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# ANTI-MONEY LAUNDERING

UNDERSTANDING AND  
CONTEXTUALIZING



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*Rasheed (Transparency International-Jordan) was established at the end of 2013, as a non-for-profit civil society organization, through a group of activists working in the field of anti-corruption. Rasheed (Transparency International-Jordan) commenced work in Amman at the beginning of April 2014, and it represents the only official contact group of Transparency International in Jordan.*

*Rasheed (Transparency International-Jordan) aims to reinforce the involvement of the Jordanian citizen in anti-corruption activities, protect public, private and local governance institutions against corruption, enhance the efficiency and independence of control agencies specialized in the area of anti-corruption, strengthen the integrity of the legislative and judicial authorities, and reinforce the performance of Rasheed (Transparency International-Jordan) towards achieving its mission and vision.*

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## Introduction

The process of globalization of the world economy, the development of financial technologies give rise not only to positive changes, but also a number of problems, including the problem of money laundering. According to different statistical estimations, the amount of total money laundered annually around the world is 2-5% of the global GDP (USD 800 Billion – 2 Trillion); meanwhile, in the first five months of 2020, crypto thefts, hacks, and frauds totaled \$1.36 billion.<sup>1</sup> According to another statistics provided by International Money Laundering Information Network (IMOLIN), it is estimated that law enforcement authorities recover about \$500 million in a good year, roughly a quarter of 1 per cent.<sup>2</sup>

This problem is a significant threat to financial and economic security and stability of the state, as well as it affects the level of socio-economic development of the country. The legalization of criminal income is becoming global, as various money laundering schemes are transnational in nature and linked to organized crime, like financial fraud, drug trafficking, terrorist financing, etc. Moreover, in the light of the current global pandemic situation, it becomes more complicated for authorities and the private sector to fulfill their anti-money laundering commitments, including for instance, overseeing, regulating, providing policy reforms, reporting on suspicious transaction and supporting international cooperation. COVID-19 deterrence measures affected the criminal economy and forced criminals to adjust to the situation, which can result, for instance, in increased number of cases related to misuse of financial services on the Internet and virtual assets; taking advantage of economic incentive measures and insolvency procedures for money laundering purposes; or in transition to new areas of business, in which there is a large turnover of cash and which are characterized by high volatility.

All efforts to combat money laundering without an effective system are not yielding positive results. Therefore, combating money laundering requires a study of the origins and ways of spreading this socially dangerous phenomenon, as well as proper legal framework, in accordance with international standards.

## Defining the Concept

There is no precise and universal definition of the term "money laundering" in international legal instruments, however, there are cases referring to particular definition in some of the international documents. This crime is usually considered as a process that results in the concealment of funds or other property obtained by criminal means, their placement, transfer or other transaction through the financial and credit system. Also, movement through other market institutions, which also can use another form of economic activity, where in any case the result is a return to the owner in a "reproduced" form in order to give the source of their origin legitimacy, concealment of the person who initiated these actions or received income, as well as illegal actions to generate income.

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<sup>1</sup> Tookitaki, (2020). 50 Statistics on Money Laundering. Retrieved from: <https://www.tookitaki.ai/about/>.

<sup>2</sup> IMOLIN, (2020). Questions, Answers and Facts about Money Laundering. Retrieved from: <https://www.imolin.org/imolin/gpml.html>.

The first attempt to accurately define money laundering was initiated by the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, adopted on 19 December 1988 in Vienna (Vienna Convention). Hence, the United Nations Office on Drugs and Crime defines it as *“the method by which criminals disguise the illegal origins of their wealth and protect their asset bases, so as to avoid the suspicion of law enforcement agencies and prevent leaving a trail of incriminating evidence”*.<sup>3</sup>

In December 1988, the Basel Committee on Banking Supervision also adopted a Declaration on the Prevention of Criminal Use of the Banking System for Money Laundering, in which money laundering is described as the activity of criminals and their accomplices in using the banking system to<sup>4</sup>:

- 1) Making payments and transfers of funds obtained by criminal means, from one account to another
- 2) Masking the source of funds and the beneficial owner of funds;
- 3) Storage of banknotes in bank safes.

However, the scale of the spread, the level of self-organization of offenders and organized criminal groups involved in the laundering of their income, led to a significant increase in income from other illegal activities. Moreover, such incomes have been intensively introduced into the economic systems of many developed countries. The natural reaction to these processes was the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (Strasbourg Convention), which expanded the scope of legal regulation of these relations by redefining the concept of income – any economic gain obtained by criminal means. It may consist of any property, including property of any kind, tangible property or property expressed in rights, movable or immovable property and legal documents or documents confirming the right to such property or a share in it.<sup>5</sup>

All subsequent international legal acts fully aligned with the definitions of money laundering given in the Vienna Convention of the United Nations and the Strasbourg Convention of the Council of Europe. Thus, the Financial Action Task Force on Anti-Money Laundering (known as the FATF) developed recommendations to prevent the spread of this crime, calling on cooperative countries to extend the use of this term to all incomes as a result of committing serious crimes. In addition, these recommendations provided that *“as provided in the Vienna Convention, the offense of money laundering should apply at least to knowing money laundering activity, including the concept that knowledge may be inferred from objective factual circumstances”*.<sup>6</sup>

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<sup>3</sup> ECOSOC (UN Economic and Social Council), (1988). United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 19 December 1988. Retrieve from: <https://www.refworld.org/docid/49997af90.html>.

<sup>4</sup> Basel Committee, (1988). Basel Committee on Banking Supervision Statement: Prevention of Criminal Use of the Banking System for the Purpose of Money Laundering. Retrieved from: [bis.org/publ/bcbasc137.pdf?noframes=1](https://bis.org/publ/bcbasc137.pdf?noframes=1).

<sup>5</sup> Council of Europe, (1990). Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime, 8 November 1990, ETS No.141. Retrieved from: <https://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/141>.

<sup>6</sup> FATF, (1990). The Forty Recommendations of the Financial Action Task Force on Money Laundering. Retrieved from: <https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%201990.pdf>

According to Article 6 of the UN Palermo Convention against Transnational Organized Crime of 2001<sup>7</sup>, Article 23 of the the UN Merida Convention against Corruption of 2003<sup>8</sup> and Article 9 of the Warsaw Convention of the Council of Europe "On Money Laundering, Detection, Seizure and Confiscation of Proceeds of Crime and Terrorist Financing"<sup>9</sup>, money laundering is defined as:

1. Exchange or transfer of property, if it is known that such property was gained as a result of criminal activity or participation in such activity for the purpose of concealing or masking the illegal origin of property or assisting any person who carries out such activity and seeks to evade legal consequences;
2. Concealment or disguise of the true nature, source, location, movement, property rights or its ownership, if it is known that such property was gained as a result of criminal activity or participation in such activity;
3. Acquisition, possession or use of property, if at the time of receipt it was known that such property was gained as a result of criminal activity or participation in such activity
4. Participation in any actions, association for the purpose of commitment, attempts to commit and provide assistance, abetting, facilitating and advising on implementing any action mentioned above.

Meanwhile, Chapter 1, Article 1 of the Directive 2005/60/EC of the European Parliament and of the Council "On the prevention of the use of the financial system for the purpose of money laundering and terrorist financing" refers to the same definition of money laundering<sup>10</sup>, as well as the Directive 2015/849 of The European Parliament and of the Council "On the prevention of the use of the financial system for the purposes of money laundering or terrorist financing", that substituted the above mentioned, and which is currently in force.<sup>11</sup>

The concept of money laundering can be considered in a broad and narrow sense. In a broad sense, money laundering is a set of methods, techniques and procedures that allow obtaining funds from illegal activities, transfer them to other assets in order to conceal the true origin, real owners or other aspects that could indicate a violation of the law. In a narrow sense, money laundering refers to acts related to the transfer of income as a result of crime to the sphere of legal circulation and for which national and international law provides for criminal or other liability.

The aim of legalization of criminal income include:

- Concealment of sources and origin of criminal income;

<sup>7</sup> UN General Assembly, (2001). United Nations Convention against Transnational Organized Crime: resolution / adopted by the General Assembly, 8 January 2001, A/RES/55/25. Retrieved from: <https://www.refworld.org/docid/3b00f55b0.html>.

<sup>8</sup> UN General Assembly, (2003). United Nations Convention against Corruption, 31 October 2003, A/58/422. Retrieved from: <https://www.refworld.org/docid/4374b9524.html>.

<sup>9</sup> Council of Europe, (2005). Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism, 16 of May 2005, CETS 198. Retrieved from: <https://rm.coe.int/168008371f>

<sup>10</sup> Directive (EU) 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

<sup>11</sup> Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC.

- Creating the appearance of legality of income;
- Concealment of persons who receive illegal income and initiate the laundering process itself;
- Ensuring convenient and prompt access to funds obtained from illegal sources;
- Increase profits through safe investment in legal business;
- Creating new legal business through the use of legalized funds;
- Creating conditions for safe and comfortable consumption.

## Understanding the Process: Stages and Tools of Money Laundering

The importance of distinguishing the stages of money laundering as well as diversity of its models and tools is explained by the fact that in the process of detecting money laundering operations and in conditions of limited information, it is necessary to establish at what stage is the process of money laundering. This will also allow to define effective and relevant measures in the future when investigating a money laundering scheme – to identify the sources of funds or to find out the further movement of funds, or to assess the available anti-money laundering mechanisms.

### Models

Money laundering is a complex process that involves a large number of various operations that are carried out in different ways and are constantly being developed. Based on the analysis of a significant amount of practical material, several models of money laundering were identified and studied.

The most common is the **three-phase model**, which divides the money laundering process into the following stages: placement, layering and integration. These three stages can be performed sequentially, simultaneously or partially overlapping. This depends on the legalization mechanism used and on the requirements of the criminal organization for money laundering purposes.<sup>12</sup>

Placement is the physical accommodation of cash in certain financial instruments, as well as the territorial distance from their places of origin. Placement is carried out in commercial and investment banks, other financial and credit institutions, retail enterprises, including those outside the country of income. It should be noted that the stage of placing large amounts of cash is considered the weakest point in the money laundering process, and at this stage, illegally obtained money can be easily detected, but it requires a sufficient attention and responsibility of the finance sector institutions in regards to monitoring and controlling the origin of significant cash amounts.

Layering is the stage at which illicit income is separated from its sources by a complex chain of financial transactions aimed at masking the trace of the income that can be detected. If the placement of large sums of money was conducted successfully, i.e. was not recorded by the controlling entities, it becomes much more difficult to disclose further actions for money

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<sup>12</sup> United Nations Office on Drugs and Crime. The Money-Laundering Cycle. Retrieved from: <https://www.unodc.org/unodc/en/money-laundering/laundrycycle.html>

laundering. Various financial transactions are layered on top of each other in order to complicate the work of law enforcement agencies as well as audit and financial institutions to detect illegal funds.

Integration is a stage in the laundering process that is directly aimed at giving the appearance of legitimacy to criminally acquired wealth. The laundered money is returned to the official economy, usually through the banking system under the guise of honestly earned, completely legal income. If a trace of money laundering has not been detected in the previous two stages, it is extremely difficult to separate legal money from illegal at this stage.

A slightly different approach to structuring the money laundering process is proposed as a **four-phase model** consisting of the following stages:

- Exemption from cash and its transfer to the accounts of fictitious persons. Such persons may be, for instance, relatives of the offender or close people, and in this case, only one condition is required – intermediaries must have their own bank accounts. Currently, there is a tendency to find intermediaries who have access to international banks;
- Distribution of cash. It is used to purchase bank payment instruments and securities. According to foreign experience, cash is also often distributed at currency exchange offices and casinos;
- Masking the traces of the crime. At this stage, launderers face the need of taking all measures to ensure that an outsider does not know where the money came from and with whose help it was placed in certain institutions or organizations;
- Money integration. At this stage, criminals usually invest legalized capital in highly profitable business areas.

Another model distinguishes between both stages and territories of money laundering. According to the **two-phase model of P. Bernasconi**, the phases of legalization are money laundering and recycling or return to circulation. Sometimes these stages are also referred to as laundering of the first and second degree:<sup>13</sup>

- The first stage is defined as laundering of money obtained directly from the crime. It is done by exchanging money for larger denominations or other currencies. At this stage, short-term operations are performed.
- The second stage is represented by medium-term and long-term operations, by means of which previously laundered money is given the appearance of those obtained from legal sources and they are introduced into legal economic circulation.

According to this approach, P. Bernasconi distinguishes between the countries of the main crime, which became a source of income, and the countries of money laundering. The main problem of money laundering is thus to transfer large amounts of illegally obtained cash or other property into easily manageable financial instruments or other types of property.

The Swiss expert K. Mueller also proposed a **four-sector model** of money laundering. This model identifies specific sectors and related money laundering stages. The selection criteria

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<sup>13</sup> Tiozzo Pagio, A., (2018) Money Laundering and Criminal Connected Companies. (Master Thesis, University of Padua, Padua, Italy). Retrieved from: [http://tesi.cab.unipd.it/60783/1/Alessio\\_Tiozzo\\_Pagio.pdf](http://tesi.cab.unipd.it/60783/1/Alessio_Tiozzo_Pagio.pdf).

are legality/illegality of transactions and country of main crime/country of money laundering (Diagram 1).



*Diagram 1. Four-sector model of money laundering*

The first sector is the country of the main crime/legality – in this sector internal, initial laundering is performed. The second sector is the country of the main crime/illegality – pre-laundered money is collected and prepared for smuggling. The third sector is the country of money laundering/illegality – this sector is preparing to introduce money into the legal financial system. The fourth sector is the country of money laundering/legality – here camouflage actions in the form of transfers, investments, etc., are carried out.<sup>14</sup>

Through the control of the banking sector by the state, it is possible, if not to stop, then at least it to make it much more difficult to launder money. For this purpose, K. Mueller developed three possible scenarios:<sup>15</sup>

1. Lack of countermeasures in the country of crime and money laundering. Incomes from crime can be transferred from sector I to sector IV, bypassing sectors II and III. This is due to a passive attitude towards the problem of money laundering in the country where the underlying crime was committed. The finding of laundered money in sector IV suggests that the illegal origin of this money in this case can no longer be established, which consequently makes the laundering possible.
2. Declaration and identification in the country, where the main crime was committed and the absence of countermeasures in the country of laundering: in this case, criminals are forced to transfer funds obtained by criminal means to the country of laundering using illegal channels, bypassing placement on bank accounts in the country, where the crime was committed. Since in the country of laundering there are no requirements for banks in terms of customer identification, the placement of illegally obtained cash in bank accounts is easy and almost anonymous.
3. Declaration in the country, where the crime was committed and identification in the country of laundering: in this case, funds are transferred to the country of money laundering without declaration, however, due to the need for identification in the

<sup>14</sup> Ibid.

<sup>15</sup> Magomedov S., Karataev M., (2017). Modern Models of Money Laundering and Ways to Counter. Shadow Economy and Money Laundering. 336 (7). P. 8-17.

country of laundering, they cannot be freely introduced into legal circulation. Hence, criminals are forced to transfer money further to countries with softer bank identification requirements.

Within the framework of this model, the key parameter that determines the directions of movement and methods of money laundering is the obligation of financial institutions, through which the placement and laundering of criminal capital is to be carried out, to identify their clients. At the same time, the ideal situation for criminals is when financial institutions do not impose requirements on customer identification and there is an opportunity to open or own an anonymous account.

### **Methods of Converting Funds and Masking Their Illegal Origin**

At different stages of money laundering, various methods are used to convert funds and disguise their illegal origin. The following are some of these methods based on the three-phase model as the best known.

Most often, the placement stage takes place within financial sector institutions that perform a wide range of financial transactions and operate on the basis of a license or permit issued by the relevant supervisory authorities. These include banks (commercial, investment, cooperative, savings, etc.), as well as specialized financial and credit institutions – credit unions, pension funds, mutual and investment funds, investment companies, financial companies, insurance companies and others. However, there may be involved intermediaries operating in different areas. According to the conducted analysis, these areas may include, but not be limited to, securities and precious metals markets, organizations providing postal services and cashier's exchange services, gambling establishments, bookmakers, antique and jewelry stores, restaurants, hotels, travel companies, construction companies, etc.

Although, the following is not a complete list, however, it includes common methods of placing funds obtained by criminal means are summarized as following:

- Structuring cash transactions, or so-called "smarfig" – It consists of shredding a significant amount of illegal funds and conducting numerous operations to place them to deposits or make transfers without exceeding the limit set by law, that prevents such transfers from being oversights and registered. In order to perform these actions, criminals, as a rule, involve fictitious persons, called smarfs.<sup>16</sup>
- Exchanging small banknotes for larger denominations, which are easier to move in the future, or conducting operations to exchange illegal money into foreign currencies. Exchange offices are in the field of criminals considerations, because their activities are not subject to state regulation in all countries and not always fall within the scope of combating money laundering. Carrying out transactions with a large number of random customers does not contribute to their proper identification.
- Establishing control by criminals over financial institutions or over the activities of their staff. Such subordination simplifies the placement of illicit money, its further

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<sup>16</sup> Ortinsky V., (2016). Characteristics of Laundering Revenues from Crime: Criminalistics Aspects. Lviv Polytechnic National University Institutional Repository. P. 533-540.

distribution and integration, as these operations are deliberately carried out by bank employees as a result of bribery or threats.

- Illegal use of exceptions to the law if, in a given country, anti-money laundering legislation exempts banks from controlling cash transactions in excess of the established limit, provided that this is appropriate for particular areas of business;
- Creating a false paper trail i.e. intentional use of documents that mask the true sources, owners and location of illegally obtained income. For instance, this can be done by filling out a false cash flow reporting form in order to legalize cash received domestically, which will later be deposited in bank accounts or taken out of the country;
- Merging legal and illegal funds, which is done in order to use for money laundering by means of enterprises, where significant amounts of cash are common and legal (restaurants, bars, hotels, vending machine companies, etc.). In this case, there are two main schemes: the first one when illegal income is hidden in the mass of legal operations of real functioning firms, while the second one when a fictitious company is created, which does not carry out real economic activity, but shows in the financial statements money that is legalized as income;
- Purchasing property or securities for cash – the purchase of luxury items, cars, yachts, planes, and real estate pursues three goals at the same time: the transfer of suspiciously large sums of cash into valuable but less suspicious assets; acquisition of property that will be used for criminal purposes; maintaining a luxury lifestyle;
- Artificially inflating revenue during trade of goods sold to criminals who need to legalize cash at higher prices than usual. As a result, dirty money takes the form of legal proceeds from the sale, which is then placed without any obstacles in bank accounts.

The phase of layering usually overlaps with other stages, so it is difficult to identify any specific methods. However, it is very common to convert cash deposited in financial institutions into monetary instruments – traveler's checks, certificates of deposit, prepaid payment cards, bank bills and letters of credit, primarily issued to the bearer, as well as securities, which facilitates the further export of illegal income from countries.

At this stage, dirty money can be invested in real estate and legal business, and usually the most common spheres are tourism and recreation. Another option is to acquire a declining firm in order to show illegal income in the future as a real gain from its alleged activities.

If the placement of funds took place through the purchase of high value property, it can then be resold within the country or exported and sold abroad. This leads to a double result: it becomes more difficult to find the source of criminal proceeds and it becomes more difficult to find and confiscate the relevant property.

An effective method of layering the criminal income and confusing traces is the use of numerous electronic transfers, the main advantage of which is the speed. However, complete anonymity cannot be achieved in modern conditions, as the international banking community has adopted clear standards for the execution of payment documents, indicating a significant amount of information about the sender and beneficiary of funds. Therefore, such schemes use real existing, but by nature fictitious, companies that have a minimum period of existence – one-day companies –, open, including in offshore areas. The basis for the transfer of funds are

fictitious commercial agreements. Thus, such a mechanism provides the so-called "chain break", which allows to reliably hide the sources and amounts of criminal proceeds.

At the stage of integration, which is the final phase of money laundering process, the following methods are usually used:

- Sale of real estate in which dirty money was previously invested. Often such operations are carried out through a shell company, i.e. officially registered, but which has no assets and does not conduct real operations. Revenue from sale of real estate is considered legitimate income;
- Using fictitious companies, located in jurisdictions with a simplified procedure of registration, for outside legal transactions to obtain loans, the source of which is illegal income. A side effect of such a scheme is a reduction in the tax base by allocating the amount of interest paid to expenses;
- Obtaining a bank loan secured by illegally acquired property or cash, which may be also accompanied by repayment of the loan through the sale of bail;
- Distortion of prices of foreign economic agreements, which is a fairly effective method of reverse integration of criminal funds into the national economy. At the same time, export prices are inflated – in order to justify the receipt of large sums from abroad in the form of foreign exchange earnings, and import prices are underestimated – in order to further sell the goods already at market prices and get a quite legal income.
- Declaring illegal income as a win in a casino or lottery;
- Transfer-pricing, which is also associated with the implementation of export-import operations. In this case, two contracts are issued – real and fictitious, with an inflated sum of the transaction. Under a fictitious contract, the money is transferred to a controlled intermediary firm, usually registered in the offshore zone, and the difference between the real and fictitious price of the goods remains on the account of this firm as income.

However, it should be noted that not all three of these stages are necessarily present in the process of money laundering. Moreover, in practice they can be very difficult to distinguish, as operations can be significantly separated in time and space. However, understanding the content of these stages and identifying the tools used within them, allows organizing effective control over the movement of financial flows in the field of combating money laundering and terrorist financing.

## **International Experience within the Area of AML**

The organization of an effective system for combating money laundering both nationally and internationally can significantly reduce the motivation to receive such income, and, accordingly, reduce the number of illegal actions, identify and destroy sources of dirty money, as well as deprive terrorist and criminal groups of the necessary funding.

International experience makes it possible to identify a number of priority areas for combating money laundering:

- Strengthening control over foreign exchange transactions;
- Improving the mechanisms of interaction between banks, law enforcement agencies and specialized international organizations;
- Development of a system of specialization and coordination of government activities to develop and implement a strategy to combat transnational organized crime;
- Development of the legal framework as a basis for the interaction of law enforcement agencies with foreign and specialized international organizations.

The above actions of are based on proposals for combating money laundering and the recommendations of international organizations that develop principles and standards for the effective implementation of the policy on laundering the proceeds of crime. These organizations currently are:

Name of the Organization	History and Essence
<b>Financial Action Task Force</b>	In 1989, it was decided in Paris to set up a special body to assess the current results of cooperation in order to prevent the use of the banking system and financial institutions for money laundering and to consider the possibility of taking additional preventive measures in this area. The first step in establishing common international standards in the field of anti-money laundering was the adoption in 1990 of forty FATF recommendations for the application of anti-money laundering in all countries of the world.
<b>Egmont Group of Financial Intelligence Units</b>	In 1995, in Brussels, representatives of 24 countries and a number of international entities decided to establish an informal association of national agencies that perform the functions of financial intelligence. This group is called the Egmont Financial Intelligence Unit. It gained official status in the summer of 2007 in Hamilton, Bermuda. Egmont Group membership is one of the requirements of the FATF recommendations. The main purpose of the Egmont Group is to ensure the rapid exchange of information between Financial Intelligence Units. All members of the Egmont Group are connected to a dedicated secure computer network.
<b>Eurasian Group</b>	Representatives of the competent authorities of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, China, the Russian Federation and the Republic of Tajikistan signed a Declaration on the Establishment of the Eurasian Group on Combating Money Laundering and Terrorist Financing that is similar to FATF, and approved the Group`s competence.
<b>MONEYVAL</b>	The Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism was established in September 1997 by the Committee of Ministers of the Council of Europe. Its work is related to conducting an independent and comprehensive analysis of the fight against money laundering in 21 Council of Europe member states, and which are not members of the Financial Action Task Force. The purpose of the MONEYVAL Committee is to create a system of measures to combat money laundering and terrorist financing, as well as compliance with international standards and practices.

<b>United Nations</b>	The Charter of an international organization uniting 192 countries was signed in 1945 in San Francisco. International anti-money laundering programs have initially been closely linked to UN efforts to combat drug trafficking. For the first time, the definition of the crime of money laundering was legally enshrined in the UN Convention against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances, which was adopted in 1988 in Vienna.
<b>World Bank</b>	Universal international financial organizations, which were established in accordance with the agreements adopted at the UN Monetary and Financial Conference in 1944 in Bretton Woods and entered into force in 1945. Formally, the International Monetary Fund and the World Bank are considered specialized UN financial institutions.
<b>Basel Committee on Banking Supervision</b>	In 1974, on the basis of an agreement concluded by 10 developed countries (Basel Concordat), a Committee for Regulation and Supervision of Banking was established, which is called the Basel Committee on Banking Supervision. In 1997, the Committee published the Basic Principles for Effective Banking Supervision, which cover a wide range of issues, including the fight against money laundering.
<b>Wolfsberg Group</b>	It was founded in 2000. The purpose of the Group, which is named after the Swiss castle Wolfsberg, where it held its first meeting, is to develop the principles of anti-money laundering in the private banking sector. In November 2002, the Group published 14 principles to combat money laundering in correspondent banks, which regulate the establishment and support of banking correspondent relations worldwide. According to these principles, international banks are prohibited from doing business with so-called "cover banks".
<b>European Bank for Reconstruction and Development</b>	The EBRD was established in 1991, and now it is the largest investor in the region and, in addition to allocating its funds, it attracts significant amounts of foreign direct investment. It provides project financing for banks, enterprises and companies, investing in both new production and existing firms.
<b>Interpol (International Criminal Police Organization)</b>	It is the only international organization that facilitates worldwide police cooperation and crime control, and is directly involved in the fight against crime. Interpol was established in 1923 as the International Criminal Police Commission to coordinate the fight against various crimes. The main goal of the organization is to ensure and develop broad mutual cooperation of all bodies and institutions of the criminal police within the framework of the existing legislation of the countries; and to create and develop institutions that can successfully contribute to the prevention and fight against general crime.

On the international level, there is a sufficient number of organizations that develop principles and standards for the effective implementation of policies to combat money laundering, and each state implementing an individual system of measures to achieve this must meet international requirements.

Thus, in most countries of the world, which actively carry out financial monitoring, special bodies have been established and continue to function, which assess the legality of the financial transaction in terms of financial monitoring:

Year of Foundation	Name of the Institution	Country	Subordination
1989	Australian Transaction Reports and Analysis Centre	Australia	Government
1990	FinCen	USA	Ministry of Finance
1990	TRANCFIN	France	Ministry of Finance
1991	UIC(SAR)	Italy	Bank of Italy
1993	CTIF-CFI	Belgium	Ministry of Finance
1998	Japan financial Intelligence	Japan	Ministry of Finance
1998	Conselho de Controle de Atividades Financieras	Brazil	Ministry of Finance
2000	FINTRAC	Canada	Ministry of Finance
2000	Unidad de Informacion Financiera	Argentina	Ministry of Justice, Security and Human Rights
2003	Bureau of Financial Intelligence	Bulgaria	Ministry of Finance
2006	Financial Intelligence Unit	Netherlands	Information Policy Department

In international practice, there are three main systems for organizing financial monitoring. The first control system prohibits large-scale cash transactions without the involvement of a professional intermediary. Instead, there is a ban on such transactions without a legitimate financial intermediary who keeps records. The second - guarantees the receipt of the necessary information by the authorized body. The simplicity of the criterion for selecting the transactions to be controlled makes the rules clear to all involved parties and eliminates the element of suspicion on the part of the subject of financial monitoring. Third is based on a rigid fixation of illegal actions, and the subject of financial monitoring is automatically entrusted with identifying the reasons for such actions.

It should be noted that in the international economic space in the process of developing and implementing certain individual measures to combat money laundering, each state must comply with international requirements. Thus, for instance, in the United States, the system of financial monitoring to combat money laundering is based on the 1) effective restriction of access to the financial system for those, involved in money laundering and terrorist financing; 2) empowering government agencies to identify the main organizations and systems used to finance terrorism and money laundering; and 3) strengthening and improving the procedure for financial institutions to implement measures to prevent money laundering and terrorist financing.<sup>17</sup>

In France, the central body of the system for the prevention of money laundering and the fight against terrorist financing is TRACFIN – a financial intelligence unit within the French Ministry of Economy, Finance and Industry, the main units of which are the information collection center, financial expertise department, and operational department. TRACFIN is a body to which information is provided on the opening of bank accounts of individuals and legal entities. French law does not require information on financial transactions if the amount of the financial transaction exceeds a certain limit. Signs for financial monitoring entities to provide

<sup>17</sup> Koldovskiy M., (2008). World Anti-Money Laundering Banking Sector in the Current Context of Globalization of Financial Markets. European Vector of Economic Development. Vol. 1 (4). P. 26–32.

TRACFIN with information on financial transactions are a motivated suspicion that they are carried out for the purpose of money laundering.<sup>18</sup>

In Germany, the Anti-Illicit Trafficking in Drugs and Other Organized Crime Act was passed in 2002. In this regard, in German criminal law there was a new *corpus delicti* – money laundering, set out in Article 261 of the Criminal Code, as well as a certain unit of financial intelligence of Germany, which belongs to the police and whose priority areas of work is the fight against money laundering. The body supervising the activities of financial institutions in Germany is the Federal Financial Services Authority (BaFin), established in 2002 Financial Services and Integration Act 2002, and effectively merging three following existing Federal agencies: the Banking Supervisory Office, the Supervisory Office for Securities Trading, and the Insurance Supervisory Office.<sup>19</sup>

In the UK, money laundering is a serious crime related to drug trafficking, terrorism, theft and fraud, robbery, extortion, illegal use of deposits, blackmailing. To coordinate the activities of money laundering in the country and to provide practical guidance, a specialized Joint Money Laundering Steering Group has been established, which includes leading figures in the financial sector of the economy. Under the UK legal framework, banks are required to establish procedures for verifying clients` identities on entering into a business relationship or transaction, and to keep their records for 5 years.<sup>20</sup>

In Italy, for instance, the law obliges banks and other intermediaries to keep detailed records of transactions for 10 years in order to prevent money laundering attempts, including information on the origin of money transfers and any related messages sent to or from Italy. The monitoring system stipulates that the transfer of any amount abroad is accompanied by a simultaneous declaration of income. Moreover, Italy`s Operating Instructions for Identifying Suspicious Transactions requires intermediaries within the financial sector to provide their employees with anti-money laundering training.<sup>21</sup>

Meanwhile, Under the Polish legislation, financial institutions are obliged to identify and assess the risks associated with money laundering, and to establish security measures that proportional to the results of client`s assessment. Hence, they primarily control transactions with large amounts of cash (especially if such amounts have not previously been credited to the account), and the receipt of significant transfers from countries known as drug manufacturers or suspected of being involved in terrorism, and so on. Increased attention is also paid to customers, who have significant amounts in accounts within several banks and transfer them to third countries. In addition, such institutions also required to provide the

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<sup>18</sup> Baranov R., (2015). World Empirics Implementation of the Policy of Combating the Legalization of Income Obtained by Criminal Means. Mechanisms of public administration. Visnyk NAPA Vol.3. P. 33-39.

<sup>19</sup> Comply Advantage, Federal Financial Supervisory Authority (BaFin). Retrieved from: <https://complyadvantage.com/knowledgebase/bafin-what-is-the-federal-financial-supervisory-authority/#:~:text=BaFin%20is%20Germany's%20financial%20regulator,Germany's%20financial%20markets%20and%20institutions.>

<sup>20</sup> Gambling Commission. Approach to Preventing Money Laundering: What Is Behind Our AML Legislation? Retrieved from: [https://www.gamblingcommission.gov.uk/for-gambling-businesses/Compliance/General-compliance/AML/Approach-to-AML/What-is-behind-our-AML-legislation.aspx.](https://www.gamblingcommission.gov.uk/for-gambling-businesses/Compliance/General-compliance/AML/Approach-to-AML/What-is-behind-our-AML-legislation.aspx)

<sup>21</sup> Banker`s Academy. Anti Money Laundering (AML) in Italy. Retrieved from: <http://bankersacademy.com/resources/free-tutorials/57-ba-free-tutorials/660-aml-italy.>

gathered information to the relevant authorities in cases stipulated by the law, and to conduct trainings on anti-money laundering for their staff.<sup>22</sup>

In Netherlands, the Penal Code describes money laundering as the prohibition of conducting acts regarding the objects, including the property rights, both directly and indirectly originated from the crime acts. It includes hiding, concealing, acquisition, possession, transfer, conversion and use. Moreover, Dutch law also stipulates that the object that is even partly financed as a result of the crime and partly originated based on legal money, is still considered to be originated from the criminal offense. In Netherlands, the legal authority that can prosecute the money laundering is the Dutch Public Prosecution Service. Under the Dutch Penal Code, it has a jurisdiction to prosecute suspected criminal acts that have a link with the Netherlands. For instance, if the offense was committed partly on the territory of the Netherlands, or if Dutch citizen commits a crime outside the country (in this case, however, the act should be recognized as a crime in the second country as well).<sup>23</sup>

The recent Federal Decree-law No. 20 of 2018 “On Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organizations” of the United Arab Emirates stipulates the improved measures to anti-money laundering. Hence, it provides the Governor of the Central Bank with the authorities to freeze suspicious funds (Article 5), that creates the direct mechanism for the authorities to take actions in order to efficiently respond to the possible crime occurrence. Moreover, it grants the authority of the Public prosecution to request direct access to the records, accounts or documents related to the third parties in order to uncover the crime and its perpetrators (Article 7). The same article also allows the Law Enforcement Authorities to conduct undercover operations or use other relevant investigation methods in order to detect the crime, get evidence, or identify the source and destination of the money transfer. Methods to prevent the crime are important for sufficient detection capabilities, and Article 14 of this law ensures solid deterrents like corporate liability for money laundering, which includes fines up to AED 50,000,000 (around USD 1.3 million), banning the violators from work on determined period of time by the relevant authorities as well as arresting and canceling licensing.<sup>24</sup>

The basis for the functioning of an effective system for preventing and combating money laundering is the creation of a regulatory framework, that is comprehensive and well-established. Thus, the following table provides some examples and characteristics of regulatory frameworks in the field of combating money laundering of different countries:

Country	Legislation	Authorized Body for Investigating and Prosecuting	Liability for violations of the law
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<sup>22</sup> ICLG, (2020). Poland: Anti-Money Laundering Laws and Regulations 2020. Retrieved from: <https://iclg.com/practice-areas/anti-money-laundering-laws-and-regulations/poland#:~:text=The%20Polish%20Act%20requires%20obliged,to%20the%20appropriate%20institutions%20information.>

<sup>23</sup> ICLG, (2020). Netherlands: Anti-Money Laundering Laws and Regulations 2020. Retrieved from: <https://iclg.com/practice-areas/anti-money-laundering-laws-and-regulations/netherlands>

<sup>24</sup> UAE Federal Decree-law No. 20 of 2018 “On Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organizations”.

<b>Italy</b>	<ul style="list-style-type: none"> <li>- Law № 646 "On combating mafia";</li> <li>- Law № 55 "On the activity of financial and credit institutions of the country"</li> <li>- Legislative Decree No. 125 of 2019</li> <li>- Legislative Decree No. 90 of 2017</li> </ul>	Italian Financial Intelligence Unit which is part of the Bank of Italy	Criminal liability. Arrest from up to 12 years and fine from 5,000 and 25,000 EUR.
<b>Netherlands</b>	<ul style="list-style-type: none"> <li>- Money Laundering and Terrorism Financing (Prevention) Act of 2008</li> <li>- Dutch Penal Code</li> <li>- Economic Crimes Act</li> </ul>	Dutch Public Prosecution Service	Criminal liability. For individuals: Imprisonment from 3 months to 8 years, and fines from 21,750 to 87,000 EUR. For legal entities: Fines only – from 87,000 EUR to 10% of the annual turnover from previous fiscal year
<b>United States</b>	<ul style="list-style-type: none"> <li>- 18 United States Code (§1956;1957)</li> <li>- Bank Secrecy Act, as amended and strengthened by the USA PATRIOT ACT</li> <li>- Bank Secrecy Act Rules</li> <li>- Law "On providing a comprehensive mechanism for the destruction and prevention of terrorism"</li> <li>- OFAC's Regulations</li> </ul>	Department of the Treasury's Financial Crimes Enforcement Network	Criminal liability. Imprisonment for up to 20 years. A fine of up to 500,000 USD or double the amount of property involved (whichever is bigger).
<b>France</b>	<ul style="list-style-type: none"> <li>- Criminal Code</li> <li>- Customs Code</li> <li>- Monetary and Financial Code</li> </ul>	Special Prosecutor for Financial Crimes	Criminal liability. For individuals: imprisonment up to 10 years and fine up to 750,000 EUR. For legal entities: fines up to 3,750,000 EUR.

Canada	<ul style="list-style-type: none"> <li>- Criminal Code</li> <li>- Proceeds of Crime (Money Laundering) and Terrorist Financing Act of 2000</li> <li>- Proceeds of Crime (Money Laundering) and Terrorist Financing Suspicious Transaction Reporting Regulations of 2001</li> <li>- Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations of 2002</li> <li>- Cross-Border Currency and Monetary Instruments Reporting Regulations of 2002</li> <li>- Proceeds of Crime (Money Laundering) and Terrorist Financing Registration Regulations of 2007</li> <li>- Proceeds of Crime (Money Laundering) and Terrorist Financing Administrative Monetary Penalties Regulations of 2007</li> </ul>	Public Prosecution Service	Criminal liability. Imprisonment up to 10 years. Fines are applicable.
Australia	<ul style="list-style-type: none"> <li>- Criminal Code</li> <li>- AML/CTF Act and Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007</li> </ul>	Commonwealth Director of Public Prosecution	Criminal liability. Imprisonment up to 25 years. Fines are applicable.

## Jordanian Context

Many countries have initiated anti-money laundering processes, and continue to enhance them in different ways by establishing specialized units, adopting recommendations from relevant international institutions and integrating them in the existing processes, supporting mutual cooperation, and developing new effective and efficient regulations along with adopting comprehensive legislations.

Therefore, Jordan has established Anti Money Laundering and Counter Terrorist Financing Unit (AMLU) according to the provisions of the Anti-Money Laundering and Counter Terrorist Financing Law No. (46) of 2007. This Law was amended pursuant to the Law No. 8 of 2010 and the Law No. 31 of 2010, which expand the scope of acts, which can be related to money laundering crimes. The adopted amendments also strengthen the independence of AMLU both financially and administratively, expand the scope of institutions and entities that are subjected to the provisions of the Law, and emphasize their obligations. Moreover, they also grant judges and public prosecutors greater authority in terms of tracing and seizing money and other property as well as imposing sanctions proportional to the money laundering offences.

AMLU is authorized to request information related to suspicious transactions based on the received notifications, analyze and investigate such cases, and provide the relevant authorities with the gathered information on the money laundering cases, when necessary. It can request and receive needed information related to the money laundering cases, as well as one considered necessary for performing its tasks, from judicial, regulatory, administrative and

supervisory authorities. In case of availability of sufficient information on the money laundering related case, the Unit shall prepare the report and submit it to the competent Prosecutor General along with all relevant data, information, documents and legal instruments, and place the request to trace or confiscate the money that is subjected to the suspicious transaction, if relevant.<sup>25</sup>

Moreover, the Central Bank of Jordan has ordered Anti-Money Laundering and Counter Terrorist Financing Instructions No. 51 of 2010 that are to be implemented in banks operating in Jordan. This document outlines the basic definitions, application scope and due diligence requirements along with best practices to ensure the integrity of the payments system, hence preventing money laundering actions in the Kingdom. It also highlights the procedures and details necessary for identifying and checking customers' identities, and determines the cases that may require further attention from financing entities like, indirect communications with clients or external bank intermediation.<sup>26</sup>

In addition, there is the Money Exchange Business Law No. 44 of 2015 that states the basis for money exchange companies in applying for obtaining licenses and provides the requirements in relation to establishing a record system for companies operating within the scope of money exchange and regulating their management. It requires companies engaged in money exchange operations to perform their activities according to the procedures and provisions related to anti-money laundering regulated by relevant legislations or instructions ordered by Central Bank of Jordan.<sup>27</sup>

Jordan has enforced number of other legal instruments aiming at reducing the occurrence of money laundering offenses, and the comprehensive list can be found in the table below:<sup>28</sup>

Legislation of Anti-Money Laundering and Counter Terrorist Financing	
<b>Laws</b>	Law No.46 of 2007 Anti Money Laundering and Counter Terrorist Financing Law and amendments thereto
<b>Regulations</b>	Regulation No. 44 of 2008 Regulation of the National Anti-Money Laundering and Counter Terrorist Financing Committee and Amendments thereto
	Regulation No. 40 of 2009 Regulation of the Anti-Money Laundering and Counter Terrorist Financing Unit and Amendments thereto
<b>Instructions and Guidelines</b>	Anti-Money Laundering and Counter Terrorist Financing Instructions No. 51 of 2010 of Banks and the Guidelines thereto
	Instructions on Anti-Money Laundering and Counter Terrorist Financing in Securities Activities and Guidelines thereto

<sup>25</sup> AMLU, Information about the Anti-Money Laundering and Counter Terrorist Financing Unit of Hashemite Kingdom of Jordan. Retrieved from: [https://www.amlu.gov.jo/EN/Pages/About\\_the\\_Unit](https://www.amlu.gov.jo/EN/Pages/About_the_Unit).

<sup>26</sup> Instructions No. 51 of 2010. Anti-Money Laundering and Counter Terrorist Financing Instructions No. (51/2010) Issued pursuant to the provisions of article (99/b) of the Banking Law No. (28) of 2000 and to the provisions of article (14/a/4) of the Anti-Money Laundering and Counter Terrorist Financing Law No. (46) 2007. Retrieved from: <https://dfsobservatory.com/sites/default/files/01%20Anti%20Money%20Laundering%20and%20Counter%20%281%29.pdf>.

<sup>27</sup> Armouti B., (2020). International Trade in Goods and Services in Jordan: Overview. AL Armouti Lawyers & Consultants. Retrieved from:

[https://uk.practicallaw.thomsonreuters.com/Document/If95a0dcad2d311e8a5b3e3d9e23d7429/View/FullText.html?contextData=\(sc.Default\)&transitionType=Default&firstPage=true](https://uk.practicallaw.thomsonreuters.com/Document/If95a0dcad2d311e8a5b3e3d9e23d7429/View/FullText.html?contextData=(sc.Default)&transitionType=Default&firstPage=true)

<sup>28</sup> AMLU (2016), Anti Money Laundering and Counter Terrorist Financing Unit. Annual Report 2016.

	Anti-Money Laundering and Counter Terrorist Financing Regulation related to Money Exchange Companies No. 2 of 2010 and Guidelines thereto
	Anti-Money Laundering and Counter Terrorist Financing Instructions Pertaining to Licensed Real Estates and its Developments of 2010 and Guidelines related thereto
	Anti-Money Laundering and Counter Terrorist Financing Instructions Pertaining to Companies which exercise the Activity of Financial Leasing of 2011 and Guidelines related thereto
	Instructions No. 3 of 2011 Anti Money Laundering and Counter Terrorist Financing Instructions for Entities Exercising any of the Financial Activities and Guidelines related thereto
	Instructions No. 1 of 2012 the Anti-Money Laundering and Counter Terrorist Financing Instructions of Entities Providing Postal Services and Guidelines related thereto
	Anti-Money Laundering and Counter Terrorist Financing Instructions of Insurance Activities No. 2 of 2016 and Guidelines thereto
<b>Instructions for Implementing the Relevant Security Council Resolutions</b>	Instructions No. 2 of 2010 Instructions for Implementing the Obligations Provided in Security Council Resolution No. 1373 of 2001 and Other Relevant Resolutions and amendments thereto
	Instructions No. 1 of 2014 Instructions for Implementing the Obligations Provided in Security Council Resolution No. 1267 of 1999 and No. 1989 of 2011 and Other Relevant Resolutions and Amendments thereto and Guidance Related thereto
	Instructions No. 2 of 2014 Instructions for Implementing the Obligations Provided in Security Council Resolution No. 1988 of 2011 and Other Relevant Resolutions and Amendments thereto and Guidance Related thereto
<b>Internal Instructions</b>	Internal Instructions No. 7 of 2011, the Database of Information on Transactions Suspected to be Related to Money Laundering or Terrorist Financing, Conditions and Guarantees of Maintaining Confidentiality thereto
	Internal Instructions No. 1 of 2016, the Use of the Metal Cabinets and Cupboards of Notifications Instructions of 2016
	Internal Instructions No. 2 of 2016 Internal Organization for the Anti-Money Laundering and Counter Terrorist Financing Unit Instructions of 2016
<b>Other Instructions</b>	Controls and Basis Related to Reporting Transactions Suspected to be Related to Anti-Money Laundering and Counter Terrorist Financing Instructions of 2011
	Instructions of Notifying the Entities Obligated to Report of Receiving the SAR by the Unit No. 1 of 2011
	Instructions of the Cross-border Moveable Money Declaration No. 4 of 2011
	Instructions No. 1 of 2012, the Means that Insure Providing the Regulatory Authorities and Other Competent Authorities with any Data or Information available within the Unit's Database
	Instructions on Forms and Mediums Relating to Notifications on the Transactions Suspected to be Related to Money Laundering or Terrorist Financing No. 1 of 2015

Jordanian financial sector is pretty diverse, and its assets represent around 93% of the total assets of both financial and non-financial sectors in the country. Moreover, it should be mentioned that Jordanian banks and insurance companies are adequately competent in regards to money laundering risks and undertake required measures to prevent and mitigate them. According to the study *Combating Money Laundering and Terrorism Financing Instructions in Jordan*, there is a high number of banks operating in the Kingdom, who implement the instructions for eradicating money laundering set by the Central Bank of Jordan. Jordanian

banks efficiently report suspicious cases related to money laundering by the staff to the bank's Compliance Control Department, which points out the sufficient internal regulations and compliance with the imposed regulating mechanisms by the authorities. This study also states that financial institutions perform high level of efficiency in preventing and eradicating money laundering by providing trainings on anti-money laundering mechanisms for all management employees within all levels. Moreover, they perform effective cooperation with other banks and relevant government entities regarding anti-money laundering.<sup>29</sup>

It is worth noting that Jordan has a big team comprised of different relevant governmental and private sector representatives, that assess money laundering risks at the national level under the coordination of the Anti-Money Laundering Unit, which coordinates the assessment process and work of all parties involved, and the following primary authorities are an integral part of the anti-money laundering team:

Institution	Mandate
<b>National Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Committee</b>	<ul style="list-style-type: none"> <li>• Develop general AML/CFT policy and setting the necessary plans for its implementation;</li> <li>• Follow-up with the government bodies to fulfil the obligations under relevant and enforceable international frameworks;</li> <li>• Participate during the international forums or other events on AML/CFT general policies;</li> <li>• Study the instructions and guidelines to be issued by regulatory and supervisory bodies.</li> </ul>
<b>Central Bank of Jordan (CBJ)</b>	<ul style="list-style-type: none"> <li>• Issue instructions, circulars and orders that ensure safe and high-standardized activities of financial institutions under its subordination;</li> <li>• Verify parties' commitment to maintain efficiency of the system, adequate controls and reporting on any suspicious transaction based on corresponding investigation.</li> </ul>
<b>Anti-Money Laundering and TF Unit (AMLU)</b>	<ul style="list-style-type: none"> <li>• Receive Suspicious Activity Reports on any suspicious transaction and operations;</li> <li>• Request related information;</li> <li>• Analyse and investigate the suspicious transaction, and disseminate the information to competent authorities, when necessary.</li> </ul>
<b>Jordan Securities Commission (JSC)</b>	<ul style="list-style-type: none"> <li>• Monitor and supervise entities under its subordination</li> <li>• Ensure that all entities under its subordination are compliant with its instructions and issued decisions, in particular those related to them.</li> </ul>
<b>Insurance Department (Ministry of Industry, Trade and Supply)</b>	<ul style="list-style-type: none"> <li>• Regulate and supervise the insurance sector in order to protect national economy.</li> </ul>
<b>Ministry of Justice</b>	<ul style="list-style-type: none"> <li>• Refer international cooperation requests to competent judicial bodies;</li> <li>• Refer requests from judicial authorities to relevant jurisdictions.</li> </ul>
<b>Integrity and Anti-Corruption Commission</b>	<ul style="list-style-type: none"> <li>• Investigate corruption crimes and offences;</li> <li>• Refer investigated corruption cases to the Prosecutor General and/or judiciary;</li> <li>• Contribute to restoring proceeds of corrupt acts;</li> <li>• Cooperate with the AMLU on information and expertise exchange, training and awareness creation.</li> </ul>

<sup>29</sup> Masadeh W., Al Hassan A., (2018). Combating Money Laundering and Terrorism Financing Instructions in Jordan. Banks and Bank Systems, Volume 13 (3). P. 81-94.

<b>Department of Lands and Survey</b>	<ul style="list-style-type: none"> <li>• Provide, document and protect the right to immovable property;</li> <li>• Provide necessary database for the establishment of a national geographical information system;</li> <li>• Register immovable property;</li> <li>• Manage state property through acquisition, leasing, delegation of authority and allocation;</li> <li>• Carrying out a comprehensive assessment of the value of immovable property and ensuring its sustainability;</li> <li>• Document and keeps records of real estate property information.</li> </ul>
<b>Ministry of Interior</b>	<ul style="list-style-type: none"> <li>• Maintain security, public order and safety;</li> <li>• Enforce the law in Jordan;</li> <li>• Assist in verifying criminal record of individual, when needed.</li> </ul>
<b>Ministry of Social Development</b>	<ul style="list-style-type: none"> <li>• Policymaking and supervision of non-profit organizations.</li> </ul>
<b>Jordan Customs departement</b>	<ul style="list-style-type: none"> <li>• Implement the Government’s customs policy to collect revenues and import taxes;</li> <li>• Manage and control the movement of transiting goods;</li> <li>• Fight custom smuggling, including activities related to physical cross border illegal transportation.</li> </ul>
<b>General Intelligence Directorate</b>	<ul style="list-style-type: none"> <li>• Protect internal and external security of Jordan by means of appropriate intelligence operations;</li> <li>• Preliminary investigation of offenses related to financing terrorism.</li> </ul>

Despite all the positive steps that Jordanian government took toward establishing effective and efficient mechanisms to prevent, detect and combat money laundering in the country, there are still a vague place to work at in this regard. According to the Basel AML Index - independent annual ranking that assesses the risk of money laundering and terrorist financing around the globe – in 2020, risk levels in the Middle East region are higher than global average. Thus, the lowest risk probability was estimated in Israel and Bahrain scoring 3.62 and 4.41 respectively (whereas 0 is the lowest and 10 – highest), meanwhile, Jordan has scored 5.96 taking the last place after Algeria and Yemen with scores of 6.74 and 7.12 respectively. According to the data provided in the report, the biggest issues that the region is facing, comparing to the global trends, are lack of public transparency and accountability, financial transparency and standards as well as legal and political risks.<sup>30</sup>

## Conclusion

The events of globalization development confirm the importance of ensuring effective financial monitoring systems, which is an integral part of financial activities carried out by domestic banks. Creating a highly effective national system to combat money laundering is one of the most acute and urgent problems. It should be noted that the operations of money laundering have a significant negative impact on all entities of financial and economic activities. The main role in the fight against money laundering in organizations is played by an effective system of internal control.

<sup>30</sup> Basel Institute on Governance, (2020). Basel AML Index: 9th Public Edition. Ranking Money Laundering and Terrorist Financing Risks around the World.

In fact, the problem of money laundering is very important and relevant at the present stage of development, because it is real and one of the biggest threats to the economic growth. Thus, the negative financial and economic consequences of money laundering include:

- Deterioration of the reputation of the financial sector;
- Reduction of investments and increase of capital outflow;
- Deterioration of the international image;
- Growing corruption and development of organized crime;
- Weakening of the social order and unfair competition;
- Significant stratification of the population in terms of income;
- Shadow business development and high share of unofficial income;
- Increasing disparity in the distribution of the tax burden, etc.

In order to effectively combat money laundering, in modern conditions it is necessary to take comprehensive measures to eliminate the criminal economy. Thus, the basis for anti-money laundering is sufficient legislation and a high level of qualification of officials, that will provide the necessary conditions for further development of the country, in addition to:

- Mandatory development of international programs to combat money laundering;
- Developing multilateral agreements on legal assistance in the fight against money laundering;
- Support for electronic and digital payment options;
- Strengthening supervision of the offshore sector of the economy;
- Publishing and continuously updating a comprehensive list of countries that do not fight against money laundering on their territories or lack effective anti-money laundering mechanisms;
- Blocking of bank assets upon detection of suspicious transactions, etc.

Money laundering has a significant negative impact on the distribution of domestic and international money resources and it undermines macroeconomic stability, therefore, combating this phenomenon is one of the most important strategic directions in combating organized crime. In the process of combating money laundering, there are also several important points that should be kept in mind.

First, there is also an investigation of related crimes, since money laundering is only one of the stages of criminal activity, and as a rule, the final one. Such related crimes are mostly smuggling of goods, raw materials, weapons, drugs, illegal trafficking in precious metals, illegal business, violation of foreign exchange transactions, tax evasion, etc.

Moreover, as a part of anti-money laundering process, the legal economy is becoming more protected from criminal investments. There is an opinion that revenue from criminal activities, when entering the legal financial turnover, begins to serve the development of the national economy. This statement is not only wrong, but also extremely dangerous, since in this case it will indirectly encourage illegal actions, which is unacceptable. Besides, criminal capital, in one way or another, remains under the control of the owners and primarily serves their purposes, and that will make state economy dependent on criminal organizations operating on its territory.

In addition, money laundering operations are now international in nature, and criminals operate at the international level not only because they seek to seize larger markets, but also because the risk of being caught is reduced due to problems between the law enforcement agencies of different countries and the lack of sufficient legal framework. Thus, without proper cooperation between different stakeholders of anti-money laundering processes, national borders are an element that promotes rather than hinders money laundering, as the weakest link in the chain is chosen – the country, where banking secrecy is the strictest and law enforcement oversighting over banking is least effective, or even nonexistent.

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