

ML/TF NATIONAL & SECTORAL RISK ASSESSMENT SUMMARY

PALESTINE 2024



For the period (2017-2023)

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GENERAL FRAMEWORK FOR THE RISK ASSESSMENT UPDATE PROCESS

▪ Objectives and scope of the assessment

The main objective of this assessment is to update the identification, analysis and assessment of money laundering and terrorism financing risks at the national and sectoral levels, including identifying the most prominent threats and vulnerabilities in the regulatory and operational AML/CFT frameworks, and providing a comprehensive understanding of these risks. This assessment is an important part of the process of strengthening and implementing a robust AML/CFT national system, which includes laws, regulations and enforcement procedures, along with other measures, contributes to effectively mitigating the risks of money laundering and terrorism financing, assists authorities in setting priorities and allocating the necessary resources effectively, and provides useful information to financial institutions and DNFBPs, supporting them in assessing their risks. When authorities have a good and unified understanding of ML/TF risks, they are able to apply AML/CFT standards in a manner commensurate with these risks, such as promoting a risk-based approach, which is essential for the implementation of FATF standards, in accordance with Recommendation 1 of the 40 Recommendations and its interpretive note issued by the FATF.¹ To that effect, the results of the assessment update will be used as inputs to the national and sectoral AML/CFT strategy that is intended to be updated following the issuance of the national risk assessment report.

The update of the State of Palestine's National Risk Assessment covered the time period from 2017 to 2023 and included some enhanced information from 2024 where necessary. However, the 2024 data did not affect the assessment ratings, to ensure consistency and harmony of ratings across different parts of the report.

The assessment included information from all competent and supervisory authorities in the State of Palestine in addition to financial institutions under to the supervision of the Palestinian Monetary Authority (banks, money exchange businesses, specialized lending institutions, payment companies) and financial institutions under the supervision of the Palestinian Capital Market Authority (securities companies, insurance companies, financial leasing companies) and designated non-financial businesses and professions (dealers in precious metals and stones, lawyers, real estate sector, accountants), taking into account the informal and unregulated sector.

On a geographic scale, the report broadly covers the Palestinian territory within the 1967 borders, yet takes into account the Palestinian authorities' lack of actual control over large parts of Palestinian territory, such as Jerusalem, and land on which illegal settlements are built. The report also takes into account the cross-border risks of money laundering and terrorism financing.

As for the Southern governorates (Gaza Strip), the assessment takes into account contextual factors related to the Gaza Strip, including the border areas, in addition to the information of the financial sector during the entire assessment period, and information related to cases registered with the central competent authorities for investigation, prosecution and judicial until the third quarter of 2023.

¹National Assessment of Money Laundering and Terrorism Risk, FATF Guidelines, February 2013

Summary of the National and Sectoral Risk Assessment of Money Laundering and Terrorism Financing (2024) for 2017-2023

■ Assessment Methodology

The process of updating the national risk assessment for money laundering and terrorism financing is in line with the requirements of the FATF recommendations, namely Recommendation 1 which requires the identification and assessment of ML/TF risks at the national and subnational levels, and to implement this process, the methodologies and tools developed by the World Bank Group were used to assess the risks of money laundering and terrorism financing (described below), where the role of the World Bank project team was limited to providing the tool, providing teams with technical guidance on the tool, the review process and feedback to help use it properly. All information, statistics, and data used in the process of completing the tool forms, such as findings, interpretations, and judgments within the scope of the assessment process are entirely within the jurisdiction of the competent authorities in the State of Palestine and do not reflect the view of the World Bank Group.

1. Money laundering threat analysis tool at the national and sectoral level.
2. Vulnerabilities analysis tool associated with money laundering at the national level.
3. Tools for analyzing inherent and residual vulnerabilities associated with ML at the sectoral level, including the aggregate results tool for sectoral risks.
4. Organization-wide terrorism financing threat analysis tool.
5. National terrorism financing threat analysis tool.
6. Tool for analyzing inherent and residual TF risks at the sectoral level.
7. Tool for analyzing national TF vulnerabilities.
8. Tool to compile TF risks outcomes in the country.
9. Complementary tool for data collection related to terrorism financing
10. TF risk assessment Tool in the NPO Sector.

■ Efforts to complete the assessment

In mid-2023, the Financial Follow-up Unit (FFU) and working groups began to identify the new World Bank methodologies with a view to using them in the update process. They held a series of meetings with the World Bank team for this purpose, and other meetings with various competent authorities. Accordingly, the FFU began preparing questionnaires addressed to all relevant authorities. It also launched the data collection process for the period 2017-2022, but the process slowed down as a result of the developments of the political and security situation. All competent authorities were affected, especially at the level of resources and the inability of employees to reach their workplaces.²

² Since the third quarter of 2023, the military operation on the Gaza Strip began, and military actions in the West Bank and the attacks of the settlers continued at an increasing rate, which led to the worsening of the security situation throughout the Palestinian territory, and the subsequent increase in obstacles and challenges associated with the assessment process, especially the collection of information from the competent authorities, in light of their irregular work.

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In 2024, the State of Palestine took the decision to continue the process of updating the national and sectoral risk assessment despite the deteriorating security, political and economic conditions. The Palestinian Council of Ministers issued Resolution No. (02/14/19/MW/M.M) on 09/07/2024 to form a national team to assess the risks of money laundering, terrorism financing and proliferation financing, headed by the FFU with 23 member entities to carry out the update process for the period (2017-2023). These entities are: The Ministry of Finance, Ministry of Planning and International Cooperation, Ministry of Foreign Affairs and Emigrants, Multilateral Relations Division, Ministry of Interior, Ministry of National Economy, the Presidential Office, the Supreme Judicial Council, the Anti-Corruption Commission, Public Prosecution, the Financial and Administrative Control Bureau, the General Secretariat of the Council of Ministers, the Palestinian Capital Market Authority, the Palestine Monetary Authority, General Intelligence Service, Police Service, Preventive Security Service, the General Administration of Crossings and Borders, the Land Authority, the Central Bureau of Statistics, security forces Judicial Authority, the Military Intelligence Service, the Customs Police, the Palestinian Bar Association, in addition to the subsequent membership of the Ministry of Industry / Hallmarking Department.

Following the decision of the Council of Ministers, the head of the national team issued a decision to form a technical support team (secretariat) for the national team, formed by experts from the FFU. The main tasks of the secretariat were to coordinate the work of the national team, direct the work of the specialized technical teams according to the tasks entrusted to them, submit their reports to the head of the national team, and ensure the work is done according to the assessment methodology followed and the timelines associated with the assessment process.

All members of the national team were also contacted to nominate members of the specialized technical teams, to work on collecting the required data and information, as the table below shows the number of members of the technical teams from each side, noting that the work was not limited to technical work groups, but other staff members in various competent authorities and the private sector participated in the effort in order to collect information.

Members of specialized technical teams			
Entity	Number of Members	Entity	Number of Members
FFU	12	Ministry of Interior + Ministry of Labour	5
Public Prosecution	5	Preventive Security Service	3
Anti-Corruption Commission	3	Customs Enforcement Service	2
Palestinian Police Service (General Investigation and Drug Enforcement Administration)	5	Ministry of National Economy (Companies Controller)	4
General Intelligence	5	Palestine Monetary Authority	5
Palestinian Capital Market Authority	5	Land Authority	4
National Audit Office	2	Auditing Profession Council	1

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Palestinian Association of Certified Public Accountants	1	Ministry of Finance (General Directorate of Income Tax, General Directorate of Value Added Tax, Customs and Excise) + Ministry of Planning	4
Supreme Judicial Council	7	Ministry of Justice	2
Interpol	2	Military Intelligence Service	4
Palestinian Central Bureau of Statistics	1	A group of academics from Palestinian universities	4
Private Sector Financial Institutions and Non-Financial Businesses and Professions	30	Ministry of Foreign Affairs	4
Hallmarking and precious metals department	3	Military Prosecution	3
Grand Total (126) + Staff in all competent authorities			

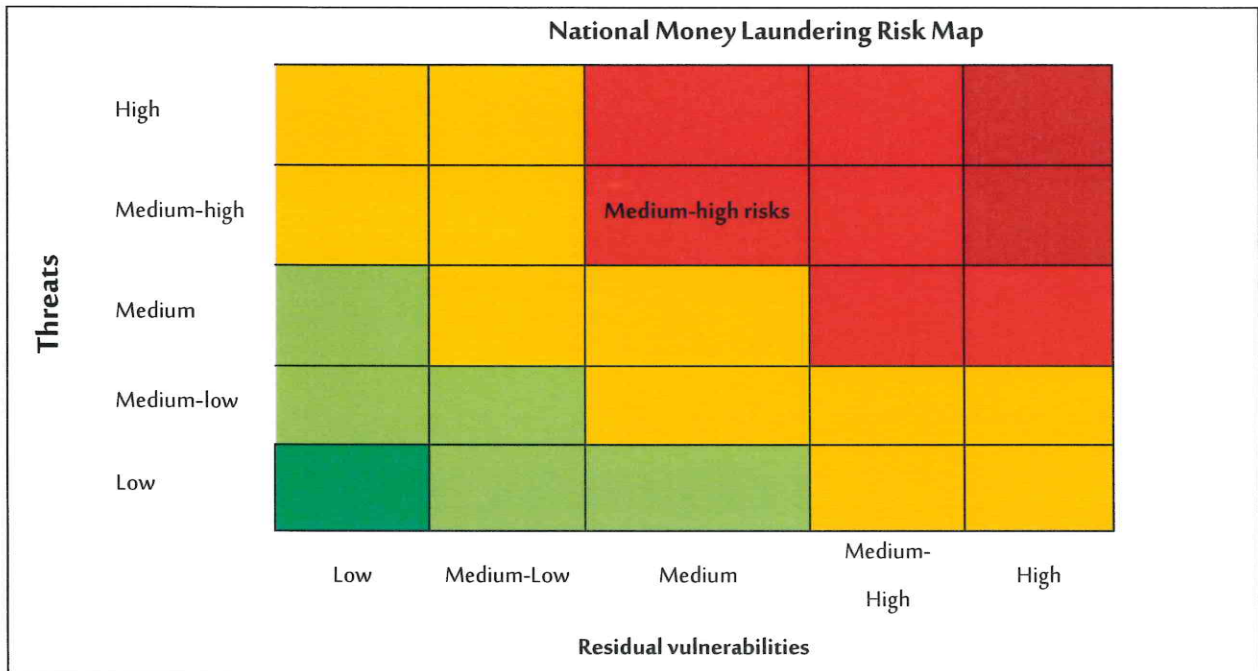
The technical teams collected, analyzed and evaluated information using a range of methods, such as questionnaires, correspondence, bilateral meetings, multi-stakeholder meetings, brainstorming sessions and the opinions of academics and experts in their respective fields, collecting information from periodic reports and information systems of various competent and supervisory authorities and the private sector, published reports and studies, and credible open-source information. This information was reviewed at the level of each entity, in addition to being reviewed by members of the national team, each according to its specialization.

SUMMARY OF THE RESULTS OF THE ML/TF RISK ASSESSMENT

■ First: Money Laundering Risks

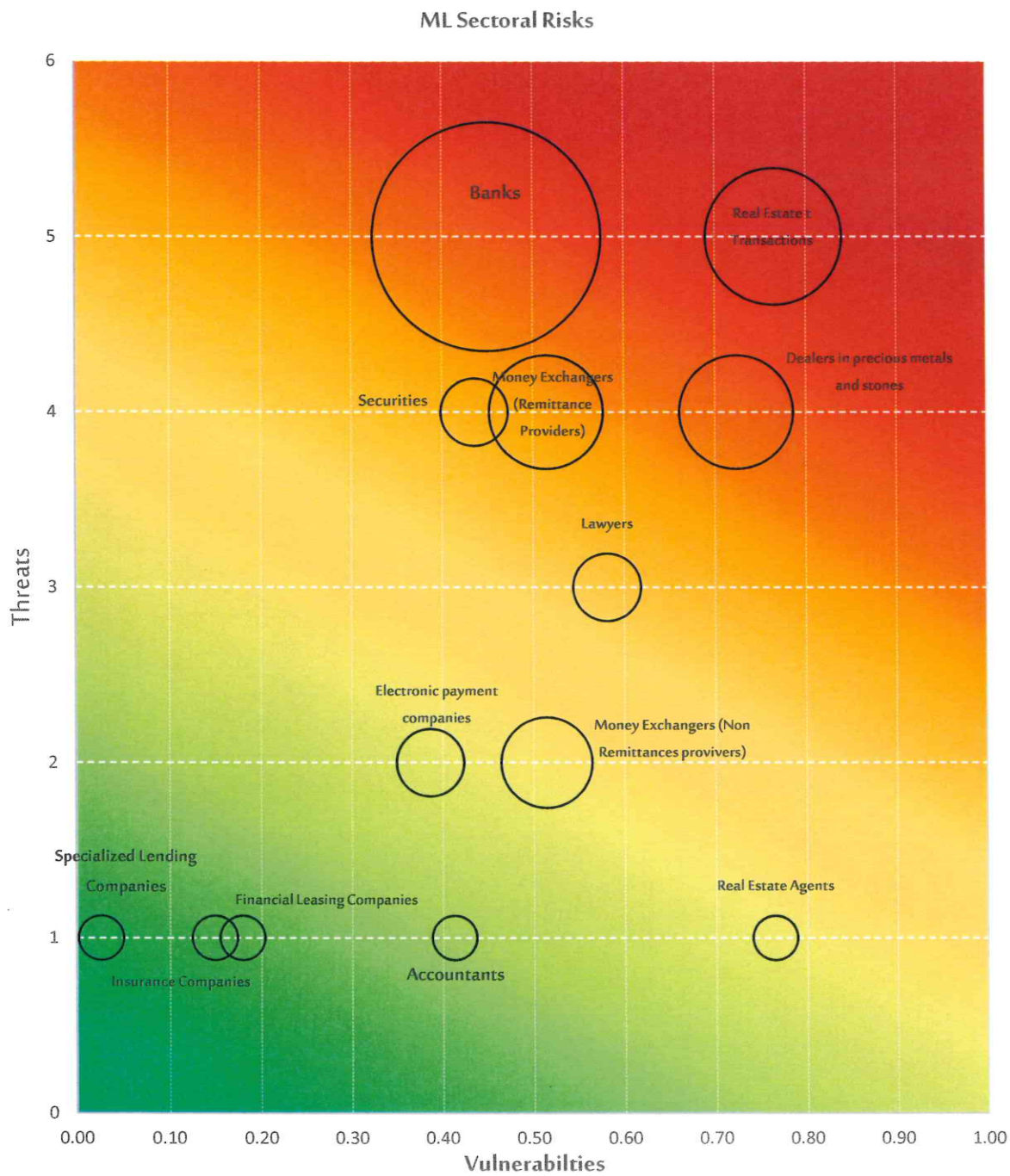
The ML risk rating at the national level is estimated to be (medium-high). This is due to the assessment of money laundering threats in the State of Palestine as (medium-high) as a result of proceed-generating crimes due to the geopolitical reality that threatens important sectors in the State of Palestine, knowing that this threat is a local threat that depends mainly on the commission of predicate offenses in Palestine and criminal proceeds are laundered (or suspected of laundering) as a result on the local level. This comes in addition to assessing national residual vulnerabilities as (medium), which were also affected by vulnerabilities at the sectoral level.

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As for ML risks at the sectoral level, the results show that there are high risks in the real estate sector, resulting from high threats (mainly in executing real estate transactions, not in the introduction of sellers and buyers by real estate agents and brokers) in addition to medium-high vulnerabilities. ML risks were rated "medium-high" in the banking sector as a result of high threats in addition to the size of the sector and its high materiality. Risks were also rated "medium-high" in the remittance/money exchange and dealers in precious metals and stones. The following map and table show ML risk ratings for each sector based on threat levels, vulnerabilities and weight.

Summary of the National and Sectoral Risk Assessment of Money Laundering and Terrorism Financing (2024) for 2017-2023



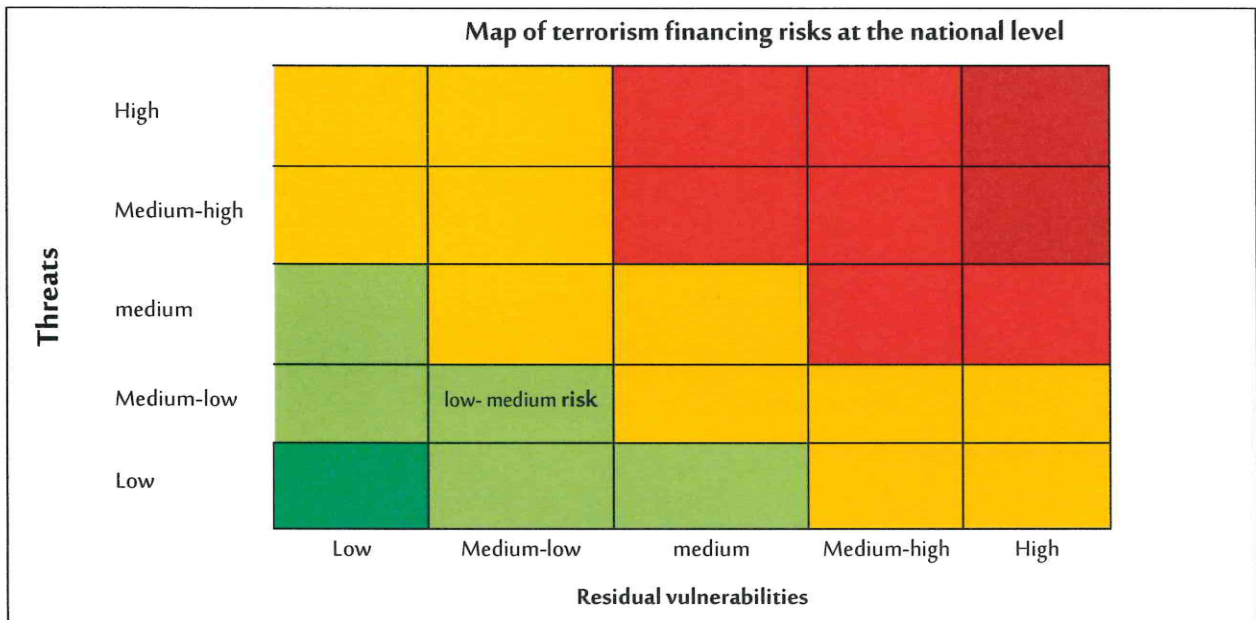
Summary of the National and Sectoral Risk Assessment of Money Laundering and Terrorism Financing (2024) for 2017-2023

Sectoral ML Risks				
Sector		Threat level	Vulnerabilities	Risk level
Banks		High	Medium	Medium-high
Money Exchange Businesses	Remittance Providers	Medium-high	Medium	Medium-high
	Non remittances providers	low- medium		low- medium
Specialized Lending Companies		Low	Low	Low
Electronic payment companies		low- medium	Medium-low	low- medium
Securities (Financial Brokerage Firms)		Medium-high	Medium	Medium
Insurance Companies		Low	Low	Low
Financial Leasing Companies		Low	Low	Low
Lawyers		Medium	Medium	Medium
Dealers in precious metals and stones		Medium-high	Medium-high	Medium-high
Accountants		Low	Medium	Low
Real Estate Sector	Real Estate Transactions	High	Medium-high	High
	Real Estate Agents & Brokers	Low		Low

Summary of the National and Sectoral Risk Assessment of Money Laundering and Terrorism Financing (2024) for 2017-2023

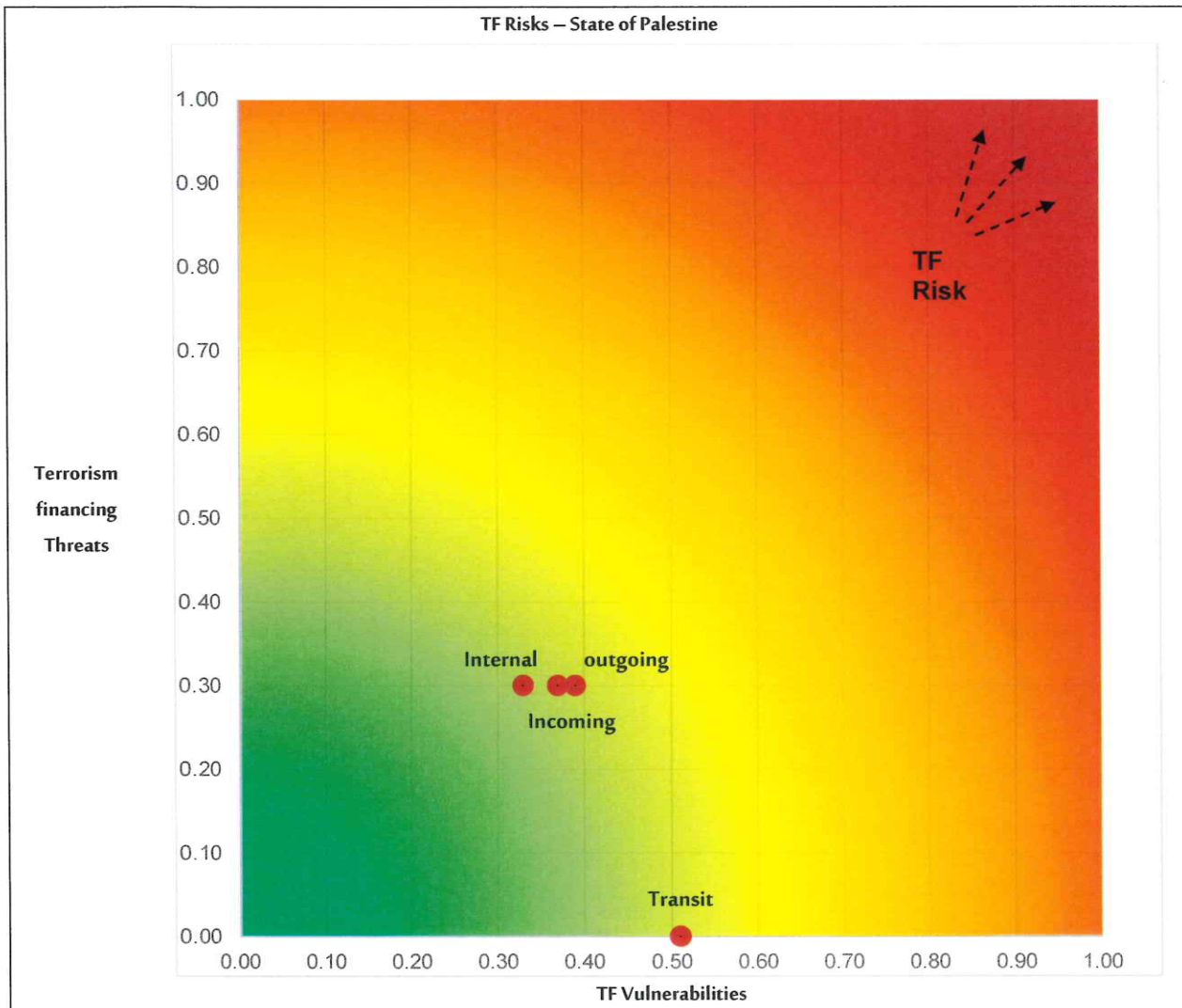
■ **Second: Terrorism Financing Risks**

TF risks in the State of Palestine were assessed as (Medium-low) at the national level as a result of assessing TF threats as (Medium-low) at the national level, and estimating the residual TF vulnerabilities at the national level as (Medium-low), as shown in the risk map:



The results of the national and sectoral assessment showed "Medium-low" risks associated with the financing of domestic terrorism, whether incoming (coming from abroad), outgoing (going outside the country) and transiting (transiting the country). As illustrated by the following risk map:

Summary of the National and Sectoral Risk Assessment of Money Laundering and Terrorism Financing (2024) for 2017-2023



This is due to the assessment of the threats and vulnerabilities of each type of terrorism financing according to the following ratings:

Type of terrorism financing	Threats	Vulnerabilities	Risk
Domestic Terrorism financing	low- medium	low- medium	low- medium
Incoming terrorism financing	low- medium	low- medium	low- medium
Outgoing (outbound) terrorism financing	low- medium	low- medium	low- medium
Financing of Transnational Terrorism (Transit)	N/A	Medium	low- medium

Summary of the National and Sectoral Risk Assessment of Money Laundering and Terrorism Financing (2024) for 2017-2023

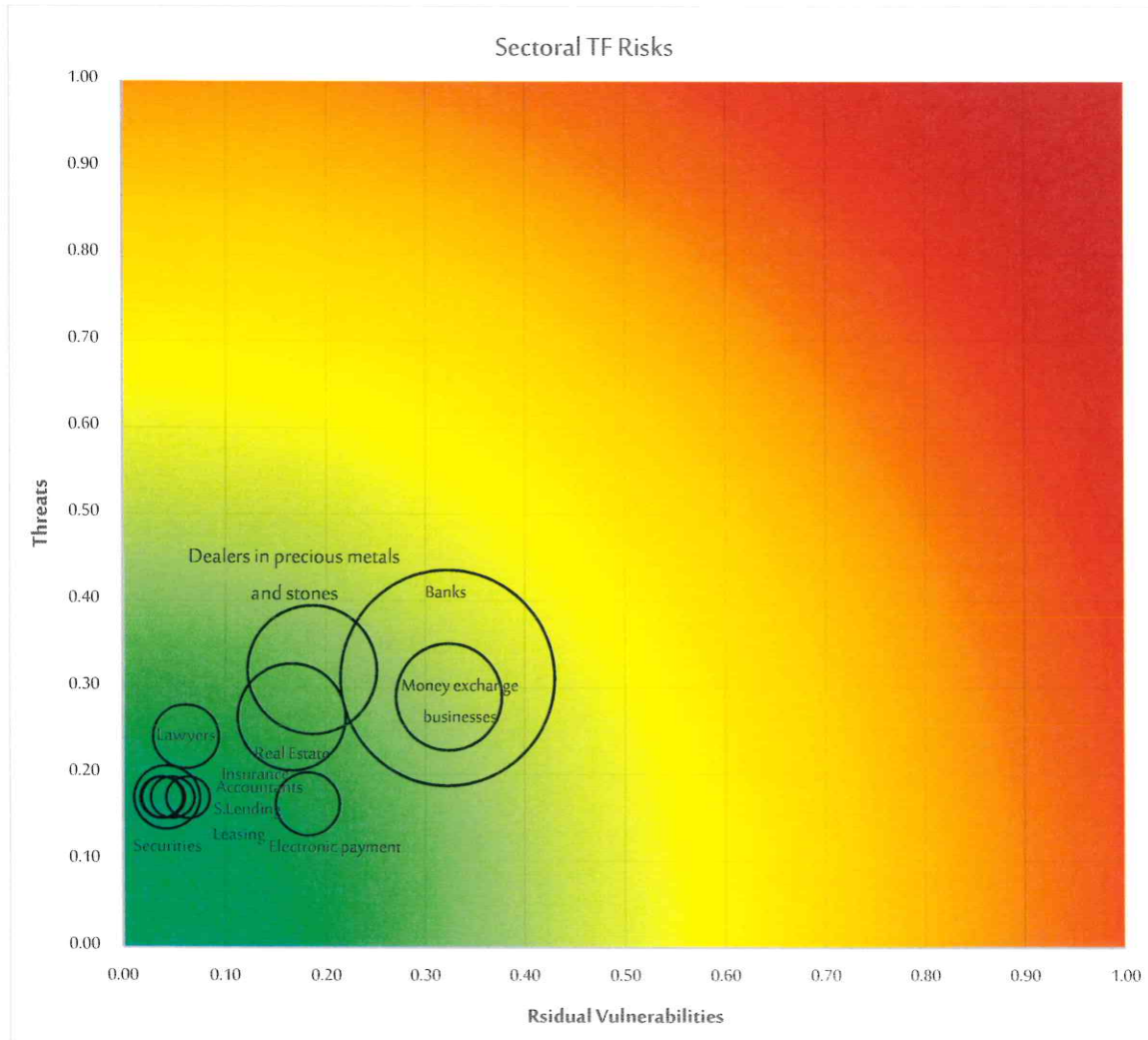
At the sectoral level, the results of the TF risk assessment at the sector level range from "low" to "medium-low", where the results show that the risks of banks, money exchange businesses, dealers in precious metals and stones and the real estate sector were assessed as (medium-low), as shown in the table below:³

TF Risks at the sectoral level			
Sector	Threat level	Residual vulnerabilities	Risk rating
Banks	low- medium	low- medium	low- medium
Money exchange businesses	low- medium	low- medium	low- medium
Specialized Lending Companies	Low	Low	Low
Electronic payment companies	Low	Low	Low
Securities (Financial Brokerage Firms)	Low	Low	Low
Insurance Companies	Low	Low	Low
Financial Leasing Companies	Low	Low	Low
Dealers in precious metals and stones	low- medium	Low	low- medium
Lawyers	low- medium	Low	Low
Real Estate	low- medium	Low	low- medium
Accountants	Low	Low	Low

The following map shows the residual risk rating for each sector based on the table above:

³ In addition, a sectoral assessment of TF in the non-profit sector was conducted in accordance with the World Bank methodology. A summary of this report will be published through the General Directorate of NGOs and Public Affairs - Ministry of Interior.

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MONEY LAUNDERING THREAT ASSESSMENT

First: ML Threats at the National Level

Threats are defined as a person, group of persons, thing, or activity that is likely to cause harm to the State, society or economy, and in the context of money laundering, this includes criminals and their facilitators, criminal proceeds, as well as past, present or future money laundering activities.⁴ The results of the assessment showed that there were seven main crimes that generated significant criminal proceeds within the context of the country, where the level of ML threats associated with these crimes ranged between (medium) and (high) as shown in the table below:

ML threats at the national level - based on the most prominent predicate offences				
No.	Crime	Special Notes	ML threat	Trend compared to 2017 assessment
1	Tax Crimes	Tax and customs evasion	High	Stable ↔
2	Corruption Crimes	The following proceeds-generating corruption crimes are concentrated (from the highest to the lowest threats): forgery and use of forged documents, embezzlement, illicit enrichment, bribery, abuse of power, breach of trust, and career investment.	High	Stable ↔
3	Drug crimes	Mainly proceeds-generating crimes: Growing, planting, trafficking and dealing	Medium-high	Decreasing ↻
4	Forgery	It is usually associated with other crimes such as corruption and falsification of clearing invoices.	Medium-high	Stable ↔
5	Theft	Mainly major thefts that result in large criminal proceeds, and exclude petty theft and pickpocketing.	Medium-high	Growing ↗

⁴ FATF Guidelines, February 2013, op. cit.

Summary of the National and Sectoral Risk Assessment of Money Laundering and Terrorism Financing (2024) for 2017-2023

6	Fraud Crimes	Mainly focused on the illusion of a false project, and to a lesser extent electronic fraud.	Medium-high	Growing ↑
7	breach of trust	breach of trust in the private sector in all its components.	Medium	Growing ↑

It is clear that the ML threat in Palestine is considered to be essentially local, as it relies heavily on predicate offenses perpetrated inside Palestine, in addition to conducting ML operations or suspicion of executing them locally. Most of the cases involved predicate offenses inside Palestine, while the rest of the crimes took place in other countries. As for the destination country, results showed that most cases where predicate offenses were committed in Palestine and where the money laundering (or suspicion thereof) was also committed in Palestine. It is noteworthy that each crime has its own circumstances, for example, drug trafficking crimes are closely linked to the Israeli side, where it is noted that the Palestinian territories, especially in areas classified as "C", especially in previous periods, are exploited for the cultivation of drugs before transferring them to Israel for trafficking and most likely the money is laundered there.

▪ **Second: ML Threats at the Sectoral Level**

In the ML threat analysis at the sectoral level, it appears that the banking sector is the most exposed and attractive to threats, as it was associated with the largest percentage of money laundering cases in the State of Palestine, followed by the real estate sector (in relation to real estate transactions and not real estate agents) where these sectors were assessed with a high threat rating. This is followed by other sectors that were assessed as medium-high, namely money exchange businesses, especially remittance providers, the securities sector, and dealers in precious metals, as shown in the table below:

ML Threats at the sectoral level		
Sector		Threat level
Banks		High
Money exchange businesses	Remittance Providers	Medium-high
	Non remittances providers	low- medium
Specialized Lending Companies		Low
Electronic payment companies		low- medium
Securities (Financial Brokerage Firms)		Medium-high
Insurance Companies		Low
Financial Leasing Companies		Low
Lawyers		Medium

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Dealers in precious metals and stones		Medium-high
Accountants		Low
Real Estate Sector	Real Estate Transactions	High
	Real Estate Agents & Brokers	Low

In terms of products used for money laundering or suspected money laundering, the banking sector's most abused products are cash deposits, followed by cheques, cash withdrawals and internal remittances. For money exchange businesses, threats are mainly associated with incoming remittances and, to a lesser extent, outward remittances, currency exchange and cheque cashing. As for the securities sector, there are limited cases related to the purchase and/or sale of shares, and fictitious trading, while the electronic payment sector was associated with transfer of funds to several beneficiaries and then transfer to bank accounts.

As for DNFBPs, money laundering is related to the purchase of precious metals, while lawyers are suspected of being used to establish companies, for consulting, signing fictitious contracts, and to facilitate the forgery of documents related to immovable property. As for the real estate sector, it is noted that most of the patterns are related to the purchase and/or establishment of real estate in cash or through the financial sector.

TERRORISM FINANCING THREAT ASSESSMENT

First: National TF threats

Results showed that the assessment of the TF threat at the national level was "medium-low", and this is associated with a decrease in the level of domestic and transnational (international) terrorism financing threats in the State of Palestine. These findings are based on an assessment of all aspects of fundraising, moving, storing and using funds to finance individuals, organizations or terrorist operations.

The results indicate that the groups that pose the greatest terrorist threat to Palestinian society⁵ do not represent high threats to terrorism financing as they do not exploit the Palestinian financial and non-financial system. Other categories that present "low" or "medium-low" terrorist threats rely on⁶self-financing. Therefore, associated terrorism financing threats range from "low" to "medium-low". This is taking into account that the State of Palestine is not considered a financial center, which does not make it a transit route for funds for the purpose

⁵ These groups are made up of foreign activist (individuals and entities) that constitute the major category included in the national terrorism list in Palestine.

⁶ Groups with "medium-low" threats are made of individual cases affected by extremist ideology, and are not affiliated with any terrorist organization. As for the categories with a "low" threat, they are the extended terrorist organizations listed under Security Council resolutions, especially resolutions 1267 and 1989.

Summary of the National and Sectoral Risk Assessment of Money Laundering and Terrorism Financing (2024) for 2017-2023

of terrorism financing. The following table represents the results of the assessment of national TF threat variables, and their impact on the type and trend of TF threat:

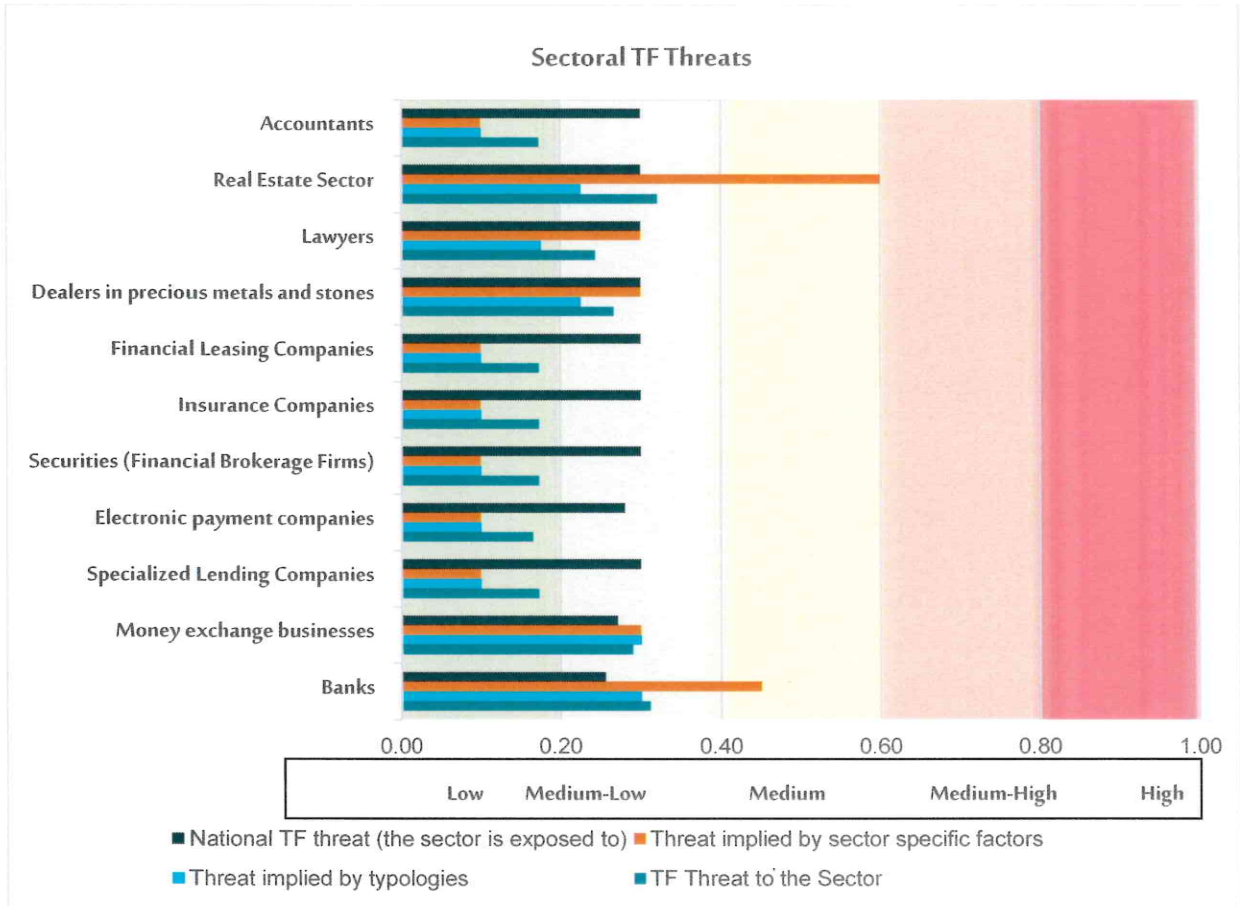
Variable	Assessing the impact of the variable on the type and trend of the terrorism financing threat			
	Impact on local threats	Local threat trend	Impact on cross-border threats	Trend in cross-border threats
Active terrorist threat	low	stable	low	Stable
Terrorist persons and organizations	low	stable	low	Stable
Sympathizers	low	stable	low	Stable
Neighboring	Low (incoming)	stable (Incoming)	low (Outgoing)	stable (Outgoing)
Function of the Finance and Trade Center within the State	-	-	N/A	Stable
Strategic Goods & Services	-	-	N/A	Stable

■ **Second: Sectoral TF threats**

Sectors are exposed to threats associated with TF at similar levels, with "medium-low" threats in banks, money exchange businesses, dealers in precious metals and stones, lawyers, and the real estate sector. While the threat is considered "low" in the rest of the sectors.

Although there is no clear and proven misuse of the banking sector, the characteristics of the real estate and banking sectors had the greatest impact in assessing the threat level compared to the rest of the sectors, as a result of the size of the two sectors and the diversity and attractiveness of the banking sector's products, followed by money exchange businesses, dealers in precious metals and stones, and lawyers. This makes it necessary to take into account the potential for misuse of these sectors. The following illustrates the consequences of sectoral TF threats based on basic assessment criteria:

Summary of the National and Sectoral Risk Assessment of Money Laundering and Terrorism Financing (2024) for 2017-2023

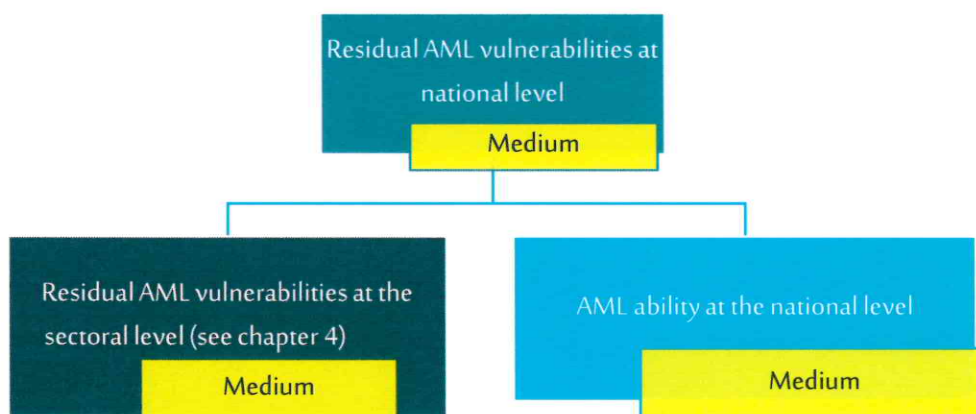


AML/CFT VULNERABILITIES

First: National AML/CFT vulnerabilities

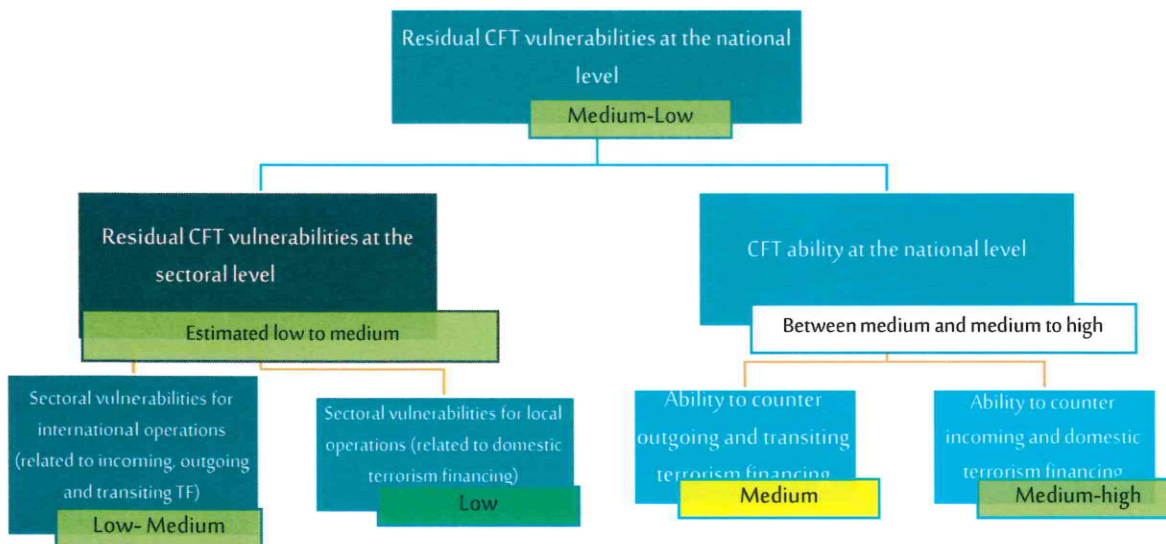
A. Final results for national vulnerabilities

Residual AML vulnerabilities at the national level were assessed as (medium) as a result of two factors, the results of the assessment of sectoral residual vulnerabilities considered as (medium) (see item II below related to ML vulnerabilities at the sector level), and the ability to combat ML at the national level, assessed as (medium).



As for the assessment of the residual CFT vulnerabilities at the national level, they were evaluated as "medium-low", due to the assessment of CFT vulnerabilities in domestic, incoming and outgoing terrorism, as medium-low, while CFT vulnerabilities for transiting terrorism were at a medium level, noting that these assessments were affected by the level of CFT vulnerabilities at the sectoral level, which were rated as low for domestic operations, and medium-low for international operations (item II below on CFT vulnerabilities at the sectoral level), in addition to being affected by the ability to combat terrorism financing at the national level, which was assessed as medium-high in combating the financing of internal and incoming terrorism, and a medium ability in combating the financing of outgoing and transiting terrorism, as shown in the following diagram:

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The following table details the ratings for each type of terrorism financing:

Countering TF Vulnerabilities at the National Level				
TF type/item under assessment	Ability to combat TF	Sectoral vulnerabilities affecting the TF type	National vulnerabilities results (by TF type)	Rounded overall rating
Domestic TF	Medium-high	Low (For local operations)	Low- Medium	Low- Medium
Outgoing (outbound) TF	Medium	Low- Medium (For international operations)	Low- Medium	
Incoming TF (from abroad)	Medium-high		Low- Medium	
Financing of Transnational Terrorism (Transiting)	Medium		Medium	

B. Analysis of the national ability to combat money laundering and terrorism financing

The assessment of vulnerabilities related to ML and TF depends on the state's ability to combat these two crimes (through the quality of the relevant general controls), as well as the inherent and residual vulnerabilities in the sectors as will be explained later.

The ability to combat money laundering was assessed as "medium" based on the analysis of (22) variables, while the ability to combat terrorism financing was assessed as "medium-high" (for the financing of domestic and incoming terrorism) and "medium" (for the financing

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of outgoing and transiting terrorism), based on the analysis of (23) variables. It is to note that the vast majority of these variables are common as they are related to both money laundering and terrorism financing. The ability to combat money laundering and terrorism financing at the national level can be summarized in eight average outcomes as follows:

Outcomes/Intermediate variable ratings – National Level	ML	TF (estimate)
Comprehensiveness of the legal framework related to customs controls on currency and similar instruments	Medium-high	
Quality of investigations	Medium	Medium-high
Quality of prosecutions	Medium	Medium-high
Quality of judicial rulings	Medium	Medium
Quality of the asset confiscation framework	Low-Medium	Medium
Access to reliable information and evidence (ML)	Low- Medium	-
Quality of intelligence collection and processing (TF)	-	Medium-high
Reliability of financial records and books	Low- Medium	
Quality of customer due diligence framework	Low-Medium	

To interpret the results of the assessment above, results of the analysis on AML/CFT abilities show that the legislative framework in Palestine largely meets international standards, and there is a high political commitment to combat money laundering and terrorism financing. This is reflected in national and sectoral strategies related combating money laundering, terrorism financing and predicate offenses, and enhancing representation in the participation of the authorities in efforts to combat these two crimes at the international level by joining international groups such as the Egmont, Interpol and other regional forums, as well as local coordination and cooperation at the policy and operational levels.

It is clear that there is a legislative framework that meets international standards related to cash declarations at the borders and crossings, but there are political challenges related to the effectiveness of the application of these legislations, especially in light of the lack of control by the State of Palestine over border crossings.

Palestine has also taken important measures in order to identify beneficial owners and establish a central register in the Ministry of Economy in particular, a multi-pronged approach has been adopted to access and maintain BO information, so that it depends on all relevant parties instead of relying exclusively on the Ministry of Economy. A detailed guide was issued for the application of this approach in addition to a set of relevant workshops, in order to ensure the accuracy of the information. The Ministry of Economy has taken a number of important measures to update the Beneficial Owner Register and has recruited, in cooperation with the National Anti-Money Laundering and Terrorism Financing Committee, a number of employees for this purpose. A significant part of this update has been completed, however, there is still a need to complete and strengthen these procedures to ensure the sustainability of information keeping in an accurate, up-to-

Summary of the National and Sectoral Risk Assessment of Money Laundering and Terrorism Financing (2024) for 2017-2023

date and adequate manner and timely access, in accordance with international standard requirements. The banking sector has strong procedures in place to identify the beneficial owner as outlined in the Sectoral Vulnerabilities Summary.

The analysis also shows the need for significant improvements related to the level of regularity of the economy and the level of financial integrity (linked to private sector governance), including enhancing the quality of independent auditing. These variables affect AML/CFT ability at the national level.

As for the effectiveness of investigations, prosecutions and confiscation, it appears that these procedures are better for terrorism financing compared to money laundering, which calls for many improvements related to strengthening the resources and capacities of the Public Prosecution and the judiciary, taking into account the significant geopolitical challenges such as the inability to fully enforce the law in areas outside the control of the Palestinian authorities.

Despite the strength and robustness of the financial sector's actions on the implementation of Targeted Financial Sanctions (TFS) linked to Security Council resolutions (which go beyond the requirements of the FATF to include a wider range of lists), there is still a need to continue to take some necessary measures at the national level to ensure that all DNFBPs are included in the electronic platform and mobile application.

■ Second: AML/CFT vulnerabilities at the sectoral level

The results of the assessment show that the residual vulnerabilities in the different sectors range from "low" to "Medium-high" for money laundering, and from "low" to "low-medium" for terrorism financing, according to the following table:

Residual AML/CFT vulnerabilities at the sectoral level		
Sector	Terrorism financing	Money Laundering
Banks	Low-Medium	Medium
Money exchange businesses	Low-Medium	Medium
Specialized Lending Companies	Low	Low
Electronic payment companies	Low	Low-Medium
Securities (Financial Brokerage Firms)	Low	Medium
Insurance Companies	Low	Low
Financial Leasing Companies	Low	Low
Dealers in precious metals and stones	Low	Medium-high
Lawyers	Low	Medium
Real Estate Sector	Low	Medium-high
Accountants	Low	Medium

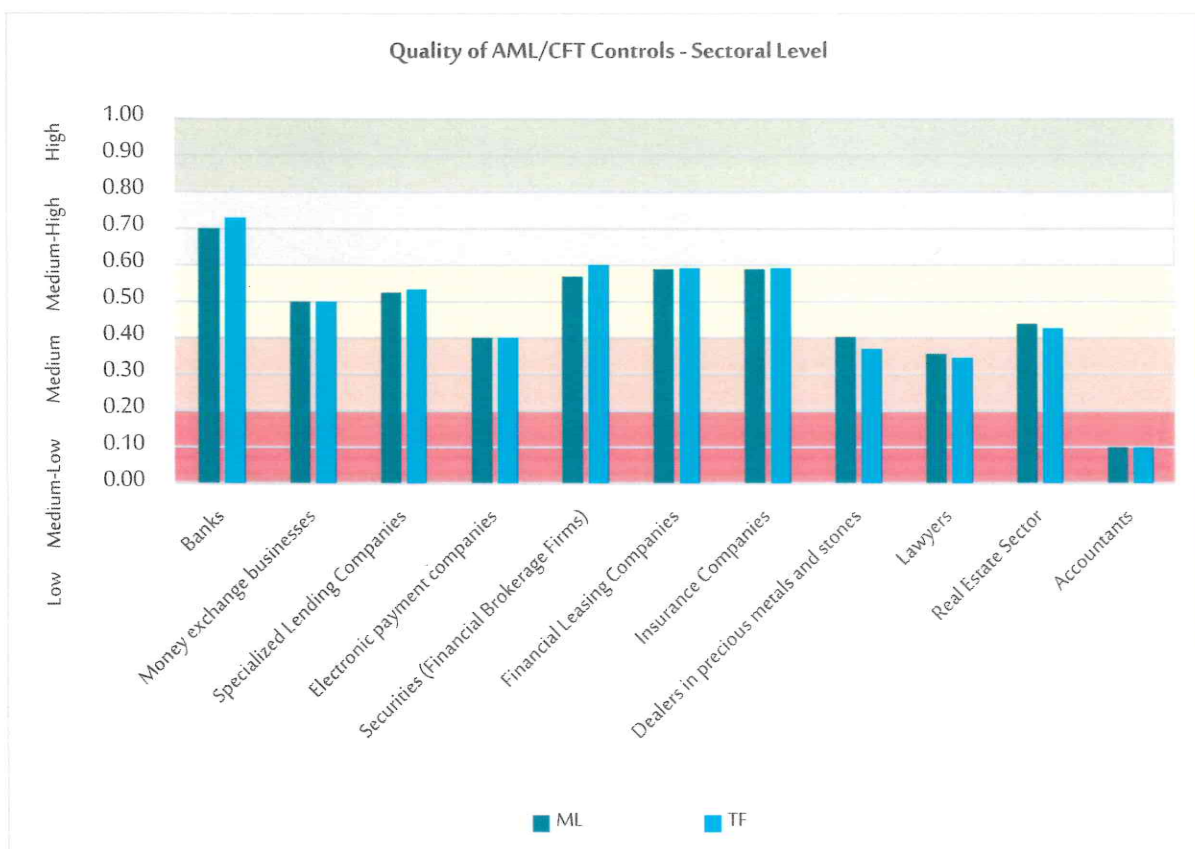
Summary of the National and Sectoral Risk Assessment of Money Laundering and Terrorism Financing (2024) for 2017-2023

The assessment of the residual vulnerabilities is based on the results of the assessment of both the quality of AML/CFT controls in each sector, and the inherent vulnerabilities in each sector, according to the following:

A. Quality of AML/CFT Controls

Assessment results show that the quality of anti-money laundering controls in the banking sector is the best compared to the rest of the sectors, as it was assessed as "Medium-high", while it was "medium" in most sectors (securities, insurance, financial leasing, specialized lending, money exchange businesses, traders in precious metals and stones, and the real estate sector). The quality of these controls was assessed as "medium-low" in the sectors of electronic payment companies and lawyers, and at a "low" level in the accountants sector.

As for terrorism financing, the assessment results show that the quality of counter-terrorism financing controls in the banking sector is the best compared to the rest of the sectors, as it was assessed as "Medium-high", while it was "medium" in most sectors (securities, insurance, financial leasing, specialized lending, money exchange businesses, and the real estate sector). The quality of these controls was assessed at as "medium-low" level in the sectors of electronic payment companies, lawyers, and dealers in precious metals and stones, and at a "low" level in the accountant's sector.



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- **Quality of supervision:** It is noted that the quality of AML/CFT supervision was fairly close in all financial sectors, as it ranged from the level of "medium" to "Medium-high", due to the existence of good procedures related to control and supervision and the availability and enforcement of administrative penalties in the financial sectors, especially with regard to the banking sector, while this quality was lower in the DNFBPs sectors that still need to strengthen supervision and impose administrative penalties.
- **Level of staff compliance:** Staff compliance is better in the banking, securities and financial leasing sectors, as a result of better levels of quality supervision in these sectors, staff familiarity with the AML system, staff integrity, effectiveness of the compliance function and, to a lesser extent, availability and enforcement of criminal penalties.
- **Quality of the due diligence framework:** It is noted that the quality level of the due diligence framework was the best in banks and specialized lending institutions at Medium-high, while it was medium for both money exchange businesses and electronic payments companies, and "low-medium" in the rest of the sectors. This is related to the assessment of the variables "availability of and access to BO information", "availability of reliable identification infrastructures", and "availability of independent sources of information", which were better in the banking and specialized lending sectors as they use similar independent information sources including access to identity information, as well as strong procedures associated with BO identification. As for the rest of the financial institutions, despite applying appropriate due diligence procedures, the level of access to independent information remains lower than in the banking sector, in addition to challenges in accessing identity information that are vulnerable to fraud and the State of Palestine faces political challenges in issuing alternative smart identity cards.
- **Commitment and leadership of managements:** The commitment and leadership of managements in the vast majority of financial institution sectors is classified as "Medium-high", due to the availability and effectiveness of access controls in these sectors, the good quality of supervision, with uneven enforcement of criminal sanctions in these sectors, and the impact of market pressure on the commitment for the banking sector, especially those related to correspondent banking relationships. This commitment was lower than in the DNFBPs sector.
- **Quality of operations:** The quality of operations in the banking sector is considered the best compared to all sectors, followed by money exchange businesses, specialized lending, real estate and financial institutions subject to the supervision of the Capital Market Authority, followed by electronic payment companies, dealers in precious metals and stones, and lawyers, while it was low for accountants. This depends on the quality of the due diligence framework, the commitment and leadership of managements, and the level of employee compliance in these sectors as described above, as well as their association with the effectiveness of suspicious activity monitoring and reporting, which were generally better in the sectors of financial institutions subject to the supervision of the Monetary Authority compared to other sectors.
- **Quality of AML/CFT policies and procedures:** Policies and procedures are of "high" quality in the banking sector, and "Medium-high" in the rest of the sectors under financial institutions. This comes as a result of the comprehensiveness of the AML/CFT legal framework in various sectors, in line with international AML/CFT standards, in addition to the fact that most financial sectors have high compliance effectiveness, and to the impact of the level of commitment and leadership of managements (as described above) on the quality of policies and procedures in various sectors.

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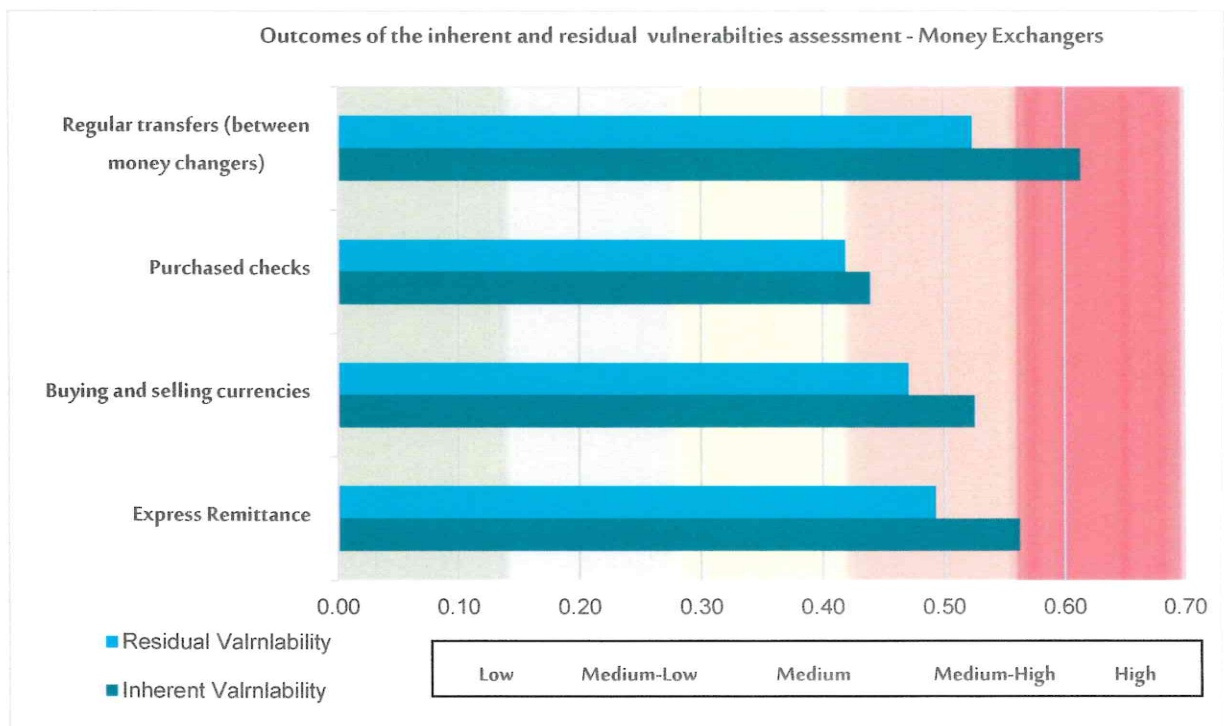
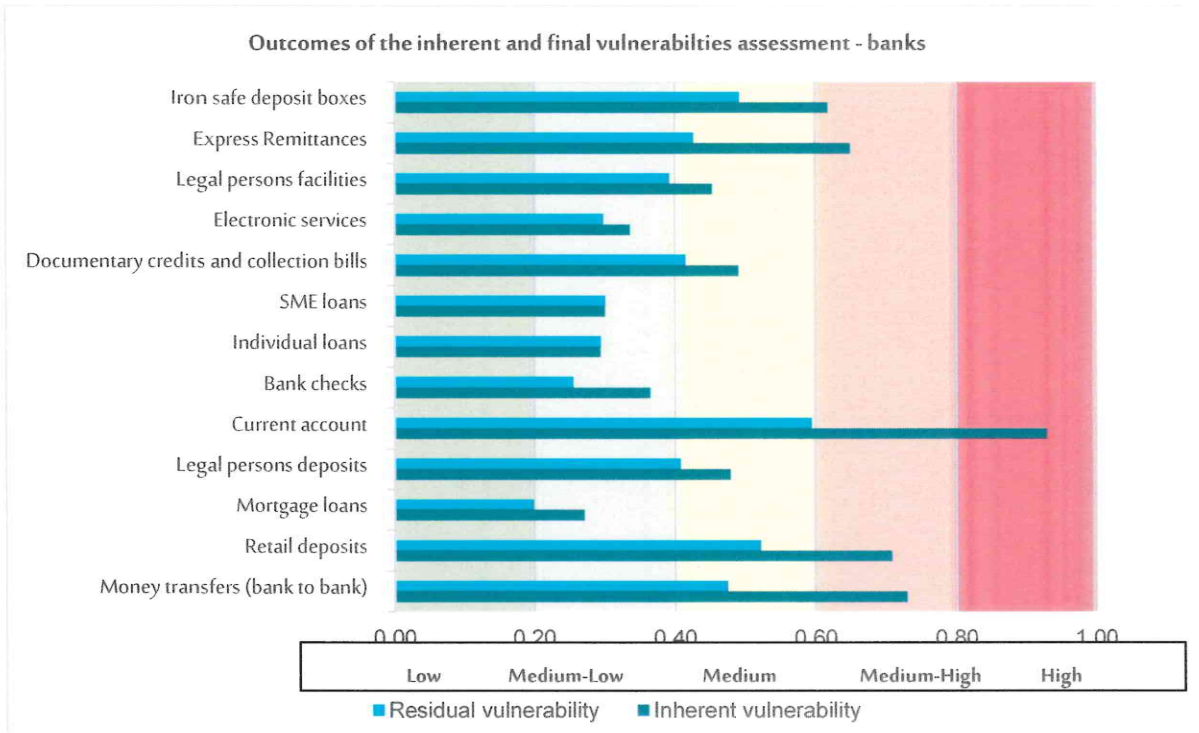
B. Inherent vulnerabilities (in sectors and/or their products)

The inherent vulnerabilities associated with ML were assessment in more than one way, according to the nature of the sector and its products, as they were evaluated according to products and services in all financial sectors (banks, money exchange businesses, securities, insurance, financial leasing, specialized lending, payment companies), while they were evaluated according to the characteristics of the same sector for DNFBPs (lawyers, dealers and jewelers of precious metals and stones, accountants, real estate agents and brokers). In both models, the residual vulnerabilities are measured.

Assessment of inherent and residual risks – money laundering		
Sector	Inherent vulnerabilities (for the sector and products)	Residual vulnerabilities (for the sector)
Banks	(More than one product - shown below)	Medium
Money exchange businesses	(More than one product - shown below)	Medium
Specialized Lending Companies	Low (Microcredit Product)	Low
Electronic payment companies	(More than one product - shown below)	Low-Medium
Securities (Financial Brokerage Firms)	Medium (Ordinary Share Product)	Medium
Insurance Companies	Low (Life Insurance Product)	Low
Financial Leasing Companies	Low (Leasing Loans Product)	Low
Lawyers	Medium	Medium
Dealers in precious metals and stones	High	Medium-high
Accountants	Medium	Medium
Real estate	(More than one field - shown below)	Medium-high

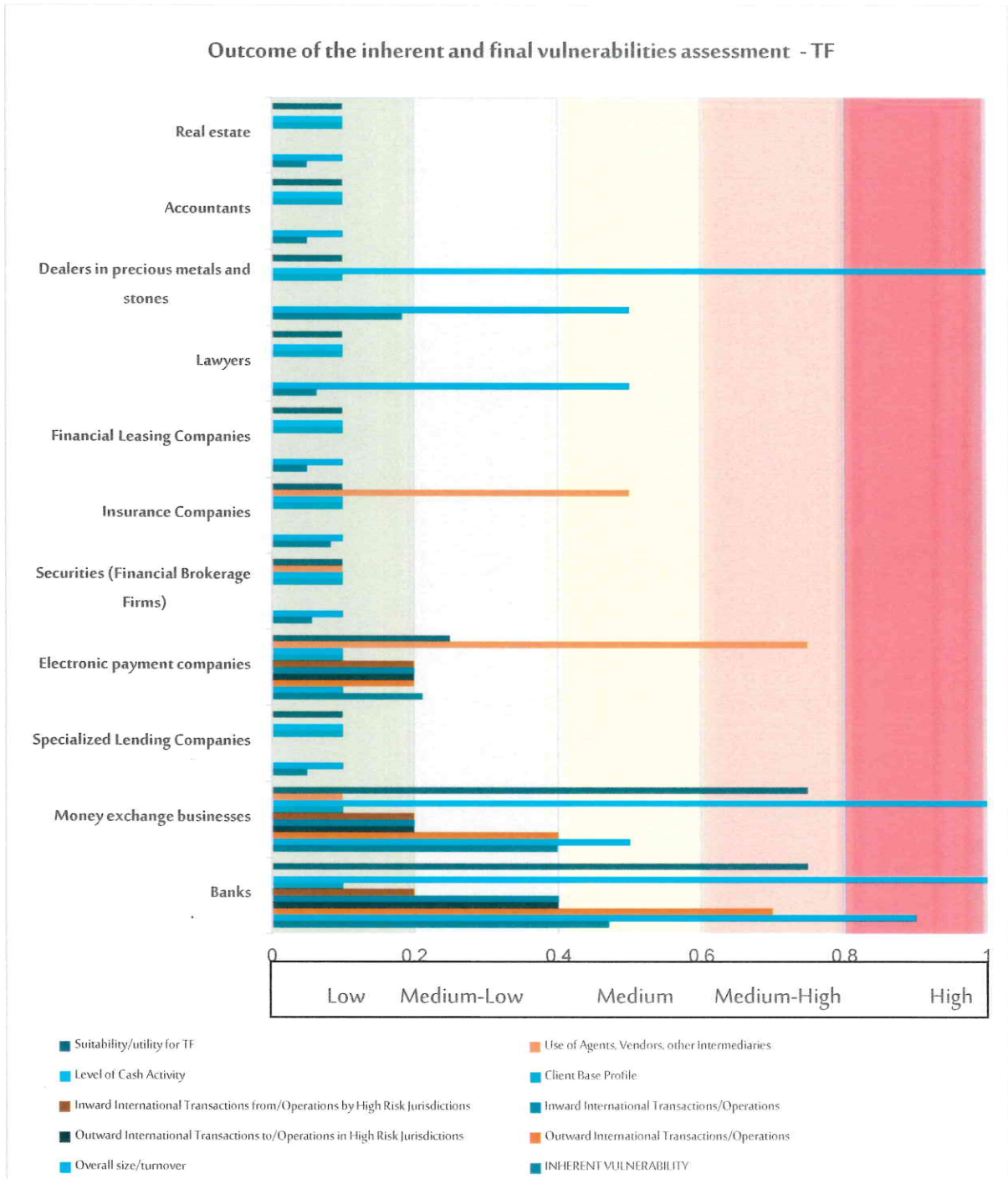
The following graphs illustrate the inherent vulnerabilities in the financial sectors that offer more than one product, namely (banks, money exchange businesses, electronic payment companies).

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As for terrorism financing, the inherent vulnerabilities were assessed based on a set of sector-wide variables, as shown in the chart below:



General priorities and recommendations

Based on the analysis of the money laundering and terrorism financing risks in the State of Palestine, the need to update the national AML/CFT strategy is evident, to include all areas of improvement that address the shortcomings in the AML/CFT system at the national and sectoral levels:

Improvements and priority areas
Enhancing resources and procedures related to investigation and prosecution, including confiscation procedures.
Legislative improvements such as legislation on payments for real estate and regulation of cash and amendment of other legislations related to the AML/CFT system.
Enhancing the regularity of the economy and financial integrity by adopting a financial inclusion strategy, improving the tax system, facilitating company registration procedures, and enhancing governance in the private sector.
Promoting the application of the risk-based approach at the sectoral level (related to supervision procedures and private sector procedures), and at the national level for the various competent authorities, including enhanced and simplified measures.
Strengthening the mechanism for maintaining national statistics related to the FATF requirements by building a central statistics system.
Strengthening and developing control and supervision systems for high-risk sectors, especially DNFBPs
Enhancing local cooperation by forming joint investigation teams for high-threat crimes, expanding the FFU's direct access to information in an effective manner, updating bilateral MoUs, and signing other MoUs as needed.
Strengthening international cooperation by establishing the necessary mechanisms to facilitate all forms of formal and informal international cooperation.
Work on the sustainability of development projects initiated by the State of Palestine, such as the Beneficial Owner Register for companies, the electronic gate project for non-profit organizations, and the targeted financial sanctions implementation project.