



Cities and Villages Development Bank

Anti–Money Laundering and Terrorism

Financing Policy

First: Purpose of the policy:

The Cities and Villages Development Bank mission is to “provide the necessary funding, banking services, technical support and capacity building for the municipalities and entities wishing to implement community development projects; and encourage engagement with the private sector.” As money laundering was identified as a main threat in the financial sector, the Cities and Villages Development Bank developed the following anti-money laundering policy based on the recommendation of the Jordanian taskforce in accordance with the Jordanian laws and regulations.

The Cities and Villages Development Bank adopted strict measures to handle the threat posed by money-laundering in accordance with the instructions of the Central Bank’s Anti-Money Laundering and Anti-Terrorism Financing Unit.

The AML/TF Policy of the Cities and Villages Development Bank was adopted by the Board and will be reviewed and updated periodically.

Second: Policy statement

This policy aims to protect the financial system from money laundering and terrorism financing by developing standards and enhancing the effective enforcement of legal, regulatory and operational measures to combat money laundering, terrorism financing and other threats relevant to the integrity of the financial system in cooperation with other international and national partners. The Cities and Villages Development Bank follows strict measures to protect the financial system from abuse.

Third: Policy standards and guidelines:

1. Know your customer

The Cities and Villages Development Bank has strictly enforced “know your client” procedures that include verifying the identity of clients and individuals along with

their place of residence before working together. This information is regularly updated and archived as soon as the business relationship is concluded. The procedures include identifying client transactions in terms of volume, frequency, and nature, and consequently the potential risks. No anonymous or numbered accounts are opened, and the Cities and Villages Development Bank does not open any accounts for institutions that do not have an actual presence.

2. Reporting suspicious activities

Any staff member who identifies a suspect case in an account or transaction must report it to the reporting official at the money laundering unit. The official in charge of reporting money laundering reviews the facts and determines if the matter is justified or requires reporting to the competent authority. If necessary, the reporting official will discuss the transaction with the money laundering experts (officials). If the doubts persist, the suspicious activity report cannot be revoked.

The staff will not under any circumstance “notify” the client against whom the suspicious activity report was drafted.

3– Terrorism financing

All accounts are examined on a regular basis against the lists of suspected criminals and terrorists or their aides submitted by the experts, and any matches shall be reported to the experts.

4– Unusually large transactions

All cash transactions that exceed 10,000 JD must be reviewed, reported and the main justification for them clarified before processing them.

5– Training

All staff members with potential contacts with clients or those who prepare transactions on behalf of the clients must receive training on anti-money laundering. Relevant new staff members must be supplied with “joining packages” relevant to

money laundering and terrorism financing, containing relevant laws and their responsibilities. They must be trained on combating money laundering and terrorism financing within three months from employment.

6– Retaining records

All Cities and Villages Development Bank directorates are requested by law to maintain records appropriate to the scope, nature and complexity of client operations. All identity records and financial relationship records must be maintained for no less than 5 years from the end of the Bank's relationship with the client.

7– Compliance and auditing

Internal audit and compliance tasks at the Cities and Villages Development Bank (responsible for reporting at the anti-money laundering unit) are important in independent evaluation and policy compliance.

The internal audit unit at the Cities and Villages Development Bank shall conduct a periodic review ensure compliance with the anti-money laundering procedures. Additionally, external auditors are requested to conduct audits to ensure the unit's compliance with the Bank's bylaws as required. Additionally, experts (decision makers) conduct periodic reviews on the Bank's compliance with laws and bylaws.

As for any financing received from the Green Climate Fund, in addition to the standards outlined above, prohibited practices for the Global Cooperation Facility must be adhered to (Annex 1).

Fourth: Changes to Anti-Money Laundering Policy

It is expected that the Cities and Villages Development Bank will review this policy periodically to guarantee compliance with the relevant national and international directives and comply with the requirements of the main donor agencies. The review will also entail maintaining compliance of the general approach with international best practices and standards.

Annex 1: Compliance with the Interim Policy of the Green Climate Fund on Prohibited Practices

In accordance with the Green Climate Fund Board of Directors resolution B12/31, the Cities and Villages Development Bank is committed to enforcing the requirements of the Green Climate Fund relevant to all parties, and commits to the following:

- A) Compliance with the highest ethical standards
- B) Enforce all appropriate measures to prevent or alleviate fraud, corruption and other prohibited practices
- C) Refrain from participation in prohibited practices with regard to activities relevant to the Fund.

The code of ethics and whistleblower protection policy at the Cities and Villages Development Bank confirms the Bank's commitment to the highest ethical standards and outlines the measures and processes that must be enforced to guarantee appropriate measures are taken to prevent fraud, corruption and other prohibited practices and alleviate them. The anti-money laundering policy detailed above ensures activate compliance by the Cities and Villages Development Bank to ensure that it is not used as a means for money laundering and terrorism financial activities along with any other activity that facilitates money laundering or financing terrorist or criminal activities.

A main precautionary measure taken by the Cities and Villages Development Bank will be to ensure that with regard to any activity funded by the Green Climate Fund, the prohibited practices outlined in the interim policy of the Green Climate Fund will be abided by:

1. "Corrupt practice" means anything of value that is offered, granted, received or requested, directly or indirectly (including for example but not restricted to gifts, tips, privileges, invitations and privileges of any sort) to incorrectly influence the procedures of the other party.
2. "Fraudulent practice" means any act or refraining from committing an act, including misrepresenting, misleading or attempts to mislead, a party to receive a financial or other benefit, or to avoid compliance.

3. “Coercive practice” means weakening or causing harm, or threats to weaken or harm, directly or indirectly, any part or the property of the party to unduly influence the party’s actions.
4. “Collusion practice” means an arrangement between two or more parties designed to achieve an inappropriate purpose (in violation), including undue influence over the practices of another party.
5. “Arbitrary practice” entails (1) deliberate destruction, forgery, changing or hiding evidence materials for investigations; (2) making false statements to investigators to physically hinder the investigation; (3) failing to comply with requests for information, documents or records relevant to the Green Climate Fund investigation; (4) threats, harassment or causing any party fear to prevent disclosure of knowledge relevant to the issues under investigation or to suspend the investigation; (5) fundamentally hinder the contractual rights of the Green Climate Fund in reviewing or accessing information.
6. “Misuse” means theft, illegitimate ownership, waste or inappropriate use of property or assets relevant to the activity of the Green Climate Fund, whether committed deliberately or through reckless action.
7. “Conflict of interest” is any position where a party or staff members participating in the relevant decision-making process may influence or may be considered to incorrectly influence the performance of official duties or responsibilities or contractual obligations, or compliance with the valid laws and regulations.
8. “Reprisal against whistleblowers or witnesses” means any harmful action, direct or indirect, recommended, threatened or taken against whistleblowers or witnesses, or a person associated with the whistleblower or witness, in a physical manner to complain about the report or cooperation with the investigation conducted by the Green Climate Fund for whistleblowers or witnesses.
9. The term “money laundering” refers to: (A) transferring or moving property, noting that this property is a criminal proceed, for the purpose of hiding or camouflaging the illegitimate source of the property or assisting any person involved in committing the crime to escape the legal consequences of the action; (B) hide or camouflage the real nature of the property, its source, or location, or dispose of it, move it, change its ownership or the rights relevant to it, noting that this property is a criminal proceed; (C) possession or use of property, noting at the time of its receipt that it is a proceed of a criminal crime.

10. "Terrorism financing" is, directly or indirectly, providing or collecting funds with the intent to use them, or knowing that they will be used entirely or partially to execute terrorist action.

While the Green Climate Fund board changes or amends its policies, the Cities and Villages Development Bank will conduct changes to this annex to comply with the Fund's updated policies for any financing offered by the Fund.

Annex 2 – Policy Implementation – Executive Guidelines

Anti-Money Laundering Policy Form (8 steps for follow-up)

This form is based on the American Bank Secrecy Act, the fourth EU guidelines to combat money laundering (AMLD4) and the FATF recommendations.

Step 1: Identify the importance of implementing this policy

First, the Cities and Villages Development Bank must provide three main information papers (definition of money laundering and terrorism financing; policy importance; and regular reviews of procedures and policies).

Step 2: Appoint the person in charge of reporting money laundering

Nominate a compliance officer – a member in charge of everything relevant to the money laundering program. Their names, qualifications and responsibilities must be outlined.

Step 3: Submit reports to the anti-money laundering unit and financial intelligence

The Cities and Villages Development Bank describes here its ability to fulfill the needs of the anti-money laundering unit or any financial intelligence and requirements for enforcing the law to obtain information on criminal activity. The Bank must outline the procedures that will be taken base on this request from the authorities and how the Bank will document the situation.

Step 4: Share information with the financial institutions

This part is dedicated for exchanging anti-money laundering data accumulate with the other financial entities to identify the prevent money laundering in another location. Safe and confidential practical procedures relevant to this data must be described.

Step 5: Checking penalty lists

Before entering any business relationship or opening a client account, it must be ensured that this client is not subject to any penalty or listed on a black list. The measure taken to track the clients through these lists must be outlined while proving knowledge of the most recent changes.

Step 6: Verifying the client's identity

Verifying the identity is a central part of the anti-money laundering compliance policy. The Cities and Villages Development Bank must outline a list of comprehensive and credible measures that will help in accurately verifying the identity of clients when opening or registering accounts. There are eight main points to outline this part of the policy to combat money laundering for businesses in the correct manner.

1) What is the personal information that is collected?

The Cities and Villages Development Bank must outline the information it will find sufficient to verify individuals and companies, and the client's level of risk.

2) What if the client offers false information or does not provide information at all?

There are many cases where individuals refuse to share sensitive information for fear of information leaks. Therefore, the Cities and Villages Development Bank must outline how it handles such instances where clients deliberately refuse information requests or send fake names or addresses, etc.

3) What should be done to verify information?

The methods that will be used to check client identities must be outlined. This may be through both documents or statistics, using verification programs, or manually.

4) What is the timeline for the conditions of the selection and wait lists?

The time necessary for verifying the client and his policy must be outlined with regard to recording transactions for the accounts that were not verified.

5) What if the client cannot be verified?

Money laundering procedures must include a strategy for these cases where it is impossible to verify the client – restricting the client in terms of opening the account, recording transactions, or banning him entirely.

6) What is done to maintain a record for anti-money laundering operations?

This part refers to the measures taken to track all procedures and documents relevant to anti-money laundering, including verifying identities and results. The Cities and Villages Development Bank must also outline the period for retaining these documents (in accordance with relevant regulatory requirements).

7) What is the process for notifying clients?

Description of the system used for sufficiently notifying clients on the need for verifying the identity and results.

8) What if the identity is verified by an external entity?

Verifying the identity is a description of the process for identifying the identity of the client and processing the information if the information will be verified by a different entity.

Step 7: Implementing Customer Due Diligence

This step relates to measures taken as part of client due diligence for clients identified as beneficiary owners, senior management, politically influential persons, etc. The foundation for the classification of risks must be identified, including how it is determined if the case requires simplified due diligence or due diligence for clients, or enhanced due diligence.

Step 8: Filing out suspicious activity reports

Finally, the important part of the anti-money laundering policy is represented by the instant response to discovering suspicious activity and writing a valid and compliant suspicious activity report. The information necessary for including in the report must be identified along with the deadlines.