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Corresponding to 28 November 2020

Circular to:
All banks operating in the Kingdom,
as well as electronic payment and money transfer companies

After Greetings,

Within the framework of the Central Bank of Jordan (CBJ) organizing and developing the national payments system with all its components; in a way that guarantees the provision of safe and efficient systems and services for payment, transfer, clearing and settlement in the Kingdom within a financial system that enjoys integrity, safety and reliability.

I would like to inform you of the issuance of a guide under the title "Work Procedures, Supervisory Controls and Warning Indicators to Monitor and Prevent Dealing in Virtual Currencies Using Electronic Payment Systems, Tools and Channels", which is published on the CBJ's website.

The issuance of the guide above comes to assist banks and electronic payment and money transfer companies in hedging the risks of using virtual currencies and exploiting electronic payment systems, tools and means in dealing with them, and the risks of non-compliance with its previous circulars related to the ban on dealing in virtual currencies efficiently and effectively, and on the other hand to enhance the sound understanding, awareness and good knowledge of its employees about the appropriate work procedures, measures, internal supervisory controls, and warning indicators to monitor and prevent any payment or transfer transactions that are suspected, for justifiable reasons, of being linked to dealing in virtual currencies, and to rely on them (as a minimum) when reviewing and developing internal policies, work procedures, and internal supervisory controls.

Respectfully,,

Governor

Dr. Ziad Fariz

"This document has been translated for knowledge, but for legal purposes the Arabic version is adopted"

"Work Procedures, Supervisory Controls and Warning Indicators for Monitoring and Preventing Dealing in Virtual Currencies Using Electronic Payment Systems, Tools and Channels" Guideline



Guideline

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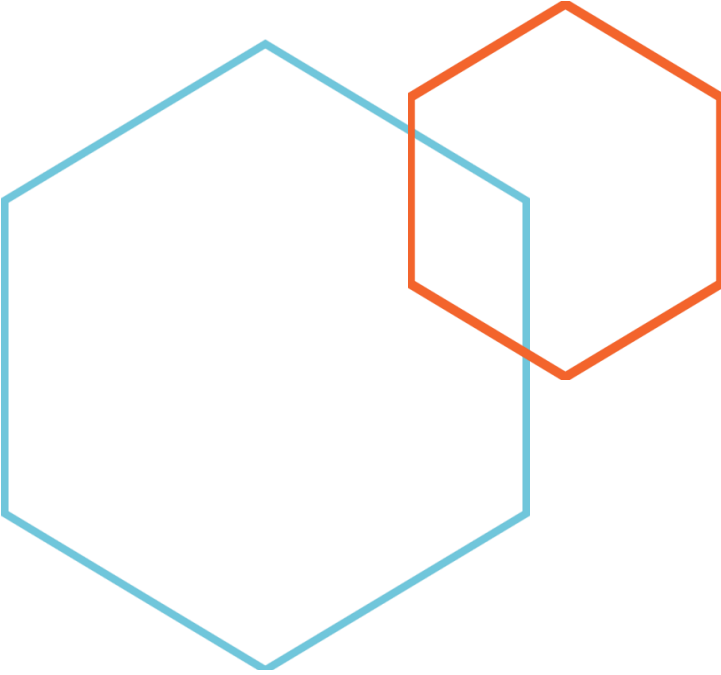
Central Bank of Jordan (CBJ)/
Oversight and supervision on National Payments System Department/
Compliance Oversight Committee for Electronic Payment and Money
Transfer Companies

November 2021

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Introduction

1. The Central Bank of Jordan (CBJ) continuously seeks to organize and develop the national payment system in all its components in a manner that ensures the provision of safe and efficient systems and services for payment, transfer, clearing and settlement in the Kingdom, within a financial system that enjoys integrity, safety and reliability. From this standpoint, the CBJ develops the necessary legislation, regulatory frameworks and guidelines and reviews them on an ongoing basis, some of which are concerned with dealing in virtual currencies in accordance with global developments and practices of financial institutions subject to the supervision and oversight of the CBJ, and the behavior of the financial consumer, in order to achieve the above objectives and to avoid any risks that threaten the security, safety and reliability of the national payment system in all its components.
2. The Financial Action Task Force “FATF” defined the virtual currency, within its report issued in 2014, as a digital representation of value that can be digitally traded and functions as a medium of exchange; a unit of account; and a store of value, but only within the community of users of the virtual currency.
3. Virtual currency differs from paper currencies (fiat currency, real money or national currency) or other forms of digital currencies such as (electronic money, or official central banks digital currencies) in several technical and legal aspects, including: The majority of countries and governments do not guarantee these currencies, and there are not any currency reserves to cover those currencies such as their link to gold, foreign currencies, and others. It also allows instant transfer of value without intermediaries or

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restrictions that prevent, limit or control the transfer process as in the formal financial system, making these currencies of interest to many around the world who do not have any bank or electronic payment accounts. In addition to its attractiveness to fraudsters and criminals, including money launderers or terrorist financiers, due to the lack of intermediaries and the inability to conduct financial investigation of the parties to the transfer operations and the payment transactions carried out by them, such as requesting the purpose of the transfer, requesting supporting evidence, or identifying the sources of the funds subject to the transfer.

4. Although some view virtual currencies as contributing to enhancing financial inclusion through their use by financially excluded individuals who do not use financial systems such as bank accounts or electronic payment accounts due to the costs incurred or their lack of contentment in those financial systems, or the lack of advanced financial systems that meet their financial needs and wants, especially in some countries that prevent or limit women from opening accounts within financial or official systems, but this should not prevent the study of the risks referred to above, especially in light of the inadequacy or non-existence of supervision and control systems governing these currencies.
5. In view of the aforementioned risks of the virtual currencies and the possibility of their use and exploitation to pass suspicious transactions related to money laundering, terrorist financing, drug trafficking, fraud, financial crimes, the risks of electronic piracy, and the risk of losing their value because there is no guarantor or assets against them, and protecting the financial consumer in a manner that ensures the provision of secure and efficient systems and services for payment, transfer, clearing and settlement in the Kingdom; the CBJ, pursuant to its circulars; No. (1/1/5/2451) dated 20/2/2014,

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No. (10/3/3777) dated 14/3/2018, No. (27/4/16361) dated 24/11/2019, and No. (26/2/17282) dated 11/11/2021 directed to banks and all financial institutions subject to CBJ's supervision and oversight by prohibiting dealing in virtual currencies and assets in any way, or exchanging them for another currency, opening accounts for customers to deal with them, or sending or receiving transfers against them, or for the purpose of buying or selling them; being an illegal currency, because there is no obligation on any central bank to exchange its value.

Purpose of the Guideline

6. Despite the numerous circulars issued by the CBJ regarding its position on banning dealing in virtual currencies, banks and other financial institutions licensed by the CBJ are not immune from exposure to the risks of the virtual currency revolution for several factors, most notably; individuals dealing in these currencies directly through the Internet using official payment tools such as payment cards or transferring fiat money companies in other countries that do not prevent or prohibit dealing in virtual currencies, which necessitates setting up arrangements and taking measures to prevent the exploitation of electronic payment systems, tools and means in dealing with virtual currencies, or to hedge as much as possible from doing so.
7. Accordingly, the CBJ has developed this guideline to help banks as well as electronic payment and money transfer companies hedge against the risks of using virtual currencies and exploiting electronic payment systems, tools and means in dealing with them, and the risks of non-compliance with its previous circulars related to banning dealing in virtual currencies efficiently and effectively. On the other hand, to enhance

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proper understanding, awareness, and good knowledge of compliance officers in banks, as well as electronic payment and money transfer companies with appropriate work procedures, measures, internal supervisory controls, and warning indicators to monitor, detect, and prevent any payment or transfer transactions that are suspected, for justifiable reasons, of being associated with dealing in virtual currencies, and to rely on them (as a minimum) when reviewing and developing internal policies, work procedures and internal supervisory controls thereof.

Work procedures to detect and prevent dealing in virtual currencies

8. This part of the guideline reviews the most main work procedures that companies¹ can carry out (as a minimum) in order to enable them to detect any cases of dealing in virtual currencies through the systems, tools and electronic payment channels that they provide or through transfers between bank accounts and / or electronic payment accounts; to prevent and/or reduce their occurrence as much as possible, in order to avoid the risks of non-compliance or the risks of money laundering, terrorist financing or fraud. The most important of these work procedures are summarized as follows:

8.1. Searching and investigating through the internet on websites or trading platforms dedicated to dealing in virtual currencies exclusively (i.e. entirely) and defining them within the company's internal control systems to prevent and/or stop the implementation of any payment transaction made in favor of those sites or platforms.

¹ The company, wherever mentioned in this guide, is referred to as licensed banks, electronic payment and money transfer companies, unless the context indicates otherwise.

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- 8.2 Searching and investigating through the internet on websites or trading platforms that deal in virtual currencies along with another set of services or digital assets, and defining them within the company's internal control systems, to be able to detect and analyze the payment transactions executed in favor of those sites or platforms and ensure that they are not related to dealing in virtual currencies according to the warning indicator specified in this regard. The company must also communicate with its clients to alert them and assure them of the need not to misuse their payment tool or channel to deal in virtual currencies, under penalty of the company taking action against violators.
- 8.3. Determining whether there are any merchants contracting with the company classified under the Merchant Category Classification (MCC) centered on merchants whose dealings in virtual currencies are active, such as the merchant category code bearing the number (6051) or the number (6211), and identifying them within the internal control systems for the company to be able to monitor the payment transactions executed for the benefit of those merchants, study them and analyze them according to the minimum warning indicators mentioned in this guideline and other indicators that the company determines and indicate the extent to which they relate to dealing in virtual currencies and take the necessary measures in their regard if that transaction is proven, taking into account making and updating a list of internal exemptions at the company includes merchants who through studying and analyzing the transactions related to them have found that they are not related to dealing in virtual currencies.
- 8.4. Continuous follow-up of the consolidated lists issued by the CBJ / the Compliance Committee of electronic payment and money transfer companies, which include

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websites or trading platforms that deal in virtual currencies – either fully or partially - and which are prepared according to the information received by the CBJ and the practical cases faced by the companies and follow up on the continuous updates on those lists and reflect them on the companies' control and internal systems in a manner commensurate with the nature of their business.

- 8.5. Preparing periodic reports on the payment and/or transfer transactions that were carried out by clients on any websites or trading platforms, or for the benefit of merchants or persons suspected of dealing in virtual currencies or previously identified as dealing in those currencies.
- 8.6. Analyze and study the payment or transfer transactions that are monitored to verify their connection to dealing in virtual currencies; verifying suspicions of being linked to money laundering or terrorist financing, as well as indicating the extent to which these transactions are linked to any fraud cases or other crimes, and if this is proven, promptly reporting to the competent authorities in accordance with the legislation in force in this regard.
- 8.7. Continuous monitoring of social media sites to detect any cases of use or promotion of systems, tools, channels, products or services of the company for dealing in virtual currencies, and if such cases are detected, the necessary measures must be taken in this regard in accordance with the company's policy and procedures and in line with the circulars of the CBJ regarding dealing in virtual currencies.
- 8.8. Constantly raising clients' awareness, in the ways the company deems appropriate, regarding the prohibition of dealing with virtual currencies through the company's tools, channels, products and services, explaining the risks associated with dealing in them, and informing them of the measures that will be taken against violators.

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- 8.9. Communicating with clients who have been proven to have dealt in virtual currencies and informing them of the need to stop these practices, take suitable and appropriate measures against the violators and put in place gradual escalation procedures with them - according to the requirements of the situation - including their signing of pledge letters to stop dealing in virtual currencies through systems, tools and channels of the company, or bank accounts, or electronic payment accounts which is subject to the termination of the business relationship with them, if necessary, in the event that their violation is repeated despite the warning and in accordance with the company's policy.
- 8.10. Raising company's employees awareness and training them in appropriate ways about the concept of virtual currencies and their most prominent types, mechanisms of action and use, risks related to them, procedures, supervisory controls and warning indicators necessary to detect cases of dealing in them, how to carry out investigations of transactions suspected of being related to dealing in virtual currencies and the extent of their connection to financial crimes and the procedures that must be taken in case of justified suspicions.

Supervisory controls to detect and prevent dealing in virtual currencies

9. This section of the guideline shows the most important internal controls - as a minimum - that companies can adopt to be able to detect and prevent their clients from dealing in virtual currencies using payment systems, tools and channels, bank accounts or electronic payment accounts with them, which are as follows:

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10. Defining special rules on Transaction Monitoring Systems (TMS) and anti- money laundering and counter terrorist financing (AML/CFT) or combating fraud systems to issue alerts when there are payment transactions that are executed on websites or trading platforms whose titles contain keywords that indicate, or are associated with all kinds of virtual currencies, including but not limited to (BTC, Bitcoin, coin, virtual, Eth, Crypto,..).

10.1. Defining special rules on financial transactions monitoring systems and anti- money laundering and counter terrorist financing (AML/CFT) or combating fraud systems to stop and refuse to implement any payment transactions that are carried out for the benefit of websites or trading platforms dedicated to dealing in virtual currencies only (entirely).

10.2. Defining special rules on financial transaction monitoring systems and AML/CFT or combating fraud systems to issue alerts when there are payment transactions that are carried out in favor of websites or trading platforms that have been previously identified and defined - manually - as allowing dealing in virtual currencies alongside other services or assets, according to the research conducted by the company in this regard or through what was obtained from the consolidated lists of the Compliance Committee of electronic payment and money transfer companies that contain all websites, trading platforms or merchants who deal in virtual currencies, either fully or partially.

10.3. Define special rules on financial transactions monitoring systems and AML/CFT or combating fraud systems to issue alerts when there are payment transactions that are executed for merchants who are listed under the Merchant Category Code (MCC) bearing the number (6051) or the number (6211), for

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example but not limited to, taking into account the list of internal exemptions of the company, which includes merchants who, through studying and analyzing the transactions related to them, are found not related to dealing in virtual currencies.

- 10.4. Defining special rules on financial transactions monitoring systems and AML/CFT or combating fraud systems to issue alerts when there are frequent, multilateral, atypical or unjustified transfer transactions between clients of the same company or with clients of other companies on a daily, weekly or monthly basis , or according to the warning indications specified in this regard; to study and analyze them and to show their relevance to dealing in virtual currencies.
- 10.5. Putting the clients who attempt to carry out payment operations in favor of websites, trading platforms or merchants known to the company that they deal in virtual currencies, either fully or partially; under monitoring to study their behavior and the pattern of payment or transfer transactions that are carried out through them or received to their accounts, in order to analyze and study the nature of the business relationship with other parties who deal with them and how this relates to dealing in virtual currencies, and to demonstrate the extent to which the concept of an existing network that may deal in virtual currencies is proven by using the company's systems, tools and means of payment.
- 10.6. Building and developing a list of internal exemptions within the company that includes websites, merchants, or clients who, through studying and analyzing the transactions associated with them, were found not relevant to dealing in virtual currencies, with the aim of improving the quality of alerts extracted from financial transactions monitoring systems and increasing the efficiency and effectiveness of the company in monitoring actual transactions related to virtual currencies, and

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that the company periodically re-study, analyze and evaluate the behavior of transactions related to the parties defined within the list of internal exemptions to ensure that they are still far from the suspicion of dealing in virtual currencies.

Warning indicators to detect and prevent dealing in virtual currencies

11. This part of the guideline deals with payment or transfer transactions, their patterns, and the nature and behavior of the client to urge companies to do more monitoring, detection, reporting or notification when needed. Taking into consideration that the presence of one indicator does not necessarily mean the presence of dealing in virtual currencies or the existence of criminal activity related to these transactions, as the presence of multiple indicators in one transaction without a logical explanation is a cause to raise suspicions about the activity of dealing in virtual currencies or the existence of possible criminal activity related to these transactions. Among the most prominent warning signs are the following:

- 11.1. Executing payment operations in favor of websites or trading platforms that are well-known and active, or allow dealing in virtual currencies, either fully or partially, or provide services related to them, especially if the websites or trading platforms are located or affiliated with other countries that do not prohibit dealing in virtual currencies.
- 11.2. Executing payments for websites or trading platforms linked to addresses located within the Dark Net.
- 11.3. Executing payments in favor of websites or trading platforms within (IP) addresses other than those previously known or through which transactions were

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initiated, especially when those websites or platforms continuously change their addresses.

- 11.4. The customer's attempt to carry out payment operations in favor of websites or trading platforms that were previously defined within the financial transactions monitoring systems as providing services for dealing in virtual currencies; this suggests that the customer is associated with dealing in virtual currencies in general.
- 11.5. Execute or receive recurring payments or transfers based on the number or values of transactions according to the following:
- 11.5.1 Executing or receiving recurring payments or transfers within a short period of time, on a daily, weekly or monthly basis to/from one account or several accounts.
- 11.5.2 Executing or receiving recurring payments in a gradual and regular pattern, without a rational explanation for the business.
- 11.5.3 Executing transfers between a group of clients' accounts that are Ponzi schemes in nature.
- 11.5.4 Executing or receiving recurring payments or transfers to a newly created or previously inactive account.
- 11.5.5 Executing recurring payments from one or more clients for websites or trading platforms with the same IP address without a rational explanation for the business.
- 11.5.6 The presence of a concentration of recurring payments for one client or a group of clients with a merchant that is not commensurate with the nature of their activity or the nature and pattern of clients' payments.

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11.5.7 Executing or receiving payments or transfers that are not commensurate with the customer's monthly income level, the nature of their activity, or the type of their account.

11.5.8 Executing or receiving payment or transfer operations that are not commensurate with the nature and pattern of the customer's transactions.

11.5.9 Carrying out or receiving frequent transfers without a clear relationship between the sender and the beneficiary.

11.5.10 Frequent cash deposits in the customer's account followed by a financial transfer to another account or several accounts or cash withdrawals.

It is noteworthy that the CBJ, through the Compliance Committee for Electronic Payment and Money Transfer Companies, will periodically review and update this guideline and develop work procedures, supervisory controls, and warning indicators in accordance with actual practices and developments in dealing in virtual currencies that are detected; with the aim of improving the quality of procedures, controls, and indicators, and raising the efficiency and effectiveness in detecting and preventing dealing in virtual currencies, in order to prevent any risks related to dealing in virtual currencies, most notably the risks of money laundering, terrorist financing, or fraud, and in compliance with the circulars issued by the CBJ in this regard.