Bank of Palestine P.L.C

Anti-Money Laundering and Terrorism Financing Policy V3.0

March 2017

Revision History:

Approved By	Approval date	Version	Representing
Hashim Shawa	2012	V1.0	Chairman of BOD
Hashim Shawa	June 26,2016	V2.0	Chairman of BOD
Dr. Hani Nigim	April 30, 2017	V3.0	Board Audit Committee

1. Introduction

Due to Bank of Palestine P.L.C.'s keenness to ensure the safety of banking operations and protect the Bank from the risk of being involved in money laundering and terrorism financing operations, and in order to instill the principles of sound banking practices, and in the interest of the Bank's reputation inside and outside Palestine, and in an effort to closely cooperate in supporting local and international anti-money laundering efforts, the Bank, in accordance to its obligation, issued these policies, procedures, and methods for anti-money laundering and terrorism financing, which are designed to include the implementation and commitment to the various legislations related to anti-money laundering and terrorism financing in Palestine, as well as the best banking practices in this field.

2. Updates to the Anti-Money Laundering and Terrorism Financing Policy

The Anti-Money Laundering and Terrorism Financing Policy is updated on annual basis and when needed. If changes take place on the rules, regulations, and legislations related to anti-money laundering and terrorism financing and is adopted by the Bank's Board of Directors or the Review and Audit Committee that emerges from the Board of Directors.

3. Purpose of Bank of Palestine's Anti-Money Laundering and Terrorism Financing Policy

The standards and principles included in this policy is the minimum requirements that should be followed according to the legal and regulatory requirements applied at Bank of Palestine. The primary goal of this policy is to prevent the outlaws from using the Bank's activities, services, and operations in money laundering and terrorism financing operations.

4. Scope of Application

The policy's principles and foundations shall apply to all Bank of Palestine's departments and branches, in addition to the subsidiary companies and representative offices abroad.

In the event of issuing more strict instructions than the minimum principles mentioned in the Know Your Customer Policy, the more strict rules and regulations shall be applied. If the minimum of these principles cannot be applied in a certain country because the application of these principles conflict with the country's local laws, the Bank must ensure not to:

- Enter a business relationship.
- Continue with the business relationship if the relationship is existing.
- Execute any financial transaction.

5. Key Definitions and Concepts

- **The Law:**

Anti-Money Laundering and Terrorism Financing Decree Law No. (20) of 2015

- **Financial Follow-up Unit:**

An independent national unit to combat the crime of money laundering and financing of terrorism. It shall be designated the "Financial Follow-Up Unit" headquartered at Palestine Monetary Authority and is responsible for the following functions:

- Receive and request information, from competent authorities subject to this law, related to transactions suspected of involving money laundering and financing of terrorism or any of predicate offences provided within this law.
- Analysis of the information mentioned in clause (1) of this article.
- Receive daily paper and electronic reports from the financial institutions, with regards to internal or external financial transactions according to the regulations issued by the committee.
- The Unit Director and employees shall exercise judicial powers while they practice their jobs' functions in accordance with the provisions of this law.

- **The National Anti-Money Laundering Committee:**

1. Under law No. (20) of 2015, a committee called the "The National Anti-Money Laundering and Terrorism Financing" is established by decree of the President; the Committee's members include:
    a. The governor of the Monetary Authority or his deputy in the governor's absence, Chairman.
    b. A representative of the Ministry of Finance and Planning, member.
    c. A representative of the Ministry of Justice, member.
    d. A representative of the Ministry of Interior, member.
    e. A representative of the Ministry of National Economy, member.
    f. Director, Bank Supervision Department, member.
    g. Director of the Capital Market Authority, member.
    h. A legal expert, member.
    i. An economic and financial expert, member.
    j. Two members appointed by the committee's chairman.

- **Money Laundering Reporting Officer(MLRO):**

Money Laundering Reporting Officer (MLRO) who heads the Anti-Money Laundering Unit.

- **The Crime of Money Laundering and Terrorism Financing:**

1. Any person who commits any of the following acts shall be considered to have committed the crime of money laundering and terrorism financing:
    a. Conversion or transfer of funds with the knowledge that the funds are the proceeds of a crime to thereby conceal or disguise the illegal source of the funds or to aid a person

complicit in the commission of a predicate offence to escape the legal consequences of his/her acts.

b. Concealment or disguising of the actual nature, source, location, disposition, movement, or ownership of funds or rights to funds with the knowledge that such funds constitutes the proceeds of a crime.
c. Acquisition, possession, or use of funds with the knowledge, at the time of the receipt of such funds, that the funds constitutes the proceeds of an offence for purpose to conceal and disguise illegal source of such funds.
d. Participating in, aiding, abetting, conspiring in, and providing advice or counsel on, facilitating, colluding in, concealing, or attempting to commit any of the acts stipulated in this article.

2. Knowledge, intent, or aim-given that they are basic elements necessary for establishing the crime shall be derived from factual, objective circumstances to establish the concealed source of proceeds without the need to obtain evidence of the predicate offence.
3. The laundering of funds obtained from any predicate offence committed inside or outside the Palestinian State shall be considered a crime, provided the predicate offence is criminalized under the law in effect in the country where the crime occurred. The crime of Money- Laundering shall also apply to persons who commit the predicate offence.
4. Anyone who commits willful or attempts to commit directly or indirectly by any means to provide or to collect money from legal or illicit source, to be used or with the knowledge that the money will be used partially or fully for the benefit of a terrorist, terrorist organization, terrorist association, terrorist group or to commit any terrorist acts.
5. The acts mentioned in clause (4) of this article are considered Terrorist Financing offence, regardless the country where the terrorist act occurred or attempted to commit.
6. Anyone is banned from doing the following acts:
    a. Recruiting, organizing, transporting or equipping of terrorist foreign fighters, moving, providing, preparing foreign terrorist fighters, or financing their travels and other activities.
    b. Traveling or attempting to travel from Palestine to any other country for the purpose of committing , participating , planning or preparing any terrorist acts or providing or receiving of terrorist training.
    c. Providing or collecting money willfully or knowing that money will be used to finance foreign fighters' moves and travels or to facilitate or to organize their travels.
    d. Entry or transit into the State of Palestine for the purpose of terrorist related intentions.

- **Terrorist acts:**

Terrorist acts refers to all acts that aim to create panic, and are committed by means such as explosives, inflammable materials, toxic and combustible products, and epidemiological or bacterial factors, that shall cause public danger.

- **Beneficial Owner:**

A natural person who owns or controls definitively the agent or account of a person who acted on the natural person's behalf in executing a transaction; or a person who exercises effective and definitive control of a legal entity or its management.

- **Politically Exposed Persons:**

The person along with his/her family, relatives, and partner, who are or have been a trusted with prominent public functions or political positions in Palestine or abroad, including leaders of political parties, judges, legislative council members, prosecutors, heads of State-Owned enterprises and the heads of institutions and bodies, charities and NGOs or the authorities of the State of Palestine or of any other foreign state and heads and representatives of non-governmental organizations.

- **Predicate Offenses:**

Any funds attained from the following crimes shall be considered illegal funds and the object of the crime of Money Laundering:

1. Participation in a criminal group or an organized fraud group.
2. Human trafficking and smuggling of immigrants.
3. Sexual exploitation of children and women.
4. Illegal trafficking in narcotics and psychoactive substances.
5. Illegal trafficking in weapons and ammunition.
6. Illegal trafficking in stolen and other goods.
7. Bribery and embezzlement.
8. Fraud.
9. Counterfeiting currency.
10. Counterfeiting and piracy of products.
11. Crimes in violation of the Environment Law.
12. Killing or serious harm.
13. Abduction, holding captives, or taking hostages.
14. Burglary and theft.
15. Smuggling.
16. Extortion, threat, or intimidation.
17. Forgery.
18. Sea and air navigation piracy.
19. Offences provided for in articles (87, 88, 89, 99) of securities law in force, which are:

Article (87): 1. It is prohibited for any individual who has a direct or an indirect relation regarding any deal, including the purchase, sale, or exchange of securities, or providing any investment advice, or any delegation, or approval, or representation or any other information whether obtained from the securities' owners or published about any meeting or any other activity conducted by the owners of the securities or any bid for sale of securities or any attempt to support or reject the acquirement request, to do the following: a. Use any method or trick to deceive another person b. Do any practice or act which includes deception or fraud directly or indirectly. 2. Use fraud and deception in the convincing process to influence any person's decisions including: a. Information which was false, misleading, or deceptive b. Concealing and deluding substantial information c. Issuance, extravagant or misleading publication of any bulletin, promise, or forecast characterized as wrong, misleading, or deceptive.

Article (88): 1. It is prohibited for an individual to commit an act that shall result in: a. Fictitious exchange volumes b. Influencing the price of any security in a manner which is misleading to others. 2. It is prohibited for any individual to create whether directly or indirectly a false or misleading image of the volume of the deals, or the price of any security by: a. Exchanging securities which does not include an actual change in the actual ownership or the beneficial owner. b. Issuing an order to purchase or sell such security knowing that a similar matter will occur from this person or others in agreement with him to purchase or sell a similar quantity of these securities at the same time and price. c. Entering into other false deals with the intention of influencing and causing the stock exchange prices of these securities to be volatile, or enlarging them, or just expressing intent to cause volatility. 3. It is prohibited for any individual directly, or indirectly to conduct any securities deal for an issuer who attempts to: a. Raise its price to urge the purchase of that same security or another security of the same issuer b. Or by decreasing the price for the purpose of urge others to sell the same security or another security of the same issuer. 4. The Capital Market Authority may specify by instructions any of the other violating actions which are considered manipulation or superstitious exchange that are not mentioned in this chapter.

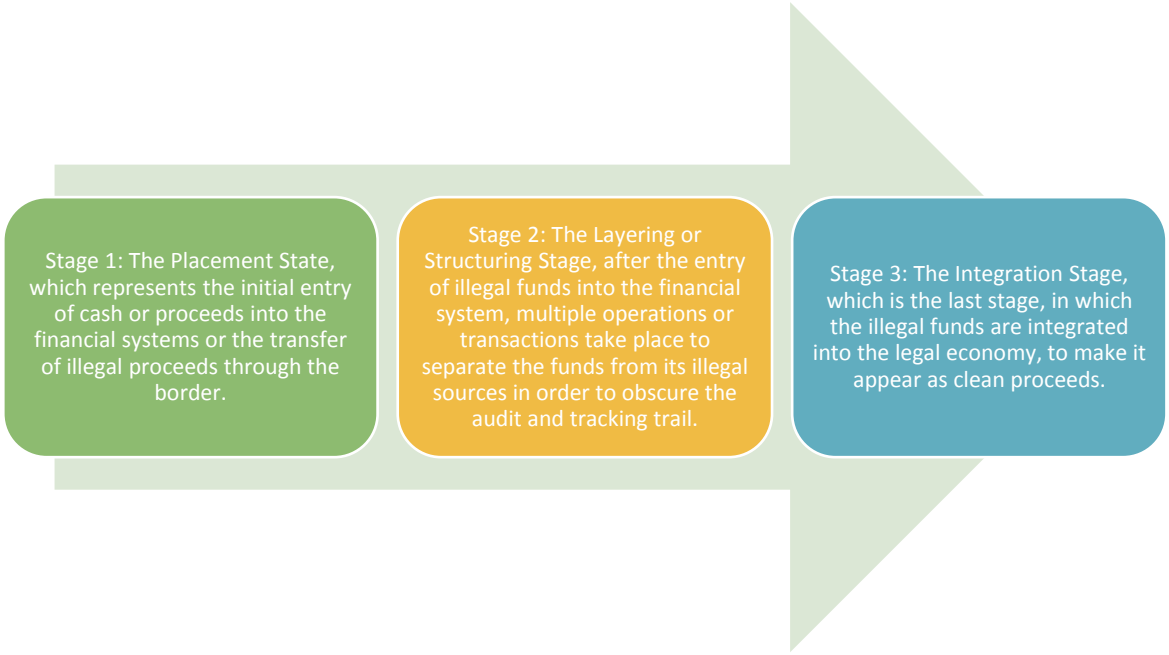
Article (89): 1. It is prohibited for any conversant, during possession of unreleased information, to purchase or sell directly or indirectly, for his account or for another, securities specific to any issuer relevant to that information. The conversant is not considered in defiance: a. If he clarified that the information is not information which needs to be released. b. If the other side of the transaction is actually aware of the information 2. From the moment, a subject which requires publishing by an issuer in accordance to this law, and until the time of disclosure in accordance with its regulations, the following individuals and those aware of the subject are prohibited from dealing directly or indirectly in the securities of the issuer and his partners: a. The issuer b. Any companies belonging to the issuer c. Any dominant shareholder, member of the board of director, manager, official, conversant employee, conversant agent or any conversant individual dealing with the issuer or with any company which belongs to the issuer or the Palestine Exchange and Capital Market Authority's employees. 3. It is permissible for the Capital Market Authority to specify by instructions the subsidiary companies and the dominant shareholder for purposes of this article.

Article (99): 1. It is prohibited for any individual to propagate or promote rumors or release information, data, misleading or incorrect statements which may affect the prices of the securities listed in the stock exchange or the reputation of the issuing party. 2. It is prohibited for any person to deal in securities individually or unintentionally colluding with someone else to a. Delude the public of the presence of an actual exchange in securities or urge them to deal in it. b. Perform deceptive and unreal operations meant to delude the public of false activity in the securities stock exchange. c. To have a negative influence on the stock exchange in any form. d. To perform any illegal business against securities meant to influence the prices of the securities in order to realize quick profit e. Give numerous purchase or sale orders by one person to more than one intermediary for one type of shares during one exchange duration. f. Provide false or misleading information to the Capital Market Authority for the purpose of obtaining the license g. Getting to raise or lower the prices of securities by deceit, misleading and dishonesty.

20. Corruption offences.
21. Tax crimes.
22. Illegal sale or conversion of land by the applicable regulations in Palestine, including mediation or any act aims to illegally alienate land or part of the land to be annexed to a foreign country.
23. Poor credit.

24. Offences provided for in Antiquities Law operating in Palestine.
25. Financing of terrorism and terrorist acts.
26. All types of electronic piracy.

6. Stages of Money Laundering



Note: the process of money laundering does not have to go through the three stages.

7. Legislative Framework, Standards and Guidance issued by International Entities:

Bank of Palestine P.L.C. is committed to the Palestinian law of Anti-Money Laundering, the Monetary Authority's instructions, the National Committee for Anti-Money Laundering, and The Financial Following-up Unit. The Bank also commits to the regional and International frameworks and standards in this regard.

First: The Palestinian Legislations and Instructions:

1- Anti-Money Laundering and Terrorism Financing Decree Law No. (20) of 2015.
2- Presidential Decree No. (14) of 2015 regarding the execution of the Security Council decisions.
3- Instructions for Anti-Money Laundering and Terrorism Financing related to Banks No. (3/2016), issued by the National Committee for Anti-Money Laundering and Terrorism Financing.

4- Instructions No. (8/2009) regarding opening and closing of accounts, inactive accounts, secret accounts, remittances, and safe funds.
5- National Committee for Anti-Money Laundering law. No.(1/2014) regarding politically exposed persons.
6- The Palestinian Monetary Authority's Law. No. (6/2012) regarding management of currency exchangers' accounts and The Palestinian Monetary Authority's law addressed to currency exchangers No. (3/2011) regarding the permitted and prohibited actions.
7- The Palestinian Monetary Authority's Law No. (3/2015) regarding the appointment of Anti-Money Laundering Reporting Officer.
8- The Council of Ministers' decisions regarding non-profit organizations.

- **Regional and International Recommendations and Instructions:**
  Including but not limited to:
  1- Financial Action Task Force (FATF)'s recommendations regarding anti-money laundering and terrorism financing and spreading of armament.
  2- US Patriot act.
  3- The committee's Financial Standards to control money-laundering phenomenon.
  4- Vienna Agreement regarding illegal trading in drugs and psychotropic substances.

8. Anti-Money Laundering Unit

Based on the provisions of law no. (9) Regarding banks, particularly article (43), and the provisions of the Law No. (20) Of 2015, particularly article (11), and the requirements of the instructions No. (3/2016) issued by the National Committee for Anti-Money Laundering, a position was created for a Reporting Officer to follow-up on the commitment to the provisions of Anti-Money Laundering and Terrorism Financing Law. The Anti-Money Laundering Reporting Officer also heads the Unit of Anti-Money Laundering. Through the Anti-Money Laundering Reporting Officer, the Unit reports to the Review and Audit Committee, which emerges from the Board of Directors, and submits periodic reports accordingly.

- **The Authority and Sovereignty of Ant-Money Laundering Unit**

The Anti-Money Laundering Unit is independent from the Bank's activities and functions as follows:

1. Located within the Bank's organizational structure to directly report to the Review and Audit Committee, which emerges from the Board of Directors, through the Anti-Money Laundering Reporting Officer.
2. Independence of any executive activity and refrain from any responsibilities that might entail conflict of interest.
3. Facilitated communication with any employee in the Bank or access to files, documents, and records, in order for the Unit to fulfill its duties seriously and impartially, in a method that ensures centralized access to information.
4. Full Freedom that enables the Anti-Money Laundering Reporting Officer to carry out the duties through self-initiative within all the Bank's departments and sections.
5. Sovereignty to write reports for the Review and Audit Committee about any violations of laws, regulations, rules, and violations within the organization without the fear of reprisal or harm by

the management or any employee related to the transactions, as well as when informing the Financial Follow-up Unit about suspicious cases.

6. Sufficient resources to enable the Unit to fulfill its duties independently and with high level of efficiency and effectiveness.
7. A special reward and incentives system adopted by the authority within the Board of Directors.
8. Independence of functions from Compliance Control, Internal Audit, and Risk Management. The Unit is subject to audit for its functions by the Internal Audit, while maintaining the confidentiality of suspicious cases.

- **Audit Over the Anti-Money Laundering Unit**

1. The Anti-Money Laundering Unit is subject to audit over its functions by the Internal Audit in the Bank to evaluate the programs of Anti-money Laundering and Terrorism Financing and their adequacy and efficiency. In addition to assessing the success of the methods and tools used for their implementation in Anti-money laundering and terrorism financing, and recommend the needed measures to complete the needed modifications and updates to increase their efficiency and effectiveness.
2. Palestine Monetary Authority shall conduct an annual inspection and when needed, in order to evaluate the Bank's compliance with the rules and regulations in force, including Anti-Money Laundering and Terrorism Financing Law and policies.
3. The Financial Follow-up Unit within Palestine Monetary Authority shall conduct diligent follow-up to the banks operating in Palestine in the field of anti-money laundering and terrorism financing, and shall has a judicial control status.

9. Roles and Responsibilities

- **Roles and Responsibilities of Anti-Money Laundering Unit**

1. Contact the Financial Follow-up Unit to report suspicious crimes of money laundering, and follow-up on the response of requests from this Unit in the regard, and any consultations under the scope of the crime of Anti-money laundering.
2. Prepare policies and procedures for anti-money laundering and review them on a regular basis, while coordinating with related parties.
3. Follow-up and coordinate training programs for anti-money laundering for the Bank's employees.
4. Ensure the Bank's Compliance to Anti-Money Laundering and Terrorism Financing Law and instructions issued under the law, and submit periodic reports to the Review and Audit Committee that emerges from the Board of Directors.
5. Monitor the financial transactions and remittances, and the credit and investment transactions through an automated system.
6. Follow-up on the lists of suspicious names and the related amendments, in accordance to relevant international standards.
7. Classify customers according to their risk level (high, medium, low), and continue to monitor customers with high and medium levels of risks.
8. Prepare periodic reports (statistical) to the Review and Audit Committee about all unusual and suspicious operations.
9. Retain the records, studies and information for all unusual and suspicious operations.

10. Ensure the commitment of all employees of the Bank in applying the Know Your Customer Policy within its various levels and requirements.
11. Identify the mechanisms for creating business relationships and the mechanism to accept or reject customers.

- **Responsibility of the Bank's Employees**

1. Commitment to the laws, regulations, instructions, rules of conduct, and sound professional practices related to anti-money laundering and terrorism financing.
2. Commitment to apply the enhancements for the financial operations executed onto the customers' accounts, in accordance to this policy.
3. Report immediately about any activity or operation suspected to include predicate offenses or the crime of money laundering and terrorism financing.
4. Non-disclosure to customers or any third party that information was provided (or will be provided) to the Financial Follow-up Unit or that a report was submitted (or will be submitted) for the suspicion in the crime of money laundering or terrorism financing.
5. Respond to the correspondence of Anti-Money Laundering Unit, in accordance to the deadline given by the Unit.
6. Attend trainings and workshops regarding anti-money laundering and terrorism financing and the requirements of Know Your Customer Policy.

- **Responsibility of the Legal Department**

1. Interpret the legal and regulatory requirements relevant to anti-money laundering and terrorism financing.
2. Provide advice and guidance related to Anti-Money Laundering Law.

- **Responsibility of the Training Center**

1. Coordinate with Anti-Money Laundering Reporting Officer about the training plan for the staff of the Anti-Money Laundering Unit.
2. Coordinate with Anti-Money Laundering Reporting Officer about the training plans for all the employees of the Bank regarding anti-money laundering and terrorism financing.

- **Responsibility of Information Technology Department**

1. Provide automated programs that support and enhance the functions of Anti-Money Laundering Unit when required.
2. Provide any reports requested by Anti-Money Laundering Unit.
3. Inform the Anti-Money Laundering Reporting Officer about the latest programs and offers for anti-money laundering and Know Your Customer Policy.
4. Modify the programs and / or reports to conform to the requirements of Anti-Money Laundering Unit.
5. Provide the Anti-Money Laundering Unit with the results of examining customers over blacklists twice on annual basis.
6. Ensure that the supplier of "Safe Watch" program constantly downloads updates, concurrently with updates of international lists.

7. Cooperate with Anti-Money Laundering Reporting Officer regarding new programs and provide answers to inquiries in this regard.

- **Responsibility of the Human Resources Department**

The Human Resources Department shall obtain information about all employees of the Bank, and retain their personal data in files with easy access that enables better understanding to the employees of the Bank. This aims to detect any cases of conflict of interest or illegal activities that took place in the past or the present.

10. Axis for Anti-Money Laundering and Terrorism Financing Policy

- **Axis One: Know Your Customer Policy and Due Diligence:**

One: Know Your Customer Policy:

1. The Bank should not keep anonymous accounts or accounts in obviously fictitious names and identify and verify the identities of their customers (natural persons or legal persons) and beneficiary owner through documents, data, or records in the following cases:
    a. The development of a business relationship.
    b. The execution of any transaction from time to time when the customer expresses his/her desire to execute:

- A transaction with a value that equals or exceeds the value set by the National Committee for Anti-Money Laundering regarding the instructions issued in this regard, regardless of whether the transaction is conducted as one transaction or a number of apparently linked transactions. If the transaction amount is unknown at the time the transaction is conducted, the customer's identity shall be ascertained as soon as the amount is determined or reaches the limit set.
- Local or international transfer of funds.

    c. Doubt about the accuracy or adequacy of previously obtained data concerning the identity of a customer.
    d. Suspicion of money laundering or terrorism financing.

2. The Bank shall collect information on the anticipated purpose of opening an account.
3. Exercise constant due diligence regarding any business relationship, and carefully study transactions executed and their purpose to ascertain whether they are consistent with the information possessed by any financial institution or non-financial profession or business regarding its customers and the customers' commercial activities, risk file, and when necessary sources of funds.
4. The Bank shall adopt adequate measures for risk management to determine whether a customer or beneficial owner is a politically exposed person. If this is the case, it is necessary to:
    a. Obtain the approval of the institution's senior management and the Anti-Money Laundering Reporting Officer before establishing a business relationship with the customer.
    b. Adopt all reasonable measures to determine the source of wealth and funds.
    c. Constant surveillance of the business relationship.
5. Regarding cross-border relationships with correspondent banks, financial institutions shall:
    a. Identify and verify the receiver institutions with which they establish banking relations.
    b. Collect information on the nature of the activities practiced by the receiver institution.
    c. Obtain the approval of senior management before establishing a banking relationship with the receiver institution.
    d. Evaluate the anti-money laundering controls implemented by the receiver institution.
    e. Ascertain, in the event of payment from an exporter's account, that the receiver institution has verified the identity of the customer, that it implements mechanisms for constant surveillance of its customers, and that it is capable of providing relevant identifying information when requested to do so.
6. Adopt the risk-based approach and understand and identify the risks of money laundering and terrorism financing, and set policies and strategies in accordance with risk; and report the results of taken measures to competent authorities when requested.

Two: Due Diligence:

1. The Bank must devote special attention to the following:
    a. All abnormally complicated and major transactions and all types of irregular transactions that have no evident and obvious economic or legal objective.

b. All financial transactions executed by natural persons or legal persons in countries that do not apply, or do not apply in the required manner, international standards for anti-money laundering or terrorism financing operations.

2. Shall obtain preapproval from the General Manager, Compliance, and Anti-Money Laundering Reporting Officer to open accounts for: charitable associations, NGOs and voluntary entities, non-profit organization, currency exchange stores and companies, and politically exposed persons.
3. Shall obtain the approval of the Anti-Money Laundering Reporting Officer when requesting the issuance of remittances to charitable associations, NGOs, and non-profit organizations.
4. Any customer with high risk applying to Bank of Palestine's services and products.

- **Second Axis: Monitor Transactions and Check Customers over Blacklists:**

- The Bank uses the latest software for the analysis of customers' accounts and follow the transactions of the accounts; the Bank shall modify and develop the software as compatible with the latest developments.
- A risk-based approach shall be adopted in examining the customers' transactions according to the risk nature of the customer, through scenarios prepared in advance, according to the nature of the customer activity.
- All names of customers who submit a request to open an account shall be inspected through the blacklists and the results shall be saved in the customers' files.
- The Bank shall inspect all its customers through the adopted blacklists twice on annual basis.
- All incoming and outgoing transfers are inspected through the adopted blacklists, which are: OFAC Blocked Countries, Palestinian Legislative List, UN Black Lists, EU Black List, Specially Designated Nationals, Foreign Sanctions Evaders, Weapon of Mass Destruction Trade control, French List, List of Foreign Financial Institution Subject to Act 561 and Bop Black lists.
- The procedures listed within the Presidential Decree regarding the implementation of the Security Council's resolutions in the event of any of the customers are listed on the UN list.
- The adoption of any other international lists is done after conducting a needs assessments, after consulting with the monitoring departments in this regard.
- The international lists are updated instantly and simultaneously with international updates.
- Bank of Palestine shall create its own list and shall add and / or remove names to this list at the request of the Anti-Money Laundering Reporting Officer, after the consultation with the monitoring departments at the Bank.

- **Axis Three: Identifying and Reporting Suspicious Transactions:**

1. Identification of suspicious transactions:

Suspicious transactions can be identified through their incompatibility with nature of the customers' work and known personal activities, or the natural work for this type of accounts. The branches' employees can identify the indicators and methods of anti-money laundering through the various products and services, via the indicators mentioned in the Annex.

2. Reporting suspicious transactions:

- In the event of any employee at the Bank is suspicious that the operation to be implemented provides an indication of the crime of money laundering and financing of terrorism, the employee must immediately report to the Anti-Money Laundering Unit through the allocated form for his purpose.
- The Anti-Money Laundering Unit shall immediately notify the Financial Follow-up Unit if there is a reasonable ground to suspect that the funds represents the proceeds of an offence, or if they have knowledge of an occurrence or activity that may indicate the commission of the crime of money laundering or terrorism financing or any of predicate offence. The Anti-Money Laundering Unit shall submit reports in this regard promptly to the Financial Follow-up Unit according to the instructions issued in this regard by the Unit.
- The notification must include detailed reasons and motives that the Bank relied on within the report that indicate that the operation is suspicious.

Axis Four: Risk-based Classification of Customers

Classification of the Bank's customers (High, Medium, Low) according to criteria (nature of customer's work, Geographic, product, previous SAR or STR, Turnover rate).

Risk Score= Like hood * impact

The customer's activity is classified according to the degree of risk (High, Medium, and Low) according to scientific method, the following activities were considered as high risk business according to the following:

- Extensive Cash Business (includes Cash equilevent) like: MSBs and Money Changers.
- Charities and Non for profit Companies.
- Non-financial business and professions «Lawyers, accountants, law firms and accountants, real estate agents and brokers, gold and precious metals traders, antiquities dealers» who are classified as Gate Keepers.
- Politically Exposed Persons (PEPS).
- Businesses identified by regulators as high risk: used car dealers.
- Companies that act as intermediaries: import and export offices and customs clearance.

Axis Five: Policy of Acceptance and Rejection of Customers

1. The Bank shall not open any accounts or deal with anonymous customers or hold fictitious names.
2. The Bank shall not open accounts for customers on the blacklists adopted at the Bank; the Bank shall suspend the relationship with the customers if they are listed after opening the accounts.
3. The Bank shall not deal with countries listed in OFAC BLOCKED COUNTRIES, and non-cooperating countries as classified by FATF.
4. The Bank shall not open accounts for casinos, gambling halls, and weapon and drug dealers.
5. The Bank shall not open new accounts for currency exchangers.
6. The Bank shall not deal with non-profit organizations that receive grants, donations, aid, and financing, if the organization fail to submit the approval of the Ministry Council for these proceeds.

7. The Bank shall not open accounts for U.S. citizens or those who have U.S. indicia and refuse to sign the related forms.
8. Shall not open accounts for high-risk customer without the prior approval from the General Management, Compliance Department, Anti-Money Laundering Communication Officer.
9. Shall not enter a business relationship with registered banks that do not have a physical presence or is not part of a regulated financial group, and is not subject to monitoring by the regulatory authorities.
10. Shall not enter or continue a business relationship with recipient financial institutions present in a foreign country, if it allows the usage of its accounts by registered banks and does not have physical presence and is not part of a financial regulatory group subject to effective supervision by the regulatory authorities.
11. The Bank shall not enter a business relationship or execute any transaction prior to the required application of due diligence and Know Your Customer included in the policy.
12. If the Bank is unable to meet its obligations regarding conducting ongoing due diligence mentioned in this policy, then the Bank shall not establish or continue a business relationship, and reports the suspicion to the Financial Follow-up Unit.
13. The Bank refrains from executing financial operations suspected to include the crime of money laundering or terrorism financing or any of the predicate offenses, and immediately inform the Financial Follow-up Unit. The operation can be executed if refraining from its implementation is impossible, and the needed mechanisms are determined according to the instructions issued by the Ant-Money Laundering National Committee.
14. It is permitted to postpone the application of due diligence requirements until after the business relationship or the execution of the financial operation, as follows:

- The delay of the verification procedures is necessary for normal functioning of transactions, so that there are no consequent risks of money laundering or terrorism financing.
- The Bank will complete the due diligence requirements towards customers as soon as possible.
- The Bank has taken the necessary procedures for the prudent management of risks to the money laundering and terrorism financing operations related to the postponed case; this includes setting limits on the number, type, and amount of operations that can be completed prior to the completion of the verification procedures.

15. The Bank shall update the customers' information periodically, according to the update policy adopted at the Bank, taking into consideration the customers' risk level. In the event of duration / deadline is over to update the customers' information, the accounts will be reserved and the procedures according to the update policy shall be applied.

- **Axis Six: Training:**

The Anti-Money Laundering Reporting Officer shall follow-up on the training programs of Anti-Money Laundering and Terrorism Financing, and the Know Your Customer Policy for the Bank's employees; in addition to the training programs for the employees of the Anti-Money Laundering Unit. The training includes issues and indications of Anti-Money Laundering and Terrorism Financing, and Know Your Customers Policy.

- **Axis Seven: Record Keeping**

1. Must retain all records and documents for at least ten years from the date of the completion of the financial transaction or the end of the business relationship, demonstrating domestic or foreign financial transactions and commercial and cash transactions, in addition to retaining files of commercial accounts and correspondence, and copies of personal identification documents, to allow the judicial authorities to obtain these records in accordance with the legislation in force.

2. Record Keeping Policy adopted at the Bank shall be applied, in the event it conflicts with the law and/or any issued instructions under the law, the applicable provisions and/or instructions shall be applied.

11. Updating Records

The Bank Shall update the customers' data on regular basis, according to the risk level of customers, and validate the inputted data into the banking system, according to the Know Your Customer Policy.

12. General Provisions

1. In implementation of this law, the secrecy provisions shall not prevent the implementation of the provisions of this law, including Banking secrecy provisions may not be used as a pretext to refrain from disclosing or presenting any information on the combating of money laundering or terrorism financing crimes, or any predicate offenses.
2. The Bank's employees are prohibited to provide advice and guidance regarding evasion mechanism or provide solutions on how to evade the requirements of the law.
3. The establishment of the Anti-Money Laundering Unit does not exempt the Bank's employees from carrying out their duties to the fullest.
4. Under the provisions of this agreement, the related work procedures for branches and departments about the application mechanisms shall be issued.

13. Sanctions

Anyone who violates the provisions of this policy, and the regulations issued thereunder, shall be imposed to the sanctions stated in Chapter 13 of Bank of Palestine's Bylaws; the Bank shall add disciplinary actions related to the violations of the employees to any of the policy's provisions as deemed appropriate.