

**B. JORDAN: PRIMA FACIE REVIEW**

<b>Jurisdiction: The Hashemite Kingdom of Jordan</b>																
<b>Key data</b>																
FATF/FSRB membership: MENAFATF												Date joined: 2004				
Mutual Evaluation				Date of on-site: July 2008 (MENAFATF) Date of adoption of report: May 2009												
<b>Ratings for core and key Recommendations</b>																
<b>Rec.</b>	1	3	4	5	10	13	23	26	35	36	40	I	II	III	IV	V
<b>Rating</b>	PC	PC	C	PC	LC	PC	PC	PC	PC	PC	PC	NC	PC	NC	NC	NC
<b>I. Reason for <i>prima facie</i> review</b>																
14 of the 16 core and key recommendations are rated as PC or NC																
<b>II. Summary of recommendation to ICRG</b>																
The RRG currently has no confirmed recommendation on whether or not to carry out a targeted review, but will provide one at the ICRG meeting (see the reasons in section IX).																
																<b>Sources</b>
<b>III. Size and integration of the jurisdiction's financial sector</b>																
<b><u>Banking &amp; Finance</u></b>																
<p>Jordan maintains an economy that is very open to the international investment markets, with the availability of a wide range of financial services. Banking represents the most important and largest component of the financial sector (and the economy in general), and is one of the most developed in the Middle East. The banks have played a major role in driving Jordan's economic growth rates through gathering national savings and using them in financing the productive economic sectors. Total banking assets at end-2009 reached US\$45.1 billion, representing 196.5% of the Gross Domestic Product.</p> <p>There are 25 licensed banks in Jordan distributed as follows: 16 Jordanian banks (including three Islamic banks), and 9 foreign banks (of which 6 are Arab banks), with a local network of around 616 branches and 66 offices.</p>																
<b><u>Insurance Sector</u></b>																
<p>The insurance sector contributed about 2.25% of GDP in 2009, and has continued to grow in recent years. All insurance companies operating in Jordan are publicly-owned Jordanian companies, except for one foreign company which specialises in life insurance. The sector consists of 28 insurance companies (including both general and life companies), 515 agents, and 84 brokers.</p>																
<b><u>Capital Markets</u></b>																
<p>Although the Amman Stock Exchange is relatively small, it has developed strongly in recent years, with some 272 companies listed, and a trading volume of USD13.8bn in 2009 (mostly relating to the financial sector).</p>																
																2009 MER and regulatory authority statistics

IV. Status of efforts to criminalise ML and TF	
<p>The following describes the position at the time of the adoption of the MER in May 2009. Subsequent developments are addressed in section VII.</p> <p><b><u>Criminalising ML</u></b></p> <p>Jordan criminalised ML with the issuance of Law No. (46) of 2007 (AML Law), although ML in relation to insurance activities had originally been criminalised in 2002 under Provisional Law No. (67).</p> <p>MENAFATF's 2009 mutual evaluation report (MER) identified a number of important deficiencies in the AML Law. The Law conformed to the Vienna and Palermo Conventions in the description of the physical and moral elements. However, the predicate offences for ML did not include a significant number of the categories of crimes required under the standard, specifically: blackmail, human trafficking, sexual exploitation (including of children), illicit trade in stolen goods, environmental offences, piracy of products, smuggling, fraud, piracy, market manipulation and terrorist financing (in part). Under the AML Law predicate offences for ML were restricted to felonies (generally offences with a minimum term of imprisonment of three years) and those offences covered by international agreements to which Jordan is a party and which are offences under Jordanian law. Many of the predicates not covered by the AML Law were either acts that were not criminalised or that were not considered to be felonies.</p> <p>While the AML law applied to any properties directly or indirectly derived from committing a predicate offence, Jordanian law required a conviction under a predicate offence before the subsequent act of money laundering can be proven.</p> <p><b><u>Criminalising TF</u></b></p> <p>Article 3 of the Terrorism Prevention Law issued in November 2006 criminalised terrorism financing by considering TF to be a terrorist act. However, the MER identified several key deficiencies, including: the scope of the TF offence did not extend to the provision or collection of funds by terrorist organisations or individual terrorists if there was no proof that those funds were going to be directed to the commission of a terrorist act; the concept of what constitutes funds was not clear and fell short of that required by the standard; and the sanctions for natural and legal persons who commit TF acts were not considered to be dissuasive or proportionate.</p> <p>The MER also notes a number of major deficiencies in the structure of the TF provisions which fundamentally impact compliance with all the Special Recommendations. For instance, the AML Law did not empower the FIU to receive STRs related to TF.</p>	<p>2009 MER</p>
V. ML/TF risks and threats	
<p>While the crime rate is relatively low, Jordan is affected by regional trafficking in narcotics and the recurrent entry of terrorists from various nationalities across the border from Iraq. Jordan's location, geostrategic position in the Middle East and its role in the peace process in the region have resulted in the risk of activities, such as the formation of terrorist groups, networks and cells that feed the terrorist activities in the region.</p> <p>In a 2002 report to the UN Security Council, Jordan indicated the presence of some terrorist organisations and cells in Jordan. Jordan itself has been exposed to terrorist actions, the last of which was in 2005 when Al-Qaeda (in Iraq) was responsible for explosions that occurred in various hotels.</p> <p>Jordan has long and remote desert borders, and is in close proximity to the conflict in Iraq. This geography makes it susceptible to smuggling of contraband, particularly of antiquities from Iraq, and the trafficking and illegal trade of arms, ammunition, explosives, poisonous and radioactive substances. However, there is insufficient information to quantify such activity.</p> <p>As mentioned above, Jordan possesses an open and sophisticated financial sector compared with the rest of the region. Recently, the recurrence of speculative transactions in foreign stock</p>	<p>MER</p> <p>MER</p> <p>MER</p>

<p>exchanges, and multiple fraud cases connected to this activity have raised concerns among the authorities, prompting them to expedite the promulgation of the Law on Regulating the Dealing in International Stock Exchanges (Law No. 49 of 2008).</p> <p>Corruption is not generally regarded to be a serious problem in Jordan, which is listed at number 49 (out of 180) in the 2009 Transparency International Corruption Perception Index.</p>	<p>MER</p> <p>Transparency International</p>
<p><b>VI. Stage within any relevant FSRB follow-up procedure</b></p>	
<p>The MER was adopted by MENAFATF in May 2009 and Jordan was placed in the regular follow-up process. Jordan will present its first follow-up report in May 2011.</p>	
<p><b>VII. Efforts to reform AML/CFT deficiencies</b></p>	
<p>Jordan has reported taking several steps in response to the deficiencies indicated in its MER, which include:</p> <ul style="list-style-type: none"> <li>- The issue of a Royal Decree on 28 April 2010 (as a temporary law since Parliament was not sitting) approving a cabinet decision to amend the AML Law. This is understood to have come into effective upon its publication in the Official Gazette on 2 May. An "official" English text of the decree has not been seen by the review group, but the key amendments are understood to include: <ul style="list-style-type: none"> <li>o extending the range of predicate offences to include all offences (committed both in Jordan and abroad) which are crimes (misdemeanours or felonies) in Jordan. However, it remains unclear whether this now captures all the required categories of predicate offences, and whether it remains the case that conviction for the predicate offence is required in order to prove the ML offence;</li> <li>o extending the TF offence to include the collection or provision of funds to a terrorist or a terrorist organisation, or for a terrorist act. However, the provision of such funds must be linked to the commission of a terrorist act;</li> <li>o granting the FIU greater independence and expanding its role to include receipt of STRs in relation to TF;</li> <li>o increasing the penalties for both ML and TF offences;</li> <li>o extending the range of covered entities to include a broader range of financial institutions and non financial businesses and professions;</li> <li>o introducing various provisions relating to CDD, record-keeping and suspicious transaction reporting;</li> <li>o elaborating on the role of the various competent authorities;</li> <li>o introducing measures in relation to freezing, seizing and confiscation in relation to both ML and TF; and</li> <li>o giving the National AML/CFT Committee the obligation to make provisions for the implementation of Jordan's international obligations, although it is not known whether specific procedures are in place to implement the obligations under UNSCRs 1267 and 1373.</li> </ul> </li> <li>- The issuance of Regulation No. (40) of 2009, which determines the duties and functions of the FIU. This allowed it to pass a budget and continue building its capacity, including its IT infrastructure, staffing and physical workspace.</li> <li>- The adoption (with effect from 1 March 2010) of a cash declaration system at the borders, which requires declaration of JD 15,000 (about USD 21,000 or €16,000) or</li> </ul>	<p>Submission by Jordanian authorities</p>

<p>more, or equivalent in foreign currency, negotiable instruments and precious metals. However, this declaration system still only pertains to inbound cash.</p> <ul style="list-style-type: none"> <li>- The issue by the competent authorities of AML/CFT instructions and guidelines to a range of financial institutions and DNFBPs, although these will have to be updated now that the new AML/CFT decree has been gazetted.</li> <li>- The adoption of AML/CFT inspection manuals by the Central Bank of Jordan and the Insurance Commission.</li> <li>- The introduction of amendments to the Societies Law to address potential abuses of the NPO sector.</li> </ul> <p>The authorities are currently receiving or negotiating three technical assistance projects:</p> <ul style="list-style-type: none"> <li>- A programme, to be delivered under the IMF's Topical Trust Fund, to be based on the results of a diagnostic study to identify progress since the last mutual evaluation;</li> <li>- An AML/CFT capacity-building workshop for the Customs Department, to be delivered under the European Commission's TAIEX programme; and</li> <li>- A project, sponsored by the US Department of the Treasury, targeting the law enforcement and judicial authorities.</li> </ul>	
<b>VIII. Additional information</b>	
<p>While Jordan has a number of provisions in its laws relating to mutual legal assistance, the MER notes that the deficiencies in the ML and TF legislation impact the dual criminality requirement, and the report highlights the slowness of the procedures needed to respond to requests for cooperation in respect of both ML and TF, resulting from the lack of clear procedures for following up on mutual legal assistance requests. The Jordanian authorities report that the Ministry of Justice has now set up operational procedures for dealing with mutual legal assistance requests.</p> <p>In May 2009 Jordan ratified and implemented the UN Convention Against Transaction Organized Crime (Palermo Convention).</p> <p>Jordan is a founding member of the MENAFATF. It has been a very supportive member of MENAFATF since its inception in 2005 and held the presidency in 2007.</p>	<p>MER</p> <p>Submission by Jordanian authorities</p>
<b>IX. Detailed Recommendation to ICRG</b>	
<p>Jordan appears to have made substantial progress with the introduction, in May 2010, of the Royal Decree amending the AML/CFT law. However, there are four key questions that remain unresolved, and on which the RRG has not yet obtained adequate clarification, specifically:</p> <ul style="list-style-type: none"> <li>(a) Have adequate measures been taken to extend the range of predicate offences for ML?</li> <li>(b) Is conviction for the predicate offence still required before a ML conviction can be obtained?</li> <li>(c) Is the TF offence necessarily linked to a terrorist act, as appears to be the case from the text of the decree?</li> <li>(d) Have any practical procedures been introduced to ensure effective implementation of the obligations under UNSCRs 1267 and 1373?</li> </ul> <p>The RRG is continuing discussions with the Jordanian authorities on these issues. If, by the time of the ICRG meeting, the RRG has been unable to obtain confirmation that these issues have been adequately resolved, it will recommend that a targeted review be undertaken.</p>	