

## Money Laundering and Banking Secrecy in the Jordanian Legislation

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**Abstract.** Crimes targeting to damage the property of natural and legal individuals including states are in existence while the objective of people, groups and the entire organizations when committing crimes is illegal property gain in the structure of national, but also of global crime. However, they are insufficient hence they attempt to decriminalize money or other property earned in such manner, e.g. by inserting them into lawful operations and flows. Nonetheless, perpetrators of this kind of crime attempt to hide the right source of money or profit earned in such manner using all means possible. Banking secrecy is one of the main barriers that stand in front of anti-money laundering because it comprises of a barrier to access to bank deposits, and a protection for doubtful funds since it is one of the conventional rules pertinent to the work banks, where clients' secrets and banking operations are saved by Bank's commitment by law and custom unless there is provision in the law or in the agreement stating otherwise. This study is aimed at indicating the most significant stages and techniques of money laundering at banking institutions in Jordan and also discussing the function of the Jordanian banks in the light of the pertinent legislation

### 1. Introduction

The topic of this research is regarding money laundering which is one of the major problems being faced by world economy. The world has observed in recent years a significant development in various life aspects. The techniques of committing crimes have been developed at the same time as well. Money laundering is one of the main hazardous crimes that can obliterate the financial and economical systems. All countries are dedicated towards eliminating or reducing this trouble and are attempting to cooperate with each other to solve it.

The most significant sectors where money laundering takes place are banks. They also have the most popular task of eliminating unlawful funds from unlawful sources and bring corroboration upon them because of their divided banking operations and the rate of its overlap.

The roles of banks are supposed to be pronounced with the development of banking operations. This is due to the fact that the application of modern technological techniques is not essentially banks informed by sources of this type of funds. However, the modern electronic services can be applied in the violation of the law particularly because most of those operations are automatically and the controlling likelihood require more efforts, costs and time, in addition to the laws that provide secret banking accounts. This is because extra problems encountered by banks in this regards are caused by their detention categorically in special circumstances.

In this research, the study will be concerned with the money laundering its stages, and the function of banks in those procedures. It will also discuss how Jordanian legislation is using these procedures to indicate and control the imbalances and deficiencies suppose they have any.

In addition, this research will study probability of increasing the banking secrecy in the war against money laundering. The study will discuss analytical pause for attempting to study the reason of escaping from the privacy and the positive impacts and negative impacts on the exit.

## 2. Definition of Terms

There are many definitions in term of money laundering because money laundering has different implications since criminals apply numerous techniques to keep the profits of money laundering to evade suspicion. The term laundering is applied because criminals want to change dirty cash which they earned from illegally into clean money. The word money laundering does not refer to cash alone but can also refers to something else. Money laundering refers to the procedure of through which criminals or criminal organizations seek to camouflage the illegal nature of their proceeds by introducing them into the stream of lawful finance and commerce.

It is also stated by the Jordanian Anti-Money Laundering Law No. (46) for the year 2007 that every conduct involving possessing or selling any goods or services illegally while being aware that the funds are the profits of any of the crimes stated in Article (4) of this law.

Article (4) of the Anti-Money Laundering Law No. (46) for the year 2007 provided for the crimes that are subject to money laundering, including:

- Any crime punishable pursuant to the provisions of the valid legislation in the Kingdom.
- Crimes, the proceeds of which are considered, according to the provisions of international agreements ratified by the Kingdom, as a subject of a money laundering crime.

The major reason as to why people commit crime is to generate a profit for an individuals or a group. Money laundering is a technique used to hide crime and criminals go on to protect their criminal act. It is also suggested by the Financial Action Task Force (FATF) that all these procedures are very significant because they can enjoy their money laundering without any suspicion. Money laundering also implies that criminals can sell and smuggle arms which implies that the crime was organized long prior to its actual happening. For example, prostitution and drug trafficking which can generate huge amounts of money for these criminals is frequently organized well in advance.

It is also suggested by FATF that can also be the major means of getting confidential without the right in trading, computer fraud and bribery. This type of act can also result to very many money laundering. Criminals want to secure means of controlling the profits without any doubt from anybody when they make huge amounts of money via criminal activities. They can therefore enjoy the profits without attracting attention by changing or moving assets to other hidden places.

Money laundering refers to all methods that include winning, assets or authority to dispose or control or investment, crime of fraud and prostitution, crimes of coins and piracy, crimes of historic relic and organized crimes, transfer from one country to another, bribery, cheat in value if crimes were collected from agriculture and manufacturing drugs.

## 3. Causes of Money Laundering

It is suggested by economic analysis that money laundering takes place because some people or physical factors. For example, the thief may commit offense to earn money to support his habit that might be drug for example, and the destroyer has a feeling to commit offense like making fire for the same purpose. It is not accepted by economic analysis while some of the endeavors decline and criticize this analysis due to the fact that money laundering has complicated operations. In addition, the offense of money laundering takes place because of the attempts of people, companies and other individuals who are engaged in the similar crime. Individual involved in money laundering crimes deals with risk, return and secret information. Furthermore, the criminal usually tries to move his profits of crime to other places so as to avoid suspicion and because of the risk in the source where the criminals make money.

## 4. Phases of Money Laundering

Money laundering goes through three phases including:

1) Placement

Deposit stage is the physical act in the amount of cash income in order to remove it from the place of acquisition (to avoid attracting attention) and by seeking to integrate this income to the business areas will be easy to hide and can be difficult to recognize the fact .

At this stage the owner disposal of illicit funds, through fragmented deposit in a bank at home and abroad, whether in bank accounts or traveler's checks or buy stocks and securities, or buying accounts for an existing company that cash one its major tools dealings such as restaurants, cinemas, petrol stations ..., so as not to draw attention to the deposits, as can exploit exchange companies to convert cash into foreign currencies and then deposited in the bank so that transfer of illicit funds to the electronic digital way (in the form of real balances in bank accounts.

2) Layering

This is where is hidden and obscure relationship of those funds by sources of origin of illegal, so is difficult to distinguish between them and the legitimate money, at this stage may be transfer repeatedly to these funds, in order to disguise and mislead regulators and supervisory and security about its illegal origin, where the funds transfer from one account to another and by the names of people who are not suspects, or of the names and fake companies, and from bank to another in different countries, to show that it amounts legitimate paid in the process of buying and selling, and these frequent transfers to different accounts becomes difficult to monitor and follow-up the movement of these accounts and financial transactions, and it becomes more difficult when it comes to electronic transfers, where the movement of money between banks and countries by leaps and bounds.

3) Integration

This is the last stage in the process of money laundering, a public stage through which give a legal appearance of the illicit funds, that lost their relevance completely with their criminal origin, where is entered illicit funds in the various processes in this final stage in the process of money laundering , where re-inject illicit funds that are obscure in the national economy and the visible and formal as if it were legitimately money from clean source, and these funds again invest without stalking or prosecution or confiscation or accounting, as it gained a legally manifestation and become like the result of legitimate economic activities and most legitimate investments and the most easily in the present speculation in financial markets scattered throughout the world, and utilized by modern telecommunications revolution through the Internet, which facilitated the transfer of millions from one country to another in a short period of time. At this stage to buy various financial instruments of shares and investment certificates in addition to invest in real estate activities and the tourism sector and other businesses.

## **5. Jordan and Money Laundering**

There is lack of actual approximations regarding money laundering operations in Jordan, and due to the recent issuance of the Anti- Money Laundering Law and the recent implementation of the Anti- Money Laundering system, there is no real indication at the level of the law enforcement authorities or the supervisory authorities or the other competent authorities regarding the expansion of the Money Laundering activities. In general, the crime rates in Jordan are clearly low in comparison to the similar international crime rates (reached around 7.5 per thousand in 2012 for all the general crimes) ; however, Jordan is primarily affected by the regional Narcotic Drugs and Psychotropic Substances trading activities.

Although the Narcotic Drugs are not produced or cultivated in Jordan, large amounts of manufactured drugs are transferred through Jordan and from it to the neighboring countries, and large quantities of those materials are detained by the authorities who enforce laws. In general, geographical site of Jordan rendered it to be an intersection of transacting and trafficking transactions in the Middle East. For this reason, the United Nations International Drug Control Program (UNDCP) established its Middle East headquarters in Jordan due to the latter's location on one of the main trafficking routes in the region and due to its traditional role as a mediator amongst the political groups in the Middle East.

The openness of Jordan to the international investment markets and the increase of its share of foreign capitals year after year [more than JOD 4500 Million (approximately equivalent to 6300 Million USD) in

2012] due to the success of its investment motivation policy, represents a degree of risk given the novelty of the implementation of the Anti-Money Laundering system in Jordan (the issuance of the law in July 2007 and the preceding instructions).

Finally it's possible to put a number of reasons for targeting Jordan for money laundering including:

- Jordan setting of remarkable openness in financial markets to the outside world and a great freedom in completing international transactions, and the movement of capital from the inside to the outside and vice versa.
- The integration of Jordan in the global economy and globalization, and falling of trade and non-commercial barriers and the revolution of information and communication technology.
- Advanced banking and financial systems connected with global financial centers and free transfer and currency exchange, and these advantages and facilities tempt in money laundering criminals, and make Jordan susceptible to active for this crime.
- Its geographical location made from it a transit point for weapons and drugs trade in the Middle East, also features with advanced infrastructure such as airports, ports and international routes, and these are all factors that increase the attractiveness of Jordan for such kind of crimes.

## **5.1 Laws against Money Laundering in Jordan**

To take steps in the greatest interest of Jordan as well as for the international world, Jordan is bent to abide by the laws that are internationally recognized. So is the case when the international resistance for money laundering is concerned. The government is keen to take steps that could stop such activities.

To show its consent with the international world in fighting against the money laundering issues, Jordan has been actively participating in the international and regional events that aim to generate barriers for money laundering. With such a faith, Jordan isn't the only part of the Arab Convention in Tunisia in 1994, but also participated in the United Nations Convention on illicit Drugs and Psychotropic Substances Trade of 1988.

Jordan has been in a way of conducting several efforts for the purpose of bringing the illegal and bad practices to a halt. For this, several rules and regulations have been set up for to get rid of criminal activities and illegal funds thus proving to the world that Jordan is keen to take every possible step to bring these activities to such an extent that no one tends to be a part of it. The legislations have been done for the betterment in the areas of drugs and psychotropic substances and the custom department. (1) The newly formed laws related to criminal money laundering as mentioned as below:

### **5.1.1 Jordanian Law of Narcotic Drugs and Psychotropic Substances of 1988.**

The main purpose of Law No. 11 of 1988, the Narcotics and Effects mental Law is to make it legitimate that the Jordanian authorities are willing to resist the drug trafficking, manufacture, cultivation and export and the ones involved in the act will be answerable to the law and also will be given punishment for their illegal acts.

The Article 15 of the Law gives the authority to the state to give penalty to the one involved in the narcotic drugs and psychotropic substances as well as the plants that have the capacity to produce narcotic materials including seeds, machinery and the containers that serve the purpose of transportation. Such an activity or involvement in the crime can bring the person under penalty.

Also, the article gives the court the decision making right to find the sources that have helped to create the amount of money. If the sources are relevant to the law and the funds have been generated with the consent of the law then it is thought to be lawful. The court stands as the authority for making decisions and analyzing the matters.

The purpose of the article isn't widely about money laundering and operations that facilitate money laundering. It is rather about the collection of funds that result in increased drug activities. The article is therefore limited to drug applications such as trafficking and export of drugs. Explaining this, the article specifically paves its way to the funds and the generation of money to find out the sources that facilitate activities related to drugs. In this way, those operations and processes will be obtained and will then be configured to bringing them to a halt.

### **5.1.2 Banking Law and Laundering Regulations**

In 2001, Banking Law No. 28 was brought to light by the legislation authorities so that the banking sector of Jordan could be easily monitored. The Law binds all the banks to a number of provisions concerning audits, secrecy as well as merger related activities as described by the law. The law isn't only restricted to these activities; it also gives mere consideration to the banks and businesses so that the financial investment and credits are regulated by the law. To make the law more practical and binding, it includes a number of provisions for the ones that violate the provisions of the law. The ones violating the law are given serious penalties so that there is no point in violating the law. The point to be noticed here is the Article 93 and its provisions which are restricted to money laundering operations and clears the fog over a number of matters regarding the forbidden practice.

It says that any bank if witnesses a doubtful transaction or delivery of payment concerning unlawful practice, it is bound to bring it to the knowledge of the Central Bank without any delay.

After the bank provides the Central bank with such an illegal act as mentioned earlier in the article, it is now the duty of central bank to immediately take action against such a move and ask the bank to refrain from indulging into any such activity. The Central Bank isn't limited to stop the bank to do so for thirty days. It then brings the matter into the notice of jurisdiction officials and suggests the officials to hinder such activity which is against the law and in the interest of those who tend to damage the national operations and banking sector.

The bank that discloses such information is just considered as performing part of its duty and isn't marked to be the violator of any secret information or privacy of the ones part of the transaction. There is no liability for such act or disclosure of information.

The above mentioned article moved the authorities in Jordan to legislate a number of instructions for the banks. For this, the Central Bank stood up for the cause by issuing No. 10 of 2001 for the purpose of banning money laundering. The instructions were formulated to stop fake accounts. It was made customary for all the banks and their branches operating in Jordan as well as internationally that the accounts need to be verified and the person keeping the account must show his real identity. To refrain from foul transactions, the Central Bank also bound the banks to ensure that the identity of the person holding the account of more than ten thousand JD is to be verified by the authorities. Also, the transactions from such accounts are to be tightly monitored and ensured that the money isn't being transferred illegally. The Central Bank further instructs that the third parties given the authority to conduct the transactions need to be verified as well. All money transactions and suspicious activity of transferring money are highly recommended to be monitored and verified.

### **5.1.3 Customs Law No. 20 of 1998, as Amended.**

The means by which smuggling is facilitated in Jordan are tracked by the authorities. This gave rise to the amendments of the customs law. In the law, it is now ensured that all the elements that facilitate the acts of the ones that violate law and the ones that are the strong supporters of smuggling are not given any chance to do so. Moreover, the ways in which the violence could be stopped and brought to a halt are being searched by the authorities. By all means, the authorities are bent to stop smuggling and therefore safeguard the healthy competitive environment and national economy.

Paragraphs C and D of the Article 206 outlines the penalties of the ones that are part of smuggling and illegal funds:

C- Penalty to those goods and materials that somehow managed to get away with the fees obligations as well as the registration matters.

D- The amount to be charged as penalty sums to equal or less than 50% of the goods and transport tools. Mentioning so, it is further described that the mode in which smuggling is transported doesn't need to be of more value with exceptions of aircrafts; trains and shifts if are subject to rent from some other source not involved in the issue.

The transactions that arise from excess funds and smuggling crimes are not fully addressed by the law. The need here is to formulate such a law where funds have been generated from invalid or fragile sources. The law right now is concerned with the matter of bringing the smuggling crime to light as per the concern of the good that somehow manage to get away with the custody and the registration process. The sentence is taken to be equal of the amount that has survived from the custody.

#### **5.1.4 Jordanian Anti-money Laundering Law No. 46 for year 2007**

In July 2007, the legislation in Jordan labeled money laundering to be an offense. The law clarifies that all the funds that are generated seem to have been collected by unlawful means and criminal activities. If anyone is found to be guilty of money laundering or facilitating the act to a tiniest extent; he will then be made answerable to the law and ultimately be punished in this regard. The law also refers to the international laws and gives the image that Jordan supports the international laws against money laundering and therefore the one found guilty must be punished as mentioned in the international as well as Jordanian law.

The law is formulated to give the guilty ones severe punishment. In this regard, the one found guilty wouldn't only have to deposit the money equal to the illicit funds. In addition to this, the person will have to pay at least ten thousand dinars and at most a million dollar. Despite the payment of fine, the guilty one will also be sentenced to imprisonment with labor for not more than five years.

Money laundering doesn't affect a single country at a time; it influences a number of nations and countries at the same time. Understanding such implications of the money laundering acts, the Article (20) of the law gives certain implications for those who have been involved in money laundering and have entered the territory of Jordan.

The law introduces a committee for its implications with the Governor of Central Bank being the head. The committee is termed as (National Committee for Combating Money Laundering). Other members of the committee are following:

- a. Deputy Governor of the Central Bank, named by the governor - Deputy Chairman of the Committee.
- b. Secretary General of the Ministry of Justice
- c. Secretary General of the Ministry of Interior
- d. Secretary General of the Ministry of Finance
- e. Secretary General of the Ministry of Social Development
- f. Director General of Insurance Commission
- g. Controller General of Companies
- h. Commissioner of the Board of Commissioners of the Securities Commission named by Chairman of the Board of Commissioners
- i. The head of the unit.

The powers and authorities of the commission are mentioned in the Article 5 and 6 of the law which are briefly mentioned below;

- Money laundering to be brought to a halt by public policy
- The operations to be monitored
- Make it easy for the operational elements to communicate with the authorities and therefore get a tight hold of money laundering operations
- Support the international legislations for the money laundering stopping
- Give useful recommendations for the implication of law
- Review the reports formulated on yearly basis and give considerations to the proposed steps
- Considering the facts mentioned in the reports; assign duties to the relevant authorities to ensure that money laundering isn't facilitated by any element and found perform actions against the unlawful activities as guided
- Give approval of the budget that the chairman proposes.

The process of formation of Anti-Money Laundering unit that is supposed to check the requests that are received concerning the money laundering issues is described in Article (7). The unit analyzes the entire matter and gives relevant information to the concerned authorities. All the suspicious activities are reported to the unit which prepares a competent report as per the information provided and checks all the documents for passing the matter to the public prosecutor for a thorough investigation.

Considering the money laundering issue that connects to terrorist activities, Jordanian Penal Code makes it must for the banks to check their operations. On the other hand, the one that is involved in depositing such money and the one that appears to request the transfer of money are both proposed to be given a penalty. In this way the ones involved are made answerable to the law and are subjected to imprisonment of 3-15 years as their sentence.

The article also proposes imprisonment for the banking staff that is involved in the issue of money laundering. The ones that receive the funds and the one responsible for transferring the funds are sentenced to imprisonment ranging from 7 days to as long as 3 years. If the one involved in transfer and issuance of funds had been aware of the matter and court rulings against the case, he is supposed to confiscate the amount of fund transferred or issued.

## **5.2 Money Laundering and Banking Secrecy in the Jordanian Legislation**

The crime of money laundering is supported directly or indirectly by bank secrecy laws. The ones involved in the act of money laundering find it easy to commit crimes and then hide the source from which they have earned the money. Countries like Switzerland, Lebanon and Luxembourg have provided the ease for money launderers. They don't allow third parties to observe and check the source of income.

The secret banking gives the money launderers the ease to hide their source of income as well as their transactions that are conducted from the bank. It is therefore considered to be entirely private property of the owner. The amount of money present in the bank, the facilities that the account bearer has, the cheques and the loans given to the account bearer are all private information that aren't provided to anyone with a very few exceptional situations. The secrets of the accounts are therefore never made public. The money launderers therefore have complete faith in the banks that their information is kept private. The entire public isn't exposed with any information and has been asked to not interfere in the private account information and access.

The banks tend to keep the information of all the account bearers as private because it is part of the contract. Also, the banks are of the view that everyone has the right to hide his personal information and account transactions. The personal freedom is everyone's right and the banks are expected to keep the information a secret. Once a bank attempts to give any information to public or to any of the third parties, it becomes the violator of the contract that existed between the bank and the person that holds the account.

One of the major issues related to the bank secrecy is the commitment of banks to the customers. Banks believe that if they are going to keep their customer's information as a secret; it will ultimately create a good impression for the customers. Moreover, if banks in a country keep the information as a secret, people will not bother opting for banks in the other countries. This makes it better for a country's economy. The activity of banks is therefore in the greater interest of the public as well as for the economy of a country. The national as well as international funds are kept within the country in national banks and don't convince people to keep their money and funds in other countries once their information is secured.

Concerning the banking secrecy and the confidence of account bearers in the banks, Jordan gives lawful safety to them by proposing penalties and punishment to the violators of secrecy in Jordanian Penal Code No. (60) Of 1960. Further, the Article 1 of Central Bank of Jordan Law No.23 of 1971 binds the governor as well as the deputy governor to disclose the information asked by the court to do so. If the law permits, the aforementioned authorities of the bank are abide by the order of the court.

The customer secrecy is thought to be of immense importance by the law of Jordan as the Article 72 of the Jordanian Banking Law of 2000 creates a boundary over the information with a lawful manner. In the article, it is clearly mentioned that no bank is permitted to disclose the information of the account bearer until or unless there is a written consent between the bank and the account holder to do so. The law outlines that the judicial competent authorities have the power to ask the banks to provide the information about a customer if it is needed. Moreover, the banks without the consent of customer or the Judicial or competent authority don't possess the right to disclose the information of customer even if the association between the customer and the bank has come to a halt. Moving forward, the Article 73 prohibits the

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working and the former bank managers to not disclose any of the customer's private information regarding amount of money, deposits, loans or any other transactions apart from the exceptions mentioned earlier.

There are also some cases in which the Article 74 outlines a different remedy for the problem. It is written that there are some circumstances such as general assembly provisions for the auditors that are appointed; under which a statement representing the reasons for which exchange of information is necessary is made and then the reasons for sidelining imminent are mentioned. This situation at times arises when clients and their disputes are to be settled according to the information that is present in the bank accounts and banking transactions. Therefore, the central banks have come up with such a solution where it issues a certificate for the permission of such an act to be done.

### **5.2.1 Banks in Jordan Procedures to Face Money Laundering**

Money laundering and crimes related to it are resisted by the declaration of International Committee on banking regulation and supervisory practices. The basic matters that are highlighted in the declaration are defined as follows:

- Do a proper research and ensure that the client has given his right information to the bank. Also ensure that the customer is known by the bank by gaining information about the customer and his history. The bank also observes the activities of the customer, his business and the aim of his operations.
- Verify the information that the customer has provided to the bank and the information that other sources reveal about the customer. Also, if a customer tends to have hidden some relevant information, a proper action should be taken by the bank.
- Beware of the change in behaviour and activities of the customer. If a customer tends to have been committing an act that he didn't do regularly earlier, the bank must check and verify the customer's identity and the scope of activities in which he has been involved. The devices that are used must not merely read the reports but analyze the reports as well.
- All the banking staff should be aware of the policies of the bank against money laundering and criminal activities. The staff should have the ability to handle complex and doubtful cases.

The aim of Jordan Banking sector is to provide best environment and policies to the customers with the promise that the money being deposited in the banks aren't a result of illegal funds or suspicious activities. Therefore, the Banking Law and the Central Bank instructions No. 10 for the year 2001 outline the instructions for Anti-Money Laundering and make it clear to all the banks operating regionally as well as their branches operating internationally that the banking process shouldn't be ambiguous. This makes the banking operations clear, efficient as well as active with the customers having the sense of right and the banks in return providing them with best policies.

The instructions were formulated to bind the banks to verify the identity of their customers and be sure that the identity a person has revealed is true and valid. The legalities are to be addressed in accordance of the law. The banks must verify the identity of the person if the amount he has submitted exceeds ten thousand dinars. The banks also should be cautious when the customers rent a deposit and also at times when they ask to handover cheques to the third parties. Same goes for the collection of cheques by the third parties that are outside the Kingdom.

The cases that have the high risk of being involved in money laundering and terrorist financing are given special attention by the instructions and have been asked to handle with more care and caution.

The Central Bank addresses the issue and instructs the banks to keep observing the activities of their clients and make a list of clients having the high risk of being involved in the terrorist activities. Also, the clients and the change in their activities are alarming for the banks to which they need to respond it a swift and steady manner. The rate at which the client changes his activities needs to be checked and the previous records are then to be analysed for further observation.

The clients that could be a source of risk for the banks are identified in the instructions. The instructions outline that the representatives of political persons, the people that don't reside within the area and the ones that are from the countries that haven't applied FATF recommendations need to be monitored closely.



It is recommended for the banks that they keep a special observation over the clients that have been thought to be a risk for the banks. Banks should identify who is being benefited of the situation and which sources are involved in the funding of the money. Any suspicious activity should immediately be addressed and relevant action should be taken.

The banks might not have gone through such instructions earlier. Identifying this, the employees of the banks need to be trained in accordance with the instructions and the recommendations so that the process is run efficiently. Money laundering could then be resisted and ultimately brought to a zero level. Any attempts for such an action will immediately be stopped and resisted. A liaison officer is to be recruited who facilitates the instructions of central bank. In addition, he will be able to observe internal control systems and be positive that it is efficient and has the capability to stop money laundering.

## **6. Conclusion**

It is significant to address the problem of money laundering because owners of dirty money can purchase the whole economy of specific countries leading to disruption of economic development and spreading corruption in its entire forms to shake its financial unit.

This study has described phases of money laundering which illustrate pertinent Jordanian legislation with money laundering. This study has addressed banking secrecy and its relationship to the money laundering where it holds many advantages if used legally.

However, it has negative effects from the application as well. For the benefits, banking secrecy provides barriers of secrecy on the money in the banks hence it protects individual freedom in the distance for an individual to trust his financial away from knowing others and hence attracts national capital and prohibits them from leaving the country leaving the country in search of security and privacy while attracting foreign capital that seek shelter at the same time. It also helps to attract capital stability in a country which results to the development of the national economy and living standards. Switzerland is the best example of this case. In contrast, banking secrecy is a cover to hide the money resulting from unlawful means like narcotics smuggling and crimes referred to as money laundering.

## **7. Recommendation**

Based on the detailed research carried out, this study makes the following recommendations:

- 1) We ought to carry on working with, and reinforce, our global partnerships, and safeguard strong relations with our associates in the global financial centers.
- 2) We are also supposed to:
  - reinforce worldwide co-operation on information sharing and enforcement of the law;
  - execute proper systems for handling doubtful reports;
  - conformity traditions among financial institutions; and to make sure that they implement proper systems and procedures;
  - advice financial supervisors to use bank certifying processes sternly, exchange information, and educate practitioners;
  - augment public consciousness of the risk from money laundering;
  - target new technologies and augment countermeasures to fight their use for money laundering.

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Cite as: Al-Nuemat, Shmed Adnan. Money Laundering and Banking Secrecy in the Jordanian Legislation. *Journal of International Commercial Law and Technology*, Vol.9 Issue 2 (April, 2014)