

THE ROLE OF COMMERCIAL BANKS TOWARDS MONEY LAUNDERING AN EMPIRICAL STUDY

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Abstract

Money laundering phenomenon is considered one of the criminal phenomena that has a negative consequences on the local or international level because its strong relation with the arranged crimes especially that is related to the drugs and weapons trade and contrabandetc. The technological advancement has a clear influence on money laundering process where the money launderers use the technological advancement to legalize the money they gain from illegal resources.

This study aimed to the way that the banks follow to deal with money laundering process and the ways of detecting it and here we choose the commercial banks because they are the target of the most of money laundering process and that supervision of the commercial banks on money laundering process is considered one of the most factors in combating this phenomenon. This study found that banks use ways and techniques to limit and detect this phenomenon , however , the results of this study don't indicate that banks don't participate in the conferences that concern money laundering.

Most of the countries try to limit this phenomenon throughout enacting the laws , using the supervision method on the financial and banking systems and supervising the entrances and borders of countries throughout the customs supervision enabling these countries to active combating money laundering processes on local level and incorporating with the other countries through regional and international channels.

Some countries enact a punitive laws in order to pursue those practice money laundering . Jordan isn't isolated from the world and will never be safe from this phenomenon and its negative effects on the society as whole and despite that there is no law concern with this phenomenon in specific , the central bank enacted the instructions about combating money laundering phenomenon.

Keywords: Money laundering, commercial banks, Jordan banks

The Methodology of the study

The problem of the study

Money laundering phenomenon is related to the banking and financial institutions because they provide the channels that enable the entangled to practice their illegal operations of money laundering that result from the drugs trade and other criminal activities.

The supervision on the financial and banking system is considered the most important factor in combating money laundering processes because of the variety of the possibilities available for using this system by money launderers who employ and invest this money depending on the financial and banking processes throughout the commercial banks and the financial institutions in away to disappear and camouflage the real resources of this dirty money.

Because the commercial banks is considered the target of the most of money laundering crimes, the role of these banks in supervising the suspicious transactions that are conducted by money launderers throughout these banks is considered the most important practical way in combating these crimes and then the problem of the detection lies in identification the nature and styles of the supervision that bank practice then knowing the degree of adherence to the laws , instructions and the draft laws working in these banks that guarantee not to be used by money launderers so we can determine the problem of the current study through this question :

- What is the role of the commercial banks in the supervision of money laundering operations ?

The questions of the study

1. What are the nature and styles of the supervision followed in the commercial banks in order to combat money laundering operations?
2. What is the degree of the knowledge for the workers in the commercial banks about the laws , instructions and draft laws that arrange the operations of the supervision on money laundering ?

The importance of the study

We choose to talk about this topic because of its great importance that lies in the dangers of money laundering operations and their bad influence on the local economy and the social dimension besides the contribution of the commercial banks towards money laundering operations :

1. The commercial banks are considered the target of the most of many laundering operations in the world.

2. The supervision of the commercial banks on money laundering operations is one of the most important factor in combating these operations on the local and international levels.
3. Money laundering phenomenon represents one of the criminal phenomena on international level and directly related to the arranged crime and the financial , political and managerial corruption.
4. The negative reflections of money laundering on the economic variables in all the developing and advanced countries likewise.
5. The process of combating the banking crime in general and money laundering crime in specific requires from the commercial banks (as being the part that receives the depositions operations or the executive of money transfer operations)to conduct a lot of supervisory procedures and techniques that ensure making them and their employees do their responsibilities for combating such crimes.

The aims of the study

This study tries to achieves the following goals:

1. Identifying the nature and techniques of the supervision followed in the commercial banks in order to combat money laundering operations.
2. Identifying the degree of the knowledge for the workers in the commercial banks about the existence of the laws, instructions and the draft laws of the supervision operations on money laundering.

The prior studies:

- Al-Baziei study (2002) “the security and economic effects of money laundering and the ways of combating it“.

This study aimed to identify the source of the dirty money wanted to be laundered and identify the indications of money laundering in the Saudi society then detect the factors that aid in succeeding money laundering operations and identify its disadvantages on the Saudi society and finally identify the mechanisms and policies that the kingdom adopted in away to combat money laundering operations. The sample of this study includes same of Saudi employees in the commercial banks and the banking companies. This study finally found the following results:

1. The resource of the dirty money wanted to be laundered represented in the illegal trade in drugs , falsification of currency and stealing the public money.
2. The most important indications of money laundering in the Saudi society is the inconsistency between the transferred money and the commercial activity of the transferor and the employees trickery on the banking systems and policies and opening more than one account for the same client.

The most important reason for succeeding this process in the Saudi society is the indifference in telling the banks about the suspicious financial transactions and the lack of the supervision of the banking and financial banks.

- Al-Hamadneh study : The role of the financial banks and institutions in money laundering operations.

A scientific paper presented to the entitled scientific circle “ The ways of combating money laundering “ held in Amman in the Hashemite kingdom of Jordan in corporation between Naief National Academy of the security sciences and the public security Jordan in 2001. This paper talked about the concept of money laundering , the importance of combating this phenomenon, the stages and ways of money laundering, the responsibilities of the financial banks and institutions for combating this phenomenon and the indications that help them in detecting the illegal financial operations, it also shows the preventive procedures that the financial banks and institutions should follow in order to combat money laundering operations especially in the field of the electric money laundering. In addition to some the procedural arrangements that banks should adhere to. The researcher in his study used many methods to gather the information which are the documentary method, the historical method and the descriptive method throughout distributing a questionnaire on those responsible for the financial banks and institutions.

- Shourbaji : “ Money laundering operations and their reflections on the social and economic variables” hardbound 14 , number 28 Al-Ryad 1999.

A scientific paper presented to an entitled scientific circle “Money laundering operations and their reflection on the social and economic variables “ held in Al-Ryad in 1999. This paper talked about the factors that led to the secret economy , it also talked about the sources of the illegal money , the role of banks and their influence on increasing money laundering operations as a result for some gaps in them and finally an occasional show of the social and economic effects of money laundering operations.

Chapter two

The results and recommendation

Date analysis :

The instrument constancy:

By applying Cronbach Alfa equation it shows the extent of activation of the questionnaire that enjoy with acceptable constancy for the analysis targets which reached to (74 %)

The results

For the analysis of the questionnaire items the results were as the following :

Firstly: The items that had a full identity

The results of the statistic analysis indicate that bank checks up 100 % the following items:

1. The bank checks up the client's personal identity and the reality of the formal personal information with saving a copy of them.

2. The bank gets the names of the companies and their address

3. The bank checks up from existing an attorney ship in the case of opening an account substituting for the original client and this is considered an indication that these items can contribute in the possibility of eliminating money laundering phenomenon

Secondly: The second importance

When (T – test) was conducted, the variables indicated that the calculated (t) is bigger than the table (T) so we refuse the nihilist hypothesis and accept the alternative hypothesis of the variables mentioned in the accompanied tables.

The results also indicate that bank detect the legal body and the extent of its legality according to the Jordanian laws reinforcing the bank ability to detect any try to practice money laundering as a result the bank informs the central bank about any suspicious operation may involve money laundering . The results of the analysis also indicate that the commercial banks in Irbid issue guides illustrate the procedures of combating money laundering.

	The variable	t	sig
1.	The bank checks up the legal body of the cooperatives	23.000	0.000
2.	The bank inform money laundering combating unit in the central bank immediatly about any abnormal banking treatment aims to money laundering	23.000	0.000
3.	The bank issues a guide illustrating the procedures of combating money laundering	23.000	0.000

Thirty: The third importance

The other important procedures that bank carried out is checking up the moral body identity and its legality throughout the document needed for this purpose , it also use the telegraphic transfer of money in addition to that it updates data continuously.

	The variable	t	sig
1.	The bank checks up the identity of the moral body and its legality throughout the documents needed for this purpose	16.316	0.000
2.	The bank use the telegraphic transfer system of money	16.316	0.000
3.	The bank updates data continuously	13.404	0.000
4.	The bank supervises the addresses of the loan and ensures the validity of its documents	13.404	0.000

Fourthly : The fourth importance

The methodology that bank management follows is the supervision the abnormal financial treatments especially those carried out the electronic transfer systems , so banks hold meetings in order to know the modern ways for money laundering the bank also supervise the financial treatments that are consistent with the rate of circling the commercial work of the client

	The variable	 t 	Sig
1.	The bank supervise the abnormal financial treatments that conducted throughout electronic transfer systems	8.864	0.000
2.	The bank management hold meetings in order to know the modern ways of money laundering	8.864	0.000
3.	The bank supervise the financial treatments that are consistent with the rate of circling the commercial work of the client	7.707	0.000

Fifthly: The fifth importance

The statistical analysis showed that the bank assigns one employee or more in the bank in order to follow any possible operations may lead to money laundering. It also showed that banks participate in the conferences and supervise the transfers for one account or more than one aboard. Banks also follow the policy of tracing the abnormal banking treatments secretly without informing the client. The bank assign a specialized employee responsible for arranging the procedures of money laundering.

	The variable	 t 	Sig
1.	The bank assigns one employee or more in the bank for following any possible operations aim to money laundering	6.917	0.000
2.	The bank participates in the conferences that concerned with money laundering	6.917	0.000
3.	The bank checks up the transfers for one account or more than one aboard	6.514	0.000
4.	The bank checks up any abnormal banking treatment secretly without informing the client	6.514	0.000
5.	The bank management assigns a specialized employee in the bank responsible for arranging the procedures of combating money laundering	6.504	0.000

Sixthly: The sixth importance

There are other policies that the bank follows as checking up the danger of opening any passive accounts or accounts with assumed names or giving loans in charge of unknown source assets or owned by a financial institution or of the persons who don't have accounts in the bank and want to pay cash in charge of transfers are more than 100000 dinars.

	The variable	 t 	Sig
1.	The bank checks up opening any passive accounts or accounts with assumed names	5.000	0.000
2.	The banks checks up not giving loans in charge of unknown resources assets and owned by a financial institutions and third party	4.710	0.001
3.	The bank checks up the identity of the persons who don't have accounts in the bank and want to pay cash in charge of transferred are more than 100000 dinars	4.450	0.001

The variables that don't get a statistic morality (i.e) don't have a statistic indication

	The variable	 t 	Sig
1.	The bank patrons the conferences that are held about combating money laundering phenomenon	1.750	0.108
2.	The bank contributes in supporting the researches related to combating money laundering	1.750	0.108
3.	The procedures of combating money laundering lead to losing the clients of the bank who are related to money laundering	1.750	0.108

The recommendations

After the analysis of the measurement instrument , the study found the following results :

1. Jordan should enact the legislations related with combating money laundering or even mention in the punishments law or the drugs and the mental effects law or any other law the crimination of the illegal money laundering processes whatever their resource

2. The banking privacy should be consistent with the active combat of money laundering processes and detect them whenever there are proofs show that the source of this money is illegal or resulted from a crime as a way to limit the obstacles that face combating money laundering

3. Taking the experiences of the other countries especially those are advanced in combating this crime and exchange information with these countries in this field

4. Supervision the transfers and the movement of the capitals that move to and from the countries known with drugs trade or are the target of money laundering processes especially those conducted by the banking processes in addition to that the careful observation of the international trade movement for the expensive master pieces and the gold and finally tracing establishing the foreign companies that are used as a way of money laundering

5. Establishing a specialized management or special security system for tracing and supervising money laundering crimes and training its individuals carefully inside and outside. More over training and developing the abilities of the users in the financial sector especially the banking sector allowing to combat this crime easily

6. Attempt to develop the modern technology and the technological ways as using the internet network for achieving more successful combating in the field of money laundering by using the specialists and trainees in this field.

Conclusion

In this study we deal with money laundering crime that is considered an exit for the criminals who find difficulty in using money they gained from crimes, as a result for developing the ways used in combating money laundering phenomenon during the last years , its combat becomes one of the most important preferences for the legislative bodies in money countries reflecting on the local and international cooperation and the incrimination of illegal money laundering becomes a necessity because of its dangers and negative effects an all aspects of the life.

Some countries entered punitive legislations in order to trace money laundering activity as the United Nation agreement for combating the illegal trade of drugs (Vienna 1988) and Basle declaration that concerns with preventing the criminal use of the banking system for money laundering purposes.

Taking in consideration the forty recommendations issued from the international financial work committee. However , the situation in Jordan is in defect should be corrected and Jordan will not be isolated from the modern changes and it wasn't and will not be safe from money laundering phenomenon and its local and international effects hoping this project to begin enacting the legislations that concern with money laundering crime especially in the field of dealing with banks. Although Jordan delays in issuing a law for combating money laundering, central bank issued many guidelines about money laundering combat.

Although the local and international efforts for combating money laundering, unfortunately, they don't reached the needed and targeted purpose which is combating the organized crime and control money laundering processes. Moreover, this important crime becomes more difficult as a result of the new challenges and technologies that money launderers use in conducting their processes and committing their crimes.

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