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THE EFFICIENCY OF MEASURES IMPLEMENTED BY
JORDANIAN SUPERVISORY AUTHORITIES VS
CORPORATE GOVERNANCE RULES AS A BEST PRACTICE
TO MITIGATE THE MISUSE OF NON-PROFIT COMPANIES
FOR FINANCING TERRORISM PURPOSES
A JORDÁNIAI FELÜGYELETI HATÓSÁGOK ÁLTAL
VÉGREHAJTOTT INTÉZKEDÉSEK HATÉKONYSÁGA VS.
A VÁLLALATIRÁNYÍTÁSI SZABÁLYOK MINT LEGJOBB
GYAKORLAT A NONPROFIT SZERVEZETEK TERRORIZMUS-
FINANSZÍROZÁSI CÉLÚ VISSZAÉLÉSEINEK MÉRSÉKLÉSÉRE

RAGHAD AL-SHAREEDAH¹

ABSZTRAKT ■ Egy olyan világban, ahol a pénzügyi bűnözés egyre összetettebbé válik, a terrorizmus finanszírozása elleni szabályozások naprakész követése nem pusztán megfelelési kötelezettség, hanem kulcsfontosságú stratégiai szükségesség. Ennek megfelelően Jordánia szorosan együttműködik a nemzetközi közösséggel, és folyamatosan erősíti a terrorizmusfinanszírozás elleni küzdelem (CTF) keretrendszerét, nemzetközi standardokra támaszkodva védi gazdaságát.

Számos jordániai felügyeleti hatóság – köztük a Cégfelügyeleti Hivatal és a Pénzmosás és a terrorizmus finanszírozása elleni küzdelemért felelős hatóság – lépéseket tett jogszabályai és eljárásai fejlesztésére, hogy megfeleljen a Pénzügyi Akció Munkacsoport pénzmosás és terrorizmusfinanszírozás elleni nemzetközi normáinak, és kézzelfogható pozitív eredményeket érjen el Jordánia nemzetközi megítélésében, ami az ország gazdasági és pénzügyi rendszerének is előnyére válik. A cikk azt vizsgálja, hogy a nonprofit cégek CTF-megelőző intézkedései szempontjából a fenti felügyeleti szervek jogalkotási reformjai a hatékonyabbak, vagy az egyik legjobb gyakorlatnak tekintett vállalatirányítási elvek átvétele.

KULCSSZAVAK: nonprofit vállalatok, jogszabályi reformok, szabályozási megfelelés, vállalatirányítás, FATF ajánlások, terrorizmus finanszírozása, jordániai felügyeleti hatóságok

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ABSTRACT ■ In a world where financial crime is becoming increasingly complex, staying ahead of countering terrorist financing regulations is not merely a compliance obligation — it's a crucial strategic necessity. In response, Jordan closely cooperates with the international community and continually works to strengthen its framework for combating terrorist financing (CTF), drawing on global standards to safeguard its economy. Several Jordanian supervisory authorities, including the Companies Control Department and Anti Money-Laundering and Countering Financing of Terrorism have taken steps to develop their laws and procedures to comply with international standards set by the Financial Action Task Force regarding combating money laundering and terrorism financing, and to achieve tangible positive results for Jordan's international ranking, which will benefit the country's economic and financial system. The article examines which is more efficient in terms of Non-Profit Companies CTF preventive measures, the said supervisory authorities' legislative reforms, or the adoption of one of the best practices, corporate governance principles.

KEYWORDS: non-profit companies, legislative reforms, regulatory compliance, corporate governance, FATF recommendations, terrorist financing, the Jordanian supervisory authorities

1. INTRODUCTION

After the September 11, 2001 attacks in the USA, the Financial Action Task Force (FATF), originally established in 1989 by the G-7 nations to address increasing threats to the banking sector and global financial system, introduced new measures and standards including recommendations and interpretive notes designed to protect the international monetary system from risks such as money laundering and terrorist financing while promoting adherence to global financial regulations.

Jordan has made significant efforts since receiving its first mutual evaluation report from FATF in 2009 to enhance its compliance with the FATF's 40 Recommendations. The report assessed the country's adherence to these standards, evaluated the effectiveness of its counter-terrorism financing framework, and provided recommendations for further strengthening its financial security measures.

In February 2010, the FATF general meeting determined that Jordan's anti-money laundering and counter-terrorism financing system required review per international standards. This decision was based on the Kingdom's ratings in its joint evaluation report, endorsed by the Financial Action Task Force for the Middle East and North Africa in May 2009. The report indicated that Jordan was rated as non-compliant or partially compliant in 14 out of 16 key international

recommendations, highlighting the need for improvements in its regulatory framework.²

Recommendation (8) specifically addresses non-profit organizations (NPOs) that are most vulnerable to exploitation for terrorist financing and aims at strengthening safeguards for such sectors. This recommendation seeks to prevent NPOs from being misused by terrorist groups, as these organizations often enjoy public trust, have access to substantial funding sources, and frequently engage in cash transactions, making them susceptible to abuse.

Non-Profit Companies, which fall under the FATF's definition of Non-Profit Organizations, play a crucial role in national economies, social institutions, and the global economy. Their initiatives complement the efforts of both corporate and governmental sectors by providing essential services, support, and hope to those in need worldwide. However, terrorist groups exploit the nonprofit sector to raise and distribute funds, provide logistical support, facilitate recruitment, and advance their activities in various ways.

The 2019 mutual evaluation report for Jordan identified major weaknesses in its Counter-Terrorist Financing framework, particularly concerning the protection of non-profit companies. Key deficiencies included the low effectiveness in ensuring transparency of beneficial ownership information (Immediate Outcome 5), vulnerabilities related to the potential misuse of non-profit organizations for terrorist financing (Immediate Outcome 10), and non-compliance with Recommendation 8, which addresses the regulation of non-profit organizations. However, the report noted compliance with Recommendation 6, which pertains to targeted financial sanctions related to terrorism and terrorist financing.³

As a result, of these findings, Jordan was placed in the grey list in October 2021 and committed to executing an action plan and measures to address these issues for the protection of non-profit companies from exploitation by terrorists to carry out their illicit financing purposes.

This article features an evaluation of the updated CFT regulatory structures, especially in light of recent Jordan's company law amendments aimed at imposing new measures to combat terrorist financing and enhancing them and minimizing abuse risks and determining whether the reforms made are sufficient or there is a need for other strategies or policies.

² FATF, International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation (2012–2019) 6, FATF, Paris, <https://www.fatf-gafi.org/en/topics/fatf-recommendations.html>.

³ Ibid.

2. GOVERNMENTAL REFORMS

2.1. Jordan's Identified Deficiencies by FATF

Jordan's legislations were not updated to keep pace with the evolving threats and methods used by individuals and entities involved in terrorist financing. As a result, outdated laws failed to address emerging risks effectively. Jordan's legal framework lacked primary and delegated legislation that enforces compliance with key FATF recommendations.

Regarding the criminalization of terrorist financing, Jordanian lawmakers incorporated this offense within the Terrorism Prevention Law enacted in November 2006, classifying terrorist financing as a terrorist act. However, the scope of criminalization does not extend to acts committed by terrorist organizations or individual terrorists in a manner fully aligned with the International Convention for the Suppression of the Financing of Terrorism. Additionally, the definition of "funds" in the law remains unclear in the context of terrorist financing. The penalties imposed on individuals and entities for engaging in such activities are neither stringent nor proportionate, and due to the lack of evidence and statistical data, the effectiveness of these measures cannot be assessed.

Concerning legal entities, the Penal Code stipulates that penalties for such entities are limited to fines and asset confiscation. The Terrorism Prevention Law (TPL) does not explicitly mention these penalties in Article (7), likely due to the provisions in Article (74) of the Penal Code. Specifically, paragraph (3) of Article (74) states that when a law prescribes a primary penalty other than a fine, the specified penalty is replaced by a fine, with legal entities being subject to fines as outlined in Articles 22 to 24. Consequently, the penalties imposed on legal entities cannot be considered sufficiently deterrent or proportionate.⁴

Furthermore, under Article (74), additional precautionary measures may be enforced, including restricting a legal entity's operations or dissolving it, as specified in Articles (36) and (37) of the Penal Code.⁵

Jordan's Company Law does not include any provisions regarding legal entities involved in direct or indirect illicit activities aimed at financing terrorism through their management. Additionally, it does not specify any penalties for such offenses. Furthermore, the law does not require partners or shareholders to

⁴ Middle East & North Africa Financial Action Task Force, Mutual Evaluation Report of the Hashemite Kingdom of Jordan, MENAFATF 2009, https://www.menafatf.org/sites/default/files/MER_Hashemite_Kingdom_of_Jordan.pdf.

⁵ Ibid.

declare the ultimate beneficial owner when registering a company. The absence of these regulations increases the risk of non-profit organizations and registered companies in Jordan being exploited for illicit financial activities.

Another critical shortcoming is the lack of a risk-based approach for Non-Profit Companies under the supervision of the Companies Control Department. Implementing such an approach would help safeguard this sector from being misused for terrorism financing. The Department should work to identify and assess vulnerabilities and threats that expose companies to varying degrees of risk.

On a national level, there is no clear policy or structured mechanism for cooperation and coordination among relevant authorities in combating terrorism financing. Internationally, while Jordan has ratified the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna) and the UN Convention for the Suppression of the Financing of Terrorism, full implementation of these agreements remains incomplete. There are no specific laws or measures in place to ensure a timely and effective response to mutual legal assistance (MLA) requests, especially regarding asset freezing or confiscation of properties of equivalent value. Additionally, there are no formal arrangements for coordinating seizure and confiscation measures with other countries. However, Jordan does cooperate extensively on extradition, overcoming legal and procedural barriers in cases where both nations criminalize the underlying offense.

Law enforcement agencies and supervisory authorities face resource constraints, including insufficient funding, staffing, and technological tools, which hinder their ability to conduct effective monitoring, inspections, and investigations. Moreover, personnel within these agencies lack adequate training on Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT), further weakening enforcement efforts.⁶

Jordan needs to strengthen both human and technical resources within key authorities essential to the effectiveness of its counter-terrorism financing framework. Currently, the total number of personnel in the related supervisory authority does not exceed 200, with only 15 to 20 employees specifically assigned to legal and financial supervision due to heavy internal workloads.

This shortage of resources significantly undermines the system's efficiency. Additionally, budgetary constraints contribute to a lack of awareness among both government officials and the private sector regarding the risks of terrorist financing. This includes a limited understanding of their vulnerability to being exploited for illicit transactions and the potential repercussions of such activities.

⁶ Ibid.

2.2. The Authorities Effective Strategies

Mitigating the risks of misusing non-profit companies for financing terrorism entails intensifying the efforts between the private sector and public sector, but in my article, I will highlight the role of the governmental supervisory authorities, including the Companies Control Department and the Anti-Money Laundering and Countering Terrorist Financing Unit after receiving the shortcomings identified by FATF and implementing their recommendations. Both entities play crucial roles in this regard. The Companies Control Department is responsible for registering, monitoring, and overseeing company operations, while the Anti-Money Laundering and Countering Terrorist Financing Unit handles reports of transactions potentially linked to money laundering or terrorist financing. It gathers relevant information, examines and investigates these transactions, and compiles reports containing data and supporting documents on suspected cases. These reports are then forwarded to the competent public prosecutor for further investigation.⁷ This article will elaborate on their roles as mandated by the respective laws as follows:

2.2.1. The Companies Control Department

Operating under Jordan's Ministry of Industry, Trade, and Supply, the Companies Control Department (CCD) is responsible for registering different types of companies, including Non-Profit Companies (NPCs), which are recorded in a dedicated registry. The CCD plays a vital role in ensuring companies operate transparently and comply with Company Law No. (22) of 1997 and its amendments, which regulate the legal and financial aspects of Jordanian businesses.

To implement Recommendation (8) of the Financial Action Task Force (FATF), non-profit organizations (NPOs) are defined as legal entities or arrangements primarily engaged in collecting or distributing funds for charitable, religious, cultural, educational, or social purposes, among others. FATF mandates that all member states identify companies that fall under this definition and assess characteristics that may expose NPOs to potential misuse, considering the nature of their operations and associated risks.

FATF's definition applies to NPCs under the CCD's supervision. These include companies involved in sectors such as health, education, microfinance, investment promotion, and training, registered as limited liability companies, private shareholding firms, general partnerships, or limited partnerships. According to FATF's interpretive note on Recommendation (8), terrorist groups may exploit certain NPCs for fundraising, fund transfers, logistical support, recruitment,

⁷ الصفحة الرئيسية - وحدة مكافحة غسل الأموال وتمويل الإرهاب (n.d.), <https://www.amlu.gov.jo/Default/Ar>.

or other activities that aid terrorism. Such misuse undermines donor trust and threatens the integrity of the non-profit sector. Protecting NPCs from exploitation is therefore crucial in global efforts to combat terrorism and maintain donor confidence. According to the Companies Control Department's official website, (1660) non-profit companies were registered to this date, with the following statuses (active, suspended, under liquidation, liquidated, and dissolved).

Recommendation (8) specifically targets NPOs most vulnerable to terrorist financing risks. A committee was formed in 2022 to conduct the risk-based approach to define the threats and vulnerabilities to risks of misuse to fund terrorists to the non-profit sector classified to certain characteristics resulting from an intensive investigation concluded with the low level of vulnerability threats that companies have to face. The non-profit companies identified as exposing themselves to vulnerable financing terrorism threats are (23) with medium and low risks.

2.2.2. Legislative Measures and Compliance

The main areas of strategic deficiencies identified by FATF to be addressed by the supervisory authorities include the lack of sufficient laws and regulations, lack of international cooperation, lack of collaboration with the private sector, human resources, and technological Challenges.

Thus, Jordan has implemented regulations to enhance compliance and prevent the misuse of NPCs for terrorist financing. To align with FATF recommendations, Jordan amended its Company Law, introducing Article (273) and Article (273/bis) to strengthen transparency and oversight. These amendments include:

1. Disclosure of Beneficial Ownership – Companies must maintain records of beneficial ownership details and update them with the CCD within a specified timeframe. The CCD has the authority to verify the accuracy of this information.
2. Updating Company Information – Companies must ensure their data is accurate and comply with new regulatory requirements within three months of the law's enactment.
3. Electronic Beneficial Ownership Registry – The CCD must record beneficial ownership details in an electronic registry, which may be accessible to the public or linked to relevant government databases.
4. International Cooperation – The CCD must collaborate with foreign authorities to exchange information on registered companies, beneficial owners, and their locations.
5. Penalties for Non-Compliance – Companies that fail to comply may face fines ranging from 2,000 to 20,000 Jordanian dinars, imprisonment for up to one year, or both.

6. Regulatory Framework for Beneficial Ownership – Regulation No. 26 of 2022 was issued to support the implementation of Article (273, paragraph D).

2.2.3. Enhancing Oversight and Risk-Based Approaches

The amended Company Law No. 19 of 2021, issued on September 16, 2021, introduced Article (273/bis) to align with legislation issued by the Central Bank of Jordan. This amendment not only strengthens protections against the misuse of NPCs for terrorist financing but also enhances oversight for all registered companies, ensuring compliance with anti-money laundering and counter-terrorism financing regulations.

Further strengthening regulatory measures, the amended Company Law No. 20 of 2023 — issued on August 13, 2023 — enhanced the CCD’s ability to maintain stability and improve Jordan’s classification in combating money laundering and terrorist financing under FATF. The amendment to Article (285) grants the CCD authority to list companies as “suspended” on its official website if they fail to comply with legal requirements. Reasons for suspension include:

- Failure to rectify legal status as per the law.
- Lack of a registered headquarters.
- Ceasing business operations or failing to meet legal obligations.
- Leaving the position of general manager or board of directors vacant for over six months.

Suspended companies are prohibited from conducting business, and their management loses all authority. If a company remains suspended for over a year without taking corrective action, the CCD has the power to initiate dissolution proceedings. This aligns with precautionary measures outlined in Articles (36) and (37) of the Penal Law and Article (74) of the same law.

2.2.4. Implementing a Risk-Based Approach

FATF Recommendation (1) emphasizes a risk-based approach, requiring countries to allocate resources effectively to address high-risk deficiencies. A uniform regulatory approach would contradict this principle, as different sectors face varying levels of risk. To tailor measures appropriately, Jordan conducted a domestic assessment of its NPO sector’s vulnerability to terrorist financing.

In 2022, a specialized team was formed to assess threats and vulnerabilities in legal entities. Another committee classified NPCs based on risk characteristics, concluding that the sector faced a low level of vulnerability. Of the NPCs assessed, 23 were identified as being exposed to medium or low risks of terrorist financing misuse.

By implementing these legislative and regulatory measures, Jordan continues to strengthen its oversight of NPCs and enhance its ability to combat financial crimes while maintaining the sector's integrity.

3. THE ANTI-MONEY LAUNDERING AND COUNTER-FINANCING TERRORISM UNIT

The unit was founded under the provisions of the Anti-Money Laundering and Counter-Terrorist Financing Law No. (46) of 2007.⁸

The Unit's main responsibilities include receiving reports on transactions suspected of involvement in money laundering or terrorist financing. It is also authorized to exchange information with counterpart units, provided there is reciprocity and the data is used exclusively for combating money laundering and terrorist financing. Additionally, any shared information requires the approval of the counterpart unit that supplied it.⁹

In response to FATF recommendations stemming from Jordan's mutual evaluation process, the Unit has implemented effective strategies aligned with international standards. These efforts included reviewing existing legislation, leading to amendments to the Anti-Money Laundering and Counter-Terrorist Financing Law No. (46) of 2007, which underwent significant revisions with the enactment of Law No. (20) of 2021.

The newly amended Anti-Money Laundering and Counter-Terrorist Financing Law No. (20) of 2021 fully complies with the 1999 International Convention for the Suppression of the Financing of Terrorism. It establishes a stronger framework for combating money laundering (AML) and countering terrorist financing (CFT), keeping pace with global developments while safeguarding the national economy and the interests of all stakeholders. The amendments broaden the scope of entities covered under the law, define regulatory and supervisory authorities, expand the powers of the National Committee to Combat Money Laundering and Terrorist Financing, and clarify the responsibilities of the Unit.

The committee is authorized to establish and update procedures for assessing risks related to money laundering, terrorist financing, and the proliferation of weapons of mass destruction in Jordan. It also provides relevant authorities with information on risk assessments, enhances cooperation and coordination in implementing AML/CFT frameworks, and proposes legislative reforms in these areas.

⁸ <https://www.amlu.gov.jo/>.

⁹ Ibid.

Article (4) of the amended law aligns with FATF Recommendation (5), which defines the offense of terrorist financing, specifying both its material and moral elements. This article outlines the conditions under which an individual may be considered to have committed a terrorist financing offense.¹⁰

1. If an individual knowingly provides or gathers funds, regardless of their legal or illegal origin, with the knowledge that they will be used — whether wholly or partially — by a terrorist, terrorist organization, or for executing a terrorist act, either directly or indirectly, through any means.
2. If an individual deliberately aids or supports a group of individuals in committing a terrorist financing offense.
3. If they finance the travel of individuals to a foreign country with the intent of engaging in terrorist activities, planning, preparing, participating in, or facilitating terrorist acts, or for providing or receiving terrorist training.
4. If they take part in carrying out any of the terrorist financing offenses outlined in this section, or if they organize or instruct others to commit such offenses.
5. If they attempt to commit any of the offenses listed above.

Additionally, a terrorist financing offense is deemed to have occurred even if the terrorist act was not executed or attempted. This applies regardless of whether the funds were actually used for terrorism, were linked to a specific terrorist act, or where the act was intended to take place.

The Financial Action Task Force (FATF) underscores the importance of adopting a risk-based approach as a fundamental strategy to effectively combat money laundering and terrorist financing. This approach helps nations allocate resources efficiently and prioritize addressing high-risk deficiencies in their financial systems. In cases where risk is deemed low, countries may implement simplified measures in line with FATF recommendations.

Ensuring continuous and effective collaboration among government agencies is a key component of the Central Bank of Jordan's policy for monitoring terrorist financing activities. This policy follows fundamental guiding principles that promote consistency and integrity in applying risk-based supervision. By using this approach, authorities can enhance oversight of anti-money laundering (AML) and counter-terrorist financing (CFT) operations, allowing them to respond to emerging threats and risks, particularly within the non-profit sector. Additionally, this approach fosters cooperation among stakeholders and encourages ongoing compliance with anti-corruption regulations.

¹⁰ Anti -Money Laundering and Counter Terrorist Financing Law No. 21 of 2021.

To fulfill FATF Recommendation (1), the Unit led efforts to establish a specialized team composed of relevant authorities to implement Article (15) of the law. This team is responsible for identifying, assessing, understanding, and monitoring risks related to money laundering and terrorist financing. It evaluates various risk factors, including customers, geographical areas, products, services, transaction channels, and evolving financial crime techniques. The assessment must be proportional to the entity's nature and size while aligning with supervisory requirements and the national risk level.

Under Article (22), the law enforces FATF Recommendation (24), which mandates that legal entities record beneficial ownership details in specialized registers maintained by competent authorities. The law defines a "beneficial owner" as a natural person who ultimately owns or controls a customer, either directly or indirectly, or on whose behalf transactions are conducted. This also includes individuals who ultimately control a legal entity or arrangement.

The enactment of the new law represents a cornerstone in Jordan's efforts to align with international standards in combating money laundering and terrorist financing. Alongside amendments to other legislation, including the Companies Law and the beneficial ownership registry system, these reforms have significantly improved the accuracy of corporate data. As a result, Jordan was removed from the FATF "grey list" ahead of schedule, demonstrating the country's commitment and high level of professionalism in this field.

4. MECHANISMS OF REGULATIONS COMPLIANCE AND THEIR IMPACT

Regulatory compliance mechanisms help companies adhere to legal, financial, and ethical standards set by governing authorities. These mechanisms ensure that companies operate within established regulations, reducing risks such as fraud, financial mismanagement, and legal penalties. Key mechanisms include but not limited to internal Controls, monitoring and auditing, training and awareness programs.

Maintaining regulatory compliance is essential for non-profit organizations to ensure transparency, prevent financial mismanagement, and follow legal and ethical standards. By adopting effective compliance measures, these organizations can safeguard themselves against misuse of illicit activities like fraud and terrorist financing while also enhancing donor trust and credibility. The power of regulatory Compliance spans a broader range of enforcement powers.¹¹

¹¹ RORY VAN LOO: Regulatory monitors: policing firms in the compliance era. *Columbia Law Review*, 2019 (2), 369–444, <https://www.jstor.org/stable/26651844> (Accessed 10 Dec. 2024).

In regulatory studies, “compliance” refers to the range of behaviors and attitudes that individuals and organizations adopt in response to regulatory requirements.¹²

Compliance entails the policies and procedures that organizations establish to meet external requirements set by regulatory authorities. In this context, it serves as a mechanism to ensure that a company’s operations align with applicable regulations through proper documentation, filing, recordkeeping, and continuous monitoring. Maintaining well-organized records is essential to meet regulatory obligations, facilitate internal assessments of compliance effectiveness, and prevent potential penalties for non-compliance.

Regulatory compliance is fundamental to a company’s long-term sustainability and resilience, ultimately reinforcing the broader economy. Investors are increasingly considering not only a company’s financial and legal standing but also the risks and opportunities associated with economic, environmental, and social factors. Additionally, policymakers in certain regions are emphasizing the role of corporate operations in addressing these challenges. Regulations imposed by relevant authorities can guide companies in managing risks effectively and meeting the interests of shareholders and stakeholders, contributing to sustainable success. Transparent disclosure of consistent, reliable, and comparable sustainability-related information is crucial in this regard.

Furthermore, greater adherence to regulations reduces the risk of a company being exploited for illicit activities, including terrorism financing, as it remains subject to regulatory scrutiny and evaluation. Ongoing assessment and monitoring of compliance programs help organizations identify weaknesses, allowing for proactive improvements and mitigating the risk of significant violations before they occur.¹³

5. THE CHALLENGES FACED BY THE RELATED AUTHORITIES UPON THE IMPLEMENTATION OF THE MITIGATION STRATEGIES

Supervisory authorities play a crucial role in ensuring regulatory compliance, but the measures they implement often face several challenges, including complexity and evolving regulations, high compliance costs as implementing

¹² C. PARKER – V. L. NIELSEN: *Explaining Compliance: Business Responses to Regulation*. Cheltenham, Edward Elgar, 2011, doi. org/10.4337/9780857938732.

¹³ See, e.g., Deloitte, *Testing and monitoring: The fifth ingredient in a world-class ethics and compliance program*, <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/risk/us-aers-testing-and-monitoring-the-fifth-ingredient.pdf>.

regulatory measures requires significant financial and human resources, limited technological infrastructure and cybersecurity and data privacy concerns.

In this context, the measures implemented by supervisory authorities prove ineffective because ensuring compliance requires not only well-designed regulations but also granting full and effective authority to monitoring entities. Therefore, a more robust policy framework is necessary. To establish a solid solution against the high risks of misuse, companies should be compelled to adopt corporate governance rules. These principles serve as a fundamental cornerstone in navigating this complex period.

6. CORPORATE GOVERNANCE RULES AS A ROBUST MECHANISM

To prevent terrorists or criminals from misusing non-profit organizations, these entities need to establish robust financial controls and maintain transparency in their operations. Regular assessments of internal controls, policies, procedures, key programs, and partnerships are necessary to safeguard against both actual and perceived involvement in terrorism-related activities. One effective approach to mitigating the risk of terrorist financing is the implementation of corporate governance principles.

The Cadbury Report (1992) defines corporate governance as the framework by which companies are guided and managed. It involves maintaining a balance between the interests of different stakeholders, such as shareholders, executives, customers, suppliers, investors, regulatory authorities, and the broader community.¹⁴

Corporate governance generally refers to the organization, coordination, and motivation of a company's key components to achieve shared goals and adapt to evolving circumstances. It primarily focuses on establishing and distributing decision-making authority and control within the firm, clarifying who is responsible for making specific decisions. This structure ultimately influences how residual income is allocated. Decision-making power encompasses rights, such as property rights, and responsibilities, which can be defined through contracts or other mechanisms like reputation, tradition, or coercion. Effective governance extends beyond decision-making by also addressing stakeholder motivations, incentives, organizational structure, coordination, and change management processes.¹⁵ Corporate governance is concerned with ensuring

¹⁴ Cadbury Committee 1992.

¹⁵ BRUNO DALLAGO: Corporate Governance and Governance Paradigms. *Journal of Economics and Business*, 2002 (2), 174-175.

that company leaders are held responsible for how they use their authority and manage risks.¹⁶

Corporate governance codes primarily focus on the roles and responsibilities of the board of directors, ensuring these are clearly understood and effectively executed. The board must fully comprehend its duties, fulfill its responsibilities, and provide strong leadership for the company. Accountability to shareholders and transparency with investors are essential. Governance also covers key areas such as risk management, internal controls, financial reporting, narrative reporting, and auditing.

The board is crucial in ensuring effective governance and internal controls, which help enhance the reliability and credibility of sustainability-related disclosures. Key functions include reviewing and assessing risk management policies, establishing the company's risk appetite and culture, and overseeing risk management and internal controls. This involves monitoring how risks are managed, determining the types and levels of acceptable risk in pursuit of company goals, and handling risks associated with operations and relationships. The board's oversight provides management with essential guidance to manage risks in line with the company's desired risk profile.

Additionally, the board must address material sustainability issues and ensure their risk management framework includes processes to handle significant risks. Effective management of terrorist financing risks requires solid governance, particularly with the board approving and overseeing risk management and compliance policies. The board should be informed with accurate, timely, and clear information on terrorism financing risk assessments to support informed decision-making.

Internal control and risk management involve various measures designed to prevent, detect, and address misuse. These include policies, practices, and procedures guiding management and staff to safeguard integrity by assessing and controlling risks. Additionally, mechanisms to address corruption and breaches of integrity standards are vital within an integrated internal control system.¹⁷

To assist the board in managing risk oversight, some companies have created a risk committee or broadened the audit committee's responsibilities in response to regulatory demands or changing risk environments. OECD due diligence standards for responsible business conduct can also help companies identify

¹⁶ Cadbury 1992, The concept of corporate governance, https://portal.abuad.edu.ng/lecturer/documents/1538629670Concept_of_Corporate_Governance.pdf.

¹⁷ OECD 2020, Risk management. In: *OECD Public Integrity Handbook*. Paris, OECD Publishing, <https://doi.org/10.1787/ebbed075-en>.

and address environmental and social risks and impacts within their operations and supply chains.¹⁸

Article (151) of the current company law has been amended to require all public shareholding companies to adhere to governance principles, without specifying any obligation for other types of companies. As such, this provision is binding only for public shareholding companies and not for others. The proposed law will encompass all governance rules, which can be achieved by appointing a Board of Directors with a strong understanding of the organization's goals and working in its best interests. The Board will have the authority to oversee the organization, implement robust financial and human resource policies, meet regularly, and closely monitor activities.

Additionally, governance principles include having a regulatory document, such as the articles of incorporation or internal regulations, that outlines the purposes, structure, reporting practices, and compliance with local laws for non-profit organizations.

To ensure proper implementation of good governance rules, a dedicated unit, mandated by law, will be established. This unit will have two subdivisions: one for overseeing non-profit companies' adherence to company law and governance rules, and another to create and implement a training curriculum for corporate governance, aimed at both companies and department staff. The unit will also assess the adoption of governance measures and produce reports for progress. These amendments must be incorporated into both the company law and a special regulation, reflected in the organizational chart of the Company's Control Department.

Key stakeholders in initiating this amendment include the Cabinet, the Minister of Industry, Trade, and Supply, the General Control of Companies, and the Legislation and Opinion Bureau in Jordan. The rationale behind amending the company law is to benefit Jordan's interests, economy, financial system, and citizens' security. It aims to align with the measures approved by the Financial Action Task Force (FATF), protect Jordan from significant risks that could impact foreign direct investment, international trade, and foreign currency inflow, and ensure companies comply with the law through a supervising unit. These efforts are designed to enhance company efficiency, improve access to capital, mitigate risks, prevent mismanagement, and foster accountability and transparency, thereby contributing to economic growth and increasing employment opportunities.

¹⁸ OECD 2023, G20/OECD Principles of Corporate Governance 2023. Paris, OECD Publishing, <https://doi.org/10.1787/ed750b30-en>.

The motivation for these changes is to penalize companies that fail to comply with good governance regulations under Jordan's Penalty Law. Although some companies may argue that this increases scrutiny and sanctions, adhering to good governance improves decision-making, reporting accuracy, risk management, and capital flow, while also boosting the number of active firms and supporting sustainability.

7. CONCLUSION

Despite achieving significant legal and technical progress in strengthening Jordan's financial and economic infrastructure both nationally and internationally, and being removed from the FATF grey list as announced during the 2023 plenary meeting, Jordan remains under increased monitoring by FATF.

Currently, there are no laws or mechanisms that ensure a swift and effective response to mutual legal assistance requests. Law enforcement agencies and supervisory authorities responsible for countering financing terrorism (CFT) face legal constraints in investigating, prosecuting, and enforcing measures against terrorist financing, limiting their ability to take decisive action against suspicious activities. Additionally, these entities suffer from insufficient human, financial, and technical resources, and their employees do not receive adequate CFT training, further impacting their effectiveness.

To address these challenges, I recommend adopting good governance principles and strong financial management as a best practice. This includes appointing a Board of Directors with a deep understanding of the organization's objectives and a commitment to acting in its best interest. The Board should be empowered to oversee and maintain the organization by implementing robust financial and human resource policies, conducting regular meetings, and closely monitoring activities to ensure compliance and operational efficiency.

As formerly mentioned, to ensure the company's implementation of the good governance rules, it requires a special unit mandated by the law. The unit shall have two subsidiary divisions, one for supervising the works of the Non-Profit Companies to ensure their compliance with the company's law and good governance rules and the other division is for preparing a training curriculum for corporate governance not only for the companies but also to the department's staff and evaluating their extent adoption of the measures and rules and preparing reports for advancement. Such amendments have to be included in both the company's law and which would be reflected in issuing a special regulation and also have to be included in the Company's Control Department structural chart.

The key players involved in initiating such amendment are the Cabinet, the Minister of Industry, Trade and Supply, the General Control of Companies, and the Legislation and Opinion Bureau in Jordan. The reasoning for amending the company's law is to serve the interests of Jordan, its economy, its financial system, and contribute to the safety and security of its citizens, and complete the implementation of measures approved by (FATF), protect Jordan from a significant threat with potentially adverse effects on foreign direct investment, international trade, and the inflow of foreign currency, ensure the companies' compliance to company's law by existing a unit supervising their works, to help companies operate more efficiently, improve access to capital, mitigate risk and safeguard against mismanagement, makes companies more accountable and transparent to investors and gives them the tools to respond to stakeholder concerns, contributes to development by helping facilitate new investment, access to capital, and long term sustainability for firms, leading to economic growth and increased employment opportunities across markets.

The motivation behind proposing these changes is to penalize companies that don't comply with good governance regulations under Jordan's Penalty Law. While some companies may argue that this will create extra burdens through increased scrutiny and sanctions, adhering to good governance enhances decision-making effectiveness, reporting accuracy, risk management awareness, and capital flow improvement. Additionally, it leads to a rise in the number of active firms, thereby bolstering sustainability efforts.

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