

Instructions No. (4) of 2022
On Combating Money Laundering and Terrorism Financing for Financial Institutions

The National Committee on Anti-Money Laundering and Counter-Terrorism Financing,

Based on Decree Law No. (39) of 2022 on AML/CFT and its amendments, especially Article (30/12),

And the powers granted to it,

In the interest of the public,

Has issued the following instructions:

Chapter One
Definitions and General Provisions

Article (1)

Definitions

The words and expressions used in these Instructions shall have the meaning assigned thereto, unless the context indicates otherwise:

The State: The State of Palestine.

The Law: Decree Law No. (39) of 2022 on AML/CFT and its amendments.

The Committee: The National Committee on Anti- Money Laundering and Counter-Terrorism Financing.

FFU: The Financial Follow-up Unit.

Supervisory Authority: The Palestinian Monetary Authority or the Capital Market Authority within the scope of financial institutions subject to their supervision, oversight and regulation in accordance with applicable legislation.

Legal Arrangement: Express trusts or other similar legal arrangements.

Customer: Any natural or legal person or arrangement dealing with the financial institution.

Occasional Customer: Any customer that does not have an ongoing business relationship with the FI.

Business Relationship: A relationship between the customer and any financial institution related to any financial activity and service stipulated in Article (2) of the Law.

Trust fund: Legal relationships created – inter-vivos or on death – by a person or settlor, when funds have been placed under the control of the trustee for the benefit of a beneficiary or for a specific purpose, such that those assets constitute independent funds and are not part of the trustee’s own estate, and title to the trust assets stands in the name of the trustee or in the name of another person on behalf of the trustee, and they may manage, employ and dispose of the assets in accordance with the terms of the trust and the special obligations imposed upon them by law and its terms of reference.

Express Trust: A trust that is clearly and explicitly established by a person or settlor, which is usually in the form of a document such as a written trust instrument. An express trust is different from a trust, which comes into being through the operation of the law and do not result from the clear and explicit intent or decision of the settlor or person to create a trust or similar legal arrangement such as trust funds established by judicial rulings.

Financial Group: A group consisting of a parent company or of any other type of legal person that have controlling shares and coordinating functions over the rest of the group to implement or apply group supervision under core principles, together with branches and/or subsidiaries that are subject to AML/CFT policies and procedures at the group level.

Correspondent banking relationships: Banking services provided by a correspondent bank to another respondent bank, including cash management, interest-bearing accounts in a variety of currencies, international wire transfers, cheque clearing, payable-through accounts, and foreign exchange services.

Payable-through accounts: Correspondent accounts used directly by third parties to transact business on their own behalf.

Shell Bank: A bank that has no physical presence in the country in which it is incorporated and licensed, and which is unaffiliated with a regulated financial group that is subject to effective consolidated supervision.

Quick Transfer: The financial transfer carried out at any main or sub-agent of a quick transfer company approved by the Palestine Monetary Authority.

Numbered account: An account in a financial institution in which the name of the account holder is concealed, whether by using symbols, numbers, or names alternative to the name of the real account holder.

Article (2)

Scope of Application

The present Instructions shall apply to the licensed financial institutions set out in Article (2) of the Law.

Chapter Two

Due Diligence

Article (3)

Prohibitions

Financial institutions are prohibited from:

1. Opening or maintaining anonymous accounts or accounts under fictitious or false names;
2. Dealing with unidentified persons or persons who have fictitious or false names;
3. Opening or maintaining numbered accounts;
4. Dealing with shell banks;
5. Dealing with any natural or legal person carrying out any activity or transaction set out in Article (2) of the Law without a license or registration, whether for the benefit of their customers or on their behalf. This excludes dealing with financial institutions that are initially under establishment while taking into account the laws in force in the State.

Article (4)

Timing of Due Diligence Measures

Financial institutions shall take CDD measures as set out in this Chapter in the following cases:

1. When establishing a business relationship;
2. When carrying out any occasional transaction with a value equal to or exceeding (15,000) US dollars or its equivalent in other legal currencies, whether conducted as a single transaction or several transactions that appear to be linked.
3. When carrying out occasional financial transactions in the form of internal or wire transfers inside or outside the State, regardless of their value.
4. When doubting the validity, accuracy or adequacy of previously obtained customer identification information.
5. When there is suspicion of ML or TF, regardless of any exemptions or limits set out in the Law, Regulations, or the present Instructions.

Article (5)

Customer Identification Procedures

1. Financial institutions shall take procedures to identify customers, whether they are regular or occasional, local or foreign, by obtaining the following information and recording it on a designated, approved form:
 - a. If the customer is a natural person:

- 1) Information on the person's identity card or foreign person's passport, including, as a minimum, the customer's full name, nationality, date and place of birth, permanent address, the ID number or passport number for foreigners, place and date of issuance, mother's name, marital status, and spouse's name.
 - 2) Information on the customer's economic activity, which includes the nature of their work or activity, sources of income, work address, job title, name of employer or company, and monthly income.
 - 3) Information on the customer's actual residence address or current address.
 - 4) Customer contact information, which consists of the customer's mobile and landline phone numbers, mailing address - if any - and e-mail.
 - 5) Any other information deemed necessary by the financial institution based on the risk nature and level.
- b. If the customer is a legal person or arrangement:
- 1) The customer's identity information, including, as a minimum, the customer's name, legal form, type of incorporation document, address of the registered office or main headquarters address, registration date and number, place and date of issuance of the incorporation document, and types of documents regulating the work of the legal person or arrangement.
 - 2) Information on the natural persons who are authorized signatories in the customer as set out in Paragraph (1/a) of this Article.
 - 3) Understanding the nature of the customer's business, ownership and control structure, and determining if the ownership or control structure is complex or multi-layered.
2. The financial institution shall understand the purpose and nature of the business relationship and collect information about it as appropriate.

Article (6)

Customer Identity Verification Procedures

Financial institutions must take the necessary measures to verify the validity and accuracy of the information obtained from the customer during identification in accordance with Article (5) of the present Instructions, through the following:

1. Reviewing the original documentation proving the validity and accuracy of the information and ensuring it is valid, up-to-date and does not contain anything suggesting it has been forged or tampered with. Documentation must be officially translated into Arabic. Such documentation includes:
 - a. For natural persons and authorized signatories:
 - 1) Identity card or passport for foreigners, in order to verify the identity card or passport information.
 - 2) Documents proving the customer's economic activity, depending on its nature, such as sealed official letters issued by the hiring entity or official institution, or other documents consistent with the nature of the activity.
 - 3) Documents proving the actual residence address or current residence, and if it differs from the permanent address on the ID card, appropriate documents proving the address are requested, such as the rent contract, electricity, water, telephone, or gas bills, or any other possible proof.
 - 4) Any other relevant documents that the financial institution deems necessary to conduct due diligence verification, based on the risk nature and level.
 - b. For legal persons or arrangements, documents proving the identity of the legal person or arrangement where applicable:
 - 1) Registration certificate issued in accordance with the laws in force in the State, including certificates issued by the Ministry of National Economy, Chambers of Commerce or Industry, municipalities, or any authority competent to register a legal person or arrangement in accordance with applicable procedures.

- 2) The contract or instrument establishing the management of funds in legal arrangements.
- 3) Memorandum of Association or Articles of Association.
- 4) Bylaws.
2. Matching the information obtained with the information in the documents required in accordance with Paragraph (1) of this Article and matching the photo of the customer or their authorized signatory with the personal photo on the identity card or passport.
3. Verifying the authenticity of the information or the documents and files obtained by using reliable and independent sources, including contacting official bodies that issue or are in charge of such documents.
4. Contacting the customer to verify the validity of contact information, confirm information, or obtain additional information.
5. Investigating customers that are legal persons or arrangements to ensure they are not being liquidated, dissolved, terminating their business, including by visiting their headquarters, if possible.
6. Keeping a copy of all documents and stamping such to indicate it is a true copy.

Article (7)

Acting on Behalf of the Customer

1. Financial institutions shall take the following measures when dealing with any person claiming to be acting on behalf of the customer:
 - a. Verify that the person is actually authorized to act on behalf of the customer, verify the documents by reviewing the source of official documents proving their right to act on behalf of the customer, make sure they are valid, up-to-date, and do not contain anything suggesting they are forged or tampered with, obtain a signed copy proving that it is a true copy, or resort to independent and reliable sources, including contacting the official authorities which have issued such documents when necessary.
 - b. Implement the identification and verification procedures for natural persons set out to in Articles (5, 6) of the present Instructions on the person acting on behalf of the customer.
2. Paragraph (1) of this Article shall apply to all forms of acting on behalf of a customer, including when the authorized person is:
 - a. An agent acting on behalf of the customer under a general, specific, or periodic power of attorney.
 - b. A legal representative of a customer who lacks legal capacity, such as a minor.
 - c. A legal representative of an incapacitated customer.
 - d. An authorized signatory on behalf of the legal person or arrangement.
 - e. A trustee of an express trust or someone who holds a similar position in similar legal arrangements such as a waqf.
 - f. An agent of the founders (in case the legal person or arrangement is under incorporation).
 - g. A representative of the customer in any other capacity.

Article (8)

Beneficial Owner for Natural Persons

Financial institutions shall:

1. Take reasonable measures, according to ML/TF risks arising from the customer and the business relationship, to determine natural persons who are the beneficial owners according to Form No. (1) attached to the present Instructions, and to verify their identity through the following information:
 - a. Determine whether the customer is acting on their own behalf and for their own benefit, and if so, they must sign a statement declaring that they are the beneficial owner of the business relationship.
 - b. If the customer is not acting on their own behalf and for their own benefit, or when the financial institution has doubts about the validity of the customer's statement, the natural person(s) who is (are) the beneficial owner or ultimately and effectively controls the business relationship, or for whose

benefit or on whose behalf the transaction is being conducted, or who ultimately and effectively controls the customer's accounts must be identified, as well as the capacity in which the customer is acting on behalf of the beneficial owner.

2. Implement the procedures for identifying and verifying the natural person set out in Articles (5, 6) of the present Instructions on the beneficial owner(s) identified in accordance with Paragraph (1) of this Article, such that the financial institution is satisfied that it has identified the beneficial owner.

Article (9)

Beneficial Owner for Legal Persons

Financial institutions shall:

1. Take reasonable measures, based on the ML/TF risks arising from the customer and the business relationship, to identify beneficial owners of legal arrangements according to Form No. (2) attached to the present Instructions, and to verify their identities through the following information:
 - a. Determine the natural person(s) - if any - who owns (own) an effective controlling share in the legal person, whether directly or indirectly, through the following:
 - 1) Determining the person owning, directly or indirectly, (25%) or more of the legal person as a beneficial owner.
 - 2) Identifying the shareholder exercising effective control over the legal person, regardless of the percentage of their share, whether alone or indirectly with other shareholders, such as control through agreement between partners by signing contracts, understandings, or other arrangements, or by exercising influence or a controlling power to appoint or remove the majority of senior management, or by possessing the right to practically dispose of the funds or assets of the legal person in a manner that allows or enables them, directly or indirectly, to control, rule, manage or direct the legal person, or by exercising control through voting rights, economic rights, or receiving economic benefits from the assets of the legal person.
 - b. When the financial institution discovers that no natural person exercises control over the legal person through effective control ownership, such that the owners of the shares may be very diverse, or when there are any doubts about the identity of the beneficial owner after applying Paragraph (1/a) of this Article, every natural person - if any - exercising effective control over the legal person through other means must be identified. This may be determined, for example, by identifying the natural person who:
 - 1) exercises control over the legal person through other means, such as personal ties with persons who own shares, or with persons in the positions referred to in Paragraph (1/a) of this Article.
 - 2) Exercises control without ownership by participating in the financing of the legal person or through close or intimate family relationships, historical or contractual ties, or if the legal person defaults on payments. This control can be assumed even if it is not effectively exercised, for example when using, or benefiting from assets owned by a legal person.
 - c. If no natural person is identified in accordance with Paragraph (1/a, b) of this Article, the natural person who holds a senior administrative position must be identified, and this can be done by identifying the natural person who:
 - 1) Takes responsibility for strategic decisions that fundamentally affect the business practices or general direction of the legal person.
 - 2) Exercises executive oversight over the daily or regular affairs of the legal person through a senior management position, such as president or CEO, chief financial officer, or managing director.
 - 3) Exercises substantive authority over the financial relationships of the legal person, including financial relationships with the financial institution that maintains the legal person's accounts, and the ongoing financial affairs of the legal person.

2. Implement procedures for identifying and verifying the identity of the natural person set out in Articles 5 and 6 of the present Instructions on the beneficial owner(s) identified in accordance with Paragraph (1) of this Article, such that the financial institution is satisfied that it has identified the beneficial owner.

Article (10)

Beneficial Owner for Legal Arrangements

1. Financial institutions shall take reasonable measures, based on the ML/TF risks arising from the customer and the business relationship, to identify beneficial owners of legal arrangements according to Form No. (3) attached to the present Instructions, and to verify their identities through the following:
 - a. Obtaining the following information regarding express funds:
 - 1) The identity of the settlor or creator of the fund, which is the natural or legal person transferring ownership of their assets to trustees by means of a trust instrument or an express arrangement.
 - 2) The identity of the trustee, which is the natural or legal person receiving the assets and keeping them separately from the assets that they own. The trustee is responsible for managing such assets for the benefit of the beneficiary and is the legal owner of the assets, but they may not benefit from them for their own interest. It should be taken into account that the trustee may be a professional such as a lawyer or a trust company if they are paid to act as trustees as part of their work, or a non-professional such as someone acting pro bono on behalf of their family.
 - 3) The identity of the guardian or protector, if any, which is the person who directs and supervises the work of the trustee. They may have the right to remove the trustee and appoint someone else.
 - 4) The identity of the beneficiary of the fund, which is the person or persons, whether natural or legal person or legal arrangement, who may benefit from any trust arrangement in accordance with the trust instrument. In the absence of specific current beneficiaries, such as if the beneficiaries are specified in characteristics or categories, sufficient information must be obtained on the beneficiary, such that the financial institution is satisfied that it will be able to identify the beneficiary upon payment or when the beneficial owner intends to exercise their legally acquired rights.
 - 5) The identity of every other natural person who exercises effective control over the fund, whether through a chain of control or ownership or through any other means.
 - b. With regard to other types of legal arrangements, identity information must be obtained for persons holding equivalent or similar positions to those referred to in Paragraph (1/a) of this Article. As for waqfs, identity information must be obtained about the donor/settlor (*waqif*), the trustee (*nazir*), the beneficiaries and any other natural person who exercises effective control over the waqf.
2. Financial institutions shall apply Article (9) of the present Instructions to the parties stipulated in Paragraph (1) of this Article if any of them is a legal person.
3. Financial institutions shall apply the procedures for identifying and verifying the natural person stipulated in Articles 5 and 6 of the present Instructions to the beneficial owner(s) identified in accordance with Paragraph (1) of this Article, such that the financial institution is satisfied that it identified the beneficial owner.

Article (11)

Exceptions to Identifying the BO

1. Financial institutions may decide not to apply the procedures set out in Article (9) of the present Instructions to identify and verify the identity of the beneficial owner of the legal person if the customer or the owner of the controlling share is a company listed on the stock exchange or a subsidiary company with a majority of shares owned by a listed company, provided that it is subject to disclosure requirements,

whether through stock exchange rules, the law, or any other binding means requiring it to ensure sufficient beneficial owner transparency.

2. The implementation of Paragraph (1) of this Article is conditional upon obtaining relevant beneficial ownership information from official records, the customer, or other reliable sources.

Article (12)

Ongoing due diligence

Financial institutions shall undertake ongoing due diligence measures regarding business relationships, including:

1. Carefully examining the transactions carried out throughout the business relationship and their objective, to ensure that they are consistent with the information they have about their customers, the pattern of their business activities, risk profile, and, if necessary, source of funds.
2. Ensuring that documents, papers, data or information obtained as part of the due diligence set out in Articles 5 and 6 of the present Instructions are constantly updated and adequate, by reviewing existing records, in particular with high-risk customers.

Article (13)

Verification Timing

1. Financial institutions shall take procedures to verify the identity of the customer and the beneficial owner in accordance with the Law and the present Instructions, before or during the business relationship or when carrying out transactions for occasional customers. The financial institution may complete verification procedures after establishing the business relationship on the condition that:
 - a. This takes place as soon as practically possible.
 - b. This is necessary in order not to interrupt the normal workflow.
 - c. ML/TF risks are effectively managed.
2. Financial institutions shall adopt appropriate risk management procedures for the circumstances in which the customer may benefit from the business relationship before the verification, and this shall include a set of procedures, including:
 - a. Determining restrictions or ceilings, or placing controls on the number, types, and/or quantity of transactions or operations that may be carried out.
 - b. Monitoring large or complex transactions that exceed the expected limits from this type of relationship.
3. It is prohibited to postpone the verification in the following cases:
 - a. When there are high risk indicators.
 - b. When there is ML/TF suspicion.
 - c. When it comes to the customer's basic identity information, namely identity card or passport information, or identity documents for legal persons or arrangements.

Article (14)

Provisions on Insurance

Financial institutions providing insurance services and products shall take the following procedures, in addition to the due diligence required for customers and beneficial owners in accordance with this Chapter:

1. Implement the following due diligence measures on beneficiaries of life insurance policies and other investment-type insurance products, as soon as such beneficiaries are identified or appointed:
 - a. Obtaining the name of the beneficiaries of natural or legal persons or legal arrangements mentioned by name specifically.
 - b. Obtaining sufficient information about the beneficiaries identified by characteristics or categories (such as the spouse or children at the time of occurrence of the insured event) or through other means such

as a will, such that the financial institution is satisfied that it will be able to determine the identity of the beneficiary at the moment of disbursing the compensation.

- c. Verifying the identity of the beneficiaries set out in Paragraph (1) of this Article at the moment of disbursing the compensation.
2. Consider beneficiaries of a life insurance policy as a relevant risk factor when determining the applicability of enhanced due diligence. When the financial institution concludes that the beneficiary of the insurance is a legal person or arrangement, representing high risks, enhanced due diligence shall be applied in accordance with Article (26) of the present Instructions, including taking reasonable measures to identify and verify the beneficial owner of the insurance policy beneficiary at the moment the compensation is disbursed in accordance with Articles (9 and 10) of the present Instructions.

Article (15)

Reliance on previous procedures

Financial institutions may rely on identification and verification measures that were previously taken in accordance with Articles 5 and 6 of the present Instructions when executing or preparing financial transactions, without the need to repeat those procedures every time such transactions are executed or prepared, except in the following cases:

1. When there are doubts on the veracity of this information.
2. When there is suspicion of ML, TF, or any predicate offense related to the customer.
3. When there is a fundamental change in the nature of the business relationship and the customer's financial operations are not consistent with their activities.

Article (16)

Reliance on third parties

1. In case the supervisory authority allows for reliance on third party financial institutions or DNFBPs, whether inside or outside the country, to carry out the due diligence measures set out in Articles (5, 6, 7, 8, 9, 10, 11) of the present Instructions or in order to provide services, the final responsibility remains with the financial institution relying on the third party. In that case, they shall undertake the following:
 - a. Identify the third party and obtain the approval of the supervisory authority to rely on it.
 - b. Immediately obtain, from the third party, the necessary information on due diligence required by the present Instructions.
 - c. Take adequate and appropriate steps, including making arrangements such as signing bilateral agreements with third parties, to ensure and reach conviction that the third party will, without delay and upon request by the financial institution, provide copies of all documents, files and data on the identification of the customer and the beneficial owner, as well as other due diligence documents in accordance with the Law and the present Instructions.
 - d. Ensure and reach conviction that the third party is subject to regulation, oversight or supervision, and that it has procedures in place to comply with CDD requirements and maintain records in line with the Law and the present Instructions.
 - e. If the third party that meets the conditions set out in Paragraph (1) of this Article is located in another country, the financial institution shall take into account the information available about the risk level in these countries.
2. Financial institutions may rely on a third party that is part of the same financial group, provided that it adheres to Paragraph (1) of this Article and that the following conditions are met:
 - a. The Financial Group implements the requirements for CDD, record keeping, and AML/CFT programs in line with the Law and the present Instructions.

- b. A competent authority supervises the Financial Group's implementation of CDD and record keeping requirements, and AML/CFT programs.
- c. The Financial Group takes the necessary measures to adequately mitigate any high risks related to countries through its adopted AML/CFT policies.

Article (17)

Failure to Complete Due Diligence

If it is not possible to comply with the CDD procedures set out in this Chapter, the financial institution shall undertake the following:

1. Refrain from opening the account, starting the business relationship, or carrying out the transaction.
2. Terminate the business relationship with existing customers.
3. Consider submitting a suspicion report to the FFU on the customer's suspicious transactions or activities.

Article (18)

Exemption from Continuing Due Diligence

A financial institution may discontinue implementing due diligence measures in cases where there are indicators of ML/TF suspicion, if implementing such procedures would tip off the customer to this suspicion, based on reasonable and justified reasons to be explained in a report submitted immediately to the FFU explaining the rationale for not proceeding with due diligence measures.

Article (19)

Correspondent relationships

1. For cross-border correspondent banking relationships, the correspondent financial institution shall take the following actions regarding the respondent institutions:
 - a. Collect sufficient information about the institution to reach a complete understanding of the nature of its work.
 - b. Use the published information to identify the institution's reputation and the level of supervision to which it is subject, and to verify whether it has been subject to a ML/TF investigation or supervisory action.
 - c. Assess the AML/CFT controls in the institution.
 - d. Obtain approval from senior management before establishing new correspondent relationships.
 - e. Clearly understand the AML/CFT responsibilities and roles of both the correspondent and respondent institutions.
2. Paragraph (1) of this Article is applicable to other relationships similar to a correspondent banking relationship, such as similar relationships that arise for securities operations or money transfers, whether for a cross-border financial institution in its principal capacity or for its customers.
3. A financial institution permitting the use of payable-through accounts shall ensure that the respondent bank has performed its due diligence obligations towards customers who have direct access to correspondent bank accounts and ensure that it is able to provide CDD information upon the request of the correspondent bank.
4. A financial institution is prohibited from entering into or continuing a correspondent banking relationship with shell banks and must ensure that the respondent financial institution does not allow its accounts to be used by shell banks.

Chapter Three
Risk-Based Approach
Article (20)
Self-Risk Assessment

1. Financial institutions shall conduct a ML/TF self-risk assessment by identifying, assessing and understanding such risks, in a manner commensurate with the nature and size of their business, provided that such assessment:
 - a. Includes or incorporates information or outcomes of any risk assessment conducted by the State.
 - b. Identifies, assesses and understands risks related to customers, countries or geographic regions, products and services, transactions and delivery channels or service delivery channels.
 - c. Takes into account all risk factors in accordance with Articles 22 and 23 of the present Instructions, before determining the overall risk level, and before determining the appropriate level and type of risk mitigation measures.
 - d. Takes into account risk variables in accordance with Article (25) Paragraph (2/c) of the present Instructions.
2. To implement Paragraph (1) of this Article, financial institutions shall:
 - a. Update assessments periodically and when needed.
 - b. Document, update and maintain their risk assessments.
 - c. Provide the supervisory authority with the results of the self-assessment upon completion or upon request.
 - d. Disseminate the outcomes of the self-risk assessment to all employees and make sure they understand them.

Article (21)

Exemption from Documented Self-Assessment

Financial institutions may not conduct documented self-assessments in accordance with Article (20) of the present Instructions, if all of the following conditions are met:

1. The ML/TF risks in the sector are clearly identified and understood.
2. The financial institution has a clear understanding of the ML/TF risks it faces.
3. This exemption is based on the prior approval of the supervisory authority.

Article (22)

High Risk Factors

When assessing ML/TF risks in accordance with Article (20) of the present Instructions, financial institutions shall take into account all high-risk factors related to customers, countries or geographic regions, products, services, transactions, delivery channels or service delivery channels, including the following:

1. High risk factors associated with customers:
 - a. Non-resident customers.
 - b. Politically exposed persons (PEPs).
 - c. Legal persons or arrangements whose purpose is to hold personal assets.
 - d. The customer is a legal person with nominee shareholders (holders of nominee shares) allowing the issuance of shares in the name of one person on behalf of another.
 - e. The customer is a legal person who can issue bearer shares, such that ownership in the legal person is granted to the person who holds the bearer share certificate.
 - f. Cash-intensive activities.
 - g. The business relationship takes place in unusual circumstances, for example, an unjustified large geographic distance between the customer's address and the address of the financial institution.

- h. The company's ownership structure appears unusual or overly complex compared to the nature of its business.
 - i. Any high-risk factors based on the risk assessments conducted by the State, trend or typology reports issued by the FFU, or based on the publications of the Committee or supervisory authority, and any other potential high-risk factors associated with customers.
2. High risk factors associated with countries or geographic regions:
- a. Countries or geographic regions determined by the Committee as high-risk.
 - b. Countries or geographic regions identified by reliable sources as:
 - 1) Not having adequate AML/CFT systems or having strategic deficiencies in their AML/CFT systems, according to the FATF's Mutual Evaluation and Follow-Up Reports, or other detailed assessment reports issued by international bodies.
 - 2) Having high levels of corruption or other criminal activities.
 - 3) Providing tax havens.
 - 4) Providing funding or supporting terrorist activities or being a country of operation for designated terrorist groups.
 - 5) Subject to sanctions, embargoes or similar measures taken by the United Nations
 - c. Any high-risk factors based on the risk assessments conducted by the State, trend or typology reports issued by the FFU, and any other potential high-risk factors associated with countries or geographic regions.
3. High-risk factors related to products, services, operations and delivery channels or service delivery channels:
- a. Private banking services.
 - b. Anonymous transactions (especially cash transactions).
 - c. Non face-to-face business relationships or transactions.
 - d. Payments received from unrelated third parties.
 - e. New products, technologies or professional practices, if they are assessed as high-risk by the State, the competent authority or the financial institution self-assessment.
 - f. Payable-through accounts.
 - g. Products that allow for the implementation of a large amount of transaction within a short period of time.
 - h. Traveler cheques.
 - i. Single premium insurance policies if the premium is high.
 - j. Any high-risk factors based on the risk assessments conducted by the State, trend or typology reports issued by the FFU, or based on the publications of the Committee or supervisory authority, and any other potential high-risk factors associated with products, services, transactions, delivery channels or service delivery channels.

Article (23)

Low Risk Factors

When assessing ML/TF risks in accordance with Article (20) of the present Instructions, financial institutions shall take into account all low-risk factors related to customers, countries or geographic regions, products, services, transactions, delivery channels or service delivery channels, including the following:

- 1. Low risk factors associated with customers:
 - a. When FIs and DNFBPs are subject to and effectively implement AML/CFT obligations consistent with the FATF Recommendations and are subject to effective oversight or supervision in accordance with the Recommendations to ensure their compliance with the requirements.
 - b. Publicly traded companies subject to disclosure requirements either by capital market rules, the Law or any mandatory instrument, which requires ensuring sufficient transparency in the beneficial owner.

- c. Public institutions or bodies.
 - d. People with limited fixed income whose sources of income are defined, clear and reliable, and who have no high-risk indicators related to them.
 - e. Any low-risk factors based on risk assessments conducted by the State or based on the publications of the Committee or supervisory authority, and any other potential low risk factors associated with customers.
2. Low risk factors associated with countries or geographic regions:
 - a. Countries or geographic regions that have been identified by reliable sources, such as FATF mutual evaluation reports or detailed assessment reports issued by international bodies, as having effective AML/CFT systems.
 - b. Countries or geographic regions that have been identified by reliable sources as having a low level of corruption or other criminal activity.
 - c. Any low-risk factors based on the risk assessments conducted by the State or based on the publications of the Committee or supervisory authority, and any other potential low risk factors associated with countries or geographic regions.
 3. Low risk factors associated with products, services, transactions, delivery channels or service delivery channels:
 - a. Life insurance policies with low premiums, such as an annual premium of less than (1,000) US dollars or its equivalent in other legal currencies, or a single premium of less than (2,500) US dollars or its equivalent in other legal currencies.
 - b. Insurance policies for pension schemes if there is no early surrender option and the policy cannot be used as collateral.
 - c. Pension or similar schemes that provides retirement benefits to employees, where contributions are made by way of deduction from wages, and the scheme rules do not permit the assignment of a member's interest under the scheme.
 - d. Financial products or services that provide appropriately defined and limited services to certain types of customers, so as to increase access for financial inclusion purposes.
 - e. Products, services, transactions, delivery channels or service delivery channels that are associated with small non-cash financial amounts and for which there are no high-risk indicators.
 - f. Any low-risk factors based on the risk assessments conducted by the State or based on the publications of the Committee or supervisory authority, and any other potential low risk factors associated with products, services, transactions, delivery channels or service delivery channels.

Article (24)

New Services, products, and technologies Risk Assessment

Financial institutions shall abide by the following:

1. Identify and assess ML/TF risks that may arise from the development of new services, products and professional practices, including new means of providing services, and those that arise from the use of new or under development technologies in relation to both new and existing products.
2. Conduct a risk assessment before launching or using products, practices or technologies.
3. Take appropriate measures to manage and reduce such risks.

Article (25)

Implementing a Risk-Based Approach

1. Financial institutions shall apply a risk-based approach based on their risk assessment in accordance with Article (20) of the present Instructions, or any risk assessment conducted by the State, as follows:
 - a. Develop, oversee and promote, if need be, policies, controls and procedures approved by the Board of Directors to manage and mitigate risks identified.

- b. Take enhanced risk management and reduction measures when high risks are identified, including taking EDD measures in accordance with Articles 26 and 27 of the present Instructions.
 - c. Take simplified risk management and reduction measures only when low risks are identified, namely taking simplified due diligence measures in accordance with Article (28) of the present Instructions.
2. When implementing the risk-based approach, financial institutions shall take into account the following:
- a. The risk-based approach must be consistent with the Law, the present Instructions and directives issued by the supervisory authority or Committee.
 - b. The risk-based approach is not applicable to situations where CDD measures are required, but rather is applied to determine the scope of such procedures.
 - c. Risk variables associated with customers, countries or geographic regions, products and services, transactions, delivery channels or service delivery channels can increase or decrease potential risks. Risk variables include, for example:
 - 1) The purpose of the business relationship.
 - 2) The volume of transactions related to the customer's activities.
 - 3) Regularity in the work relationship or its time period.
 - d. Identifying low ML/TF risks during identification and verification does not automatically mean that the customer themselves poses low risks in all due diligence procedures, especially since the level of risks may change when implementing continuous due diligence on financial transactions in accordance with Article (12) of the present Instructions, and based on risk variables in accordance with Paragraph (2/c) of this Article.

Article (26)

Enhanced Due Diligence

In addition to the due diligence procedures stipulated in the Law and the present Instructions, financial institutions shall adhere to the following:

1. Examine the background and purpose of all complex, unusual large transactions and all unusual patterns of transactions which have no apparent economic or lawful purpose, as far as reasonably possible.
2. Where the risks of money laundering or terrorist financing are higher, conduct enhanced CDD measures, consistent with the risks identified by increasing the degree and nature of monitoring of the business relationship, in order to determine whether those transactions or activities appear unusual or suspicious. Examples of enhanced CDD measures that could be applied for higher-risk business relationships include:
 - a. Obtain additional information about the customer, such as additional information about their profession, economic activities, other sources of income, volume of funds or assets, and information available in public databases, on the Internet, and in other sources.
 - b. Update customer and beneficial ownership data periodically or more frequently based on the risk level.
 - c. Obtain additional information about the nature of the expected or current business relationship.
 - d. Obtain information to identify and verify the source of funds or the source of the customer's wealth.
 - e. Obtain additional information to identify the purposes and reasons for expected or performed transactions.
 - f. Obtain approval from senior management to initiate or continue the business relationship.
 - g. Implement enhanced follow-up to the business relationship by increasing the number and frequency of controls on that relationship, and identifying financial transaction patterns which need further examination and review.
 - h. If the customer has an account in a bank that is subject to due diligence, it is possible to request that the first payment be made through an account in the customer's name in that bank.

Article (27)

Enhanced Due Diligence for High-Risk Countries

1. In addition to the due diligence procedures stipulated in the Law and the present Instructions, financial institutions shall apply the following EDD measures to business relationships and financial transactions conducted with natural and legal persons, including financial institutions from countries identified and disseminated by the Committee or a delegated authority in line with its mandate, whether based on FATF standards or based on what the Committee independently deems appropriate:
 - a. EDD measures stipulated in Article (26) of the present Instructions.
 - b. Any additional enhanced measures or procedures circulated by the Committee or any authority it delegates.
 - c. Any other enhanced measures that have a similar effect in mitigating risks.
2. Financial institutions shall implement the measures circulated by the Committee or its delegated authority regarding countermeasures for high-risk countries.

Article (28)

Simplified Due Diligence

1. Financial institutions may undertake simplified due diligence procedures as part of the simplified measures, if all the following conditions are met:
 - a. There is an adequate risk assessment by the State, and financial institutions have fulfilled all their risk-related obligations set out in Chapter Three of the present Instructions.
 - b. A risk-based approach is implemented in accordance with Article (25) of the present Instructions.
 - c. ML/TF risks are low, taking into account the risk nature and proportionality to the low risk factors set out in Article (23) of the present Instructions.
 - d. Simplified due diligence is implemented in accordance with the Instructions issued by the supervisory authority or Committee in this regard.
2. Financial institutions may not apply simplified due diligence procedures in the following cases:
 - a. There is ML/TF suspicion.
 - b. High-risk situations.
 - c. Any of the conditions set out in Paragraph (1) of this Article is not met.

Article (29)

Existing customers

Financial institutions shall:

1. Apply due diligence measures to existing customers based on materiality and risks, from the date the present Instructions enter into force.
2. Take due diligence measures towards current business relationships at appropriate times, taking into account whether and when they were taken before, and the adequacy of the data obtained.

Chapter Four

Record Keeping, and Internal Measures and Procedures

Article (30)

Record Keeping

1. Financial institutions shall maintain the following:
 - a. All records and documents related to local or international financial operations and transactions, for no less than (10) years from their expiration.
 - b. All customer files, commercial correspondence, outcomes of all assessments, and all records obtained through due diligence, for no less than (10) years from the end of the business relationship or from the

date of the occasional financial operation or transaction. Such records shall be provided as quickly as possible to the competent and judicial authorities upon request in accordance with applicable legislation.

2. The records to be kept in accordance with this Article must be sufficient to reconstruct financial operations and individual transactions, so that they may, when necessary, provide evidence in prosecutions for ML/TF or predicate offenses.
3. In the event of an investigation, the information and documents set out in this Article must be kept until the investigation is complete, provided the record keeping mechanism is acceptable to the State's courts or the Laws in force in the State.

Article (31)

Internal Measures

Financial institutions shall prepare and implement AML/CFT programs, based on ML/TF risks and the size of their business. Such programs shall include developing policies, procedures, and internal controls approved by the Board of Directors, provided they include the following:

1. Compliance management arrangements, including the appointment or designation of a management-level AML/CFT compliance officer.
2. Allowing the compliance officer to work independently, while ensuring the confidentiality of the information received or referred to them in accordance with the Law and the Present Instructions and giving them access to the records and data necessary for examining and reviewing AML/CFT systems in the financial institution.
3. Background checks on employees to ensure they meet high competency standards.
4. Continuous training for employees, including senior employees.
5. An independent audit function to test and assess the effectiveness of AML/CFT systems.

Article (32)

Powers and Competencies of the Compliance Officer

The Compliance Officer shall undertake the following:

1. Immediately inform the FFU of any transaction suspected of involving ML/TF crimes or a predicate offense, whether such transactions have been conducted or not, including attempted transactions.
2. Receive reports from any employee if they suspect that the transaction to be carried out is related to ML/TF or a predicate offense.
3. Providing the FFU with data on transactions suspected of involving ML/TF or a predicate offense, and any other information requested by the FFU and facilitating its access to the relevant records and information for the purposes of carrying out its mandate.
4. Ensure compliance with the Law and the regulations and instructions issued pursuant thereto.
5. Train employees to enhance their abilities to detect ML/TF or predicate offenses.
6. Prepare AML/CFT policies and develop internal procedures to comply with the Law and the regulations and instructions issued pursuant thereto.
7. Keep all internal documents and reports received and referred to the FFU.
8. Prepare periodic reports on unusual transactions or transactions suspected of involving ML/TF or a predicate offense.
9. Establish and periodically review the necessary self-risk assessment systems based on the information and data available to the financial institution.
10. Establish systems and procedures to ensure that internal auditors perform their role, which is to examine internal control and oversight systems to ensure their AML/CFT effectiveness. Such systems shall be reviewed periodically to address any deficiency or introduce an update to increase their efficiency and effectiveness.

11. Any other tasks and responsibilities determined by the supervisory authority.

Article (33)

Implementing Procedures at the Financial Group Level

1. The financial group shall implement AML/CFT programs at the group level, which must be applicable, as appropriate, to all branches and subsidiaries in which the group owns a majority of shares or stocks. These programs include the measures stipulated in Article (31) of the present Instructions, in addition to:
 - a. Policies and procedures approved by the Board of Directors on the exchange of information required to conduct CDD and manage ML/TF risks.
 - b. Providing information on customers and transactions from branches and subsidiaries to compliance officers, auditors and AML/CFT employees at the group level, when this is necessary to implement the Law and any regulations or instructions issued pursuant thereto, including information on transactions or activities that may appear unusual and their assessment. This may include a suspicious transaction report and information about a transaction or an incident if an STR is submitted. Likewise, branches and subsidiaries receive such information from those functions at the group level in a manner consistent with risk management. The extent and scope of sharing this information can be determined based on its sensitivity and relevance to ML/TF risk management, taking into account the legislation in force in the State and any instructions issued by the supervisory authority or Committee in this regard.
 - c. Adequate safeguards regarding the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.
2. Ensure that all their foreign branches and majority-owned subsidiaries implement the Law and the regulations and instructions issued pursuant thereto, including the present Instructions to the extent permitted by the laws and regulations of the host foreign country, and when the minimum AML/CFT requirements in the host country are less strict than the requirements of the Law and the regulations and instructions issued pursuant thereto.
3. Implement additional appropriate measures for ML/TF risk management, if the legislation of the country in which the financial institution branches or subsidiaries are located does not allow for the appropriate implementation of the Law and the regulations and instructions issued pursuant thereto, including the present Instructions, and inform the supervisory authority.

Article (34)

Reporting

Financial institutions shall:

1. Swiftly submit a report to the FFU using Reporting Form No. (4) attached to the present Instructions, when they suspect or have reasonable grounds to suspect that the funds represent the proceeds of a predicate offense or are linked or connected to ML/TF, or when they have knowledge of an incident or activity that may indicate ML/TF or a predicate offense.
2. Immediately inform the FFU of all suspicious transactions in accordance with Paragraph (1) of this Article, including attempts to conduct such operations, regardless of their value.

Article (35)

Daily Financial Transaction Reports from Banks and Money Exchangers

1. Banks shall provide the FFU with daily reports on the financial transactions carried out by or through the bank, including the parties and value of the financial transactions, according to the following:
 - a. All quick transfers with a value equal to or exceeding (500) US dollars or its equivalent in other legal currencies, whether executed by the bank holding the main quick transfer agency, or by any financial institution that has been granted a sub-agency by the bank.

- b. All the following financial transactions when their value is or exceeds (5000) US dollars or its equivalent in other legal currencies:
 - 1) External incoming or outgoing wire transfers from or to any country.
 - 2) Wire transfers and internal transfers issued to others.
 - 3) Checks of all kinds.
 - 4) Deposits and withdrawals.
 - 5) Documentary credits and bills of collection, including transfers related to their implementation.
2. Money exchangers shall provide the FFU with daily reports on the financial transactions carried out by or through them, including the parties and value of the financial transactions according to the following:
 - a. All incoming or outgoing external transfers and all outgoing internal transfers with a value equal to or exceeding (500) US dollars or its equivalent in other legal currencies, including quick transfers whether executed by the exchanger holding the main quick transfers agency, or by a financial institution that has been granted a sub-agency by the exchanger.
 - b. All the following financial transactions, when their value is or exceeds (5000) US dollars or its equivalent in other legal currencies:
 - 1) Cheques of all kinds.
 - 2) All types of funds transferred to or from the State.
 - 3) Currency exchange operations.
 - 4) Any other financial operations permitted by the Palestine Monetary Authority.
3. Reports on the transactions set out in this Article shall be sent through the FFU approved electronic means.
4. The FFU, in coordination with the Palestine Monetary Authority, shall issue technical instructions to ensure compliance with this Article.

Article (36)

Implementing UN Security Council resolutions

Financial institutions shall:

1. Immediately implement the decisions adopted by the UN Security Council Resolutions Implementation Committee.
2. Prepare the necessary electronic systems to ensure implementation of Paragraph (1) of this Article.

Article (37)

Guidance

Financial institutions shall resort to the guidance issued by the Committee or supervisory authority on the implementation of AML/CFT requirements.

Chapter Five

Final Provisions

Article (38)

Repeal

1. The following instructions shall be repealed:
 - a. Instructions No. (2) of 2022 on AML/CFT for financial institutions.
 - b. Instructions No. (2) of 2016 on AML/CFT for banks.
 - c. Instructions No. (4) of 2016 on AML/CFT for entities subject to the oversight and supervision of the Capital Market Authority.
 - d. Instructions No. (5) of 2016 on reporting quick transfer operations.
 - e. Instructions No. (1) of 2017 on AML/CFT for money exchangers.
2. Any provision that contradicts the present Instructions shall be repealed.

Article (39)

Entry into force

All competent authorities, each within its own purview, shall implement the present Instructions. They shall come into effect on the date of their publication in the Official Gazette.

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Corresponding to: 24 Jumada al-Awwal 1444 AH

The National Committee for Combating Money Laundering and Terrorism Financing

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