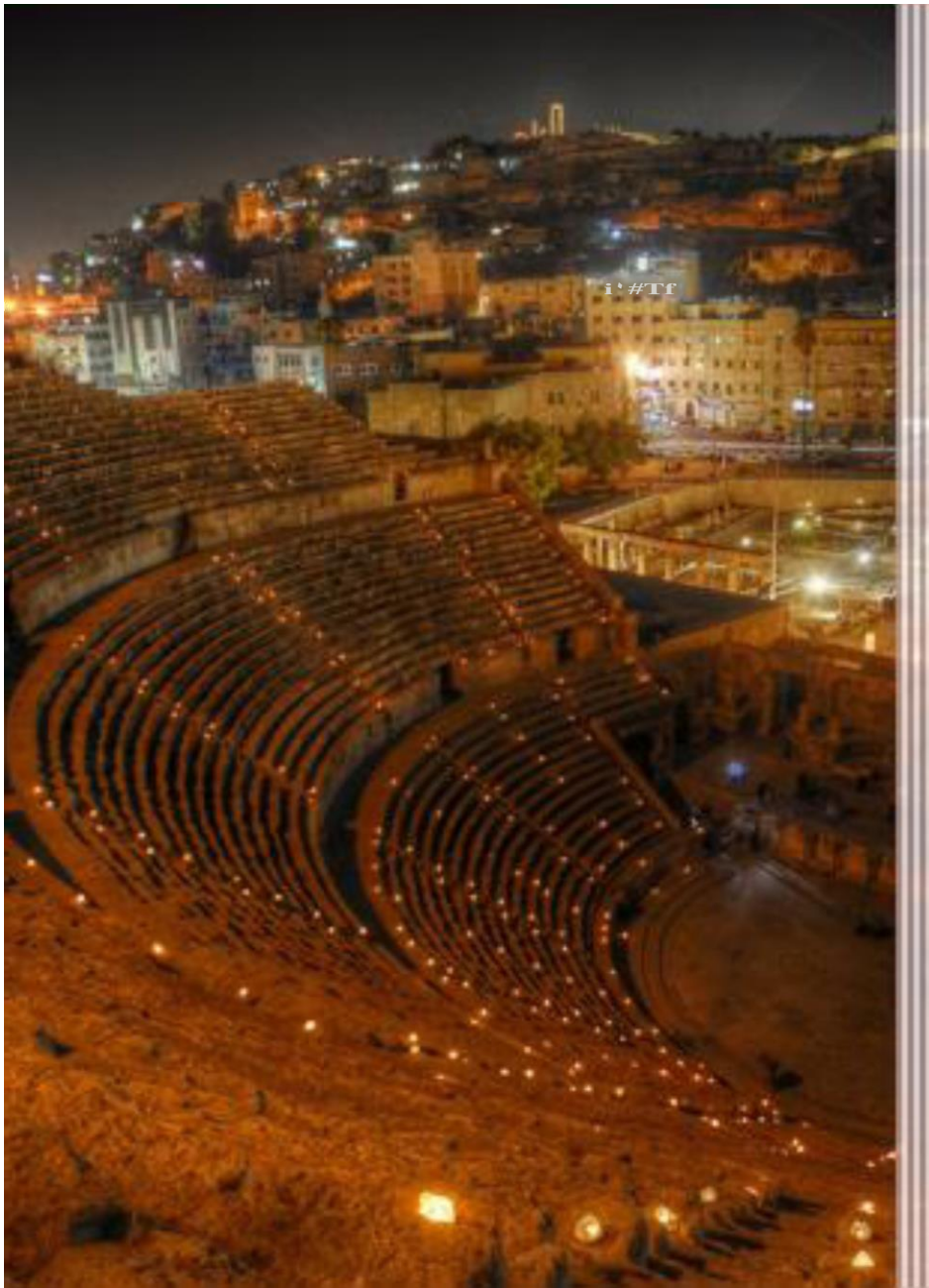




2020

Summary of the National Risk Assessment on Money Laundering and Terrorism Financing



The Hashemite Kingdom of Jordan

The National Anti Money Laundering and Counter Terrorist Financing
Committee

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Introduction:

The national risk assessment on money laundering and terrorist financing is one of the main means that many Countries have used to identify what risks they may face and then analyze them to develop a clear understanding about those risks and what constitutes the basis for developing clear plans and comprehensive strategies to address these risks and contain any threats, since no Country can build an efficient system to combat money laundering and terrorist financing, set its priority or direct its resources properly according to a risk-based approach without having a good understanding of the risks.

The implementation of a risk-based approach is one of the main recommendations of the Financial Action Task Force to establish an effective system to combat money laundering and terrorist financing, as well as being the compass for Countries to direct their resources and focus their efforts to address high-risk deficiencies identified in their adopted systems to combat money laundering and terrorist financing, while those Countries can allow the application of simplified measures in relation to some of the Financial Action Task Force recommendations when identifying low risks.

In this context, the first National Risk Assessment on money laundering and terrorist financing in the Hashemite Kingdom of Jordan was carried out on the basis of the decision of the National Anti Money Laundering and Counter Terrorist Financing Committee in January 2017, this stems from the high level commitment of the Kingdom and its deep belief in the importance of combating crimes related to money laundering and terrorist financing which requires the concerted efforts by all parties at the national and institutional levels, which ultimately contributes to reducing risks and improving the efficiency and effectiveness of addressing any attempts to exploit the national economy for the purposes of money laundering and terrorist financing.

The Kingdom considers that the national assessment of the risks of money laundering and terrorist financing is an urgent national requirement that will allow policy makers in the Kingdom to develop comprehensive and clear national strategies and plans to prevent the risks of money laundering and terrorist financing, adopt proactive measures and apply effective measures to this end.

In carrying out this assessment, the Kingdom aims primarily at developing its approved anti money laundering (AML) and counter terrorist financing (CTF) system by identifying and assessing risks at the Kingdom level and determining the adequacy of the measures and controls adopted in this regard, in addition, it helps the competent authorities to direct their resources to effectively manage risks, to increase the efficiency of their systems and to focus their efforts on high risk sectors (financial and non-financial) and products and services, to strengthen national capacities and proactive measures in this regard, and to develop detailed action plans based on the results of the National Risk Assessment, which include clear objectives and responsibilities of the competent authorities.

The National Risk Assessment also aims at addressing shortcomings in the legislative, regulatory and supervisory aspects, not to mention the provisions of participatory coordination between the public and private sector, taking into account that the results of this assessment will also be reflected in the sectorial and self-assessments. The National Risk Assessment also aims at helping the private sector enhance its understanding of risks it might face at the national and sectorial level in a way that furthers its assessment of the efficiency of the adopted restrictions and measures in order to limit the money laundering and terrorist financing risks. All relevant government entities participated in the risk assessment process including (policy makers, law enforcement agencies, prosecution authorities, security agencies, the AML / CFT unit, regulatory, supervisory and monitoring authorities), as well as a big part of the private sector representatives relevant to the duty of notifying on money laundering and terrorist financing transactions including (banks, exchange companies, financial brokerage firms, insurance companies, lawyers and accountants).

It is worth mentioning that International Monetary Fund (IMF) experts and methodology have been solicited to conduct the National Risk Assessment (NRA) on money laundering and terrorist financing in the Kingdom, which is a holistic methodology that aims at providing a complete picture of the risks of money laundering and terrorist financing. This methodology is based on the identification of the three main components of the assessment process, namely threats, vulnerabilities and consequences.

In conducting this assessment, the National Risk Assessment team relied on publicly available data, international reports, official statistics, annual reports issued by the relevant authorities, relevant judicial decisions, and fact collecting questionnaires on the actions of the sectors in addition to the information of the perception questionnaires collected using the IMF experts' NRA tools and the outputs of these tools.

The discussions were also based on a series of meetings of the national team of the National Risk Assessment process through a series of workshops involving representatives from a wide range of government entities and the private sector. The NRA report was drafted by the national team based on the results of the relevant studies, meetings and discussions.

The NRA report was adopted by the National Anti Money Laundering and Counter Terrorist Financing Committee on (6/2/2019), and based on the final results of the assessment, the national strategy to combat money laundering and terrorist financing has been updated.

IMF experts' methodology for the National Risk Assessment

The National Risk Assessment is based on the analysis of publicly available data and international reports (e.g. IMF, World Bank, United Nations, Assessed Countries databases and published documents), as well as official statistics and annual reports issued by relevant authorities, and relevant judicial rulings, as well as the information of the perception questionnaires collected using the NRA tools of IMF experts and their outputs.

The assessment methodology depends on risk analysis of money laundering and terrorist financing that the Country faces in general, then the analysis of risks that are faced by the relevant sectors and firms.

First: risk analysis of money laundering and terrorist financing:

Money laundering and terrorist financing risk analysis is generally based on the analysis of the three main components of the assessment process, namely (threats, vulnerabilities, consequences), and the risk level is measured by an equation of threat presence with potential vulnerabilities multiplied by the consequences of money laundering and terrorist financing.

A) Threats:

Money laundering threats are defined as the collection of illicitly acquired assets that need to be laundered, in conclusion, threats constitute the sum of the criminal proceeds generated in the Country in addition to the criminal proceeds likely to be brought to the Country from abroad.

As for terrorist financing, threats constitute the sum of domestic funds raised locally to commit terrorist acts, as well as funds raised outside the Country that are likely to enter the Country to be used to finance terrorism.

B) Vulnerabilities:

Vulnerabilities are defined as the gaps in AML / CFT systems that could be exploited to facilitate the crime of money laundering, thus defining these points requires a comprehensive review of the AML / CFT systems and their relevant controls and measures, taking into account the presence of criminal proceeds in the Country. After the criminals keep the criminal proceeds (threat), they start looking for deficiencies and circumstances they can exploit to meet their needs (vulnerability), finally they note that there is a small chance of them being caught and sanctioned by the authorities during the procedures, as a result their attempt to commit the crime of money laundering and terrorist financing succeeds.

In order to analyze the vulnerabilities of AML / CFT systems, three main elements must be examined: (1) the circumstances facilitating the commission of money laundering or terrorist financing crimes,

- (2) the circumstances that make it easier for the perpetrator to avoid being arrested by the competent authorities,
- (3) the deficiencies that impede the enforcement of sanctions against the perpetrator):

1) Regarding the circumstances that facilitate committing the crime of money laundering or terrorist financing:

These circumstances are analyzed based on two main components:

- The presence of criminal proceeds or funds collected for terrorism in the hands of criminals.
- The possibility of exploiting products, services or any other circumstances.

2) Regarding the circumstances that make it easier for the perpetrator to avoid arrest by the competent authorities:

These circumstances are analyzed based on the following factors:

- The factors that hinder the detection of money laundering or terrorist financing by the authorities.
- In the event of detection, factors that hinder the investigation on money laundering or terrorist financing by the authorities.
- In case of investigation, the factors that impede the prosecution of the perpetrator.
- In the case of prosecution, the factors that impede the conviction of the perpetrator.

3) Regarding the deficiencies that impede imposing sanctions on the crime perpetrator:

These deficiencies are analyzed based on the following factors:

- Are there deterrent penalties such as (imprisonment, fine) imposed on the perpetrator.
- Is the perpetrator deprived of assets and is a confiscation ruling issued.

C) Consequences:

The consequences are defined as the total impact or damage that money laundering or terrorist financing causes to financial systems or institutions, the economy and society in general; they are analyzed and assessed separately for both short-term and long-term consequences.

- 1) Short-term consequences** are related to the extent to which criminal proceeds affect and cause short-term distortion of demand for many products, services or assets for a period up to 12 months.
- 2) The long-term consequences** focus on the consequences of money laundering and terrorist financing, the successful occurrence of which affects the strategic objectives of the Country, and the long-term consequences have dimensions (social, economic, political and geographical).

Second: Sector and Firms Risk Analysis:

Risks to sectors and firms are analyzed according to the following methodology:

- 1) Information:** collected data and facts about the scope and nature of the multiple institutions related to the AML / CFT system in Jordan.
- 2) Inherent risks:** (level of gravity), inherent risks are defined as those that sectors or firms are exposed to regardless of any AML/CFT controls.

- 3) **Risk mitigation:** these are elements that reduce the inherent risks represented by controls specific to AML/CFT and other controls that are not related to AML/CFT.
- 4) **Actual (residual) risks:** represent (net probability) i.e. after consideration of the mitigation impacts, the main factor influencing the calculation of these risks is linked to how well AML/CFT controls are implemented.
- 5) **Exposure to cross-border risks,** and the quality of international AML/CFT controls.

Based on the analysis of the above findings **and after combining them with the analysis of short-term consequences**, the level of risk for each type of sector and firm is reached.

Third: the results:

Conclusions are drawn regarding the risks of money laundering and terrorist financing faced by the sectors and firms according to a scale consisting of seven degrees, and based on the following matrix:

Threats and vulnerability Descriptor	Consequences descriptor	Risks descriptor	Controls descriptor	Scope descriptor (sector and firm scope)	Percentage or proportion descriptor	Indicator score
Extremely higher	Huge or Severe	Extremely higher	Extremely poor / Abysmal	Very large / very wide	All	7
Much higher	Very Major	Much higher	Very poor	Large / wide	Almost all	6
Higher	Major	Higher	Poor	Medium	Vast majority	5
Medium	Moderate	Medium	Adequate	Small	Majority	4
Lower	Minor	Lower	Very good	Very small	Some	3
Much lower	Very minor	Much lower	Excellent	Extremely small	Few	2
Very much lower	Negligible	Very much lower	World best practice	Micro	Almost none	1

Executive summary

The executive summary sheds the light on the main findings of the National Risk Assessment on money laundering and terrorist financing risks, and the recommendations concluded based on these findings. The assessment was conducted from February 2017 to January 2019 following a decision from the national committee for AML/CFT during the month of January 2017 during its meeting number (1/2017), this assessment is considered the first of its kind in the Hashemite Kingdom of Jordan as it was prepared with the help of all national parties along with the private sector in order to define, understand and assess money laundering and terrorist financing risks the Kingdom faces in order to provide a corrective methodological foundation that aims at achieving and strengthening the efficiency of the national system for combating money laundering and terrorist financing.

❖ Money laundering:

The results of the NRA on money laundering risks showed that the overall risk level of money laundering in the Kingdom is "high", and the main factors that led to this level of risk were:

- 1) The perpetrators of money laundering are not deprived from their illegal property.
- 2) The misuse of products and services provided in the Kingdom.
- 3) The environment related to the size and nature of domestic proceeds of predicate crimes.

The assessment of the level of money laundering threats resulting from the domestic proceeds of predicate crimes in the Kingdom was "medium"; (93%) of the total proceeds of domestic crimes were from tax evasion, "robbery (criminal theft) and theft", drug trafficking and psychotropic substances, and "corruption and bribery", respectively.

The results of the assessment also showed that most of the domestic proceeds of predicate crimes were generated in the form of cash and that a significant portion of these funds were spent through the use of the informal financial sector, and that part of them, in particular the proceeds of tax evasion, was laundered through the use of the formal financial sector, a small proportion approximately (18%) of the domestic proceeds of predicate crimes were taken out of the Kingdom, while the threat of money laundering resulting from international proceeds of predicate crimes was found to be relatively small and assessed as being at a "low" level.

The results showed that the banking sector, the financial service providers sector (exchange companies, payment service providers and electronic money transfer) and the designated non-financial businesses and professions identified had the highest level of net money laundering risk (after taking the effect of controls), with banks having a "high" level of risk, while the financial service providers, designated non-financial businesses and professions had a "medium" level of risk, the results also showed that the financial intermediary sector, the other financial companies sector and the non-profit organisations sector had the lowest level of net money laundering risk.

In general, the results of the overall level assessment of the AML/CFT controls among regulated entities were "very good" due to the existence of effective controls at banks and exchange companies operating in the Kingdom, and the need to improve those controls at deposit receiving institutions such as the Postal Savings Fund, other lending institutions and specialized financial institutions.

The results of the NRA on money laundering also showed that the impact of the overall level of the long term money laundering consequences on the Kingdom was "Major", with the results of the National Risk Assessment determining that the consequences of money-laundering would likely be manifested by an impact on the Kingdom's reputation as a country not committed to combating money-laundering, an unreal rise in the prices of goods and services, an increase in the commission of corruption and bribery offences, not to mention capital flight and foreign investment.

❖ **Terrorist Financing:**

The results of the NRA on terrorist financing risks showed that the overall risk level of terrorist financing in the Kingdom is "medium", and the main factors that led to this level of risk were:

- 1) Exposure to transnational risks, for example the geographical location of the Kingdom and foreign cash flows entering the Kingdom to finance terrorism.
- 2) Uncertainty about the level of use of provisional measures due to a lack of relevant information.
- 3) The misuse of products and services provided in the Kingdom.

The assessment of the level of terrorist financing threats resulting from domestic fundraising was "medium", and it was found that funds raised for use in terrorist acts were raised primarily from willing donors (self-financing by the perpetrators of the terrorist act, their sympathizers or supporters), or donors who are unwilling or unaware of the fate of the funds.

It was found that there are no known organized groups in the Kingdom that raise funds for terrorists, knowing that the funds raised were mainly in the form of cash, half of which remained inside the Kingdom and the other half was sent abroad for use by foreign terrorist fighters or for their financing purposes. The number of Jordanian fighters present in the extremist terrorist organizations outside Jordan (1325) persons, whilst it was shown that the terrorist financing threats resulting from the cash flows entering the Kingdom is rather small, it was estimated at the level "low"; the results have shown that more than (90%) of the funding transactions happen through the informal financial sector.

The results showed that the banking sector and the sector of the financial service providers (exchange companies, payment providers and electronic money transfer) have the highest net risk level of terrorist financing as a result of having a "medium" level, followed by the sector of designated non-financial businesses and professions and the insurance sector with a "low" risk level.

The results indicated that non-profit organizations have a "very low" net risk level of terrorist financing as well as the inherent risks of terrorist financing, and there is no evidence that non-profit institutions have been misused for the purposes of financing terrorism, in addition to the existence of intense scrutiny and oversight of the activities and work of non-profit institutions operating near the border conflict areas with the Kingdom, banks are also actively scrutinizing the financial operations related to non-profit institutions and the ministry of social development started conducting inspection rounds at non-profit organizations with high risks.

The overall CFT controls level was assessed as "very good", thereby reducing the level of inherent risk in regulated entities, mainly due to the assessment of the CFT controls level of banks as "very good".

❖ **Recommendations:**

Based on the results of the NRA on money laundering and terrorist financing, the main priorities for reducing the risk level of money laundering and terrorist financing in the Kingdom have been identified as follows:

- 1) The recovery of the proceeds of predicate crimes from criminals, in case of investigation of the predicate crime, especially the crime of tax evasion.
- 2) The ongoing regulation and supervision over institutions in the area of AML / CFT and focusing those efforts on banks and exchange companies.
- 3) The increase of operational efforts to combat predicate crimes, especially tax evasion.
- 4) The continuous work on investigations and solid operational measures implemented in the Kingdom in the field of combating the financing of terrorism, particularly in relation to borders with neighboring countries experiencing conflict.
- 5) Deploying consistent efforts to ensure that the necessary precautionary measures are adopted to detect those who engage in unlicensed fund transferring activities and adopting deterring sanctions against them.

Basic Information and Scope

The Hashemite Kingdom of Jordan is located North of the Arabian Peninsula and West of the continent of Asia, with a population of around (10.1) approximately million people, and consists of (12) governorates covering an area of (92.3) thousand square kilometers. Jordan is bordered to the North by Syria, to the Northeast by Iraq, to the West by Palestine, and to the South by Saudi Arabia.

The Hashemite Kingdom of Jordan has been a founding member of the Middle East and North Africa Financial Action Task Force (MENAFATF) since 2004, and the Kingdom passed its first AML/CFT legislation in 2007.

The size of the economy of the Hashemite Kingdom of Jordan is considered "medium" (it is ranked (95) globally among the largest economies), with a gross domestic product of (31.1) billion Jordanian dinars and a per capita GDP of (3,145) Jordanian dinars¹, Jordan is thus ranked among the top middle-income economies², and Jordan's national currency is the Jordanian dinar³.

The size of the regulated institutions sector in the field of AML in the Kingdom is "medium" internationally, with total assets of around (48,378) million JD, it includes approximately (17.6) thousand regulated institutions and (6,656) non-profit organizations, in addition to the presence of around (195) thousand legal entities.

Banks are considered the main component of the financial sector in Jordan, with bank assets accounting for (93.4%) of the total assets of the financial sector in 2018.

Next comes the money exchange sector, where although the ratio of its assets to total financial assets is relatively low, no more than (0.3%), nevertheless, the importance of this sector stems from the size of its operations, as the volume of transfers executed through the exchange sector during 2018 amounted to approximately (10.2) billion Jordanian dinars distributed over outgoing transfers of a value of (4.5) billion Jordanian dinars and incoming transfers of a value of (5.7) billion Jordanian dinars.

Designated non-financial businesses and professions consist of (real estate offices, jewelry shops, lawyers, accountants).

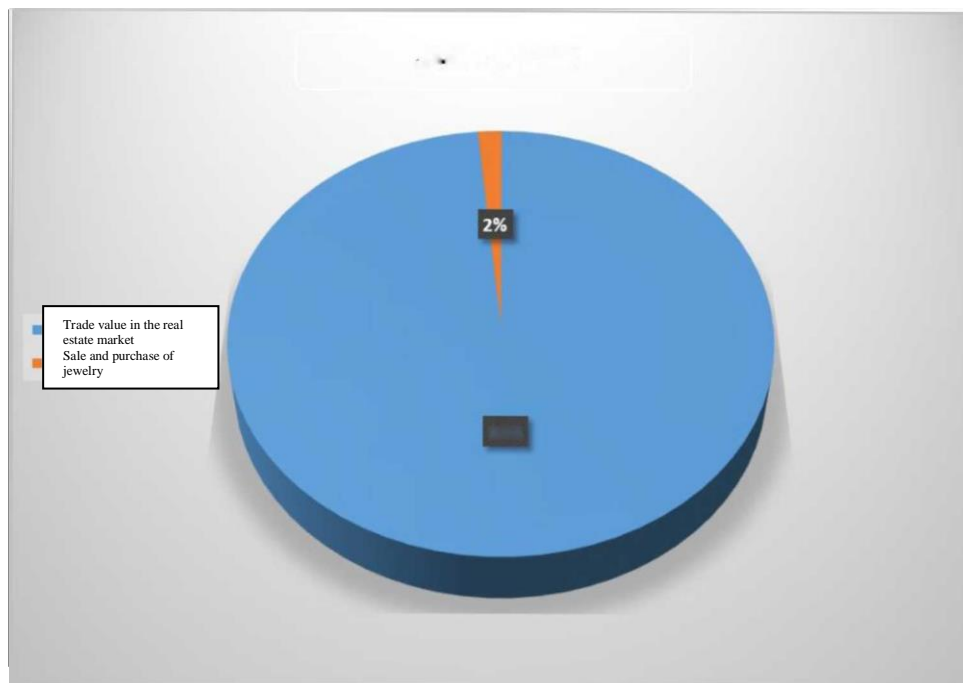
The volume of trading in the real estate market during 2018 was about (5) billion Jordanian dinars, of which (4) billion Jordanian dinars accounted for (14%) of GDP, noting that (2.8%) of the sales and purchases were made through real estate offices.

¹ International Monetary Fund. September 2011. World Economic Outlook database. <http://www.imf.org/external/pubs/ft/weo/2011/02/weodata/index.aspx>

² According to World Bank classifications by income level <http://data.worldbank.org/about/country-classifications/country-and-lending-groups>

³ The value of one Jordanian dinar is approximately (1.41) US dollars.

The total assets of jewelry shops in 2018 amounted to JD (128) million, and the sales volume of jewelry shops during 2018 is estimated to JD (33.6) million.



Chapter I: Money Laundering Risks

The Hashemite Kingdom of Jordan has been assessed as facing a "high" level of national money laundering risks, with the Country's risk score of (4.1) out of (7.0), and to analyze this result it is necessary to look at the components of the assessment: threats, vulnerabilities, consequences, followed by a study of the threats faced by the sectors and firms related to the AML system:

Section One: Threats

For money laundering, threats are the illegally acquired assets that need to be laundered (criminal proceeds), these proceeds are divided into two parts, the first: (domestic proceeds) i.e. the total proceeds resulting from crimes committed within the Country, and the second: (foreign proceeds) i.e. the proceeds resulting from the crimes committed outside the territory of the Country that are sent to be laundered in the country.

First: Domestic proceeds:

The assessment of the level of money laundering threats in the Kingdom resulting from the annual domestic proceeds of predicate crimes determined it was "medium" as an absolute value, and also "medium" as a ratio of GDP, and the value of the proceeds from crimes committed in the Kingdom is estimated to be about (941) million dinars, or approximately 3.7% of GDP.

Proceeds from crimes (tax evasion, robbery /criminal theft, theft, trafficking in illicit drugs, corruption and bribery) are estimated to account for 93% of domestic proceeds of predicate crimes, while the remaining 7% of domestic proceeds of predicate crimes are estimated for other crimes (including fraud and smuggling).

Below is a description of the nature and amount of the top five crime types:

1) Tax evasion:

The value of the criminal proceeds of the crime of tax evasion is estimated to be approximately (695) million Jordanian dinars, and the evaded taxes include income tax in addition to sales tax.

Most proceeds are generated in the form of cash, while almost one quarter of them is generated on the form of financial assets. Some tax evaders deposit funds into personal bank accounts instead of their business accounts, and almost all proceeds from tax evasion remain in Jordan. While the remainder usually flows abroad through the formal financial sector, the outflows are often associated with large and more complex cases of tax evasion.

2) **Robbery (criminal theft) and theft:**

The criminal proceeds of robbery (criminal theft) and theft are estimated to amount to approximately (78) million Jordanian dinars, and the vast majority of the proceeds consists of material goods that end up being stored and used or converted into cash in the criminal economy.

Thefts cover a wide range of items including cash, cars, jewelry and other personal items, and more than (15,000) robbery (criminal theft) and thefts are reported annually, with most of the proceeds believed to remain in Jordan.

3) **Illicit Trafficking in Narcotic Drugs and Psychotropic Substances:**

The value of the criminal proceeds of the crime of trafficking in narcotic drugs and psychotropic substances is estimated to be approximately (66) million Jordanian dinars, and the predominant activity of drug trafficking is the transit of drugs destined for neighboring countries through Jordan, since Jordan is located in the center of a regional drug trafficking market, which is worth approximately (800) billion Jordanian dinars. This transit activity leads to some proceeds in Jordan, as smugglers and those who transport drugs (transport mules) are paid from the same drugs most of the time (which are sold in the local market) and others are paid in cash, the local retail market comprises mainly the following types of drugs: captagon, marijuana / hashish (some of which is grown in Jordan), joker (industrial cannabis — manufactured locally), a very small amount of cocaine, and more than (10-15) thousand people are arrested annually for possession, use or trafficking of drugs.

Most of the proceeds resulting from this crime are in cash, these proceeds remain in the informal sector in Jordan and/or are used by drug traffickers to finance the import of more drugs; a small proportion of the proceeds flow out of Jordan through money smuggling, informal money transfer companies and sometimes through exchange companies; drug trafficking operations rarely involve international gangs and are increasingly carried out by small groups with family ties in neighboring countries.

4) **Corruption and bribery:**

It is estimated that this crime results in proceeds amounting to approximately (39) million Jordanian dinars, with an average of at least one major corruption case annually producing proceeds that fall within the estimated range, and most cases of public corruption appear at the municipal level.

Most of the proceeds above are generated as cash, while the remaining part is divided equally between financial and physical assets, it is believed that all receipts resulting from the crime of corruption remain in Jordan.

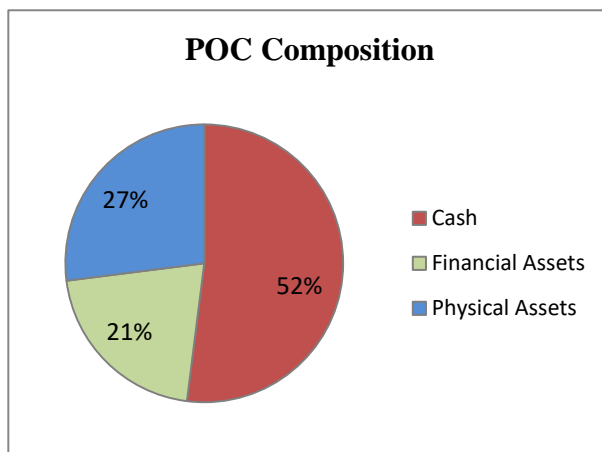
5) Fraud:

This crime is estimated to produce approximately (28) million Jordanian dinars in proceeds, and fraud through banking crimes and cybercrimes amounts to a small contribution compared to the total proceeds.

The following chart shows that approximately (52%) of domestic criminal proceeds were generated in the form of cash, while physical and financial assets are estimated at (27%) and (21%) respectively.

The most cash-producing crimes include tax evasion and illicit drugs and psychotropic substances trafficking, corruption and bribery.

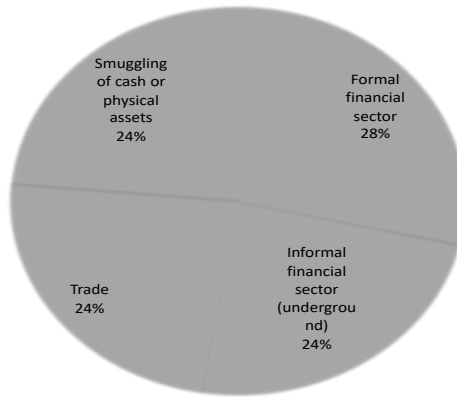
The distribution of domestic criminal proceeds:



Overall, it is estimated that approximately (18%) of total domestic criminal proceeds flow

- In general, it is estimated that approximately (18%) of the total domestic criminal proceeds flow out of Jordan every year, while the other part remains inside the country.
- It was noted the proceeds mainly stem from the following five types of crimes committed in Jordan: tax evasion, illicit trafficking in narcotic drugs and psychotropic substances, and smuggling.
- As for the main channels used to send criminal proceeds out of Jordan they are the formal and informal (secret) financial sector, the smuggling of cash or physical assets, and trade.

Channels used to send criminal proceeds out of the country



Smuggling of cash or material assets 24% - Formal financial sector 28% - Informal financial (secret) sector 24% - Trade 24%

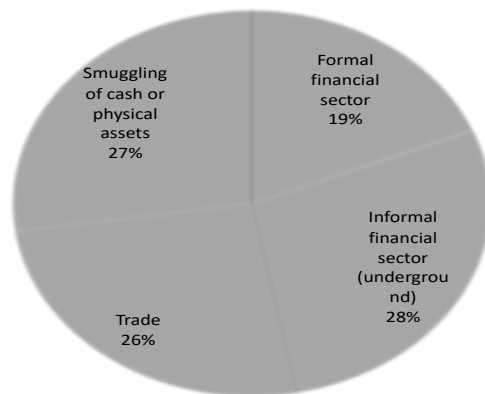
Second: foreign proceeds incoming to the country:

International (or transnational) criminal proceeds: are criminal proceeds that flow into a country from abroad during a certain period extending up to (12) months; the value of criminal proceeds flowing into Jordan was estimated to be "low", i.e. approximately (153) million Jordanian dinars annually, knowing that out of this percentage approximately (82%) remain in Jordan, and the other (18%) is re-sent abroad for further processing or use in other countries.

It was noted that most of the incoming criminal proceeds flow from (10) neighboring countries and Jordan trading partners, and these flows stem from crimes (Illicit trafficking in stolen goods and other goods, counterfeiting and piracy of products, forgery) committed outside Jordan. As for the main channels used to send criminal proceeds to Jordan, they are the formal and informal (secret) financial sector, the smuggling of cash or physical assets and trade, while in the formal financial sector the main methods were through the use of the banking system, financial service providers and licensed exchange companies.

Channels used to send criminal proceeds into the country (Smuggling of cash or material assets 24% - Formal financial sector 28% -

Informal financial (secret) sector 24% - Trade 24%



Section Two: Vulnerabilities

Vulnerabilities are defined as the deficiencies that can be exploited in AML systems in order to commit the crime of money laundering; in order to identify the vulnerabilities we should tackle three main aspects: 1- the circumstances that facilitate the commission of the crime of money laundering, 2- the circumstances that facilitate for the perpetrator being caught, 3- gaps that hinder the imposition of sanctions), they will be analyzed as follows:

First: the circumstances facilitating the commission of the crime of money laundering:

The level of existence of these conditions was assessed as "medium", based on the following factors:

1) There is a "medium" possibility of generating **domestic** criminal proceeds and making them available:

A series of factors (positive and negative) contributed to this result):

• **Negative factors:**

- The presence of criminal proceeds resulting from a domestic crime (cf. the threats section).
- The weak human resources at law enforcement agencies (low number of police officers relative to geographical location, population size, economy and crime...etc), the low income of employees and the budget allocated to their training.

• **Positive factors:**

- Crime prevention results are "very good" (the portion of settled reported crimes, the level of trust in law enforcement agencies, and the level of structuring and regulation in these agencies are "excellent").

2) There is a "high" probability of the entry of **foreign** criminal proceeds to the

Country: this is the result of a combination of factors (positive and negative):

• **Negative factors:**

- Presence of criminal proceeds inflowing from abroad (cf. the threats section).
- A "high inherent"⁴ probability of criminal proceeds inflowing from abroad due to the "medium" volume of international flows of persons, goods and funds due to the geographical location of Jordan, especially the North and East of the state, the presence of linguistic and cultural ties, the policy of financial openness, the presence of "high" risk international products and services, and "very large" criminal proceeds in the countries from which mutual legal assistance is requested.
- The "weak" level of security measures and transnational checks, especially for the departing flow of people, goods, cargoes and cash.

• **Positive factors:**

- Trade and economic links (not defined as a relevant and strategically important financial sector).

⁴ The inherent risk level refers to the risks level in the absence of any controls to adjust the level of risks.

- The results of the assessment are "excellent" for AML / CFT in key countries clients of banks, as most of the banks customers come from countries known for a "good" level of anti money laundering controls.
- The "micro" volume of reports of cross-border cash operations.

3) There is a "high" probability of the abuse of **products, services, assets of the Country and other circumstances** to commit the crime of money laundering; this result is based on two elements:

A) **The general environment of the Country:** it has been shown that there is an "inherent medium" probability that the general environment of the Country will be an attracting element of money laundering; this result is based on negative and positive factors according to the following:

- **Negative factors:**

- The delay in initiating a formal and comprehensive NRA, the availability of resources and the level of training and efficiency of personnel relevant to AML/CFT is "very weak".

- **Positive factors:**

- The size of the land area is "very small", the level of Suspicious Activity Reports is "very weak" which may indicate a regression of criminal proceeds, the level is "very good" for the AML/CFT technical compliance framework, and the level is "very good" for the ICT infrastructure.

B) **The nature of products and services:** which constitute a "high inherent probability" as an attractive factor for attempting to commit money laundering; this result is based on the following factors:

- **Negative factors:**

- A large-scale financial system with a large volume of operations.
- Cross-border bank operations due to their scope and complexity of their products, services and distribution channels and customers.
- The "high" probability" in money transfer companies (exchange companies) of cross-border operations (some of which are derived from money transfer transactions from unlicensed entities).

- **Positive factors:**

- The limited products and services and non-exposure to cross-border risks for some parts of the financial sector.
- The inherent "low" probability regarding international and national rankings and strength (the financial system is not important strategically, and the percentage of cash offer in its broad sense is medium).

Second: the circumstances that facilitate for the perpetrator of being caught:

The assessment of the level of existence of these conditions was estimated as "medium" and this result is based on the analysis of four main elements: 1- detection of the crime by the competent authorities, 2 - investigation of the crime, 3 - effective prosecution of the perpetrator who committed the crime, 4- conviction of the perpetrator).

The first factor: factors **impeding the detection** of money laundering by the competent authorities: the level of presence of these factors was assessed as "medium" based on the following:

- 1) **Parallel financial investigation:** it was found that the levels of money laundering investigations were "very low" compared to investigations into predicate crimes, in addition to the "poor" level of training of personnel in parallel financial investigations.
- 2) **The quality of Suspicious Transaction Reports (STRs):** the AML/CFT unit was found to have received "medium" quality reports on money laundering crimes from reporting institutions given the insufficiency or poor quality of reporting, or inadequate monitoring of anti money laundering operations. It is to be noted that most of the STRs received by the unit are from banks and money transfer companies (exchange companies), and the quality of reporting was assessed as "very good". It was found that there were fewer STRs from securities companies and designated non-financial businesses and professions. In return, the AML/CFT unit provided "very good" guidance to reporting institutions to help them identify suspicious transactions.
- 3) **Due diligence requirements:** customer identification / due diligence controls have been assessed as generally "adequate" ("very good" for financial service provider institutions, "adequate" for the banking and insurance sector), "very good" for licensed money transfer companies, life insurance companies and agents, and "weak" for cooperative associations, the postal savings fund, securities companies, other financial institutions and all designated non-financial businesses and professions.
- 4) **Capacity and efficiency of institutions:** it was found that there is a limited capacity to adequately implement money laundering and terrorist financing risk management systems by designated non-financial businesses and professions (accountants, real estate agents, lawyers).

It is to be noted that the AML/CFT unit and supervisory and regulatory authorities provide "excellent" feedback and guidance to institutions; the communication and guidance in the field of anti-money laundering was evaluated as "excellent" for banks, securities companies, and financial service providers, and "very good" for insurance and other financial institutions and designated non-financial businesses and professions.
- 5) **Efficiency of AML regulatory and supervision:** the AML regulatory and supervision were assessed as "very good" overall.
- 6) **The efficiency of the processing and distribution of reports by the AML/CFT unit:** the results of the analysis showed the following:
 - **Negative factors:**
 - Generally "poor" use of AML/CFT unit information by law enforcement agencies.
 - Long delay between suspicious transaction reporting and referral.
 - The alignment of policies and activities with risks is "very weak".
 - The AML/CFT unit was assessed as "very weak" in relation to the periodic issuance of typologies report, however, the AML/CFT unit has published practical cases in its annual reports.

• **Positive factors:**

- Provision of the AML/CFT unit of "adequate" quality of financial investigations about suspicious money laundering activities.
- "Good" and exceptional response to requests for information from law enforcement agencies.
- The internal arrangements of the AML/CFT unit were assessed as "very good" in all areas in general (e.g. operational independence and management at all levels, average wages, allocation of a budget for the training of personnel, and the presence of a proportion of staff trained on financial crimes, AML/CFT and analysis).

The second factor: effective money laundering **investigation** by the competent authorities:

It was shown that there is a "medium" probability of the existence of circumstances impeding the effectiveness of the authorities in investigating money laundering,

This is due to each of the following factors:

1) **Investigation of money laundering relative to the predicate crimes:** the results of the analysis showed the following:

- "Weak" money laundering investigations in general, and an "Extremely low" number of annual criminal money laundering investigations as a percentage of annual investigations into predicate crimes.
- The lack of certainty about the value of criminal proceeds pursued in money laundering investigations and the scope of the types of money laundering cases prosecuted (e.g. third-party money laundering).
- The "Extremely low" budget for training the personnel of the competent authorities and the "very weak" level of training and competence of staff regarding the issues of AML/CFT, and the extremely low average wages for law enforcement personnel.

2) **Record keeping at regulated institutions and confidentiality issues:** these two issues combined decrease the chances of law enforcement investigators having timely access or increase the chances of providing them with "weak" records from the financial sectors during a money laundering investigation; record keeping has been found to be "excellent" for banks, "very good" for all other types of institutions (except for designated non-financial businesses and professions - "adequate") and a "very good" legal framework for record-keeping. It was found that the confidentiality laws of financial institutions do not prohibit the application of the recommendations of the Financial Action Task Force, in addition to this, there is a "very good" level of law enforcement authorities and prosecutors ability to have access to documents and information.

3) **The transparency of the beneficial ownership in companies and legal entities:** it should be noted that the results of the analysis showed the following:

- The "weak" level of information about the beneficial ownership from companies and associations.
- The "very good" level of the legal framework and the proportion of legal entities for whom beneficial ownership information has been collected.
- "Adequate" perception of transparency for legal entities in general, and "very good" for the powers granted in obtaining the information of the beneficial ownership and the lack of legal arrangements.

4) **International cooperation:** It was shown that the inability of investigators to obtain evidence from foreign Countries was demonstrated as a result of "weak" international cooperation, especially the request for information, the main reasons for this assessment are:

- The "poor" perception of effectiveness in international cooperation as a result of the limited number of requests for mutual legal assistance issued in relation to money laundering.
- On the other hand, there is a "very good" perception of providing cooperation and robust procedures at some of the competent authorities such as the AML/CFT unit and the Public Security Directorate.

The third factor: effective money laundering **prosecution** by the competent authorities:

It was shown that there is a "medium" probability of having circumstances impeding the adjudication of the perpetrators of money laundering, as a result of the following factors:

1) **Extradition of criminals:** where a "weakness" was found in the extradition of fleeing criminals from other Countries, this assessment was the result of the following factors:

• **Negative factors:**

- The "very small" number of memoranda of understanding concluded with other countries and the "very small" number of memoranda of understanding signed by domestic authorities with foreign counterparts.
- Constraints on authorities such as "very weak" resources, poor quality for issues related to staff (e.g. "extremely small" budgets for training staff and a "very weak" level" of training and efficiency of those working in the field of AML/CFT for the bodies involved in international cooperation).

• **Positive factors:**

- There is a "high" level of Mutual Legal Assistance (MLA) requests received and replied to in relation to AML / CFT over the past three years and "very good" arrangements for authorities in general (with a "very good" legal framework for cooperation).

2) **Efficiency of the criminal justice system:** as it was shown that prosecutors have not pursued money laundering charges, the results of the analysis for this point are as follows:

• **Negative factors:**

- The organizational and administrative structure of the judiciary authorities witnesses a "very high" turnover among prosecutors and a "very large" workload on them.
- There is an "extremely low" level of prosecutors specializing in combating money laundering and terrorism financing, and an "extremely weak" budget for the training of personnel.
- "Very poor" results in money-laundering trials (there is an "extremely low" level of money-laundering trials in comparison to the predicate crime trials, and a "very weak" scope for the types of money laundering crimes being prosecuted).

• **Positive factors:**

- Having powers, organizational structure and technical resources in a "very good" manner.

- The "excellent" nature of records or databases of trials, convictions, sentences and "appropriate" resources, the availability of highly qualified staff and "world best international practices" of prosecutors' income being higher than the average income (thus reducing the likelihood of bribery).

3) **The adequacy of the texts of criminal laws:** the laws were found to have a "very good" technical compliance and all predicate crimes were criminalized and fully recognized as predicate crimes for money laundering.

The fourth factor: efficient **conviction** of money laundering offenders:

It was assessed that there is a "medium" probability for the perpetrators of money laundering not to be effectively convicted, due to each of the following factors:

- 1) **Efficiency of prosecution or qualification of the judiciary:** the results of the analysis of this point indicate that:
 - The "very weak" number of convictions in money laundering.
 - The "very poor" perception of output quality, the adequacy of activities with the risks of money laundering and terrorist financing, in addition to a "very low" number of judges compared to the population, and "very high" workloads on judges.
 - There is a "very weak" budget for the training and efficiency of personnel in AML/CFT.
- 2) **The adequacy of the texts of criminal laws:** the laws were found to have a "very good" technical compliance and all predicate crimes were criminalized and fully recognized as predicate crimes for money laundering.

Third: the deficiencies that impede the imposition of sanctions on the perpetrators of money laundering adequately: The probability of the existence of these circumstances was assessed as "high", and this result is based on an analysis of two main elements, namely 1 - the adequacy of sanctions imposed on the perpetrators of money laundering crime, 2- the deprivation of perpetrators from assets and confiscation).

The first component: adequacy of the **sanctions** for money laundering perpetrators:

It was found that there was a "medium" probability that money laundering perpetrators would not be adequately sanctioned, as a result of an analysis of the following factors:

- 1) **Prison sentences or fines:** penalties for money laundering were assessed as generally "weak" (the number of sentences issued is "weak" compared to the volume of the economy and financial sector), and it was also shown that there is uncertainty about the size of sanctions imposed for predicate offences. However, the average fines imposed compared to average income were found to be "adequate".
- 2) **The adequacy of the systems to impose and implement sanctions:** the results of the analysis indicate the uncertainty of the percentage of fines collected and the total number of penalties imposed for money laundering offences, and a "weak" result in the Global Justice Project index. Nevertheless, the "excellent" proportion of the number of persons convicted of money laundering offences serving their prison term (although based on a very limited number of cases) is to be mentioned.

The second component: the deprivation of assets and sanctions of **confiscation:**

It was found that there was a "very high probability" that money laundering offenders would not be deprived of their assets, as a result of the following:

- 1) **Issuance of confiscation and asset recovery orders:** the value of confiscated or seized property was found to be "weak" compared to the estimated level of criminal proceeds, and the "very weak" compatibility between AML / CFT policies and activities and the identified risks.
- 2) **The recovery of assets from foreign countries:** the "very weak" volume of foreign assets recovered compared to estimates of financial inflows, in addition to the "very small" number of requests issued to recover assets of domestic criminal proceeds compared to estimates of financial inflows.
- 3) **Use of provisional measures to seize criminal proceeds prior to confiscation:** it was shown that there is a "very small" value of seized assets compared to domestic criminal proceeds, the "very small" number of freezing or seizure procedures compared to GDP and the financial sector, and the "very small" proportion of money laundering investigations in which provisional measures were used.

However, the average value of assets frozen or seized per case (i.e. focusing on larger cases) was found to be "excellent", and the "very good" level of assets tracking, solicitation and approval of confiscation requests.

Section Three: consequences

Consequences are defined as the total of impact and damage cost from money laundering on the financial systems or institutions as well as the economy and society overall, the analysis and estimation of the consequences is done separately for each of the short-term and long term consequences. The short-term consequences are linked to the level of impact of criminal proceeds and their short-term disruption of the demand on many products and services or assets for a period of time that can reach 12 months. As for long term consequences, they have an impact focused on the consequences of money laundry that occurs successfully in relation with the goals of the Country, the long term consequences have social, economic, political and geographical dimensions.

First: short-term consequences:

The level of short-term consequences for money laundering was assessed as "medium", they match the volume of annual transactions relevant to money laundering, these transaction include directly or indirectly, the regulated institutions, whether they know or not about the relation of the transactions to money laundering. This being said, the volume of short-term consequences also applies to the transactions that occur outside of the institutions including: the informal sector (secret economy), the trade or exchange of financial assets, criminal or non-criminal financial expenditure.

It was agreed that the "moderate" amount of money laundering operations is available in banks, and the next "small" level consists of money laundering operations involving (1) money transfer companies (exchange companies), and (2) the informal economy, cash transactions and physical asset swaps / trade of financial assets,

and (3) lawyers, (4) real estate agents, and (5) companies owned or controlled by non-residents.

It was also agreed that approximately (75%) of money laundering transactions took place in the formal or regulated sector and (25%) in the informal sector, reflecting the fact that when proceeds were introduced into the formal sector, they often require a larger volume of operations to launder such proceeds more successfully than if those funds were held in cash. It was also noted that the financial sector was used primarily to assist in the laundering of proceeds from tax evasion, as tax evaders often deposit tax evasion funds in their personal bank accounts rather than commercial bank accounts.

Second: long-term consequences:

The level of long-term money laundering consequences in Jordan has been estimated to be "significant" (4.5). The long term consequences are generally inferred from the analysis of vulnerabilities, where the results showed the following:

The overall consequences of money laundering:

Risk Events	Grade	Level of consequences
The overall consequences of money laundering:	4.5	High
(1) Circumstances facilitating the commission of the crime	4.4	High
- Producing domestic criminal proceeds or making them available	4.3	High
- Entrance of foreign criminal proceeds	3.6	Moderate
- Misuse of products, services, assets or other circumstances	4.3	High
(2) Circumstances facilitating for the perpetrator to avoid being caught	4.4	High
- Factors that hinder the detection of money laundering by the competent authorities	4.6	High
The effectiveness of money laundering investigation by the competent authorities	4.0	Moderate
The effectiveness of money laundering prosecution by the competent authorities	4.0	Moderate
- The efficient conviction of money laundering perpetrators	4.3	High
(3) The deficiencies that impede the imposition of adequate sanctions for money laundering	4.6	High
- The adequacy of sanctions for money laundering perpetrators	4.0	Moderate
- Deprivation of assets and sanctions of confiscation	5.0	High

The political and economic consequences of money laundering were considered to be the most important (e.g. top priority), followed by the social consequences as described below:

The political consequences:

The overall level of political consequences related to money laundering risks were assessed as "significant" (4.3), and the most significant political consequences include the decline in the reputation of the Country, the sanctions imposed on money laundering, and the decline in foreign aid.

The economic consequences:

The overall level of economic consequences associated with money laundering risks was assessed as "significant" (4.3), since the most important manifestations of economic consequences are excessive price rises, distortion of growth rates, distortion of investment and savings.

The social consequences:

The overall level of social consequences associated with money laundering risks were assessed as "significant" (4.2), and the most important social consequences include an increase in corruption and bribery, in crime rates, a loss to victims and gains for the perpetrators.

Geographical consequences:

The overall level of geographical consequences related to money laundering risks was assessed as "very significant" (5.2), and the overall degree of geographical consequences indicates that the results of money laundering go beyond Jordan's borders to neighboring countries and beyond for money laundering operations in Jordan to include criminal proceeds from other neighboring or regional countries.

Section Four: Risk Analysis for Sectors and Firms in the Field of Money Laundering

In general, the overall efficiency of anti money laundering controls in regulated firms in the field of AML / CFT was found to be "very good", and the regulation and supervision was assessed as "very good", as effective controls and efficient supervision in the field of AML are already being implemented within the main regulated financial institutions.

The following is a detailed overview of the results of the net money laundering risks in the sectors and firms:

First: the sector of banks and deposit receiving institutions (high):

The assessment of the sector of banks and other deposit receiving institutions (Postal Savings Fund and cooperative associations) indicates that they have a "high" net money laundering risk, and it turns out that the short-term consequences of money laundering operations occurring through the sector are "medium", as for the risks level in details it is as follows:

Banking sector (high):

- Inherent risks⁵: banks have the highest inherent risk of being exploited for money laundering ("very high"). By nature, banks offer a variety of products and services through several distribution channels that may facilitate money laundering, and banks operating in Jordan have a diverse client base that includes resident and non-resident clients, natural persons and legal entities. The client base includes clients with complex or less transparent ownership structures, yet banks are required to identify the beneficial ownership, and banks that fail to do so are subject to adequate penalties. Other types of clients include businesses and professions identified by the FATF as institutions that must also be subject to AML / CFT requirements (e.g. customers who use cash heavily, financial service provider companies, real estate firms, precious metals and stones traders, politically exposed persons and other high-risk clients).
- The quality of the implementation of money laundering controls by banks was assessed as "very good", and the quality of management and the overall culture of compliance within banks was assessed as "very good".

Banks are licensed and regulated by the Banking Law No. (28) of 2000 and its amendments, and the "Central Bank of Jordan" has the authority to license, control and supervise banks, and the CBJ conducts On-site inspections on banks that include a component relevant to the management of ML/FT risks. The Central Bank of Jordan conducts on-site inspections of banks based on an annual inspection plan that takes into account the description of the banks' risk profile and the internal assessment of the Central Bank of Jordan.

⁵ The level of inherent risks refers to the level of risk in the absence of any controls to adjust the level of risk

- Cash operations are used on a large scale in Jordan for the purposes of retail and small payments, however, there is an increase in the use of stored value cards electronically and electronic funds transfer. The providers of electronic payment services (banks and non-banks) are also subject to control and supervision by the "Central Bank of Jordan".
- The data provided indicate that the value of cash transactions carried out through banks is "high", as the value of cash transactions at one of the bank outlets (branch / office / ATM) reaches (115,000) Jordanian dinars per day.

Postal Savings Fund (very low):

- This fund is owned by the government and provides a limited number of products and services; the fund's average customer account balances are "very small" and the volume of operations carried out on them is "small", which reduces the attractiveness of this type of institution for money laundering operations.

Cooperative Associations (very low):

- The aim of the cooperative associations is to serve the interests of the members, and therefore they do not provide financial services (deposits and loans) to the wider public. The types of cooperative associations operating in Jordan include: (multi-purpose, agricultural, professional, consumer, craft and women's associations). The associations are licensed and regulated according to law No. (36) of 2016.
- Inherent Risks: it was assessed that there is a "low" inherent probability for the cooperative associations to be used for money laundering. It is noted that the customer bases of cooperative associations are small, domestic and familiar in nature, and the scope of their domestic activities, products and services is limited, as they are mainly accepting deposits from members and providing loans to them. The cooperative associations do not provide exchange services or money transfers, which in turn requires members wishing to transfer money abroad or exchange currency to conduct operations through banks or money transfer companies. In addition, members cannot access their funds through ATM networks, and the average size of their client accounts is very small.

Second: Securities Sector (low):

It was concluded that the securities sector had a "low" net risk, and the short-term consequences of money laundering operations taking place via this sector were found to be very small.

- Securities companies are licensed and regulated by the Jordan Securities Authority under the Securities Law No. (76) of 2002.

The Jordan Securities Authority performs monitoring and supervision on these companies in the field of AML / CFT through desk supervision and on-site inspection.

- Inherent risks: it was shown that the inherent probability for securities companies is "medium" for them to be exploited for use in money laundering operations. Securities companies do not accept cash in person for the settlement of operations, customers who wish to run accounts at securities companies should start by opening an account and deposit funds in it through a bank, which somewhat reduces the inherent risks of money laundering faced by securities companies. However, companies should apply due diligence procedures when establishing a business relationship for the first time; the average value per transaction in securities companies ranges between USD (5,000) and USD (10,000).
- The client base in the securities sector includes both resident and non-resident clients, and non-resident clients are required to open an account with the broker and are subject to due diligence requirements.

Third: the Insurance Sector (low):

It was concluded that the net money laundering risk for the insurance sector is "low" and the short-term consequences of money laundering operations taking place via this sector were found to be very "low".

- Insurance companies are licensed by the Ministry of Industry, Trade and Supply / department of insurance and are subject to its control, supervision and regulation under the insurance business regulation law No. (33) of 1999. The Ministry of Industry, Trade and Supply / department of insurance requires companies to have policies and procedures to combat money laundering and the financing of terrorism.
- Insurance companies monitor brokers and agents and most insurance companies operating in Jordan have compliance departments / units that ensure compliance with the insurance company's policies and procedures, including those related to AML/CFT.
- Inherent risk: it was concluded that for insurance companies the inherent risk probability is "low" for them to be exploited in money laundering, since they comprise a customer base of resident and non-resident customers, from natural and legal persons based on the nature of the insurance requested by the customer; the payment of insurance premiums is usually paid in cash or by check or bank transfer or through credit cards. The average premium level is considered "extremely small" compared to the other sectors and countries (totaling 1,329 USD)⁶, in addition to the nature of the products offered by these companies and given that the products cannot be terminated easily.

⁶ The interpretive note of Recommendation No. 10 of the FATF indicates that annual ²⁵ life insurance premiums below USD 1,200 may be treated as low risk for money laundering

Fourth: financial service providing companies sector (medium):

It was concluded that the financial services providers' companies have a "medium" net money laundering risk. Specifically the exchange companies and money transfer companies were shown to have a **"medium" net money laundering risk** and the money transfer agents, card issuers and payment and electronic collection service providers have a **"very low" net money laundering risk**, and the level of short-term consequences of money laundering operations happening via the sector is "medium":

- Inherent risk: the inherent probability of financial service providers companies being exploited for money-laundering was assessed as "medium", based on a number of factors, including the diversity of their client base, occasional clients being mostly tourists or non-resident clients, and the client base is mostly limited to natural persons, except for some legal persons, as well as the relatively small size of the companies and their inability to access sufficient resources to implement a framework for managing the risks of money laundering and terrorist financing.
- Exchange companies in this sector are licensed and registered under the exchange business Act No. (44) of 2015, while payment and electronic money transfer services companies and payment and collection cards are licensed under the electronic money transfer and payment system No. (111) of 2017 of the Central Bank of Jordan. These companies are subject to AML/CFT obligations under the AML/CFT Law No. (46) for the year 2007, and its amendments. The companies are subject to regulation and supervision, including for AML/CFT purposes, by the Central Bank of Jordan.

Fifth: other financial institutions sector (low):

It was concluded that other financial institutions (smaller ones such as other lending institutions, financial leasing companies and other specialized financial institutions such as development financial institutions) have a "low" net money laundering risk, and that the short-term consequences of money laundering operations occurring through the sector are "very small":

- Inherent risk: the main factors that reduce inherent risk have a "very low" probability of cross-border operations of financial leasing companies and specialized financial institutions. In addition, it is noted that "very small" companies with a "extremely small" level of average asset size, client account balances, and steady growth. Moreover, this category has low levels of high risk products and services, including distribution channels, and these institutions serve a "very small" number of high risk client types, knowing that these institutions are subject to their own laws and legislation.

Sixth: Designated non-financial businesses and professions sector (medium):

Designated non-financial businesses and professions were assessed as having a "medium" level" of the net risk of money laundering, as for the level of risk in detail, it is as follows:

Traders of precious metals and precious stones (very low):

The assessment was reached that for traders of precious metals and precious stones the level of net risk of money laundering is "very low" and that the level of short-term consequences of the operations that are conducted through the sector is "very low":

- The sector mainly operates in a retail environment despite the fact that there are very few online jewelers in Jordan. The customer base consists mostly of resident customers, the transport channels for the retail trade include face-to-face meetings, and payments are usually settled in cash and using credit and debit cards.
- These companies are subject to AML/CFT obligations under the AML/CFT Law No. (46) and amendments thereto; the traders of precious metals and precious stones are subject to control and supervision, which includes AML/ CFT by the Ministry of Interior.
- It is to be noted that gold and diamonds are most likely to be used for money laundering purposes due to their ability to conserve and transfer value; the likelihood of money laundering through this sector is reduced given the "adequacy" of the applied controls.

Real estate agents (low):

Real estate agents were assessed as having a "low" net money laundering risk and the level of the short-term consequences of money laundering operations taking place via this sector was found to be very "low".

- It is to be noted that most real estate transactions are settled through banks, although some are settled in cash. Additional controls are implemented with regard to real estate purchases made by foreigners, who must obtain security approvals from the Ministry of the interior. There are also controls on the areas and quantities of real estate that require the approval of the director general of the Department of land and surveys, the Minister of Interior and the Prime Minister. Foreigners are not allowed to own certain types of real estate (for example, having property outside a residential organization registered in their name), since a company needs to be created for these types of real estate operations provided it is owned by a Jordanian citizen.
- Real estate agents are subject to the obligations in the field of AML/CFT under the "AML/CFT Law No. (46) of 2007 and its amendments, these agents are subject to supervision and monitoring, including for AML/CFT purposes, by the Department of land and surveys.

Accountants (very low):

It was concluded that the accountants had a "very low" level of net money laundering risks and it is to be noted that the short-term consequences of money laundering operations taking place via this sector were found to be "very low".

- Accountants work in Jordan under the legal accounting profession Regulation No. (29) of 2006 promulgated by the legal accounting profession regulation Law No. (73) of 2003.

- This category is subject to AML/CFT obligations under the AML / CFT Law No. 46 of 2007 and amendments thereto, and accountants are subject to the control and supervision of the Association of Certified Public Accountants".
- It is to be noted that the domestic nature of the customer bases of this category is very small, and the range of products, services and distribution channels is very limited.

Lawyers (medium):

It was concluded that for lawyers have a "medium" level of net risk of money laundering, it is to be noted that the short-term consequences of money laundering operations taking place via this sector was found to be "low".

- It is to be mentioned that it is possible to indirectly use the products and services of lawyers to conduct operations of high value and high volume related to money laundering, as well as the client base, the "very high" probability of international clients of lawyers, the "high" or "very high" probable involvement in money laundering of lawyers, and their complex types of clients.
- Lawyers in Jordan operate under the Bar Association Law of 1972 and amendments thereto and are subject to the control and supervision of the bar association. This category is subject to obligations under the AML/CFT Law .No. (46) of the year 2007 and amendments thereto

Seventh: non-profit institutions (very low):

Net money laundering risk was assessed for non-profit organizations including non-profit organizations owned by non-residents as "very low" and found that the level of short-term consequences of money laundering operations occurring via this sector is "very low":

- It was concluded that this sector has a "low inherent" risk to be exploited in money laundering given the "very small" size of the sector, and the unavailability of products and services directly except through other institutions; these institutions have a simple ownership structure, and there is no suspicion that criminals own or control licensed non-profit institutions.
- Non-profit institutions were assessed as having an "excellent" level of non-AML controls on accounts and com business (or membership) relationships, an "adequate" level of non-AML regulation and external audit, and the size of non-profit institutions and the limited range of products and services provided minimized the level of inherent money laundering risks.

Eighth: legal entities (low):

Net money laundering risk was assessed for legal entities including resident and non-residents owned companies as "low":

- It is to be noted that products and services do not exist to some extent except by ownership (as operations are usually carried out via other institutions), and the "very low" scope of activity) including the "extremely small" size of the companies relative to the population.

Summary of sectors, institutions and information on the description of the situation of money laundering risks

Institutions	The level of money laundering risks	Short-term consequences	Net threats and vulnerabilities	Inherent probability of money laundering	AML Controls	Oversight and supervision of money laundering	Net threats and vulnerabilities of money laundering cross-borders	AML controls cross-border	Inherent probability of money laundering cross-border
Banks	4.08	3.70	4.49	5.20	2.77	2.79	4.41	2.63	5.01
Cooperative associations and so on	1.64	1.25	2.15	2.15	3.97	7.00	1.60	2.55	1.60
Postal saving	1.53	1.25	1.87	1.87	4.12	7.00	1.00	N/A	1.00
Total: receiving deposits banks and institutions	4.07	3.70	4.48	5.18	2.78	2.81	4.39	2.63	4.99
Securities companies	2.04	1.18	3.52	3.61	3.68	3.63	2.67	3.35	2.67
Total: securities sector	2.04	1.18	3.52	3.61	3.68	3.63	2.67	3.35	2.67
Life insurance - agents and others	1.78	1.05	3.01	3.01	3.63	3.16	2.72	3.29	2.72
Life insurance - companies	1.81	1.07	3.05	3.05	3.58	3.16	2.77	3.29	2.77
Non-life insurance – agents etc.	1.73	1.02	2.93	2.93	3.73	3.17	2.65	3.34	2.65
Non-life insurance - companies	1.74	1.03	2.94	2.94	3.71	3.16	2.69	3.33	2.69
Total: insurance sector	2.21	1.64	2.98	2.98	3.66	3.16	2.71	3.31	2.71
Payment and electronic transfer of funds, payment and debit cards	1.96	1.31	2.91	2.91	3.85	3.75	2.76	3.36	2.76
Money transfer companies	3.59	3.25	3.97	4.32	3.18	3.49	3.88	3.06	4.12
Total: service providing companies	3.50	3.25	3.76	3.96	3.37	3.56	3.64	3.14	3.78
Financial leasing companies	2.16	1.46	3.18	3.22	4.03	4.96	1.67	3.45	1.67
Other lending institutions	2.15	1.25	3.68	3.68	4.14	4.86	3.39	3.47	3.39
Specialized financial institutions	1.89	1.25	2.87	2.87	4.03	7.00	1.81	3.37	1.81
Total: other financial institutions	2.34	1.81	3.03	3.03	4.03	6.10	1.75	3.40	1.75
Total: all financial institutions	4.13	3.84	4.44	5.10	2.84	2.89	4.31	2.67	4.86
Accountants	1.83	1.28	2.61	2.61	4.44	7.00	2.49	3.89	2.49
Traders of precious metals and precious stones	1.98	1.15	3.40	3.40	4.24	4.25	2.86	3.80	2.86
Lawyers	3.44	3.00	3.94	3.94	4.48	7.00	3.47	3.83	3.47
Real estate agents	2.90	3.00	2.81	2.81	4.46	4.34	1.97	3.72	1.97
Total: designated non-financial businesses and professions	3.34	3.31	3.37	3.37	4.32	5.22	2.91	3.83	2.91
Subtotal: regulated institutions	4.19	3.95	4.44	5.09	2.84	2.90	4.31	2.67	4.85
Companies	2.86	3.00	2.73	2.73	3.61	5.00	2.01	3.99	2.01
companies -Non-resident	2.89	3.00	2.78	2.78	3.67	5.00	2.06	3.99	2.06
Institutions	1.75	1.15	2.65	2.65	3.65	5.00	1.99	3.99	1.99
Partnerships	1.86	1.30	2.68	2.68	3.86	5.00	1.99	3.99	1.99
Associations	1.74	1.15	2.63	2.63	3.86	7.00	1.98	3.99	1.98
Total: legal persons	2.84	3.02	2.68	2.68	3.76	5.50	2.00	3.99	2.00
Non-profit institutions	1.57	1.15	2.13	2.13	4.14	4.68	1.89	5.00	1.89
Non-profit organizations - non-resident	1.96	1.15	3.33	3.33	4.37	4.30	2.38	3.75	2.38
Total: non-profit institutions	1.57	1.15	2.13	2.13	4.14	4.68	1.89	5.00	1.89
Sub-total: legal arrangements, legal persons and non-profit institutions	2.69	3.03	2.39	2.39	3.85	4.47	1.94	3.99	1.94
Total of all AML institutions	4.20	4.00	4.41	5.03	2.87	2.95	4.27	2.71	4.78

Chapter Two: Terrorist Financing Risks

The Hashemite Kingdom of Jordan was assessed as facing a "medium" level of national terrorist financing risks, with a Country risks score (total score) of (3.9) out of (7.0).

For the purposes of assessing the risks of terrorist financing, we have adopted the same methodology used to assess the risks of money laundering, with the addition of some amendments to focus on the issues most relevant to terrorist financing. We have focused on funds related to the terrorist financing rather than on criminal proceeds. We also focused more on non-profit organizations. In addition, we focused on preventive measures to counter terrorist financing that are applied in regulated institutions that assist in criminal investigations into terrorist financing, and the role of the private sector in freezing and confiscating funds related to terrorist financing.

We note here that funds for terrorist financing are usually of very small volume and value compared to money laundering. Terrorist financing is also characterized by a narrower range of high risk products and services compared to money laundering.

Terrorist financing includes the operations aimed at collecting and processing funds to provide terrorists with the resources necessary to carry out their attacks, and terrorist financing involves the misuse of many instruments similar to those used in money laundering, with the main difference being that terrorist financing can arise from legitimate and illicit sources, contrary to money laundering which is limited to illicit proceeds.

The stages of terrorist financing can be divided into three stages: fundraising stage, fund transferring stage, fund use stage, and to analyze the level of risk of terrorist financing it is necessary to look into the components of the assessment: threats, vulnerabilities, consequences; then a look into the risks facing sectors and institutions related to the terrorist financing system:

Section One: Threats

Regarding terrorist financing, threats constitute the total funds raised for the purposes of their use in terrorist financing, and these funds are divided into two parts, the first: (domestic fund raising) constitutes the funds raised within the territory of the State, and the second: (funds raised outside the State) constitutes the funds raised outside the territory and sent for the purposes of terrorist financing in the State.

The overall level of terrorist financing threat in Jordan has been assessed as "medium", as it is believed that the total amount of funds raised, transferred or used by terrorists associated with Jordan is approximately (128,401) Jordanian dinars from domestic and foreign sources, while the total amount of funds sent outside of Jordan is approximately (125,268) Jordanian dinars from domestic and foreign sources.

Total Jordan-related terrorist financing:

Funds Raised	Domestic Sources	Foreign Sources	Total
For Domestic Use	JOD 94,724	JOD 33,677	JOD 128,401
Sent out or through for Foreign use	JOD 91,591	JOD 33,677	JOD 125,268
Total	JOD 186,315	JOD 67,354	JOD 253,669

First: Domestic fund raised:

The threat level of terrorist financing from domestic annual funds raised in Jordan has been assessed as "medium", the amounts domestically raised by terrorists is evaluated at approximately (186,315) Jordanian dinars, and it is believed that these funds are mainly raised from willing donors (including Jordanian foreign terrorist fighters⁷), in addition to unwilling or defrauded donors who do not know that their donations will be used to commit terrorist acts, it is also believed that the raised funds were mainly in cash form, followed by physical and financial assets, respectively, and there have been no mention of commercial activity organized to raise funds for the purpose of carrying out terrorist activities.

- **Willing donors (including Jordanian foreign terrorist fighters):** Jordanian foreign terrorist fighters mainly self-funding, so that funding covers the cost of air travel and other expenses such as illegal border crossing, and it is noted that there are no known organized groups in Jordan that raise funds for terrorists.
- **Unwilling Donors that the funds will be used to carry out terrorist acts:** the main method used to mislead and defraud individuals in this regard is to make them believe in charitable projects and exploit them to transfer money abroad.
- **As for the methods used to raise funds** for the purposes of terrorism, the main and most widely used method in Jordan is self-financing, which includes (self-financing from salaries, self-financing from loans, self-financing from the sale of property).
- **As for the methods used to transfer funds**, it has been found that the most common method is to send transfers from domestic sources to Jordanian fighters in conflict zones through the informal financial sector, followed in importance by the use of the formal financial sector.

Terrorist financiers and funded organizations are believed to be using the informal financial sector, and to a lesser extent (a very low percentage) the formal financial sector, such as banks or licensed money transfer companies, in order to move funds domestically. It is most likely that these funds are sent to Jordanian combatants fighting within terrorist organizations within areas of conflict;

⁷ Foreign terrorist fighters: refers to individuals who travel to a State other than their State of residence or nationality for the purpose of committing, planning, preparing for or participating in a terrorist act or providing or receiving terrorist training.

sympathizers with these organizations have been prosecuted for carrying funds in order to deliver them to Jordanian terrorists in tension areas.

- **The amount of domestic funds sent abroad** for terrorist financing purposes has been estimated at (91,591) Jordanian dinars, i.e. slightly less than half of the funds raised domestically.
- **As for the areas in which these funds were used**, they were found to be used to finance specific terrorist acts, or to cover the costs of sustaining terrorist operations or foreign terrorist fighters, the approximate total annual cost of financing foreign terrorist fighters from Jordan was estimated from the amount of (91,591) sent outside of Jordan.

It is believed that (1,325) Jordanian nationals have fought as foreign terrorist fighters in conflict zones in recent years, and as a result, Jordan risks financing terrorism through funds used by foreign terrorist fighters.

It is noted that there have been "very small" terrorist incidents in Jordan, and that there are no terrorist organizations operating on Jordanian soil, and domestic terrorist acts have been committed by ISIL sympathizers.

Second: funds raised outside the Country:

It is the funds raised abroad and then transferred to Jordan; the amounts of foreign funds entering Jordan to finance terrorism were assessed to be "very small", and the total of these funds reached (67,354) Jordanian dinars, and it is believed that about half of these funds remain in Jordan. It was concluded that all funds for terrorist financing flowing into the Country are linked to terrorist organizations within the conflict zones in the region, and that there are four factors that contributed to the exposure to risks of terrorist financing from these areas:

- The nature of the Jordan's borders with neighboring countries that are experiencing conflicts that are possible to penetrate by individuals.
- Jordan's financial sectors are interrelated with those of those countries, which might be a factor exploited to facilitate incoming transfers of financial assets linked to terrorism.
- The availability of informal financial channels between Jordan and those countries.
- The presence of refugee camps in Jordan, which is believed to facilitate incoming transfers through the informal sector and "very weakly" through the formal financial sector.

As for the routes used to transfer terrorist funds to the State, they are first represented by the informal financial sector (secret), then the formal financial sector (very weakly) and the smuggling of cash.

Section Two: Vulnerabilities

Vulnerabilities are defined as the deficiencies that can be exploited in CFT systems in order to commit the crime of terrorist financing, and to determine the vulnerabilities we should identify three main headlines: (1- the circumstances that facilitate the commission of the crime of terrorist financing, 2 - the circumstances that facilitate for the perpetrator of the crime of terrorist financing to avoid being caught, 3- the deficiencies that hinder the imposition of sanctions), they will be analyzed as follows:

First: the circumstances that facilitate the commission of the crime of terrorist financing:

The level of availability of these circumstances is assessed as "medium", based on the following factors:

- 1) There is a "medium" probability of generating and making available **domestic** funds for the financing of terrorism (cf. to the threats section).
- 2) There is a "high" probability of **foreign** funds for terrorist financing entering the Country:
Although the true size of funds for the financing of terrorism entering Jordan is "very small", there is a high probability of more such funds entering, due to the "medium" size of international flows of persons, goods and funds due to the geographical location of Jordan, especially the North and East of the Kingdom, linguistic and cultural ties, the policy of financial openness, and the presence of "high" risk products and services.
- 3) There is a "high" probability of abusing **the products, services, assets** and other circumstances of the State to commit the crime of terrorist financing, this result is based on the following:
 - Geographical location: the magnitude of terrorist events in neighboring countries and countries of the region is "extremely high".
 - Cultural and linguistic links: the scale of terrorist events in refugee countries and those that use the same language is "extremely high".
 - "High" risk cross-border products and services (a "extremely high" volume of terrorist events in those countries where banks operate and countries from which foreign customers originate).
 - An "extremely high" probability of trade and economic ties (the size of the terrorist events in the countries that are sending and receiving transfers and business partnership countries is "extremely high").
 - The presence of some combatants that have already participated in the fights in the conflict zones.

Second: the circumstances that facilitates for the perpetrator to avoid being caught:

The assessment of the level of existence of these conditions was estimated as "medium" and this result is based on the analysis of four main elements: (1- detection of the crime by the competent authorities, 2- investigation of the crime, 3- effective prosecution of the perpetrator, 4- conviction of the perpetrator).

The first component: factors that **hinder** the detection of terrorist financing by the competent authorities:

The level of existence of these factors has been assessed as "low" as the AML/CFT Law provides for the criminalization of terrorist financing as a separate crime, and the competent law enforcement agencies give priority to the investigation of the financial aspects of terrorism, these results are based on the following factors:

- 1) **Parallel financial investigation:** it turns out that the competent authorities are "very good" in detecting terrorist financing when investigating terrorism.
- 2) **Quality of STRs:** the results of the analysis showed the following:
 - **Negative factors:**
 - In spite of STRs relating to terrorist financing coming in from banks and exchange companies, which make up for the relatively biggest part of the financial sector, but there are a few STRs coming in from the rest of the sectors, which constitute a relatively very small portion of the sector.
 - Cooperative associations are not subject to suspicious transaction reporting requirements.
 - **Positive factors:**
 - Overall, "excellent" numbers of STRs relevant to terrorist financing and "very good" quality mostly due to reports issued by banks and licensed money transfer companies (exchange companies).
 - The technical and legislative compliance is of a "very good" level regarding the system of reporting suspicious terrorist financing operations.
- 3) **Monitoring of operations in relation to terrorist financing:** in general, monitoring of these operations was found to be "very good", due to the fact that they are "very good" for banks, money transfer companies (exchange companies) and non-profit organizations, and "adequate" for most other financial institutions. There is also an "excellent" perception of the classification of terrorist financing risks by institutions, in addition to a "very good" perception of the guidance issued regarding terrorist financing alert indicators, and that most financial institutions have good experience in monitoring terrorist financing activity. Despite this, it was shown that there is an "absence" of monitoring of transactions at cooperative associations and "weak" controls in Postal Savings institutions and other lending institutions.
- 4) **Administrative freezing of assets:** the laws oblige regulated institutions to freeze or seize the funds of listed terrorists logically effective, and the competent authorities are informed of the existence of funds for terrorist financing in regulated institutions, and Jordan applies an efficient mechanism for freezing the property and assets of terrorists without delay in accordance with the requirements of the Security Council Resolution 1267 and 1373; the results of the analysis showed the following:
 - **Negative factors:**
 - "Lack of "necessary requirements for the administrative freezing of assets by accountants, lawyers and associations.

- The "very weak" effectiveness of the administrative freezing of assets in specialized financial institutions, and the "weak" effectiveness for cooperative associations, postal saving funds and precious metals and stones traders and real estate agents.

♦ **Positive factors:**

- There is a "very good" perception of the application of freezing in banks, companies and non-profit organizations, and an "adequate" perception in many other companies.
- The availability of an "adequate" legal framework for freezing requirements.

5) **The capacity and efficiency of institutions in counter terrorist financing:** where the results of the analysis showed the following:

♦ **Negative factors:**

- "Weak" ability and competence in counter terrorist financing in specific for designated non-financial businesses and professions (accountants, designated non-financial businesses, real estate agents and lawyers).
- The absence of self-assessments of terrorist financing risks for some institutions to date.

♦ **Positive factors:**

- The overall situation of the ability and efficiency of institutions in CFT is "excellent" in the banks, and "very good" in postal saving funds, securities institutions, insurance companies and financial service providing companies.
- The above mentioned institutions also have a "very good" level of understanding of the risks and an "excellent" level of having internal controls to mitigate those risks
- The "excellent" level of communication and guidance and the existence of an "excellent" legal framework.

6) **The effectiveness of control and supervision in the field of counter terrorist financing:** supervision and monitoring in the field of CFT was assessed as "very good" in general, the results of the analysis have shown the following factors:

♦ **Negative factors:**

- The absence of oversight and supervision of financial institutions (other than banks, insurance companies, securities companies and licensed financial service providers), and the "very weak" level regarding designated non-financial businesses and professions and the "weak" level of obligations of non-profit institutions as well as information requirements for legal entities.
- The "weak" rate of imposing sanctions for shortcomings related to counter terrorist financing, in addition to obtaining a perception that the control and supervision of the application of targeted financial sanctions is "non-existing" or "too weak" in other financial institutions (other than banks) and designated non-financial businesses and professions, cooperatives and postal saving funds.

♦ **Positive factors:**

- "Very good" monitoring and supervision in the banking sector, and "adequate" in insurance companies, securities companies and licensed financial services providers.

- Getting a "very good" perception of control and supervision on the implementation of targeted financial sanctions at banks.

7) **The efficiency of processing and distributing of reports by the AML/CFT unit:**

The results of the analysis showed the following factors:

♦ **Negative factors:**

- The results of AML/CFT unit information do not always lead to terrorist financing investigations, and are not always used in those investigations or to freeze or seize funds related to terrorist financing.

♦ **Positive factors:**

- The presence of a "very good" level of the AML/CFT unit in providing the competent authorities with information about suspicious transactions reports, and a "very good" perception of the efficiency of the AML/CFT unit in detecting terrorist financing.

Second Component: the effectiveness of the **investigation** on terrorist financing by the competent authorities: it was shown that there is a "medium" probability for the existence of circumstances impeding the effectiveness of the authorities in the investigation of terrorist financing, because of each of the following factors:

1) **Investigation of terrorist financing relative to the predicate crimes:** the results of the analysis showed the following:

♦ **Negative factors:**

- The "limited" size of terrorist financing investigations compared to all the incentives or causes calling for the investigation.
- Uncertainty about the size of terrorist financing investigations compared to terrorism investigations.
- Human resources in the competent authorities need further improvements in terms of numbers and training.

♦ **Positive factors:**

- The "very good" size of terrorist financing investigations relative to the estimated size of terrorist financing.
- A "very good" understanding of the risks of terrorist financing, in addition to the overall "adequate" level of the competent authorities, organizational structure and technical resources, in addition to the good experience of those working within these entities.

2) **Record keeping at regulated institutions and confidentiality issues:** these two issues combined decrease the chances of law enforcement investigators having timely access or increase the chances of providing them with "weak" records from the financial sectors during a terrorist financing investigation; record keeping has been found to be "excellent" for banks, "very good" for all other types of institutions (except for designated non-financial businesses and professions - "adequate") and a "very good" legal framework for record-keeping; it was shown that the confidentiality laws for institutions do not prohibit the implementation of the recommendations of the FATF, in addition there is a "very good" perception of the law enforcement investigators and general prosecutors having access to documents and information.

- 3) **Due diligence requirements:** customer identification/due diligence controls were generally assessed as "adequate" ("very good" for financial service providers, and "adequate" in the banking and insurance sector), and "very good" in money transfer companies, exchange companies, life insurance companies and agents and "weak" in cooperative associations, postal savings funds, securities companies and other financial institutions and all designated non-financial business and professions.
- 4) **The transparency of the beneficial ownership at companies and legal entities:** it should be noted that the results of the analysis showed the following:
- The "weak" level of information about the beneficial ownership from companies and associations.
 - The "very good" level of the legal framework and the proportion of legal entities for whom beneficial ownership information has been collected.
 - The "adequate" perception of transparency of legal persons in general, the powers granted "very good" in obtaining the information of the beneficial ownership and the absence of legal arrangements.
- 5) **International cooperation:** as it is worth noting that the results of the analysis showed the following:
- Solid procedures to provide international cooperation with the competent authorities such as the General Intelligence Department, which deals significantly with most countries in this field.
 - The AML/CFT unit provided cooperation through the conclusion of MOUs and the exchange of information through the Egmont Group's secure web, as well as the cooperation of the Public Security Directorate through the Arab and international Police Department.
 - The perception of poor effectiveness when receiving a cooperation request, and extremely slow responsiveness to requests for mutual legal assistance.

The third component: the effectiveness of the **prosecution** in terrorist financing by the competent authorities:

It was found that there is a "high" probability of the existence of circumstances that hinder the prosecution of the perpetrators of terrorist financing; the results of the analysis showed the following:

- The limited number of trials and convictions in connection with terrorist financing compared to potential cases.
- The "very high" conviction rate in terrorist financing cases being prosecuted.
- The "very good" level of powers granted to the prosecution and judiciary in the prosecution of terrorist financing.

Fourth Component: the effective **conviction** of terrorist financing perpetrators:

It was shown that there is a "high" probability of non-conviction of terrorist financing perpetrators efficiently. This finding is based primarily on the limited number of prosecutions for terrorist financing compared to potential cases, knowing that the laws have a "very good" technical compliance in relation to the criminalization of terrorist financing.

Third: Deficiencies that impede the imposition of sanctions on perpetrators of terrorist financing:

The probability of these conditions was assessed as "medium", and this result is based on the analysis of two main components, these are (1. the adequacy of the sanction imposed on the perpetrators of the crime of terrorist financing, 2. the deprivation of criminals of assets and sanctions of confiscation).

First Component: the adequacy of the **sanction** for terrorist financing perpetrators:

It was found that there was a "low" probability that terrorist financing would not be adequately sanctioned, and Jordan has imposed a number of sanctions in the field of terrorist financing, since terrorist financing is defined in the "terrorism prevention law No. (55) of 2006 and amendments thereto" as a terrorist act, and therefore most of the convictions imposed sanctions as terrorist actions, the results of the analysis show the following factors:

- 1) **Prison sentences or fines:** the number of prosecutions for terrorist financing was found to be limited compared to potential cases, although "world best practice" were found in the number of sanctions imposed compared to the number of convictions for terrorist financing and the perception that the sanctions imposed on persons convicted of terrorist financing were "very good".
- 2) **The adequacy of sanctions' adoption and implementation:** the results of the analysis indicate the existence of "world best practice" for the number of sanctions imposed for the commission of terrorist financing relative to convictions for the crime of terrorist financing that are prosecuted, in addition to obtaining a "very good" level of perception of the competent authorities for adequately imposing criminal sanctions on persons convicted of terrorist financing.

Second Component: the deprivation of assets and sanctions of **confiscation:**

It was shown that there is a "high" likelihood that terrorist financing offenders will not be deprived of their assets as a result of the following:

- 1) **Issuance of assets confiscation and recovery orders:** the results indicate "uncertainty" as to the level of assets seized or confiscated (while some are confiscated, the confiscation related to the instrumentalities used is mainly small), and there is a need to align AML/CFT policies with risks.
- 2) **Assets Recovery from foreign countries:** the volume of recovered foreign assets was found to be "very weak", in addition to the "absence" of requests issued for asset recovery, and in connection with the Country's failure to deal with such issues.
- 3) **Use of provisional measures in the seizure of criminal proceeds prior to confiscation:** the results indicate "uncertainty" of the level of assets frozen or seized or the use of provisional measures in terrorism and terrorist financing investigations.

However, it has been found that there is a "very good" perception of judges in issuing freezing or confiscation orders in terrorist financing cases.

Section Three: Consequences

Consequences are defined as the sum of impact and damage caused by terrorist financing on the financial systems or financial institutions as well as economy and society overall, the analysis and estimation of the consequences is done separately for each of the short-term and long term consequences. The short-term consequences are linked to the level of impact of the raised funds for terrorist financing and their short-term disruption of the demand on many products and services or assets for a period of time that can reach 12 months. As for long term consequences, they have an impact focused on the consequences of terrorist financing that occurs successfully in relation with the goals of the Country, the long term consequences have social, economic, political and geographical dimensions.

First: short-term consequences:

The level of short-term terrorist financing consequences in Jordan was estimated as "huge", which corresponds to the volume of annual operations related to terrorist financing, and it was found that more than (90%) of these operations take place in the informal sector (especially in the sector that includes unregulated money transfer companies) or in the form of cash, and the remaining percentage includes regulated institutions, directly or indirectly, knowingly or unknowingly of its ties to any terrorist financing operation. As for regulated institutions, by consensus, the volume of operations related to terrorist financing that is available in regulated money transfer companies (exchange companies) and banks, is "low", followed by the "very low" level of consequences for precious metals and precious stones traders, as for the remaining institutions of the regulated financial sector were assessed as having a "very small" level of operations related to terrorist financing.

The analysis had shown at the time that the financiers were ready to hand over the funds to the terrorists to use them, the financing was primarily in the form of cash (73%), followed by assets transferred outside Jordan (17%), and a much smaller amount of financial assets (5%), and physical assets (5%).

Second: long-term consequences:

The level of long term terrorist financing consequences in Jordan was estimated to be "high" (4.2). The long term consequences are generally inferred from the analysis of vulnerabilities, where the results showed the following:

The overall consequences of terrorist financing:

Risk Events	Rank	Consequence Level
OVERALL FINANCING OF TERRORISM CONSEQUENCE	4.3	Major
(1) FT being attempted	4.3	Major
(2) If FT attempted, perpetrator not caught	4.2	Major
(3) If caught, perpetrators not sanctioned properly	4.3	Major

The political consequences:

The overall political consequences related to the risks of terrorist financing were assessed as "moderate" (4.0), and the most important political consequences include the decline in the reputation of the Country, the sanctions imposed relevant to the terrorist financing, and the power and influence acquired by the organized criminal or terrorist groups.

The economic consequences:

The overall level of economic consequences associated with terrorist financing risks was assessed as "moderate" (4.0), as the most important manifestations of economic consequences are the difficulty facing banks and other institutions to operate internationally, and the risks facing the liquidity and solvency of the financial sector, and the defamation of investment and savings.

The social consequences:

The overall social consequences related to the risk of terrorist financing are assessed as "moderate" (4.0), and include the most important manifestations of the social consequences of material harm to members of society, increased crime, and increase terrorism.

Geographical consequences:

The level of the overall geographical consequences related to the risks of terrorist financing was assessed as "huge" (4.6). This indicates that the consequences of terrorist financing extend beyond Jordan's borders to reach neighboring States.

Section Four: Risk Analysis for Sectors and Institutions in the Field of Terrorist Financing

In general, it was concluded that the overall efficiency of the CFT controls in the regulated institutions in the field of CFT was "very good", and the regulation and supervision was assessed as "very good" as the effective measures and controls necessary to counter terrorist financing are actually being applied within the regulated financial institutions and efficient regulation and supervision by the competent regulatory and supervisory authorities within the main regulated financial institutions with relative importance.

Compared to money laundering, findings show that the types of institutions most likely to be misused to commit terrorist financing are significantly narrower than in money laundering.

Below is a detailed breakdown of the results of the analysis of net terrorist financing risk in sectors and institutions, namely, net risk (risks after taking into account controls and mitigating measures)⁸:

First: Banking sector and institutions that receive deposits (medium):

The assessment of the banking sector and other deposit receiving institutions (Postal Savings Fund and cooperative associations) indicates that they have a "medium" net terrorist financing risks, and it turns out that the short-term consequences of terrorist financing operations occurring through the sector are "small", as for the risks level in details it is as follows:

Banking sector (medium):

This finding was based on the fact that banks are exposed to cross-border risks, especially through products and services, and customers from countries where terrorist events occur, and that there is a "very high" probability of banks being involved in terrorist financing operations.

⁸ For further information about the sectors kindly, refer to (basic information and scope, risk analysis for sectors and institutions in the field of anti money laundering).

Postal Savings Fund (very low):

- It is noted that the limited products and services provided by the Postal Savings Fund, in addition to the fact that the average value of the customer accounts in the postal savings is very small, the small volume of operations, not to mention the ownership of the government, in addition to the absence of cross-border operations of this type of institution.

Cooperative associations (very low):

- This result is due to the "very low" probability of cooperatives being involved in terrorist financing due to their limited products and services (including the micro level of the intensity of cash handling), the "small" customer base, and the "very low" probability of being involved in cross-border terrorist financing.

Second: securities sector (very low):

It was concluded that securities sector's net risks of terrorist financing is "very low", it was shown that the short-term consequences of terrorist financing operations through the sector are "very small".

- It is noted that in this sector, there is a low probability of cross-border business, and the limited products and services (including distribution channels), the low exposure of cross-border clients to terrorist financing risks, and a "very low" probability of being involved in terrorist financing.

Third: insurance sector (low):

It was concluded that the insurance sector had a "low" net risks of terrorist financing, and the short-term consequences of terrorist financing operations taking place via this sector were found to be "very low".

- It is noted that there is a "very low" probability of terrorist financing risks for products and services in this sector, and a "very low" probability of involvement in terrorist financing, including across-borders, in addition to the nature of the products offered by these companies because the products cannot be easily terminated.

Fourth: financial service providing companies sector (medium):

It was concluded that payment services companies, electronic transfer of funds and issuance of payment cards and their collection have a "**very low**" net risks of terrorist financing, and that money transfer companies and exchange companies have a "**medium**" level of risks of terrorist financing, the short-term consequences of terrorist financing operations taking place via this sector were found to be "low".

- The level of risk of exchange companies is due to the nature of the products and services (including distribution channels), the diverse customer base and exposure to cross-border risks, and the "high" probability of involvement in the terrorist financing. It was noted that the services they provide are attractive to terrorist financing, especially cross-borders.
- As for payment and electronic money transfer companies, it was noted the "very low" probability of them being involved in the terrorist financing due to cross-border products and services, and the "very low" level of cash handling intensity in these companies

Fifth: sector of other financial institutions (very low):

It was concluded that other financial institutions (smaller ones such as other lending institutions, financial leasing companies and other specialized financial institutions such as development financial institutions) have a "low" net terrorist financing risks, and that the short-term consequences of terrorist financing operations occurring through the sector are "very small".

It is noted that this category has low levels of high risks products and services, including distribution channels, in addition to serving a "very small" number of high risk customer types.

Sixth: Designated non-financial business and professions sector (low):

It was concluded that the designated non-financial businesses and professions have a "low" level of net risks of terrorist financing, and that the short-term consequences of terrorist financing operations that occur through the sector are "very small".

Traders of precious metals and precious stones (low).

It was noted that the traders of precious metals and precious stones have a "high" probability of risks, in addition, they also have a "very high" probability of cross-border customers from countries where terrorist events occur, and this probability is reduced by the "adequacy" of the controls applied.

It has been concluded that real estate agents, lawyers and accountants have a (very low) net risks of terrorist financing.

Seventh: non-profit organizations (very low):

The net terrorist financing risks for non-profit institutions including non-resident owned organizations was assessed as "very low" and the short-term consequences of terrorist financing operations conducted through this sector were found to be "very low".

- This is due to the fact that the size of the sector is "very small", that products and services exist to some extent only through the operations happening via financial institutions, and that criminals are not suspected of owning or controlling licensed non-profit institutions. In addition, non-profit organizations have been assessed as having an "adequate" level of controls in general regarding accounts and trade relations (or membership).

Eighth: legal entities (low):

The net risks of terrorist financing to legal persons including resident and non-resident owned companies was assessed as "low":

- It is to be noted that products and services are not available to some extent except by ownership (as operations are usually carried out via other organizations), and the "very low" scope of activity (including the "extremely small" size of the companies relative to the population).

Summary of sectors, institutions and information on the description of terrorist financing risks profile:

Institutions	The level of risks of terrorist financing	The short term consequences	Net threats and vulnerabilities	Overall controls of terrorist financing	The inherent probability of terrorist financing	Oversight and supervision on counter terrorist financing	Net threats and vulnerabilities of terrorist financing cross-border terrorism	Overall controls of terrorist financing cross-border	The inherent probability of terrorist financing cross-border
Banks	3.55	3.00	4.19	2.01	5.04	4.35	4.44	2.13	5.34
Cooperative associations etc.	1.37	1.00	1.88	5.15	1.88	5.22	1.98	7.00	1.98
Postal savings fund	1.24	1.00	1.54	3.46	1.54	4.87	1.00	N/A	1.00
Total: banks and deposit receiving institutions	3.54	3.00	3.19	2.02	5.03	4.35	4.43	2.13	5.32
Securities companies	1.56	1.00	2.43	3.08	2.43	5.03	2.06	3.73	2.06
Total: securities sector	1.56	1.00	2.43	3.08	2.43	5.03	2.06	3.73	2.06
Life insurance - agents etc.	1.60	1.00	2.55	3.25	2.55	5.05	2.70	3.74	2.70
Life insurance . companies	1.60	1.00	2.57	3.21	2.57	4.99	2.73	3.74	2.73
Non-life insurance . agents etc.	1.58	1.00	2.49	3.26	2.49	5.08	2.63	3.74	2.63
Non-life insurance . companies	1.58	1.00	2.50	3.25	2.50	5.02	2.65	3.74	2.65
Total: insurance sector	2.25	2.00	2.53	3.24	2.53	5.04	2.68	3.74	2.68
Payment and electronic transfer of funds, payment and debit cards	1.79	1.10	2.90	3.39	2.90	4.91	3.49	4.21	3.49
Money transfer companies	3.68	3.10	4.36	2.94	4.81	5.08	4.30	2.72	4.82
Total: financial service providing companies	3.49	3.00	4.05	3.07	4.34	5.03	4.16	3.09	4.48
Financial leasing companies	1.42	1.00	2.02	3.63	2.02	5.28	1.62	4.65	1.62
Other lending institutions	1.70	1.00	2.90	3.77	2.90	5.34	3.03	3.80	3.03
Specialized financial institutions	1.41	1.00	1.98	4.31	1.98	5.17	1.41	7.00	1.41
Total: other financial institutions	1.41	1.00	2.00	3.49	2.00	5.22	1.50	4.18	1.50
Total: all financial institutions	3.53	3.00	4.14	2.09	4.92	4.39	4.38	2.22	5.19
Accountants	1.59	1.00	2.53	4.23	2.53	5.43	2.64	4.32	2.64
Traders of precious metals and precious stones	2.43	1.75	3.38	3.66	3.39	5.71	3.01	3.80	3.01
Lawyers	1.79	1.00	3.21	5.38	3.21	5.32	3.26	7.00	3.26
Real estate agents	1.57	1.00	2.46	3.91	2.46	5.77	2.20	3.80	2.20
Total: designated non-financial professions and businesses	2.54	2.00	3.22	3.66	3.22	5.59	2.99	3.42	2.99
Subtotal: regulated institutions	3.53	3.00	4.14	2.09	4.92	4.40	4.37	2.22	5.18
Companies	1.41	1.00	1.99	3.46	1.99	4.45	2.13	N/A	2.13
Non-resident companies	1.44	1.00	2.08	3.46	2.08	4.45	2.21	N/A	2.21
Institutions	1.42	1.00	2.03	3.46	2.3	4.46	2.16	N/A	2.16
Partnerships	1.41	1.00	1.98	3.46	1.98	4.45	2.12	N/A	2.12
Institutions	1.41	1.00	1.98	3.46	1.98	4.45	2.12	N/A	2.12
Total: legal entities	2.00	2.00	2.01	3.46	2.01	4.45	2.14	N/A	2.14
Non-profit organizations	1.73	1.20	2.49	3.77	2.49	3.91	2.22	4.84	2.22
Non-profit organizations - non-resident	1.97	1.20	3.24	3.45	3.29	5.44	2.81	3.84	2.81
Total: non-profit organizations	1.58	1.00	2.49	3.66	2.49	3.91	2.22	4.84	2.22
Sub-total: legal arrangements, legal entities and non-profit institutions	2.13	2.00	1.26	3.86	1.27	4.16	2.18	4.84	2.18
Total: all AML institutions	3.51	3.00	4.11	2.12	4.86	4.39	4.32	2.23	5.10