
OVERVIEW

The Financial Action Task Force Standards, Palau's Obligations as a Member of the Asia/Pacific Group, and Impact of Non-Compliance



Financial Intelligence Unit
Republic of Palau

April 24, 2026

Location: Surangel & Sons Bldg., 2nd Floor, Ernguul Road, Ikelau, Koror, Palau
Mailing Address: P.O. Box 10243 Koror, Palau 96940
Tel: 680 488-5080
Website: www.palaufiu.org



Financial Intelligence Unit
Republic of Palau

Table of Contents

Table of Contents	1
The Financial Action Task Force Standards, Palau’s Obligations as a Member of the Asia/Pacific Group, and Impact of Non-Compliance	2
Introduction	2
Financial Action Task Force on Money Laundering	2
Asia/Pacific Group on Money Laundering	2
APG Mutual Evaluation Process.....	3
Palau’s APG Mutual Evaluation Process	4
Impact of Non-Compliance with the FATF Standards.....	5
Annexes.....	7
Annex A: FATF 40 Recommendations	8
Annex B: FATF 11 Immediate Outcomes	12
Annex C: Palau 2018 APG Mutual Evaluation Ratings	14
Annex D: Palau 2023 APG Follow-up Report Ratings.....	15
Annex F: Additional Resources	16
Overview Updates.....	17



Financial Intelligence Unit
Republic of Palau

The Financial Action Task Force Standards, Palau’s Obligations as a Member of the Asia/Pacific Group, and Impact of Non-Compliance

Introduction

The anti-money laundering, counter financing of terrorism and proliferation (“AM/CFT/CFP”) space is complex. The FIU is providing this short guidance to assist in better understanding the Financial Action Task Force on Money Laundering (“FATF”), the Asia/Pacific Group on Money Laundering (“APG”), Palau’s obligations as a member of APG, and the impact of non-compliance on Palau.

Financial Action Task Force on Money Laundering

Established in 1989, the FATF is the international AML/CFT/CFP standard-setting body. It now has 40 member states (including the United States); 31 observers (including the Organization for Economic Co-operation and Development [“OECD”], the Asia Development Bank [“ADB”], the World Bank, the International Monetary Fund [“IMF”], Interpol, the Egmont Group of Financial Intelligence Units [“Egmont Group”], and various U.N. Entities); and 9 Associate Members (including APG, to which both Palau and the United States are members), which have their own membership and observers.¹ Member states are subject to the FATF’s mutual evaluation process, which assesses member states’ AML/CFT/CFP compliance against the FATF 40 Recommendations (technical compliance) and 11 Immediate Outcome (effectiveness)(“FATF Standards”).² Most countries in the world are either a member of FATF, or one of FATF’s Associate Members, which are FATF-Style Regional Bodies, or both.

Asia/Pacific Group on Money Laundering

Palau has been a member of APG since 2002 and the Financial Institutions Commission Governing Board is the point of contact. The APG was established in 1997 by 13 founding member states that agreed money laundering was an issue that required global action.³ APG members agreed that the FATF 40 Recommendations were guiding principles to create an effective anti-money laundering framework and that members would implement the Recommendations based on their own values and frameworks.⁴ APG has since included the FATF Recommendations around anti-

¹ Financial Action Task Force, “FATF Members,” accessed March 02, 2026, <https://www.fatf-gafi.org/en/countries/fatf.html>

² Financial Action Task Force, “Mutual Evaluations,” accessed March 02, 2026, <https://www.fatf-gafi.org/en/topics/mutual-evaluations.html>

³ Asia/Pacific Group on Money Laundering, *APG Terms of Reference* (Sydney: Asia/Pacific Group on Money Laundering, 2019; amended 2023), 4, <https://www.apgml.org/about-us/apg-policy-documents/apg-terms-reference>

⁴ *Ibid.*



Financial Intelligence Unit
Republic of Palau

terrorism and proliferation financing, and the 11 Immediate Outcomes. APG members are required to commit to the six requirements of membership, which includes, among others, committing to the FATF Standards **“without reservation” and developing and passing legislation to combat money laundering, and terrorism and proliferation financing.**⁵

APG has 42 member states, with 12 members who are also members of the FATF⁶; eight observer member states⁷; and 36 observer organizations.⁸ These observer organizations include the ADB, ADB/OECD Anti-Corruption Initiative for Asia-Pacific, Egmont Group, Pacific Islands Chiefs of Police, Pacific Islands Forum Secretariat, Pacific Islands Law Officers’ Network, FATF, Interpol, the United Nations Office of Drug and Crime (“UNODC”), and the World Bank.⁹

APG Mutual Evaluation Process

Every member country is required to comply with APG membership requirements, including being subject to the APG Mutual Evaluation. The Mutual Evaluation assesses a country’s compliance with the FATF Standards. It is an 18-month process in which assessors from other member states evaluate Palau’s AML/CFT/CPF regime against the FATF Standards for both technical compliance and effectiveness.

The technical assessment is primarily a desk-based review of the laws, regulations, and other documents and focuses on compliance with the FATF 40 Recommendations.¹⁰ Each recommendation is rated non-compliant, partially compliant, largely compliant, or compliant.¹¹ (See Annex A for FATF 40 Recommendations). Effectiveness is rated against the 11 Immediate Outcomes and is on an onsite review where the assessment team visits the country to assess the effectiveness of the AML/CFT/CPF systems through meeting with various relevant agencies and

⁵ *Ibid.*, 6.

⁶ Asia/Pacific Group on Money Laundering, “Members,” accessed March 2, 2026, <https://apgml.org/about-us/members/members>

⁷ Asia/Pacific Group on Money Laundering, “Observer Jurisdictions,” accessed March 2, 2026, <https://apgml.org/about-us/observers/observer-jurisdictions>

⁸ *Ibid.*

⁹ *Ibid.*

¹⁰ Asia/Pacific Group on Money Laundering, *APG Global Fifth Round Mutual Evaluation Procedures* (Sydney: Asia/Pacific Group on Money Laundering, adopted December 2025), 3, <https://www.apgml.org/sites/default/files/2025-12/APG%20Global%20Fifth%20Round%20Mutual%20Evaluation%20Procedures%20%28Adopted%20December%202025%29.pdf>

¹¹ Financial Action Task Force, *FATF Assessment Methodology 2022: Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT/CPF Systems* (Paris: Financial Action Task Force, 2022), 17, <https://www.fatf-gafi.org/content/dam/fatf-gafi/methodology/FATF-Assessment-Methodology-2022.pdf>



Financial Intelligence Unit
Republic of Palau

stakeholders.¹² For Palau, relevant agencies include the Bureau of Public Safety, the Office of the Attorney General, the Office of the Special Prosecutor, the Financial Institutions Commission, the Financial Intelligence Unit, the Palau Ship Registry, the Corporations Registry, the Bureau of Customs and Border Protection, among others; while stakeholders might include reporting entities such as banks, financial institutions, attorneys, high-value dealers, etc. Each immediate outcome is rated as low, moderate, substantial, or high.¹³ (See Annex B for FATF 11 Immediate Outcomes). For technical compliance, “passing” is considered largely compliant and compliant, and for effectiveness, it is considered substantial or high.

The Mutual Evaluation process culminates in a report that goes before the APG membership for decision and adoption.¹⁴

Palau’s APG Mutual Evaluation Process

Palau has gone through two mutual evaluations – one in 2008¹⁵ and one in 2018¹⁶ – with its next round set to begin March 1, 2029.¹⁷ In the 2018 Mutual Evaluation, Palau was found to be largely compliant or compliant in only 20 of the 40 Recommendations, and substantial in only one of the 11 Immediate Outcomes.¹⁸ There was no assessment of high for Palau for any immediate outcome. (See Annex D for Palau 2018 APG Mutual Evaluation Ratings)

Due to its low compliance ratings, Palau was in the enhanced expedited follow-up process after its 2018 Mutual Evaluation.¹⁹ This means it had a higher frequency of monitoring due to having ten or more non-compliant or partially compliant ratings on certain recommendations, and had a low

¹² Asia/Pacific Group on Money Laundering, *APG Global Fifth Round Mutual Evaluation Procedures*, 3.

¹³ Financial Action Task Force, *FATF Assessment Methodology 2022*, 25.

¹⁴ “Asia/Pacific Group on Money Laundering, “Mutual Evaluations,” accessed March 02, 2026, <https://www.apgml.org/mutual-evaluations/mutual-evaluations>; Asia/Pacific Group on Money Laundering, *APG Global Fifth Round Mutual Evaluation Procedures*, 30-32.

¹⁵ Asia/Pacific Group on Money Laundering, *Palau Mutual Evaluation Report 2008* (Sydney: Asia/Pacific Group on Money Laundering, 2008), https://www.apgml.org/sites/default/files/documents/Palau_MER_2008.pdf

¹⁶ Asia/Pacific Group on Money Laundering, *Palau Mutual Evaluation Report 2018* (Sydney: Asia/Pacific Group on Money Laundering, 2018), https://www.apgml.org/sites/default/files/documents/Palau_MER_2018_-_published_version.pdf

¹⁷ Asia/Pacific Group on Money Laundering, *APG Global Fifth Round Mutual Evaluation Schedule* (2026), https://www.apgml.org/sites/default/files/2026-01/APG%20Global%20Fifth%20Round%20Mutual%20Evaluation%20Schedule_0.pdf

¹⁸ Asia/Pacific Group on Money Laundering, *Palau Mutual Evaluation Report 2018*.

¹⁹ Asia/Pacific Group on Money Laundering, *Palau Follow-Up Report June 2023* (Sydney: Asia/Pacific Group on Money Laundering, 21 June 2024), 1, https://www.apgml.org/sites/default/files/documents/Palau_FUR_June_2023.pdf



Financial Intelligence Unit
Republic of Palau

level of effectiveness for nine or more Immediate Outcomes.²⁰ Palau had to report on its progress towards compliance with the FATF Standards every June. In 2023, Palau primarily requested re-ratings on the FATF Recommendations (Recommendations 22, 23, and 28) that cover Designated Non-Financial Businesses and Professions²¹ (“DNFBPs”) based on the FIU’s promulgation of the FIU AML/CFT Regulation 02 – Financial Transactions Reporting Requirements for DNFBPs. The country also requested re-ratings on Recommendation 36, International Instruments. As a result of the promulgation of the DNFBP Regulations and due to Palau’s ratification of the Vienna and Palermo Conventions, Palau received upgrades from APG to these four recommendations.²² (See Annex D for Palau 2023 APG Follow-up Report Ratings). It also received a downgrade in Recommendation 15, New Technologies, because FATF had changed the Recommendation since Palau’s 2018 Mutual Evaluation and Palau was required to be reassessed against it when it requested upgrades to other recommendations. Palau also moved out of expedited enhanced follow-up to enhanced follow-up,²³ though the reporting time frame stayed the same.

Impact of Non-Compliance with the FATF Standards

As an APG member, Palau is expected to work towards compliance with the FATF Standards. Non-compliance or reversion of compliance with the FATF Standards can not only result in grey- or black-listing, but can also result in additional pressure from the APG membership to comply. Based on the experiences of other countries in the region—Papua New Guinea is being grey-listed as result of its 2025 Mutual Evaluation²⁴, Vanuatu was grey listed in 2016 and exited in

²⁰ Asia/Pacific Group on Money Laundering, *APG Global Fourth Round Transitional Follow-Up Procedures* (Adopted December 2025), 8, <https://www.apgml.org/sites/default/files/2026-01/APG%20Global%20Fourth%20Round%20Transitional%20Follow-Up%20Procedures%20%28December%202025%29.pdf>

²¹ The FATF defines DNFBPs as casinos; real estate agents; dealers in precious metals; dealers in precious stones; those lawyers, notaries, other independent legal professionals and accountants who are sole practitioners, partners or employed professionals within professional firms; trust and company service providers in certain circumstances. Financial Action Task Force, *FATF Assessment Methodology 2022*, 178-179.

²² Asia/Pacific Group on Money Laundering, *Palau Follow-Up Report June 2023*, 13 and 14.

²³ *Ibid.*, 14.

²⁴ Financial Action Task Force, “Jurisdictions under Increased Monitoring – 13 February 2026,” accessed March 10, 2026, <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-february-2026.html>; RNZ Pacific, “Papua New Guinea One Step Away from Being Blacklisted, Global Money Laundering Watchdog Warns,” *RNZ*, March 3, 2026, <https://www.rnz.co.nz/news/pacific/587146/papua-new-guinea-one-step-away-from-being-blacklisted-global-money-laundering-watchdog-warns>



Financial Intelligence Unit
Republic of Palau

2018 after passing 30 pieces of legislation²⁵, and both Nauru²⁶ and Cooks Island²⁷ were black-listed in the past—this can impact not only Palau’s reputation internationally²⁸, but could impact interest rates on loans from international funding providers, the ability to obtain loans or grants from international funders²⁹, correspondent banking relationships³⁰, and investor confidence³¹, among others, and, as a result of the heightened international pressure, require a whole government approach to address deficits. Finally, and importantly, this could further impact relationships with funding and technical assistance partners³², including from those listed as observer organizations to both APG and FATF.

Palau was not prioritized for grey listing in 2018. However, there is significant chance that Palau could be grey-listed and placed on the FATF’s International Co-operation Review Group (“ICRG”) pool if it is unable to increase its compliance with the standards. This is FATF prioritizes countries considered high-income by the World Bank and that have more than two banks to be included in the ICRG.³³ Palau is now considered high-income according to the World Bank³⁴ and has more than two banks. As a result, should Palau fail to increase its compliance with the FATF Standards in its 2029-30 APG Mutual Evaluation, it could be grey-listed.

For more information on FATF, APG, and Palau’s Mutual Evaluation and Follow-up Report, see Annex E.

²⁵ Vanuatu Financial Intelligence Unit, “Vanuatu’s Progress – FATF Grey List,” accessed March 11, 2026, <https://fiu.gov.vu/vanuatu-s-progress-fatf-grey-list>

²⁶ *Nauru Hopes for End Dirty Money Black-Listing*, ABC News, August 4, 2005, <https://www.abc.net.au/news/2005-08-04/nauru-hopes-for-end-dirty-money-black-listing/2073288>

²⁷ RNZ Pacific, “Cook Islands Faces Delays in Attempts to Get Off Blacklist,” RNZ, October 16, 2002, <https://www.rnz.co.nz/international/pacific-news/141295/cook-islands-faces-delays-in-attempts-to-get-off-blacklist>

²⁸ Louis de Koker, John Howell, and Nicholas Morris, “Economic Consequences of Greylisting by the Financial Action Task Force,” *Risks* 11, no. 5 (2023): 81, <https://doi.org/10.3390/risks11050081>

²⁹ *Ibid.*

³⁰ *Jurisdictions under Increased Monitoring by the FATF: Navigating the Grey List*, NUP Jean Monnet/UNESCO Policy Brief No. 28/2025 (Pafos: Neapolis University Pafos, School of Law, 2025), 5, <https://www.nup.ac.cy/wp-content/uploads/2026/01/NUP-Jean-Monnet-P28.pdf>

³¹ *Ibid.*

³² de Koker, Howell, and Morris, “Economic Consequences of Greylisting by the Financial Action Task Force,” 11.

³³ Financial Action Task Force (FATF), *Procedures for the FATF AML/CFT/CPF Mutual Evaluations, Follow-Up and ICRG* (Paris: FATF, 2022, updated December 2025), 61.

³⁴ Olkeriil Eoghan Ngirudelsang, “World Bank Upgrades Palau as a High-Income country,” *Island Times*, July 5, 2024, <https://islandtimes.org/world-bank-upgrades-palau-as-a-high-income-country/>



Financial Intelligence Unit
Republic of Palau

Annexes



Financial Intelligence Unit
Republic of Palau

Annex A: FATF 40 Recommendations

Countries are assessed for technical compliance with the FATF 40 Recommendations through review of laws, regulations, or other measures during the APG Mutual Evaluation and Follow-up Process. Each recommendation is rated non-compliant, partially compliant, largely compliant or compliant.³⁵ For more information about each Recommendation, please see [FATF Recommendations: International Standards for Combating Money Laundering and the Financing of Terrorism & Proliferation](#) and [Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT/CPF Systems](#).

FATF 40 Recommendations³⁶

Rec. No.	Recommendation Coverage Area
	A- AML/CFT Policies and Coordination
1	Assessing Risks & Applying a Risk-Based Approach
2	National Cooperation and Coordination
	B: Money Laundering and Confiscation
3	Money Laundering Offence
4	Confiscation and Provisional Measures
	C: Terrorist Financing and Financing Proliferation
5	Terrorist Financing Offence
6	Targeted Financial Sanctions Related to Terrorism and Terrorist Financing
7	Targeted Financial Sanctions Related to Proliferation
8	Non-Profit Organizations
	D: Preventative Measures
	Legal Requirements Applied to Financial Institutions, DNBPS, and VASPs

Annex A: FATF 40 Recommendations

³⁵ Financial Action Task Force, *FATF Assessment Methodology 2022*, 17.

³⁶ Chart created by the FIU based on *FATF Recommendations 2012*, 5–6.



Financial Intelligence Unit
Republic of Palau

9 Financial Institutions Secrecy Law

Customer Due Diligence and Record Keeping

10 Customer Due Diligence

11 Record Keeping

E: Preventative Measures Continued

12 Additional Measures for Specific Customers and Activities

Politically Exposed Persons

13 Correspondent Banking

Money or Value Transfer Services

14 Money or Value Transfer Services

15 New Technologies:

- Primarily applies Recs 1, 10-21, 26, 27, 34, 35, 37 – 40, and portions of 6 and 7 to Virtual Asset Service Providers (cryptocurrency exchanges, virtual wallet providers, etc.)

16 Payment Transparency

Reliance, Controls and Financial Groups

17 Reliance on Third Parties for Customer Due Diligence

18 Internal Controls and Foreign Branches and Subsidiaries

19 Higher-risk Countries

Reporting of Suspicious Transaction

20 Reporting of Suspicious Transactions

21 Tipping-Off and Confidentiality

Annex A: FATF 40 Recommendations



Financial Intelligence Unit

Republic of Palau

Designated Non-Financial Businesses and Professions (DNFBPs)

High Value Dealers, Real Estate Agents, Casinos, Trust and Company Providers, and Some Attorneys

- 22 DNFBPS: Customer Due Diligence
- Applies Recs. 10, 11, 12, 15 and 17 to DNFBPs
- 23 DNFBPS: Other Measures
- Applies Recs. 18, 19, 20, and 21 to DNFBPs

E: Transparency and Beneficial Ownership of Legal Persons (Corporations, etc.) and Arrangements (Trusts)

- 24 Transparency and Beneficial Ownership of Legal Persons
- 25 Transparency and Beneficial Ownership of Legal Arrangements

F: Powers and Responsibilities of Competent Authorities and Other Institutional Measures

Regulation and Supervision

- 26 Regulation and Supervision of Financial Institutions
- 27 Powers of Supervisors
- 28 Regulation and Supervision of DNFBPs

Operational and Law Enforcement

- 29 Financial Intelligence Units
- 30 Responsibilities of Law Enforcement and Investigative Authorities

Powers of Law Enforcement and Investigative Authorities

- 31 Cash Couriers
- 32 General Requirements

Annex A: FATF 40 Recommendations



Financial Intelligence Unit
Republic of Palau

33 Statistics

34 Guidance and Feedback

Sanctions

35 Sanctions

G: International Cooperation

36 International Instruments

37 Mutual Legal Assistance

38 Mutual Legal Assistance: Freezing and Confiscation

39 Extradition

40 Other Forms of International Cooperation



Financial Intelligence Unit
Republic of Palau

Annex B: FATF 11 Immediate Outcomes

A country's effectiveness is assessed against the FATF 11 Immediate Outcomes. The APG assessment team visits the country to meet with the relevant authorities and stakeholders in order to best understand the AML/CFT/CPF system and how well it works.

Overall, the high-level objective of the FATF Standards is that “Financial Systems and the broader economy are protected from the threats of money laundering and the financing of terrorism and proliferation, thereby strengthening financial sector integrity and contributing to safety and security.”³⁷ The 11 Immediate Outcomes are categorized under three Intermediate Outcomes.³⁸ Ratings for Immediate Outcomes are low, moderate, substantial, or high.³⁹ For more information, please see [*Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT/CPF Systems*](#).

Immediate Outcomes⁴⁰

Intermediate Outcome 1: Policy, Coordination and Cooperation Mitigate the Money Laundering and Financing of Terrorism Risk

Immediate Outcome 1: Money laundering and terrorist financing risks are identified, assessed and understood, policies are cooperatively developed and, where appropriate, actions coordinated domestically to combat money laundering and the financing of terrorism.

Immediate Outcome 2: International cooperation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their property.

Intermediate Outcome 2: Proceeds of Crime and Funds in Support of Terrorism are Prevented from Entering the Financial and Other Sectors or are Detected and Reported by these Sectors.

Immediate Outcome 3: Supervisors appropriately supervise, monitor and regulate financial institutions and VASPs for compliance with AML/CFT requirements, and financial institutions and VASPs adequately apply AML/CFT preventative measures, and report suspicious transactions. The actions taken by supervisors and by financial institutions and VASPs are proportionate to the risks.

³⁷ Financial Action Task Force, *FATF Assessment Methodology 2022*, 19.

³⁸ *Ibid.*

³⁹ *Ibid.*

⁴⁰ Chart created by FIU based on *FATF Assessment Methodology 2022*, 19.



Financial Intelligence Unit
Republic of Palau

Annex B: FAFT 11 Immediate Outcomes

Immediate Outcome 4: Supervisors appropriately supervise, monitor and regulate DNFBPs for compliance with AML/CFT requirements, and DNFBPs adequately apply AML/CFT preventative measures proportionate to the risks, and report suspicious transactions.

Immediate Outcome 5: Legal Persons and arrangements are prevented from misuse for money laundering or terrorist financing and information on beneficial ownership is available to competent authorities without impediments.

Intermediate Outcome 3: Money Laundering Threats are detected and disrupted and criminals are sanctioned and deprived of illicit proceeds. Terrorist financing threats are detected and disrupted, terrorists are deprived of resources and those who finance terrorism are sanctioned, thereby contributing to the prevention of terrorist acts.

Immediate Outcome 6: Financial intelligence and all other relevant information are appropriately used by competent authorities for money laundering and terrorist financing investigations.

Immediate Outcome 7: Money laundering offences and activities are investigated, and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.

Immediate Outcome 8: Asset recovery processes lead to confiscation and permanent deprivation of criminal property and property of corresponding values.

Immediate Outcome 9: Terrorist financing offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions.

Immediate Outcome 10: Terrorists, terrorist organizations and terrorist financiers are prevented from raising, moving and using funds.

Immediate Outcome 11: Persons and entities involved in proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant UNSCRs.



Financial Intelligence Unit
Republic of Palau

Annex C: Palau 2018 APG Mutual Evaluation Ratings

Palau was rated the following in its 2018 Mutual Evaluation Report:⁴¹

E. Effectiveness & Technical Compliance Ratings

Effectiveness Ratings

IO.1 - Risk, policy and coordination	IO.2 - International cooperation	IO.3 - Supervision	IO.4 - Preventive measures	IO.5 - Legal persons and arrangements	IO.6 - Financial intelligence
Moderate	Substantial	Moderate	Moderate	Low	Moderate
IO.7 - ML investigation & prosecution	IO.8 - Confiscation	IO.9 - TF investigation & prosecution	IO.10 - TF preventive measures & financial sanctions	IO.11 - PF financial sanctions	
Moderate	Moderate	Low	Moderate	Low	

Technical Compliance Ratings (C – compliant, LC – largely compliant, PC – partially compliant, NC – non compliant)

R.1 - Assessing risk & applying risk-based approach	R.2 - National cooperation and coordination	R.3 - Money laundering offence	R.4 - Confiscation & provisional measures	R.5 - Terrorist financing offence	R.6 - Targeted financial sanctions – terrorism & terrorist financing
PC	LC	LC	LC	LC	LC
R.7 - Targeted financial sanctions – proliferation	R.8 - Non-profit organisations	R.9 - Financial institution secrecy laws	R.10 - Customer due diligence	R.11 - Record keeping	R.12 - Politically exposed persons
NC	NC	C	PC	C	PC
R.13 - Correspondent banking	R.14 - Money or value transfer services	R.15 - New technologies	R.16 - Wire transfers	R.17 - Reliance on third parties	R.18 - Internal controls and foreign branches and subsidiaries
PC	NC	PC	PC	PC	C
R.19 - Higher-risk countries	R.20 - Reporting of suspicious transactions	R.21 - Tipping-off and confidentiality	R.22 - DNFBPs: Customer due diligence	R.23 - DNFBPs: Other measures	R.24 - Transparency & BO of legal persons
PC	LC	C	NC	PC	NC
R.25 - Transparency & BO of legal arrangements	R.26 - Regulation and supervision of financial institutions	R.27 - Powers of supervision	R.28 - Regulation and supervision of DNFBPs	R.29 - Financial intelligence units	R.30 - Responsibilities of law enforcement and investigative authorities
PC	PC	C	NC	LC	LC
R.31 - Powers of law enforcement and investigative authorities	R.32 - Cash couriers	R.33 - Statistics	R.34 - Guidance and feedback	R.35 - Sanctions	R.36 - International instruments
LC	LC	LC	PC	PC	NC
R.37 - Mutual legal assistance	R.38 - Mutual legal assistance: freezing and confiscation	R.39 - Extradition	R.40 - Other forms of international cooperation		
LC	LC	LC	LC		

Anti-money laundering and counter-terrorist financing measures in Palau 2018 © APG 2018

⁴¹ Screenshot of page 12 from *Palau Mutual Evaluation Report 2018*, 12.



Financial Intelligence Unit
Republic of Palau

Annex D: Palau 2023 APG Follow-up Report Ratings

Palau received upgrades in its 2023 APG Follow-up Report for Recommendations 22, 23, 28, and 36, but also received a downgrade in Recommendation 15, which FATF updated after Palau’s Mutual Evaluation.⁴²

Palau Follow-up Report Ratings⁴³

IV. CONCLUSION

90. Overall, Palau has made progress in addressing the technical compliance deficiencies identified in its MER and has been re-rated to LC on R.22, R.23, and R.36, and PC for R.28. Palau remains rated compliant for R.18 and R.21, largely compliant for R.2, and non-compliant for R.7. R.15 is re-rated to non-compliant.

91. A summary table setting out the underlying deficiencies for each of the recommendations assessed in this report is included at Annex A.

92. Overall, in light of the progress made by Palau since its MER was adopted, its technical compliance with the FATF Recommendations as follows as of the reporting date 1 June 2023:

R.	Rating	R.	Rating
1	PC (2018 MER)	21	C (2018 MER) (2023 FUR)
2	LC (2018 MER) (2023 FUR)	22	NC (2018 MER) ↑ LC (2023 FUR)
3	LC (2018 MER)	23	PC (2018 MER) ↑ LC (2023 FUR)
4	LC (2018 MER)	24	NC (2018 MER)
5	LC (2018 MER)	25	PC (2018 MER)
6	LC (2018 MER)	26	PC (2018 MER)
7	NC (2018 MER)	27	C (2018 MER)
8	NC (2018 MER)	28	NC (2018 MER) ↑ PC (2023 FUR)
9	C (2018 MER)	29	LC (2018 MER)
10	PC (2018 MER)	30	LC (2018 MER)

R.	Rating	R.	Rating
11	C (2018 MER)	31	LC (2018 MER)
12	PC (2018 MER)	32	LC (2018 MER)
13	PC (2018 MER)	33	LC (2018 MER)
14	NC (2018 MER)	34	PC (2018 MER)
15	PC (2018 MER) ↓ NC (2023 FUR)	35	PC (2018 MER)
16	PC (2018 MER)	36	NC (2018 MER) ↑ LC (2023 FUR)
17	PC (2018 MER)	37	LC (2018 MER)
18	C (2018 MER) (2023 FUR)	38	LC (2018 MER)
19	PC (2018 MER)	39	LC (2018 MER)
20	LC (2018 MER)	40	LC (2018 MER)

93. Palau has 23 Recommendations rated C/LC. Palau is moved to enhanced follow-up.

⁴² When requesting upgrades to a recommendation during the follow-up process, the country is also assessed for compliance with any recommendations that have changed since the last assessment.

⁴³ Screenshot from *Palau Follow-Up Report June 2023*, 13–14.



Financial Intelligence Unit
Republic of Palau

Annex F: Additional Resources

For more information, please see the following resources:

FATF and APG Websites

- FATF Website: fatf-gafi.org
- APG Website: apgml.org

FATF Resources

- FATF Recommendations: <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html>
- FATF Methodology: <https://www.fatf-gafi.org/en/publications/Mutualevaluations/Fatf-methodology.html>
 - Used to assess countries against FATF Recommendations and Immediate Outcomes

APG Resources

- APG Global Fifth Round Mutual Evaluation Procedures: <https://apgml.org/sites/default/files/2026-01/APG%20Global%205th%20Round%20ME%20Procedures%20%28January%202026%29.pdf>
 - Provides process both the mutual evaluation and follow-up process.

Palau Mutual Evaluation and Follow-up Reports

- Palau 2008 Mutual Evaluation Report: https://www.apgml.org/sites/default/files/documents/Palau_MER_2008.pdf
- Palau 2018 Mutual Evaluation Report: https://www.apgml.org/sites/default/files/documents/Palau_MER_2018_-_published_version.pdf
- Palau 2023 Follow Up Report: https://www.apgml.org/sites/default/files/documents/Palau_FUR_June_2023.pdf



Financial Intelligence Unit
Republic of Palau

Overview Updates

February 20, 2024: First version of Overview published.

March 14, 2026: Overview restructured, information updated to provide current data and to provide a more thorough overview of the mutual evaluation process and effects of non-compliance, annexes added, and footnote links verified and added.

April 24, 2026: Overview updated to correct error in time frame of the mutual evaluation process and how many substantial ratings Palau received for compliance with the FATF Immediate Outcomes, and updated to include paragraph about criteria that puts Palau in category for grey-listing prioritization.