obligations. Concerning the increased costs, it appears that the brokers firms accepted the idea that these costs are passed to the customers.

The survey has also concluded that banks exist to make as much profits as possible. Complying with these obligations is a prolonged process hence it imposes burden on the banks. Monitoring transactions appeared to take most of the costs and time.⁶³² A total of 73.8% of the respondents claimed that monitoring of transactions and unusual transactions delay banking operations.⁶³³

However, when the respondents were asked whether they thought that *forcing banks to bear the costs of anti-money laundering affects providing the best time and price of*

⁶³⁰ See supra section 4.17.4.

⁶³¹ Item (14) of Customer's Satisfaction domain

⁶³² See supra section 4.17.2.

⁶³³ See supra section 4.17.4

*banking service*⁶³⁴ or in other words, *the bank's commitment to anti-money laundering procedures ceases some banking services*,⁶³⁵ they differed in their opinions. The bankers sample and the selective customers sample were neutral to some extent, while the random customers sample agreed to it. Again, the Unit's position represents the position of defender of obligations, but these items imply the Central Bank's position to the position of Unit, where the central bank sample and the Unit sample disagreed to the items.

Actually, the bankers' hesitation was due to the fact that not all obligations are costing the banking service. Some obligations can be applied to banking services at no cost. For instance, the obligation of not dealing with numbered accounts is one of the obligations that can be applied at no cost because it is prohibited⁶³⁶ in advance by the central bank in Jordan before such obligation was enacted in Instructions No. 51/2010. To some extent there is a negative impact coming from the cost of these obligations to providing the best time and price of banking service. For the same reason, when the bankers sample were asked whether they thought that *the bank's commitment to not dealing with digital accounts hinders attracting capitals*,⁶³⁷ they disagreed while the random customers sample and the central bank sample were neutral. The selective customers sample agreed a little and the Unit sample disagreed. It appeared that for this item, the Unit's opinion was harmonious with the bankers' opinion.

⁶³⁴ Item (2) of Banking Products domain.

⁶³⁵ Item (1) of Banking Products domain.

⁶³⁶ According to article 2 of the Risk Management Principles for Electronic Banking, No.10/1/3344, date 12/3/2005.

⁶³⁷ Item (12) of Customer's Satisfaction domain

Hence, when the respondents were asked whether they thought that *if the bank is requested to monitor the use of money, the nature of transactions, the commercial as well as the security background of its clients, the burden and the time of the banking operation will increase*,⁶³⁸ all of them agreed to this item except for the Unit sample. It seemed that the Unit sample always took the role of defender of the obligations. Hence it is clear that the monitoring obligation, nature of transactions, and security background of customer will increase burden to the bank.

On the other hand, the anti-money laundering obligations require banks to take the necessary measures to ensure that the records of existing customers remain relevant and updated. Regular reviews of the records should be conducted particularly when a significant transaction is to take place, or when there is a material change in the way the account is operated, or when the customer's documentation standards change substantially, or when it discovers that the information held on the customer is insufficient. However, when the respondents were asked whether they thought that *the bank commitment for checking all its customers data, whether valid or not, leads to increasing the burden of the bank*,⁶³⁹ they clearly differed in their opinions. The bankers sample was neutral, inclining to a little agreement to some extent. The customers sample agreed but the central bank sample was neutral to this item. Again the Unit's position represents the position of defender of obligations; they disagreed to this item.

In fact, the hesitation of the bankers to answer the item was because the data validation system involves the use of computer. Each bank has an *e-link* with the

⁶³⁸ Item (7) of Banking Products domain.

⁶³⁹ Item (3) of Banking Products domain.

Jordanian Civil Status and Passport Department.⁶⁴⁰ This *e-link* makes the data validation of the Jordanian customers easier for bank. However, not all customers have databases in the Jordanian Civil Status and Passport Department, for instance, this department has no databases for foreign customers and legal persons. These cases increases the burden on the banks; the banks need to check the validity of the customers' data.

As mentioned in chapter three, internet banking has three characteristic that pose money laundering risks namely the ease of access through the internet, the depersonalization of contact between the bank and the customer, and the electronic transactions rapidity. When an account is accessed through the internet, there is no human intervention that can help to detect unusual or suspicious activities. Also, information on access to the account from other geographic locations would also not necessarily be detectable. Hence, it is a challenge to determine the jurisdiction for the supervision and licensing of financial services offered via the internet.⁶⁴¹

The respondents differed when asked whether they thought that *despite the fact that e-banks provide fast services, banks commitment to monitor and audit the movement of client's account increases the time of transaction.*⁶⁴² The bankers and the Central Bank's to some extent were neutral, inclining to agreement, while the customers agreed. Again, the Unit's position represents the position of defender of obligations, and they disagreed to this item. As clarified in chapter four, the banks need to spend

⁶⁴⁰ The Civil Status and Passport Department established in Jordan by virtue of Law No. 34 For 1973, in order to carry out the task of registering citizens. This Department is subordinated to the Jordanian Minister of Interior. For more information see website of the Jordanian Civil Status and Passport Department at; <http://www.cspd.gov.jo> , assessed 24/5/2015.

⁶⁴¹ See supra section 3.4.1.2.4.

⁶⁴² Item (4) of Banking Products domain.

significant amounts of money to install or upgrade sophisticated monitoring systems to keep pace with the increasing regulatory obligations.⁶⁴³

Chapter four also clarifies that despite having sophisticated monitoring technology that detects and monitors money laundering risks, the banks are still greatly depending on the vigilance of their staffs to identify and monitor suspicious activities.⁶⁴⁴ Thus it is clear that the bank's commitment to monitor and audit the movement of customers account in Internet banking would increase the transaction time.

Majority of the survey participants stated that the obligations of monitoring operations and the movement of customer accounts led to the increase in the cost of combating money laundering. A majority of 73.8% of the participants claimed that the obligations of monitoring of unusual transactions and transactions of customer delay banking operations.⁶⁴⁵ However, when the respondents were asked whether they thought that *the costs resulting from following up customer's accounts and reporting the financial operations costs weaken the banks' competitive capacity*,⁶⁴⁶ the bankers and the customers did not say “no”, and neither they said “yes”. In other words, they were neutral whereas the Central Bank and the Unit disagreed to the item.

The bankers and the customers' hesitation is logical. There are no official statistics that show the costs of following up customer's accounts and reporting of financial operations thus it is not possible to compare between the banks. Therefore, the bankers and customers could not measure if the costs of those obligations have affected the competitiveness.

⁶⁴³ See supra section 4.17.4.

⁶⁴⁴ See supra section 4.17.4

⁶⁴⁵ See supra section 4.17.4.

⁶⁴⁶ Item (5) of Banking Products domain.

As mentioned, the flows of dirty money through wire transfers are almost impossible to detect due to their complexity, frequency, or volume. When the respondents were asked whether they thought that *the nature of the transferred money makes it difficult for the bank to verify the true beneficiary of the wire transfer*,⁶⁴⁷ the bankers and the Unit disagreed, while the rest of the samples were neutral. It is clear from the respondents' experiences that the anti-money laundering obligations are capable of verifying the true beneficiary of the wire transfer, despite its volume and complexity.

The obligations of anti-money laundering provide detailed procedures to be complied by the bank when dealing with wire transfers. The procedures aimed at ensuring that a bank has greater information about the beneficiary of the transfer. They also dictate as much information as possible be supplied throughout the payment chain.⁶⁴⁸ However, when dealing with wire transfers these detailed procedures to be complied by the bank can increase the costs and complexity of wire transfers operations.

Wire transfers are widely used in commercial transactions because they provide a low-cost, efficient, and high-volume payment system. However, it has been recognized that wire transfers is one of the most efficient methods for laundering criminal proceeds. In an attempt to lose the money trail before funds arrive at their ultimate destination it has been reported that large banks provide a more secure environment to send the wire transfers, along with the ability to route the transactions through multiple hubs. Complicated wire transfers will hinder law enforcement detection because they create financial transactions trails that are complex and confusing.⁶⁴⁹ Nearly half of the participants (49.2%) believed that the obligations of record keeping of *e*-transactions imposed on banks are not effective enough to combat

⁶⁴⁷ Item (6) of Banking Products domain.

⁶⁴⁸ See supra section 3.4.1.2.8.

⁶⁴⁹ See supra section 3.4.1.2.8.

money laundering, either because of the of cooperation inadequacy between technology providers internationally to exchange information, or because of the criminals use of a higher level of encryption.⁶⁵⁰

Therefore when the respondents were asked whether they thought that *the bank's restrictions on funds transfer hinder attracting capitals*,⁶⁵¹ they differed in their opinions. The bankers and the Central Bank were neutral, inclining to agreement while the customers agreed to the item. Again, the Unit's position represents the position of defender of obligations; they disagreed to this item.

Finally, it must be emphasized that when the person acting on behalf of the beneficiary is unable or refuses to provide the information on the identity of the beneficiaries, the bank must not permit that person to open a client account and consider submitting a suspicious transaction report. As for an existing customer, the bank must not continue to transact with and for that person until further verification is conducted to its satisfaction. Clearly, the requirement to identify and verify beneficiary such as account puts a significant burden on the Jordanian banks because of the complex nature of such account.⁶⁵²

For the above reasons, when the respondents were asked whether they thought that *the bank's commitment to not opening an account for a client who did not provide all his information hinders attracting capitals*,⁶⁵³ they differed in their opinions. The selective customers agreed while the random customers and the Central Bank were neutral, inclining towards agreement. The bankers disagreed a little, inclined towards

⁶⁵⁰ See supra section 4.17.6

⁶⁵¹ Item (11) of Customer's Satisfaction domain.

⁶⁵² See supra section 3.4.1.2.4.

⁶⁵³ Item (13) of Customer's Satisfaction domain.

being neutral. Again, the Unit's position represents the position of defender of obligations; they disagreed to the item.

In summary, despite the positive impact of the anti-money laundering obligations, the survey shows that the obligations have various negative repercussions on the banks and their customers. It is clear that in complying with the anti-money laundering obligations, banks are placed in a difficult commercial position. The obligations have also posed legal and administrative burdens on banks, and have affected the banks providing the best time and price of banking service. This eventually hinders the attracting of capitals.

5.17.5 Discussion of the Direct Effect of the Obligations on the Customers

It has been established that the anti-money laundering obligations have positive and negative impact on banks. This section clarifies how these obligations made a significant shift in the way banks interact with their existing and potential customers, causing their dissatisfaction ultimately. This section also maintains the very clear divergence of opinion among the samples, the difference being due to their different backgrounds. The bankers looked at the subject from the viewpoint of applying the law while the customers looked at the subject from the viewpoint of who is applied by the law. The Central Bank looked at the subject from the viewpoint of who monitors the law while the Unit looked at the subject as the police of law. Because of this diversity, each sample defended its interests in their responses to different items.

All of the sample recognized that *the anti-money laundering obligations produce a significant shift in the ways banks interact with their existing and potential customers.*⁶⁵⁴ For instance, banks are required to obtain more detailed information of

⁶⁵⁴ Item (3) of General Measures domain.

customers. The requirement of suspicious transaction report also poses several issues and challenges and banks are also required to monitor customer activity to identify any activity that may be indicative of money laundering. In particular, the survey participants believed that the due diligence procedures produce a significant shift in the way the banks interact with their existing and potential customers.⁶⁵⁵

Apparently, the implementation of anti-money laundering obligations has significantly affected a bank's relationship with its customers. However, to improve the flow of information to law enforcement authorities and to facilitate money laundering investigation these obligations should take precedence over customer confidentiality rules,⁶⁵⁶ so there is the danger that customers may lose confidence that their secrets are safe with the banks. The authorities are asking banks to act as informers by requiring banks to disclose suspect transactions. This role contradicted with their commercial objectives.

When the respondents were asked whether they thought *the banking secrecy is a customer privilege whereas combating money laundering crime is critical for public safety and security*⁶⁵⁷ and whether *customers prefer to deal with banks that absolutely adhere to the banking secrecy principle*,⁶⁵⁸ all of them agreed. Thus it is clear that the participants agreed that customers prefer their information to be absolutely confidential, without any exceptions set out in laws.

At the same time, when the respondents were asked whether they thought *the commercial success of banking business and the sanctity of the relationship between*

⁶⁵⁵ See supra section 4.17.3.

⁶⁵⁶ See supra section 3.4.3

⁶⁵⁷ Item (2) of Banking Secrecy Principle domain.

⁶⁵⁸ Item (5) of Banking Secrecy Principle domain.

*banker and customer are based on banking secrecy principle,*⁶⁵⁹ all of them agreed. This result puts into perspective the danger that customers may lose their confidence in banks, in other words whether their secrets are safe with the banks, particularly when banks require them to disclose confidential information.

On the other hand, when the respondents were asked whether they thought *anti-money laundering obligations provide sufficient safeguards to ensure that the disclosure of customer's information is carried out in a manner that is not prejudicial to the interest of customers,*⁶⁶⁰ and whether they thought *the threat of money laundering makes the overriding of banking secrecy unjustified because without a flow of information from the banks, the effective prevention of the menace is not possible,*⁶⁶¹ almost all of them agreed.

In fact the anti-money laundering obligations provide sufficient safeguards to ensure that the customer's information disclosure is carried out in a manner that is not prejudicial to the interest of legitimate customers. This is a positive approach that could protect innocent customers from being mistreated by the law. Even though it is true that the growing threat of money laundering makes the overriding of banking secrecy justified because without a flow of information from the banks, it is not possible that the danger will be effectively prevented.⁶⁶²

However, the major problem is that many customers do not understand the reasons for combating money laundering in banks. Hence they do not understand the reasons for such procedures taken towards them by the banks. When the respondents were asked whether they thought that *some clients do not understand the reasons for such*

⁶⁵⁹ Item (1) of Banking Secrecy Principle domain.

⁶⁶⁰ Item (7) of Banking Secrecy Principle domain.

⁶⁶¹ Item (4) of Banking Secrecy Principle domain.

⁶⁶² See supra section 3.4.3

*procedures taken by banks to combat money laundering,*⁶⁶³ almost all of the participants agreed.

For the above reasons, the customers who did not understand the reasons for combating money laundering in banks considered that banks act as informers when disclosing customers' confidential information. When the respondents were asked whether they thought that *the anti-money laundering obligations ask banks to act as informers when they are asked to disclose suspected transactions,*⁶⁶⁴ the bankers and the Central Bank were neutral, inclining towards agreement, while the customer samples agreed. Also, the Unit's position represents the position of defender of obligations; they disagreed to the item.

Such a state of affairs clearly indicates the customers understanding or lacks of understanding of the reasons why these procedures are taken by banks to combat money laundering. It represents the basic dilemma facing the disorder of relationship between banks and their customers.

To confirm this result, the participants were asked whether they believed that *by requiring banks to disclose suspected transactions, there is the danger that customers may lose confidence since their secrets are not kept safely with banks.*⁶⁶⁵ They were also asked whether they thought *the anti-money laundering procedures threaten the principle of banking secrecy because banks may disclose information when compelled by legislation.*⁶⁶⁶ The customers agreed, while the bankers' sample and the Central Bank's sample were neutral to some extent, and again the Unit's position represents the position of defender of obligations; they disagreed to the items. In fact, in this

⁶⁶³ Item (1) of Customer's Satisfaction domain

⁶⁶⁴ Item (4) of. General Measures domain.

⁶⁶⁵ Item (6) of Banking Secrecy Principle domain.

⁶⁶⁶ Item (3) of Banking Secrecy Principle domain.

regard the most important is the customers' samples opinion, because they are directly affected by applying these obligations.

On the other hand, it must be remembered that in the survey uncovered that the word *suspicion* is not explicitly defined in the Jordanian legislations of anti-money laundering. Thus, the legislations were not clear enough in the related procedures to cash transaction reports.⁶⁶⁷ In fact, the suspicion is rather subjective and is not specifically defined in Jordanian laws of anti-money laundering. It is generally accepted that unclear reasons for suspicion are among the issues faced by bankers in reporting requirement. The term is very subjective and it is hard for banks to justify suspicious transaction report. This problem would also lead to defensive reporting and mistaken reporting. This would result in a flood of reporting if left unchecked and thereby may jeopardize the effectiveness of the suspicious transaction report regime.⁶⁶⁸

When the respondents were asked whether they thought that *the bank's mistaken reports of suspicious transaction leads to the client's dissatisfaction, thereby this may jeopardize the client's relationship with the bank,*⁶⁶⁹ all of them agreed, except for the Unit sample. Interestingly the Unit sample admitted to agreeing with this item, probably because they assume the customers do not know that there is a report of suspicious transactions sent to the Unit.

It also appeared that the customers would be dissatisfied if the banks send their confidential information to the authorities. When the respondents were asked whether they thought that *the bank's duty to send the client's confidential information to the*

⁶⁶⁷ See supra section 4.17.5

⁶⁶⁸ See supra section 3.4.3.

⁶⁶⁹ Item (2) of Customer's Satisfaction domain.

*competent authorities requested causes the client's dissatisfaction,*⁶⁷⁰ the bankers and the Central Bank were neutral while the selective customers agreed. The random customers were neutral, inclining towards agreement. Again, the Unit's position represents the position of defender of obligations; they disagreed with the item. It is clear that most of the samples do not object to the fact that the duty to send the customer's information to the authorities causes the dissatisfaction of customer.

The survey also uncovered that the customers' unwillingness to provide the requested information and to cooperate in the due diligence process may itself be a factor of suspicion.⁶⁷¹ The available literature document that the crime of money laundering can be categorized as a form of white collar crime. It is one of the nonviolent, financially motivated crimes which is often committed by powerful and wealthy customers. They are those whom the banks work closely with, hence the banks are reluctant to ask these customers about their wealth, fearing the latter's dissatisfaction. In this case the bank can easily be exploited for money laundering.⁶⁷²

When the respondents were asked whether they thought that *the banks are reluctant to ask their wealthy clients questions related to anti-money laundering because banks are afraid of their dissatisfaction and want to maintain a close relationship with their clients,*⁶⁷³ the bankers and the Central Bank were neutral, inclining towards agreement, while the customers agreed. The Unit maintained its position as the defender of obligations; they disagreed with the notion.

To verify the accuracy of this result, the researcher reworded the previous item as follows: *the bank's commitment to collect information about the customers when*

⁶⁷⁰ Item (6) of Customer's Satisfaction domain.

⁶⁷¹ See supra section 4.17.3.

⁶⁷² See supra section 2.3.

⁶⁷³ Item (3) of Customer's Satisfaction domain.

*carrying out business with large amounts of money causes the client's dissatisfaction.*⁶⁷⁴ The result was identical to the result of previous item.

Clearly most of the participants did not object to the fact that banks fear customer's dissatisfaction, thus banks are reluctant to ask their customers some hard questions. Apparently verifying highly risky customers and determining whether their money is earned out of legitimate sources are not easy tasks for the banks.⁶⁷⁵ In fact, the obligation of verifying the source of the customer's money causes the customers' dissatisfaction. The respondents were asked whether they thought that the *bank's procedures of verifying the source of the customer's money (deposit) cause the client's dissatisfaction.*⁶⁷⁶ The bankers and customers agreed, while the Unit and the Central Bank were neutral, inclining towards agreement.

In addition, banks are required to trace customer's account movement such as for the case of huge increase in the cash deposits of customer, performance of many large cash deposits by a customer in different branches of the bank, concentration on cash deposits and withdrawals instead of using banking transfers, sudden and prompt withdrawal of customers balances and many other operations that customers carry out.⁶⁷⁷

When the respondents were asked whether they thought that *tracing the customer's account movement such as withdrawing and depositing causes the client's dissatisfaction,*⁶⁷⁸ the bankers and the Central Bank were neutral, inclining towards agreement, while the customers agreed. Also, the Unit's position represents the

⁶⁷⁴ Item (4) of Customer's Satisfaction domain.

⁶⁷⁵ See supra section 4.17.3.

⁶⁷⁶ Item (8) of Customer's Satisfaction domain.

⁶⁷⁷ See supra section 3.4.2.

⁶⁷⁸ Item (5) of Customer's Satisfaction domain.

position of defender of obligations; they disagreed to this item. It is clear that most of the participants did not object to the fact that tracing of the customer's account movement causes customer's dissatisfaction.

Furthermore, besides conducting customer identification and verification, anti-money laundering obligations require banks to monitor all customer activity to identify any unusual activity that may be indicative of money laundering.⁶⁷⁹ When the respondents were asked whether they thought that *the bank's procedures of monitoring unusual activity cause the client's dissatisfaction*,⁶⁸⁰ the bankers and the customers agreed, while the Central Bank was neutral, inclining towards agreement. Again, the Unit's position represents the position of defender of obligations; they disagreed to the item.

As mentioned the anti-money laundering obligations also requires banks to put the necessary procedures to deal with the risks and regularly review and update their customers' profile, especially when there are changes in their nature of business or employment.⁶⁸¹ The survey uncovered that 44.6% of the participants mentioned that many customers consider the anti-money laundering obligations intrusive.⁶⁸²

Hence when they were asked whether they thought that *the bank's procedures of updating clients' information periodically cause the client's dissatisfaction*,⁶⁸³ they differed in opinion, particularly between samples. The bankers and the random customers were neutral, inclining to a little agreement to some extent, while the selective customers agreed. The Unit's position represents the position of defender of obligations, but in this item it engaged the Central Bank's position to the position of

⁶⁷⁹ See supra section 3.4.2.

⁶⁸⁰ Item (9) of Customer's Satisfaction domain.

⁶⁸¹ See supra section 3.4.1.1.

⁶⁸² See supra section 4.17.2

⁶⁸³ Item (7) of Customer's Satisfaction domain.

Unit, where the central bank sample and the Unit sample disagreed with this item. It is clear that most of the samples do not object to the fact that the need to update information causes the customers' dissatisfaction.

With regard to the higher-risk customers, a bank is required to conduct enhanced due diligence. This means that a bank must obtain more detailed information about who is the real beneficiary owner of an account or a banking service.⁶⁸⁴ In addition, a bank shall set appropriate risk management system in order to determine if a beneficiary owner is one of the higher risk customers.⁶⁸⁵ In particular, the survey participants believed that the requirements for identifying and verifying beneficiary accounts add a significant burden on the banks because of the complex nature of these accounts and because dealing with such accounts require the bank employees to have special skills.⁶⁸⁶

When the respondents were asked whether they thought that *the bank's procedures of verifying the identity of the real beneficiary owner cause the client's dissatisfaction*,⁶⁸⁷ the bankers and the selective customers agreed, while the random customers were neutral, inclining towards agreement. Again, the Unit's position represents the position of defender of obligations, but this item engaged the Central Bank's position to the position of Unit. Hence they both disagreed to the item.

While banks are required to obtain more detailed information about who is the real beneficiary owner, they have no legal power to carry out such investigation with customers. In case when the customer refuses to provide the information and to cooperate in the due diligence process, the obligations would then just give the

⁶⁸⁴ See supra section 3.4.1.2.5.

⁶⁸⁵ See supra section 3.4.2.

⁶⁸⁶ See supra section 4.17.3.

⁶⁸⁷ Item (10) of Customer's Satisfaction domain.

bankers powers of suspicion. As mentioned, the dilemma is the word *suspicion*, which is not defined under the Jordanian law. Therefore, the identification standards depend on the employee's logic rather than concluded quantitatively.⁶⁸⁸ For this reason, the procedures of verifying the real beneficiary owner cause customers' dissatisfaction.

Moreover, when the respondents were asked whether they thought that *the anti-money laundering obligations are not enough capable of preventing money launderers from using banks, also they add burdens on the banks and their customers*,⁶⁸⁹ they differed in their opinions. The bankers disagreed, inclining towards agreement while the random customers were neutral. The selective customers agreed while the random customers were neutral, inclining towards agreement. Also, the Unit's position represents the position of defender of obligations. Again it engaged the Central Bank's position to the position of Unit, hence they both disagreed to the item.

However, the researcher has reworded the item as follows: *it is crucial at this time in Jordan to establish effective coordination between legislators and the banking industry in order to minimize problems faced by the banks with their customers*.⁶⁹⁰

Interestingly all the answers had been united where all of the means scored more than 6. If this result is put into perspective with the previous identified result in the previous paragraph, it can be observed that the samples recognized that anti-money laundering obligations add burdens to the banks and their customers. Hence it is crucial to modify the anti-money laundering law in order to minimize problems faced by the banks with their customers.

⁶⁸⁸ See supra section 3.4.3.

⁶⁸⁹ Item (15) of Customer's Satisfaction domain.

⁶⁹⁰ Item (16) of Customer's Satisfaction domain.

It should also be noted that this study arrived to an unexpected outcome: Most of the answers from the Jordanian anti-money laundering unit were not harmonious with the answers of the banks and customers. The answers of the banks and customers were logical and compatible with the results of the literature to some extent, but the answers of the unit was the opposite. This shows that the Jordanian anti-money laundering unit was not aware enough about the reality of the obligations of anti-money laundering and their negative impact on banks and customers. However, the unit aimed to represent the role of defender of these obligations and to meet the international requirements of anti-money laundering regardless of banks and customers perceptions about the impact of these obligations on them. This result was not favourable: The unit was supposed to be aware of the practical reality and they should understand the customers and banks' point of view concerning the difficulties and problems when applying the obligations.

5.18 Summary

This chapter reports the method adopted for the carrying out of the study and the type of data required to test the research questions. In addition, it has illustrated the following procedure for distributing the questionnaires and the main research tools used for collecting the data. Data were collected from sixty-two participants from the anti-money laundering compliance officers at banks. They represented 12 out of the 25 banks in Jordan, 26 participants from the brokers firms "stock market", 10 firms out of 56 firms, 533 participants as a random sample of banking customers, 16 participants from the banking supervision department at the Jordanian Central Bank, and 2 participants from Jordan's Anti-Money Laundering Unit.

The chapter revealed how the anti-money laundering laws affect the relationship

between banks and their customers. However, this study focuses on the dangers of money laundering, the positive and negative repercussions of the anti-money laundering obligations on the banks and their customers, as well as the direct effect of the anti-money laundering obligations on the customers.

The findings of the study have shown that the anti-money laundering laws can affect banks' relationship with customers and other banks. These obligations have negative impacts when applied to the processes and procedures of anti-money laundering in the Jordanian banking secrecy. At first sight, it appears that banks can disclose customer's information on grounds of suspicion of money laundering activities. However, this is not really true on closer inspection as there are limits to disclosure. Banking secrecy is still preserved except where detecting and deterring money laundering outweighs the overall need to protect the customer's information.

In addition, the findings of the study have shown that the anti-money laundering procedures increase time and costs of the banking service, which can negatively affect the quality and the volume of the provided banking services. Consequently, this will cause clients' dissatisfaction. This also negatively affects the volume of deposits in the Jordanian banking system. For one thing, these procedures have acted as obstacles to attracting capital into Jordan. It is clear that banks in Jordan faces challenges to cope with the requirements imposed by the anti-money laundering laws.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

The most important and largest component of the financial sector in Jordan is represented by the bank sector. The bank sector mobilizes the national savings and use them to finance the productive economic sector, hence they play a major role in pushing the economic growth rates. In the researcher's view, the starting point of this thesis is not subject to any counter-argument; the banks and their customers' protection is indeed necessary for the Jordanian banking industry development. A sound and strong financial system is vital to bring confidence for investors to invest in Jordan and therefore create incomes wealth and employments. On the contrary, any abuse of the financial system will undermine public confidence in the financial system alongside its negative consequences.

The main objectives of this thesis are (1) to study the Jordanian anti-money laundering laws that have impacted the banking sectors in Jordan, (2) to examine the impact of the anti-money laundering laws on the operations of banks, (3) to analyze how the anti-money laundering laws affect the relationship between the banks and their customers, and (4) to investigate the perceptions of the bankers towards anti-money laundering obligations imposed on them.

This study is a socio-legal study. The legal method of analytical and critical approaches was used to achieve the first and the second objectives. The approaches had facilitated the researcher in analyzing the factors and laws in order to identify the points of weaknesses.

Socio studies with exploratory study were adopted to achieve the third and the fourth objectives. Accordingly, meeting the third research objective depended on a questionnaire method, which was conducted on bankers, their customers, the Jordanian central bank, and Jordan's Anti-Money Laundering Unit. The questionnaire survey is a method of collecting information from respondents' answers. Adopting this method enables a researcher to obtain information about a person's views, opinions, beliefs, ideas, feeling, reactions, appreciation or rejection, likes or dislikes, or perceptions on any matter. The fourth objectives of this study necessitated the use of a field survey that also depends on a questionnaire survey method because the objective was to obtain the bankers' perception on anti-money laundering laws.

This closing chapter will be divided into three main sections. The first section will discuss the achieved remarks by the thesis. The second section will cover the weaknesses in the legislation, and the last section will recommend future studies.

6.2 Achieved Remarks

Money laundering is the lifeblood of criminal organizations. It refers to an act of hiding or disguising the illicit funds generated from a criminal activity. It helps distance criminals to enjoy their illegal gains from the proceeds of the underlying crimes without being afraid of prosecution and confiscation. The criminalization of money laundering is considered a new tool in countering criminal activities. Investigating and prosecuting the launderers and confiscating the funds in their possession can have significant impact on the finances of criminal organizations. This approach will not only reduce the ability of the criminal organizations to finance further criminal operations but also lead to a successful prosecution of the perpetrators.

It is clear from many definitions that money laundering includes a wide range of activities that aim to disguise or hide the proceeds of crime. Hence the proceeds of corruption, drug trafficking, and any other form of serious crimes are within the scope of money laundering law. Even though most countries have similar criminal offences, they have adopted various approaches to what constitutes a predicate offence, that is, the criminal offence that generated the crime proceeds. As such, for the purpose of money laundering offences, predicate offences vary from one country to another. In fact, this phenomenon provides gaps that can be manipulated by money launderers, hindering further international cooperation in fighting money laundering.

Criminals are very inventive in finding ways to launder their dirty funds. The complexity of the financial systems and the modern communication technology have greatly assisted in the process of laundering. It is clear that to launder their illegal proceeds, criminals will often use multiple methods that involve the abuse of the financial and international trade systems. In fact, money laundering activities are a combination of the launderer's imagination, professional expertise, and networks of contact. Therefore, the responsible authorities are under increasing pressure to detect and deter the danger of money laundering.

The activities of trade-based money laundering vary in complexity. However, the most basic schemes are fraudulent trade practices, for instance, under or over invoicing of services and goods. These fraudulent practices are then integrated into a web of complex transaction by the more complex schemes, for instance, the value movement through the financial and international trade systems. Using such complex systems complicates the detection of illegal money trails. Despite the corporate entities' important and legitimate role, under certain circumstances they may be

abused by criminals to hide the source of their illegal profits. For example, by setting up a complex, multi-jurisdictional structure of corporate entities and trust, apparently the flow of money between these entities may be used to move and launder illegal profits. Hence it is critical for the Jordanian government to establish measures to fight money laundering associated with such crime.

At the beginning, the national and international efforts to fight money laundering were aimed at eradicating the drug trade where the only predicate offence was drug trafficking. However, with more awareness about money laundering, it became clear that it was not just the drug trafficking proceeds that were laundered. This led to extending the range of predicate offences to include other serious offences, for instance, tax evasion and corruption. After the tragedy of September 11 and with regard to the war on money laundering, a new dimension was added to the offences. The financing of terrorism became a major concern of international community. There has been a growing convergence of the legal frameworks to tackle money laundering and terrorist financing since the techniques used to launder money are the same ones used to hide the terrorists' financing source.

In the past, the activities of money laundering had been associated with organised crime and drugs trafficking, The September 11 event has highlighted the link between terrorism financing and money laundering. The traditional model of money laundering has been affected by terrorism financing where it starts with the “dirty money” placement into the banking system. However, regarding terrorism financing, the source of funds may well be legal. In accordance with that, the traditional money laundering model is effectively reversed, only at the end of the process when funds are used to finance terrorist operations (funds become “dirty” at that point). Hence, in

spite of their similarities, money laundering and terrorism financing are activities which are considered distinct. The nature of the terrorist funds and the size of the involved transactions make it difficult for anti-money laundering measures to be applied to terrorism financing.

In fact, international bodies such as the United Nations, the Basle Committee, and the Financial Action Task Force have played an important role in developing preventive strategies. A lot of the focus has been on customer due diligence; it is considered as one of the basic elements in maintaining the banking systems reputation and integrity.

However, is not only the government and law enforcement agencies who are responsible to fight money laundering; the private sector has a part to play and in this regard the efforts are laudable of the Wolfsberg Group of bank. A number of guidelines and principles were introduced by this international private sector initiative to deal with the reputational damage banks suffered from the media's disclosure of their involvement in money laundering operations. For private banking, the Wolfsberg Principles represent a common global standard. In fact, more and more banks are signing up to the Principles, which reflect the commitment of the world banking community towards fighting money laundering.

However, most of the principles and recommendations depend on voluntary compliance and are nothing more than a form of soft law. They have no legal effect, though there is now a well-established international legal framework to fight money laundering.

Nowadays, among the most serious issues facing the international community is money laundering activities. Most countries including Jordan have established the measures of combating money laundering. To combat these threats, Jordan

established the anti-money laundering law in 2007, and thirty days later, the Jordanian Official Gazette came into force. The gazette was published in the Jordanian Official Gazette in volume No. 4831, dated June 17, 2007 on page 4130. In 2010, the gazette was amended by Law Amending (8) of 2010 and Law Amending No. (31) of 2010. Also, recently the law was amended by Law Amending No. (31) of 2015. The amending law extended the anti-money laundering mechanism to include measures to fight terrorism financing. Since September 21, 2010, the anti-money laundering law has been renamed the Anti-Money Laundering and Counter Terrorist Financing Law No. 46 for the Year 2007. The law imposes anti-money laundering obligations on banks, and apart from it, the banks are also subject to the various guidelines of anti-money laundering issued by the Central Bank of Jordan.

Before that, in Jordan, the legislative protection against money laundering was a set of disparate laws that was not directly linked to money laundering. These laws deal with the negative effects of certain crimes, for instance, smuggling, tax evasion, and drug offenses. However, the following laws have been indirectly governing anti-money laundering: the Jordanian Penal Law 1960, the Jordanian Conservation of State Funds Law 1966, the Jordanian Narcotic Drugs and Psychotropic Substances Law 1988, the Jordanian Customs Law 1998, the Jordanian Money Exchange Business Law 1992 and the Jordanian Banking Law 2000. However, these laws were generally limited and insufficient. Hence there was a vital need for a stronger and broader law that covers any criminal activities proceeds.

In fact, the anti-money laundering law enactment in Jordan has filled an important gap in the fight against money laundering. The anti-money laundering law translates the international standards on anti-money laundering and counter-terrorism financing

measures into a national law. The law is up-to-date and comprehensive, and it is considered an innovative and comprehensive legislation since it covers all aspects of criminal proceeding related to money laundering and terrorism financing. Away from fighting money laundering, the law has also introduced several powerful and innovative measures to facilitate the recovery of illegal proceeds from almost any serious crime. Hence, the anti-money laundering law in Jordan can be considered a major new tool in the fight against criminal activities. By using this law as a strategic approach, law enforcement agencies can effectively detect and confiscate the criminal proceeds.

In general, combating money laundering is not just a matter of fighting crime but also a matter of preserving the integrity of financial institutions and banks from being abused by money launderers. Much of the efforts to combat the menace have been concentrated on financial institutions and banks. However, money laundering counter-measures have set significant regulatory and compliance burdens on the involved institutions. The measures have not only affected the business operations of financial institutions and banks but also their relationship with their customers and other stakeholders.

The imposed measures of anti-money laundering by the law apply uniformly to all financial institutions and designated non-financial institutions and professions. With the anti-money laundering law implementation, the Jordanian banks need to comply with an increasing number of regulations and guidelines to fight money laundering. In fact, the banks are required to identify and verify customers, keep records, establish compliance program, and report cash and suspicious transactions. Apart from the anti-money laundering obligations, the bankers must also be aware of the tipping-off

offence which prohibits the disclosure of information, and this practice is likely to prejudice the investigation of money laundering. It is worth mentioning that the measures of anti-money laundering are critical to protect the stability and integrity of the Jordanian banking system. However, a question that needs to be asked is whether these obligations are actually effective in preventing money launderers from using the banks or whether they simply set unreasonable burdens on the banks and their customers?

From the findings of the study it is clear that complying with the obligations of anti-money laundering can increase the complexity of the banking operations. The banks need to comply with substantial changes in due diligence procedures and customer identification. Hence, such requirement produces significant shift in the ways banks interact with their existing and potential customers. For instance, the banks are required to obtain more detailed information from higher-risk customers. Apparently, under the laws the examples of “higher-risk customers” are not clearly defined. Without clear guidelines, it is doubtful how the banks could effectively implement the requirements of customer identification and due diligence.

The banks are also required to monitor customer activity to identify any unusual activity that may indicate activities of money laundering. However, experience has shown that the main cause of increased anti-money laundering cost faced by the banks is transaction monitoring. Despite this substantial added cost, banks from several countries are still facing a significant challenge in monitoring customer’s transaction and account status, particularly because of the rules of data protection or banking secrecy.

With regard to customer verification, the banks must establish appropriate measures that are as strict as that for face-to-face, and they must also implement monitoring and reporting mechanisms to identify any potential activities of money laundering. In Jordan, implementing the anti-money laundering obligations provides an effective tool for preventing the abuse of internet banking. However, given the complicated features of internet banking services, it is critical for the bankers to continuously be vigilant and aware of any unusual activities arising from such relationships.

The requirement of suspicious transaction report also poses several challenges. Clearly it is hard for the banks to justify a suspicious transaction report since “suspicion” is very subjective. Also, such a problem will lead to mistaken and defensive reporting, which in turn, will result in a flood of reporting if left unchecked. Eventually, the whole process may jeopardise the effectiveness of the suspicious transaction report regime. To make things worse, the Jordanian experience has shown that the suspicious transaction report system has some weaknesses and was under-utilized by the agencies of legal enforcement. To avoid this problem, a continuous collaborative relationship is vital among the legislators, the anti-money laundering unit, and the banking industry in Jordan.

The banking industry has welcomed the risk-based anti-money laundering regime yet still leaves more rooms for interpretation. The way that risk is conceptualised remains uncertain. Thus, the effectiveness of the risk-based regulation depends on the regulated agreeing with the regulators about the risks that need to be controlled and the way they should be controlled. It is important to ensure that the Jordanian financial system can be protected in the best possible and affordable way. In fact, the

risk-based approach concept is based on sound principles. Generating a workable, flexible, and effective framework is the real challenge.

The banks also faced challenges in complying with the requirement of anti-money laundering training programs. Properly trained employees are known as the best anti-money laundering control, but it is evident that there is a serious training programs deficiency conducted by the Jordanian banks. With respect to the sophisticated and complex nature of money laundering, such deficiency needs to be addressed seriously by the Jordanian banks.

The obligations of anti-money laundering dictate that once any internal report of suspicious transaction is received from the bank's administrators or employees, the compliance officer should evaluate the reasons for suspicion. However, if the suspicion is confirmed, immediately the report will be submitted to the Jordanian Unit. On the other hand, if the compliance officer decides there are no reasons for suspicion, in this case the officer must record the decision. Apparently, the effectiveness of the suspicious transaction report system depends on the compliance officer's professional knowledge and expertise. Hence, it is critical to ensure that the compliance officer is given adequate training on the counter-measures of money laundering.

The findings of the study also show that the anti-money laundering laws can affect the banks' relationship with their customers and other banks. For instance, disclosing customers' information has overridden the banking secrecy principles and thus can undermine customers' trust. When compared to the common law it appears that anti-money laundering makes greater inroads into the secrecy rule. The banks can disclose customer's information on the basis of suspicion of money laundering activities.

However, with regard to closer inspection this is not really true as there are limits to disclosure. Banking secrecy was still preserved except where detecting and deterring money laundering outweighs the overall need to protect the customer's information.

In spite of the limits imposed on disclosure, there are some aspects of the reporting obligations that will make their customers wonder whether they can rely on the banks to keep their affairs secret. Traditionally, the banker-customer relationship was built on mutual trust, but with the introduction of anti-money laundering laws it appears that the trust will eventually be replaced with mutual suspicion. With regard to the growing threat of global money laundering, it is worth to state that this is the price to be paid because without a flow of information from the banks, preventing such danger effectively is not possible.

It also appears that the anti-money laundering laws have placed a serious obstacle to correspondent banking relationships. The laws have made it more difficult for the Jordanian banks to maintain correspondent banking relationship with foreign banks. Now the banks are under greater legal obligation to conduct enhance due diligence reviews of their foreign bank customers, including obtaining information on the foreign bank's management, reputation, finances, regulatory environment, and anti-money laundering measures. It must be said that these strict rules can limit the Jordanian banks' ability to expand their correspondent banking networks and overseas businesses.

In addition, clearly the anti-money laundering laws have posed significant legal risks on the Jordanian banks. Noncompliance with the anti-money laundering requirements can expose the banks to serious penalties, for instance, to substantial amount of fines, imprisonment, and even license revocation. Noncompliance will also affect the banks'

reputation, and a tarnished reputation can have serious implication on the banks' business. Therefore, it is important for the banks to implement effective anti-money laundering measures to manage and lessen the risks of money laundering that are associated with their transactions, products, customers, and services.

Experience shows that the Jordanian banks have spent a high cost for complying with anti-money laundering. These increased costs are likely to be passed to the customers. Unfortunately at this stage it is still unclear if such costs outweigh the benefits.

It is doubtless that it is not easy to find a right balance between the benefits of the anti-money laundering laws and the costs to banks and their customers. However, it must be considered that failure to find the right balance not only will create significant compliance problems for banks, but also may negatively affect the stability, proper function, and competitiveness of the financial system. In fact, it is unreasonable that the toughness of the laws seems to fall on the banks having to comply and be conscientious and to their customers rather than on the criminals.

From the results of this study, it can be evidenced that the reasons for the banks' dissatisfaction with the anti-money laundering obligations are as follows: (1) The banks consider that the anti-money laundering obligations primarily aim to meet all the international standards, but not all of the imposed international standards are applicable in the banks. The main reason for the bank's existence is to make as much profits as possible, whereas, the main reason for enacting the anti-money laundering obligations is for public safety and security. Thus the banks are forced to comply with these obligations since noncompliance can result in fines, penalties, and negative publicity; (2) the banks are placed in a difficult commercial position when trying to find a balance between avoiding criminal liability and avoiding commercial liability;

(3) to combat money laundering, the reasons for such procedures being taken by the banks are not understood by some customers; (4) these obligations have posed onerous legal and administrative burdens on the banks.

In addition, (5) Complying with these obligations can increase the cost and complexity of the banking operations; (6) complying with such obligations take a long time, for instance, the training obligations, monitoring transactions and analyzing money laundering report forms; (7) the banks need to spend huge amounts of money to establish monitoring systems; (8) the word *suspicion* is not explicitly defined; (9) identifying suspicious activities by banks depend on the vigilance of their staffs; (10) there are difficulties in monitoring the account that crosses several different countries; (11) the legislations do not provide adequate guidance on how banks should determine which transactions are suspicious; (12) any failure in observing the anti-money laundering requirements is the banks' responsibility; (13) the bank's compliance with anti-money laundering obligations in an absolute manner could threaten the banking secrecy principles.

Moreover, (14) banks have to keep records for a period of time; (15) the investigations of money laundering take a long time; (16) the *e*-transactions obligations of record keeping are not effective enough since the inadequacy of cooperation between technology providers at the international level to exchange information and the use of a higher level of encryption by criminals; (17) these obligations require concentration in training, thus, a large number of employees need training constantly, which causes a high cost for staff training; and (18) training in how to suspect banking operations, methods of data validation training, and the training of monitoring banking transactions methods are not easy.

From the results of the study, it can be evidenced that the reasons for customers dissatisfaction about the anti-money laundering obligations were as follows: (1) The obligations of anti-money laundering produce a significant shift in the ways banks interact with their customers; (2) these obligations require banks to act as informers when they are required to disclose any suspected transactions; (3) the procedures of anti-money laundering threaten the principle of banking secrecy because when banks are compelled by legislation they may disclose information; (4) there is the danger that customers may lose confidence when requiring banks to disclose suspected transactions because their secrets are not kept safely with banks.

The following reasons also dissatisfied the banks' customers: (5) it is the bank's duty to send clients' confidential information to the competent authorities; (6) the customers prefer to deal with banks which absolutely adhere to the principle of banking secrecy; (7) the banks have to bear the costs of anti-money laundering affects providing the best price and time of the banking service; (8) the bank is committed to check for checking all its customers data, whether valid or not, and this may lead to increasing the bank's burden; (9) the bank is committed to monitor and audit the client's account movement increases the transaction time; (10) when the banks are requested to monitor the use of money, the transactions nature, the security as well as the commercial background of its clients, they will increase the burden and the time of the banking operation; (11) the bank's mistaken reports of suspicious transactions may jeopardize the client's relationship with the bank.

The customers were also dissatisfied because of (12) the bank's commitment to collect information about the customers when carrying out a business with large amounts of money; (13) the bank's procedures to update clients' information

periodically; (14) the bank's procedure to verify the source of the customer's money (deposit); (15) the bank's unusual activity; (16) the bank's procedures of verifying the identity of the real beneficiary owner; (17) the restrictions of bank on funds transfer that hinder the attracting of capitals; (18) the bank's commitment to not opening an account for a client who does not provide all his information, which hinders attracting capitals.

6.3 Weaknesses in the Jordanian Law

The study found a set of weaknesses in the Jordanian law. First, there is a need to establish uniformity across the world because the predicate offences for the purpose of money laundering offences also differ from one country to another. This phenomenon provides gaps that money launderers can manipulate, and this hinders international cooperation in combating money laundering. It is important to note that at the level of national law, actions undertaken on a unilateral basis are unlikely to be adequate to combat the activities of money laundering. Hence, there is a critical need for an effective international cooperation.

It is also important to note that many forms of profit-making crimes are engaged by criminals as a long-term business. Consequently, law retrospectivity is vital to allow law enforcement authorities to bring criminals to justice. It is also essential to facilitate the authorities in confiscating a substantial proportion of the criminal's illegal profits. Such an approach would reduce crimes by hindering the criminal organizations' ability to finance further criminal operations and further bring greater justice.

As a matter of fact, Justice also requires that the Jordanian government bear all the costs resulting from anti-money laundering since it is responsible for the law

enactment. The government is also responsible for the costs of complying with the increasing regulatory obligations. Under the current law, the banks had to spend significant amounts of money, and this could be reflected on the customers negatively.

At present, the Jordanian society needs awareness about the dangers of money laundering and the reasons of taking the procedures of anti-money laundering. In one hand, the Jordanian lawmakers are interested in the banks' awareness. However, they did not put any regulation to increase the awareness of Jordanian society.

The money laundering counter-measures have put significant regulatory and compliance burdens on the involved institutions. These measures have not only affected the business operations of banks and financial institutions, but also their relationship with their customers and other stakeholders. For example, the Unit is not aware enough of the impacts of the anti-money laundering laws on the banks.

Establishing measures to combat money laundering is critical for the Jordanian government, particularly money laundering that is associated with trade-based activities. On the other hand, this study found that there is a need to create a workable and well-balanced anti-money laundering regime, where under the current regime there are a lot of obligations that do not satisfy the banks and their customers.

Furthermore, there is the need to clearly define higher risk customers since under the laws the higher risk customers are not clearly defined. Without clear guidelines, it is doubtful that the banks could effectively implement the requirements of customer identification and due diligence.

It was found out that there is a need to identify the risks that need to be controlled and the manner of control where the way that risk is conceptualized is still uncertain. The risk-based regime still leaves more rooms for interpretation. Therefore, the real challenge is to generate a framework that is workable, flexible, effective, and of high level. Finding out whether a customer is a politically exposed person poses particular challenges for banks. Thus they needed more guidance to determine politically exposed persons. Consequently it is important for the Jordanian government to provide the banks with a similar list of politically exposed persons, or provide them with some other guidance in order to avoid institutions uncertainties. In addition, to identify how to justify a suspicious transaction report is needed because it is hard for banks to justify suspicious transaction report since it is very subjective.

A need for training must be under government supervision yet there is a serious deficiency of training programs conducted by the Jordanian banks. Thus, trainings under the supervision of banks alone are not enough

It was also found out that there is a need to work on solving problems of the monitoring customer's transaction and account status across several different countries. The banks encountered a significant challenge in monitoring transaction and account status of customer across several different countries. Moreover, the measures related to correspondent banking relationships need to be facilitated because the laws of anti-money laundering has placed a serious obstacle to correspondent banking. These strict rules can lessen the Jordanian banks' ability to expand their correspondent banking networks and overseas business.

Also, this study found that detecting terrorist funds is a very difficult task. Hence to effectively fight money laundering, legislators and regulators need to bridge the gaps

in the existing anti-money laundering regime. Therefore, alternative remittance systems, charities, wire transfers, and cash couriers need to be regulated effectively. The efforts to hinder terrorist funds also require extensive cooperation on the international level.

Also, there is a need to provide sufficient human staff to the Unit in order to meet the challenges of investigating money laundering. The Jordanian Anti-Money Laundering Unit lacks the sufficient enforcement infrastructure to carry out sophisticated financial investigations. However, there are limited resources—financial, human, and technical wise—to carry out inspections and ascertain that the anti-money laundering law provisions are applied and implemented.

6.4 Recommendations

Money laundering is a menace and if left unchecked, it could cause many social and financial problems. Therefore, it is critical to establish money laundering counter measures that could stop the criminals from enjoying their illegal profits and more importantly to prevent them from reinvesting their money in future criminal activities. Also, the measures could provide law enforcement alongside with innovative tools to detect criminal activities via the paper trail, and provide an evidentiary link for the purposes of prosecution between major organizers and criminal acts.

However, before more complex laws are passed, it would be timely to provide the following suggestions to the Jordanian lawmakers, policy makers, government, and law enforcement authorities:

- (1) The money laundering counter-measures have put significant regulatory and compliance burdens on the involved institutions. The measures have affected

not only the banks and financial institutions' business operations but also their relationship with their customers and other stakeholders.

(2) It is vital to have a continuous collaborative relationship between the Jordanian legislators, Jordanian Anti-Money Laundering Unit, and the banking industry to avoid problems of anti-money laundering in Jordan.

(3) The Jordanian government is the one who should bear all the costs resulting from anti-money laundering in the banks.

(4) There is a critical need for effective international cooperation. The efforts to hinder criminal funds also require extensive international cooperation. Because money laundering is international in nature, it is vital to have a strong international cooperation between governments. Without mutual assistance in the investigation and prosecution of offences and cooperation in the confiscation of the crime proceeds, it would be difficult to combat money laundering effectively.

(5) There is a need to establish uniformity across the world relating to the range of predicate offences.

(6) It is necessary to provide sufficient financial, human staff, and technical assistance to the Unit to meet the challenges in investigating money laundering.

(7) It is vital to implement the retrospectivity of the law principle to the laws of anti-money laundering.

(8) There is a need to work, via the media, to increase the awareness of the Jordanian society (banks, customers, and others) about the dangers of money laundering and the reasons for taking the procedures of anti-money laundering.

(9) The law enforcement and supervisory authorities as well as the regulated institutions need to increase their awareness of the methods of money laundering, especially the current and emerging trends. The awareness will provide them with a better image of the financial system's vulnerabilities to exploitation by criminals.

(10) The alternative remittance systems, charities, cash couriers, and wire transfers need to be regulated effectively.

(11) There is a need to work on solving the problems of monitoring customer's transaction and account status across several different countries.

(12) It is necessary to create a workable and well-balanced anti-money laundering regime.

(13) Higher risk customers should be defined clearly.

(14) How to justify a suspicious transaction report should be identified.

(15) The issue of training must be under government supervision.

(16) The measures related to correspondent banking relationships must be facilitated.

(17) The measures to combat money laundering associated with the trade-based money laundering activities must be established.

(18) The risks that need to be controlled and the manner of control must be identified.

(19) There is a need to provide banks with a similar list of politically exposed persons or some other guidance. A detailed guidance is required from the anti-money laundering regulator in order to enable the banks and their employees to discharge their legal obligations properly.

The Anti-Money Laundering Unit requires sufficient human resources to meet the challenges of investigating money laundering. At the current state the unit lacks sufficient enforcement infrastructure to carry out sophisticated financial investigations. Financial, human, and technical resources are apparently lacking for the unit to carry out inspections and ascertain that the anti-money laundering law provisions are applied and implemented.

To give effect to the above proposals, it is suggested that additional provisions be made to Article (7) of the Law No. 46, Anti-Money Laundering and Counter Terrorist

Financing Law 2007 as follows:

- d- The Unit shall be responsible of allocating a qualified and sufficient staff in the entities subject to the provisions of the law.*
- e- The tasks and authorities of the Unit staff include the following:*
 - 1. Setting continuous training plans and programs for the staff.*
 - 2. Establishing a system that includes policies, procedures, and controls for anti-money laundering.*
 - 3. Setting a system to ensure the identification of the customers of the entities.*
 - 4. Taking procedures to verify the validity of the information and data obtained from the customers of the entities.*
 - 5. Establishing procedures to deal with the risks of money laundering.*

6. *Classifying customers of the entities according to the degree of risk related to money laundering.*
7. *Accurately and continuously monitoring the transactions with high risk customers of the entities.*
8. *Setting a policy for preventative measures of the misuse of modern technologies in money laundering.*
9. *Analysing any transaction suspected to be related to money laundering.*
10. *Taking procedure of suspending, for a period not exceeding three working days, the on-going process on a transaction suspected to be related to money laundering.*
11. *Reporting, in a period not exceeding three working days, to the competent Prosecutor General for investigation once sufficient information are available of a transaction suspected to be related to money laundering.*
12. *Continuously engaging with the local and international stakeholders in the prevention of money laundering activities to ensure equitable, smooth and efficient administration of law and business efficacy.*

After implementing the proposed amendments above, it is suggested that the anti-money laundering laws be restructured and amended to suit and not contradict the proposed amendments, especially the restructuring and amendment of Instructions for Banks No. 51/2010.

The proposed amendments would decrease the burdens of anti-money laundering obligations imposed on banks because the responsibility of implementing such obligations will primarily be under the law enforcement authorities, not the banks. The result would be increased effectiveness and efficiency of implementation of the laws requirements, as well as the achievement of right balance between the benefits of the anti-money laundering laws and banks' interests.

The banks' primary aim is to make as much profit as possible, whereas the law enforcement authorities strives primarily to fight money laundering for public security and safety. Therefore, the proposed amendments would allow the law enforcement authorities to fulfil their duty regarding public security and the banks to fulfil their commercial role without additional burdens.

However, it must be considered that failure to find the right balance will not only create significant compliance problems for banks but also negatively affect the stability, proper functioning, and competitiveness of the financial system. In fact, it is unreasonable that the rigidity of the laws seems to fall on the banks having to comply and be conscientious and to their customers rather than on the criminals.

Finally, other suggestions and criticisms were made throughout the study regarding specific points but were not mentioned in the recommendations or in the proposed model. However, the suggestions should be considered by the Jordanian legislature when amending or introducing laws relating to anti-money laundering at banks. It is hopeful that the mentioned recommendations can be considered a modest guide that will contribute in creating a strong system of anti-money laundering in Jordan. Further studies covering other areas are certainly needed in order to improve the entire issue.

Hopefully this study will provide some insight into this area for academics, banks, banks legal advisers, policy makers, and practitioners, not only in Jordan but also elsewhere. When considering the international nature of money laundering and banking, there will be significant interest in how banks operations in Jordan are affected by the Jordanian laws.

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Appendix

The Questionnaire No. 1 in English Language Version



Greeting

You have been selected as a respondent of the study related to an analysis of the Jordanian anti-money laundering laws and their impact on the banking industry.

We are trying to obtain information about how the anti-money laundering laws have affected the relationship between banks and their customers. Your participation in this study is important and is appreciated as relevant information will contribute to a better understanding of the impact of Anti-Money Laundering Laws on banks.

The questionnaire consists of multi scales and it will take between 15-20 minutes to answer all the questions in the questionnaire. We would be very grateful if you could answer the questionnaire honestly. All information received is strictly confidential and will be used for research purposes only.

Section A: Demographic Variables

- Name (Optional):: _____
- Age: 25-34. 35 - 44. 45- 54. Above 54.
- Gender: Male Female
- Degree: High school or equivalent. Bachelor. Master. PhD.
- You are One of the:
 - The Jordanian anti-money laundering compliance officers at banks.
 - Bank Customers in Jordan/ Job: _____
 - The officers of the banking supervision department at the Jordanian Central Bank.
 - The officers of Jordan's Anti-Money Laundering Unit.
- Years of Experience: 1-5 Years. 6- 10 Years. 11-15 Years . Above 15 years.
- Phone Number (Optional):: _____
- Email Address (Optional):: _____
- Date: _____

You only need to tick under the answer that reflects your opinion. Please indicate your answer to the statement by using Seven categories which are as follow:

- 1- Strongly Disagree. 2- Disagree. 3- Disagree a Little.
 4- Neutral. 5- Agree a Little. 6- Agree. 7- Strongly Agree.

Section B: General Measures.

| No. | The Topics | Strongly Disagree | Disagree | Disagree a Little | Neutral | Agree a Little | Agree | Strongly Agree |
|-----|--|-------------------|----------|-------------------|---------|----------------|-------|----------------|
| 1 | Combating money laundering is not just a matter of fighting crime but also preserving the integrity of banks from being abused by money launderers. | | | | | | | |
| 2 | The anti-money laundering obligations have posed legal and administrative burdens on banks which are onerous and may involve serious legal obligations and other deficient compliance liabilities. | | | | | | | |
| 3 | The anti-money laundering obligations produce a significant shift in the way banks interact with their existing and potential customers. | | | | | | | |
| 4 | The anti-money laundering obligations ask banks to act as informers when they are asked to disclose suspected transactions. | | | | | | | |
| 5 | In complying with anti-money laundering obligations banks are placed in a difficult commercial position when trying to find a balance between the avoidance of criminal liability on the one hand and commercial liability on the other. | | | | | | | |
| 6 | The Anti-Money Laundering department in banks is a non-productive department and increases the economic burden on banks. | | | | | | | |
| 7 | Money laundering through banks increases the threat posed by serious crime, by facilitating the underlying crimes and providing funds for investments that allow the criminal enterprise to continue its operations. | | | | | | | |
| 8 | The flow of large amounts of funds from money laundering could significantly affect exchange interest rates, create artificial demand and affect pricing in a particular area. | | | | | | | |

Section C: Protection of Bank

| No. | The Topics | Strongly Disagree | Disagree | Disagree a Little | Neutral | Agree a Little | Agree | Strongly Agree |
|-----|--|-------------------|----------|-------------------|---------|----------------|-------|----------------|
| 1 | The Bank's anti-money laundering procedures protect it from legal liability. | | | | | | | |
| 2 | The Bank's anti-money laundering procedures protect it from the boycott of international banks. | | | | | | | |
| 3 | The Bank's anti-money laundering procedures protect it from collapse. | | | | | | | |
| 4 | The Bank's anti-money laundering procedures protect its customers from getting involved in money laundering crimes. | | | | | | | |
| 5 | The Bank's anti-money laundering procedures prevent money-laundering criminals from getting into the banking system. | | | | | | | |

Section D: Banking Secrecy Principle

| No. | The Topics | Strongly Disagree | Disagree | Disagree a Little | Neutral | Agree a Little | Agree | Strongly Agree |
|-----|--|-------------------|----------|-------------------|---------|----------------|-------|----------------|
| 1 | The commercial success of banking business and the sanctity of the relationship between banker and customer are based on banking secrecy principle. | | | | | | | |
| 2 | The banking secrecy is a customer privilege whereas combating money laundering crime is critical for public safety and security. | | | | | | | |
| 3 | The anti-money laundering procedure threatens the principle of banking secrecy because banks may disclose information when compelled by legislation. | | | | | | | |
| 4 | The threat of money laundering makes the overriding of banking secrecy unjustified because without a flow of information from the banks, the effective prevention of the message is not possible. | | | | | | | |
| 5 | Customers prefer to deal with banks that absolutely adhere to the banking secrecy principle. | | | | | | | |
| 6 | By requiring banks to disclose suspected transactions, there is the danger that customers may lose confidence since their secrets are not kept safely with banks. | | | | | | | |
| 7 | Anti-money laundering obligations provide sufficient safeguards to ensure that the disclosure of customer's information is carried out in a manner that is not prejudicial to the interest of customers. | | | | | | | |

Section E: Banking Products.

| No. | The Topics | Strongly Disagree | Disagree | Disagree a Little | Neutral | Agree a Little | Agree | Strongly Agree |
|-----|---|-------------------|----------|-------------------|---------|----------------|-------|----------------|
| 1 | The bank's commitment to anti-money laundering procedure ceases some banking services. | | | | | | | |
| 2 | Forcing banks to bear the cost of anti-money laundering affects providing the best time and price of banking service. | | | | | | | |
| 3 | The bank's commitment for checking all its customers' data, whether valid or not, leads to increasing the burden of the bank. | | | | | | | |
| 4 | Despite the fact that e-banks provide fast services, bank's commitment to monitor and audit the movement of client's account increases the time of transaction. | | | | | | | |
| 5 | The cost resulting from following up customer's accounts and reporting the financial operations cost weakens the bank's competitive capacity. | | | | | | | |
| 6 | The nature of the transferred money makes it difficult for the bank to verify the true beneficiary of the wire transfer. | | | | | | | |
| 7 | If the bank is requested to monitor the use of money, the nature of transaction, the commercial as well as the security background of its client, the burden and the time of the banking operation will increase. | | | | | | | |

Section F: Customer's Satisfaction

| No. | The Topics | Strongly Disagree | Disagree | Disagree a Little | Neutral | Agree a Little | Agree | Strongly Agree |
|-----|--|-------------------|----------|-------------------|---------|----------------|-------|----------------|
| 1 | Some clients do not understand the reasons for such procedures taken by banks to combat money laundering. | | | | | | | |
| 2 | The bank's mistaken reports of suspicious transactions leads to the client's dissatisfaction, thereby this may jeopardize the client's relationship with the bank. | | | | | | | |
| 3 | The bank's are reluctant to ask their wealthy clients questions related to anti-money laundering because banks are afraid of their dissatisfaction and want to maintain a close relationship with their clients. | | | | | | | |
| 4 | The bank's commitment to collect information about the customers when carrying out business with large amounts of money causes the client's dissatisfaction. | | | | | | | |
| 5 | Tracing the customer's account movement such as withdrawing and depositing causes the client's dissatisfaction. | | | | | | | |
| 6 | The bank's duty to send the client's confidential information to the competent authorities requested causes the client's dissatisfaction. | | | | | | | |
| 7 | The Bank's procedure of updating client's information periodically causes the client's dissatisfaction. | | | | | | | |
| 8 | The Bank's procedure of verifying the source of the customer's money (deposit) causes the client's dissatisfaction. | | | | | | | |
| 9 | The Bank's procedure of monitoring unusual activity causes the client's dissatisfaction. | | | | | | | |
| 10 | The Bank's procedure of verifying the identity of the real beneficiary owner causes the client's dissatisfaction. | | | | | | | |
| 11 | The bank's restrictions on funds transfer hinder attracting capitals. | | | | | | | |
| 12 | The bank's commitment to not dealing with digital accounts hinder attracting capitals. | | | | | | | |
| 13 | The bank's commitment to not opening an account for a client who did not provide all his information hinder attracting capitals. | | | | | | | |
| 14 | The costs of complying with anti-money laundering obligations are added to the cost of the service provided to the customers. | | | | | | | |
| 15 | The anti-money laundering obligations are not enough capable of preventing money launderers from using banks, who they add burdens on the banks and their customers. | | | | | | | |
| 16 | It is crucial at this time in Jordan to establish effective coordination between legislators and the banking industry in order to minimize problems faced by the banks with their customers. | | | | | | | |

Thank you for your patience. Your support is highly appreciated.
 Ahmad Abu Olaim/ PhD student in Universiti Utara Malaysia.
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The Questionnaire No. 1 in Arabic Language Version



COLLEGE OF LAW, GOVERNMENT AND INTERNATIONAL STUDIES
Questionnaire No.1

تحية

لقد تم اختيار كة عينة للدراسة المتعلقة بتحليل قوانين مكافحة غسل الأموال الأردنية وقرها على لصناعة المصرفية .

نحن نحاول الحصول على معلومات حول كيفية تأثير قوانين مكافحة غسل الأموال على العلاقة بين البنوك وعملائها. مشاركتكم في هذه الدراسة مهمة و تحظى بالتقدير لان هذه المعلومات ستسهم في تحقيق فهم أفضل لتأثير قوانين مكافحة غسل الأموال في البنوك .

يتكون الاستبيان من مستويات متعددة، و يستغرق ما بين 15-20 دقيقة للرد على جميع اسئلة هذا الاستبيان ستكون ممتين لو أخذتم الإجابة بصدق. جميع المعلومات التي وردت سرية للغاية وسوف تستخدم لغايات البحث فقط.

قسم A: المتغيرات لديموغرافية



- الاسم (اختياري): _____
- العمر: 25-34 35-44 45-54 اكثر من 54.
- الجنس: ذكر نثى
- المستوى التعليمي: ثانوية عامة او مايعادلها. بكالوريوس. ماجستير. دكتوراه
- تنتمي الى فئة:
 موظفي قسم الامتثال للترتات مكافحة غسل الأموال في البنوك الأردنية.
 عملاء البنوك الأردنية / الوظيفية:
 موظفي دائرة الرقابة على الجهاز المصرفي في البنك المركزي الأردني.
 موظفي وحدة مكافحة غسل الأموال الأردنية.
- سنوات الخبرة: 1-5 سنوات. 6-10 سنوات. 11-15 سنة. اكثر من 15 سنة.
- رقم الهاتف (اختياري): _____
- البريد الإلكتروني (اختياري): _____
- التاريخ: _____

يرجى وضع إشارة (✓) تحت الاجابة التي تعكس رايك من الخيارات لتسايعه للتاليه:
 1- لا اوافق بشدة. 2- لا اوافق. 3- لا اوافق قليلا. 4- محايد. 5- الموافقة قليلا. 6- موافق. 7- موافق بشدة

قسم B : الإجراءات العامة

| No | الموضوعات | لا اوافق بشدة | لا اوافق | لا اوافق قليلا | محايد | الموافقة قليلا | موافق | موافق بشدة |
|----|--|---------------|----------|----------------|-------|----------------|-------|------------|
| 1 | أن عملية مكافحة غسل الأموال ليست مجرد مسألة مكافحة للجريمة، ولكنها أيضا مسألة المحافظة على كيان البنوك من استقلال غاسلي الأموال. | | | | | | | |
| 2 | التزامات مكافحة غسل الأموال فرضت اعباء قانونية وادارية مرهقة على البنوك. و قد تتطوي على التزامات قانونية، و أخرى خطيرة مثل الامتثال الناقص للالتزامات. | | | | | | | |
| 3 | التزامات مكافحة غسل الأموال عملت تحولا كبيرا في طرق تعامل البنوك مع عملائها الحاليين والمحتملين. | | | | | | | |
| 4 | التزامات مكافحة غسل الأموال تطالب البنوك العمل كمخبرين، عندما يتوجب عليهم الكشف عن المعاملات المشبوهة. | | | | | | | |
| 5 | التزامات مكافحة غسل الأموال وضعت البنوك في موقف تجاري صعب عند الامتثال لها، وذلك عندما تحاول البنوك إيجاد توازن بين تجنب المسؤولية الجزائية من جهة والمسؤولية التجارية من جهة أخرى. | | | | | | | |
| 6 | قسم مكافحة غسل الأموال في البنوك هو قسم غير اتحادي، و يزيد من الأعباء الاقتصادية على البنوك. | | | | | | | |
| 7 | إن غسل الأموال من خلال البنوك يزيد من التهديد الذي تشكله الجريمة الخطيرة، وذلك من خلال تسهيل الجرائم وتوفير الأموال اللازمة للاستثمارات ، مما يسمح للمشاريع الإجرامية بمواصلة أعمالها. | | | | | | | |
| 8 | تدقق كميات كبيرة من اموال الغسيل يمكن ان يؤثر تأثيرا كبيرا على سعر التصريف و الفائدة، و كذلك يخلق طلب مصطنع على السلع في منطقة معينة مما يؤثر على اسعارها. | | | | | | | |

قسم C : حماية البنك .

| No | الموضوعات | لا اوافق بشدة | لا اوافق | لا اوافق قليلا | محايد | الموافقة قليلا | موافق | موافق بشدة |
|----|---|---------------|----------|----------------|-------|----------------|-------|------------|
| 1 | إجراءات البنك في مكافحة غسل الأموال تحميه من المسؤولية القانونية. | | | | | | | |
| 2 | إجراءات البنك في مكافحة غسل الأموال تحميه من مقاطعة البنوك الدولية. | | | | | | | |
| 3 | إجراءات البنك في مكافحة غسل الأموال تحميه من الاتهام. | | | | | | | |
| 4 | إجراءات البنك في مكافحة غسل الأموال تحمي العملاء من التورط في جرائم غسل الأموال. | | | | | | | |
| 5 | إجراءات البنك في مكافحة غسل الأموال تمنع مجرمي غسل الأموال من استقلال النظام المصرفي. | | | | | | | |

قسم D: مبدأ السرية المصرفية

| No | الموضوعات | لا أوافق بشدة | لا أوافق | محايد | أوافق قليلا | أوافق بشدة |
|----|---|---------------|----------|-------|-------------|------------|
| 1 | يعتمد النجاح التجاري للعمل المصرفي، و كذلك تعتمد قدسية العلاقة ما بين المصرفيين و العملاء على مبدأ السرية المصرفية. | | | | | |
| 2 | السرية المصرفية هي حق للعملاء بينما مكافحة جريمة غسل الأموال أمر بالغ الأهمية للأمانة و الأمن العام. | | | | | |
| 3 | إجراءات مكافحة غسل الأموال تهدد مبدأ السرية المصرفية، لأن البنوك قد تكشف عن معلومات عندما تمتثل للتشريعات. | | | | | |
| 4 | بكون تدفق المعلومات من البنوك فإن الوفاية الفعالة من خطر غسل الأموال غير ممكن، لذلك فإن هذا الخطر يجعل السرية المصرفية المبالغ فيها أمر غير مبرر. | | | | | |
| 5 | يفضل العملاء التعامل مع البنوك التي تلتزم تماما بمبدأ السرية المصرفية. | | | | | |
| 6 | هناك مخاطره في إزام البنوك بالإفصاح عن العمليات المشتبته فيها، لأن العملاء قد يفقدو الثقة. بسبب ان أسرارهم ليست آمنة عند البنوك. | | | | | |
| 7 | توفر التزامات مكافحة غسل الأموال ضمانات كافية لضمان أن الإفصاح عن معلومات العميل تنفذ بطريقة لا تضر مصالحه العملاء. | | | | | |

قسم E: المنتوجات المصرفية.

| No | الموضوعات | لا أوافق بشدة | لا أوافق | محايد | أوافق قليلا | أوافق بشدة |
|----|--|---------------|----------|-------|-------------|------------|
| 1 | يتسبب التزام البنك بإجراءات مكافحة غسل الأموال بتوقف بعض الخدمات المصرفية. | | | | | |
| 2 | تحمل البنوك تكاليف مكافحة غسل الأموال يؤثر على توفير أفضل وقت وسعر للخدمة المصرفية. | | | | | |
| 3 | يتسبب التزام البنك من التحقق من صحة معلومات جميع العملاء الذين يطلبون خدماته إلى زيادة عبء البنك. | | | | | |
| 4 | على الرغم من ميزة البنوك الإلكترونية (السرعة)، إلا أن التزام البنوك برصد وتدقيق حركة حساب العميل يزيد من وقت المعاملة. | | | | | |
| 5 | لتكاليف الناتجة عن متابعة حسابات العملاء والإبلاغ عن العمليات المالية تضعف من القدرة التنافسية للبنوك. | | | | | |
| 6 | طبيعة الحوالة تجعل من الصعب على البنك التحقق من شخصيه المستفيد الحقيقي للحوالة. | | | | | |
| 7 | إذا طلب من البنك مراقبة حركة الأموال و مراقبه طبيعة المعاملات، و كذلك إذا طلب منه مراقبه الخلفية الأمنية لعملائها، فإن عبء و وقت العملية المصرفية سيزيد. | | | | | |

قسم F: رضا العميل

| No | الموضوعات | لا اوافق بشدة | لا اوافق | محايد | أوافق كبداية | أوافق بشدة |
|----|---|------------------|----------|-------|-----------------|---------------|
| 1 | بعض العملاء لا يفهمون اسباب اتخذ البنك لمثل هذه الاجراءات لمكافحة غسل الأموال . | | | | | |
| 2 | تقارير البنك الخاطئة عن المعاملات المشبوهة يؤدي إلى أستياء العميل، وبالتالي هذا قد يعرض علاقة العميل مع البنك للخطر. | | | | | |
| 3 | تتردد البنوك عن طرح أسئلتهم المتعلقة بمكافحة غسل الاموال على عملائها الأثرياء، لان البنوك تخشى من استيائهم، و ترغب بلحفاظ على العلاقة الوثيقة مع عملائها. | | | | | |
| 4 | التزام البنك بجمع المعلومات عن العملاء تحدد تنفيذ معاملات بمبالغ طائلة يتسبب بأستياء العميل. | | | | | |
| 5 | تتبع حركة حساب العميل مثل سحب وإيداع يسبب أستياء للعميل | | | | | |
| 6 | واجب البنك بإرسال معلومات العميل السرية للسلطات المختصة عند الطلب يسبب أستياء للعميل. | | | | | |
| 7 | إجراءات البنك الدورية لتحديث معلومات العملاء تسبب أستياء للعميل. | | | | | |
| 8 | إجراءات البنك عند التحقق من مصدر اموال العميل (الودائع) تسبب أستياء العميل. | | | | | |
| 9 | إجراءات البنك لرصد النشاط غير العادي يؤدي إلى عدم رضا العميل. | | | | | |
| 10 | إجراءات البنك للتحقق من هوية المستفيد الحقيقي تسبب عدم رضا العميل. | | | | | |
| 11 | فيود البنك على تحويل الأموال يعيق جذب رؤوس الاموال. | | | | | |
| 12 | التزام البنك بعدم التعامل مع الحسابات الرقمية يعيق جذب رؤوس الأموال. | | | | | |
| 13 | التزام البنك بعدم فتح حساب للعميل الذي لا يقوم بتوفير معلوماته يعيق جذب رؤوس الأموال. | | | | | |
| 14 | تضاف تكاليف امتثال البنوك لالتزامات مكافحة غسل الأموال لتكلفة الخدمة المقدمة للعملاء. | | | | | |
| 15 | التزامات مكافحة غسل الأموال غير كافية في منع غاسلي الأموال من استخدام البنوك، كما أنها تشكل أعباء على البنوك وعمالها. | | | | | |
| 16 | ومن المهم في هذا الوقت في الأردن انشاء تسيق فعال بين المشرعين والقطاع المصرفي من أجل تقليل المشاكل التي تواجهها البنوك مع عملائها. | | | | | |

نشكرك على سعة صدرك طوال الاستبيان. دعمكم محل تقديرنا
 احمد ابو عليم/طالب دكتوراه في جامعة شمل مائيزيا.

E-Mail: olaim2014@gmail.com.
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The Questionnaire No. 2 in English Language Version



Greeting,

You have been selected as a respondent of the study related to an analysis of the Jordanian anti-money laundering laws and their impact on the banking industry.

We are trying to obtain information about the perceptions of the bankers towards anti-money laundering obligations imposed on them. Your participation in this study is important and is appreciated as relevant information will contribute to a better understanding of the impact of Anti-Money Laundering Laws on banks.

The questionnaire consists of multi scales and it will take between 20-25 minutes to answer all the questions in the questionnaire. We would be very grateful if you could answer the questionnaire honestly. All information received is strictly confidential and will be used for research purposes only.

Section A: Demographic Variables

- Name (Optional):: _____
- Age: 25-34. 35 - 44. 45- 54. Above 54.
- Gender: Male Female
- Degree: High school or equivalent. Bachelor. Master. PhD.
- Name of Your Bank (Optional): _____
- Job Title: _____
- Years of Experience: 1-5 Years. 6- 10 Years. 11-15 Years . Above 15 years.
- Phone Number (Optional):: _____
- Email Address (Optional):: _____
- Date: _____



Section B: General Anti-money Laundering Practices.

- 1- You only need to tick under the answer that reflects your opinion. Please indicate your answer to the statement by using Seven categories which are as follows: 1-Strongly Disagree, 2-Disagree, 3-Disagree a Little, 4-Neutral, 5-Agree a Little, 6-Agree, 7-Strongly Agree.

| No. | The Topics | Strongly Disagree | Disagree | Disagree a Little | Neutral | Agree a Little | Agree | Strongly Agree |
|-----|--|-------------------|----------|-------------------|---------|----------------|-------|----------------|
| a | Jordanian legislations aim primarily to meet all the international standards concerning anti-money laundering legislations imposed on banks. | | | | | | | |
| b | Not all imposed international standards are applicable in Jordanian banks; Jordanian banks have different economic strength. | | | | | | | |

- 2- Are all the Jordanian legislations of an anti-money laundering applicable in the bank?
 YES NO
- 3- Is the position of Money Laundering Reporting Officer your only job?
 YES NO
- 4- How much time, of your total work hours, do you spend on preparing Anti-Money Laundering reports?
 1%- 25% 26%- 50% 51%- 75% Above 75%
- 5- To what extent are you satisfied with the Jordanian's anti-money laundering legislations?
 25% 50% 75% 100%

Section C: Obligations of Compliance.

- 1- You only need to tick under the answer that reflects your opinion. Please indicate your answer to the statement by using Seven categories which are as follows: 1-Strongly Disagree, 2-Disagree, 3-Disagree a Little, 4-Neutral, 5-Agree a Little, 6-Agree, 7-Strongly Agree.

| No. | The Topics | Strongly Disagree | Disagree | Disagree a Little | Neutral | Agree a Little | Agree | Strongly Agree |
|-----|--|-------------------|----------|-------------------|---------|----------------|-------|----------------|
| a | The main reason for the existence of bank is to make as much profit as possible, whereas, the main reason for enforcing the anti-money laundering obligations is for public safety and security. Hence, their cultural and commercial interests are distinct from that of the law enforcement authorities. | | | | | | | |
| b | Non-compliance of bank with anti-money laundering obligations can result in fines and penalties. | | | | | | | |
| c | Non-compliance of bank with anti-money laundering obligations can result in negative publicity. | | | | | | | |
| d | If the bank does not comply with anti-money laundering obligations, crime prevention objectives will be taken down. | | | | | | | |
| e | Anti-money laundering obligations create a major dilemma for banks, as compliance with these obligations can increase the cost and complexity of banking operations. | | | | | | | |
| f | The compliance of bank with anti-money laundering obligations in an absolute manner threatens the principles of banking secrecy. | | | | | | | |
| g | The effectiveness of anti-money laundering measures have a significant impact on the efficiency of the corporate governance of the bank, which is a key element in ensuring that the bank operates in a safe and sound manner. | | | | | | | |



2. Which one of the following costs the most when the bank complies with anti-money laundering obligations?
- Customer identification. Monitoring transactions.
 Training. Other: _____
3. Which obligation consumes the most time when complying with the obligations?
- Customer identification. Monitoring transactions.
 Training. Other: _____
4. What is the main benefit for bank when complying with the obligations?
- Reducing crimes. It is created market confidence.
 There is no benefit to the bank. Other: _____
5. What is the main burden for banks when complying with anti-money laundering obligations?
- These obligations are considered as intrusive by many customers. These obligations take a long time.
 Other: _____ There is no burden.

Section D: Obligations of Customers Due Diligence - Know Your Customer Principle-

You only need to tick (✓) under the answer that reflect your opinion. Please indicate your answer to the statement by using Seven categories which are as follows: 1-Strongly Disagree, 2-Disagree, 3-Disagree a Little, 4- Neutral, 5-Agree a Little, 6-Agree, 7-Strongly Agree.

| No. | The Topics | Strongly Disagree | Disagree | Disagree a Little | Neutral | Agree a Little | Agree | Strongly Agree |
|-----|--|-------------------|----------|-------------------|---------|----------------|-------|----------------|
| 1 | Customer due diligence procedures are vital for obtaining satisfactory evidence concerning the identity and the legal existence of the customer. | | | | | | | |
| 2 | The Importance of Customer identification does not only help banks to detect, deter and encounter money laundering, but also provide tangible benefits to the banks, their customers and the financial systems as a whole. | | | | | | | |
| 3 | The due diligence procedures produce a significant shift in the way the banks interact with their existing and potential customers. | | | | | | | |
| 4 | Knowing Your Customer policy is difficult to be implemented because there is no obvious end point to the information collected by the bank. | | | | | | | |
| 5 | The unwillingness of the customer to provide the requested information and to cooperate in the due diligence process may by itself be a factor of suspicion. | | | | | | | |
| 6 | The requirements for identifying and verifying beneficiary account add a significant burden on the bank because of the complex nature of these accounts and the bank employees need special skills to deal with such accounts. | | | | | | | |
| 7 | The highly risky customers are not clearly defined in legislations. | | | | | | | |
| 8 | Verifying highly risky customers and determining whether their money is earned out of legitimate sources or not are not an easy task for Banks. | | | | | | | |
| 9 | The requirement of not permitting dealing with numbered accounts has affected the commercial interest of the bank. | | | | | | | |



Section E: Obligations of Monitoring of Transactions

- 1- You only need to tick under the answer that reflects your opinion. Please indicate your answer to the statement by using Seven categories which are as follows: 1-Strongly Disagree, 2-Disagree, 3-Disagree a Little, 4-Neutral, 5-Agree a Little, 6-Agree, 7-Strongly Agree.

| No. | The Topics | Strongly Disagree | Disagree | Disagree a Little | Neutral | Agree a Little | Agree | Strongly Agree |
|-----|---|-------------------|----------|-------------------|---------|----------------|-------|----------------|
| a | The bank needs to spend significant amount of money to install or upgrade sophisticated monitoring systems to keep pace with the increasing regulatory obligations. | | | | | | | |
| b | The bank faces challenges in monitoring the account that crosses several different countries due to banking secrecy and data protection rules. | | | | | | | |
| c | Despite of having sophisticated monitoring technology that detect and monitor money laundering risks, banks still greatly depend on the vigilance of their staff to identify and monitor suspicious activities. | | | | | | | |
| d | The bank has to monitor suspicious transactions. But generally, legislations do not provide adequate guidance on how banks should determine which transactions are suspicious. | | | | | | | |

- 2- What is the main challenge facing the bank when applying the obligations of monitoring?

- Monitoring requirements are applicable in business relationships and transactions with individuals, business, companies and financial institutions.
- Employees are responsible for any failure in observing the anti-money laundering requirements.
- Monitoring requirements need high cost.
- Other: _____

- 3- Do you consider the obligations of monitoring operations and the movement of customer accounts as one of the reasons that led to the increase in the cost of combating money laundering?

- YES NO

- 4- Do the obligations of monitoring of unusual transactions and transactions of occasional customer delay banking operations?

- YES NO

- 5- Are the costs of monitoring electronic transfers added to the provided customer services cost?

- YES NO

Section F: Obligations of Reporting

- 1- You only need to tick under the answer that reflects your opinion. Please indicate your answer to the statement by using Seven categories which are as follows: 1-Strongly Disagree, 2-Disagree, 3-Disagree a Little, 4-Neutral, 5-Agree a Little, 6-Agree, 7-Strongly Agree.

| No. | The Topics | Strongly Disagree | Disagree | Disagree a Little | Neutral | Agree a Little | Agree | Strongly Agree |
|-----|--|-------------------|----------|-------------------|---------|----------------|-------|----------------|
| a | Jordanian anti-money laundering legislations provide guidance for identifying suspicion, however the word 'suspicious' is not explicitly defined, so identifying suspicious cash or transaction is not an easy task for the bank. | | | | | | | |
| b | Jordanian anti-money laundering legislations were not clear enough in the procedures related to cash transaction reports; this may be due to the fact that a cash transaction is clearly identifiable when compared to a suspicious transaction. | | | | | | | |



2. On average, how many money laundering operations do banks disclose per year?
 (Classified) Not available to the public. The average is _____
3. Which task does Money Laundering Reporting Officer spend most of his/her work hours on?
 Training. Obtaining client identification.
 Analyzing money laundering report forms. Other: _____
4. Which means does Money Laundering Reporting Officer use for reporting suspicious transactions?
 Telephone. Mail. Internet. Other: _____
5. If you suspect any banking operation related to money laundering, whom will you report it to?
 To the Bank Administration. To the Jordanian Anti Money Laundering Unit
 To both. Other: _____

Section G. Obligations of Record-Keeping

1. You only need to tick under the answer that reflects your opinion. Please indicate your answer to the statement by using Seven categories which are as follows: 1-Strongly Disagree 2-Disagree 3-Disagree a Little 4-Neutral 5-Agree a Little 6-Agree 7-Strongly Agree.

| No. | The Topics | Strongly Disagree | Disagree | Disagree a Little | Neutral | Agree a Little | Agree | Strongly Agree |
|-----|--|-------------------|----------|-------------------|---------|----------------|-------|----------------|
| a | Jordanian anti-money laundering legislations request the bank to maintain certain records for a period of time, not less than four years, because normally money laundering investigations take a long time due to the complicated nature of the process and the challenges faced by the law enforcement agencies. | | | | | | | |
| b | The record-keeping requirements are perceived as the biggest challenge for the banking industry. | | | | | | | |

2. The main benefit of record keeping for the bank is :
 Organizing bank's internal work. Facilitating tax audits.
 Compliance with anti-money laundering laws. Other: _____
3. Do the obligations of record keeping imposed on banks require banks to change existing file management and archiving arrangements?
 YES NO
4. In keeping records, which of the following do you use?
 hardcopy for all transactions.
 softcopy for all transactions.
 Hard copy for paper transactions and softcopy for electronic transactions.
 Hard copy and softcopy for all transactions.
5. Do the obligations of record keeping of e-transactions imposed on banks are effective enough to combat money laundering?
 Yes.
 NO, because of the use of a higher level of encryption by criminals.
 NO, because of the inadequacy of cooperation between technology providers at the international level to exchange information.
 Other: NO, because of _____



Section H: Obligations of Training

- 1- You only need to tick under the answer that reflects your opinion. Please indicate your answer to the statement by using Seven categories, which are as follows: 1-Strongly Disagree, 2-Disagree, 3-Disagree a Little, 4-Neutral, 5-Agree a Little, 6-Agree, 7-Strongly Agree.

| No. | The Topics | Strongly Disagree | Disagree | Disagree a Little | Neutral | Agree a Little | Agree | Strongly Agree |
|-----|--|-------------------|----------|-------------------|---------|----------------|-------|----------------|
| a | The effectiveness of the suspicious transaction report system seriously depends on the professional knowledge and expertise of the compliance officer. Therefore, it is crucial to ensure that the compliance officer is given sufficient training on money laundering combating measures. | | | | | | | |
| b | Weak training among employees in anti-money laundering leads to wrong reporting, so it could jeopardize bona fide customers. | | | | | | | |
| c | Employees need training to deal with money laundering operations. Unless bank employees are sufficiently trained, they are unlikely to be able to discharge their obligations of anti-money laundering. | | | | | | | |

- 2- How often does the bank conduct training in anti-money laundering for employees?
 Once a year. Twice a year. Three times a year. Other: _____
- 3- What kind of training does the bank conduct for employees?
 Self-training (self-directed, video). External provider (classroom, seminar).
 Computer assisted (online training). Other: _____
- 4- What is the main challenge that faces the bank in applying the obligations of anti-money laundering training?
 These obligations require concentrated training. High cost staff training.
 Training includes a large number of employees. Other: _____
- 5- The hardest training in anti-money laundering is
 How to suspect banking operations. Methods of monitoring banking transactions.
 Methods of validation data. Other.

Thank you for your patience. Your support is highly appreciated.

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The Questionnaire No. 2 in Arabic Language Version



COLLEGE OF LAW, GOVERNMENT AND INTERNATIONAL STUDIES
Questionnaire No.2

تحية

لقد تم اختيارك كعينة للدراسة المتعلقة بتحليل قوانين مكافحة غسل الأموال الأردنية وأثرها على الصناعة المصرفية .
نحن نحاول الحصول على معلومات حول تصورات المصرفيين تجاه التزامات مكافحة غسل الأموال المقروضة عليهم. مشاركتكم في هذه الدراسة مهمة و تحظى بالتقدير لان هذه المعلومات ستسهم في تحقيق فهم أفضل لتأثير قوانين مكافحة غسل الأموال على البنوك .
يتكون الاستبيان من مستويات متعددة، و يستغرق ما بين 20-25 دقيقة للرد على جميع اسئلة هذا الاستبيان ستكون ممتين لو أمكنكم الإجابة بصدق. جميع المعلومات التي وردت سرية للغاية وسوف تستخدم لغايات البحث فقط .

قسم A: المتغيرات الديموغرافية



- الاسم (اختياري): _____
- العمر: 25-34 35-44 45-54 اكثر من 54.
- الجنس: ذكر انثى
- المستوى التعليمي: ثانوية عامة او مايعادلها. بكالوريوس. ماجستير. دكتوراه.
- اسم البنك الذي تعمل فيه (اختياري): _____
- المسمى الوظيفي: _____
- سنوات الخبرة: 1-5 سنوات. 6-10 سنوات. 11-15 سنة. اكثر من 15 سنة.
- رقم الهاتف (اختياري): _____
- البريد الإلكتروني (اختياري): _____
- التاريخ: _____



قسم B: الممارسات العامة لمكافحة غسل الأموال

- 1- يرجى وضع إشارة (X) تحت الإجابة التي تعكس رأيك من الخيارات السابعة التالية:
1- لا أوافق بشدة. 2- لا أوافق. 3- لا أوافق قليلا. 4- محايد. 5- الموافقة قليلا. 6- موافق. 7- موافق بشدة

| No | الموضوعات | لا أوافق بشدة | لا أوافق | لا أوافق قليلا | محايد | الموافقة قليلا | موافق | موافق بشدة |
|----|--|---------------|----------|----------------|-------|----------------|-------|------------|
| a | تشريعات مكافحة غسل الأموال الأردنية المفروضة على البنوك تهدف في المقام الأول الى تلبية جميع المعايير الدولية. | | | | | | | |
| b | ليس جميع المعايير الدولية المفروضة قابلة للتطبيق على البنوك الأردنية، لأن البنوك الأردنية لها قوة اقتصادية مختلفة. | | | | | | | |

- 2- هل كل التشريعات الأردنية لمكافحة غسل الأموال قابل للتطبيق في البنك؟

نعم لا

- 3- هل وظيفة موظف الإبلاغ عن عمليات غسل الأموال هي الوحيدة لك؟

نعم لا

- 4- كم من الوقت، من مجموع ساعات العمل الخاصة بك، تستغرقه بإعداد تقارير مكافحة غسل الأموال؟
1% - 25% 26% - 50% 51% - 75% أكثر من 75%

- 5- إلى أي مدى أنت راض عن تشريعات مكافحة غسل الأموال الأردنية؟

25% 50% 75% 100%

قسم C: التزامات الامتثال

- 1- يرجى وضع إشارة (X) تحت الإجابة التي تعكس رأيك من الخيارات السابعة التالية:
1- لا أوافق بشدة. 2- لا أوافق. 3- لا أوافق قليلا. 4- محايد. 5- الموافقة قليلا. 6- موافق. 7- موافق بشدة

| No | الموضوعات | لا أوافق بشدة | لا أوافق | لا أوافق قليلا | محايد | الموافقة قليلا | موافق | موافق بشدة |
|----|--|---------------|----------|----------------|-------|----------------|-------|------------|
| a | إن السبب الرئيسي لوجود البنك هو تحقيق أكبر قدر ممكن من الأرباح، في حين أن السبب الرئيسي لسن التزامات مكافحة غسل الأموال هو السلامة العامة. وبالتالي، فإن المصالح الثقافية والتجارية تختلف عن تلك التي لدى مشرع الائتمانات. | | | | | | | |
| b | عدم امتثال البنك لالتزامات مكافحة غسل الأموال يمكن أن يؤدي إلى فرض غرامات وعقوبات. | | | | | | | |
| c | عدم امتثال البنك لالتزامات مكافحة غسل الأموال يمكن أن يؤدي إلى الدعاية السلبية. | | | | | | | |
| d | عدم امتثال البنك لالتزامات مكافحة غسل الأموال يمكن أن يؤدي إلى الإطاحة بأهداف متع الجريمة. | | | | | | | |
| e | التزامات مكافحة غسل الأموال توجد إشكاليه للبنوك، لأن الامتثال لهذه الالتزامات يمكن أن يزيد من تكاليف وتعقيد العمليات المصرفية. | | | | | | | |
| f | إن امتثال البنك لالتزامات مكافحة غسل الأموال بطريقة مطلقة يهدد مبادئ السرية المصرفية. | | | | | | | |
| g | إن فعالية تدابير مكافحة غسل الأموال لديها تأثير كبير على كفاءة حوكمة الشركات في البنك، و الذي بدوره يعد حتميا أساسيا في ضمان أن البنك يعمل بطريقة آمنة وسلمية. | | | | | | | |



2. أي التزام يكلف أكثر عند امتثال البنك اليه؟
 تحديد هوية العميل. مراقبة الحوالات. التدريب. غيره: _____
3. أي التزام يستغرق معظم الوقت عندما الامتثال اليه؟
 تحديد هوية العميل. مراقبة الحوالات. التدريب. غيره: _____
4. ما هي القادة الرئيسية للبنوك عند الامتثال للالتزامات؟
 التقليل من الجرائم. زيادة ثقة السوق. لا توجد قائده عائدته على البنك. غيرها: _____
5. ما هو العبء الرئيسي على البنوك عند الامتثال للالتزامات مكافحة غسل الأموال؟
 ان كثير من العملاء يعتبرتها تطقيها. تستغرق هذه الالتزامات وقتا طويلا. غيرها: _____
 لا توجد اعباء تذكر.
- قسم D: لالتزامات العناية الواجبه بالعميل - مبداء اعرف عميلك.

يرجى وضع اشارة (X) تحت الاجابة التي تعكس رايك من الخيارات السابعة التالية:

- 1- لا اوافق بشدة. 2- لا اوافق. 3- لا اوافق قليلا. 4- محايد. 5- الموافقة قليلا. 6- موافق. 7- موافق بشدة

| No | لموضوعات | لا اوافق بشدة | لا اوافق | لا اوافق قليلا | محايد | الموافقة قليلا | موافق | موافق بشدة |
|----|---|---------------|----------|----------------|-------|----------------|-------|------------|
| 1 | تعتبر إجراءات العناية الواجبة للعملاء حيوية للحصول على أدلة مقنعة بشأن الهوية والوجود القانوني للعميل. | | | | | | | |
| 2 | أهمية تحديد هوية العميل لا تساعد فقط البنوك في كشف و ردع و مواجهة غسل الأموال، ولكنها أيضا توفر فوائد ملموسة للبنوك و عملائها والتنظم المالية ككل. | | | | | | | |
| 3 | سيبت إجراءات العناية الواجبة تحولاً كبيراً في الطريقة التي تتفاعل فيها البنوك مع عملائها الحاليين والمحتملين. | | | | | | | |
| 4 | من الصعب تنفيذ سياسة اعرف عميلك، لأنه لا يوجد نقطة نهاية واضحة للمعلومات التي يتم جمعها من قبل البنك. | | | | | | | |
| 5 | عدم رغبة العملاء في تزويد المعلومات المطلوبة والتعاون في عملية العناية الواجبة قد يكون في حد ذاته عاملاً من عوامل الشك. | | | | | | | |
| 6 | تفرض متطلبات تحديد و التحقق من المستفيد الحقيقي للحساب علينا كثيراً على البنك، بسبب الطبيعة المعقدة للحسابات، ويحتاج موظفي البنك لمهارات خاصة للتعامل الحسابات. | | | | | | | |
| 7 | لم يتم تعريف العملاء ذو المخاطر العالية بشكل واضح في التشريعات. | | | | | | | |
| 8 | التحقق من العملاء ذو المخاطر العالية وتحديد فيما إذا كانت أموالهم حصلت من مصدر مشروعة أم لا ليست مهمة سهلة للبنوك. | | | | | | | |
| 9 | الزام البنك بعدم التعامل مع الحسابات المرقمة أثرت على المصلح التجارية له. | | | | | | | |



قسم E: التزامات مراقبة التعاملات

- 1- يرجى وضع إشارة (X) تحت الاجابة التي تعكس رايتك من الخيارات السابعة التالية:
1- لا اوافق بشدة. 2- لا اوافق. 3- لا اوافق قليلا. 4- محايد. 5- الموافقة قليلا. 6- موافق. 7- موافق بشدة

| No | الموضوعات | لا اوافق بشدة | لا اوافق | لا اوافق قليلا | محايد | الموافقة قليلا | موافق | موافق بشدة |
|----|--|---------------|----------|----------------|-------|----------------|-------|------------|
| a | يحتاج البنك إلى إتفاق مبالغ طائلة لتثبيت أو تطوير نظم رصد متطورة لمواكبة التشريعات التنظيمية المتزايدة. | | | | | | | |
| b | يواجه البنك تحديات في مراقبة الحساب العابر لعدة بلدان مختلفة (دولي) ، بسبب السرية المصرفية وقواعد حماية البيانات. | | | | | | | |
| c | على الرغم من تكنولوجيا الرصد المتطورة المتاحة التي تكتشف و تتنبأ بمخاطر غسل الأموال، إلا أنه لا تزال البنوك تعتمد إلى حد كبير على يقظة موظفيهم لتحديد ورصد الأنشطة المشبوهة. | | | | | | | |
| d | على البنك رصد التعاملات المشبوهة. لكن التشريعات لا توفر التوجيه الكافي للبنوك حول كيفية تحديد التعاملات المشبوهة. | | | | | | | |

- 2- ما هو التحدي الرئيسي الذي يواجه البنك عند تطبيق التزامات الرصد؟
- ان متطلبات لرقبه تطيق على لعلاقات ل تجارية وعلى المعاملات مع الأفراد وعلى قطاع الأعمال وعلى الشركات والمؤسسات المالية.
- ان الموظفين هم المسؤولين عن أي إخفاقي في رصد غسل الأموال.
- ان متطلبات الرقابه تحتاج تكلفة عالية.
- غيرها:

- 3- هل تعتبر التزامات عمليات مراقبة حركة حسابات العملاء كواحدة من الأسباب التي أدت إلى زيادة تكلفة مكافحة غسل الأموال ؟
- نعم لا

- 4- هل التزامات مراقبة التعاملات غير المعتادة وكذلك تعاملات العميل المعارض تؤدي إلى تأخير العمليات المصرفية؟
- نعم لا

- 5- هل تكاليف مراقبة التحوييلات الإلكترونية تضاهي إلى تكلفة الخدمات المقدمة للعملاء؟
- نعم لا

قسم F: التزامات الإبلاغ

- 1- يرجى وضع إشارة (X) تحت الاجابة التي تعكس رايتك من الخيارات السابعة التالية:
1- لا اوافق بشدة. 2- لا اوافق. 3- لا اوافق قليلا. 4- محايد. 5- الموافقة قليلا. 6- موافق. 7- موافق بشدة

| No | الموضوعات | لا اوافق بشدة | لا اوافق | لا اوافق قليلا | محايد | الموافقة قليلا | موافق | موافق بشدة |
|----|---|---------------|----------|----------------|-------|----------------|-------|------------|
| a | توفر تشريعات مكافحة غسل الأموال الأردنية الإرشاد الاساسي للشك، لكن كلمة 'الشك' غير محددة بشكل واضح، لذلك تحديد المال أو المعاملة المشبوهة ليست مهمة سهلة للبنك. | | | | | | | |
| b | تشريعات مكافحة غسل الاموال الاردنيه ليست واضحة بما فيه الكفايه فيما يتعلق باجراءات الابلاغ عن العمليه النقديه، قد يكون هذا راجعا إلى حقيقة أنه يمكن تحديد العمليه النقديه بشكل واضح عند مقارنتها بالعمليات المشبوهه الاخرى. | | | | | | | |



2. في المتوسط، كم عملية غسل الاموال يكشف عنها البنوك ستويا؟
 ليست متاحة للجمهور (سرية). المتوسط هو _____
3. ما هي المهمة التي تستغرق معظم وقت مسئول الإبلاغ عن عمليات غسل الأموال؟
 التدريب. الحصول على هوية العميل. تحليل نماذج تقارير غسل الأموال. غيرها: _____
4. ما هي الوسيلة التي يستخدمها مسئول الإبلاغ عن عمليات غسل الأموال للإبلاغ عن المعاملات المشبوهة؟
 الهاتف. البريد. الانترنت. غيره: _____
5. إذا شككت في أي عملية مصرفية تتعلق بغسل الأموال، من تبلغ؟
 إدارة البنك. وحدة مكافحة غسل الاموال. كلاهما. غيرها: _____

القسم G: التزامات حفظ السجلات.

1- يرجى وضع اشارة (X) تحت الاجابة التي تعكس رأيك من الخيارات السابعة التالية:

1- لاوافق بشدة. 2- لاوافق. 3- لاوافق قليلا. 4- محايد. 5- الموافقة قليلا. 6- موافق. 7- موافق بشدة

| No | الموضوعات | لاوافق بشدة | لاوافق | لاوافق قليلا | محايد | الموافقة قليلا | موافق | موافق بشدة |
|----|---|-------------|--------|--------------|-------|----------------|-------|------------|
| a | تطلب تشريعات مكافحة غسل الأموال الأردنية من البنك المحافظة على سجلات معينة لفترة من الزمن، ليست أقل من أربع سنوات، ذلك بسبب ان تحقيقات غسل الأموال تستغرق وقتا طويلا نظرا لتحديات وطبيعته التحقيقات المعقدة التي تواجه السلطات. | | | | | | | |
| b | ينظر الى متطلبات حفظ السجلات بانها التحدي الاكبر للقطاع المصرفي. | | | | | | | |

- 2- القادة الرئيسية لحفظ السجلات للبنك هو:
 تنظيم العمل الداخلي بالبنك. تسهيل المراجعة الضريبية .
 الامتثال لقوانين مكافحة غسل الأموال. غيرها: _____
- 3- هل التزامات حفظ السجلات المفروضة على البنوك تتطلب من البنوك تغيير ادارة ارسفه الملقات القائمة؟
 نعم لا
- 4- في حفظ السجلات، أي من الآتية تستخدم؟
 نسخ ورقية لكافة المعاملات.
 نسخ الكترونية لكافة المعاملات.
 نسخ ورقية للمعاملات الورقية ونسخ الكترونية للمعاملات الالكترونية.
 نسخ ورقية و الكترونية لكافة المعاملات.
- 5- هل التزامات حفظ سجلات التعاملات الالكترونية (لانترنت) المفروضة على البنوك فعالة بما فيه الكفاية لمكافحة غسل الأموال؟
 نعم.
 لا، بسبب ان المجرمين يستخدمون مستوى أعلى من التشفير.
 لا، بسبب عدم كفاية التعاون بين مزودي التكنولوجيا على المستوى الدولي لتبادل المعلومات.
 غيرذلك: لا، بسبب: _____



القسم H : التزامت التدريب

1- يرجى وضع اشارة (X) تحت الاجابة التي تعكس رايتك من الخيارات السابعة التالية:
1- لا اوافق بشدة. 2- لا اوافق. 3- لا اوافق قليلا. 4- محايد. 5- الموافقة قليلا. 6- موافق. 7- موافق بشدة

| No | الموضوعات | لا اوافق بشدة | لا اوافق | محايد | الموافقة قليلا | موافق | موافق بشدة |
|----|--|---------------|----------|-------|----------------|-------|------------|
| a | فعالية نظام الإبلاغ عن المعاملات المشبوهة يعتمد بشكل كبير على المعرفة المهنية والخبرة التي يتمتع بها ضابط الامتثال. لذلك، من المهم التأكيد من أن ضابط الامتثال احظي التدريب الكافي على تدابير عمليات مكافحة غسل الأموال. | | | | | | |
| b | التدريب الضعيف للمعاملين في مكافحة غسل الأموال يؤدي إلى الإبلاغ الخاطي و ذلك يمكن أن يعرض العملاء حسن التيه للخطر. | | | | | | |
| c | يحتاج الموظفون إلى التدريب على التعامل مع عمليات غسل الأموال، ما لم يتم تدريبهم بما فيه الكفاية، فمن غير المرجح أن يكونوا قادرين على الوفاء بالتزاماتهم بمكافحة غسل الأموال | | | | | | |

2- كم مرة يقوم البنك بتدريب الموظفين على مكافحة غسل الأموال ؟

مرة سنويا . مرتين سنويا . ثلاث مرات سنويا . غير ذلك:

3- أي نوع من التدريب يعتمد البنك للموظفين؟

التدريب الذاتي (التوجيه الذاتي، الفيديو) . مزود خارجي (القصود الدراسية، ندوة).

بمساعدة الحاسوب(التدريب عبر الإنترنت). غير ذلك:

4- ما هو التحدي الرئيسي الذي يواجهه البنك عند تطبيق التزامات التدريب لمكافحة غسل الأموال؟

هذه الالتزامات تتطلب تركيز التدريب.

ارتفاع تكلفة تدريب الموظفين.

يشمل التدريب عدد كبير من الموظفين.

غير ذلك:

5- أصعب تدريب في مكافحة غسل الأموال هو:

كيفية الاشتباه بالمعاملات المصرفية.

طرق التحقق من صحة البيانات.

طرق رصد المعاملات المصرفية.

غير ذلك:

نشكرك على سعة صدرك طوال الاستبيان. دعمكم محل تقديرنا.
احمد ابو عليم/طالب دكتوراه في جامعة شمال ماليزيا.

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