MENAFATF
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Middle East and North Africa
Financial Action Task Force

Money Laundering and Terrorist Financing Prevention Framework and Correspondent Banking Relationships in the State of Palestine

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State of Palestine

Money Laundering and Terrorist Financing Prevention Framework and Correspondent Banking Relationships in the State of Palestine[1]

Introduction

1. MENAFATF has been keen to play its active role in the mutual evaluation process of the anti-money laundering and counter-terrorist financing ("AML/CFT") systems of its member countries and to ensure the continuity of the program schedule during the second round of mutual evaluations, from its launch in mid-2014 until its completion in May 2025. This is based on the provisions of MENAFATF's Memorandum of Understanding, which stipulates in Article (11) concerning mutual evaluations, specifically in Article (11.1), that "the MENAFATF's Plenary Meeting shall approve a continuous mutual evaluation program prepared by the MENAFATF's Secretariat, in which all member countries participate."

2. However, the exceptional circumstances faced by some member countries, during this round of the mutual evaluations, including the compelling security and political circumstances that affected them, prevented them from implementing or completing the mutual evaluation process, as other member countries underwent this process. This resulted in the inability to fully comply with the timetable set for the second round of mutual evaluations as planned. The State of Palestine ("Palestine") is considered among those countries that faced such challenges, whereby its mutual evaluation process began in 2020, but the COVID-19 pandemic delayed the process, which was subsequently postponed due to the worsening security and political circumstances. Despite these challenges, the MENAFATF Secretariat was able to resume its mutual evaluation process in early 2022. The process continued until the onsite visit, which was scheduled for August 2022, was postponed due to developments in the security situation at the time. However, security situation necessitated suspending the mutual evaluation process until these conditions improved. At the beginning of 2023, the process was resumed after coordination with Palestine to arrange the onsite visit in February 2023. However, the deteriorating security situation once again prevented the Assessment Team from conducting the onsite visit, and the process halted at this stage. Since then, the MENAFATF Secretariat has maintained continuous communication with Palestine to follow up on developments related to the security and political situations, and the availability of appropriate conditions for completing the mutual assessment process and implementing the onsite visit. All the updates received from Palestine confirmed the continued difficulty of the security situation that Palestine is still experiencing.

3. Therefore, the MENAFATF decided to consider the situation of member states whose mutual evaluations were not completed due to the difficult security and political circumstances during

[1] Attached Technical Compliance Annex of the State of Palestine – Recommendations related to Correspondent Banking Relationships.

the current round, and to find an alternative to the mutual evaluation process through specific technical mechanisms to assess, as far as possible, their AML/CFT/CPF systems. Accordingly, at the MENAFATF's 38th Plenary Meeting, held in May 2024 in Manama, the Kingdom of Bahrain, the MENAFATF 's Secretariat presented alternative options to the mutual evaluation process for countries that faced force majeure circumstances that prevented them from conducting their mutual evaluation, including Palestine. A decision was made to approve the State of Palestine's submission of a technical compliance report on the FATF's Forty Recommendations

4. The MENAFATF's 40th Plenary Meeting, held in May 2025 in Amman, Hashemite Kingdom of Jordan, discussed and adopted the report prepared on Palestine regarding the most prominent developments in its AML/CFT/CPF system, and the analysis of its technical compliance with the 40 Recommendations.
5. The aforementioned Plenary Meeting also affirmed the MENAFATF's commitment to seeking alternative solutions that serve the intended objective of the mutual evaluation process for Palestine, given the impossibility of conducting a complete mutual evaluation process with all its procedural components due to the security challenges in Palestine.
6. In light of this approach, this report was prepared, highlighting the most significant efforts undertaken by Palestine in AML/CFT, and in particular the efforts made to protect its banking sector from exploitation in money laundering and terrorist financing operations and to maintain its participation in correspondent banking relationships.

First: Reasons for Preparing the Report

7. AML/CFT is a fundamental component in protecting the stability of global financial systems, as it represents a line of defense against organized crime and the financing of illicit activities that threaten international peace and security. In the context of the current situation in the State of Palestine, the need arose for a realistic study – given the inability to conduct a mutual evaluation process – to assess AML/CFT efforts, particularly with regard to the banking sector, for the reasons mentioned earlier.
8. This report comes at a sensitive stage for Palestine, where political and economic circumstances pose unique challenges, most notably the absence of monetary sovereignty and the economy's reliance on cash as the primary means of exchange, in addition to the complexities of border control and the inability to fully control the flow of funds across crossings.
9. From this perspective, the competent authorities in Palestine – represented by the Palestine Monetary Authority and the Palestinian FIU – are striving to develop an effective supervisory and legal framework that ensures protection against the misuse of the local banking system in money laundering and/or terrorist financing operations. This report aims to analyze the institutional and legal framework for AML/CFT in Palestine, and to review the capacity of

local banks to comply with the regulatory framework, focusing on the technical and practical aspects that determine the efficiency and effectiveness of implementing preventive measures.

Second: Report Methodology and Scope

10. The Report adopted a descriptive and analytical methodology supported by evidence obtained from Palestine[2]. The review and preparation of this report were conducted by the MENAFATF's secretariat based on studies and information received from state institutions, including the Palestine Monetary Authority, the Palestinian FIU, and a number of banks (through the Palestine Monetary Authority). This was based on specialized questionnaires covering legal, technical, and supervisory aspects, in addition to holding several meetings between the secretariat and the state's working group to address inquiries and obtain further clarifications and evidence to verify the accuracy of the information provided.
11. This report also benefited from the outcomes of the "State of Palestine Report on the Most Important Developments in the Anti-Money Laundering, Counter-Terrorist Financing, and Counter-Proliferation Financing System and the Analysis of Technical Compliance with the 40 Recommendations," issued by the MENAFATF based on its 40th Plenary Meeting in May 2025.

Third: Economic and Financial Context in Palestine

12. The Palestinian economy is characterized by a complex structure influenced by geopolitical and regional factors The authorities there do not have a national currency, and three main currencies are in circulation: the Shekel ("NIS"), the US dollar ("USD"), and the Jordanian Dinar ("JOD"). This monetary diversity poses supervisory challenges in tracking transactions and increases the challenges related to the risks of exploiting the financial system for money laundering and terrorist financing.
13. The Palestinian economy relies heavily on external labor in the neighboring economy. Before October 2023, approximately 170,000 people were officially employed in the areas controlled by the other side, in addition to between 60,000 and 70,000 unofficial workers. These workers were paid in cash until 2023, when a shift was made to an electronic payment system, which contributed to bringing a large number of workers into the formal banking system.

    Given that the widespread use of cash poses a challenge to the AML/CFT system, Palestine has strengthened its measures to change this culture, particularly in the last two years. One of the most prominent examples of this is the Palestinian Monetary Authority's rapid development of the electronic payment infrastructure.
14. The banking system in Palestine consists of 13 banks—seven local banks (4 conventional and 3 Islamic) and 6 foreign banks—in addition to 220 exchange companies, 9 microfinance

[2] This included, among other data, national and sectoral risk assessment update reports, international reports related to financial sector procedures, such as those issued by the US Department of Treasury and the HM Treasury as well as other international bodies, add to that specific information and documents related to the work of law enforcement agencies.

institutions, and 6 electronic payment service providers.[3] The total assets of the banking sector reached approximately USD 23.13 billion by the end of 2024, representing approximately 169% of the GDP, reflecting the importance of this sector to local economic stability.

15. Despite the above, challenges remain related to the prevailing geopolitical situation, such as the Palestinian authorities' lack of control over their borders, and consequently, the absence of effective implementation of a cross-border reporting system, as well as the inability to obtain this information from neighboring countries. This is in addition to the challenges related to the lack of remittance data provided to Palestinian banks (such as sender and recipient information) when received from banks on the other side, due to the absence of a direct link with the electronic remittance system used there.

Fourth: Legal and institutional framework of AML/CFT

16. Since 2021, Palestine has witnessed a series of legislative and regulatory reforms aimed at aligning domestic laws with the FATF standards. The most prominent of these developments was the updating of the Anti-Money Laundering and Counter-Terrorist Financing Law through the issuance of Law No. (39) of 2022 concerning AML/CFT and its amendments, which represented a qualitative leap in the national legal framework.

17. This Law criminalizes money laundering and terrorist financing and imposes prison sentences ranging from 3 to 7 years for those convicted of money laundering, along with a fine of no less than the value of the proceeds and no more than double such amount. The commission and attempted commission of terrorist financing are punishable by imprisonment of 3 to 15 years, and a fine of not less than JOD 50,000 and not exceeding JOD 100,000. In all cases, whether for committing money laundering or terrorist financing, the aforementioned penalties shall apply without prejudice to any more severe penalty.

18. Furthermore, in the event that a legal entity commits the crime of money laundering or terrorist financing, the fines may reach JOD 200,000, with a minimum of JOD 10,000, and the penalties referred to above shall apply to those in the executive management of the legal entity or any of the members of the board of directors if the crime occurred with their knowledge or as a result of their deliberate default. This decree-law also established the Security Council Resolutions Implementation Committee ("UNSCR Committee"), which obligates all persons and entities (including financial institutions) to implement Security Council resolutions immediately upon their issuance without delay.

19. An analysis of Palestine's technical compliance[4] demonstrated an advanced level of compliance with the 40 Recommendations, in light of the recent amendments to legislation related to AML/CFT, particularly the recommendations concerning preventive measures taken

[3] (Data as of the end of September 2025).

[4] Attached Annex on Analysis of recommendations related to preventive measures and supervision on FIs, and recommendations related to the FIU, Guidance and Feedback.

by financial institutions and DNFBPs. These measures include Due Diligence, Record-Keeping, Politically Exposed Persons, Correspondent Banking Relationships, Money or Value Transfer Services, New Technologies, Wire Transfers, Reliance on Third Parties, Internal Controls, Foreign Branches and Subsidiaries, and High-Risk Countries. The analysis also demonstrates an advanced level of commitment to recommendations related to supervision and oversight of financial institutions, as well as those related to Guidance, Feedback, and the Financial Intelligence Unit. This forms the cornerstone for protecting financial institutions and DNFBPs from being exploited in money laundering and terrorist financing crimes.

20. The Palestine Monetary Authority is the body responsible for supervising banks, microfinance institutions, money exchange, and payment service providers. The Palestinian Monetary Authority established a specialized department for anti-money laundering and combating terrorist financing, which is responsible for conducting on-site and off-site inspections and verifying the compliance of the subject financial institutions with the laws and subsidiary legislation related to AML/CFT.

21. In parallel, the Palestinian FIU operates as an independent financial intelligence unit, tasked with analyzing STRs and referring them to the Public Prosecution and other relevant and supervisory authorities, in addition to other tasks required by the Palestinian context. It plays a pivotal role in coordinating with its counterpart FIUs abroad.

22. Cooperation between the Palestinian Monetary Authority, the FIU, and other relevant authorities, including LEAs, as well as cooperation between the public and private sectors, such as financial institutions, represents a fundamental pillar for the effectiveness of the national AML/CFT system. This cooperation has evolved into a daily exchange of data and reports between these entities in accordance with the law. In addition, banks provide the FIU with daily statements (in .XML format) of all domestic and international transfers and other daily transactions such as cash deposits and withdrawals, cheques, and others that equal or exceed USD 5,000 or its equivalent in other currencies, as well as rapid transfers (such as Western Union and MoneyGram) that equal or exceed USD 500 or its equivalent in other currencies. This enhances operational supervision of transactions and allows for the early detection of suspicious transactions and the assessment of the adequacy of the identification and verification procedures implemented by the banks.

Fifth: Understanding Risk and Institutional Coordination

23. Palestine conducted a National Risk Assessment (“NRA”), including sectoral assessments, in 2017, using the World Bank's tool, whereby the financial sector assessment was updated in 2019. The results of the previous assessment (2017) revealed several weaknesses, both at the legislative and implementation levels, as well as in institutional coordination. This prompted the issuance of the National AML/CFT Strategy in 2018, which was implemented until 2022, followed by the initiation of a comprehensive update of the assessment process at both the national and sectoral levels.

24. Accordingly, work began on updating the NRA of 2017-2023 using the updated World Bank tool. The Cabinet issued a decision to form the NRA Team, at the request of the National AML/CFT Committee. The NRA Team then formed a technical secretariat team composed of experts from the FIU, in addition to a number of specialized technical teams comprising more than 129 experts from all relevant entities. Information sources were diverse, including data from all competent authorities and the private sector, as well as published reports, studies, brainstorming sessions, questionnaires, and interviews from both the public and private sectors. The report included criminal, security, intelligence, supervisory, and financial data, which enhanced its comprehensiveness. According to the Palestinian authorities, the total number of documented working hours dedicated to this assessment amounted to approximately 47,160 hours (at a minimum). This process aimed to produce a comprehensive risk map encompassing threats and vulnerabilities that need to be addressed through public policies, thereby enhancing Palestine's readiness for future international assessments, reducing the risks of money laundering and terrorist financing, and strengthening the implementation of a risk-based approach.

25. The updated NRA for the specified period was completed, taking into account the monitoring of shifts in risks and threats, particularly in light of the economic, political, and security changes that Palestine witnessed during this period, both locally and regionally. An updated national strategy was also prepared based on the assessment's findings. The updated NRA, along with the updated National Strategy, was officially adopted in June 2025.

26. To ensure enhanced understanding of the risks among various stakeholders, the Palestinian authorities have provided data and evidence through official publications,[5] indicating the direct sharing of the preliminary findings of the NRA Report with all members of the NRA Team, Technical Teams, and the private sector before their final adoption by the National AML/CFT Committee and the Cabinet. A number of workshops and meetings were also held with various local entities, most notably a general workshop to launch the assessment results on 11 November 2024, in which all stakeholders, including the private sector, participated; a workshop targeting all law enforcement agencies in Palestine on 2 July 2025; specialized workshops in cooperation with the Palestinian Monetary Authority targeting all banks (27 August 2025), payment companies, and lending institutions (30 September 2025); and a workshop in cooperation with the Capital Market Authority on 1 September 2025, targeting all sectors subject to the Authority's supervision. In addition, a series of meetings and smaller workshops were held targeting various sectors, focusing on specific aspects of the findings.

27. A number of workshops and meetings related to the implementation of the National Strategy were also held with all parties involved in its application, in addition to meetings and

[5] For more information, please visit the Activities and News page on the official website of the FIU: https://n9.cl/n2z6fb.

workshops with international organizations and partner donors to mobilize technical and financial support for the Strategy's implementation.

28. Furthermore, and as a result of the difficult economic and political conditions that Palestine is experiencing, coupled with the strengthening of the technological infrastructure, an increase in electronic fraud cases was observed in the period following the update of the national and sectoral risk assessment.[6] This made it necessary to conduct an assessment study specifically addressing the increasing threats of electronic fraud, in order to take immediate measures to mitigate the risks (see Section Nine regarding risk mitigation measures).

29. Authorities stated that the updated NRA was a result of a growing national awareness that money laundering and terrorist financing crimes not only pose a financial threat, but also represent a direct risk to the integrity of the State, the stability of the financial system, and the reputation of Palestinian institutions among international partners and correspondent banks.

- **Money Laundering Risks**

30. The report classified the risks of money laundering in Palestine as (medium to high), due to threats assessed at a (medium to high) level as well, stemming from underlying economic crimes such as tax evasion, corruption, and, to a lesser extent, drug trafficking, fraud, theft, and forgery.

31. The most prominent measures required to address these weaknesses include the need to strengthen the resources and capabilities of the Public Prosecution and the judiciary in money laundering cases to match those applied in the field of terrorist financing, in addition to completing and enhancing the implementation of the multi-faceted approach related to identifying beneficial ownership more effectively to ensure the sustainable retention of this information in an accurate, up-to-date, and sufficient manner, and its timely accessibility, in accordance with the requirements of international standards (according to the new assessment methodology). It should be noted that the banking sector has robust procedures regarding beneficial ownership identification.

32. At the sectoral level, the results show high risks in the real estate sector, due to the high threats concentrated in the execution of real estate transactions (rather than in bringing together buyers and sellers by real estate agents and brokers), along with moderate to high vulnerabilities in this sector. Meanwhile, money laundering risks were (moderate to high) in the banking sector due to high threats, in addition to the size and relative weight of the sector. Risks were also (medium to high) in the money exchange (remittances) and DPMS sectors.

[6] Fraud threats were assessed at a (medium to high) level during the NRA update process; however, this stemmed primarily from fraud related to deceptive schemes involving fictitious projects, rather than electronic fraud. However, in the period following the NRA process, the threat of cyber fraud became more prominent.

- **Terrorist Financing Risks**

33. The risk of terrorist financing was classified at (low to medium) in the updated NRA Report, due to the low level of threats related to terrorist financing, coupled with robust preventative measures that resulted in a (medium to low) assessment of vulnerabilities. Furthermore, Palestine follows a stringent approach to ensure that the financial sectors are not misused and implements measures that exceed international standards in this regard, such as applying various UN lists for implementing Targeted Financial Sanctions ("TFS") instead of relying solely on Security Council lists and the national list. In this context, the analysis of the information provided by the State demonstrates the efforts of the Palestinian authorities in adopting measures — including those applicable to the financial sector — aimed at effectively addressing these threats, considering them as presenting a higher level of risk compared to what was identified in the national risk assessment, which focuses on the requirements set out in the relevant international standards.

34. Although there was no evidence of misuse of the NPOs sector for terrorist financing according to the NRA findings, a detailed sectoral assessment of terrorist financing risks in this sector was conducted in accordance with the World Bank methodology, in implementation of Recommendation 8. The sub-group was identified, and the results showed that foreign organizations and entities in the social sector category pose a high risk (most vulnerable to risk), while local civic organizations and entities in the social and health sectors pose a medium risk, and the remaining categories of the sub-group pose a low risk.

35. The vulnerability analysis shows that law enforcement procedures are more efficient in aspects related to combating terrorist financing compared to anti-money laundering, while the other vulnerabilities mentioned above regarding money laundering (similar to those related to beneficial ownership) are shared with those related to combating terrorist financing. In contrast, despite the strength and robustness of the measures implemented by the financial sector regarding the implementation of TFS related to Security Council resolutions (which exceed the FATF requirements to include a broader range of lists), there is still a need to continue taking necessary measures at the national level to ensure that all DNFBPs utilize the electronic platform[7] and mobile application,[8] developed by Palestine to assist entities in implementing TFS immediately and without delay.

[7] Electronic Platform: This is an electronic portal hosted on the official website of the Palestinian Public Prosecution Office. Users can subscribe to receive instant notifications via email the moment any updates related to the Security Council lists or the national list are published. This platform also includes a database of TFS lists and their updates. For more information: https://sanction.pgp.ps/ar/Index.

[8] The mobile application is an application that includes a database of TFS lists issued by the Security Council and the national list. It primarily functions by issuing instant mobile phone notifications upon the arrival of any new designation, thereby enhancing the effectiveness of implementing Security Council resolutions immediately and without delay.

36. At the sectoral level, the results show a (medium to low) level of terrorism financing risk in the banking, money exchange, DPMS, and real estate sectors, while the risk was (low) in the remaining sectors. Despite the lack of clear and confirmed exploitation of the banking sector, the characteristics and features of the real estate and banking sectors had the greatest impact on the threat assessment compared to other sectors. This is due to the size of these two sectors, the diversity and attractiveness of the banking sector's products, followed by the money exchange, DPMS, and legal sectors. The report indicated that this makes it necessary to consider the possibility of these sectors being exploited.

- **Overview of money laundering and terrorist financing risks at the banking sector level**

37. The results of the NRA show that the high level of money laundering threats is linked to a variety of crimes, including tax crimes, corruption, theft, drug trafficking, breach of trust, forgery, and fraud. The products most associated with these threats were cash deposits, cheques, and cash withdrawals. As for terrorist financing threats, which are assessed as (medium to low), despite the absence of clear and confirmed cases of exploitation of this sector by terrorist groups and individuals, and in addition to the strict preventive measures, including the banks' implementation of multiple international sanctions lists that goes beyond the FATF requirements, the Assessment takes into account the possibility of this sector being misused.

38. Regarding vulnerabilities at the banking sector level, the report showed a medium to high level of quality in anti-money laundering and counter-terrorist financing controls across the sector. This is consistent with the additional requirements imposed by the geopolitical reality in Palestine, particularly the requirements related to correspondent banking relationships. Furthermore, an analysis of the inherent and residual vulnerabilities in the banking sector's products showed that these controls (along with additional product-specific measures, as mentioned in Section 8 of this report) significantly mitigate the inherent money laundering vulnerabilities associated with these products, resulting in lower residual vulnerabilities. Although the inherent counter-terrorist financing vulnerabilities in this sector were assessed as medium, due to the diversity of its products, characteristics, size, and importance, the counter-terrorist financing controls implemented in this sector, along with specific measures that exceed the FATF requirements resulted in the residual terrorist financing vulnerabilities being assessed at a lower level, specifically (low to medium).

Sixth: Banking Supervision System

39. Supervision of the banking sector is one of the most important tools for preventing money laundering and terrorist financing, and the Palestine Monetary Authority adopts a risk-based approach in this process. The inherent risks in each bank are determined based on risk factors associated with customers, products, delivery channels, and geographical location. Mitigating measures are then assessed to estimate the residual risk. This approach provides a solid foundation for directing supervisory resources towards high-risk institutions, thereby enhancing the effectiveness of the risk-based approach.

40. Furthermore, information indicates that the Palestine Monetary Authority conducts periodic on-site inspections, with inspections taking place at least once a year for high-risk banks, every two years for medium-risk banks, and as needed for banks classified as low-risk. This is in addition to the special (non-periodic) inspection tasks that are carried out as needed. The Monetary Authority also has broad powers to impose sanctions, including, for example, financial penalties, license revocation, removal of the board of directors, or the imposition of temporary custodianship. Since 2019 to 2024, number of various sanctions were imposed upon banks, such sanctions tangible caused regulatory effects where it prompted banks to positively enhance their compliance.

Seventh: Palestinian FIU

41. The FIU plays a central role in the anti-money laundering and counter-terrorist financing system, acting as the focal point between reporting entities and competent authorities. It serves as the central authority for receiving STRs and other relevant reports and information through the goAML system, which allows for the automated and secure reporting of suspicious activities or transactions. Between 2019 and 2024, the FIU shared 72% of the analysis findings related to STRs received from banks with the Public Prosecution and competent authorities to support their operational needs (72%). This percentage reflects an advanced level of cooperation between the banking sector and the FIU on the one hand, and the Public Prosecution and other LEAs on the other, and also demonstrates an improvement in the number and quality of reports compared to previous years.

42. The FIU also shared the results of its financial analyses at the operational level with the Public Prosecution and other competent authorities, particularly LEAs. It conducts statistical and strategic analyses to identify patterns, trends, and threats related to money laundering and terrorist financing, as well as other targeted sectoral studies. The most recent study focused on cyber fraud crimes due to the recent increase in threats, especially as a result of deteriorating economic and political conditions. This is reflected in the number of suspicious activity reports received by the FIU in 2024, which explains the significant increase in reports from banks in 2024 compared to previous years. These analyses and studies utilize a wide range of information, particularly the FIU's database and other data available to all competent authorities and the private sector, in addition to open sources and other information.

43. The FIU also plays a crucial role in taking preventive measures through the daily monitoring of financial transactions carried out by banks within the monitored threshold, as specified in paragraph (21) of this report. The features of the goAML are used to identify any transactions that the FIU deems unusual, in order to conduct further analysis to ascertain the soundness of the bank's implementation of anti-money laundering and counter-terrorist financing procedures, thereby strengthening preventive measures to protect the banking sector from being exploited for these crimes.

44. The FIU also prepared a set of Guidelines issued by the National AML/CFT Committee, such as the guidance for reporting suspicious transactions and activities, the guidance on transparency and beneficial ownership, and Politically Exposed Persons, in addition to the TFS guidance issued by the Security Council Sanctions Committee.[9] These guidance aim to enhance the effectiveness of implementing anti-money laundering and counter-terrorism financing procedures for various entities, each according to its area of expertise. These guidance contain a set of indicators of suspicion, based either on suspicious activity reports submitted to the FIU or on published international indicators.

45. An analysis of the data provided by the FIU reveals its use of international cooperation channels, which significantly serves its operational objectives. During the period from 2019 to 2024, the FIU received and sent an appropriate number of information requests , in addition to exchanging spontaneous information with counterpart FIUs.

46. This is in addition to the important role the FIU plays in assisting supervisory authorities in complying with Criterion 26.3 regarding preventing criminals or their associates from entering the market. It acts as a secure and rapid link between the authorities supervising financial institutions and LEAs, facilitating inquiries about individuals subject to licensing applications, those holding shares in financial institutions, or those who are beneficial owners of these shares.

47. After reviewing the data provided by the FIU, it is clear that the FIU takes a number of measures to maintain the security and privacy of its databases and the data and documents it possesses or accesses, including the databases of local authorities directly accessible to the FIU. These measures include implementing standards that allow employees to access databases securely, in addition to stringent security standards for the building housing the FIU's headquarters, and the use of the goAML system for requesting information, receiving and forwarding reports, and exchanging information with various competent authorities and the private sector. It is important to note that goAML accounts can only be created for various entities through the FIU, and these accounts are granted only to designated contact points agreed upon with the FIU, ensuring that this information does not reach any unauthorized person. In addition, the FIU adopts an information security policy, which is updated periodically and as needed. This policy addresses all the necessary requirements for protecting information, particularly those required by the Egmont Group.

48. The FIU also participates in a number of joint working groups specializing in addressing specific threats, such as the joint task force concerned with combating cybercrime. It also participates in joint investigations and supports parallel financial investigations conducted by various economic security departments within LEAs and the public prosecution office, each according to its competence. Furthermore, the FIU plays a number of supporting roles for the competent and supervisory authorities in Palestine, as well as the private sector, whether in

[9] To view the guidance: https://n9.cl/bsmca.

leading national and sectoral risk assessments, assisting entities in effectively fulfilling their obligations in accordance with international standards, or providing specialized training courses, programs, and workshops on combating money laundering and terrorist financing, tailored to the specific needs and areas of expertise of the beneficiary entity.

Eighth: Banks Performance in the Application of AML/CFT Requirements

49. The data shows that banks in Palestine demonstrate a high level of commitment to and awareness of risks. They implement sophisticated automated screening systems to monitor customers and transactions and update sanctions lists daily. In addition to the entities and individuals listed under the United Nations and national lists, banks adopt numerous other lists, including those applied by correspondent banks that have relationships with Palestinian banks, preventing those listed from opening accounts or conducting financial transactions. Banks also implement strict policies for verifying identity, the source of funds, and the identity of the beneficial owner. They also provide training programs for all their employees at all levels on the AML/CFT requirements, including indicators of suspected money laundering and terrorist financing.

50. Cash transactions still constitute a significant portion of financial activity; however, this is decreasing as a result of the efforts undertaken by the Palestine Monetary Authority to enhance the infrastructure of electronic payment systems (as mentioned in section 3 above), with all banks participating in these systems. Banks have also taken measures to mitigate the risks associated with cash deposits to ensure that illicit funds are not introduced into the banking system or that banking products are not used for illegal purposes. These measures include accepting deposits only from the account holder or with their written authorization, continuously monitoring transactions to prevent excessive or unjustified deposits or other financial transactions such as cash withdrawals or repeated deposits of small amounts of cash, whether through ATMs or over the counter, and requiring customers to disclose the source of funds in accordance with a risk-based approach. In addition, Palestine is currently working on drafting a decree-law on reducing the use of cash with technical assistance from the IMF, which will help mitigate the risks associated with the use of cash in Palestine and thus have a positive impact on the financial sector.

Ninth: The Reality and Challenges of Correspondent Banking Relationships in Palestine and Risk Mitigation Measures

51. Correspondent banking relationships are one of the main pillars of the international financial system, representing the means by which local banks connect with the global financial system to execute international transactions and facilitate cross-border payments.

52. In the context of Palestine, these operations represent a vital link connecting the local economy to the global financial system, especially since Palestine is not a regional financial center and does not have its own national currency. Consequently, Palestinian banks rely on correspondent

networks with regional and international banks—particularly in the other side, Jordan, the United States, and some European and Arab countries—to carry out transfers and transactions in US dollars, shekels, Jordanian dinars, and euros.

53. However, these banking relationships face multiple restrictions and complexities as a result of the political situation. This complex environment has made the issue of correspondent banking a central focus in the effectiveness of the AML/CFT system in Palestine, where technical, regulatory, and political dimensions intersect.

54. Regarding the measures taken to preserve correspondent banking relationships, Palestine has adopted a set of procedures aimed at mitigating the risks of money laundering and terrorist financing, thereby safeguarding correspondent banking relationships against these risks. These measures included:

a. Updating the national and sectoral risk assessment of money laundering and terrorist financing crimes during 2024. This comprehensive assessment was conducted with the participation of all relevant competent authorities and the private sector, based on updated international tools provided by the World Bank.

b. Issuing and adopting the national and sectoral strategy responsive to the results of the national and sectoral risk assessment. This strategy includes 10 strategic objectives, from which 39 sub-objectives and 126 actions were derived.

c. Preparing a draft decree-law on reducing the use of cash with technical assistance from the IMF. This draft decree-law is in its final stages. In addition, a number of measures related to reducing the use of cash (in accordance with the National Strategy) have been implemented, such as the Palestine Monetary Authority strengthening the infrastructure of electronic payment systems, promoting their effective use by financial institutions, and encouraging customers to use electronic channels.

d. Continuing to strengthen the multi-faceted approach to identifying the beneficial owner at the national level, ensuring that all entities have access to the same level of information applied by banks, and guaranteeing effective cooperation between the public and private sectors to ensure the timeliness, accuracy, and adequacy of data.

e. The Palestine Monetary Authority issued a series of circulars in the last quarter of 2023, calling on banks to enhance their screening policies for transfers related to areas considered high-risk by correspondent banks, based on the increased level of scrutiny on transfers associated with Palestine.

f. Banks, in coordination with the FIU, added new screening scenarios within their electronic systems related to transfers to charitable associations or organizations with potential links to high-risk areas. They also resorted to temporarily suspending some transfers until the verification of the ultimate beneficiaries was completed.

g. Strengthening measures aimed at reducing the reliance on cash is a key priority. A prime example of this is the Palestinian Monetary Authority's rapid development of the electronic payment infrastructure. The E-SADAD system[10] now includes the largest number of payment service providers, and the iBURAQ[11] instant transfer system operates with higher limits and greater efficiency. Awareness campaigns regarding the use of payment cards have also been intensified, including reducing fees for merchants and waiving them for consumers. Furthermore, both merchants and consumers have been exempted from fees in sectors with high cash transactions, such as gas stations, and for small amounts (100 shekels or less) across all sectors.

h. Because the use of new technologies may give rise to new or evolving risks, Palestine, in addition to updating its national and sectoral risk assessments, has worked on studying the evolving risks associated with technological development, particularly those related to cyber fraud threats. To mitigate these risks, the Palestine Monetary Authority established the digital identity system (iDplus)[12] which reduces the risk of fraud, facilitates the account opening process, and provides a centralized database for banks regarding customer data.

Tenth: Overall Conclusion and Recommendations

55. Based on the preceding analysis, the AML/CFT system in Palestine has made substantial progress in raising the level of compliance with FATF standards. Despite the operational and political challenges, the data shows Palestine's commitment, particularly that of the Palestine Monetary Authority, the FIU, and the Palestinian banks, to responding to the requirements of the international financial system. According to the national authorities, practices exceeding the minimum requirements of the FATF recommendations have been adopted, such as the application of TFS and more stringent monitoring of financial transactions at lower thresholds to account for the surrounding threats.

56. Nevertheless, some challenges remain existent due to Palestine's geopolitical reality and context, as indicated in this report. Accordingly, this report recommends proceeding with the implementation of the objectives outlined in the strategic and sectoral plan for AML/CFT,

[10] The E-SADAD system is a digital platform managed by the Palestinian Monetary Authority, designed for the electronic presentation and payment of bills by connecting all payment service providers (billers) with all banks and electronic payment companies. For more information: https://h1.nu/1hPoG.

[11] The iBURAQ system is an electronic system supervised and managed by the Palestinian Monetary Authority, allowing bank customers and users of electronic wallets to execute transfers and payments instantly within seconds, without commissions and in all currencies. For more information: https://h1.nu/1hPqu.

[12] The iDplus system enables customers to electronically identify and verify themselves to complete transactions anytime and anywhere, without the need to visit branches or submit paper documents. Thanks to facial recognition technology, which confirms identity quickly and securely, it allows for easy login to the banking application and approval of transactions. For more information: https://h1.nu/1hPtB.

which responds to the results of the updated national and sectoral risk assessment, and in particular:

a. Taking targeted steps to expedite the issuance of the law related to reducing the use of cash in Palestine, which is currently under development, as this will have an impact on enhancing financial inclusion and mitigating the risks of money laundering and terrorist financing.

b. Enabling the FIU and the competent authorities to access information related to the physical cross-border movement of funds to and from neighboring countries through the other side of the border.

c. Completing and strengthening the implementation of the multi-faceted approach related to more effectively identifying beneficial ownership to ensure the sustainable maintenance of this information in an accurate, up-to-date, and sufficient manner, and ensuring timely access to it.

d. Continue taking the necessary measures at the national level to ensure that all DNFBPs use the electronic platform and mobile application developed by Palestine to assist entities in implementing TFS immediately and without delay.

e. Continue developing advanced training programs for bank employees, including emerging indicators and patterns related to money laundering and terrorist financing.

Technical Compliance Annex of the State of Palestine
Analysis of the Recommendations related to Correspondent Banking Relationships

Introduction:

This Annex was prepared to be annexed to the State of Palestine's Report on AML/CFT and Correspondent Banking Relationships which was adopted at the MENAFATF 41st Plenary Meeting in November 2025 held in Manama, Kingdom of Bahrain. This exclusively Annex aims at introducing technical compliance requirements of Recommendations 9-21, 26, 27, 29 and 34 of the Technical Compliance Report of the State of Palestine adopted at the MENAFATF 40th meeting in May 2025 held Amman, Kingdom of Jordan.

This Annex does not stand as independent report, nor does it replace the original Technical Compliance Annex of the State of Palestine.

Recommendation 9 - Financial Institution Secrecy Laws

The State of Palestine did not undergo the first round of the mutual evaluation process as it was an observer member of the MENAFATF at that time.

Criterion 9.1: Banking and financial secrecy in financial institutions in Palestine does not inhibit the implementation of the FATF Recommendations, and no institution has the right to invoke banking or financial privacy. Additionally, the obligations of competent authorities, including those related to the powers of relevant authorities concerning domestic and international cooperation and other powers, are established in Palestinian legislation.

(Articles (96), (27), (28), (29), (24), (64), (77), and (83) of Decree-Law No. 39 of 2022 on AML/CFT, Article (13) on the exchange of information locally of Cabinet Decision No. 17 of 2018 on the Executive Regulations governing the powers and competencies of the FIU, Article (6) of the Banking law No. 9 of 2010, Article (17) of the Decision on the Licensing and Supervision of Specialized Lending Institutions Law No. 132 of 2011, and Article (14) of the Decree-Law No. (40) of 2022 on Licensing and Supervising the Currency Exchange Profession).

Weighting and Conclusion: The State of Palestine has met all criteria of this recommendation.

Recommendation 10 - Customer Due Diligence (CDD)

The State of Palestine did not undergo the first round of the mutual evaluation process as it was an observer member of the MENAFATF at that time.

Criterion 10.1: Financial institutions are legally prohibited from keeping anonymous accounts or accounts in fictitious names in accordance with Palestinian laws and regulations. (Item (a) of paragraph (1) of Article (10) of Decree-Law No. 39 of 2022 on AML/CFT, Article (3) of the AML/CFT Instructions for Financial Institutions No. (4) of 2022, and Chapter Four of the AML/CFT Procedures Manual for Banks of 2017).

When CDD is required

Criterion 10.2 (a, b, c, d, e): Financial institutions are required to undertake CDD measures (1) when establishing a business relationship, (2) when carrying out occasional transaction: (a) a transaction whose value meets or exceeds the threshold set by the committee through instructions issued in this regard (USD 15,000), whether performed as a single transaction or several transactions that appear to be connected, (b) a money transfer, either locally or internationally, whose value meets or exceeds the threshold set by the committee through instructions issued in this regard, (3) when there is doubt about the accuracy, adequacy, or reliability of the customer identification information previously obtained, (4) when there is suspicion of ML/TF, regardless of any exemptions or threshold referred to in the law, regulations, or instructions issued thereunder. (Article (11) of Decree-Law No. 39 of 2022 on AML/CFT, and Article (4) of the AML/CFT Instructions for Financial Institutions No. (4) of 2022). These provisions require financial institutions to carry out CDD measures when executing occasional financial transactions, including internal transfers or wire or electronic transfers, both domestically and internationally, regardless of their amount.

Required CDD measures for all customers

Criterion 10.3: Financial institutions are required to undertake CDD measures for both permanent and occasional customers, whether individuals, legal persons, or legal arrangements, which include identifying their customers and verifying their identities through reliable, independent documents, data, or records. (Item (b) of paragraph (1) of Article (10) of Decree-Law No. 39 of 2022 on AML/CFT, and Articles (5) and (6) of the AML/CFT Instructions for Financial Institutions No. (4) of 2022).

Criterion 10.4: Financial institutions are required to undertake customer due diligence measures for both permanent and occasional customers, whether individuals, legal persons, or legal arrangements, which include verifying that the person claiming to act on behalf of the customer is authorized to do so and identifying and verifying their identity. (Item (c) of paragraph (1) of Article (10) of Decree-Law No. 39 of 2022 on AML/CFT, and paragraph (1) of Article (7) of the AML/CFT Instructions for Financial Institutions No. (4) of 2022).

Criterion 10.5: Financial institutions are required to undertake CDD measures for both permanent and occasional customers, whether individuals, legal persons, or legal arrangements, which include identifying the beneficial owner and taking reasonable measures to verify their identity using documents, information, or data obtained from a reliable and independent source that convinces the financial institution that it knows the beneficial owner. There are also specific obligations for financial institutions regarding the identification and verification of the beneficial owner for individual customers, legal persons, and legal arrangements. (Item (d) of paragraph (1) of Article (10) of Decree-Law No. 39 of 2022 on AML/CFT, and Articles (8), (9), and (10) of the AML/CFT Instructions for Financial Institutions No. (4) of 2022).

Criterion 10.6: Financial institutions are required to understand the purpose and nature of the business relationship and collect information about it as appropriate. Similar obligations are also imposed on financial institutions pursuant to instructions directed specifically to them. (Item (e) of paragraph (1) of Article (10) of Decree-Law No. 39 of 2022 on AML/CFT, and paragraph (2) of Article (5) of the AML/CFT Instructions for Financial Institutions No. (4) of 2022).

Criterion 10.7 (a, b): Financial institutions are required to conduct ongoing due diligence on the business relationship, including carefully reviewing the transactions being executed and their purpose to ensure they align with the information held about their customers, their business activities, and their risk profile. This includes, if necessary, verifying the source of funds, and ensuring that the documents, data, or information collected under this article are constantly updated and appropriate by reviewing existing records, particularly for high-risk customer categories. (Item (g) of Paragraph (1) of Article (10) of Decree-Law No. 39 of 2022 on AML/CFT).

Sub-criterion 10.7 (a): In addition to what is stated in the above-mentioned decree-law, financial institutions have similar obligations regarding the continuous review of the business relationship and its purpose as per the Instructions directed to them. (Paragraph (1) of Article (12) of the AML/CFT Instructions for Financial Institutions No. 4 of 2022).

Sub-criterion 10.7 (b): In addition to what is stated in the above-mentioned decree-law, financial institutions are also required, according to the aforementioned Instructions, to ensure that the documents, records, data, and information related to the business relationship are always updated, especially with regard to high-risk customers. (Paragraph (2) of Article (12) of the AML/CFT Instructions for Financial Institutions No. 4 of 2022).

Specific CDD measures required for legal persons and legal arrangements

Criterion 10.8: Financial institutions are required to take due diligence measures for both permanent and occasional customers, whether they are individuals, legal persons, or legal arrangements, which include understanding the nature of the customer's business when the customer is a legal person or arrangement, as well as the ownership structure and control over it. (Item (f) of paragraph (1) of Article (10) of Decree-Law No. 39 of 2022 on AML/CFT, and item (b) of paragraph (2) of Article (5) of the AML/CFT Instructions for Financial Institutions No. 4 of 2022).

Criterion 10.9 (a, b, c): The information that financial institutions must obtain and verify regarding a legal entity or arrangement is specified in the Instructions for financial institutions. This includes the customer's identity information, which at a minimum should include the customer's name, legal form, type of incorporation document, registered office address or the address of its main office, registration date and number, the place and date of issuance of the incorporation document, the types of documents that regulate the operations of the legal person or arrangement, and information about the natural persons authorized to sign on behalf of the customer. The same provision requires an understanding of the nature of the customer's business, its ownership structure, and control, as well as determining whether the ownership or control structure is complex or multi-layered. (Item (b) of paragraph (1) of Article (5) of the AML/CFT Instructions for Financial Institutions No. 4 of 2022).

Criterion 10.10 (a, b, c): The concept of the beneficial owner is defined in the law in accordance with the requirements of the FATF Methodology. Financial institutions are required to undertake customer due diligence measures for both permanent and occasional customers, whether natural persons, legal persons, or legal arrangements, which include identifying the beneficial owner and taking reasonable measures to verify their identity using documents, information, or data obtained from a reliable and independent source, ensuring the financial institution is confident it knows the beneficial owner. Furthermore, financial institutions must understand the nature of the customer's business when dealing with legal entities or arrangements, and the ownership and control structure of these entities. The measures financial institutions must take to identify the beneficial owner of legal entities include identifying and verifying the identity of: (a) Natural persons (if any) who have controlling ownership (25%) or more in the legal person; (b) Natural persons who do not have controlling ownership but exercise control over the legal person through other means (if any), with the instructions outlining various cases that represent control through other means; (c) The natural person responsible for the actual management of the legal entity, in cases where no person applies under (a) and (b), and the instructions specify the responsibilities that this person must hold to be identified as occupying a significant managerial role. (Items (d) and (e) of Paragraph (1) of Article (10), and Article (11) of Decree-Law No. 39 of 2022 on AML/CFT, and Article (9) of the AML/CFT Instructions for Financial Institutions No. (4) of 2022).

Criterion 10.11 (a, b): The procedures that financial institutions must implement for due diligence regarding legal arrangements are specified in the instructions directed to financial institutions (Article 10 of the AML/CFT Instructions for Financial Institutions No. (4) of 2022). These include taking reasonable measures, based on ML/TF risks arising from the customer and the business relationship, to identify the beneficial owners of legal arrangements, and verifying their identities by obtaining information related to trust funds, including the identity of the settlor or creator of the trust, the trustee, and the protector, if any, as well as the beneficiaries of the trust. Additionally, the identity of any other natural person exercising effective control over the trust, whether through a chain of control or ownership or through any other means, must also be verified. Regarding other types of legal arrangements, institutions must obtain information on the identities of individuals occupying equivalent positions or roles to those mentioned above. In the case of Waqf, institutions must obtain information on the identity of the settlor, the trustee, the beneficiaries, and any other natural person exercising effective control over the Waqf.

CDD for Beneficiaries of Life Insurance Policies

Criterion 10.12 (a, b, c): In addition to the CDD measures required for the customer as outlined in Article 10 of this Law, financial institutions are required to take the following due diligence measures with respect to the beneficiaries of life insurance policies and other investment related insurance policies, as soon as these beneficiaries are identified or appointed, whether they are natural persons, legal persons, or legal arrangements: (a) Obtaining the name of the beneficiary, if specifically named; (b) Obtaining sufficient information about the beneficiary to ensure that the financial institution can identify them at the time of payout, if the beneficiary is identified by characteristics, categories, or other means. The institution must verify the identity of the beneficiary at the time of insurance payout. Financial institutions providing insurance services and products are required to take several measures in addition to the due diligence required for customers and beneficial owners. They are mandated to take due diligence measures for the beneficiaries of life insurance policies and other investment related insurance policies, once these beneficiaries are identified or named, including: (a) Obtaining the name of the individual beneficiary, whether they are natural persons, legal persons, or legal arrangements, if named specifically; (b) Obtaining sufficient information about beneficiaries identified by characteristics or categories (such as spouses or children at the time of the insured event) or by other means such as a will, to ensure that the financial institution can identify the beneficiary when the payment is made. The same article obligates financial institutions to verify the identity of the beneficiaries at the time of payout. (Paragraph (1) of Article (13) of Decree-Law No. 39 of 2022 on AML/CFT and Paragraph (1) of Article (14) of the AML/CFT Instructions for Financial Institutions No. (4) of 2022).

Criterion 10.13: In addition to the due diligence measures, financial institutions are required to consider the beneficiary of a life insurance policy as a risk factor when determining the applicability of enhanced due diligence measures. If the financial institution determines that the beneficiary of the insurance policy, as a legal person or legal arrangement, represents a high risk, enhanced due diligence measures must be applied. These measures should include reasonable actions to identify the beneficial owner of the insurance policy and verify their identity at the time of the payout. When the financial institution determines that the beneficiary of the insurance policy, as a legal person or legal arrangement, represents a high risk, enhanced due diligence measures must be applied in accordance with the provisions of Article (26) of the AML/CFT Instructions for Financial Institutions No. (4) of 2022, including reasonable actions to identify the beneficial owner of the insurance policy and verify their identity at the time of the payout, as stipulated in Articles (9, 10) of the Instructions. This is in addition to the due diligence measures required for customers and beneficial owners in accordance with the provisions of the same instructions. (Paragraph (2) of Article (13) of Decree-Law No. 39 of 2022 on AML/CFT and Paragraph (2) of Article (14) of the AML/CFT Instructions for Financial Institutions No. (4) of 2022).

Timing of verification

Criterion 10.14 (a, b, c): Financial institutions are required to verify the identity of the customer and the beneficial owner before or during the course of establishing a business relationship or conducting transactions for occasional customers. The verification process for the customer and the beneficial owner may be completed after the establishment of the business relationship, provided that the verification is deferred based on effective management of the ML/TF risks and in this case, the verification must be completed as soon as possible and must not hinder the normal course of business operations. This applies when a business relationship is established and transactions are executed from time to time. (Paragraph (5) of Article (11) of Decree-Law No. 39 of 2022 on AML/CFT and Article (13) of the AML/CFT Instructions for Financial Institutions No. (4) of 2022).

Criterion 10.15: Financial institutions are required to adopt risk management procedures in circumstances where a customer may benefit from a business relationship before the verification process is completed. The financial institution must adopt appropriate risk management measures regarding circumstances where a customer may benefit from the business relationship prior to the verification process. This should include a range of measures such as setting limits or caps and implementing controls on the number and type and/or volume of transactions or operations that can be carried out. Additionally, the institution must monitor large or complex transactions that exceed the expected parameters for this type of relationship.

The cases in which it is prohibited to postpone the verification process are (a) indicators of existing high risks, (b)where there is suspicion of ML/TF, (c) when it is related to the basic information of the customer's identity such as information of identity card or passport or documents related to the identity of the legal person or arrangement. (Paragraph (6) of Article (11) of Decree-Law No. 39 of 2022 on AML/CFT, and Paragraph (2) of Article (13) of the AML/CFT Instructions for Financial Institutions No. 4 of 2022).

Existing customers

Criterion 10.16: Financial institutions are required to apply these due diligence measures to their existing customers on the basis of materiality and risk from the date the Decree-Law came into force. Due diligence measures should be applied to ongoing business relationships at appropriate times, taking into account whether due diligence was previously conducted, when it was carried out, and the adequacy of the information obtained. The Instructions issued to financial institutions also require to (1) apply due diligence measures to existing customers based on materiality and risk, from the date these instructions come into force, (2) implement due diligence measures for existing business relationships at appropriate times, considering whether they were applied previously, when they were applied, and the adequacy of the information obtained. (Article (2) of Decree-Law No. 39 of 2022 on AML/CFT, and Article (29) of the AML/CFT Instructions for Financial Institutions No. 4 of 2022).

Risk-Based Approach

Criterion 10.17: Financial institutions are required to identify high risks and apply enhanced measures when the ML/TF risks are higher, in order to manage and mitigate those risks. This includes implementing enhanced due diligence measures. This is done by increasing the level and nature of monitoring the business relationship to determine if the transactions or activities seem unusual or suspicious. This includes applying a set of enhanced due diligence measures to high-risk business relationships. (Article (14) of Decree-Law No. 39 of 2022 on AML/CFT, and Article (26) of the AML/CFT Instructions for Financial Institutions No. 4 of 2022).

Criterion 10.18: Financial institutions may apply simplified due diligence measures when they determine that the ML/TF risk is lower. These risks must be determined based on the risk assessment outlined in Article (9) of this Law, and the instructions and/or guidelines issued by the competent authority. However, simplified due diligence measures may not be applied in cases where there is suspicion of ML/TF, in high-risk cases, or where financial institutions have failed to comply with the obligations imposed on them under this Law. (Article (15) of Decree-Law No. 39 of 2022 on AML/CFT).

A financial institution may apply simplified due diligence measures as part of the simplified measures when the following conditions are met collectively: (a) There is sufficient risk analysis by the country, and financial institutions have met all their obligations related to risks as outlined in the Instructions issued to financial institutions, (b) The risk-based approach is applied in accordance with Article (25) of the Instructions, (c) When the ML/TF risk is lower, taking into account the nature of these risks and their alignment with the low-risk factors outlined in Article (23) of the Instructions, (d) Simplified due diligence measures are applied according to the instructions issued by the competent authority or the committee in this regard. Furthermore, according to paragraph (2) of the same article, financial institutions are prohibited from applying simplified due diligence measures in the following cases: (a) There is suspicion of ML/TF, (b) High-risk situations are identified, (c) Any of the conditions mentioned in paragraph (1) of this article are not met. (Article (28) of the AML/CFT Instructions for Financial Institutions No. 4 of 2022).

Failure to satisfactorily complete CDD

Criterion 10.19 (a, b): If financial institutions are unable to comply with their due diligence obligations as outlined in the decree-law, regulations, or instructions issued pursuant to it, they must not open the account, execute the transaction, or establish the business relationship. When it comes to their existing customers or business relationships, they must terminate the business relationship and consider filing a suspicious activity report to the FIU. (Article (17) of the AML/CFT Law No. 39 of 2022, and Article (17) of the AML/CFT Instructions for Financial Institutions No. 4 of 2022).

CDD and tipping-off

Criterion 10.20: In cases of suspicion of ML/TF, if Financial Institution reasonably believe that applying due diligence would lead to tipping-off the customer, it may decide not to pursue the CDD process and file an STR to the FIU. (Article (18) of the AML/CFT Law No. 39 of 2022, and Article (18) of the AML/CFT Instructions for Financial Institutions No. 4 of 2022).

Weighting and Conclusion: The State of Palestine has met all criteria of this recommendation.

Recommendation 11 - Record Keeping

The State of Palestine did not undergo the first round of the mutual evaluation process as it was an observer member of the MENAFATF at that time.

Criterion 11.1: Financial institutions are required to maintain all records and documents related to domestic or international transactions, both commercial and monetary, for a minimum of (10) years from the date the transaction is completed. (Paragraph (1) of Article (21) of the AML/CFT Law No. 39 of 2022, and Article (30) of the AML/CFT Instructions for Financial Institutions No. 4 of 2022).

Criterion 11.2: Financial institutions are required to keep all accounts files, business correspondence, and the results of any analysis conducted, along with all records obtained through due diligence measures, for a minimum of (10) years from the date the business relationship ends or from the date the occasional transaction is completed. (Paragraph (1) of Article (21) of the AML/CFT Law No. 39 of 2022, and Article (30) of the AML/CFT Instructions for Financial Institutions No. 4 of 2022).

Criterion 11.3: There is a requirement that the records to be maintained by financial institutions must be sufficient to allow for the reconstruction of individual transactions, so that they can provide evidence, if necessary, in criminal proceedings for money laundering, terrorist financing, or predicate offences.(Paragraph (3) of Article (21) of the AML/CFT Law No. 39 of 2022, and Article (30) of the AML/CFT Instructions for Financial Institutions No. 4 of 2022).

Criterion 11.4: Financial institutions are required to provide the records they are mandated to retain as soon as possible to the competent authorities and judicial bodies upon request, in accordance with the applicable legislation. Additionally, all bodies, entities, and competent authorities, including supervisors, financial institutions, and DNFBPs in the country, must provide the FIU with any information it requests to fulfil its duties under the provisions of this Law. The required information must be provided immediately and without delay, within the timeframe set by the FIU. Furthermore, the entities obligated to report must promptly provide or make available to the FIU any additional information related to its tasks under the provisions of this Law, within the time frame set by the FIU, including information related to daily transaction reports. (Paragraph (1) of Article (21) of the AML/CFT Law No. 39 of 2022, Articles (25) and (40) of the AML/CFT Law No. 39 of 2022, and Article (30) of the AML/CFT Instructions for Financial Institutions No. 4 of 2022).

Weighting and Conclusion: The State of Palestine has met all criteria of this recommendation.

Recommendation 12 - Politically Exposed Persons (PEPs)

The State of Palestine did not undergo the first round of the mutual evaluation process as it was an observer member of the MENAFATF at that time.

Criterion 12.1 (a, b, c, d): The definition of politically exposed persons (PEPs) in Palestinian law aligns with the definition provided by the FATF methodology. Financial institutions are required, when assessing ML/TF risks, to take into account all factors of heightened risks related to customers, countries or geographical areas, products, services, operations, and delivery channels or service channels, including politically exposed persons (PEPs) as representatives of such risks. The FIU issued a guidance on PEPs in 2022, titled "Politically Exposed Persons Guidelines."

According to Article (12) of AML/CFT Law No. 39 of 2022, in addition to taking due diligence measures for customers as outlined in Article (10) of the same Law, financial institutions must comply with specific obligations regarding foreign politically exposed persons (PEPs):

- put in place risk management systems to determine whether a customer or the beneficial owner is a PEP;
- obtain senior management approval before establishing (or continuing, for existing customers) such business relationships; and take reasonable measures to establish the source of wealth and the source of funds of customers and beneficial owners identified as PEPs; based on the legally accepted documents to verify their source,
- conduct enhanced ongoing monitoring on that relationship.

(Articles (10) and (12) of AML/CFT Law No. 39 of 2022 and Article (22) of the AML/CFT Instructions for Financial Institutions No. 4 of 2022).

Criterion 12.2 (a, b): Regarding domestic politically exposed persons (PEPs) or officials of international organizations, financial institutions are required to:

a) Take appropriate and sufficient measures to determine whether the customer or the beneficial owner is such a person.

b) Apply the provisions (b, c, d) of paragraph (1) of this article when there is a higher risk business relationship with these persons. (Article (2) of Article (12) of the AML/CFT Law No. 39 of 2022).

Criterion 12.3: Financial institutions are required to apply the same requirements to the family members or close associates of politically exposed persons (PEPs). (Paragraph (3) of Article (12) of the AML/CFT Law No. 39 of 2022).

Criterion 12.4: Financial institutions offering life insurance policies are required to determine whether the beneficiary or beneficial owner is a politically exposed person (PEP) at the latest at the time of the payout. When higher risks are identified, the following actions must be taken:

a) Inform senior management before the payout of the policy proceeds

b) Conduct a thorough and enhanced scrutiny of the whole business relationship of the policyholder.

c) Consider filing a suspicious transaction report to the FIU in accordance with the provisions of this law. (Paragraph (3) of Article (13) of AML/CFT Law No. 39 of 2022).

Weighting and Conclusion: The State of Palestine has met all criteria of this recommendation.

Recommendation 13 - Correspondent Banking

The State of Palestine did not undergo the first round of the mutual evaluation process as it was an observer member of the MENAFATF at that time.

Financial institutions in Palestine do not operate as correspondent institutions for other financial institutions across borders, in accordance with the FATF methodology. Palestinian banks are considered only respondent banks. As defined in Article (1) of the AML/CFT Instructions for Financial Institutions No. (4) of 2022, correspondent relationships are defined as banking services provided by the “correspondent bank” to another bank “the respondent bank”, which include services such as cash management, multi-currency interest-bearing accounts, international wire or electronic money transfers, check clearing, correspondent payment accounts, and foreign exchange services.

Criterion 13.1 (a, b, c, d): Financial institutions are required to take several measures in the context of cross-border relationships with correspondent banks and other similar relationships. (Article (16) of the AML/CFT Law No. 39 of 2022, and Article (19) of the AML/CFT Instructions for Financial Institutions No. 4 of 2022), specifies the following obligations:

Sub-criterion 13.1 (a): Financial institutions are required to identify and verify the respondent institutions with which they establish banking relationships and gather sufficient information about the respondent institution to fully understand the nature of the activities it performs. Additionally, they must assess the reputation of the respondent institution and the nature of the oversight to which it is subject, based on publicly available information. The financial institution should also consider whether the institution has been subject to a ML/TF investigation or regulatory/ supervisory action. The financial institution must gather sufficient information to reach a comprehensive understanding of the respondent institution’s operations, using published information to understand the institution’s reputation and the level of supervision it is under, and verify whether it has been subject to a ML/TF investigation or regulatory action.

Sub-criterion 13.1 (b): Financial institutions are required to assess the controls implemented by the respondent institution for AML/CFT, including the adequacy of their policies and work procedures, the risk-based approach, the availability of systems and programs, and any AML/CFT specific questionnaires. The financial institution must assess the AML/CFT controls used by the respondent institution.

Sub-criterion 13.1 (c): There is a legal and regulatory obligation requiring the approval of senior management before establishing new correspondent relationships.

Sub-criterion 13.1 (d): Financial institutions are required to clearly understand the responsibilities of each institution in AML/CFT field.

The provisions outlined above apply to other relationships similar to correspondent banking relationship, such as those arising from securities transactions or money transfers, whether for the benefit of a financial institution across borders in its capacity as the principal or on behalf of its clients.

Criterion 13.2 (a, b): Financial institutions are required, in the case of payable-through accounts (correspondent payment accounts), to ensure that the respondent institution has carried out due diligence on customers who have direct access to those accounts, and that it is able to provide relevant due diligence information upon request. (Paragraph 7 of Article 16 of AML/CFT Law No. 39 of 2022, and paragraph 3 of Article 19 of the Regulations for financial institutions).

Criterion 13.3: Financial institutions are prohibited from entering into or continuing correspondent banking business, operations, or any business relationship with shell banks or allowing them to use their accounts. (Subsection (b) of paragraph (2) of Article 7 of AML/CFT Law No. 39 of 2022, and paragraph (3) of Article 19 of the Regulations for financial institutions).

Weighting and Conclusion: The State of Palestine has met all criteria of this recommendation.

Recommendation 14 - Money or Value Transfer Services (MVTS)

The State of Palestine did not undergo the first round of the mutual evaluation process as it was an observer member of the MENAFATF at that time.

Criterion 14.1: The Palestine Monetary Authority is the regulatory authority responsible for regulating, licensing, and supervising banking activities. It grants licenses for exchange services and oversees them. The provision of money or value transfer services in the State of Palestine is limited to banks and some licensed exchange offices that have obtained prior approval from the Authority to offer these services, in accordance with paragraphs (2) and (13) of Article (5) of the Palestine Monetary Authority Law No. (2) of 1997.

First: Banks

Palestinian law prohibits any person (individual or legal entity) from engaging in any banking activities in Palestine without obtaining a prior license issued by the Palestine Monetary Authority. The law specifies the procedures for granting licenses to banks and defines the activities that banks are permitted to engage in, including money transfer services. (Articles (6), (7), (8), and (13) of the Banking law No. (9) of 2010).

Second: Exchange offices

It is prohibited for any person to engage in exchanging activities without obtaining a license from the Palestine Monetary Authority. Any person wishing to engage in exchanging activities must submit a licensing application to the Authority according to the instructions issued by it in this regard. A new person wishing to engage in exchanging activities can only be licensed by the Authority through a company registered in accordance with the applicable Companies Law. The activities allowed for exchange offices, including issuing and accepting remittances within and outside Palestine, are specified by the Decision on the on Licensing and Supervising the Currency Exchange Profession No. (40) of 2022. An exchange office must submit a written request to the Authority to obtain prior approval for providing external and fast remittance services. (Articles (3), (4), and (6) of the Decision on the Licensing and Supervising the Currency Exchange Profession No. (40) of 2022, and Article (4) of the Regulations for Money Transfer No. (6) of 2022).

Third: Payment Service Companies

It is prohibited for any person to provide any payment services or fintech services without obtaining a license from the Palestine Monetary Authority. For the purpose of registration with the Ministry of National Economy and completing the licensing request with the Authority, any person wishing to provide payment services, financial technology services, or virtual asset services must obtain the written approval of the Authority prior to registration in accordance with the instructions issued by the Authority. (Paragraphs (1) and (3) of Article (8) of the National Payments Law No. (41) of 2022).

Fourth: Specialized Lending Institutions

A legal person wishing to engage in any of the specified activities must apply for the necessary license from the Palestine Monetary Authority. It is prohibited for any person to engage in any of these activities without obtaining prior authorization from the Authority. A specialized lending institution may provide retail remittance services in accordance with the relevant instructions and may act as an agent for payment services in accordance with the relevant instructions.

Additionally, it is prohibited for any person to engage in lending and/or financing activities in Palestine without obtaining prior approval from the Authority. There is a general rule in the instructions related to issuing and receiving financial remittances, which states that, subject to any provisions in other legislation, no person may provide money transfer or value services without the prior written approval of the Authority.

(Article 1 of Article 3, and paragraphs (b) and (c) of Article 5 of Decision No. (55) of 2022, amending Decision No. (132) of 2011 regarding the licensing and supervision of specialized lending institutions, Article 1 of Article 23 of the Regulations for Licensing Specialized Lending Institutions in Palestine No. (3) of 2016, and Article 1 of Article 9 of Regulations for Sending and Receiving Financial Transfers – for all financial institutions).

Criterion 14.2: The AML/CFT National Committee, (based on the efforts of the FIU), has issued a special mechanism for identifying unlicensed providers of financial institutions, DNFBPs, and virtual assets activities, including those related to money or value transfers. The mechanism relies on a range of information sources to enable the identification of these service providers and activities without licenses, such as (licensing requests, media outlets, suspicious reports, notifications from financial institutions, complaints from other individuals and relevant authorities in the country, LEAs reports, and international reports). This mechanism also requires all relevant authorities (each in its respective area) to take necessary actions and cooperate with other relevant authorities and the private sector in the country to identify these individuals and apply appropriate and proportionate penalties. Additionally, authorities are empowered to take any further actions that assist in identifying and punishing these individuals, provided such actions do not conflict with the legal systems of the country.

First: Banks

No person in Palestine is allowed to use the word "Bank" or its equivalents, or any similar expression in any language in their documents, publications, trade names, titles, or advertisements unless they have obtained a license issued by the PMA, and unless this usage is in accordance with any applicable legislation or international agreement to which the Palestinian Authority is a party. The representative office of a foreign bank is permitted to use the word "Bank", if it forms part of the foreign bank's name, provided that the term "Representative Office" is used as part of the designation.

The PMA maintains a central register for all types of banks, representative offices, licensed specialized lending institutions, and exchange offices, recording all relevant information about them. The Authority publishes, at the beginning of each year, in the Official Gazette at the applicant's expense, along with three daily newspapers, a list of all banks licensed to conduct banking operations in Palestine, all licensed specialized lending institutions, and all licensed exchange offices. Additionally, the Authority publishes any approvals for new license grants directly in the Official Gazette, as well as any changes to the list on a regular basis.

There are financial penalties not less than USD 5,000 (five thousand US dollars) and not exceeding USD 250,000 (two hundred and fifty thousand US dollars), or their equivalent in legal tender in Palestine, for violating several provisions of the law, including those related to licensing. The Public Prosecutor, or their representative, is authorized to close any premises found to be engaged in banking operations without obtaining the necessary licenses from the PMA (PMA). The closure may be temporary or permanent if a violation of the provisions of the law is confirmed.

It is prohibited for any bank to grant sub-agencies to any person to conduct the banking activities permitted and defined by law without obtaining the prior written approval of the PMA.

The exchange office is permitted to provide money transfer services as a sub-agent for the bank (the principal agent for a fast money transfer company) under several conditions, including that the exchange office has obtained prior written approval from the PMA for the customer to act as a sub-agent for the bank. According to paragraph (7) of the same article, the exchange office can provide fast money transfer services as a principal agent and/or external transfers under several conditions, including obtaining the PMA's prior written approval to operate in fast money transfers as a principal agent and/or external transfers. According to article (9) of these instructions, anyone who violates these provisions will be penalized according to the sanctions specified under the Banking Law and Decree-Law No. 39 of 2022 on AML/CFT.

It is prohibited for any person to provide money transfer services or the transfer of value without obtaining prior written approval from the PMA. According to article (11), anyone who violates the provisions of these instructions will be penalized according to the provisions of the law.

(Paragraph (1) of article (4), article (5), article (6), and article (54) of the Banking Law No. 9 of 2010), paragraph (1) of article (2) of the PMA's instructions regarding the granting of sub-agencies by banks, Special Agency Instructions for Banks No. 12 of 2019, paragraph (6) of article (3) of the

Instructions regarding the opening and management of exchange office accounts No. 21 of 2021, and paragraph (1) of article (9) and article (11) of the regulations on the issuance and receipt of money transfers – Banks).

Second: Exchange Offices

As previously mentioned, it is prohibited for any person to provide money or value transfer services without obtaining prior written approval from the PMA. The Authority may request the relevant authorities to take the necessary legal action against any person found to be engaging in exchange operations without obtaining prior authorization from the Authority. The Authority may also request any person to provide their books, documents, and accounts if there is suspicion that they are conducting exchange operations without the required license.

Any exchange office that violates the provisions of the Decree-Law on Licensing and Supervising the Currency Exchange Profession, and the regulations, instructions, and circulars issued pursuant to it, shall be fined an amount not less than USD 100 and not exceeding USD 10,000 or its equivalent in legal tender. The Authority may also take the necessary measures to identify natural and legal persons engaged in exchange operations, intermediary services, or working as agents, or who are transferring money or value without obtaining the necessary approvals and licenses as required under the provisions of the Decree-Law and the regulations issued pursuant to it.

Any natural person engaged in exchange operations, acting as an intermediary, working as an agent, or transferring money or value without obtaining the necessary approvals and licenses in accordance with the provisions of the Decree-Law and the regulations issued pursuant to it shall be subject to imprisonment for a period not exceeding one year or a financial fine not less than USD 2,000 and not exceeding USD 15,000 or its equivalent legal tender, or both penalties. Any legal person engaged in exchange operations, acting as an intermediary, working as an agent, or transferring money or value without obtaining the necessary approvals and licenses in accordance with the provisions of the Decree-Law and the regulations issued thereunder shall be subject to a financial fine not less than USD 10,000 and not exceeding USD 50,000, or its equivalent in legal tender.

An exchange office must submit a written request to the PMA to obtain prior approval to provide external and fast money transfer services. Any company without such approval shall be considered in violation of the relevant legislation.

(Paragraphs (7) and (8) of article (3) and article (24) of the Decree-Law on Licensing and Supervising the Currency Exchange Profession No. 40 of 2022, and article (4) of Regulations for Money Transfer No. 6 of 2022.)

Third: Specialized Lending Institutions

- Paragraph (1) of article (9) of the regulations on the issuance and receipt of money transfers – for all financial institutions – stipulates: "Without prejudice to any legislation, it is prohibited for any person to provide money or value transfer services without obtaining prior written approval from the PMA." According to article (11) of the same instructions, anyone who violates the provisions of these instructions will be penalized according to paragraph (3) of article (33) of Decree No. (132) of 2011 on Licensing and Supervising Specialized Lending Institutions.

- Paragraph (3) of article (33) of the Decree on the on Licensing and Supervising Specialized Lending Institutions No. (132) of 2011 states: "Without prejudice to the specific provisions outlined in this regulation, anyone who violates the provisions of this regulation and the instructions issued pursuant to it shall be fined an amount not less than USD 1,000 and not exceeding USD 100,000, or its equivalent in legal tender in Palestine." Paragraph (7) of the same article stipulates that: "If any of the measures outlined in this article are taken, this does not exempt the individual from civil and criminal liability in accordance with the applicable laws".

Fourth: Payment Service Companies

- Paragraph (1) of article (9) of the regulations on the issuance and receipt of money transfers No. (2) of 2022 – Payment Service Companies – stipulates: "Without prejudice to any legislation, it is prohibited for any person to provide money or value transfer services without obtaining prior written approval from the PMA." According to article (11) of the same instructions, anyone who violates the provisions of these instructions will be penalized in accordance with the provisions of the Decree-Law on the National Payment No. (41) of 2022.
- Paragraph (4) of article (17) of the Decree-Law on the National Payment No. (41) of 2022 states: "Anyone who engages in providing payment services, financial technology, or dealing with virtual assets without obtaining the necessary approvals and licenses as imposed under the provisions of this Decree-Law and the instructions issued thereunder shall be punished with imprisonment for a period not less than two weeks and not exceeding two years, or a financial fine not less than USD 2,000 and not exceeding USD 50,000, or its equivalent in legal tender, or both penalties". According to paragraph (5) of the same article (17), anyone who engages in the activities of payment services, financial technology, or dealing with virtual assets without the necessary licenses shall be referred to the Public Prosecutor for the necessary legal action.

Criterion 14.3: The supervisors are responsible for overseeing, monitoring, and ensuring the compliance of financial institutions, DNFBPs, and NPOs (including all entities engaged in money or value transfer activities) with the requirements set forth in the Decree-Law on AML/CFT, its executive regulations, instructions, and guidelines issued pursuant to it, and ensuring their adherence to these requirements. (Paragraph (1) of article (24) of Decree-Law No. 39 of 2022 on AML/CFT, and article (2) of the Identifying Supervisors for Financial Institutions, DNFBPs, and NPOs for AML/CFT Purposes No. (1) of 2023).

Criterion 14.4: For agents providing money or value transfer services related to express remittances, this is limited to the sub-agencies and main agencies granted to banks and exchange offices only (i.e., they are fully subject to the licensing of the PMA, as outlined in Criterion 14.1

above and Recommendation 26, and are supervised as described in Recommendation 27). At the same time, the list of these agents is easily accessible to the PMA, as they are originally licensed by it and have obtained its approval. (Paragraph (6) of article (3) of the Instructions regarding the opening and management of exchange office accounts No. (21) of 2021, article (5) of the Banking law No. (9) of 2010, paragraph (1) of article (2) of the PMA's Instructions on Granting Banks Sub-Agencies No. (12) of 2019, and paragraphs (1) and (7) of article (3) and article (4) of the Instructions Regulating the Relationship Between Payment Service Companies and Agents No. (5) of 2021).

Criterion 14.5:

First: Banks/exchange houses

It is prohibited for any bank to grant sub-agencies to any person to conduct banking activities permitted and defined by law without obtaining prior written approval from the PMA, subject to several conditions, including paragraph (c), which stipulates that agents must be subject to AML/CFT programs, financial transaction monitoring, and inclusion in training programs on service delivery requirements, including the application of customer identification, verification, and due diligence procedures.

For agents providing money or value transfer services related to express remittances, this is limited to sub-agencies and main agencies granted to banks and exchange offices only, which are already applying AML/CFT programs, and are supervised by the PMA.

Second: Payment Services Companies

The service provider, when contracting with a principal agent, is required to provide adequate knowledge and training to the principal agent to perform the tasks assigned to them, including due diligence procedures and AML/CFT requirements. The principal agent may contract with sub-agents to provide the payment service, subject to several conditions, including that the service provider assumes responsibility for performing due diligence, verification, and KYC procedures for all principal and sub-agents. Paragraph (8) of article (5) of the Instructions Regulating the Relationship Between Payment Service Companies and Agents No. (5) of 2021 stipulates that the service provider remains responsible for ensuring that all principal and sub-agents comply with the applicable laws and instructions. Additionally, a compliance officer with competence and experience in the relevant laws and instructions, including AML/CFT, due diligence, and staff training, must be appointed at exchange offices to enhance their capabilities in relation to the laws and instructions regulating the exchange profession in Palestine, enabling them to apply AML/CFT procedures.

(Paragraph (1) of article (2) of the PMA's Instructions on Granting Banks Sub-Agencies No. (12) of 2019, and paragraphs (11) of article (3) and article (5) of the Instructions Regulating the Relationship Between Payment Service Companies and Agents No. (5) of 2021).

Weighting and Conclusion: The State of Palestine has met all criteria of this recommendation.

Recommendation 15 - New Technologies

The State of Palestine did not undergo the first round of the mutual evaluation process as it was an observer member of the MENAFATF at that time.

The assessment team found that the definitions of both virtual assets and VASPs, as stipulated in articles (1) and (4) of Decree-Law No. 39 of 2022 on AML/CFT, and article (1) of the Decree-Law on the National Payment No. 41 of 2022, are consistent with the definition provided by the FATF.

There is a prohibition on trading virtual assets or acting as an VASP in the State of Palestine, based on the provisions of paragraph (1) of article (14) of Decree-Law No. 41 of 2022 on the National Payment, which stipulates that it is prohibited for any person or entity to trade with virtual assets or act as a provider of virtual asset services in the State of Palestine, until such activities are regulated by the PMA through instructions issued for this purpose.

The country has confirmed that, to date, the PMA has not issued any instructions allowing the trading of virtual assets or licensing VASPs, and no licenses have been granted to any entity to provide virtual asset services in the State of Palestine. It is not currently foreseen that this will be permitted in the near future.

Furthermore, the country has conducted an evaluative study on the risks associated with virtual assets and VASPs in the country, involving several stakeholders. However, the assessment team has not been provided with access to the mentioned study.

New technologies

Criterion 15.1: The country has not provided evidence that it is identifying and assessing the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products.

Subparagraph (a) of paragraph (1) of article (31) of Decree-Law No. 39 of 2022 on AML/CFT, concerning the responsibilities of the committee related to risks, stipulates: "In addition to the committee's responsibilities outlined in article (30) of this Decree-Law, the committee shall (1) Coordinate actions to identify and assess the ML/TF/PF risks, and obtain all necessary information from the supervisory and relevant authorities to carry out and update this assessment, which must include (a) the risks that may arise from the development or use of new products or technologies and the development of new business practices, including new delivery mechanisms, and those arising from the use of new or developing technologies for both new and pre-existing products."

Criterion 15.2 (a, b): Paragraph (4) of article (9) of the aforementioned Decree-Law requires financial institutions and DNFBPs to undertake several actions, including identifying and assessing the ML/TF/PF risks that may arise from the development of new products and business or commercial practices, including risks related to new delivery mechanisms, and those arising from the use of new or developing technological techniques associated with both pre-existing and new products. For this purpose, they must assess these risks before launching these products, practices, or technological techniques, and take appropriate measures to manage and mitigate the risks arising from them.

Additionally, article (24) of the Instructions for Financial Institutions No. (4) of 2022 requires financial institutions to conduct a risk assessment before launching or using products, practices, or technologies, and to take appropriate measures to manage and mitigate those risks.

Article (15) of the PMA's Regulations on Market Controls and Customer Rights Protection No. (5) of 2023 stipulates that: A bank must obtain prior written approval for any new programs, products, services, or technologies. It must also notify the PMA in case of any modifications to previously approved products, services, or technologies. This includes new programs related to existing products or services at the bank. The request must include a report proving that the bank has done the following:

"Identify and assess all risks associated with the new product, service, or technology, or any modifications to them, including ML/TF risks".

Article (3) of the PMA's Regulations issued for Specialized Lending Institutions regarding Customer Rights Protection stipulates that: The institution must obtain prior written approval from the PMA for any new product, service, or technology, or for any modifications to them. The request must include a report proving that the institution has done the following:

1. Identify and assess all risks associated with the new product, service, or technology, or any modifications to them, including ML/TF risks.
2. Identify all controls and measures required for risks management and mitigation.

The circulations issued by the PMA for banks (No. 249/2019), for specialized lending institutions (No. 250/2019), for exchange offices (No. 251/2019), and for payment service companies (No. 252/2019) require the identification and assessment of all risks associated with the new service, product, or technology, including ML/TF risks. This must be done before launching or introducing any new financial or banking products and/or using new technologies or modifying and developing previous products and services. Additionally, the necessary controls and measures must be put in place to manage and mitigate those risks.

Virtual assets and virtual asset service providers

Criterion 15.3 (a, b, c): The state conducted an evaluative study on the risks associated with virtual assets and virtual asset service providers in the country, aimed at defining the scope and context of virtual assets and virtual asset service providers, as well as studying the legal and regulatory framework governing this sector. Several entities participated in this study, including the FIU, the supervisors on financial institutions, the Public Prosecution, the Ministry of Communications and Information Technology, and LEAs. Data and information used in the study were gathered from various sources through the design of five different forms to collect statistics and information from different sectors in the country, as well as from open data sources.

Sub-criteria 15.3 (a, b): The ML/TF risks arising from virtual asset activities and the activities or operations of virtual asset service providers are identified and assessed. Subparagraph (b) of paragraph (1) of article (31) of Decree-Law No. 39 of 2022 on AML/CFT, regarding the responsibilities of the committee related to risks, stipulates: "In addition to the committee's responsibilities outlined in article (30) of this Decree-Law, the committee shall: (1) Coordinate actions to identify and assess the ML/TF/PF risks, and obtain all necessary information from the supervisory and relevant authorities to carry out and update this assessment. The assessment must include: (b) the risks arising from virtual asset activities or the activities and operations of virtual asset service providers."

Paragraphs (2) and (3) of the same article mentioned above stipulates that the results of the risk assessment process should be referred to all relevant authorities and supervisors, financial institutions, and DNFBPs, as well as promoting an appropriate understanding of the ML/TF risks in the country, in addition to allocating resources, setting policies and strategies based on those risks, regularly reviewing them, issuing the necessary instructions in this regard, and taking the necessary actions to mitigate the risks.

The assessment team reviewed the summary of the aforementioned assessment and the results of the analytical study on the risks associated with virtual asset activities and their service providers in Palestine, including their level of activity and potential for misuse in ML/TF operations. Data was collected and analysed in cooperation with the relevant authorities in the country, including a field study and technical analysis. This resulted in the identification of the types of activities offered and the entities providing them. The analysis concluded that the banking and exchange office sectors were the ones where interactions between virtual asset activities and the activities or operations of virtual asset service providers were observed. The services identified in these interactions involved virtual asset exchanges and fiat currency exchanges, particularly those provided by foreign-based virtual asset exchange service providers. The risk associated with virtual asset service providers (trading service providers) was assessed as "high" for all types of services provided by them. Similarly, the risk level of trading assets was also assessed as "high."

The level of risk mitigation controls was determined to be "low" (due to the existence of a regulatory framework for the sector, the effectiveness of LEAs in investigating, tracing, and confiscating virtual assets, managing those assets, in addition to the effectiveness of regulatory measures to track unauthorized activities and enforce penalties). Therefore, the level of residual risk is “high”.

Based on the aforementioned study, several recommendations were made, including recommendations:

1. Directed at regulatory authorities, financial institutions, and DNFBPs, regarding the enhancement of monitoring and follow-up related to the potential misuse of their sectors in money laundering and terrorist financing through virtual asset transactions.

2. Directed at the Public Prosecution and LEAs, particularly regarding the enhancement of investigative capabilities and tracking transactions in this sector, especially those conducted informally, as well as the seizure and confiscation of such assets.

Palestine has implemented several measures to enforce the imposed ban. In 2022, the AML/CFT National Committee issued a mechanism for identifying unlicensed providers of financial institution activities, DNFBPs, and virtual assets activities. This mechanism outlines the necessary procedures to identify unlicensed service providers and activities, including those related to virtual assets, in order to take the appropriate legal actions against them.

The PMA has issued several circulars to banks, exchange offices, and payment service companies, mandating compliance with the ban on dealing in virtual currencies in any form. This includes implementing the necessary measures and controls to prevent such transactions, including exchanging them for other currencies, or conducting other financial transactions. Additionally, the circulars require raising customer awareness about the risks of dealing with virtual currencies, clarifying that the providers of these currencies are unlicensed and not subject to oversight by any regulatory authority. The circulars also highlight that these currencies are (highly volatile, can cause significant financial losses for those who trade with them, are not guaranteed by any entity, are subject to fraud and cybercrime, are difficult for individuals to trace or recover, and may be used to finance illicit activities).

Specialized lending institutions have confirmed the ban on dealing in any form with virtual currencies of all types.

A workshop was also held for security agencies and the Public Prosecution on investigating cybercrimes, cryptocurrencies, and the dark web, as part of the measures to ensure the enforcement of the ban. Additionally, based on the first recommendation of the risk assessment, a circular was issued to banks to ensure full compliance with the following (Circular No. 65/2023):

1. Identifying global e-commerce platforms and marketplaces that deal with virtual assets or provide virtual asset services for the purpose of banning dealings with them, including coordination with global payment card companies and providers of fast money transfer services.
2. Implementing controls on banking systems, money transfer systems, and bank cards to detect and prevent any financial transactions related to dealing with virtual assets and currencies, including prohibiting the execution of any payments or receipts with merchants, e-commerce platforms, or point-of-sale systems identified as providing virtual asset and currency services.
3. Informing the AML/CFT Department at the PMA of customer data suspected of dealing in virtual assets and currencies.

4. Raising awareness among employees and customers about the risks of using bank accounts and products for conducting transactions related to virtual assets or acting as a provider of virtual asset services.
5. Providing the PMA with the measures taken to comply with the ban on dealing with virtual assets.

Sub-criterion 15.3 (c): Not applicable

Criterion 15.4 (a, b) (Not Applicable): (see analysis of criterion 15.3).

Criterion 15.5: the country takes actions to identify natural or legal persons that carry out VASPs activities without the requisite license or registration and apply appropriate sanctions to them. Based on the Paragraph 2 of Article 14 of the Decree-Law on National Payments No. 41 of 2022:

1. It is prohibited for any person or entity to trade in virtual assets or act as a provider of virtual asset services in the State of Palestine until such activities are regulated by the PMA through instructions issued for this purpose.
2. The relevant authorities, in coordination with the PMA, are responsible for identifying individuals who engage in virtual asset activities or virtual asset service providers without a license and referring them to the Public Prosecution.

Paragraphs (4) and (5) of article (17) of the same Decree-Law stipulate the penalties imposed on those who engage in virtual asset service provider activities without obtaining the necessary license or registration: Anyone who engages in providing payment services, financial technology, or dealing with virtual assets without obtaining the necessary approvals and licenses as required by this Decree-Law and the instructions issued pursuant to it shall be subject to imprisonment for a period not less than two weeks and not exceeding two years, or a financial fine not less than USD 2,000 and not exceeding USD 50,000, or its equivalent in legal tender, or both penalties, and anyone who engages in payment services, financial technology, or virtual asset activities without the necessary licenses shall be referred to the Public Prosecution for the necessary legal action.

The mechanism for identifying unlicensed providers of financial institution activities, DNFBPs, and virtual assets requires reliance on a range of information sources to enable the identification of unlicensed service providers and activities. The mechanism also requires all relevant authorities (each within their scope) to take the necessary actions and cooperate with other relevant authorities and the private sector in the country to identify these individuals and impose appropriate and dissuasive penalties against them. Additionally, all relevant authorities must coordinate with the PMA when taking the actions outlined in the mechanism, particularly regarding the identification of unlicensed virtual asset service providers and referring them to the Public Prosecution, pursuant to article (14) of Decree-Law No. (41) of 2022 on the National Payments.

Criterion 15.6 (Not Applicable): (see analysis of criterion 15.3).

Criterion 15.7 (Not Applicable): (see analysis of criterion 15.3).

Criterion 15.8 (Not Applicable): (see analysis of criterion 15.3).

Criterion 15.9 (Not Applicable): (see analysis of criterion 15.3)

Criterion 15.10 (Not Applicable): (see analysis of criterion 15.3).

Criterion 15.11: The country provides, as quickly as possible, the maximum level of cooperation in relation to money laundering, predicate offences, and terrorist financing related to virtual assets, as referenced in the analysis of Recommendations 37-40. This is in light of the designation of the PMA as the supervisor over virtual asset service providers, as stated in paragraph 3 of article 7 of Decree-Law No. (41) of 2022 on the National Payments. The Authority has a legal basis for exchanging information with its foreign counterparts, regardless of the nature or status of the regulatory authorities, their differing titles, or the status of virtual asset service providers. Pursuant to the provisions of article (73) of Decree-Law No. 39 of 2022 on AML/CFT and based on bilateral or multilateral agreements, memoranda of understanding, or the principle of reciprocity, the relevant authorities, supervisors, and the FIU in the country cooperate with their foreign counterparts to provide the maximum possible international cooperation in the rapid exchange of information, either automatically or upon request, regarding money laundering, predicate offences, and terrorist financing.

Pursuant to the provisions of article (86) of Decree-Law No. 39 of 2022 on AML/CFT, relevant authorities, supervisors, and the FIU may exchange information indirectly with foreign counterparts, in accordance with the provisions of this Decree-Law, provided that the purpose of the information request and the name of the main entity requesting the information on its behalf are clearly specified. In implementation of the provisions of this article, indirect information exchange refers to the transmission of the requested information from the entity from which the information is requested through one or more local or foreign authorities before it is received by the main entity requesting the information. The scope of information exchange under this article includes all information referred to in Chapters Seven and Eight of the Decree-Law, including information related to virtual assets and virtual asset service providers.

Weighting and Conclusion: The State of Palestine has met most of the criteria of this recommendation. However, the country has not provided evidence that it is identifying and assessing the ML/TF risks that may arise from the development of new products or new business practices.

Recommendation 16 - Wire Transfers

The State of Palestine did not undergo the first round of the mutual evaluation process as it was an observer member of the MENAFATF at that time.

Ordering financial institutions

Criterion 16.1 (a, b): The financial institution is required, when sending and receiving money transfers inside and outside Palestine, to ensure that all money transfers include accurate information and data about the originator, including their name, identity card number or passport number for non-Palestinians (for natural persons), and registration number for legal persons, along with their address, date and place of birth/registration, nationality, as well as a unique reference number for the money transfer. The financial institution must also ensure that all money transfers include accurate information and data about the account numbers of both the originator and the beneficiary used in executing the transfer. In the absence of an account for either party, a unique transaction identifier must be included, which permits traceability of the transaction.

As for exchange offices in particular, the accounting system must include the following data for the issued transfer: the name of the originator (sender), their identity card or passport number, the transfer date, the transfer amount (in the relevant currency), the name of the beneficiary, the transfer delivery agent, the nature of the sender's business, and the exchange company must retain the following information for each transfer: the source of funds for the sender, the purpose of the transfer, the beneficiary’s country, the type of transfer (external transfer, fast transfer with clarification of the fast transfer company name), as well as the relationship between the sender and the beneficiary, and supporting documents.

(Subparagraph (a) of paragraph (1) of article (4) of the Money Transfer Issuance and Receipt Instructions No. (9) of 2022 – for all financial institutions, and article (15) of the Money Transfer Instructions No. (6) of 2022 issued for exchange offices).

Criterion 16.2: The financial institution is required to comply with the following when sending and receiving money transfers inside and outside Palestine: the batch transfer file for individual cross-border transfers for the originator must include the required and accurate information about the originator and the beneficiary, as specified (refer to the previous criterion), in a manner that allows for full tracking of this information in the beneficiary country, including the originator's account number or a unique transaction identifier/reference number for the transaction.

The country has stated that this criterion does not apply to specialized lending institutions or exchange offices. Although a legislative framework permits it, the country indicated that, in practice, it does not allow all types of transfers for lending institutions or consolidated transfers for exchange offices. (Article (4) of the Money Transfer Issuance and Receipt Instructions No. (9) of 2022 for all financial institutions).

Criterion 16.3 (a, b): The financial institution may simplify the identification procedures for cross-border money transfers, provided that prior written approval is obtained from the PMA, and the amount of a single transfer does not exceed USD 1,000 or its equivalent. The transfer must include accurate information and data about the originator and the beneficiary, including the name and account numbers used in executing the transfer. If either party does not have an account, a unique transaction identifier must be included to allow tracking of the transaction. (Article (5) of the Money Transfer Issuance and Receipt Instructions No. (9) of 2022 for all financial institutions).

Criterion 16.4: The financial institution may simplify the identification procedures for cross-border money transfers, provided that the information related to the customers is verified in case of suspicion of money laundering or terrorist financing. (Paragraph (d) of article (5) of the Money Transfer Issuance and Receipt Instructions No. (9) of 2022 for all financial institutions).

Criterion 16.5: Regarding domestic wire transfers, the same procedures as those for cross-border transfers apply to the relevant financial institutions, (refer to Criterion 16.1 (a, b)), as the provisions of the article in the instructions apply to sending and receiving money transfers both within and outside Palestine.

Criterion 16.6: The financial institution must comply with the following conditions for issuing and receiving money transfers, including when information about local money transfers is available to the beneficiary financial institution and relevant authorities through other means. The ordering financial institution must include in the money transfer the originator's account number or a unique identifier/reference number for the transaction, for the purpose of tracking the money transfer from the originator to the beneficiary. It must also provide the beneficiary financial institution and the relevant authorities with all information related to the money transfer, in accordance with the law, within a maximum of three days from the date of receiving the request for information.
Additionally, reporting entities are required by law to provide or make available to the FIU, immediately and without delay, any additional information related to their duties under the provisions of this Decree-Law within the timeframe specified by the FIU, including information related to daily transaction reports. (Paragraph (3) of article (3) of the Money Transfer Issuance and Receipt Instructions No. (9) of 2022 for all financial institutions, and paragraph (b) of article (40) of Decree-Law No. 39 of 2022 on AML/CFT).

Criterion 16.7: The financial institution is required to retain information related to the identification of money transfers, the transactions in which they were executed, and the documents and records obtained under the due diligence process, in accordance with the provisions of the law (please refer to Recommendation 11). Additionally, the institution must provide electronic archiving of transfer records and transactions, which facilitates the reconstruction of individual transactions and the provision of information in cases of prosecution related to criminal activities. (Paragraph (1) of article (6) of the Money Transfer Issuance and Receipt Instructions No. (9) of 2022 for all financial institutions, and articles (21) and (30) of Decree-Law No. 39 of 2022 on AML/CFT).

Criterion 16.8: The financial institution is required to refrain from executing a money transfer if it is unable to meet any of the requirements outlined in the relevant instructions when sending and receiving money transfers inside and outside Palestine. Additionally, financial institutions are legally obligated, in cases where they are unable to fulfil their due diligence obligations as stipulated in the Decree-Law, regulations, or instructions issued pursuant to it, to refrain from executing the related transaction. When it comes to their customers or existing business relationships, they must terminate the business relationship and consider submitting an STR to the FIU. (Paragraph (3) of article (4) of the Money Transfer Issuance and Receipt Instructions No. (9) of 2022 for all financial institutions, and article (17) of Decree-Law No. 39 of 2022 on AML/CFT).

Intermediary financial institutions

Criterion 16.9: The intermediary financial institution is required, when receiving or executing money transfers or a series of transfers on behalf of other financial institutions, to ensure that all information and data related to the originator and the beneficiary are attached to the money transfer. (Paragraph (1) of article (7) of the Money Transfer Issuance and Receipt Instructions No. (9) of 2022 for all financial institutions).

Criterion 16.10: The intermediary financial institution is required, when receiving or executing money transfers or a series of transfers on behalf of other financial institutions, to retain all information received from the originating financial institutions or from another intermediary financial institution, in accordance with the duration specified by law. (Paragraph (2) of article (7) of the Money Transfer Issuance and Receipt Instructions No. (9) of 2022 for all financial institutions).

Criterion 16.11: The intermediary financial institution is required, when receiving or executing money transfers or a series of transfers on behalf of other financial institutions, to take all necessary actions to address cross-border money transfers that lack the required information about the originator or the beneficiary, in accordance with the relevant instructions. (Paragraph (3) of article (7) of the Money Transfer Issuance and Receipt Instructions No. (9) of 2022 for all financial institutions).

Criterion 16.12 (a, b): The intermediary financial institution is required, when receiving or executing money transfers or a series of transfers on behalf of other financial institutions, to adopt risk-based policies and procedures to determine when to execute, reject, or suspend money transfers that lack the required information about the originator or the beneficiary, and to determine appropriate follow-up actions. (Paragraph (4) of article (7) of the Money Transfer Issuance and Receipt Instructions No. (9) of 2022 for all financial institutions).

Beneficiary financial institutions

Criterion 16.13: The beneficiary financial institution is required, upon receiving any money transfer, to take all necessary actions to identify cross-border money transfers that lack the required information about the originator or the beneficiary, including follow-up actions during or after execution, as appropriate. (Paragraph (1) of article (8) of the Money Transfer Issuance and Receipt Instructions No. (9) of 2022 for all financial institutions).

Criterion 16.14: The beneficiary financial institution is required, upon receiving any money transfer, to verify the identity of the beneficiary if it has not been previously verified, and to retain all data and information received from the originating financial institutions in accordance with the provisions of the law. (Paragraph (2) of article (8) of the Money Transfer Issuance and Receipt Instructions No. (9) of 2022 for all financial institutions).

Criterion 16.15 (a, b): The beneficiary financial institution is required, upon receiving any money transfer, to adopt risk-based policies and procedures to determine when to execute, reject, or suspend money transfers that lack the required information about the originator or the beneficiary, and to determine appropriate follow-up actions. (Paragraph (3) of article (8) of the Money Transfer Issuance and Receipt Instructions No. (9) of 2022 for all financial institutions).

Money or value transfer service operators

Criterion 16.16: MVTS in Palestine are subject to Decree-Law No. 39 of 2022 on AML/CFT under the definition of financial institutions therein. They are also subject to the instructions for issuing and receiving money transfers, which are directed at all financial institutions. Therefore, all obligations set out in Recommendation 16 apply to them, and they are subject to all national obligations as detailed in the analysis of the criteria of this recommendation in this report.

Criterion 16.17 (a, b): the MVTS are required, if they are the same entity controlling both the ordering and the beneficiary sides of the transfer, to collect all necessary information about the originator and the beneficiary for the purpose of determining whether a suspicious transaction report is required. Additionally, they must submit an STR to the FIU in any of the countries involved in the suspicious financial transaction and provide all related information. (Paragraph (3) of article (9) of the Money Transfer Issuance and Receipt Instructions No. (9) of 2022 for all financial institutions).

Implementation of Targeted Financial Sanctions

Criterion 16.18: The financial institution is required to apply the sanctions outlined in Presidential Decree No. (14) of 2022 on the implementation of UNSCRs, including taking freezing measures and the necessary actions to prohibit transactions with persons and entities with whom dealings are prohibited. The institution is also required to check the parties involved in the money transfer against the sanctions lists issued by the United Nations Security Council and the national list before executing the money transfer. (Article (10) of the Money Transfer Issuance and Receipt Instructions No. (9) of 2022 for all financial institutions).

Weighting and Conclusion: The State of Palestine has met all criteria of this recommendation.

Recommendation 17 - Reliance on Third Parties

The State of Palestine did not undergo the first round of the mutual evaluation process as it was an observer member of the MENAFATF at that time.

Criterion 17.1 (a, b, c): The financial institutions in Palestine that are permitted to rely on third parties, such as financial institutions and DNFBPs, to perform elements (a) – (c) of the due diligence measures outlined in Recommendation 10 (identification of the customer; identification of the beneficial owner; and understanding the nature of the business), or to introduce business, are required to bear the ultimate responsibility for due diligence measures towards their customers. They are also required to comply with the following:

Sub-criterion 17.1 (a): obtain immediately, from the third party, the necessary information concerning elements (a)-(c) of the CDD measures set out in Recommendation 10;

Sub-criterion 17.1 (b): take proper and sufficient steps, such as signing bilateral agreements with third parties, to verify and satisfy itself that copies of identification data and other relevant documentation relating to CDD requirements and beneficial owner and any other CDD related documents will be made available from the third party upon request without delay.

Sub-criterion 17.1 (c): verify and satisfy itself that the third party is regulated, and supervised or monitored for, and has measures in place for compliance with, CDD and record-keeping requirements (Article 16 of the Financial Institutions Instructions No. 4/2022).

Criterion 17.2: When determining the countries where third-party frameworks may meet the requirements, financial institutions in Palestine that are allowed to rely on third parties are required to consider the available information about the risk levels in those countries. (Article 16 of the Financial Institutions Instructions No. 4/2022). Additionally, the FIU periodically issues decisions regarding high-risk countries, which are disseminated to those institutions through the supervisors.

Criterion 17.3 (a, b, c): The financial institution may rely on a third party that is part of the same financial group, provided that it adheres to the provisions outlined in Criteria 17.1 and 17.2, in addition to ensuring that the following conditions are met:

a) the group applies CDD and record-keeping requirements, and programmes against money laundering and terrorist financing, in accordance with the requirements of this criterion.

b) the implementation of those CDD and record-keeping requirements and AML/CFT programmes is supervised at a group level by a competent authority; and

c) the implementation of procedures to adequately mitigate any higher country risk through the group's AML/CFT policies.

(Article 16 of the Financial Institutions Instructions No. 4/2022).

Weighting and Conclusion: The State of Palestine has met all criteria of this recommendation.

Recommendation 18 - Internal Controls and Foreign Branches and Subsidiaries

The State of Palestine did not undergo the first round of the mutual evaluation process as it was an observer member of the MENAFATF at that time.

Criterion 18.1: Financial institutions are required to implement specific AML/CFT programs that have regards to the ML/TF risks and the size of funds. These programs must include the following internal policies, procedures, and controls as follows:

Sub-criterion 18.1 (a): compliance management arrangements (including the appointment of a compliance officer at the management level);

Sub-criterion 18.1 (b): screening procedures to ensure high standards when hiring employees;

Sub-criterion 18.1 (c): an ongoing employees and senior employees training programme; and

Sub-criterion 18.1 (d): an independent audit function to test and evaluate the efficiency of its AML/CFT system.

(Article (22) of Decree-Law No. 39 of 2022 on AML/CFT).

Criterion 18.2: Financial institutions and DNFBPs that are part of a group, are required to implement group-wide programmes against ML/TF. These programs must be binding for all branches and subsidiaries that are majority-owned by the group. These programs must include the measures outlined in Criterion 1.18, in addition to:

Sub-criterion 18.2 (a): policies and procedures for sharing information required for the purposes of CDD and ML/TF risk management as adopted by the board of directors;

Sub-criterion 18.2 (b): Information of customers, accounts, operations and transactions are provided by branches and subsidiaries to compliance, audit and AML/CFT functions at the group level when that is necessary to implement the provisions of the Decree-Law No. 39 of 2022 on AML/CFT and any regulation and instructions issued pursuant to this decree- law. This includes information and analysis of transactions or activities which appear unusual and shall include reports on suspicious transactions and their information or a certain incident if an STR is filed, in line with their risk management. Branches and subsidiaries receive such information from these group-level functions when relevant and appropriate to risk management. The extent and scope of sharing such information may be identified based on the sensitivity of such information and to what extent it is linked to the management of ML/TF risks (Para. 3/b of Article 23 of the Decree-Law No. 39 of 2022 on AML/CFT).

Sub-criterion 18.2 (c): Palestine provides adequate safeguards regarding confidentiality and use of information exchanged, including safeguards to prevent tipping-off (Para. 3/c of Article 23 of the Decree-Law No. 39 of 2022 on AML/CFT).

Criterion 18.3: Financial institutions in Palestine are required to ensure that all their foreign branches and majority-owned subsidiaries comply with the provisions of the law, regulations, and instructions issued thereunder, including Financial Institutions Instructions No. 4/2022, to the extent permitted by the laws and regulations of the host foreign country. This applies when the minimum AML/CFT requirements in the host foreign country are lower than the requirements of the law, regulations, and instructions issued thereunder. The financial group must implement additional appropriate measures to manage ML/TF risks if the legislation of the country where the financial institution’s branches or subsidiaries are located does not allow for the proper implementation of the provisions of the law, regulations, and instructions issued thereunder, including these instructions, and must notify the supervisor accordingly (Article 33 of the Financial Institutions Instructions No. 4/2022).

Weighting and Conclusion: The State of Palestine has met all criteria of this recommendation.

Recommendation 19 - Higher Risk Countries

The State of Palestine did not undergo the first round of the mutual evaluation process as it was an observer member of the MENAFATF at that time.

Criterion 19.1: The AML/CFT National Committee is responsible for identifying high-risk countries based on an FATF call and notifying financial institutions and DNFBPs through the supervisor to implement enhanced due diligence measures that are proportional to the level of risk. (Paragraph 3 of Article 30 of Decree-Law No. 39 of 2022 on AML/CFT).

Additionally, financial institutions and DNFBPs in Palestine are required to apply enhanced due diligence measures, proportionate to the level of risk, to business relationships and transactions with natural or legal persons (including foreign financial institutions), in countries identified by the Committee. This is based on notifications issued and disseminated to them through the supervisor. (Article 20 of Decree-Law No. 39 of 2022 on AML/CFT).

Criterion 19.2: The AML/CFT National Committee is responsible for implementing effective countermeasures that are proportionate to the level of risk, based on an FATF call, or at the initiative of the Committee, and for notifying all relevant entities about the implementation of these measures (Paragraph 4 of Article 30 of Decree-Law No. 39 of 2022 on AML/CFT).

The Committee has tasked the FIU with carrying out this task, and the FIU issues periodic decisions regarding the countermeasures taken against Iran and North Korea, which are published by the FIU.

Criterion 19.3: The AML/CFT National Committee is responsible for notifying financial institutions and DNFBPs about concerns arising from weaknesses in the AML/CFT systems of other countries, through the supervisor (Paragraph 13 of article 30 of Decree-Law No. 39 of 2022 on AML/CFT).

It is noted that the Committee has tasked the FIU with carrying out this task. The FIU issues relevant decisions periodically, which are published on the FIU's website and the websites of the supervisors. The FIU also provides these decisions to the supervisors for dissemination to the reporting entities.

Weighting and Conclusion: The State of Palestine has met all criteria of this recommendation.

Recommendation 20 - Reporting of Suspicious Transactions

The State of Palestine did not undergo the first round of the mutual evaluation process as it was an observer member of the MENAFATF at that time.

Criterion 20.1: Financial institutions and DNFBPs, upon suspicion or if they have reasonable grounds to suspect that the funds represent the proceeds of a crime, or are linked to or related to ML/TF activities, or if they are aware of an event or activity that may indicate money laundering, associated predicate offences, or terrorist financing, are required to submit reports immediately to the FIU, in accordance with the instructions issued by the FIU in this regard. (Paragraph 3 of article

25 of Decree-Law No. 39 of 2022 on AML/CFT). Additionally, the FIU has issued the 2022 guidance on reporting suspicious transactions and activities, which outlines the requirements of this criterion. It has been disseminated to all reporting entities, including DNFBPs.

Criterion 20.2: Financial institutions and DNFBPs are required to report immediately to the FIU all suspicious transactions and activities, including attempted transactions, regardless of the amount of the transaction (Paragraph 4 of article 25 of Decree-Law No. 39 of 2022 on AML/CFT).

Additionally, the FIU has issued the 2022 guidance on reporting suspicious transactions and activities, which has been disseminated to all reporting entities, including DNFBPs.

Weighting and Conclusion: The State of Palestine has met all criteria of this recommendation.

Recommendation 21 - Tipping-off and Confidentiality

The State of Palestine did not undergo the first round of the mutual evaluation process as it was an observer member of the MENAFATF at that time.

Criterion 21.1: Financial institutions, their directors, officers, and employees are protected from criminal, civil, disciplinary, or administrative liability in the event of a breach of confidentiality restrictions imposed on disclosures pursuant to the laws or any regulations, rules, instructions, or contractual relationships, provided they report their suspicion in good faith to the FIU, even if they do not know the underlying criminal activity, regardless of whether illegal activity actually occurred (Article 28 of Decree-Law No. 39 of 2022 on AML/CFT).

Criterion 21.2: Financial institutions, DNFBPs, or their directors, officers, and employees are prohibited from disclosing to their customers or any third party any information provided to the FIU, or that a report has been submitted regarding suspicion of a ML/TF offence, or a predicate offence, or that such a report is being or will be submitted to the FIU, or that an investigation into money laundering, terrorist financing, or any predicate offences has been or will be conducted, provided that this does not hinder the information sharing under Recommendation 18. (Articles 26 and 27 of Decree-Law No. 39 of 2022 on AML/CFT).

Weighting and Conclusion: The State of Palestine has met all criteria of this recommendation.

Recommendation 26 - Regulation and Supervision of Financial Institutions

The State of Palestine did not undergo the first round of the mutual evaluation process as it was an observer member of the MENAFATF at that time.

Criterion 26.1: The PMA and the CMA are responsible for supervising, monitoring, and ensuring the compliance of the financial institutions subject to their supervision with the requirements for AML/CFT/CPF in accordance with the provisions of the law and regulations issued. (Article (2) of the Regulation of Defining Supervisors for Financial Institutions, DNFBPs, and NPOs No. (1) of 2023).

By reviewing the specific provisions that identifies the powers of the PMA and the CMA, it is clear that the scope of their regulation and supervision applies to their traditional duties concerning financial institutions. In line with financial sectors, the PMA supervises banks, exchange houses, specialized lending institutions, and payment service companies. The CMA supervises securities companies, insurance companies, leasing companies, and mortgage finance companies.

Market Entry

Criterion 26.2: Financial institutions under the supervision of the PMA and CMA are subject to licensing and registration in accordance with clear legal and regulatory controls. The establishment of shell banks and dealing with them, or allowing their continued operation, is prohibited. (Article (7) of Decree-Law No. 39 of 2022 on AML/CFT).

Criterion 26.3: The PMA has taken legal and procedural measures to prevent criminals or their associates from holding a large or controlling share in banks. Article (37) of the Banking Law stipulates that prior written approval from the PMA is required for any person or group of people acting together, either directly or indirectly, or sharing a common interest, or kinship up to the second degree, to hold or own 10% or more of the shares or voting power of a local bank. The PMA is responsible for studying and evaluating the potential impact of such holdings on the financial stability of the bank, in addition to reviewing the reputation and financial standing of the proposed owners. The PMA has the authority to reject such ownership requests.

According to the definition of “control” as stated in the Banking Law No. (9) of 2010, control refers to the relationship whereby a person or a group of people has any of the following:

1. A person or a group of people acting together, sharing a common interest or kinship up to the second degree, directly or indirectly owning 20% or more of the company's shares or voting power,
2. The ability to appoint the majority of the company's directors,
3. The person or group of people having the direct or indirect ability to exercise effective influence over the company, its board members, senior officers, or their decisions.

The Banking Law requires conditions related to the suitability, integrity, and good reputation of founding committee members and those responsible for establishing the bank, as well as board members or senior officers in the bank, and founders of new financial institutions and new shareholders. Among these measures is the vetting of the names of individuals and legal persons to ensure they are not listed or designated on local or international sanction and freezing lists, and that they have not been convicted by a final court judgment for crimes such as theft, fraud, embezzlement, forgery, defamation, bribery, or breach of trust, etc. (Articles (7) and (28) of the Banking Law).

Additionally, the same conditions apply when licensing the establishment of a currency exchange company or participation in it (Article (7) of Instruction No. (11) of 2022 on Licensing and Branches of Exchange Offices). Furthermore, prior approval from the CMA is required for a person to own or control 25% or more of the shares of the regulated entity or to hold a senior management position in the regulated entity, or to be an executive director or board member, according to appropriate and suitable requirements, including competence and suitability (Articles 2 and 4 of Instruction No. 4 of 2020 on Regulating Ownership or Management of Entities Supervised by the CMA).

Risk-based approach to supervision and monitoring

Criterion 26.4 (a, b): The supervisors are responsible for regulating financial institutions, overseeing their compliance with specified duties, and ensuring their adherence to AML/CFT requirements. This includes conducting both off-site and onsite inspections, issuing instructions and guidelines, providing feedback, and ensuring that the institutions and their foreign branches and subsidiaries implement the procedures outlined in the same law. Financial institutions are also required to provide any information requested by the authorities related to monitoring their compliance with AML/CFT requirements. (Article (24) of Decree-Law No. 39 of 2022 on AML/CFT).

Additionally, the supervisor is responsible for ensuring that financial institutions, their foreign branches, and subsidiaries implement the procedures outlined in the above law to the extent permitted by the legislation of those countries. The supervisors and relevant authorities are responsible for adopting a risk-based approach, identifying and understanding ML/TF risks, and establishing policies and procedures to verify the compliance of financial institutions and DNFBPs with the risk-based approach (Article (13) of the AML/CFT Law). The requirements for consolidated supervision at the group level are applied for AML/CFT purposes (Article (8) of the PMA's Instruction No. 15 on the AML/CFT).

The Palestinian banking sector is subject to an evaluation of compliance with the fundamental principles of effective banking supervision by the Basel Committee for the year 2024, as well as the standards of the International Association of Insurance Supervisors for 2014. The re-evaluation was then conducted in 2021, alongside the principles and responsibilities of the International Organization of Securities Commissions (IOSCO).

The supervisory and regulatory authorities of financial institutions adopt a risk-based regulatory approach in overseeing financial institutions in relation to AML/CFT in accordance with Decree-Law No. 39 of 2022 on AML/CFT, as well as the inspection policies and guidelines, and the risk assessment methodologies for financial institutions at these authorities.

Criterion 26.5 (a, b, c): The law requires that the frequency and intensity of on-site and off-site AML/CFT inspections of financial institutions or groups be determined in accordance with the requirements of sub-criteria (a, b, c) of Criterion 5 of Recommendation 26. (Article (24) of Decree-Law No. 39 of 2022 on AML/CFT).

The supervisory and regulatory authorities of financial institutions adopt a risk-based regulatory approach in overseeing financial institutions in relation to AML/CFT. In this regard, supervisory authorities (PMA and CMA) provided information about adopting a risk-based regulatory approach through which they determine onsite and off-site inspections in accordance with the requirements of the above criteria. The assessment team has reviewed the policies, procedures, and methodologies adopted by the supervisory authorities to assess the financial institutions risk structure that is in alignment with the risks of money laundering and terrorist financing in the country, according to the results of the national risk assessment. Additionally, an inspection plans guide of institutions which has been prepared based on the outputs of these institutions' assessments was also reviewed.

Criterion 26.6: The law requires supervisors to adopt a risk-based approach, identify and understand ML/TF risks, set policies and procedures, allocate resources, and verify the compliance of financial institutions, DNFBPs, and NPOs with the risk-based approach in addition to review the ML/TF risk structure of financial institutions and groups, including the risk of non-compliance, on a regular basis and when there are developments in the management or operations of the financial institution or group (Article (24) of Decree-Law No. 39 of 2022 on AML/CFT). The country provided information on the adopted policies and procedures to regularly review the ML/TF risk structure of the financial institution or group (including the risk of non-compliance) in light of significant events or developments in the management or operations of the financial institution or group including policies adopted by PMA and CMA.

Weighting and Conclusion: The State of Palestine has met all criteria of this recommendation.

Recommendation 27 - Powers of Supervisors

The State of Palestine did not undergo the first round of the mutual evaluation process as it was an observer member of the MENAFATF at that time.

Criterion 27.1: The supervisors have the powers to monitor and ensure that financial institutions comply with the AML/CFT requirements and to verify their adherence with such requirements. (Article (2) of the Regulation of Defining Supervisors for Financial Institutions, DNFBPs, and NPOs No. (1) of 2023). The law also mandates the supervisor to ensure the mechanisms and procedures are in place to verify financial institutions' compliance with these provisions (Article (24) of Decree-Law No. 39 of 2022 on AML/CFT).

Criterion 27.2: The supervisors have the power to conduct inspections of financial institutions. The supervisors must take the necessary measures for both on-site and off-site inspections to verify that the supervised financial institutions are compliant with the provisions of the law (Article (24) of Decree-Law No. 39 of 2022 on AML/CFT). In accordance with the laws and regulations governing the activities of the supervised financial institutions, the relevant supervisors in the financial sector are vested with broad powers, enabling them to carry out both on site and off site inspections (Article (51) of the Banking law, Article (22) of the Regulations of Exchange Offices, Article (23) of the Lending Regulations , Article (7) of the CMA's Law, Article (5) of the Securities Law, Article (18) of the Leasing Companies Licensing Instructions, Article (46) of the Instructions on Licensing Mortgage Financing Companies, Articles (9, 88, 181) of the Insurance Law).

Criterion 27.3: The Palestinian legal framework grants the PMA, the CMA, and the Insurance Directorate, within the scope of their legally assigned responsibilities, the right to request all necessary documents and information to carry out their auditing tasks, in accordance with the prescribed forms and within the timeframes specified, without any restrictions, such as obtaining prior court permit for this in addition to the data that must be provided automatically and periodically to these authorities. (Article (24) of Decree-Law No. 39 of 2022 on AML/CFT, Article 49 of the Banking law No. 9 of 2010, PMA, Article (14) of the Exchange Law, Article (17) of the Lending Regulations, Article 5 of Instruction No. 10 of 2019 on the AML/CFT, Article (79) of the Insurance Law, Article (46) of the Securities Law, and the circulars issued by the CMA on 11/1/2022 regarding periodic reports on AML/CFT for securities companies, insurance companies, and leasing companies).

Criterion 27.4: The law grants the supervisor the power to take actions and impose a range of sanctions, including warnings for non-compliance with specific instructions, requiring financial institutions and DNFBPs to submit periodic reports on the measures they implement or indicating their compliance with the specified instructions. These sanctions include written warnings, fines not less than JOD 1,000 (approximately USD 1,500) and not exceeding JOD 300,000 (approximately USD 450,000), or their equivalent in legal tender, and fines not exceeding JOD 50,000 or its equivalent in legal tender. Additional measures include banning individuals from employment in financial institutions and DNFBPs, replacing or restricting the powers granted to directors, chiefs, or controlling owners, including appointing a special manager, and revoking, restricting, or suspending the financial institution's license. These penalties apply when violations by financial institutions and DNFBPs are discovered in relation to the provisions of the above law or any regulations or instructions issued thereunder, in accordance with the requirements of this criterion. (Article (24) of Decree-Law No. 39 of 2022 on AML/CFT).

Weighting and Conclusion: The State of Palestine has met all criteria of this recommendation.

Recommendation 29 - Financial Intelligence Unit (FIU)

The State of Palestine did not undergo the first round of the mutual evaluation process as it was an observer member of the MENAFATF at that time.

Criterion 29.1: The FIU is a national centre in the State of Palestine, based at the PMA, responsible for receiving and analysing suspicious transaction reports and any other information relevant to money laundering, associated predicate offences, and terrorist financing. The FIU submits reports regarding transactions suspected to involve money laundering, terrorist financing, or any of the predicate offences to the Public Prosecution for the necessary actions. The FIU may also refer information related to the proceeds of suspected crimes involving money laundering, terrorist financing, or predicate offences, along with the results of its analysis, to the relevant and supervising authorities according to their jurisdiction, either spontaneously or upon request from those authorities. (Paragraphs (3, 4, 6, and 7) of Article (25) and Article (42) of Decree-Law No. (39) of 2022 on AML/CFT).

Criterion 29.2: The FIU serves as the central body for receiving reports from reporting entities, which includes:

a) Suspicious transaction reports sent by reporting entities, including financial institutions and DNFBPs, as outlined in Recommendations 20 and 23, in addition to those issued by the competent and supervisory authorities. (Paragraph (1) of Article (34), Paragraph (2 - g) of Article (24), and Paragraph (3) of Article (51) of Decree-Law No. (39) of 2022 on AML/CFT).

b) Any other information related to money laundering, associated predicate offences, and terrorism financing, including reports of daily local or cross-border financial transactions for both natural and legal persons and arrangements through financial institutions, as per Paragraph (4) of Article (34) of Decree-Law No. (39) of 2022 on AML/CFT. Also, data on the declaration of currency or bearer negotiable instruments, including precious stones or metals, whose value equals or exceeds the amount set by the committee to the customs authorities (Paragraph (1) of Article (50) of Decree-Law No. (39) of 2022 on AML/CFT).

Criterion 29.3: The FIU has the authority to:

a) Request that reporting entities in the State of Palestine provide or make available to the FIU any additional information related to its tasks without delay, within the timeframe specified by the FIU (Articles (25) and (40) of Decree-Law No. (39) of 2022 on AML/CFT).

   The FIU may also examine the records and documents of financial institutions, DNFBPs, related to their local or international financial transactions, including customer and beneficial owner files, personal data, correspondence, and previous transactions with these institutions and entities (Article (3) of Cabinet Decision No. (17) of 2018 regarding the Executive Regulation for Organizing the Powers and Competencies of the FIU).

b) Request all relevant and competent bodies and supervisors to provide the FIU with any information it requests to perform its duties, with the information to be provided promptly and within the timeframe set by the FIU (Article (40) of Decree-Law No. (39) of 2022 on AML/CFT).

The FIU may also request from all authorities and bodies in the State of Palestine, as well as the competent authorities and supervisors, any basic or additional information related to its tasks. (Article (3) of Cabinet Decision No. (17) of 2018 regarding the Executive Regulation for Organizing the Powers and Competencies of the FIU).

Criterion 29.4: The FIU has the authority to analyse the information it receives from supervised entities that are suspected to involve money laundering, terrorism financing, or any of the associated predicate offences. The FIU is also obligated to use available information that it can obtain for the purposes of conducting operational and strategic analysis (Paragraph (3) of Article (34) of Decree-Law No. (39) of 2022 on AML/CFT).

a) The FIU conducts operational analysis, which uses available and obtainable information to identify specific targets, to follow the trail of particular activities or transactions, and to determine links between those targets and possible proceeds of crime, money laundering, associated predicate offences and terrorist financing.

b) The FIU conducts strategic analysis, which uses available and obtainable information, including data that may be provided by supervisors and other competent authorities, to identify and understand main trends and patterns. Within its organizational structure, the FIU has a special unit for patterns and strategic analysis.

Criterion 29.5: The FIU is required to disseminate reports and all available information to the Public Prosecution spontaneously and upon request, if there are grounds to suspect that a transaction or activity is related to money laundering, terrorism financing, or any of the predicate offences. The FIU may also refer information related to the proceeds of suspected crimes involving money laundering, terrorism financing, or predicate offences, along with the results of its analysis, to the competent and supervisory authorities according to their jurisdiction, either spontaneously or upon request from those authorities (Article (42) of Decree-Law No. (39) of 2022 on AML/CFT).

The FIU is committed to ensuring the protection of information by using dedicated, secure, and protected channels for disseminating reports, in accordance with the controls issued by the FIU, as per Article (5) of Cabinet Decision No. (17) of 2018 regarding the Executive Regulation for Organizing the Powers and Competencies of the FIU.

Criterion 29.6: The FIU protects information by:

a) Maintaining the confidentiality of the information in its database and providing dedicated, secure, and protected channels to safeguard its confidentiality and security when collecting, analysing, storing, referring, and exchanging it. The FIU has established controls to ensure this, including, for example, determining security and confidentiality levels, the extent of access to its facilities and information, and the procedures and controls related to referring and exchanging information both locally and internationally through secure and protected channels. (Article (8) of Cabinet Decision No. (17) of 2018 regarding the Executive Regulation for Organizing the Powers and Competencies of the FIU).

b) Ensuring that the FIU's staff obtain the necessary security clearances and are aware of their responsibilities in handling and disseminating sensitive and confidential information (Paragraph (5) of Article (8) of Cabinet Decision No. (17) of 2018 regarding the Executive Regulation for Organizing the Powers and Competencies of the FIU). Additionally, the FIU staff are prohibited from disclosing or revealing any information entrusted to them in the course of their work, even after their employment ends, as per Article (37) of Decree-Law No. (39) of 2022 on AML/CFT.

c) Protecting the information contained in the database, specifically ensuring access to its facilities and information, including information technology systems, determining database management privileges, and usage by the FIU's staff, and the level of access available to each. The FIU has issued controls related to limiting access to its facilities and information, including its information system, as per Paragraph (2) of Article (8) of Cabinet Decision No. (17) of 2018 regarding the Executive Regulation for Organizing the Powers and Competencies of the FIU.

Criterion 29.7: The FIU is operationally independent and autonomous:

a) The FIU exercises its duties, powers, and functions freely, independently, and autonomously. Nor the committee or any other entity may interfere with its operations or attempt to influence its decisions, including any undue political, governmental, or private sector influence. In particular, the FIU has the authority and capacity to carry out its operational tasks freely, make independent decisions regarding the analysis of any information, and/or request such information, and/or redirect or refer it. (Article (35) of Decree-Law No. (39) of 2022 on AML/CFT and Article (9) of Cabinet Decision No. (17) of 2018 regarding the Executive Regulation for Organizing the Powers and Competencies of the FIU).

b) The FIU has the ability to make arrangements or engage independently with supervisors and competent authorities, or foreign counterpart FIUs concerning the exchange of information. (Article (75) of Decree-Law No. (39) of 2022 on AML/CFT and Paragraph (1-b) of Article (9) of Cabinet Decision No. (17) of 2018 regarding the Executive Regulation for Organizing the Powers and Competencies of the FIU).

c) The FIU is located within the headquarters of the PMA and has distinct competencies from those of the PMA, as outlined in the provisions of Article (34) of Decree-Law No. (39) of 2022 on AML/CFT.

d) The FIU is funded by the PMA based on approved budgets ratified by the Committee, ensuring that the budget is set and implemented without any influence from the funding body or any other entity. The budgets must be sufficient to cover the financial, human, and technical needs of the FIU, ensuring its effective performance of its duties. The Committee approves the budget submitted by the FIU’s director and oversees its implementation. (Paragraphs (1, 2, 3) of Article (35) of Decree-Law No. (39) of 2022 on AML/CFT and Article (9) of Cabinet Decision No. (17) of 2018 regarding the Executive Regulation for Organizing the Powers and Competencies of the FIU.

Criterion 29.8: the FIU is an Egmont Group member since 03/07/2019.

Weighting and Conclusion: The State of Palestine has met all criteria of this recommendation.

Recommendation 34 - Guidance and Feedback

The State of Palestine did not undergo the first round of the mutual evaluation process as it was an observer member of the MENAFATF at that time.

Criterion 34.1: Supervisory and competent authorities are required to issue instructions and guidelines and provide feedback to assist financial institutions, DNFBPs, and NPOs in implementing measures for AML/CFT (Article (24) of Decree-Law No. 39 of 2022 on AML/CFT). The law also mandates the FIU to issue guidance and provide feedback to financial institutions, DNFBPs, and NPOs, which would assist them in detecting and reporting suspicious transactions, either on their own or in coordination with other competent authorities (Article (34) of Decree-Law No. 39 of 2022 on AML/CFT).

The AML/CFT National Committee has issued a guidance for banks, while the PMA has issued a guide for banks regarding AML/CFT, along with a guide for exchange houses and several circulars aimed at informing banks, exchange houses, and lending institutions about the instructions issued by the National Committee. These documents also focus on raising awareness and providing education about criminal methods and identifying preventive measures and controls necessary to detect these methods and reduce their risks.

Additionally, the PMA's risk-based supervision guidance includes tools for providing feedback, which includes holding meetings with the boards of directors, executive management, and regulatory bodies. The guide also includes issuing supervisory reports and identifying corrective actions to enhance the supervisory aspects and ensure institutions comply with regulatory requirements and guidelines.

In turn, the CMA provides a number of instructions on AML/CFT. The Authority also organizes meetings and workshops for all the sectors under its supervision to present the results of the national risk assessment and clarify the actions that companies must take, as well as discuss the observations based on on-site inspection reports. However, it remains unclear whether the Authority covers all its entities with appropriate guidelines and provides the necessary feedback according to the characteristics of each sector.

The FIU contributes to capacity building in all sectors through organizing seminars and workshops and ensuring a comprehensive understanding of the ML/TF risks in line with the results of the national risk assessment. However, no statistics have been provided by the state on this matter. Regarding feedback on the reports received by the FIU from reporting entities, the state indicated that the FIU: (1) communicates the outcomes of those reports to the reporting entities, whether they are filed or referred to the Public Prosecution, and if the suspect has accounts at other financial institutions other than the reporting institutions, feedback is provided to them indicating that the report was referred to the Public Prosecution, (2) follows up by preparing trend and pattern reports on ML and disseminates those reports to the private sector through regulatory bodies. Additionally, strategic analysis reports based on available information or information requested by the FIU are disseminated to the relevant authorities. However, no statistics, data, or case studies were provided on this subject.

Regarding the feedback process, the FIU communicates with the reporting entities initially by sending an electronic notification confirming the receipt of the STR. It also communicates with them to inform them of the results of the outcomes of the report, either by filing or referring the case to the Public Prosecution. If the suspect holds accounts at financial institutions other than the reporting institutions, feedback is provided to those institutions indicating that the report has been referred to the Public Prosecution.

Concerning DNFBPs, the FIU issued a guidance for reporting suspicious transactions and activities, which was disseminated to the supervisors for circulation to their supervised entities. This guidance was circulated to dealers of precious metals and stones by the Directorate of Precious Metals, which serves as the supervisory authority. It was also circulated to lawyers and law firms subject to the Decree-Law No. (39) of 2022 on AML/CFT by the Palestinian Bar Association. Furthermore, the guidance was shared with financial institutions by the CMA and PMA. The guidance was also disseminated to profit and non-profit companies by the Ministry of National Economy. Additionally, the FIU sent letters to the Minister of Interior and the Minister of National Economy to approve the guidance for supervising NPOs.

Weighting and Conclusion: The State of Palestine has met all criteria of this recommendation.