

# “Combating money laundering and terrorism financing instructions in Jordan”

|                     |   |
|---------------------|---|
| <b>AUTHORS</b>      | Walid Muhammad Masadeh  <a href="https://orcid.org/0000-0001-8355-1825">https://orcid.org/0000-0001-8355-1825</a><br>Abdullah Tayel Al Hassan  |
| <b>ARTICLE INFO</b> | Walid Muhammad Masadeh and Abdullah Tayel Al Hassan (2018). Combating money laundering and terrorism financing instructions in Jordan. <i>Banks and Bank Systems</i> , 13(3), 81-94. doi: <a href="https://doi.org/10.21511/bbs.13(3).2018.08">10.21511/bbs.13(3).2018.08</a> |
| <b>DOI</b>          | <a href="http://dx.doi.org/10.21511/bbs.13(3).2018.08">http://dx.doi.org/10.21511/bbs.13(3).2018.08</a>   |
| <b>RELEASED ON</b>  | Wednesday, 05 September 2018  |
| <b>RECEIVED ON</b>  | Tuesday, 08 May 2018  |
| <b>ACCEPTED ON</b>  | Tuesday, 07 August 2018   |
| <b>LICENSE</b>      | <br>This work is licensed under a <a href="https://creativecommons.org/licenses/by-nc/4.0/">Creative Commons Attribution-NonCommercial 4.0 International License</a>                         |
| <b>JOURNAL</b>      | "Banks and Bank Systems"  |
| <b>ISSN PRINT</b>   | 1816-7403   |
| <b>ISSN ONLINE</b>  | 1991-7074   |
| <b>PUBLISHER</b>    | LLC “Consulting Publishing Company “Business Perspectives”  |
| <b>FOUNDER</b>      | LLC “Consulting Publishing Company “Business Perspectives”  |



NUMBER OF REFERENCES

**32**



NUMBER OF FIGURES

**0**



NUMBER OF TABLES

**8**

© The author(s) 2025. This publication is an open access article.



BUSINESS PERSPECTIVES



LLC "CPC "Business Perspectives"  
Hryhorii Skovoroda lane, 10, Sumy,  
40022, Ukraine

[www.businessperspectives.org](http://www.businessperspectives.org)

**Received on:** 8<sup>th</sup> of May, 2018

**Accepted on:** 7<sup>th</sup> of August, 2018

© Walid Muhammad Masadeh,  
Abdullah Tayel Al Hassan, 2018

Walid Muhammad Masadeh,  
Assistant Professor of Accounting,  
Doctorate of Business  
Administration, Hashemite  
University, Jordan.

Abdullah Tayel Al Hassan, Master  
of Accounting and Financial  
Management, Hashemite University,  
Jordan.



This is an Open Access article,  
distributed under the terms of the  
[Creative Commons Attribution-Non-  
Commercial 4.0 International license](https://creativecommons.org/licenses/by-nc/4.0/),  
which permits re-use, distribution,  
and reproduction, provided the  
materials aren't used for commercial  
purposes and the original work is  
properly cited.

Walid Muhammad Masadeh (Jordan), Abdullah Tayel Al Hassan (Jordan)

# COMBATING MONEY LAUNDERING AND TERRORISM FINANCING INSTRUCTIONS IN JORDAN

## Abstract

This study aims to identify the extent of the response of operating banks in Jordan to the anti-money laundering and terrorism financing instructions set by the Central Bank of Jordan, and to enumerate the effectiveness of these sets of laws, the echelon of cooperation with the relevant government agencies and the impact of contiguous political and security conditions on the anti-money laundering and financing of terrorism. To attain the objectives of this study and to test its hypotheses, a descriptive analytical method was followed based on related data of the Central Bank instructions and the engaged procedures by operating banks to combat money laundering and financing of terrorism. Therefore, a questionnaire was designed and distributed to the managers of anti-money laundering departments in operating banks in Jordan. The study shows various outcomes, the most important is the high responding of operating banks in Jordan to the instructions of the anti-money laundering and terrorism financing issued by the Central Bank of Jordan. The existence of practical application of money laundering and terrorism financing instructions fights against money laundering and terrorism financing in banks in Jordan at a soaring level. In addition to the functional cooperation by the competent governmental authorities in the fight against money laundering and terrorism financing, this study introduces a set of recommendations to reinforce the cooperation level for every related party to achieve a high level of cooperation in the field of the anti-money laundering and financing of terrorism.

## Keywords

money laundering, terrorism financing, Jordan banks  
response

## JEL Classification

K41, G21

## INTRODUCTION AND LITERATURE REVIEW

The incident of illegal money laundering caused by a crime, especially from drugs and arm trade funds, has recently increased. That was created because of several factors such as banking secrecy, the phenomenon of financial globalization, the opening up of world's economies, the integration of international financial markets, free economy and free trade, the revolution of modern technology and the development of global banking and financial systems. It was necessary to take actions to cooperate to prevent the economic and social networks from such crimes.

The phenomenon is considered an international crime, and it was necessary to unite global efforts to combat and reduce the use of global economic systems in money laundering and terrorism financing. One example of international efforts is the formation of the Financial Task Force (FATF). It covered many recommendations and general guidelines in the field of combating money laundering and financing of terrorism at the international level. Also, the "Forty Recommendations" that includes the effective procedures in tackling these crimes on both the local and international levels.

Banks are one example of extensions that can be used to transfer illegal funds in many ways; the most important is the speed and overlapping of banking operations. Money launderers cannot carry out such transactions without using the services provided by the banking system to customers. It became more difficult because of the improvement in banking operations and the use of modern electronic services, which require high and sufficient control to reduce the use of the banking system in such crimes.

Many countries have combated money laundering and terrorism financing in all possible ways. They established specialized units to combat money laundering and set distinctive laws to combat money laundering and terrorism financing. Sure regulators raised the need to fight such crimes in Jordan, therefore a unit for money laundering and terrorist financing was established in The Hashemite Kingdom of Jordan called AML/CFT Unit. This unit was formed according to the provisions of Law No. (46) of 2007, called AML. The Central Bank of Jordan ordered Anti-Money Laundering and Counter Terrorist Financing Instructions No. (51/2010) to be applied in banks operating in the Kingdom.

This study aims to highlight the importance of the money laundering and terrorism financing incident, which is considered one of the most severe financial crises in the world, which the governmental and private institutions suffer from. It is regarded as a crime that threatens the economic and financial stability in the world, which directly contributes to maximizing the imbalance and financial stability and impeding economic growth development and the adverse effects on all economic, social and political aspects at the local, regional and international levels.

The recommendations of the Financial Action Task Force (FATF), therefore, emphasized the significant role of the banking system in combating the crime of money laundering. Financial institutions must be subjected to the adequate regulation, control, and the effectiveness of monitoring systems to ensure compliance with AML/CFT requirements. Supervisors must have the powers to carry out audits and be empowered to require financial institutions to provide any relevant information (FATF, 17-26). Therefore, many countries have combated money laundering in all possible ways and means to maintain economic security and protect all sectors from any risks when it comes to safety and stability of their finances so that they can prevent the commission of financial crimes. Many countries have established specialized units and set several laws to combat money laundering.

Besides, the issue of combating money laundering and terrorism financing has received particular attention from regulators in Jordan. A specific unit has been established to combat money laundering in the Hashemite Kingdom of Jordan by Law No. 46 in 2007 called AML/CFT Law. Therefore, the Central Bank of Jordan set the Anti-Money Laundering and Counter Terrorist Financing Instructions No. (51/2010), which included instructions and guidelines to combat money laundering, to shed light on this matter to be observed before implementing the banking process, by international developments and modern procedures introduced to the AML/CFT system and the proliferation of arms by the FATF. The high costs were incurred by banking institutions, even in the set of legislation and laws, it still requires to highlight the efficiency of this legislation and its ability to prevent money-laundering and the purpose in which it was set for compared with the high costs incurred by banking institutions (Magnusson, 2009).

Money laundering has become a problem and a global phenomenon that affects the stability of the economic, social and political security of all countries, because of the massive development of the telecommunication sector, spread of the internet, the use of banks for technological systems, and the geographical borders, which are no longer a barrier for money laundering. These reasons caused the international community to build up more efforts and cooperation in combating this phenomenon, which took full concentration on both the local and international levels.

Reports and statistics from specialized resources, the International Monetary Fund (IMF), indicate that the current volume of money-laundering operations ranges from \$ 620 billion to \$ 1.6 trillion, which means

2%-5% of the world's GDP. According to specific information, money laundering in Russia varies between 25% and 50% of Russia's GDP, 10% in the Czech Republic, and 7%-13% in Britain. Switzerland, the USA, and Mexico are considered a significant haven for money laundering according to the latest updates in 2011, which has not been updated since that year (International Money Laundering Conference, 2011).

Money laundering, as defined in the Palermo Convention (the Convention on Transnational Crime of the United Nations of 2000), Article 6, is the transfers or transmits of property with the knowledge that their source is a result of criminal offense with a view to withholding or concealment of their illicit origin, or helping anyone connected with the commission of the related crime to evade the legal consequences of their acts, cover-up of the true nature, origin, location, disposition, transfer rights or property knowing that their source is considered as a criminal offense. Al Khatib (2005) defined it as "a crime based on fabricating a false reality and making it real by concealing and disguising the true nature of money obtained illegally utilizing fictitious physical operations intending to legitimize it".

The term "money laundering" has been traded at the international, regional and local levels, which deals with economic, financial and social crimes, on the basis that they are related to illegal activities and that they are recognized as legitimate by the same regulations that criminalize them and within the territorial limits, to which these laws apply. Numerous concepts have emerged for the laundering of money derived from international legal codes and international bodies, which have meant this concept.

Money laundering involves a series of multiple and specialized transactions aimed to disguise the source of financial assets so that these assets can be used as legal funds derived from legitimate sources of operations (Agarwal & Agarwal, 2004). In 2012, FATF summarized the stages of money laundering to three steps according to international standards. In the first stage, the deposit stage, illegal funds are disposed of by employing them in various legal ways such as depositing them in the bank or a financial institution, or by converting them into foreign currency. The second stage, the stage of camouflage, is that, in which the money owner camouflages his crime through a group of banking operations to legitimize to hide the offense and the illegal source. The most famous camouflage techniques are the transfer operations from one bank to another or the electronic transfer. The third stage, the integration phase, is the last stage in the money laundering process, in which the legal source is added. At this stage, it is integrated into economic and banking operations to make it appear as profits from legal business transactions such as the establishment of fictitious companies or non-real loans. Distinguishing between legitimate and illegitimate funds is difficult. Studies on combating money-laundering and financing of terrorism have varied, even if they are considered an insignificant phenomenon, especially at the local level.

As stated earlier, these crimes have adverse effects on all economic, social and political sections; regulators and instructions are required to let banks respond to these instructions and maintain a high level of efficiency by applying these instructions, which will be shown in this case study. To summarize this problem, some questions were answered:

- To what degree did the operating banks in Jordan deal with the instructions set by the Central Bank of Jordan to combat money laundering and terrorist financing?
- How effective are the anti-money laundering and terrorist financing regulations established by the Central Bank of Jordan to limit these operations in banks operating in Jordan?

To answer the questions raised in the study problem, the assumptions can be formed as follows:

- First assumption (*H01*): There is no response from banks operating in Jordan to implementing the anti-money laundering and terrorism financing instructions set by the Central Bank of Jordan.

- Second assumption (H02): The guidelines established by the Central Bank of Jordan do not have any active role when it comes to operating banks dealing with anti-money laundering and terrorism financing in Jordan.

## 1. DATA AND METHODOLOGY

In this study, the analytical descriptive approach was followed by drawing on the references and sources that dealt with the subject of the research and by collecting the information through the questionnaire. The questionnaire was distributed to the managers and staff of the compliance departments directly concerned with the implementation of the control instructions on money laundering and terrorism financing issued by the Central Bank of Jordan.

### 1.1. Study sample

The statistical population of the study consists of all the banks operating in Jordan, according to the 2015 classification of the Central Bank of

Jordan (24 banks). Table 1 shows the study population, with a response rate of 100%. Accordingly, a comprehensive survey of the study population was conducted due to two aspects. First, the number of banks to which the questionnaire was distributed is identical to the total number of the study's population (24). Second, the number of surveys retrieved and analyzed is similar to the number of directors and employees of the compliance departments directly concerned with the implementation of the instructions of combating the money laundering and terrorist financing issued by the Central Bank of Jordan (157 in each bank).

### 1.2. Data collection methods

The study was based on a questionnaire designed based on the theoretical framework and the re-

**Table 1.** Society and sample of the study (number of banks, recoveries and percentage)

| No. | Bank name                  | Number of questioners | %   |
|-----|----------------------------|-----------------------|-----|
| 1   | The Arab Bank              | 39                    | 25  |
| 2   | The Housing Bank           | 19                    | 12  |
| 3   | Cairo Amman Bank           | 13                    | 8   |
| 4   | Jordan Islamic Bank        | 10                    | 5   |
| 5   | Jordan Kuwait Bank         | 7                     | 4   |
| 6   | Ahli Bank                  | 7                     | 4   |
| 7   | Commercial Bank of Jordan  | 6                     | 4   |
| 8   | Arab Investment Bank       | 6                     | 4   |
| 9   | Money Bank                 | 6                     | 4   |
| 10  | Bank Audi                  | 6                     | 4   |
| 11  | Union Bank                 | 5                     | 3   |
| 12  | Arab Islamic Bank          | 4                     | 3   |
| 13  | Al Rajhi Bank              | 4                     | 3   |
| 14  | Investment Bank            | 3                     | 2   |
| 15  | Egyptian Real Estate Bank  | 3                     | 2   |
| 16  | Bank of Jordan             | 3                     | 2   |
| 17  | Jordan Dubai Islamic Bank  | 3                     | 2   |
| 18  | Society General Bank       | 3                     | 2   |
| 19  | National Bank of Abu Dhabi | 1                     | 1   |
| 20  | National Bank of Kuwait    | 3                     | 2   |
| 21  | Standard Chartered Bank    | 2                     | 1   |
| 22  | Rafidain Bank              | 2                     | 1   |
| 23  | Arab Banking Corporation   | 1                     | 1   |
| 24  | Citibank                   | 1                     | 1   |
|     | Total                      | 157                   | 100 |

sults of the preceding studies, in addition to the instructions of the Central Bank of Jordan No. 51/2010 for combating money laundering and financing of terrorism.

The questionnaire consists of two main parts. The first part aims to identify the characteristics of banks operating in Jordan in general, and precisely the procedures followed by the banks in the field of money laundering and terrorism financing. For example, the bank's capital, legal status, bank services to customers, the systems and departments which the bank relies on when it comes to combat money laundering operations and to financing terrorism. Besides, the demographic characteristics of the respondents were identified, such as the level of education, scientific specialization, and the years of experience in the field of banking, especially in the area of supervision of money laundering. The first part includes 9 questions, and 1-9 words assigned in the questionnaire.

The second part aims to measure the hypotheses of the study. This section consists of 48 parts divided into four main points:

- The first point seeks to measure the response of the operating banks in Jordan to the implementation of the instructions of combating money laundering and terrorism financing set by the Central Bank of Jordan. This section is composed of 11 paragraphs and 10-20 statements assigned in the questionnaire.
- The second point aims to measure the effectiveness of combating money laundering and financing terrorism in Jordan operating banks. This part includes 14 paragraphs and 21-34 words assigned in the questionnaire.

It depends on the Likert scale, which includes five steps: strongly approved, approved, neutral, disagreeable, and strongly disagreeable. It was distributed to the study community which composed to managers and the employees of the compliance departments in the operating banks in Jordan, which are directly concerned with the implementation of anti-money laundering and financing terrorism regulations set by the Central Bank of Jordan.

### 1.3. Methods of data analysis

To achieve the objectives of this study and to test its hypotheses, the data collected from the questionnaires were extracted, and the information gathered from the relevant parties was released. 157 questionnaires were retrieved. These data were analyzed using statistical analysis software (IBM-SPSS) to produce numerical results that can be understood and compared, depending on statistical methods used in data analysis, such as central tendency scales and scattering parameters (arithmetical averages, standard deviations, percentages and frequencies, and the "one-sample t-test").

### 1.4. Data analysis and hypotheses testing

To analyze the results of the questionnaire, the authors relied on the estimated arithmetic mean, which equals 3, and adopted a criterion to judge the degree of approval by giving the relative average of responses for the questionnaire. To test the hypotheses, the authors should make sure that the data follow the Normal Test Distribution, since the most scientific tests require that the distribution of data should be normal. As mentioned above, the questionnaire consisted of two main parts. The first part aims to identify the characteristics of banks operating in Jordan and the procedures adopted by these banks to combat money laundering and terrorism financing, and also to determine the demographic characteristics of the respondents. The second part aims to identify the extent of the response of operating banks in Jordan to the AML/CFT instructions. The analysis of the data and the results of the hypotheses will be represented according to the order of the parts in the questionnaire. Sub-section 1.5 gives a descriptive analysis of the demographic characteristics of banks responding to the study questions. Sub-section 1.6 represents the demographic characteristics of individuals answering the study questions. Section 3 describes the results of the study hypotheses related to the instructions of combating money laundering and financing terrorism in operating banks set by the Central Bank of Jordan.

### 1.5. Descriptive analysis of demographic characteristics of the operating banks in Jordan (sample study)

Table 2 shows the classification of banks responding to the questionnaire, according to the legal position and the capital of the bank. 17 local banks responded to the survey with 100% response rate. 157 questionnaires were filled out by 132 local banks, and 25 by foreign banks. Local banks scored 84%, while foreign banks scored 16%.

Table 2 shows the classification of banks responding to the questionnaire according to their capital. The number of questionnaires filled by banks with a capital of JD 50 million was 13. The number of questionnaires filled by banks with JD 50 to 99 million was 5. Finally, the number of questionnaires filled by banks with a capital of JD 100 million, and there were more than 139 questionnaires, which scored 89%.

### 1.6. Descriptive analysis of demographic characteristics of individuals answering the study questions

Table 2 shows the distribution of the study sample according to the scientific qualifications. The respondents were divided into four categories: Diploma, Bachelor, Master, and Ph.D. The

study population was limited to the employees and managers of the compliance departments in the operating banks in Jordan. It was found that less than 1% of the respondents had a “diploma” and that 73% of the respondents had bachelor degrees, 27% of respondents had a scientific qualification MA, and less than 1% had Ph.D.

Table 3 shows the distribution of the sample according to the year numbers of experience. It followed categories: from 3 years, 4-5 years, 6-10 years, more than ten years. Table 3 shows that the experience of employees and managers of banking compliance departments is remarkably long. 35% of respondents have more than ten years of experience. This indicates that working in such departments in banks requires practical and professional experience, and a long time in banking business requires strong skills of understanding the banking labor. It also indicates the interest of banks operating in Jordan and complying with the directives of the Central Bank of Jordan and international standards in providing banks with qualified and trained staff for working in the Compliance Department. 27% of the respondents had experience of 3 years, 11% of the respondents had 4 to 5 years of experience. Finally, Table 3 showed the distribution of the study sample by specialization. Respondents were divided into four main categories (Accounting, Finance, Business Administration, Others). It was found that 23% majored in accounting, 15% in finance, 32% majored in business administration, and 30% are majored in different disciplines such as law and political science.

**Table 2.** Distribution of the study sample (the operating banks in Jordan) according to the legal status and capital of banks responding to the questionnaire

| Characteristics              | Frequency categories  | Number of banks | Number of questionnaires | Percentage, % |
|------------------------------|-----------------------|-----------------|--------------------------|---------------|
| The legal status of the bank | Local bank            | 17              | 132                      | 84            |
|                              | Foreign bank          | 7               | 25                       | 16            |
|                              | Total                 | 24              | 157                      | 100           |
| Capital of the bank          | 50 million            | 5               | 13                       | 8             |
|                              | From 51 to 99 million | 2               | 5                        | 3             |
|                              | 100 million and more  | 17              | 139                      | 89            |
|                              | Total                 | 24              | 157                      | 100           |

**Table 3.** The distribution of study subjects according to their academic qualifications, specialization and experience in combating money laundering and terrorism financing

| Characteristics | Frequency categories    | Number of views | Percentage, % |
|-----------------|-------------------------|-----------------|---------------|
| Qualification   | Diploma                 | 1               | 1             |
|                 | Bachelor                | 112             | 71            |
|                 | Master                  | 43              | 27            |
|                 | Ph.D.                   | 1               | 1             |
|                 | Total                   | 157             | 100           |
| Experience      | 1-3 years               | 42              | 27            |
|                 | 2-5 years               | 17              | 11            |
|                 | 6-10 years              | 43              | 27            |
|                 | More than 10 years      | 55              | 35            |
|                 | Total                   | 157             | 100           |
| Specialization  | Accounting              | 36              | 23            |
|                 | Finance                 | 24              | 15            |
|                 | Business administration | 50              | 32            |
|                 | Others                  | 47              | 30            |
|                 | Total                   | 157             | 100           |

## 2. RESULTS

To test the hypotheses of the study, the researcher extracted the arithmetical averages and standard deviations of each response, for each paragraph of the questionnaire according to the field the paragraph belongs to. Then, they discriminated the answers of individuals according to the mathematical averages to the following categories in line with the five-dimensional Likert scale based on the following equation:

Range for category = (upper limit - minimum) / number of categories = (5-1) / 3 = 1.33.

According to the answer:

- The level is high if the arithmetic mean is from 3.67 to 5.
- The level is average if the arithmetic mean is from 2.34 to 3.66.
- The level is low if the arithmetic mean is from 1 to 2.33.

Testing the first hypothesis *H01*:

There is no response from the operating banks in Jordan to implementing the AML/CFT regulations set by the Central Bank of Jordan.

Table 4 shows the statistical averages, standard deviations, level of importance, and rank of the par-

agraphs related to the measuring the response of the operating banks in the Kingdom to applying the instructions of combating money laundering and financing terrorism set by the Central Bank of Jordan.

Based on the Table 4 results, the lowest mean of paragraph 15 reached 1.296, indicating that banks were unable to do due diligence towards some customers who do not open the account or implement banking transactions. This shows that there is a valid response by banks to applying the AML/CFT instructions set by the Central Bank regarding due diligence towards customers before opening accounts. The standard deviation of 1.296 indicates the existence of an agreement among the respondents in this paragraph.

The banks which are interested in each of the above paragraphs are noted with a high level of importance with an average of 3.67, indicating the response of the operating banks to the instructions of AML/CFT set by the Central Bank of Jordan, like the following:

1. When the new clients do not submit the supporting documents to the banks after opening the account, their accounts are terminated.
2. There is an automated system at the banks, to monitor the movements of customers commensurate with the size of their economic activity.

**Table 4.** Indicators measuring the banks' responses to the instructions set by the Central Bank of Jordan

| The number   | Item  | SMA  | Standard deviation | Level of importance | Rank |
|--|---|------|--------------------|---------------------|------|
| 11   | Do you have specialized policies and procedures to combat money laundering and terrorism financing?   | 4.91 | 0.286              | High                | 1    |
| 12   | Do you believe that the bank gives a degree of importance to verify the identity of the client and obtain the identity documents of the customers when the relationship with them begins? | 4.85 | 0.378              | High                | 2    |
| 17   | The bank interprets the international lists of clients before opening their accounts  | 4.85 | 0.395              | High                | 3    |
| 10   | The bank is aware of the importance of combating money laundering and terrorism financing   | 4.84 | 0.384              | High                | 4    |
| 20   | The bank shall notify the AML/CFT Unit of the operations suspected of money laundering and terrorist financing  | 4.83 | 0.421              | High                | 5    |
| 14   | The bank checks the source of its clients' wealth   | 4.74 | 0.521              | High                | 6    |
| 16   | The bank takes special due diligence towards unusual transactions of customers  | 4.74 | 0.508              | High                | 7    |
| 13   | Your organization gives a degree of importance to updating client data every two years or when needed   | 4.66 | 0.594              | High                | 8    |
| 19   | There are automated systems at the bank to monitor customer movements and their suitability to the size of their economic activity  | 4.61 | 0.723              | High                | 9    |
| 18   | When new customers do not submit bank identification documents after opening the account, their accounts are closed   | 4.06 | 1.066              | High                | 10   |
| 15   | When the bank is unable to pay due diligence to certain customers, the account is opened or bank transactions are executed  | 2.21 | 1.296              | Low                 | 11   |
| Response of Banks Operating in the Kingdom to implementing the anti-money laundering and terrorist financing instructions issued by the Central Bank of Jordan |   | 4.48 | 0.6                | High                | –    |

3. Banks give priority to updating clients' data every two years or when needed.
4. Banks verify the source of their clients' wealth.
5. Banks shall pay special due diligence to unusual transactions of customers.
6. Banks shall notify the AML/CFT Unit of the operations suspected of money laundering and terrorism financing.
7. Banks are aware of the importance of combating money laundering and terrorism financing.
8. Banks give a degree of importance to verify the identity of the client and obtain the identity documents of the clients when the relationship with them begins.
9. Banks shall inquire about international lists of customers before opening their accounts.

10. Banks have specific policies and procedures to combat money laundering and terrorism financing.

In general, the computational mean of the total is related to the measure of the response of the operating banks in Jordan; to the implementation of the Anti-Money Laundering and Financing Terrorism Regulations set by the Central Bank of Jordan 4.41, which indicates that the high level of application to AML/CFT regulations .0.6 means an agreement between the respondents on the paragraphs in general. By testing the first hypothesis, the "T-Test" was used for one sample by a reference value representing the average score of the Likert scale of 3.

Table 5 shows the results of this hypothesis test. Based on the results of the previous table, it was found that the calculated value of "T" 119.03 is greater than the tabular value of "T" 1.96, and that the  $\alpha$  level is less than 0.01, which means rejecting the null hypothesis and accepting the hypothesis, i.e., there is a response by the operating banks in Jordan to implementing

**Table 5.** Results of the first hypothesis test using the one-sample, T- test

| Dimension   | The calculated t values | T tabular value | Degrees of freedom | Statistical significance ( $\alpha$ ) | A result of the hypothesis testing |
|---|-------------------------|-----------------|--------------------|---------------------------------------|------------------------------------|
| Response of banks operating in the Kingdom to implementing the anti-money laundering and financing terrorism instructions set by the Central Bank of Jordan | 119.03                  | 1.96            | 156                | 0.000*                                | Rejected                           |

the anti-money laundering and terrorism financing instructions set by the Central Bank of Jordan.

in combating money laundering and financing terrorism.

Testing the second hypothesis: *H02*:

There is no efficiency in combating money laundering and terrorism financing in the operating banks in Jordan.

In Table 6, the highest mean of paragraph 21 in the questionnaire reached 4.86 level of high importance, indicating that the banks have evidence to combat money laundering and terrorism financing, because it contains indicators and methods in combating money laundering and terrorism financing. The standard deviation of 0.348 indicates that there is an agreement among the respondents around this paragraph.

Table 6 shows the statistical averages, standard deviations, level of importance, and rank of the paragraphs related to the measuring of effectiveness

**Table 6.** Indicators related to the measurement of the effectiveness of the fight against money laundering and the terrorism financing in the operating banks in Jordan

| No. | Item  | SMA  | Standard deviation | Level of importance | Rank |
|-----|---|------|--------------------|---------------------|------|
| 21  | The bank has a manual to combat money laundering and financing terrorism, which contains indicators of suspicion, methods of money laundering and terrorism financing   | 4.86 | 0.348              | High                | 1    |
| 22  | The bank disseminates the money laundering and financing terrorism policy to all bank employees   | 4.86 | 0.348              | High                | 2    |
| 24  | The bank shall inform the senior management and executive management of the methods of combating money laundering and financing terrorism   | 4.72 | 0.478              | High                | 3    |
| 23  | The bank prepares training courses for staff members whose work is linked to the fight against money laundering and financing terrorism   | 4.67 | 0.614              | High                | 4    |
| 25  | Cases suspected of being linked to money laundering and terrorism financing are reported by the Bank's staff to the Compliance Control Service  | 4.66 | 0.574              | High                | 5    |
| 34  | Bank believes that intensifying the control of combating money laundering and terrorism financing and requesting a number of supporting documents lead to increasing the bank's credibility with the banking system and foreign banks | 4.55 | 0.702              | High                | 6    |
| 26  | All unusual movements performed by customers before they are implemented are studied  | 4.22 | 0.903              | High                | 7    |
| 27  | The bank closes the accounts of high risk customers when they are unable to take special care in the direction of these accounts  | 3.75 | 1.113              | High                | 8    |
| 30  | The bank reduces its level of transactions with customers who submit AML notifications  | 3.61 | 1.202              | Average             | 9    |
| 29  | The bank rejects the incoming remittances due to lack of transfer data and without reference to the customer  | 3.31 | 1.191              | Average             | 10   |
| 31  | The bank refuses to establish the relationship with new clients, who are suspected of money laundering and terrorism financing, without the dangers of the AML/CFT Unit   | 3.08 | 1.536              | Average             | 11   |
| 32  | Believes that the intensification of the control of the fight against money laundering and terrorism financing and requesting a number of supporting documents from customers lead to the loss of a number of customers               | 3.06 | 1.099              | Average             | 12   |
| 33  | Believes that the intensification of the supervision of combating money laundering and terrorism financing and requesting a number of supporting documents from customers lead to increased costs on the bank                         | 3.03 | 1.214              | Average             | 13   |
| 28  | The issuing bank is relied upon for due diligence   | 2.38 | 1.222              | Average             | 14   |
|     | The effectiveness of anti-money laundering and financing of terrorism in banks operating in the Kingdom   | 3.67 | 1.02               | High                | -    |

Note: Indicators are arranged in descending order.

In paragraph 22 of the questionnaire, it is noticed that the average equals 4.86, which means a high level of importance that banks circulate the policy of money laundering and terrorism financing to all employees of the bank, which lead to a high level of effectiveness and integrity in combating money laundering and terrorism financing in the operating banks in Jordan. The standard deviation of 0.348 indicates the existence of an agreement among the respondents regarding this paragraph.

Paragraphs 23 and 24 of the questionnaire, with an average of 4.67 and 4.72 indicate that banks are setting up training courses for employees whose work is involved in AML/CFT. This is an indication of a high level of efficiency in fighting against money laundering and terrorism financing among the operating banks in Jordan in the training field, for employees at all levels of management (executive and senior management). 0.614 moreover, 0.478, indicates an agreement and consensus among the respondents in this paragraph.

Paragraph 25 of the questionnaire showed an average of 4.66. It is vital that banks report suspicious cases related to money laundering and terrorism financing by the bank's staff to the bank's Compliance Control Department. This indicates a high level of efficiency in combating the laundering funds and terrorism financing in the operating banks when it comes to reporting suspected cases related to money laundering and terrorism financing by the bank's staff to the Compliance Control Department. The standard deviation of 0.574 indicates the existence of an agreement among the respondents in this paragraph.

Paragraphs 32, 33, 34 have the mean results by order 4.55, 3.03, 3.06. It indicates that the intensification of control over combating money laundering and terrorism financing leads to an increase in costs on banks, rising in the credibility of banks with the local banking system and foreign banks, and it negatively affects banks by losing a number of clients due to the intensification of control over combating money laundering and terrorism financing. The averages 0.702, 1.009 and 1.214 indicate an agreement between the respondents about these paragraphs.

Note from paragraph 26 with an average of 4.22. It is important to mention that banks study all

unusual movements carried out by clients before their execution. This indicates a high level of efficiency in combating money laundering and financing terrorism in the operating banks in the field of studying unusual movements carried out by customers before implementation. The standard deviation of 0.903 indicates the existence of an agreement among the respondents about this paragraph.

Note from paragraph 27 with an average of 3.75. It is important to mention that banks terminate accounts of high-risk clients when they cannot pay particular attention to these accounts. This indicates a high level of efficiency in combating money laundering and terrorism financing in the operating banks when it comes to the closure of accounts of high-risk clients when the client is unable to pay particular attention towards these accounts. The standard deviation of 1.113 indicates the existence of an agreement among respondents about this paragraph.

Paragraph 30 with an average of 3.61 indicates that banks are reducing the level of their transactions with customers who submit notifications to AML/CFT. This shows the average level of efficiency in combating money laundering and terrorism financing regarding reducing levels of dealing with clients suspected of having links to money laundering and terrorism financing. The standard deviation of 1.202 indicates that there is an agreement among the respondents on this paragraph.

Paragraph 29 with an average of 3.31 indicates that the banks decline the remittances due to the lack of data transfer and without reference to the customer. This shows the average level of efficiency in combating money laundering and terrorism financing in the operating banks in Jordan, especially in the field of rejecting remittances due to the lack of data transfer and without reference to the client. The standard deviation of 1.191 indicated the agreement between respondents on this paragraph.

Paragraph 31 with an average of 3.03 indicates that banks don't give high level of importance about rejecting the establishment in the relationship with the new clients who are suspected of money laundering and terrorism financing without the noti-

**Table 7.** Results of the second hypothesis test using the “One-Sample T-test” test for one sample

| Dimension   | Calculated t value | T tabular value | Degrees of freedom | Statistical significance $\alpha$ | A result of the hypothesis testing |
|---|--------------------|-----------------|--------------------|-----------------------------------|------------------------------------|
| The effectiveness of combating money laundering and terrorism financing in banks operating in the Kingdom | 54.12              | 1.96            | 156                | 0.000*                            | Rejected                           |

fication of the AML/CFL, as this practice is often considered an improper procedure. Banks should inform the AML/CFT Unit about any new clients suspected to be involved in money laundering and terrorism financing, even if the relationship with these clients has been refused according to the requirements of the AML/CFT regulations set by the Central Bank of Jordan. The standard deviation of 1.536 indicates the agreement between the respondents on this paragraph.

Paragraph 28 with an average of 2.38 indicates that banks don't give high level of importance for banks dependence on the issuing bank, due to diligence when it is not given to clients by the operating banks, which requires the bank to not rely on the process of due diligence and to take owing diligence particular attention towards all remittances, and to verify the identity of the client and the customer receiving the transfer due to different levels of due diligence in various countries around the world to different laws and regulations governing anti-money laundering and terrorism financing. The standard deviation of 1.222 shows an agreement among the respondents on this paragraph.

Table 7 is included in the second hypothesis of measuring the efficiency of AML/CFT in the operating banks in the Kingdom. The results on the effectiveness in combating money laundering and terrorism financing in banks may result in the loss of absolute numbers of bank clients. To achieve the highest levels of efficiency in fighting against money laundering and financing terrorism, it is necessary to contribute to the increase in the credibility of banks on the local and international levels. The study showed that there is a positive relationship between the efficiency of combating money laundering and terrorism financing and increasing costs to banks to achieve a high level of efficiency.

In general, the arithmetic mean of the total anti-money laundering and financing terrorism measured in the operating banks in the Kingdom was

3.67, which indicates the efficiency in combating money laundering and terrorism financing in the operating banks in the Kingdom. The standard deviation of 1.02 shows an agreement and consistency between respondents on the paragraphs in general.

To test the second hypothesis, “T-test” was used for one sample using a reference value representing the average score of the Likert scale 3. Table 7 shows the results of this hypothesis testing.

Based on the results in Table 7, the calculated value of the “T-test” 54.12 is greater than the tabular value of the “T-test” 1.96, and the level of  $\alpha$  is less than 0.05, which means rejecting the null hypothesis and accepting the alternative hypothesis. This shows the efficiency in combating money laundering and terrorism financing in the banks operating in the Kingdom. The standard deviation of 0.706 indicates an agreement among the respondents about this paragraph.

Paragraph 36 with an average of 4.27 shows that banks allow using the databases of government institutions to facilitate the verification of documents submitted by customers. This indicates the collaboration of government institutions with banks operating in the Kingdom. The standard deviation of 0.676 suggests an agreement among the respondents about this paragraph.

Paragraph 38 with an average of 3.6 shows that there is speed in responding for the inquiries of banks by the competent government authorities in the field of combating money laundering and terrorism financing. The awareness of the relevant government authorities in the importance of combating money laundering and the financing of terrorism is on an average level, by providing the necessary assistance to banks when there are any queries related to some clients, the competent government agencies should be responding quickly and promptly. The competent authorities should work to answer the banks' inquiries rapidly, to let banks combat money laun-

dering and financing of terrorism in the perfect timing, and show the negative factors that would affect the banks if there is a delay in the process of responding to their inquiries.

Paragraph 40 with an average of 3.71 indicates a high level of significance that is affected by delayed response to the inquiries of banks by the government agencies on the progress of work and the level of control on the accounts of the inquiring clients, which indicates the existence of a positive relationship between the speed of response of competent government agencies and to the inquiries of banks in the field of combating money laundering and financing of terrorism. The standard deviation of 0.913 shows an agreement among the respondents about this paragraph.

Paragraph 37 with an average of 4.06 indicates that banks concur to a high level of compliance of officers in government institutions responsible for responding to banks' inquiries regarding AML/CFT. Responding to these inquiries of banks is applied in many countries and in conjunction with the central banks to systematize the response of government institutions effectively and quickly to the inquiries of banks, in the field of combating

money laundering and financing of terrorism. As mentioned previously, there is a rapid response to inquiries by banks. The average deviation of 0.908 indicates an agreement between the respondents on this paragraph.

Paragraphs 49, 48, 46, 44, 45, 47 and 43 show that the level of importance of these paragraphs is average, indicating that there is cooperation between the Ministry of Finance, the Ministry of Social Development, the Ministry of Justice Courts, the Ministry of Foreign Affairs, the Ministry of Industry and Trade and the Public Security Directorate with the banks on AML/CFT. The standard deviation of 0.888 to 0.995 shows an agreement among respondents on these paragraphs.

In general, the computational mean for all the paragraphs is related to the level of cooperation between the banks and the competent government authorities, regarding that AML/CFT average was 3.67, which indicates a high level of collaboration between the banks and the relevant government authorities in relation to combating money laundering and terrorism financing. The standard deviation of 0.9 indicates an agreement among respondents about the paragraphs in general.

---

## CONCLUSION

Based on the analysis of the study data and the testing of its hypotheses, the researcher concluded the following: there is a high level of response by the banks operating in the Kingdom to implementing the instructions of combating money laundering and terrorism financing set by the Central Bank of Jordan, for example, clients, and the existence of automated systems at banks to monitor the movements of customers commensurate with the size of their economic activity, and that banks give a degree of importance to update customer data every two years, or when it needed also, the banks have policies and procedures specialized to combat money laundering and terrorism financing. Banks are making inquiries on international list clients before opening their accounts, and notify the unit to combat money laundering and terrorism financing operations that are being suspected.

There is a high level of anti-money laundering and terrorism financing activities in the operating banks in the Kingdom, because the banks don't give a high level of importance about refusing to establish the relationship with the new customers who are suspected in money laundering and terrorism financing. The banks reduce the levels of dealings with the customers who provide them with anti-money laundering and terrorism financing (AML/CFT) notifications. Banks are at high-level report cases suspected in money laundering and financing of terrorism by the staff of the Bank's Compliance Monitoring Department. Banks are at a high level of preparation to training courses for staff, whose work is linked to the fight against money laundering and the tendency of terrorism financing and to informing the senior management on the methods of combating money laundering and funding of terrorism, as well as the latest developments around them.

## REFERENCES

1. Abu Olaim, A., & Rahman, A. (2016). The impact of Jordanian anti-money laundering laws on banks. *Journal of Money Laundering Control*, 19(1), 70-78. <https://doi.org/10.1108/JMLC-07-2014-0023>
2. Agarwal, J. D., & Agarwal, A. (2004). International Money Laundering in the Banking Sector. *Finance India*, 18, 767-779. Retrieved from [https://www.researchgate.net/publication/242178742\\_International\\_Money\\_Laundering\\_in\\_the\\_Banking\\_Sector2](https://www.researchgate.net/publication/242178742_International_Money_Laundering_in_the_Banking_Sector2)
3. Al Agez, R. (2008). *The Role of Banks in Controlling Money Laundering. A Practical Study of Palestinian Banks in the Gaza Strip* (Master Thesis). Faculty of Commerce, Islamic University, Gaza, Palestine.
4. Al Hamdani, I. (2005). The Effect of Using of Banking Technology in the Phenomenon of Money Laundering and International Efforts to Combat It (Working paper). *Proceedings of the Fourth Scientific Conference: Leadership, Creativity, Business Strategies in the Face of the Challenges of Globalization*. Amman, Jordan.
5. Al Khatib, S. (2005). *Combating Money Laundering*. Alexandria: Knowledge Establishment.
6. Al-Mubarak, M. I. (2003). *Money Laundering: Criminalization and Combat*. Damascus: Dar Ikremah Press House.
7. Al-Tabtabana, A. (1988). The Phenomenon of Money Laundering and Its Impact on the National Economy. *Journal of Law*, 3.
8. Anti-Money Laundering and Counter Terrorist Financing Unit (2007). *Law No. (46) For the Year 2007. Anti Money Laundering and Counter Terrorist Financing Law*. Retrieved from <http://www.amlu.gov.jo/Portals/0/English/Law%20English%202015.pdf>
9. Anti-Money Laundering and Counter Terrorist Financing Unit (2010). *Anti Money Laundering and Counter Terrorism Financing Regulation related to Money Exchange Companies* (No. 2/2010).
10. Anti-Money Laundering and Money Laundering Unit (n.d.). *Instructions of the Anti-Money Laundering and Money Laundering Unit in Jordan*. Retrieved from [www.amlu.gov.jo](http://www.amlu.gov.jo)
11. Bank for the International Settlements (n.d.). Retrieved from <https://www.bis.org/>
12. Barakat, I. (2007). The Importance of Disclosing the Risks of Financial Transactions Related to Money Laundering in Commercial Banks Analytical Study in the Light of the Theory of Social Responsibility. *Proceedings of Al-Zaytoonah Seventh Annual Scientific Conference on: Risk Management and Knowledge Economy*. Amman, Jordan.
13. Basel Committee on Banking Supervision (1988). *Prevention of criminal use of the banking system for the purpose of money laundering*. Retrieved from <http://www.bis.org/publ/bcbcs137.htm>.
14. Bosworth-Davies, R., & Saltmarsh, G. (1994). *Money Laundries: A Practical Guide to the Legislation* (256 p.). London: Chapman & Hall.
15. Central Bank of Jordan (2010). *Anti Money Laundering and Counter Terrorist Financing Instructions No. (51/2010)*. Retrieved from <http://www.amlu.gov.jo/Portals/0/English/01%20Anti%20Money%20Laundering%20and%20Counter.pdf>
16. Dieter, D., & Mention, A. (2011). Improving Auditor Effectiveness in Assessing KYC/AML Practice-Case Study in a Luxembourgish Context. *Managerial Auditing Journal*, 26(2), 182-203. <https://doi.org/10.1108/02686901111095038>
17. El-Arian, M. (2015). *Money Laundering and Control Mechanisms*. Alexandria: New University Publishing House.
18. FATF Recommendations (2012). *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation*. Retrieved from [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)
19. Financial Action Task Force (FATF) (1990). *The Forty Recommendations of the Financial Action Task Force on Money Laundering*. Retrieved from <http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%201990.pdf>
20. Financial Action Task Force for the Middle East and North Africa (MENAFATF) (2009). *Joint Assessment Report on Combating Money Laundering and Terrorist Financing of the Hashemite Kingdom of Jordan*.
21. Hussein, R. (2013). Analysis of the Factors Affecting the Disclosure and Report of the External Auditor on Money Laundering Operations. *Journal of Al-Quds Open University for Research and Studies*, 31(2), 459-431.
22. Kamel, S. (2002). *Combating Money Laundering in Egyptian Legislation*. Cairo: Dar Al Nahda AL Arabyah.
23. Kubbji, M. (2015). The Effectiveness of the Role of Audit Committees in Combating Money Laundering (An Empirical Study on Banks Operating in Palestine). *Jordanian Journal of Business Administration*, 11(1).
24. Qalioubi, S. (1992). *Legal Basis for Banking Operations*. Cairo: Ain Shams Library.
25. Rover, G., & Dobby, M. (1997). *Money Laundering*. *Express Journal*, 5.
26. Saad, S. (2004). *Banks Guide to Money Laundering Detection*. Union of Arab Banks, Beirut, Lebanon.
27. Shafi, A. A. (2001). *Money Laundering*. Beirut: Galilee Law Publications.

28. The Egmont Group (n.d.). Retrieved from <https://www.egmontgroup.org/>
29. The Financial Action Task Force (n.d.). Retrieved from <http://www.fatf-gafi.org/>
30. The impact of the use of banking technology on the phenomenon of money laundering and international efforts to combat it (Working paper). *Proceedings of the Fourth Scientific Conference: Entrepreneurship and Innovation, Business Strategies in the face of the challenges of globalization.* University of Philadelphia. Amman, Jordan.
31. Transparency International (n.d.). Retrieved from <https://www.transparency.org/>
32. United Nations (2000). *United Nations Convention against Transnational Organized Crime (Palermo Convention)*, Article 6. Retrieved from <http://www.un-documents.net/a55r25.htm>