



*Photo 1 The LAT during the Assessment workshop 2021 (source: assessment team)*

# **TERRORIST FINANCING RISK ASSESSMENT FOR THE NPO SECTOR IN JORDAN**

## **PHASE I. ASSESSING THE INHERENT RISK**

**March 2022**

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## ACRONYMS

<b>AJIB</b>	Arab Jordan Investment Bank
<b>AML</b>	Anti-Money Laundering Law
<b>AML/CFT</b>	Anti-Money Laundering/Combating the Financing of Terrorism
<b>AMLU</b>	Anti-Money Laundering and Counter-Terrorist Financing Unit
<b>AR</b>	Associations Registry
<b>CBJ</b>	Central Bank of Jordan
<b>CCD</b>	Companies Control Department
<b>DMJ</b>	Directorate of Military Justice
<b>DNFBP</b>	Designated Non-Financial Businesses and Professions
<b>FATF</b>	Financial Action Task Force
<b>FTFs</b>	Foreign Terrorist Fighters
<b>MENAFATF</b>	Middle East and North Africa Financial Action Task Force
<b>GFH</b>	Global Facility Hub
<b>GID</b>	General Intelligence Department
<b>ICNL</b>	International Center for Non-for-Profit Law
<b>IMF</b>	International Monetary Fund
<b>ISIS</b>	Islamic State in Iraq and Syria
<b>JD</b>	Jordanian Dinars
<b>LAT</b>	Local Assessment Team
<b>MER</b>	Mutual Evaluation Report
<b>ML/TF</b>	Money Laundering / Terrorist Financing
<b>MoAIA</b>	Ministry of Awqaf and Islamic Affairs
<b>MoE</b>	Ministry of Environment
<b>MoJ</b>	Ministry of Justice
<b>MoSD</b>	Ministry of Social Development
<b>MoTA</b>	Ministry of Tourism and Antiquities
<b>PSD</b>	Public Security Directorate

<b>NAML/TFC</b>	National Anti-Laundering Committee Money and Terrorism Financing
<b>NGOs</b>	Non-Governmental Organisations
<b>NPOs</b>	Non-Profit Organisations
<b>NRA</b>	National Risk Assessment
<b>SSC</b>	State Security Court
<b>STRs</b>	Suspicious Transaction Reports
<b>SARs</b>	Suspicious Activity Reports
<b>TF</b>	Terrorist Financing
<b>USD</b>	United States Dollars

## EXECUTIVE SUMMARY

1. The Government of Jordan commissioned this risk assessment as part of its commitment as a member of the Financial Action Task Force’s (FATF) Global Network<sup>1</sup> to combat the financing of terrorism. The risk assessment was completed using a methodology developed by Greenacre Associates. It was overseen and confirmed by a Local Assessment Team (LAT) comprised of representatives from 15 government and non-government entities. Edmaaj for Development & Training Consulting implemented the data collection, analysis and produced the assessment report with technical assistance from Greenacre Associates and funding from the International Center for Not-for-Profit Law (ICNL).
2. This assessment aims to conduct a comprehensive review to understand the features and types of NPOs at risk of TF abuse and the nature of the threat.
3. The risk assessment meets the core FATF requirements for Recommendation 8 and Immediate Outcome 10. Specifically, paragraph 8.1 of the FATF Methodology states that countries should:
  - (a) “identify which subset of organisations fall within the FATF definition of NPO... and identify the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse”;
  - (b) “identify the nature of threats posed by terrorist entities to the NPOs at risk and how terrorist actors abuse those NPOs.”
4. The data collection process included a questionnaire for 11 government and six financial institutions, a phone survey with 689 NPOs, review of local legislations, desk review of reports on AML/CFT in Jordan and researching secondary information and data sources.
5. The risk assessment identified the following seven types of NPOs as meeting the FATF definition of NPOs.

Table 1: NPOs in Jordan meeting the FATF definition of NPOs (Source LAT)

No.	Type	Relevant Law	Competent Authority	Total Number
1	Local associations	Jordan’s Law on Societies No. 51 of 2008 and its amendments	Associations Registry and the 14 Competent Ministries	6605
2	Branches of foreign associations	Jordan’s Law on Societies No. 51 of 2008 and its amendments	Associations Registry and 14 Competent Ministries	222
3	Non-profit companies	The Companies Law No. 22 of 1997 and its amendments  The Regulation for Non-profit Companies No. 73 for 2010 and its amendments	Companies Control Department	1380
4	Islamic Centres Under the Ministry of Awqaf and Islamic Affairs	Islamic Centres bylaw No 107 of 2020	Ministry of Awqaf and Islamic Affairs	1500

<sup>1</sup> Jordan is a member of MENAFATF, the FATF-Style Regional Body for the Middle East and North Africa.

5	Reconstruction Institutions - affiliated with the Municipalities	The Voluntary Institutions for Urban Reconstruction Law No. 60 of 1985	Ministry of Local Administration	12
6	Churches	Law No. 28 of 2014 (Christian Sects Councils Law of 2014)	Christian Sects Councils and the Council of Ministers appointed by the presidents of the councils.	33
7	Mosques	Law of the Ministry of Awqaf Islamic Affairs and Holy Places No. 32 of 2001 and its amendments	Mosques Committees under the Ministry of Awqaf Islamic Affairs and Holy Places	625

6. The assessment findings suggest that NPOs face several potential threats. All of which were assessed as low-level as seen below.

#### **Nature of the TF Threat to NPOs in Jordan**

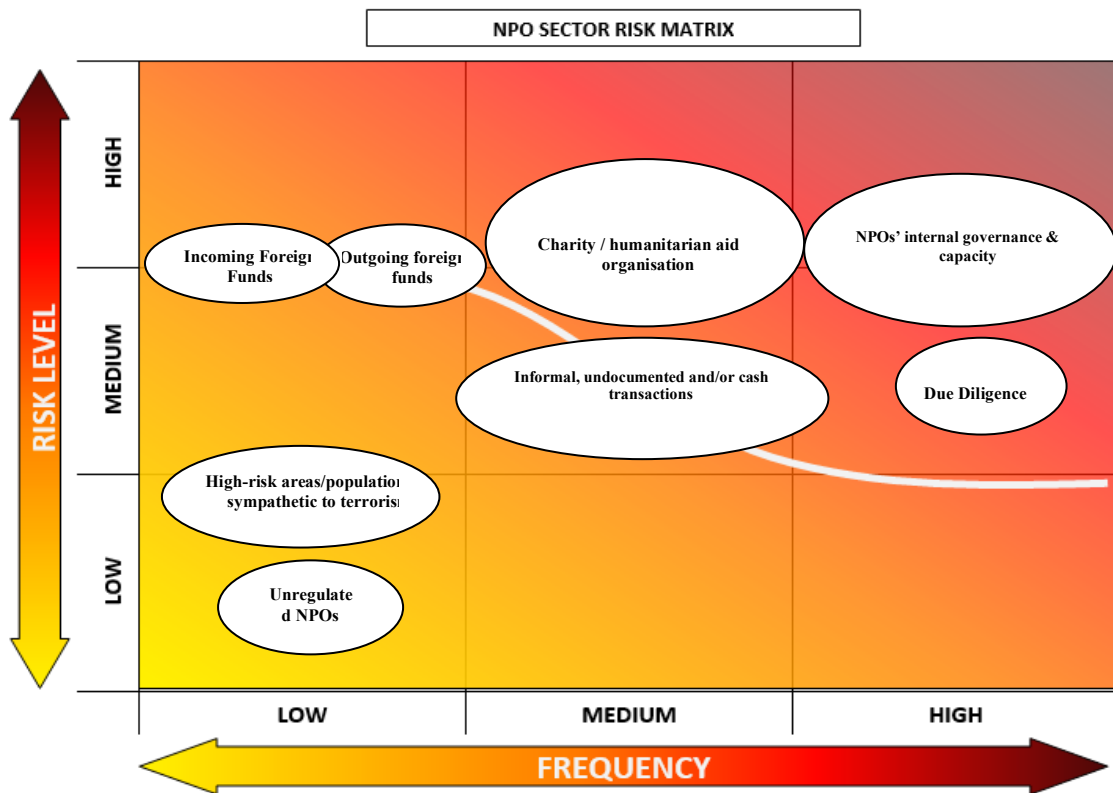
##### **The primary terrorist financing threat to NPOs in Jordan are:**

1. Geopolitical terrorist threats in Jordan.
2. Individuals inspired by radical ideologies.

##### **The potential ways that terrorist actors abuse those NPOs are:**

1. Recruitment of foreign terrorist fighters, particularly in relation to conflicts in the region (neighbouring countries).
2. A person with links to terrorism who owns, controls, or manages an NPO.
3. A person with links to terrorism who is employed by an NPO.
4. The creation of sham non-profit organizations to support or as a front for terrorist group causes.
5. NPOs that transfer funds abroad to support terrorist groups through cash or logistical support.

7. The “Inherent Risk” assessment found little evidence suggesting that terrorist financing is a significant problem for most NPOs in Jordan. There are only two known cases linking NPOs with a potential terrorist financing incident.
8. However, the assessment identified eight potential risk factors, of which six are likely to be associated with greater exposure to TF risks. The risks are weighted according to their risk level and prevalence as seen in the table below:



9. After a thorough review, we have found little evidence suggesting that terrorist financing is a significant problem for most NPOs in Jordan. There are only two known cases linking NPOs with a potential terrorist financing incident. However, the country faces some considerable terrorist threats, potentially impacting NPOs as they do all parts of society.
10. In this context, the overall inherent risk of terrorist financing abuse of NPOs in Jordan is assessed as Low-Medium.

**Inherent TF Risk of NPOs in Jordan**  
**Low-Medium**

## **I. BACKGROUND OF THE ASSESSMENT PROCESS**

### **1.1 Jordan's commitment to The Financial Action Task Force (FATF)**

1. The Financial Action Task Force (FATF) is the international standard-setting body in Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT). Two parts of the FATF standards refer directly to NPOs. These are Recommendation 8 and Immediate Outcome 10,<sup>2</sup> both of which require that countries, as a first step, identify the subset of organisations that fall under FATF's definition of NPOs, and use all relevant sources of information to identify the features and types of NPOs, which under their activities or characteristics, are likely to be at risk of terrorist financing abuse.
2. Jordan is a member of the FATF-style regional body for the Middle East and North Africa Financial Action Task Force (MENA FATF). MENA FATF last published a Mutual Evaluation Report (MER) of Jordan's compliance with the FATF standards in 2019.<sup>3</sup> The MER rated Jordan as non-compliant with Recommendation 8 and low compliance with FATF Immediate Outcome 10. The major issues identified were as follows:
  - (a) The Jordanian authorities did not identify the NPO subset that falls within the FATF definition of NPOs to identify the features and types of NPOs that are more likely to be at TF risk.
  - (b) The Jordanian authorities did not identify the nature of threats posed by terrorist entities to NPOs, nor did they identify how terrorist actors abuse those NPOs.
  - (c) Jordan did not review the adequacy of measures imposed on its NPOs that may be abused for TF, making it impossible to take proportionate and effective actions to address the identified risks.
  - (d) Jordan has no legal basis to periodically reassess the NPO sector by reviewing new information on the sector's potential vulnerabilities to terrorist activities to ensure effective implementation of measures.
  - (e) The outreach to the NPO sector is very weak due to the government's limited number of training workshops and educational programs.
  - (f) The Jordanian Authorities did not work with NPOs in developing best practices to address TF risks and protect them from TF abuse.
  - (g) No supervision and monitoring of the NPOs by the Jordanian authorities based on the TF risks facing the sector.
  - (h) Lack of monitoring for NPOs' compliance with the requirements of this recommendation.
  - (i) Lack of sanctions for violating the requirements of Recommendation 8.
  - (j) There is no cooperation, coordination, or information-sharing mechanism among competent authorities.
  - (k) There is no investigative expertise and capability to examine suspected NPOs.
  - (l) Lack of overall access of Jordanian authorities to all administrative and financial information on NPOs during an investigation.
  - (m) There is no mechanism to ensure that relevant information is shared in case of a suspected NPO.
  - (n) Lack of appropriate procedures for responding to international requests for information on TF suspicion at NPOs.

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<sup>2</sup> See Annex 2: FATF recommendations relevant to NPOs

<sup>3</sup> MENA FATF. Anti-money laundering and counter-terrorist financing measures The Hashemite Kingdom of Jordan Mutual Evaluation Report. Available at: <https://bit.ly/3gRSswO>



## 1.2 About the Assessment Process

3. This assessment aims to conduct a comprehensive review to understand the features and types of NPOs at risk of TF abuse and the nature of the threat.
4. General best practices for risk assessments of the NPO sector are included in FATF’s Terrorist Financing Risk Assessment Guidance (FATF, 2019)<sup>4</sup>. Additionally, FATF Guidance: National Money Laundering and Terrorist Financing Risk Assessment (FATF, 2013)<sup>5</sup> provides guidance on risk assessments in general.
5. This risk assessment is based as closely as possible on FATF requirements and guidance as according to Paragraph 8.1 of the FATF Methodology, which states that countries should:
  - (a) *“without prejudice to the requirements of Recommendation 1, since not all NPOs are inherently high risk (and some may represent little or no risk at all), identify which subset of organisations fall within the FATF definition of NPO, and use all relevant sources of information, to identify the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse<sup>6</sup>;*
  - (b) *identify the nature of threats posed by terrorist entities to the NPOs which are at risk, as well as how terrorist actors abuse those NPOs<sup>7</sup>;*
  - (c) *review the adequacy of measures, including laws and regulations, that relate to the subset of the NPO sector that may be abused for terrorism financing support to be able to take proportionate and effective actions to address the risks identified<sup>8</sup>; and*
  - (d) *periodically reassess the sector by reviewing new information on the sector’s potential vulnerabilities to terrorist activities to ensure effective implementation of measures.*”<sup>9</sup>
6. This risk assessment will focus on Paragraph 8.1 (a) and (b) to assess the inherent risk of terrorist financing abuse among NPOs, as follow:

Para.	Requirement	Relevant section
8.1(a)	Identify which subset of organisations fall within the FATF definition of NPO.	Section III: ‘Scope of this Report’
8.1(a)	Identify the features and types of NPOs that, by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse.	Section VI: ‘Identifying NPOs potentially at risk of terrorist financing’
8.1(b)	Identify the nature of threats posed by terrorist entities to the NPOs which are at risk, as well as how terrorist actors abuse those NPOs	Section V: ‘Identifying the nature of the Threat’

7. A five-level scale is used to assess the Inherent Risk for this report. These are Low, Low-Medium, Medium, Medium-High, and High.
8. The risk assessment was completed using a methodology developed by Greenacre Associates. It was overseen and confirmed by a Local Assessment Team (LAT) comprised of representatives from 15 government and non-government entities. Edmaaj for Development & Training Consulting

<sup>4</sup> FATF Report - Terrorist Financing Risk Assessment Guidance, available at: <https://bit.ly/31ZtkRa>

<sup>5</sup> FATF Guidance: National Money Laundering and Terrorist Financing Risk Assessment, available at: <https://bit.ly/3dUaOvZ>

<sup>6</sup> 8.1(a), Interpretive Note R8, available at: <https://bit.ly/3orm5tT>

<sup>7</sup> 8.1(b), Interpretive Note R8, available at: <https://bit.ly/3orm5tT>

<sup>8</sup> 8.1(c), Interpretive Note R8, available at: <https://bit.ly/3orm5tT>

<sup>9</sup> 8.1(d), Interpretive Note R8, available at: <https://bit.ly/3orm5tT>

implemented the data collection, analysis and produced the assessment report with technical assistance from Greenacre Associates and funding from the International Center for Not-for-Profit Law (ICNL).

9. List of local Assessment team (LAT), which represents participants from government and NPOs:

1. Central Bank of Jordan
2. Companies Control Department
3. Ministry of Awqaf Islamic Affairs and Islamic Affairs
4. Ministry of Social Development
5. Associations Registry
6. Ministry of Interior
7. General Intelligence Directorate
8. Anti-Money Laundering and Counter-Terrorist Financing Unit (AMLU Jordan)
9. General Federation of Associations (NPO)
10. Al-Hayat Center-RASED (NPO)
11. We Participate for Civil Society Development (NPO)
12. Fawasel For Civil Society Development (NPO)
13. We Rise Center (NPO)
14. Jordan Hashemite Charity Organization (NPO)
15. Tkiyet Um Ali (NPO)

## II. METHODOLOGY

1. The current risk assessment uses qualitative and quantitative data and, in line with FATF guidance<sup>10</sup>, seeks to ensure that qualitative data is given its due weight. This is particularly significant given the lack of quantitative data on TF risk in the NPO sector in Jordan.
2. Before the assessment began, the LAT was trained on the methodology and reporting of the assessment from 27-28 July 2021 and 8-9 September 2021. The training aimed to engage the team in the data collection process and prepare them to review the results and findings of the assessment once it was drafted.
3. The data collection process included:
  - (1) **A questionnaire for government and financial institutions** that was filled by 11 government entities and six financial institutions (below) during the period 7 March till 6 April. The questionnaire included questions about (i) Convictions of NPOs or their agents for TF or related offences; (ii) Prosecutions of NPOs or their agents for TF or related offences; (iii) Regulatory interventions of NPOs or their agents for TF or related offences; (iv) Active or closed investigations of NPOs or their agents for TF or related offences; (v) STRs/SARs relating to NPOs; (vi) Requests for Mutual Legal Assistance relating to NPOs and (vii) Case studies of terrorist financing abuse of NPOs

### Government Agencies

1. AMLU of Jordan
2. Central Bank of Jordan (CBJ)
3. General Intelligence Department (GID)
4. Ministry of Justice (MoJ)
5. Associations' Registry (AR)
6. Ministry of Social Development (MoSD)
7. Ministry of Awqaf and Islamic Affairs (MoAIA)
8. Companies Control Department (CCD)
9. Ministry of Environment (MoE)
10. Ministry of Tourism and Antiquities (MoTA)
11. Directorate of Military Justice (DMJ)

### Financial Institutions (Banks)

1. Safwa Islamic Bank
2. Jordan Kuwait Bank
3. Citibank, N.A. Jordan
4. Cairo Amman Bank
5. Arab Bank
6. Arab Jordan Investment Bank  
AJIB

- (2) **A phone survey** was conducted with 689 NPOs on the perceptions of TF risks and the effectiveness of mitigating measures. The NPOs were divided into two categories, Local Associations (as they constitute around 72% of the NPO sector) and Other NPOs, which included six types. These are Branches of Foreign Associations, Non-profit Companies, Islamic Centres, Reconstruction Institutions

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<sup>10</sup> "While quantitative assessments (i.e., based mostly on statistics) may seem much more reliable and able to be replicated over time, the lack of available quantitative data in the ML/TF field makes it difficult to rely exclusively on such information. Moreover, information on all relevant factors may not be expressed or explained in numerical or quantitative form, and there is a danger that risk assessments relying heavily on available quantitative information may be biased towards risks that are easier to measure and discount those for which quantitative information is not readily available. For these reasons, it is advisable to complement an ML/TF risk assessment with relevant qualitative information such as, as appropriate, intelligence information, expert judgments, private sector input, case studies, thematic assessments, typologies studies and other (regional or supranational) risk assessments in addition to any available quantitative data." Paragraph 30-31, FATF 2013 Guidance: National Money Laundering and Terrorist Financing Risk Assessment. Available at: <https://bit.ly/3zWaB5o>

affiliated with the Municipalities, Pastoral Services and Monasteries in Jordan, and the Mosques Committees. The table below provides information on the sample selected.

The NPOs participating in the survey represent a randomised sample. The sample size was determined with 95% confidence level and a 5% margin of error<sup>11</sup>. The respondents within the same size were selected based on random numbers using Random Integer Set Generator.<sup>12</sup> Results for these groups represent the entire group from which they were selected.

**Table 1: Survey response by legal type** (Source: NPO survey).

Type	No. of responses per NPO type	Responses per sampling	Total Actual Number <sup>13</sup>	Proportion-detailed /total sample <sup>14</sup>
1. Local associations	497	497	6605	72.13%
2. Other NPOs				
2.1 Branches of foreign associations	17	192	222	2.47%
2.2 Non-profit companies	24		1380	3.48%
2.3 Islamic Centres licensed under the Ministry of Awqaf and Islamic Affairs	33		1500	4.79%
2.4 Reconstruction institutions affiliated with the municipalities	3		12	0.44%
2.5 Churches	4		33	0.58%
2.6 Mosques	111		625	16.11%
<b>Overall</b>	<b>689</b>	<b>689</b>	<b>9027</b>	<b>100%</b>

**(3) Review of relevant local legislations.** The following laws and regulations were reviewed, including relevant amendments, implementing regulations, and notices. The review was supplemented by requesting data and a questionnaire filled about by officials responsible for their implementation (see questionnaire to government and financial institutions above), including amendments, regulations, and notifications. The laws reviewed included:

- Anti-Money Laundering Law (AML)<sup>15</sup>
- Law of Societies No. 51 of 2008 and its amendments<sup>16</sup>
- Companies' Law No. 22 of 1997 and its amendments, and the Regulation for Non-profit Companies No. 73 for the year 2010 and its amendments<sup>17</sup>
- Islamic Centres bylaw No.107 of 2020<sup>18</sup>
- The Voluntary Institutions for Urban Reconstruction Law No. 60 of 1985<sup>19</sup>

<sup>11</sup> The sample size was determined through the program on the link, <https://www.calculator.net/sample-size-calculator.html>

<sup>12</sup> The platform used to select a random sample, <https://www.random.org/integer-sets/>

<sup>13</sup> This number is as of 19 December 2021.

<sup>14</sup> The ratio represents the division of responses for this category by the total number of responses.

<sup>15</sup> Law No. (20) of 2021 Anti Money Laundering and Counter Terrorist Financing Law. Available at: <https://bit.ly/3s7Po6W>

<sup>16</sup> Law of Societies No. 51 of 2008 and its amendments, available at (Arabic): <https://bit.ly/3maz2Xo>

<sup>17</sup> Companies' Law No. 22 of 1997 and its amendments, and the Regulation for Non-profit Companies No. 73 for the year 2010 and its amendments, available at (Arabic): <https://bit.ly/3osyNsu>

<sup>18</sup> Islamic Centres bylaw No.107 of 2020, available at (Arabic): <https://bit.ly/3dYP4Pu>

<sup>19</sup> The Voluntary Institutions for Urban Reconstruction Law No. 60 of 1985, available at (Arabic): <https://bit.ly/3eaEoxj>

- Law No. 28 of 2014 (Christian Sects Councils Law of 2014)<sup>20</sup>
- Law of the Ministry of Awqaf Islamic Affairs and Holy Places No. 32 of 2001 and its amendments<sup>21</sup>
- The Regulation of Mosques and the Role of the Noble Qur'an No. 95 of 2004<sup>22</sup>

**(4) Desk review of reports on AML/CFT in Jordan.** The reports included:

- MENAFATF Mutual Evaluation Report Jordan 2019<sup>23</sup>
- Jordan's government ML/ TF NPO sectoral risk assessment, 2020<sup>24</sup>

**(5) Additional secondary information and data sources.** Secondary information and data were not given the same weight as primary sources. Mostly it was used to inform the methodological approach, but it was also used selectively and in context to inform assessments where preliminary data was not available:

- The Interpretive Note to Recommendation 8 (see International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation – the FATF Recommendations 2012 (updated 2019))<sup>25</sup>
- The Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (FATF (2013))<sup>26</sup>
- The International Best Practices: Combating the Abuse of Non-Profit Organisations (FATF (2015))<sup>27</sup>
- The Risk of Terrorist Abuse in Non-Profit Organisations (FATF, 2014)<sup>28</sup>
- The Terrorist Financing Risk Assessment Guidance (FATF, 2019)<sup>29</sup>
- The FATF Mutual Evaluation Reports of Canada,<sup>30</sup> the United Kingdom<sup>31</sup> and Hong Kong, China<sup>32</sup>
- Feedback from the FATF Private Sector Consultative Forum (Vienna, March 2016)<sup>33</sup>
- The National Risk Assessments and/or NPO TF Risk Assessments of the UK, Canada, Australia, and the Philippines

<sup>20</sup> Law No. 28 of 2014 (Christian Sects Councils Law of 2014), available at (Arabic): <https://bit.ly/3ecXseF>

<sup>21</sup> Law of the Ministry of Awqaf Islamic Affairs and Holy Places No. 32 of 2001 and its amendments, available at (Arabic): <https://bit.ly/3dZvEKx>

<sup>22</sup> The Law of Mosques and the Role of the Noble Qur'an No. 95 of 2004. Available at (Arabic): <https://bit.ly/3q92i1X>

<sup>23</sup> MENA FATF. Anti-money laundering and counter-terrorist financing measures The Hashemite Kingdom of Jordan Mutual Evaluation Report. Available at: <https://bit.ly/3gRSswO>

<sup>24</sup> Summary of the National Risk Assessment on Money Laundering and Terrorism Financing, 2020. Available at: [https://amlu.gov.jo/EBV4.0/Root\\_Storage/EN/EB\\_Info\\_Page/SummaryNRA.pdf](https://amlu.gov.jo/EBV4.0/Root_Storage/EN/EB_Info_Page/SummaryNRA.pdf)

<sup>25</sup> International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation (FATF, June 2019), available at <https://bit.ly/3orm5tT>

<sup>26</sup> Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems, updated November 2020, FATF, Paris, France, available at <https://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology%2022%20Feb%202013.pdf>

<sup>27</sup> The International Best Practices: Combating the Abuse of Non-Profit Organisations (FATF (2015)). Available at: <https://bit.ly/3oWebrt>.

<sup>28</sup> The Risk of Terrorist Abuse in Non-Profit Organisations (FATF, 2014). Available at: <https://bit.ly/3220Qq3>

<sup>29</sup> FATF Report - Terrorist Financing Risk Assessment Guidance, available at: <https://bit.ly/31ZtkRa>

<sup>30</sup> FATF. Mutual Evaluation Report for Canada: September 2016. Available at: <https://bit.ly/3gN8Xvq>

<sup>31</sup> FATF. Mutual Evaluation Report for the United Kingdom: December 2018. Available at: <https://bit.ly/35MFATi>

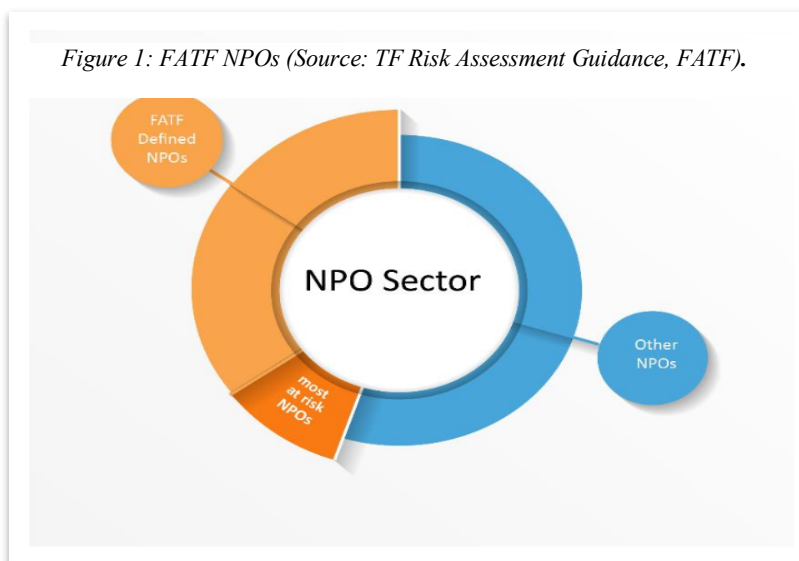
<sup>32</sup> FATF. Mutual Evaluation Report for Hong Kong, China: September 2019. Available at: <https://bit.ly/3vSU3bj>

<sup>33</sup> Feedback from the FATF Private Sector Consultative Forum (Vienna, March 2016). Available at: <https://bit.ly/3yuZqQP>

### III. FATF NPOs

#### 3.1 NPOs, according to FATF

1. According to paragraph 8.1(a) of the FATF, methodology countries should “*identify which subset of organisations fall within the FATF definition of NPO,*” which identifies NPOs as “*a legal person or arrangement or organisation that primarily engages in raising or disbursing of funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of “good works.”*”
2. The FATF definition excludes:
  - Informal groups of people who do not meet the definition of the legal arrangement.
  - Legal persons or arrangements or organisations that are not established for ‘good works,’ such as political parties, trade unions, or cooperatives primarily engaged in economic activities for the financial benefit of members.
  - Legal persons or arrangements or organisations not engaged in the raising or disbursing funds as their primary purpose. This might include sports clubs, or religious groups that do not or only incidentally engage in the raising or disbursing of funds.
3. The following NPOs should be covered by the risk assessment according to FATF, as seen in Figure 1.<sup>34</sup>



#### 3.2 Identifying FATF NPOs in Jordan

4. To identify the NPOs in Jordan according to the FATF definition, the Local Assessment Team attended an online workshop on 26 January to be introduced to the assessment process and another workshop on 1-2 February 2021 to examine the FATF guidance on “FATF NPOs” and the scope of R8 Risk Assessments seeking to identify which NPOs meet the FATF definition and should be included within the scope of the risk assessment.

<sup>34</sup> Figure 4.1, FATF 2019. Terrorist Financing Risk Assessment Guidance. Available at: <https://bit.ly/3wOGtqn>

5. The first exercise of the workshop began by identifying all the organizations in Jordan that could be included within the term “NPOs”, the following 24 categories of NPOs in Jordan were identified:
  1. Local associations (open membership associations, private associations, closed associations, and charities)
  2. Branches of foreign associations
  3. Non-profit companies
  4. Islamic centres licensed by the Ministry of Awqaf and Islamic Affairs
  5. Professional unions
  6. Palestinian refugee camps’ councils
  7. Reconstruction Institutions - affiliated with the municipalities
  8. Cultural centres under the Ministry of Culture
  9. Churches
  10. Mosques
  11. Youth Initiatives
  12. Social enterprises
  13. Cooperatives
  14. Sports clubs
  15. Micro-finance institutions
  16. Political parties
  17. Study centres
  18. Embassies
  19. Government support funds
  20. Relief Agencies under bilateral agreements
  21. Clan and tribal diwan (activities and buildings that serve specific tribe clans/tribes)
  22. Orphan Funds Development Institution
  23. Waqf Fund Development Foundation
  24. Hajj Fund
  
6. After discussions and examination against the FATF definition of NPOs, seven NPOs were considered FATF NPOs. These are:
  1. Local associations
  2. Branches of foreign associations
  3. Non-profit companies
  4. Islamic centres under the Ministry of Awqaf and Islamic Affairs
  5. Reconstruction institutions - affiliated with the municipalities
  6. Churches
  7. Mosques
  
7. Also, after discussions and examination against FAFT definition to NPOs, the following organisations were excluded from the scope of the FATF definition:
  - Political parties, sports clubs, clan, and tribal diwan, orphan funds, Waqf Fund Development Foundation, professional unions because they are formed for their founders’ and members’ narrower and specific interests, and not for the promotion of “good deeds” and wider public interest. Also, their funds depend mainly on their members.

- Social entrepreneurship, cooperatives, micro-finance institutions, study centres, and Hajj Fund are profit-making entities even if they serve the good interest of different stakeholders.
- Youth initiatives are temporary, single-purpose appeals without a corporate identity and are excluded as they are not legal persons, entities, or arrangements.
- Embassies, government support funds, cultural centers under the ministry of culture, Palestinian refugee camps' councils, and relief agencies under bilateral agreements are excluded as government entities or run by the government.



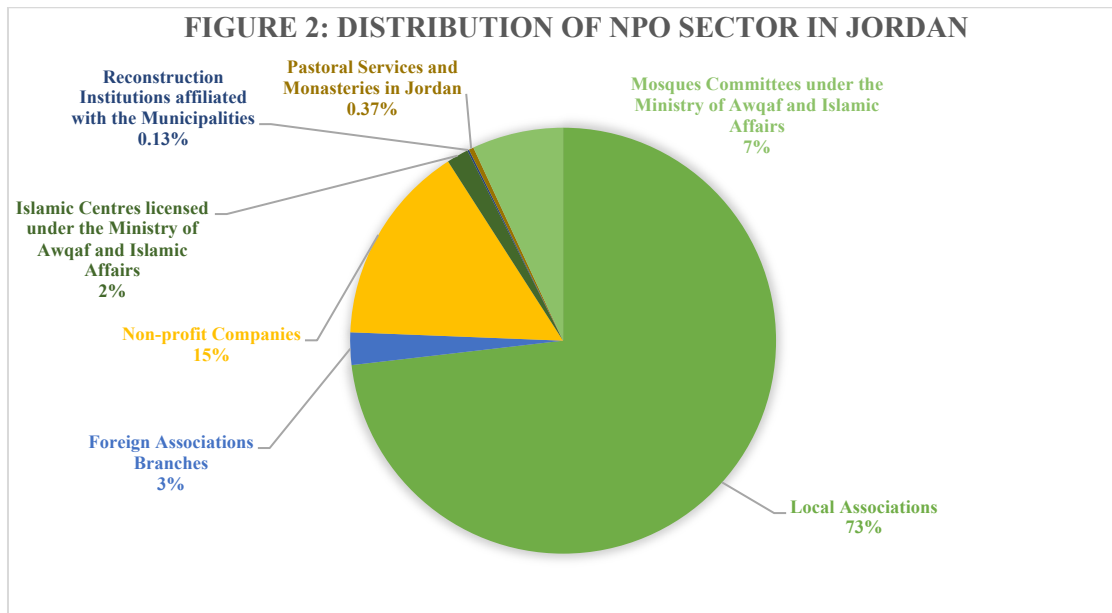
## IV. PROFILE AND OBSERVATIONS OF FATF NPOS IN JORDAN

### 4.1 Profile of FATF NPOs in Jordan

- The following table summarises the profile of the FATF NPOs identified:

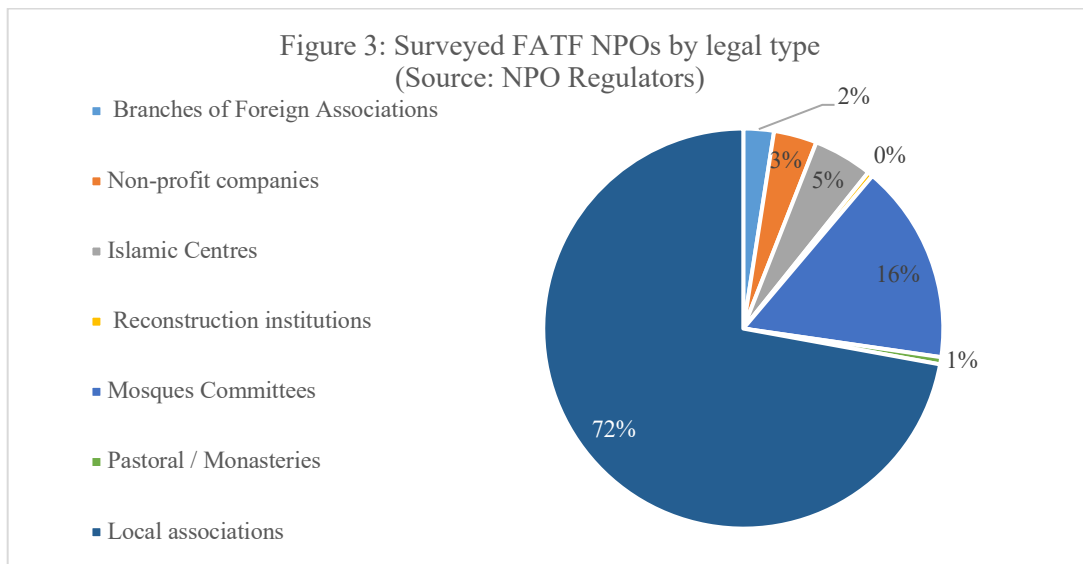
No.	Type	Relevant Law	Competent Authority	Total Number
1	Local associations	Jordan's Law on Societies No. 51 of 2008 and its amendments	Associations Registry and the 14 Competent Ministries	6605
2	Branches of foreign associations	Jordan's Law on Societies No. 51 of 2008 and its amendments	Associations Registry and 14 Competent Ministries	222
3	Non-profit companies	The Companies Law No. 22 of 1997 and its amendments.  The Regulation for Non-profit companies No. 73 for 2010 and its amendments	Companies Control Department	1380
4	Islamic centres under the Ministry of Awqaf and Islamic Affairs	Islamic Centres bylaw No 107 of 2020	Ministry of Awqaf and Islamic Affairs	1500
5	Reconstruction institutions - affiliated with the municipalities	The Voluntary Institutions for Urban Reconstruction Law No. 60 of 1985	Ministry of Local Administration	12
6	Churches	Law No. 28 of 2014 (Christian Sects Councils Law of 2014).	Christian Sects Councils and the Council of Ministers appointed by the presidents of the councils	33
7	Mosques	Law of the Ministry of Awqaf Islamic Affairs and Holy Places No. 32 of 2001 and its amendments	Mosques Committees under the Ministry of Awqaf Islamic Affairs and Holy Places	625

2. Figure 2 also provides a graph that shows the distribution of the NPOs based on legal type.



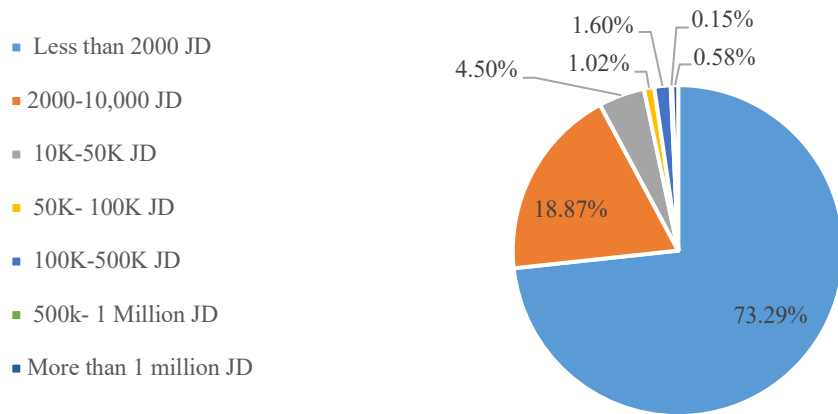
#### 4.2 General observations of the sector

3. The surveyed NPOs were distributed as below (Figure 3). 72% of the total NPOs surveyed were Local Associations, followed by Mosques Committees 16%.



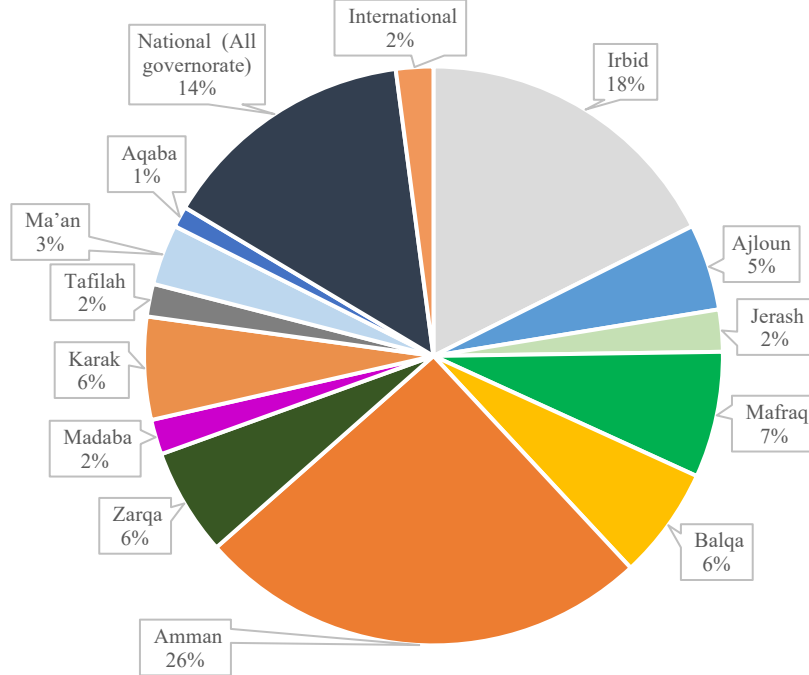
4. Most NPOs (73%) have an income band of 2000 JD (USD 2,825), while 92% of NPOs have an income of less than 10,000 JD (USD 14,000), as seen in Figure 4.

Figure 4: NPOs by income band (Source: NPO survey).



- Most NPOs operate in Amman (26%), followed by Irbid in the north of Jordan (18%), while 2% work at the international level, as seen in Figure 5.

Figure 5: NPOs by area of operation (HQ) (Source: NPO Survey)



- Most of the NPOs in Jordan provide humanitarian assistance in response to social and economic disasters. (52%), and (59%) of them provide “services” such as housing and poverty relief, education, or health care, as seen in Figures 6 and 7. Analysis by FATF and other international organizations and bodies indicates that the risks of terrorist financing are associated with non-profit organizations that provide services. It also indicates an additional risk arising from the provision of humanitarian assistance in response to natural disasters.

Figure 6: NPOs providing humanitarian assistance in response to natural disasters

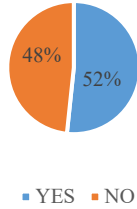
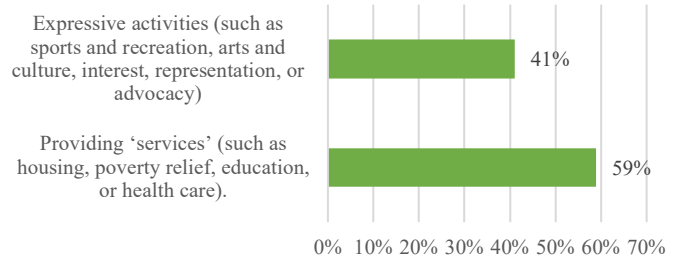
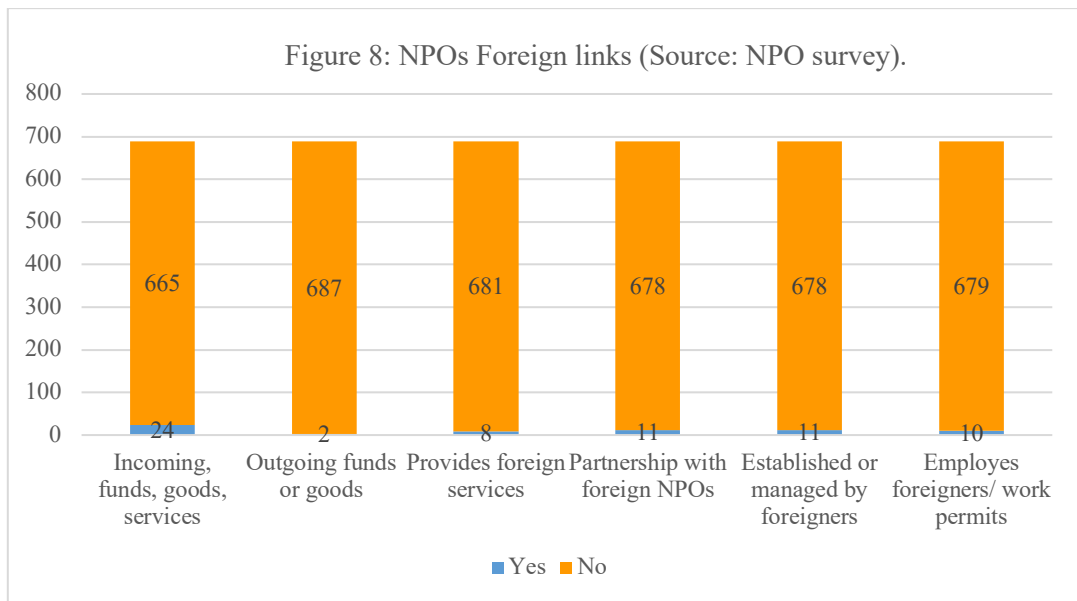


Figure 7: NPOs' activities based on chosen categories (Source: NPO Survey)

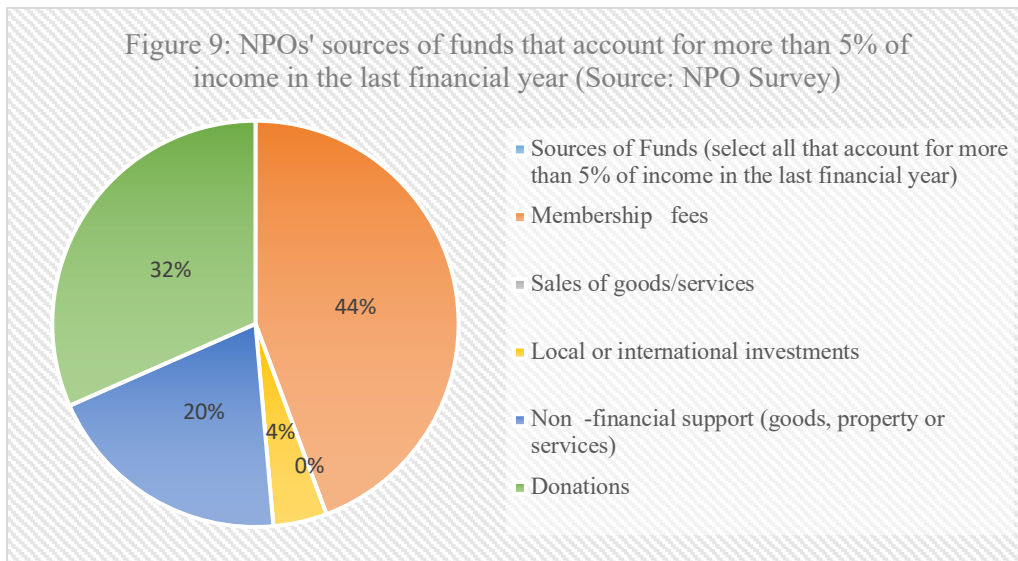


7. The majority of the NPOs reported not having any foreign links. However, most of the ones who have foreign links reported that it is in the form of incoming funds, goods, and services, as seen in Figure 8. It shows how different NPOs distribute their funds, and what the sources of the foreign funds they receive are.

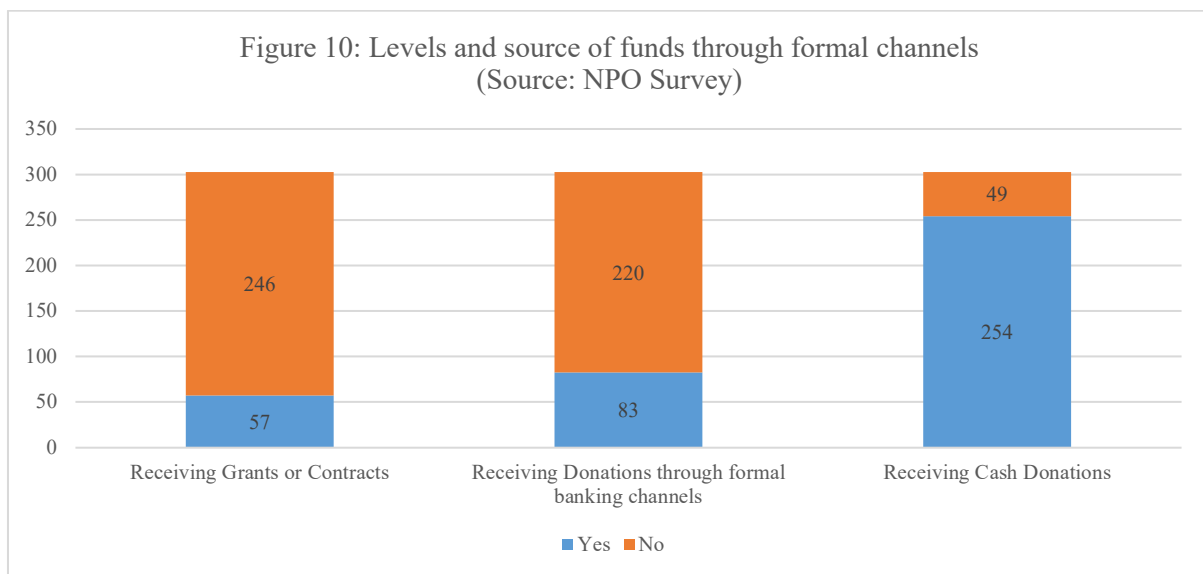
Figure 8: NPOs Foreign links (Source: NPO survey).



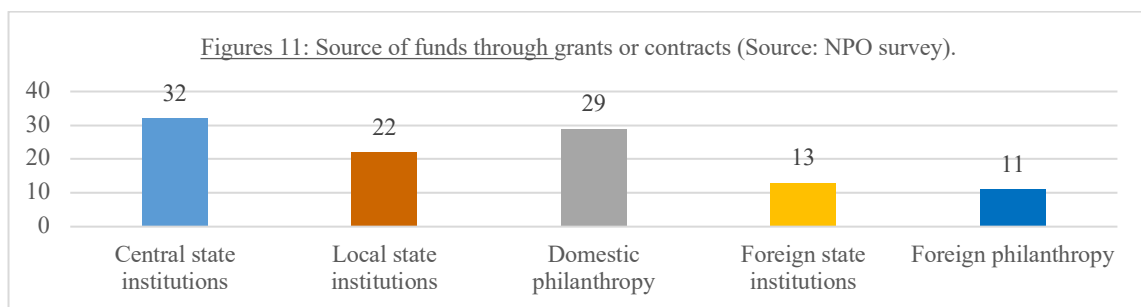
8. The NPO survey revealed that 32% (303 NPOs) receive donations among their other source(s) of funding, as seen in Figure 9.



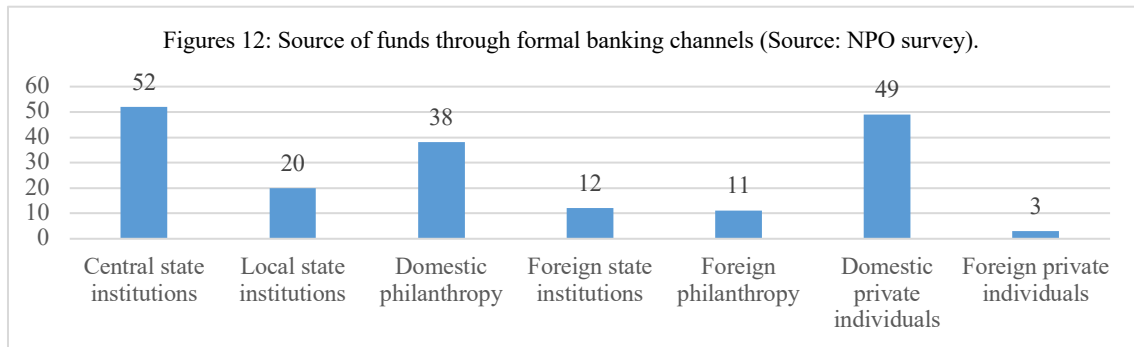
9. Of those who receive donations, only 57 receive it through grants or contracts (19% of NPOs surveyed), only 83 receive it through formal banking channels (27% of NPOs surveyed), while 254 receive it through cash donations (84% of NPOs surveyed), as seen in Figure 10.



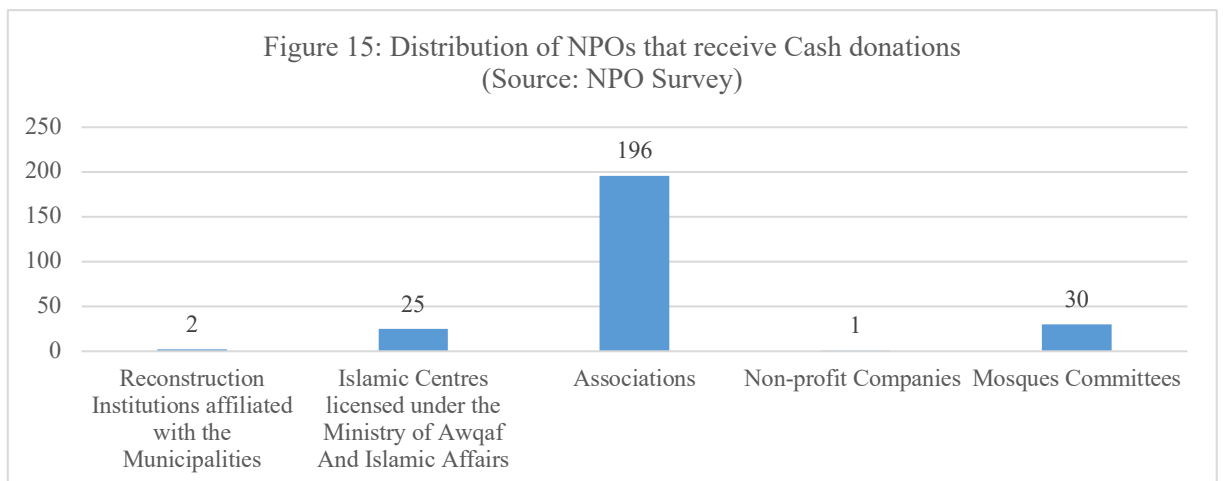
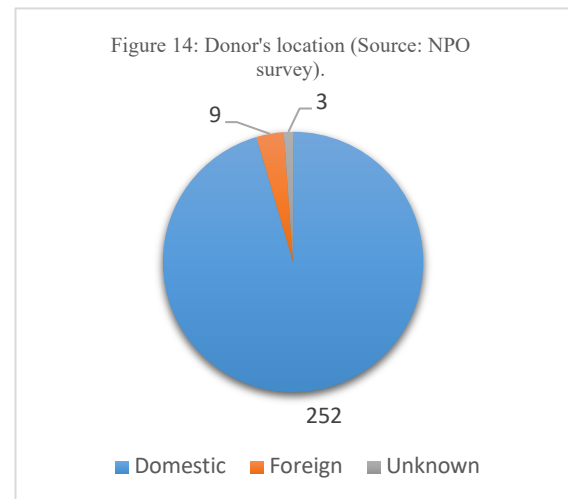
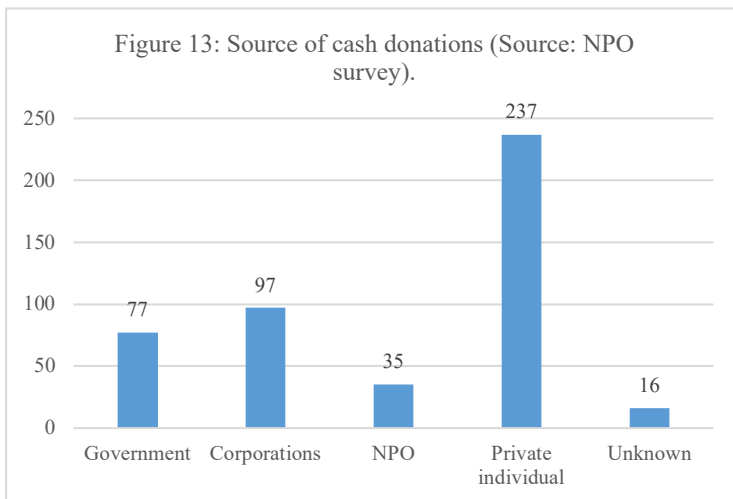
10. The majority of the NPOs who receive donations through grants or contracts (57 NPOs) receive it from central state institutions and domestic philanthropy, as seen in Figure 11. (Answers in Figure 11 include repetition)



11. The majority of the NPOs who receive donations through formal banking channels (83 NPOs) receive them from central state institutions and domestic private individuals, as seen in Figure 12. (Answers in Figure 12 include repetition)



12. The majority of the NPOs who receive donations (303) receive it through cash donations (254 NPOs). They receive these cash donations mostly from private individuals, followed by corporations. Only 16 reported unknown sources, as seen in Figure 13, and 3 of them claimed they were unaware of their donor's location, as seen in Figure 14. Additionally, associations are considered the most common NPOs to receive cash donations, followed by Mosque Committees, as seen in Figure 15.



## V. THE NATURE OF THE TF THREAT TO NPOS IN JORDAN

1. This section assesses the nature of the threats according to Paragraph 8.1(b) of the FATF Methodology, which states that countries should “*identify the nature of threats posed by terrorist entities to the NPOs which are at risk as well as how terrorist actors abuse those NPOs.*”
2. The assessment combines quantitative data (evidence of that threat being manifest) and qualitative data (actors' views on what the threat is likely to be).

### 5.1 Jordan and Terrorist Threats

3. Considering Jordan’s location in the region and its proximity in borders to countries with high levels of terrorist activities, the Jordanian security forces have been forced to strengthen their presence at the border and monitor activities more actively within the country.
4. Despite the aforementioned, Jordan, compared to regional countries, has an overall low but consistent rate of terrorism with an average of two terrorist operations every year for the past three decades.<sup>35</sup> There have been 133 terrorist operations in Jordan during the period 1970-2020, resulting in 156 deaths and 300 wounded.<sup>36</sup> The year 2020 was the first year since 2011 Jordan had not experienced any terrorist activity or operation.
5. According to the Global Terrorism Index (GTI), Jordan ranks 57th globally in the national occurrence of terrorist attacks, which is considered as “low impact.”<sup>37</sup> However, there is a suggestion that there may be a potential increase in terrorist activity during the next decade due to poor economic conditions, leading to increased poverty and unemployment and the general rise of frustration among the population.
6. In 2019, a 22-year-old was convicted of terrorism and given the death sentence; one was sentenced to life in prison, and another was given a seven-year jail term after stabbing eight foreign tourists in Jerash.<sup>38</sup> Two other suspects were convicted and received eight years in prison after planning an attack on the US and Israeli embassies’ employees and U.S soldiers at a military base in the Jafr region.<sup>39</sup>
7. In 2018, the security forces exchanged fire with a terrorist cell, resulting in the death of three suspects and four police officers. Earlier, the terrorist cell placed an improvised explosive device underneath a Jordanian police bus, killing one officer and injuring six others in Fuheis city.<sup>40</sup> Additionally, the State Security Court (SSC) convicted ten people for their involvement in the 2016 Karak terrorist attack, leaving 14 people dead and 34 injured. The suspects were sentenced from three years to life in prison with hard labour.<sup>41</sup>
8. In 2017, the SSC convicted 16 people accused of planning to use automatic weapons to carry out terrorist acts against public security services. Additionally, the Jordanian General Intelligence Directorate (GID) arrested a ten-person Islamic State of Iraq and Syria (ISIS) cell planning to attack security forces and tourist locations with explosive suicide belts.<sup>42</sup> Moreover, the SSC sentenced six people to five years of hard labour for sympathising with ISIS. They had created Facebook pages to find Jordanian supporters for ISIS and promote terrorist activity. Also, the SSC sentenced a man to hard labour for planning to carry out a terrorist attack against an officer in the gendarme. The man

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<sup>35</sup> The Washington Institute. Sustained Counterterrorism Efforts Remain Key to Preventing Attacks in Jordan. Available at: <https://bit.ly/3fleXJS>

<sup>36</sup> Ibid

<sup>37</sup> Ibid

<sup>38</sup> US Department of State. Country Reports on Terrorism, Jordan. Available at: <https://bit.ly/3wOITpd>

<sup>39</sup> France 24 - Jordanian sentenced to death for 2019 tourists’ stabbings news. Available at: <https://bit.ly/3IRwgjv>

<sup>40</sup> OSAC. Jordan 2019 Crime & Safety Report. Available at: <https://bit.ly/3gYLPma>

<sup>41</sup> Ibid

<sup>42</sup> Ibid

planned to stab the officer at the Ministry of Tourism to prove his loyalty to ISIS.<sup>43</sup>

## 5.2 Assessment of terrorist financing threat in Jordan

9. The first Mutual Evaluation Report (MER) about Jordan's Anti-money laundering and counter-terrorist financing measures was conducted and published by the MENAFATF in 2009.
10. A second MER about Jordan's anti-money laundering and counter-terrorist financing measures was published in 2019. It summarises the anti-money laundering (AML)/ counter-terrorist financing (CFT) measures in place in Jordan up until 23 July 2018. In addition, the report analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Jordan's AML/CFT system. It provides recommendations on how the system could be strengthened.
11. According to the 2019 MER, Jordan faces numerous terrorist financing threats. These threats include domestic and international money transfers, physical transportation of cash, an informal collection of funds, self-financing (personal savings, salaries, personal loans, the sale of personal properties, fundraising in an informal way from some relatives and friends, without knowing about their schemes). The domestic TF also includes self-financing through legitimate sources such as family subsidies and real estate focused on the physical movement of cash. An increase in TF through financial activities such as money exchange and transfers are found, which require additional attention from the relevant authorities in taking the necessary preventive measures.<sup>44</sup>
12. According to the 2019 MER, the banking and money exchange sectors were identified as moderate risk. Brokerage firms, payment service providers, and Designated Non-Financial Business and Professions (DNFBPS) have been identified as medium-risk sectors. In contrast, insurance companies and NPOs have been identified as low-risk sectors.<sup>45</sup>
13. According to the 2019 MER, many TF cases have involved self-financing through real estate or other movables. Regarding the efforts of the Jordanian authorities in combating TF, there is an overall balance between prosecuted cases and the country's threats. They are currently pursuing TF crime parallel with terrorist crimes to inflict more severe sanctions on perpetrators.<sup>46</sup>
14. Jordan began the first National Risk Assessment (NRA) for all sectors operating in the Kingdom (finance, non-financial business and professions, legal persons, and non-profit organisations) using the International Monetary Fund (IMF) methodology in 2017. The assessment was conducted in collaboration between the IMF and the Anti-Money Laundering and Terrorist Financing Unit (AMLU Jordan), under the supervision of the National Anti-Laundering Committee Money and Terrorism Financing (NAML/TFC). The evaluation was based on filling out a questionnaire and answering questions about the perceptions of the participating entities through seven main components. The evaluation process was completed, and a summary of the evaluation was published in 2020.
15. The results of the NRA showed that the overall level of risk of terrorist financing in all sectors in the Kingdom is "medium." This level of risk came from exposure to cross-border risks, for example, the geographical location of the Kingdom and foreign cash flows into the Kingdom to finance terrorism and the lack of mitigation measures.

## 5.3 Assessment of the Terrorist Financing Threat to NPOs in Jordan

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<sup>43</sup> Ibid

<sup>44</sup> MENA FATF. Anti-money laundering and counter- terrorist financing measures The Hashemite Kingdome of Jordan Mutual Evaluation Report, 2019 p.27. Available at: <https://bit.ly/3gRSswO>

<sup>45</sup> MENA FATF. Anti-money laundering and counter- terrorist financing measures The Hashemite Kingdome of Jordan Mutual Evaluation Report, 2019 p.7. Available at: <https://bit.ly/3gRSswO>

<sup>46</sup> MENA FATF. Anti-money laundering and counter- terrorist financing measures The Hashemite Kingdome of Jordan Mutual Evaluation Report, 2019 p.9. Available at: <https://bit.ly/3gRSswO>



16. No links between NPOs and terrorist financing are reported in the MER, the NRA, other reports, and documents reviewed.
17. The MER assessment of the risk in NPOs was identified as a low-risk sector.<sup>47</sup>
18. The NRA assessment did not include specific assessments related to TF risk for NPOs.<sup>48</sup>

### Findings of the Quantitative Data

19. Based on the responses the assessment team received from the government and financial institutions, no convictions, prosecutions, requests for mutual legal assistance or similar regulatory interventions, Suspicious Transaction Reports (STRs) / Suspicious Activity Reports (SARs) or exchanges of information (supervisors, AMLU, law enforcement) relating to TF in NPOs were provided.<sup>49</sup>
20. The GID shared one incident through national security and intelligence actions observation. The incident involved a charity organisation's member sending money to a terrorist group in a neighbouring country to aid in recruiting foreign terrorist fighters (FTF). The NPO in question was a humanitarian NPO which assisted poor people and families in need. The NPO received funding from private donors in various countries. The AMLU also shared another incident about an association exploited to promote ISIS ideologies. The suspected person was teaching students in the association about ISIS and its legitimacy. Another prosecution case involved a member of this association's board of directors who joined a terrorist organisation. The association was convicted for TF, as the funds received by the association may have been used for the purpose of financing the promotion and joining of terrorist groups.

### Findings of the Qualitative Data

21. **According to the government and financial institutions questionnaires**, NPOs are experiencing specific levels of threats when it comes to TF, which are:
  - i. Geopolitical terrorist threats in Jordan.<sup>50</sup>
  - ii. Individuals inspired by radical ideologies.
  - iii. Recruitment of foreign terrorist fighters, particularly with conflicts in the region.<sup>51</sup>
  - iv. A person with links to terrorism who owns, controls, or manages an NPO.<sup>52</sup>
  - v. A person with links to terrorism who is employed by an NPO.<sup>53</sup>
  - vi. The creation of sham non-profit organisations to support or as a front for terrorist group causes.<sup>54</sup>

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<sup>47</sup> MENA FATF. Anti-money laundering and counter- terrorist financing measures The Hashemite Kingdome of Jordan Mutual Evaluation Report, 2019 p.21. Available at: <https://bit.ly/3gRSswO>

<sup>48</sup> Summary of the National Risk Assessment on Money Laundering and Terrorism Financing, 2020. Available at: [https://amlu.gov.jo/EBV4.0/Root\\_Storage/EN/EB\\_Info\\_Page/SummaryNRA.pdf](https://amlu.gov.jo/EBV4.0/Root_Storage/EN/EB_Info_Page/SummaryNRA.pdf)

<sup>49</sup> Suspicious Transaction Reports / Suspicious Activity Reports: routine reports collected in large quantities by the FIU from banks, financial institutions, and other non-financial entities (known collectively as 'reporting entities' or 'obliged entities'). Some of these will relate to financial actions by NPOs.

<sup>50</sup> This threat mentioned by one bank as a low to a medium-level threat.

<sup>51</sup> This threat was mentioned as a low-risk threat by the Ministry of Environment, and by two banks (assessed as low-level by one and high-level by the other).

<sup>52</sup> This threat was mentioned as a low-risk threat by the Public Security Directorate, the General Intelligence Department, and the Central Bank of Jordan. None of the financial institutions mentioned it as a threat.

<sup>53</sup> This threat was mentioned as a low-risk threat by the Public Security Directorate and the General Intelligence Department. None of the financial institutions surveyed mentioned it as a threat.

<sup>54</sup> This threat was mentioned as a low risk by the Central Bank of Jordan. Three banks mentioned it as a risk as well (one low level and two medium level).

- vii. NPOs that transfer funds abroad to support terrorist groups through cash or logistical support<sup>55</sup>

#### 5.4 Identifying the Nature of the Threat

22. The general terrorist threat in Jordan is well understood and outlined in the overall information on TF threats in Jordan. The primary threat is seen to be from terrorist groups in neighbouring countries, specifically ISIS, or from lone actors motivated by radical Islamic ideologies.
23. As explained in the MER, the general TF threat is varied in Jordan. However, the TF risk to NPOs, specifically, is assessed as being generally low.
24. Most law enforcement agencies believe that NPOs face a low threat from TF, and only two were able to provide an actual case involving TF threat to NPOs.
25. A review of the general information on TF threats in Jordan, quantitative and qualitative data suggest that NPOs in Jordan face the following terrorist financing threats:

##### **Nature of the TF Threat to NPOs in Jordan**

###### **The primary terrorist financing threat to NPOs in Jordan are:**

1. Geopolitical terrorist threats in Jordan.
2. Individuals inspired by radical ideologies.

###### **The potential ways that terrorist actors abuse those NPOs are:**

1. Recruitment of foreign terrorist fighters, particularly in relation to conflicts in the region (neighbouring countries).
2. A person with links to terrorism who owns, controls, or manages an NPO.
3. A person with links to terrorism who is employed by an NPO.
4. The creation of sham non-profit organizations to support or as a front for terrorist group causes.
5. NPOs that transfer funds abroad to support terrorist groups through cash or logistical support.

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<sup>55</sup> This threat was stated as a low-risk threat by the Central Bank of Jordan and two banks (as a medium threat level and a high threat level). This threat was also mentioned by the AMLU, which stated that this threat is being used by non-profit organizations to collect donations for the benefit of a group or a specific terrorist organization, or with the aim of carrying out individual terrorist acts in the name of one of the existing organizations.

## VI. IDENTIFYING NPOS POTENTIALLY “AT-RISK” OF TERRORIST FINANCING

1. This section of the risk assessment focuses on the common factors/features of TF risk in NPOs in Jordan according to Paragraph 8.1(a) of the FATF Methodology, which states that countries should “*use all relevant sources of information to identify the features and types of NPOs which by virtue of their activities or characteristics are likely to be at risk of terrorist financing abuse.*”
2. This assessment combines quantitative data (evidence of that risk being manifest) and qualitative data (expert views on what the risk is likely to be).

### 6.1 Assessment of the TF Risk

#### Findings of the Quantitative Data

3. The GID shared one incident through national security and intelligence actions observation. The incident involved a charity organisation’s member sending money to a terrorist group in a neighbouring country to aid in recruiting foreign terrorist fighters (FTF). The NPO in question was a humanitarian NPO which assisted poor people and families in need. The NPO received funding from private donors in various countries. The AMLU also shared another incident about an association exploited to promote ISIS ideologies. The suspected person was teaching students in the association about ISIS and its legitimacy. Another prosecution case involved a member of this association's board of directors who joined a terrorist organisation. The association was convicted for TF, as the funds received by the association may have been used for the purpose of financing the promotion and joining of terrorist groups.

#### Findings of the qualitative data - government and financial institutions

4. Supervisory and law enforcement agencies and financial institutions were canvassed on their opinion on the size and nature of the TF risk to NPOs in Jordan. According to their answers, NPOs face the following potential TF risks:

1. A lack of NPOs’ staff capacity, understanding, and training on terrorist financing issues	<ul style="list-style-type: none"><li>▪ 2 High risk: Central Bank of Jordan and Kuwait Bank</li><li>▪ 1 Medium risk: AMLU</li><li>▪ 1 Low-medium risk: Citi Bank</li></ul>
2. Low governance and internal control	<ul style="list-style-type: none"><li>▪ 1 Medium risk: AMLU</li><li>▪ 3 Low risk: Ministry of Social Development (MoSD), Associations’ Registry, and Citi Bank</li></ul>

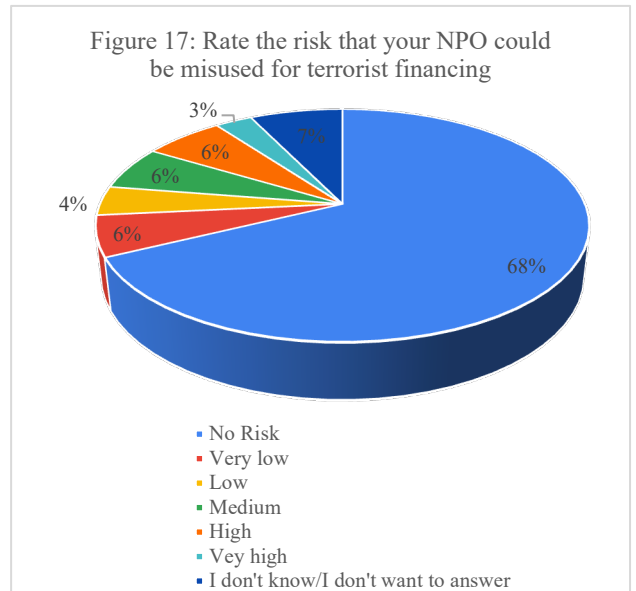
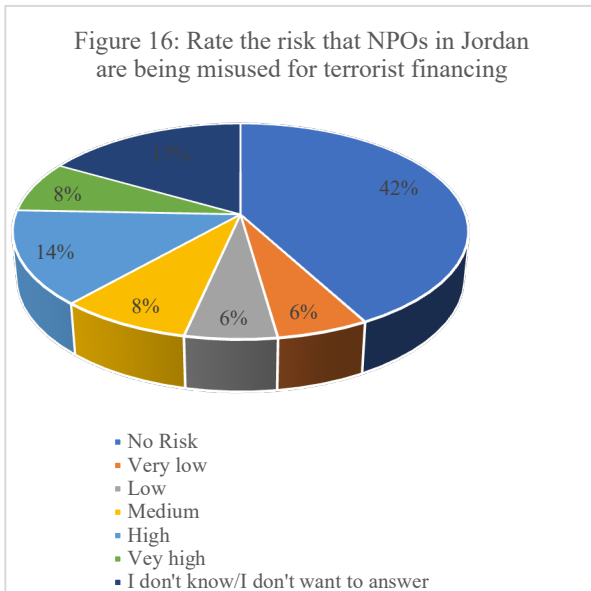
3. NPOs not having adequate policies and procedures to prevent TF	<ul style="list-style-type: none"> <li>▪ 6 Low: The Central Bank of Jordan, Directorate of Military Justice, Ministry of Social Development (MoSD), Associations' Registry, Citi Bank, and AJIB Bank</li> </ul>
4. NPOs depending heavily on volunteers who lack sufficient experience and in-depth knowledge of the governing controls, foundations, and procedures	<ul style="list-style-type: none"> <li>▪ 1 Medium risk: Central Bank of Jordan</li> <li>▪ 2 Low risk: The Ministry of Social Development (MoSD) and Associations Registry</li> </ul>
5. Unregulated form of organisations/individuals	<ul style="list-style-type: none"> <li>▪ 1 High risk: Citibank</li> <li>▪ 2 Medium risk: Central Bank of Jordan, the Ministry of Tourism and Antiquities</li> <li>▪ 2 Low risk: The Public Security Directorate and the General Intelligence Department (GID)</li> </ul>
6. Poor verification of the NPOs' beneficiaries and verification of the beneficial ownership (officials and holders of high positions)	<ul style="list-style-type: none"> <li>▪ 1 Medium risk: Central Bank of Jordan.</li> <li>▪ 3 Low risk: Cairo Bank, the Ministry of Tourism and Antiquities, and AJIB Bank</li> </ul>
7. New anonymous donors who support local NPOs.	<ul style="list-style-type: none"> <li>▪ 2 High risk: Central Bank of Jordan and Kuwait Bank.</li> <li>▪ 3 Low risk: Ministry of Social Development (MoSD), Associations Registry, and Citi Bank</li> </ul>
8. The use of informal financial transactions and channels	<ul style="list-style-type: none"> <li>▪ 3 Medium risk: Central Bank of Jordan, Cairo Bank, and Safwa Islamic Bank</li> </ul>
9. NPOs that provide cash-aid to their beneficiaries	<ul style="list-style-type: none"> <li>▪ 2 Medium risk: The Public Security Directorate and the General Intelligence Department</li> </ul>
10. NPOs depending heavily on cash funding and disbursement and lack documentation of financial transactions	<ul style="list-style-type: none"> <li>▪ 4 Low risk: The Public Security Directorate, the General Intelligence Department, the Central Bank of Jordan, and AJIB Bank</li> </ul>
11. Collecting funds without using cash receipts / using	<ul style="list-style-type: none"> <li>▪ 2 Medium risk: The Public Security Directorate, the General Intelligence Department</li> </ul>

cash for their financial transactions	
12. NPOs' dependence on foreign funding due to limited resources	<ul style="list-style-type: none"> <li>▪ 1 High risk: The Kuwait Bank</li> <li>▪ 2 Medium risk: Cairo Bank and AJIB Bank.</li> <li>▪ 6 Low risk: The Ministry of Social Development (MoSD), the Associations Registry, the Public Security Directorate, the General Intelligence Department, the Central Bank of Jordan, the Directorate of Military Justice.</li> </ul>
13. NPOs that are humanitarian, with social, religious, and human rights	<ul style="list-style-type: none"> <li>▪ 2 Medium risk: Cairo Bank and Safwa Islamic Bank</li> <li>▪ 6 Low risk: The Ministry of Social Development (MoSD), Associations' Registry, the Central Bank of Jordan, the Public Security Directorate, the Intelligence Department, and Citi Bank</li> </ul>
14. NPOs that operate in areas where there is a terrorist threat or where terrorists operate	<ul style="list-style-type: none"> <li>▪ 1 Medium risk: Safwa Islamic Bank</li> <li>▪ 1 Low-medium risk: Citibank</li> <li>▪ 3 Low risk: The Public Security Directorate, the General Intelligence Department, the Central Bank of Jordan</li> </ul>
15. NPOs that operate amongst populations known to be supportive or sympathetic towards terrorist groups	<ul style="list-style-type: none"> <li>▪ 1 High risk: The Kuwait Bank</li> <li>▪ 2 Low risk: The Central Bank of Jordan and the Directorate of Military Justice</li> </ul>
16. Receiving donations from persons in countries involved in terrorism that do not have specific regulations or are insufficient in combating terrorism	<ul style="list-style-type: none"> <li>▪ 2 Medium risk: Cairo Bank and Central Bank of Jordan</li> <li>▪ 4 Low risk: The Ministry of Environment, the Directorate of Military Justice, AJIB Bank, and Citibank</li> </ul>

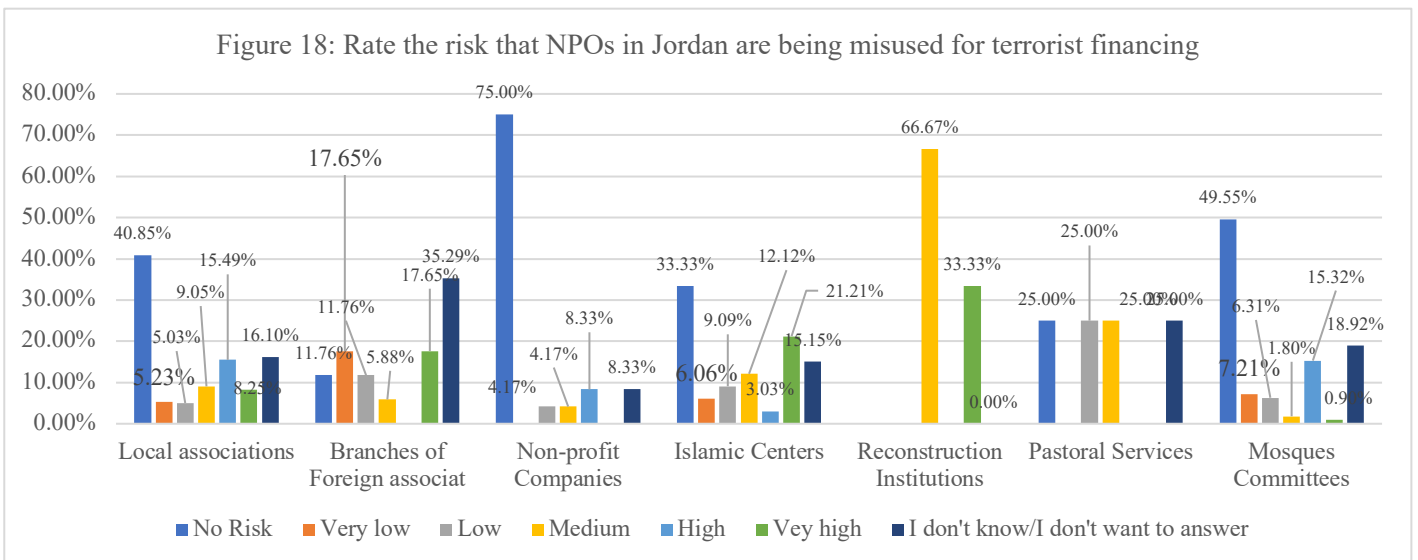
### Findings of the qualitative data - NPOs

5. The survey assessed NPOs' perceptions of the terrorist financing risk facing the NPO sector. The survey results suggest that NPOs perceive the potential TF risk in the sector as significant. Notable results include:

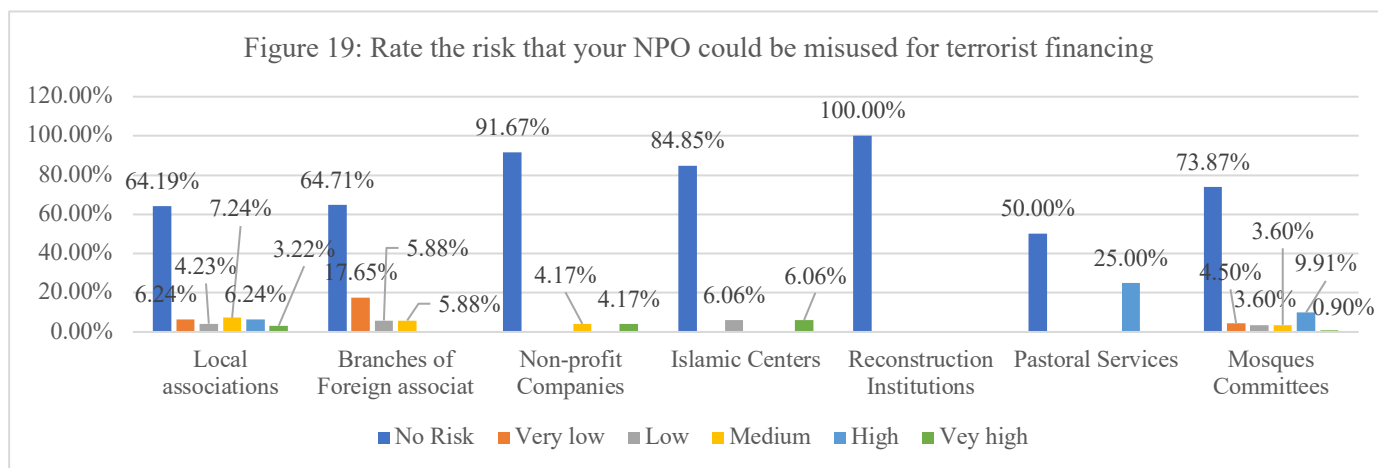
6. Nearly 20% of NPOs, rated the risk of TF of NPOs as “high” or “very high,” in the broad NPO sector. However, when it comes to their own NPOs, 9% of them only rated it as ‘high or ‘very high. On the other hand, 42% of them rated no risk in the broad NPO sector, while 68% of them rated no risk in their NPOs, as seen in Figures 16 and 17.



7. NPOs' perceptions of risk to the sector varied according to their types. Mainly reconstruction institutions and branches of foreign associations felt the highest risk, as seen in Figure 18.



8. The survey assessed NPOs' perception of the TF risk in their own NPOs according to their type instead of the sector. It revealed that most NPOs did not perceive their own NPO as particularly exposed to TF risks, as seen in Figure 19.<sup>56</sup>



## Findings of the qualitative data –secondary evidence

### The nature of any Terrorist Financing Risk to the NPO Sector:

9. Where there is little or no primary evidence to analyse, an assessment of which NPOs may potentially be at risk can use secondary analysis by analogy. This is an analysis of cases with one of the above features to identify any relevant common factors.
10. Analogous cases (1): TF in NPOs outside of Jordan. Analysing TF cases in NPOs outside of Jordan using the secondary sources mentioned in the Context and Methodology section above. Analysis of these sources reveals that there are four common risk factors for terrorist financing in NPOs globally:
- Proximity to terrorist groups or communities sympathetic to extremist causes
  - Low governance standards in the NPO
  - Service provision by the NPO<sup>57</sup>
  - Unregulated NPOs
11. Analogous cases (2): Financial crime in NPOs in Jordan not involving TF. Interviews with supervisory authorities and the review of the NRA and MER sought information on serious financial crimes involving NPOs. Interviews with supervisory authorities reveal that fraud and corruption practices are observed within the NPOs sector; crimes such as ML rarely occur.

<sup>56</sup> Please note that the number of NPOs sampled from higher-risk categories are small: foreign associations (17); non-profit companies (24); Islamic centres (33); reconstruction institutions (3); and pastoral services (4). Refer to Section A for more detail on sample sizes and how NPOs were selected.

<sup>57</sup> The Typologies Report noted that all observed cases of TF through the NPO sector involved 'service' provision NPOs, as opposed to 'expressive' NPOs. However, it does not draw the conclusion that 'service provision' is a risk indicator, given that they make up much more than half of all NPOs. Instead, the conclusion it supports is that 'expressive NPOs' (which include sports, arts, culture and advocacy) should almost always be considered low risk.

## 6.2 Identifying features and types of NPOs likely to be “at risk” of TF

12. The assessment reveal that there are only two known incidences in Jordan where an NPO has been connected to TF. The factors identified in that case were:

- Charity / humanitarian aid organisation
- Outgoing foreign funds
- Incoming foreign funds

13. A review of the literature, quantitative and qualitative data concurred with these risk factors and identified the following potential risk factors:

- NPOs’ internal governance and capacity including lack of NPO capacity, lack of professional staff, poor governance, and lack of internal controls
- Informal, undocumented, and/or cash transactions
- Lack of due diligence of donors, beneficiaries, or beneficial owners
- Operating in high-risk areas / operating with sympathetic populations
- Unregulated NPOs

## 6.3 Final Assessment of Inherent Risk of NPOs in Jordan

14. As a result of the above discussion, the following risks are identified:

### **Risk 1: Charity / humanitarian aid organizations:**

This includes providing housing, poverty relief, education, or health care.

- This factor was noted in the case study.
- Six government agencies identified this factor as a low-risk factor, including the MoSD, Association Registry, CBJ, GID, PSD, and one financial institution (CitiBank), and as a medium risk two financial institutions (Cairo Bank and Safwa Islamic Bank).
- This is a significant global risk factor in the FATF Typologies Report.
- Prevalence is medium. The results of the NPOs survey revealed that most NPOs provide humanitarian assistance in response to natural disasters (52%), and most of them provide ‘services,’ such as housing, poverty relief, education, or health care (59%).

### **Risk 2: Outgoing foreign funds:**

- This risk factor was identified in the case study.
- Government agencies or financial institutions did not raise this risk as a potential risk.



- The Typologies Report notes ‘international’ NPOs as being somewhat riskier, which is a common risk factor noted in other jurisdictions’ risk assessments.
- Prevalence is low, with just two NPOs reporting that they sent money abroad during the survey.

**Risk 3: Incoming Foreign Funds:**

- This risk factor was identified in the case study.
- Six government agencies rated this risk as a low-level risk, including the MoSD, Associations Registry, CBJ, GID, PSD, the Directorate of the Military. Moreover, it was rated as medium risk by two financial institutions (Cairo Bank and AJIB) and as high risk by one financial institution (Kuwait Bank).
- The Typologies Report notes ‘international’ NPOs as being somewhat riskier.
- Prevalence is low, with only 24 NPOs claiming to receive foreign funding as found by the NPOs’ survey.

**Risk 4: NPOs internal governance and capacity:** including lack of professional staff, poor governance, and lack of internal controls, lack of NPOs’ staff understanding and training on TF, NPOs depending heavily on volunteers who lack sufficient experience and in-depth knowledge of the governing controls, foundations, and procedures.

- This risk was mentioned as high risk by one government agency (CBJ) and one financial institution (Kuwait Bank). Also, as a medium risk by one government agency (AMLU), as a low risk by MoSD, AR and one financial institution (Citi Bank).
- Poor governance standards in NPOs are recognised as a significant risk factor in the international Typologies Report.
- Prevalence is high as the results of the NPOs survey revealed that 55% of the NPOs admitted not applying best practice governance measures or procedures, 34% of them are not using best practice financial management systems or processes, and 65% are not applying best practice project management systems or systems procedures. Additionally, only 33 out of 689 surveyed stated that they have voluntary codes of conduct for governance

**Risk 5: Informal, undocumented, and/or cash transactions:**

- This was rated as a low-medium risk by two government agencies (PSD, GID) and medium risk by CBJ and two financial institutions (Cairo Bank and Safwa Islamic Bank)
- This is not mentioned in the Typologies Report but is a common factor in other countries' risk assessment reports.
- Prevalence is medium, as the survey results indicate that 37% of NPOs receive cash donations (254/689 NPOs). However, most reported known sources, with only 16 reported unknown resources.

### **Risk 6: Due Diligence:**

- Anonymous donors were rated as high risk by the CBJ and one financial institution (Kuwait Bank). It was also mentioned as low risk by three government agencies (MoSD, Association Registry, and the Ministry of Tourism and Antiquities) and three financial institution (CitiBank, Cairo Bank and and AJIB Bank).
- The prevalence is high as the NPO surveys show that 65% of NPOs do not conduct due diligence of partners (including contractors and sub-grantees), 69% of NPOs do not conduct due diligence of donors, and 59% do not complete due diligence of beneficiaries.

### **Risk 7: Operating in high-risk areas / operating with sympathetic populations:**

- This was rated as high risk by one financial institution (The Kuwait Bank), as medium risk by one financial Institution (Safwa Islamic Bank), as low-medium by one financial institution (Citi Bank), and as low risk by four government agencies (PSD, GID, CBJ and the Directorate of Military Justice).
- This risk is considered the most significant in the Typologies Report, focusing on diasporas and NPOs operating in terrorist-controlled areas abroad.
- Prevalence is low as no direct data exist on this factor's prevalence. Two proxies for this data are providing humanitarian aid (which is medium) and providing aid overseas (which is very low).

### **Risk 8: Unregulated NPOs:**

- This risk was rated as high risk by CitiBank, as a medium risk by the Central Bank and the Ministry of Tourism and Antiquities, and as low risk by the security agencies (the PSD and GID).
- This is recognised as a significant risk by the international Typologies Report, but this reflects concerns about gaps in regulation in low-capacity countries.
- Prevalence is low, and as in Jordan, registration is a legal requirement for all NPOs, so the number of unregulated NPOs is unknown. However, it is perhaps significant that this is not raised as an issue by any NPO regulators, which implies that those with direct responsibility for regulation are not concerned about the level of unregulated NPOs.

15. In line with “*Identifying the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse*” (FATF Methodology 8.1(i)) and based on the data collected, the following activities and characteristics of NPOs are therefore assessed as likely to increase the risk of TF abuse.

Table 4: Final analysis of risk factors by risk level and prevalence

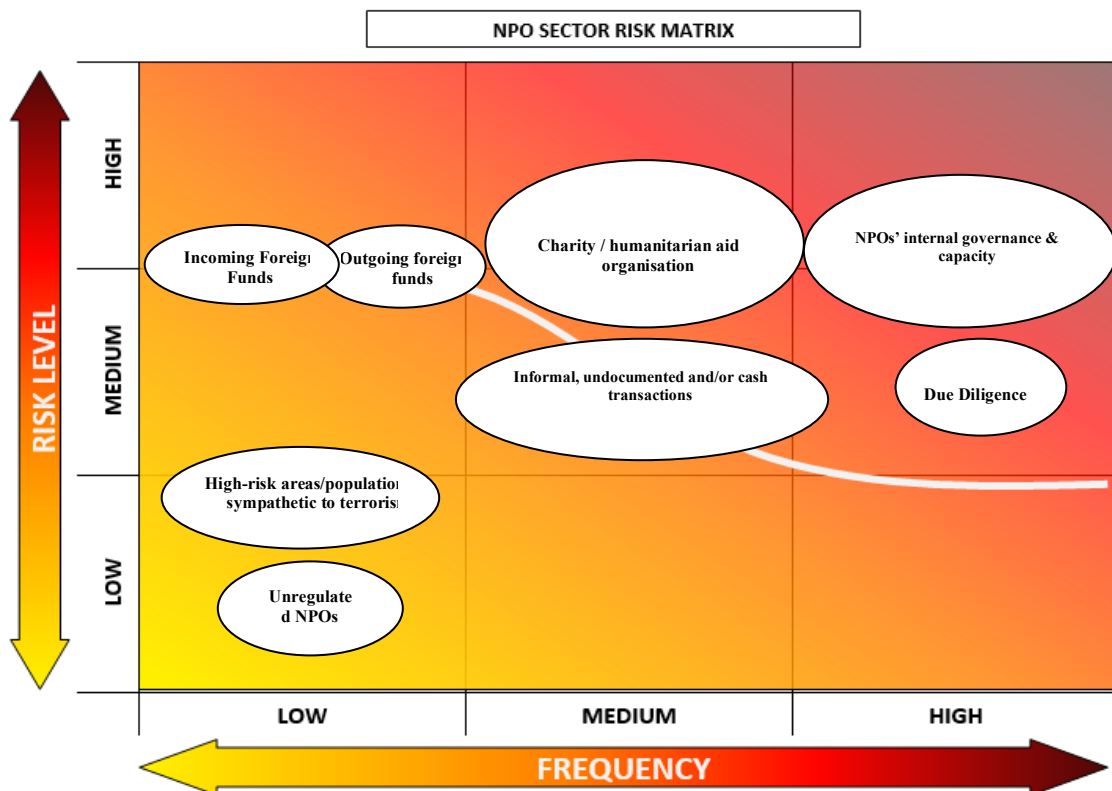
<b>Risk factor</b>	<b>Risk Level</b>	<b>Prevalence</b>	<b>FATF ‘At Risk’ NPO<sup>58</sup></b>
1. Charity / humanitarian aid organisation	Medium-high	Medium	Yes

<sup>58</sup> To be mentioned in the typologies report.

2. Outgoing foreign funds	Medium-high	Low	Yes
3. Incoming foreign Funds	Medium-high	Low	Yes
4. NPOs' internal governance and capacity	Medium-high	High	Yes
5. Informal, undocumented, and/or cash transactions	Medium	Medium	No
6. Due diligence	Medium	High	No
7. High-risk areas/populations sympathetic to terrorism	Low-Medium	Low	Yes
8. Unregulated NPOs	Low	Low	Yes

16. By distributing the risk factors according to the assessed risk level and frequency over the risk matrix below, two main groups were categorized:

- Those that are on or above the line have an increased level of TF risks. Six factors, in particular, have been identified as likely to be associated with greater exposure to terrorist financing risks, based on the single case and submissions from local experts, assessed within the context of international and regional studies on the nature of the TF risk to NPOs in general.
- Those below the line form no risk.



17. After a thorough review, the assessment team have found little evidence to suggest that terrorist financing is a significant problem for most NPOs in Jordan, and there are only two known cases linking NPOs with a potential terrorist financing incident. However, the country faces some significant terrorist threats, and these potentially impact NPOs as they do all parts of society.
18. In this context, the overall inherent risk of terrorist financing abuse of NPOs in Jordan is assessed as Low-Medium.

**Inherent TF Risk of NPOs in Jordan**  
**Low-Medium**