

**Prohibition on Money Laundering (The Banking Corporations' Requirement regarding Identification, Reporting, and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order, 5761–2001\***

By virtue of the power vested in me under sections 7 and 32(c) of the Prohibition on Money Laundering Law, 5760–2000,<sup>1</sup> (hereinafter referred to as “the Law”) and section 48(a) of the Prohibition on Financing Terrorism Law, 5765–2005,<sup>2</sup> (hereinafter referred to as “the Prohibition on Financing Terrorism Law”) following consultation with the Minister of Justice and the Minister for Internal Security, and with the approval of the Constitution, Law, and Justice Committee of the Knesset, and with regard to Part Three (A) with the agreement of the Minister of Justice, I hereby order as follows:

**Part One: Interpretation**

**Definitions**

1. In this Order—

- "account holder"**- a person registered in the banking corporation as being the account holder;
- "holder of a controlling interest"**- a person who has control of a corporation, as defined in section 7(a)(1)(b) of the Law;
- "recognized entity"**- a workers' committee or representative of a residents' committee;
- "individual"**- someone who is not a corporation, nor a public institution, nor a foreign corporation established by legislation abroad, nor a recognized entity;

\* *Kovetz Hatakanot* of 5761, p. 310; 5764, p. 959; 5767, p. 366

<sup>1</sup>. *Sefer Ha-Chukkim* of 5760, p. 293.

<sup>2</sup> *Sefer Ha-Chukkim* of 5765, pp. 76 and 947.

**"the Supervisor"** - as defined in section 12 of the Law;

**"competent authority"**- as defined in section 29 of the Law;

**"the list"** a centralized list of designated terrorist organizations and of people designated as terrorists published by virtue of regulations according to section 47(b)(1)(c) of the Prohibition on Financing Terrorism Law; and such organization regarding which or person regarding whom a notification designating it or him has been issued to a banking corporation in a manner specified in section 47(b)(1)(b) of the Prohibition on Financing Terrorism Law, and the banking corporation has not received a notice canceling the notification;

**"managing company" and "provident fund"** as defined in the Supervision of Financial Services Law (Provident Funds), 5765–2005,<sup>3</sup>

**"account"**- excluding a deposit in a banking corporation, the money for which originates from a current account of the owner of the deposit in another banking corporation, provided that at the end of the deposit period the money is returned to the current account from which it was transferred, including a list of debits and credits by virtue of an agreement for settling transactions performed by debit cards, by virtue of an agreement to issue debit cards and by virtue of a trust agreement;

**"correspondent account"**- any of the following:

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<sup>3</sup> *Sefer Ha-Chukkim* of 5765, p. 889.

1. An account managed for a banking corporation;
2. An account managed for a foreign corporation that is a bank or an account managed for a foreign corporation operating as an investment bank or clearing house, and for which an approval has been granted by the person responsible for the fulfillment of obligations pursuant to section 8 of the Law.

**“debit card”**

as defined in the Debit Cards Law, 5746–1985,<sup>4</sup> and a plate or another object intended for the purchase of assets or services from a supplier or for withdrawing cash, in which monetary value can be accumulated, and which cannot be used to debit a current account in a banking corporation, with the exception of a card, a plate or another object in which the maximum balance that can be accumulated is limited to NIS 1,000;

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**"insurer"-**

as defined in section 1 of the Insurance Business (Control) Law, 5741–1981;<sup>5</sup>

**"public institution"-**

government ministries, the Jewish Agency for Israel, local authorities, and other authorities,

<sup>4</sup> *Sefer Ha-Chukkim* of 5746, p. 187.

<sup>5</sup> *Sefer Ha-Chukkim* of 5741, p. 208.

corporations, or other institutions established in Israel by legislation;

**"authorized signatory"-**

someone empowered by the account holder to operate the account, whether or not the account holder is an individual, including via a debit card, provided that he is registered in the banking corporation as someone permitted to operate the account;

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**"identity number"**

- (1) of an individual who is a resident—identity number as in the population registry;
- (2) of an individual who is a foreign resident—passport number or *laissez passer* number and the name of the country which issued the passport or *laissez passer*; for an individual identified by means of a document pursuant to section 3(a)(7)—identification number in that document and the name of the country which issued that document; ~~in case of an identity number containing letters or more than nine digits, the banking corporation shall register only the last nine digits and ignore the letters~~;
- (3) of a corporation registered in Israel—the registration number in the relevant register;
- (4) of a corporation not registered in Israel—its registration number, if any, in the country where it was incorporated and the name of the country, and if no registration exists for that type of corporation, the internal registration number in the banking

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corporation; for a corporation identified by means of a document pursuant to section 3(a)(7)—identification number in that document and the name of the country which issued that document; ; ~~in case of an identity number containing letters or more than nine digits, the banking corporation shall register only the last nine digits and ignore the letters;~~

(5) of a public institution, a recognized entity, and a foreign corporation established by legislation - the registration number allocated by the banking corporation;

**"address"**

(1) of an individual—the address recorded in a document pursuant to subsections 3(a)(1), 3(a)(2), and 3(a)(7), or his place of residence as he provided it, including the name of the town, and also the name of the street, the number of the house, and the postal code, if such information exists, and in case of a foreign resident, also the name of the country;

(2) of a corporation—the address recorded in a document pursuant to sections 3(a)(3), 3(a)(4) and 3(a)(7) or the location where its business in Israel is managed, and if it does not manage business in Israel, the location of its main business abroad, all as it provided; the address shall included the name of the town, and also the name of the street, the number of the house, and the postal code, if such information exists, and in case of a

corporation abroad, also the name of the country.

- (3) of a public institution, a recognized entity, and a foreign corporation established by legislation abroad —the address it provided, including the name of the town, and also the name of the street, the number of the house, and the postal code, if such information exists, and in case of a foreign corporation established by legislation abroad, also the name of the country;

**"service recipient"**-

an account holder, authorized signatory, or a person performing a transaction in a banking corporation which is not recorded in an account;

**"beneficiary"**-

as defined in section 7(a)(1)(a) of the Law, and if the beneficiary is a corporation, the corporation and the holders of the controlling interest in it shall be considered beneficiaries.;

**"transaction"**-

a single transaction, unless otherwise stated in this order;

**“parties to a transaction”**

every one of the parties to a transaction performed via a banking corporation, including a party performing the transaction according to sections 2(f) and 2(g); and regarding promissory notes and checks, the issuer of the note or the drawer of the check, as applicable, and the payee of the note or the check, as applicable;

**"fund"** -

as per its meaning in the Joint Investment Trust Law, 5754–1994;

**"name"** -

- (1) of an individual—surname and first name recorded in the identification certificate pursuant to section 3;
- (2) of a corporation—its registered name, and if it was incorporated in a country where no registration exists for that type of corporation, the name that it provided;
- (3) of a corporation established by legislation—the name prescribed in the legislation, whether in Israel or abroad;
- (4) of a recognized entity, and of a public institution, excluding a corporation established by legislation—the name it provided;

**"corporation"** -

- (1) a company, partnership, cooperative society, Ottoman society, nonprofit association, or a political party, registered in Israel;
- (2) an entity registered abroad as a corporate body;
- (3) an entity incorporated in a country where no registration exists for that type of entity, provided it produced a document attesting to its being a corporation;

~~**"banking corporation"**~~

~~excluding an auxiliary corporation which is a credit card company;~~

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<b>"resident"</b> -	as per its meaning in the Population Registry Law, 5725–1965, <sup>6</sup> including an Israeli citizen registered in the population registry who is not a resident;
<b>"foreign resident"</b> -	a person who is not a resident.

## **Part Two: Requirements regarding Identification**

### **Recording identification particulars**

2. (a) A banking corporation shall not open an account without recording the following identification particulars in respect of each of the account holders and authorized signatories, and in respect of anyone applying to open an account if not one of the above, and authenticating them as set forth in section 3:
- (1) name;
  - (2) identification number;
  - (3) for an individual—date of birth, and sex; for a corporation—date of incorporation;
  - (4) address.
- (b) A banking corporation shall not open an account without recording the particulars in subsections (a)(1) and (2) in respect of a beneficiary; the particulars shall be recorded according to a declaration as per section 4; if the banking corporation does not have the beneficiary's identity number, after having taken reasonable measures to obtain one, instead of the identity number the banking corporation shall record the details listed in subsection (a)(3) herein, and the country of citizenship or incorporation, as applicable; the provisions of this subparagraph shall not apply

<sup>6</sup> *Sefer Ha-Chukkim* of 5725, p. 270.

- (1) where the banking corporation discovers on opening the account that the account is in favor of a beneficiary whose identity cannot be discovered from the declaration made by the person who applied to open the account, giving as the reason that the identity of the beneficiary was not known yet. In this case the banking corporation shall draw the attention of the person who applied to open the account, in writing, to his obligation to provide the banking corporation with the particulars of the beneficiary as soon as the identity of the beneficiary becomes known.
  - (2) in the case of an applicant wishing to open an account who has been appointed by a court, religious court or the chief of the execution office, provided the applicant has declared his appointment, the banking corporation shall indicate the appointment in the account records and shall keep a copy of the letter of appointment.
- (c) A banking corporation shall not open an account for a corporation without recording the identification particulars as in subsections (a)(1) and a(2) herein of those holding controlling interests in it. The particulars shall be recorded according to a declaration as per section 4; where the banking corporation does not possess such identity number, after having taken reasonable measures to obtain one, it may instead record the details as in subsection (a)(3), and the country of citizenship.
- (d) A banking corporation shall not add to an account
- (1) an account holder or authorized signatory without recording in respect thereof the identification particulars as per subsection (a) herein and authenticating them as set forth in section 3;
  - (2) a beneficiary without recording in respect thereof the identification particulars as per subsection (b) herein;
  - (3) a holder of a controlling interest of a corporation without recording in respect thereof the identification particulars as per subsection (c) herein.

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- (e) The opening of an account and adding an account holder, adding a beneficiary, and adding a holder of a controlling interest shall be accompanied by a declaration as per section 4; the said declaration made at the opening of an account shall bear an original signature.
- (f) A banking corporation shall not carry out a transaction which requires a report pursuant to the provisions of section 8 and which is not recorded in an account in which the party performing the transaction is recorded as an account holder or authorized signatory, without recording the identification particulars of the party performing the transaction as per subsection (a) herein according to an identification certificate as set forth in section 3, or a certificate issued by the State of Israel bearing the party's name, identity number, date of birth and photograph, and shall keep a photocopy of the identification certificate. In the said transaction which is not recorded in any account of a customer, the banking corporation shall authenticate the particulars of the party performing the transaction as set forth in section 3, with the necessary alterations.
- (g) A banking corporation shall not carry out a transaction which does not require a report pursuant to section 8 and which is not recorded in an account in which the party performing the transaction is recorded as an account holder, authorized signatory or guarantor, without identifying the party performing the transaction and recording the name and the identity number in accordance with the identification certificate as provided in section 3, or a certificate issued by the State of Israel bearing the party's name, identity number, date of birth and photograph; in this subsection, "transaction" means a transaction in cash involving NIS 10,000 or more, or another transaction involving NIS 50,000 or more.
- (h) For purposes of subsection (f), according to an instruction from the person responsible for the fulfillment of the obligations pursuant to section 8 of the Law regarding a particular account and for purposes of subsection (g) in a transaction the instruction for which appears to bear an account holder's or

authorized signatory's signature, the apparent signatory on the instruction shall be considered to be the party that performed the transaction.

- (i) When a guarantee is signed for a customer in favor of the banking corporation, the banking corporation shall record the identification particulars of the guarantor pursuant to subsections a(1) to a(4), according to the identification certificate set forth in section 3, and shall retain a photocopy of the identification certificate.
- (j) In subsections (a) to (e) above, "account"—including a safe-deposit box.

### **Authentication of particulars and the documents required**

- 3. (a) A banking corporation shall authenticate the identification particulars of the service recipient in a banking activity as per sections 2(a)(1), 2(d)(1), and 2(f), and shall obtain documents as set forth below.
  - (1) For an individual who is a resident, in the matter of recording the identification particulars as per sections 2(a)(1) to 2(a)(3)—an identity card or a certified copy of it a photocopy of one of which, insofar as the certificate relates to such identification particulars, shall be retained by the banking corporation; the banking corporation shall authenticate the identification particulars vis-à-vis the population registry, shall compare the date of issue of the certificate shown in it with the date of issue of the last certificate recorded in the population registry in the Ministry of the Interior, and shall retain the documentation of this check; For purposes of this subsection, an immigrant certificate up to 30 days from its date of issue and an Israeli passport in cases when the identification took place abroad or when the person responsible for the fulfillment of the obligations pursuant to section 8 of the Law is convinced that the individual is no longer permanently resident in Israel, but the obligation to compare the date of issue of the document shall not apply in these cases;

- (2) For an individual who is a foreign resident, in the matter of recording of the identification particulars as per sections 2(a)(1) to 2(a)(3)—a foreign passport or *laissez- passer*, or a certified copy of it, the banking corporation shall compare the identification particulars with another document bearing a photograph and identity number; in the absence thereof—a document bearing a name or identity number and also an address or date of birth. The photocopies of the identification certificates, insofar as they relate to such identification particulars, shall be retained by the banking corporation.
- (3) For a corporation registered in Israel, in the matter of recording of the identification particulars of the corporation as per sections 2(a)(1) to 2(a)(3)—the registration certificate or a certified copy of it; if one of the said particulars does not appear in the certificate, the recording of the particulars shall be effected in accordance with an attorney's certification. The banking corporation shall obtain and retain the following documents or photocopies of them:
  - (a) a certified copy of the corporation's registration certificate;
  - (b) certified copies of the corporation's foundation documents establishing the corporation;
  - (c) an attorney's certification of the corporation's existence, its name and identity number; alternatively, the banking corporation may authenticate the corporation's registration vis-à-vis the relevant registers;
  - (d) a certified copy of a resolution of the competent organ in the corporation to open an account, or an attorney's certificate that such a resolution was duly passed;
  - (e) a certified copy of a resolution of the competent organ in the corporation as to the authorized signatories in the account, or an attorney's certificate as to the authorized signatories in the account;

- (3a) The provisions of section (3) notwithstanding, in an account by virtue of an agreement for settling transactions performed by debit cards, subsections (b) and (d) in that section shall not apply.

in this subsection attorney means someone licensed to practise law in Israel.

- (4) For a corporation that is not registered in Israel, in the matter of recording of the identification particulars of the corporation as provided in sections 2(a)(1) to 2(a)(4)— a document attesting to its registration or a certified copy of the said document insofar as such particulars appear in the document; if one of the said particulars does not appear in the document, the recording of the particulars shall be effected in accordance with an attorney's certificate; the banking corporation shall obtain a document attesting to the corporation's registration and documents as set forth in subsections (3)(b) to (3)(e); for a corporation incorporated in a country in which there is no registration in respect of corporations of its type—the banking corporation shall obtain a certificate from an attorney that there is no registration in the country of incorporation; the banking corporation shall retain these documents or photocopies of them.
- (5) For a public institution and a foreign corporation established by legislation abroad, in the matter of registering the name—a declaration by the applicant wishing to open an account, and for a corporation established by legislation as per the legislation by virtue of which the corporation was established, or an attorney's certificate that such legislation exists; the banking corporation shall obtain the documents as per subsections (3)(d) and (3)(e), with the necessary alterations; the banking corporation shall retain these documents or photocopies of them.
- (6) For a recognized entity, in the matter of registering the name and address—a declaration by the applicant after the banking corporation has ascertained, pursuant to a document, that the applicant to open the account is authorized to act on the recognized entity's behalf; the banking corporation shall retain this document or a photocopy of it.

- (7) Notwithstanding the provisions of subsections (2) and (4) herein, if steps were taken to open the account abroad, the banking corporation may record the identification particulars according to the usual identification certificates in the banking system in the country in which the identification was made, provided that in the said country legislation exists which requires customer identification; the banking corporation shall retain photocopies of the identification certificates.
  - (8) For a minor aged less than 16 years—an identification certificate of one of his guardians; from three months after the account holder reached the age of 18 years, the banking corporation shall not carry out any transaction in the account initiated by the account holder unless the relevant provisions set out in subsections (1) and (2) have been met.
- (b) In this section “certified copy” means a copy matching the source authenticated by one of the following:
- (1) the authority which issued the source document;
  - (2) an attorney licensed to practise law in Israel and for a corporation incorporated in a member country of the OECD (the Organisation for Economic Cooperation and Development), also an attorney licensed to practise law in the country where the incorporation took place;
  - (3) an official of the banking corporation to whom the source document has been presented;
  - (4) an authority as per the Convention Abolishing the Requirement of Legalization for Foreign Public Documents (henceforth “the Convention to Abolish the Legalization Requirement”)<sup>7</sup>.
  - (5) an Israeli diplomatic or consular representative abroad.
- (c) The provisions of this section notwithstanding, the Supervisor of Banks may in special circumstances issue a directive specifying alternative ways of authenticating particulars and alternative documentation requirements; if the Supervisor did so issue a directive, he shall send a reasoned notification stating

<sup>7</sup> *Kitvei Amana*, Vol. 25, p. 493

so to the Constitution, Law and Justice Committee of the Knesset (henceforth the “Constitution Committee”) within thirty days.

#### **Declaration about a beneficiary and a holder of a controlling interest**

4. (a) When opening an account the banking corporation shall require the applicant wishing to open an account to give a declaration bearing an original signature stating whether he is acting for himself or on behalf of another; if the applicant declares that he is acting on behalf of another, the declaration shall include the particulars as set forth in section 2(b) in respect of each of the beneficiaries; if the account is not opened by the account holder, the banking corporation, prior to performing the first transaction in the account, shall require also the account holder to make the above declaration. However

(1) If the beneficiary is unknown, as in section 2(b)(1), the applicant wishing to open an account shall declare accordingly.

(2) If the banking corporation is asked to open an account pursuant section 2(b)(2), it shall keep a copy of the decision of the court, religious court or the chief of the execution office relating to the appointment.

(b) When opening an account for a corporation, the banking corporation shall require a declaration bearing an original signature from the corporation or an attorney’s certificate confirming the identification particulars of the holders of the controlling interest in the corporation as per section 2(c).

(b1) When performing a transaction pursuant to section 8, if it is performed other than via a customer account, the bank shall require the service recipient give a declaration bearing an original signature stating whether he is acting for himself or on behalf of another; if the service recipient declares that he is acting on behalf of another, the declaration shall include the particulars as set forth in section 2(b) in respect of each of the beneficiaries.

(c) The declarations herein pursuant to subsections (a) to (b1) shall be made in the format shown in the First Schedule.

### **Partial exemption**

5. (a) The provisions of sections 2(b), 2(d)(2) and 4(a) pertaining to registering a beneficiary in an account shall not apply to:

- (1) an account of a public institution;
- (2) an account of a banking corporation, the Postal Bank, an insurer, a member of the Stock Exchange, a provident fund and a managing company on behalf of a provident fund under its management, an account on behalf of a fund, and an account of a portfolio manager on behalf of his clients;
- (3) a securities account that an overseas entity wishes to open for its customers, including a monetary account directly relating to such a securities account, provided that legislation or provisions of the competent authority obliging customer identification in the matter of the prevention of money laundering and the prevention of the financing of terrorism apply to the said entity, and that the entity submitted a declaration thereon to the banking corporation;
- (4) an account of a recognized entity;
- (5) an account on behalf of a public charity registered by the Public Charities Registrar.
- (5a) an account on behalf of a rabbinical public charity which has been granted a certificate by a rabbinical court that it is a rabbinical public charity whose objectives are aimed at benefiting the public, unless the banking corporation has received a notification from the rabbinical court that the certificate has been cancelled.
- (6) (a) an account managed for communal purposes for the benefit of a large or indeterminate group of beneficiaries, provided consent has been obtained from the person responsible for the fulfilment of the obligations pursuant to section 8 of the Law; opening an account pursuant to this subsection shall be conditional on a declaration by the applicant wishing to open an account, by means of the form in

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the First Schedule and bearing an original signature, on the special purposes of the account.

- (b) an account managed for communal purposes for the benefit of a large or indeterminate group of beneficiaries, provided that the balance in the account at the end of every business day, and each transaction in the account, shall not exceed NIS 50,000; opening an account pursuant to this subsection shall be conditional on a declaration by the applicant wishing to open an account, by means of the form in the First Schedule and bearing an original signature, on the special purposes of the account.

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~~opening an account pursuant to this subsection shall be conditional on a declaration by the applicant wishing to open an account, by means of the form in the First Schedule, on the special purposes of the account.~~

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- (7) an account which an attorney, a rabbinical pleader,<sup>-8</sup> or an accountant wishes to open for his clients, provided that the balance in the account at the end of every business day shall not exceed NIS 300,000, and no transaction in the account shall exceed NIS 100,000; opening such an account shall be conditional on a declaration by the applicant wishing to open an account, by means of the form in the First Schedule bearing an original signature, that this is his only account of this type;

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- (8) another type of account specified in a directive by the Supervisor of Banks: if the Supervisor of Banks specified thus, he shall send a reasoned notification stating so to the Constitution Committee within thirty days.

If the account holder breaches the conditions in subsections (6) and (7), a warning shall be sent to him accordingly; should he commit a further breach not perform any of the conditions after being sent a warning, the banking corporation shall not perform any transaction initiated by the customer except withdrawal of the balance, closure of the account and payment of debts, unless the account holder completes the declaration on beneficiaries pursuant to section 4.”

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- (b) The provisions in sections 2(c), 2(d)(3), and 4(b) about recording a holder of a controlling interest shall not apply to the accounts of a banking corporation, ~~an auxiliary corporation that is a credit card company~~, an insurer, a provident fund, a managing company on behalf of a provident fund under its management, a company whose shares are traded on a stock exchange in Israel or on a stock exchange in a member country of the OECD, or to the account of another type of corporation specified by the Supervisor of Banks in a directive; if the Supervisor of Banks so specified, he shall send a reasoned notification stating so to the Constitution Committee within thirty days; in this subsection and in section 5a “stock exchange” shall mean a securities stock exchange or ordered market as defined in the Joint Investment Trust Law, 5754–1994.<sup>9</sup>
- (c) In the case of a company controlled by a company pursuant to subsection (b), the latter company shall be considered as a holder of a controlling interest.

### **Correspondent account**

- 5a. The provisions of this Part notwithstanding, the following provisions shall apply when opening a correspondent account:
- (1) The banking corporation shall record the following:
    - (a) The name of the corporation, and if it is an overseas office, also the name of the parent company;
    - (b) In the case of a foreign corporation, the name of the country of incorporation and of the supervisory authority;
    - (c) The address and telephone number of the corporation, and names of persons to contact;
    - (d) Names and addresses of those holding 20 percent or more of means of control of the corporation, unless the corporation was incorporated in Israel or in a member country of the OECD, and its shares, or the shares of its controlling company are traded on an Israeli stock exchange or the stock exchange of an OECD member country. For this

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<sup>8</sup> A person qualified to plead in a rabbinical court.

<sup>9</sup> *Sefer Ha-Chukkim* of 5754, p. 308.

purpose, “means of control” is as defined in Banking (Licensing) Law, 5741–1981;<sup>10</sup>

- (2) When opening the account, the banking corporation shall obtain the following documents:
  - (a) In the case of a foreign corporation, a copy of the latest annual financial statement or summary thereof published in a public data base;
  - (b) A letter requesting the opening of an account, to be retained for at least seven years after the account is closed.
- (3) When opening a correspondent account for a corporation incorporated abroad in a country that is not a member of the OECD, the banking corporation shall obtain also the following documents, and shall retain them for at least seven years after the account is closed:
  - (a) a license from the supervisory authority;
  - (b) the incorporation documents;
  - (c) one of the following:
    - (1) letters of reference from banks in OECD member countries that manage correspondent accounts of the corporation applying to open an account in the banking corporation.
    - (2) a document certifying that the corporation applying to open an account in a banking corporation manages a correspondent account in banks as stated, and a declaration by the corporation that legal provisions or provisions of a competent authority that require identification of its customers for purposes of the prevention of money laundering and the prevention of financing terrorism apply to it.

### **Face-to-face identification**

6. (a) The banking corporation shall identify the account holder and authorized signatory by means of an identification certificate pursuant to section 3 prior to

<sup>10</sup> *Sefer Ha-Chukkim* of 5741, p. 232, and of 5759, p. 24.

the first transaction by each of them in the account. For such purpose, face-to-face identification also includes:

- (1) identification by a representative or agent of the banking corporation;
  - (2) identification by an attorney licensed to practise law in Israel;
  - (3) identification by an Israeli diplomatic or consular representative abroad;
  - (4) identification by an authority as per section 6 of the Convention to Abolish the Legalization Requirement;
  - (5) any other method of identification approved by the Supervisor of Banks.
- (b) The banking corporation shall identify face-to-face a person performing a transaction that requires a report pursuant to the provisions of section 8 and which is not recorded in any account in which the person performing the transaction is registered as an account holder or authorized signatory.

### **Issuing a debit card**

6a (a) Before issuing a debit card, a banking corporation may act as follows, instead of acting as stated in sections 2, 3, 4 and 6:

- (1) If a debit card has been issued to the holder of or authorized signatory in a current account in the issuing banking corporation or in the banking corporation that is a party to an arrangement to issue debit cards, the banking corporation shall register the identification particulars detailed in section 2(a) of the owner of the debit card.
- (2) If a debit card has been issued to an individual whose debits incurred via the card are settled via a current account in a banking corporation that did not issue the card or is not a party to an arrangement to issue debit cards, and the credit facility of the card is limited to a total of NIS 50,000, or if another debit card specified by the Supervisor of Banks has been issued, the issuing banking corporation shall register the identification particulars detailed in section 2(a) of the owner of the debit card, as they appear in a copy of an identity certificate as provided in section 3, that it shall retain.

(b) In addition to the provisions of subsections (a)(1) and (a)(2), the banking corporation shall register the following particulars for a current account against

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which activity via a debit card is settled: the number of the banking corporation, the branch number, and the account number and name, and it shall also authenticate the identity particulars of the owner of the debit card vis-à-vis the population registry, and shall retain the documentation relating to this check.

(c) In this section, “an arrangement to issue debit cards” means an arrangement between banking corporations made for the purpose of issuing debit cards, one party to which is a banking corporation in which the current account is managed, and the other party to which is an auxiliary corporation which is a credit card company, and the debits incurred by transactions with the debit card are settled via the current account.

### **Retaining identification certificates**

7. The banking corporation shall retain the identification certificates for a period of at least seven years after the account is closed or after a transaction has been carried out as in subsection 2(f); the retention of identity certificates, excluding a declaration bearing an original signature, may be by computerized scanning as specified in regulation 3a of the Testimony Regulations (Photocopies), 5730–1969;<sup>11</sup> in this matter, “identification certificates” means any document provided for purposes of identification and authentication, including a declaration given under this order.

## **Part Three: Reporting Requirements**

### **Reporting by size of transaction**

8. (a) A banking corporation shall report the following transactions to the competent authority:
  - (1) a deposit in an account or withdrawal of cash from it, whether in local or foreign currency, in an amount equivalent to at least NIS 50,000;

<sup>11</sup> *Kovetz Hatakanot* of 5730, p. 316; and of 5765, p. 794

- (2) a cash transaction that is not performed in any customer account, including a deposit of cash for the purposes of transferring it abroad or withdrawal of cash received from abroad, other than through an account, whether in local or foreign currency, in an amount equivalent to at least NIS 50,000, and a deposit of cash or withdrawal of cash as above in an amount equivalent to at least NIS 5,000 performed vis-à-vis a financial institution in a country or territory specified in the Fourth Schedule;

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(option – 12.12.2007)

- (3) the exchange of banknotes and coins, in cash, including conversion, whether in local or foreign currency, in an amount equivalent to at least NIS 50,000;
- (4) the issue of a bank check, whether in local or foreign currency, in an amount equivalent to at least NIS 200,000, excluding a bank check in an amount up to NIS 1,000,000 issued against a housing loan;
- (5) The purchase or sale of travelers' checks or bill to bearer of a financial institution abroad in an amount equivalent to at least NIS 50,000; if the financial institution is in a country or territory specified in the Fourth Schedule, the banking corporation shall report the said transaction if it is in an amount equivalent to at least NIS 5,000;

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(option – 12.12.2007)

- (6) the deposit of checks drawn on a financial institution abroad and payment of checks presented for payment by a financial institution abroad in an amount equivalent to at least NIS 1,000,000; if the financial institution is in a country or territory specified in the Fourth Schedule, the banking corporation shall report the said transaction if it is in an amount equivalent to at least NIS 5,000;

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(option – 12.6.2008)

- (7) the transfer from Israel to abroad or from abroad to Israel through an account, ~~and a transfer from or to a correspondent account of a financial institution, unless the financial institution is incorporated in an OECD member country,~~ in an amount equivalent to at least NIS 1,000,000; in the case of a transfer to or from a country or territory specified in the Fourth Schedule, or a transfer to or from a correspondent account of a

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(option – 12.6.2008)

financial institution in a country or territory specified in the Fourth Schedule, the banking corporation shall report the said transaction if it is in an amount equivalent to at least NIS 5,000.

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(option – 12.6.2008)

(b) The provisions of subsections (a)(2), (5), (6) and (7) herein shall not apply to a transaction performed by a banking corporation on behalf of another banking corporation, the Postal Bank, or their customers.

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### **Additional reports**

9. (a) A banking corporation shall report to the competent authority transactions by a service recipient that seem to the banking corporation to be unusual in view of the information in the banking corporation's possession.
- (b) Without prejudice to the generality of the provisions of subsection (a) herein, any of the transactions listed in the Second Schedule may be deemed unusual transactions:
- (c) Reporting a transaction pursuant to section 8 does not provide exemption from the obligation to report pursuant to this section.

### **Exemption from reporting requirement**

10. A banking corporation shall be exempt from reporting pursuant to section 8 -

- (1) if the transaction was performed by one of the following:
- (a) a public institution;
  - (b) a banking corporation ~~and an auxiliary corporation which is a credit card company~~;
  - (c) the Postal Bank;
  - (d) an insurer;
  - (e) a member of the stock exchange;
  - (f) a provident fund and a managing company on behalf of a provident fund under its management;
  - (g) a fund;

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(option –  
12.9.2007)

- (2) ~~a transaction pursuant to section 8(7), effected in respect of import or export of goods to and from Israel, provided that the banking corporation obtained documentation in respect of the nature of the transaction, the identity of the counterparty and the amount of the transaction; in this respect a declaration by the account holder that he is an importer or exporter and a declaration in respect of the nature and amount of the transaction or a declaration in advance, renewable every twelve months, in respect of the nature of the transactions and the identity of the counterparty may be deemed documentation~~ a transaction pursuant to section 8(a)(7), effected in respect of import or export of goods to and from Israel, excluding from or to a country or territory specified in the Fourth Schedule provided that the banking corporation obtained documentation in respect of the nature of the transaction, the identity of the counterparty and the amount of the transaction; in this respect a declaration by the account holder bearing an original signature that he is an importer or exporter and a declaration bearing an original signature in respect of the nature and amount of the transaction or a declaration in advance, bearing an original signature, renewable every twelve months, in respect of the nature of the transactions and the identity of the counterparty may be deemed documentation;

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### Particulars in the report

11. A report pursuant to sections 8 and 9 shall include the following particulars:

- (1) in respect of the account to which the report refers, if the reported transaction was performed in an account of a customer—
- (a) the account number;
  - (b) the name of the account, if any;
  - (c) postal address;
- (2) in respect of the reported transaction—
- (a) the number of the banking corporation and the number of the branch;

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(b1) the date the account was opened;

- (b) the date the transaction was performed as recorded in the banking corporation's books;
- (c) the amount of the transaction in terms of NIS; for a transaction in foreign currency, the amount of the transaction shall be calculated according to the latest Bank of Israel's published representative exchange rate known on the date the transaction is recorded;

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- (d) the foreign currencies in which the transaction was performed, and the amount in each currency, up to two currencies;
- (e) the serial number of the report;
- (f) with regard to a report pursuant ~~to sections 8(2) and 8(7)~~ to subsections 8(a)(2), (6) and (7)—also the particulars of the account of the counterparty to the transaction, name and address of the counterparty's financial institution, if known, but if the transaction is vis-à-vis a financial institution in a country or territory specified in the Fourth Schedule, also the name and identity number of the counterparty's account holder, as they were provided;

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(option – 12.6.2008)

- (g) type of transaction in the report pursuant to section 8—as set forth in the Third Schedule;
- (h) the reason for the report pursuant to section 9, including a description of the transaction which led to the report.

- (3) in respect of the account holders and also in respect of the authorized signatories, if any, and in a report pursuant to subsections 8(a)(1) to (6) and section 9, also in respect of the person performing the transaction if he is not the account holder or authorized signatory—

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- (a) name;
- (b) identity number;
- (c) address;
- (d) up to two telephone numbers, if known, except for a person performing a transaction who is not the account holder or an authorized signatory;
- (e) date of birth for an individual, and date incorporated for a corporation;
- (f) sex, in the case of an individual;

- (g) the customer's status (resident/foreign resident/Israeli corporation/foreign corporation);
- (4) In respect of beneficiaries and holders of controlling interests, if any, the particulars required in sections 2(b) and 2(c).

### **Prohibiting discovery and document inspection**

- 12. Disclosure of the formulation, existence, nonexistence or contents of a report pursuant to section 9, and of the existence of a complementary report pursuant to section 31(c) of the Law, the existence of a request for the said report or the contents on one of these, and allowing the inspection of documents attesting to a report as aforesaid is prohibited, except to someone duly authorized to be privy to such information for purposes of fulfilling his function in the banking corporation, the supervisor or someone he authorized, the competent authority or pursuant to a court order.
- 13. Repealed.

## **Part Three (A): Checking identification particulars against the list**

### **Obligation to check against the list**

- 13a. A banking corporation shall check against the list
  - (1) if it contains the name or identity number of an account holder, authorized signatory, beneficiary and holder of a controlling interest, in all the accounts managed in the corporation; to remove any doubt, the said check shall be carried out whenever an organization or person is added to the list or whenever an account holder, authorized signatory, beneficiary and holder of a controlling interest is added to an account;
  - (2) if the name of the person performing the transaction as specified in section 2(f) and (g) appears in the list;

(3) if the names of parties to the transaction, excluding those specified in subsection (1), appear in the list; for this purpose, a “transaction” means any of the following:

(a) an electronic transfer via SWIFT from Israel abroad or from abroad to Israel;

(b) a transfer from Israel to a country or territory specified in the Fourth Schedule, including payment of a check presented by a financial institution in a country or territory specified in the Fourth Schedule; for the purpose of this sub-subsection, the person registered as the account holder in the electronic record that the financial institution attached to the presentation of the check is the payee.

(c) a transfer from a country or territory specified in the Fourth Schedule, including by means of payment of a check drawn on a financial institution in a country or territory specified in the Fourth Schedule, in an amount equivalent to at least NIS 5,000.

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12.9.2007

(option –

12.6.2008)

#### **Part Four: Miscellaneous**

##### **Management and retention of records**

14. (a) A banking corporation shall maintain a computerized database of account numbers, identification particulars of account holders, authorized signatories, beneficiaries and holders of controlling interests.

(b) A banking corporation shall retain the document attesting to the instruction to the banking corporation to carry out a transaction which it reported to the competent authority and the instruction document, the value of which transaction is equivalent to at least NIS 10,000, for a period of at least seven years from the date on which the transaction was recorded in the banking corporation’s books; in the absence of an document attesting to the

instruction, the banking corporation shall retain the computerized record attesting to the instruction to perform the transaction.

### **Limitation of applicability**

15. (a) The provisions of Part Two shall not apply to an overseas branch of a banking corporation to which identification and authentication requirements regarding the prevention of money laundering and the prevention of the financing of terrorism apply.
- (b) The provisions of Part Three and section 14 shall not apply to an overseas branch of a banking corporation.

### **Commencement date**

16. This Order shall be effective from the date determined by the Minister of Justice as per section 35 of the Law, or one year from the publication date of this Order, whichever is the later.

### **Transitional provision**

17. (a) From 18 months after this Order comes into force, the banking corporation shall not carry out any transaction in accounts that were opened prior to the commencement of this Order, unless the provisions of sections 2 and 3 and 5a, as relevant, have been fulfilled, except for the withdrawal of the existing balance and closure of the account, and repayment of debts; in an account of a resident and a company registered in Israel, examining the identification particulars vis-à-vis the appropriate registers shall be deemed authentication pursuant to section 3.

In this context, a transaction is one initiated by a customer after the 19 Av, 5763 (17 August, 2003).

- (b) Subsection (a) herein notwithstanding, non-receipt of the account-holder's declaration stating whether he is acting on his own behalf or on behalf of another, and non-receipt of an additional identity certificate in the case of a foreign resident shall not be deemed non-fulfillment of the provisions of

sections 2 and 3, provided the banking corporation took steps to obtain the said declaration.

- (c) Subsection (a) herein shall not apply to an account whose holder is in a country in which he cannot be contacted due to the state of relations between Israel and that country. In this case the banking corporation shall make a reasonable effort to complete the missing identification particulars as soon as possible.

## First Schedule

(Sections 4(c), 5(a)(6) and 5(a)(7))

### Form of Declaration regarding Beneficiaries and Holders of Controlling Interests

I..... (name), bearer of ID no..... hereby declare that regarding account no. ....

- There is no beneficiary with rights in the account apart from the account holders.
- In a transaction not performed within the framework of any customer account, there is no beneficiary other than the person performing the transaction.
- The account is that of an attorney, rabbinical pleader or accountant and is operated on behalf of his clients, and the balance in the account at the end of every business day will not exceed NIS 300,000, and no transaction in the account will exceed NIS 100,000; this is my only account of this type.\*\*

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- The account is an account managed by a person who has been appointed by a court, a religious court or the chief of the execution office. The letter of appointment is attached.

Valid 12.6.2007

- The account is managed for communal purposes for the benefit of a large or undefined group of beneficiaries, and the balance in the account at the end of every business day, and each transaction in the account, will not exceed NIS 50,000;\*\*

The purpose of the account is \_\_\_\_\_

- The account is managed for communal purposes for the benefit of a large or undefined group of beneficiaries (subject to the granting of approval by the person responsible for the fulfilment of obligations pursuant to section 8 of the Law);\*\*

The purpose of the account is \_\_\_\_\_

- There is a beneficiary with the said rights, but identification particulars are not known yet,

because \_\_\_\_\_

I hereby undertake to provide the particulars of the beneficiary as soon as his identity becomes known.

- The beneficiaries in the account are:

Name	Identification No.*	Date of Birth/Incorporation	Sex
_____	_____	_____	_____
_____	_____	_____	_____

- There is no holder of the controlling interests in the corporation.

- The holders of the controlling interests in the corporation are:

Name	Identification No.*	Date of Birth/Incorporation	Sex
_____	_____	_____	_____
_____	_____	_____	_____

Valid  
12.6.2007

I hereby undertake to notify ~~the bank~~ the banking corporation in writing as soon as possible of any change in the particulars I have given above. I am aware that providing false information, including the failure to provide an update of any particular that must be reported, with the intention that it be not reported or that the report be incorrect pursuant to section 7 of the Law, constitutes a criminal offence.

Signature \_\_\_\_\_

Date \_\_\_\_\_

\* Including the name of the country in which the identification certificate was issued.

\*\* Effective from 1.4.04.

## **Second Schedule**

(Section 9(b))

### **Transactions that may be Deemed Unusual Transactions**

- (1) Activity which appears to have been performed in order to circumvent the reporting requirement pursuant to section 8;
- (2) It appears that the account holder is operating the account on behalf of someone else, without having made the appropriate declaration;
- (3) A transaction that resulted in the banking corporation's decision to close the account for reasons of the prohibition on money laundering or the prevention of financing terrorism;
- (4) Activity that appears intended to replace that of an organization declared an unlawful association under Regulation 84 of the Defense (Emergency) Regulations, 1945<sup>12</sup> or an organization declared as terrorist under the Prevention of Terrorism Ordinance, 5708-1948<sup>13</sup> or an organization designated a terrorist organization pursuant to section 2 of the Prohibition on Financing Terrorism Law;
- (4a) Activity that appears intended to replace activity by a person designated a terrorist pursuant to section 2 of the Prohibition on Financing Terrorism Law;
- (5) Frequent use of a safety deposit box at the banking corporation by a large number of people without an apparent reason;
- (6) Activity that appears to lack economic or commercial logic, relative to the type of account or to the customer's behavior patterns;

<sup>12</sup> *Itton Rishmi (Official Gazette)*, 1945, *Supp. 2*, p. 855; *Sefer Ha-Chukkim* 5742, p. 173.

<sup>13</sup> *Itton Rishmi (Official Gazette)*, 5708, *Supp. A*, p. 73; *Sefer Ha-Chukkim* 5762, p. 411.

- (7) A transaction in an account involving a significant sum by a person holding power of attorney who is not registered in the account as an authorized signatory;
- (8) A number of transactions in an account in which, for no apparent reason, monies and securities are withdrawn close to the time they are deposited, other than in the ordinary course of business;
- (9) Transfers of substantial amounts from Israel abroad and vice versa, where the counterparty to the transaction, whether the source or recipient, is not identified by name or account number;
- (10) A transaction in the account atypical for the account holder or the type of account, without apparent reason;
- (11) Transactions of exceptional number or size or a significant change in the balance in an account, without apparent reason;
- (12) A number of transactions in an account involving the same recipient or the same source, without apparent reason;
- (13) Numerous deposits, without apparent reason, by a person who is not the account holder, nor an authorized signatory.
- (14) Non-presentation of a bank check in a substantial amount for payment within twelve months from its date of issue.
- (15) Management of several accounts in a banking corporation that is inconsistent with the customer's activity.
- (16) Frequent purchases of cash, travelers' checks, bearer bills or other means of payment other than via an account.

- (17) Frequent transfers from and to countries that are non-cooperative in the fight against money laundering, in accordance with the list published by the FATF.
- (18) A declaration made as per this order, that appears to be incorrect.
- (19) Activity of a nonprofit organization with entities in countries or territories specified in the Fourth Schedule and countries or territories that do not have legislation regarding the prevention of money laundering and the prevention of financing terrorism pursuant to the guidelines of the Supervisor of Banks.
- (20) Activity of a nonprofit organization that is not consistent with the activities of the organization, as far as the banking corporation knows.
- (21) A multiplicity of credits via standing orders without any apparent reason.
- (22) A credit to a debit-card account or a multiplicity of credits, in substantial amounts, without any apparent reason.

### **Third Schedule**

(Subsection 11(2)(g))

#### **Type of Transaction for Report**

<b>No.</b>	<b>Transaction</b>
1.	Deposit of cash in NIS in an account
2.	Deposit of cash in foreign currency in an account
3.	Withdrawal of cash in NIS from an account
4.	Withdrawal of cash in foreign currency from an account

No.	Transaction
5.	Withdrawal or deposit of cash other than through an account, except for the transactions specified in items 6 and 7 below
6.	Deposit and transfer abroad of cash other than through an account, <u>except for the transactions detailed in item 20 below</u>
7.	Withdrawal of cash originating abroad other than through an account, <u>except for the transactions detailed in item 21 below</u>
8.	Exchanging banknotes and coins in NIS
9.	Exchanging banknotes and coins in foreign currency
10.	Converting banknotes and coins in NIS into a foreign currency
11.	Converting foreign-currency banknotes and coins into NIS
12.	Issuing a bank check in NIS
13.	Issuing a bank check in a foreign currency
14.	Purchasing travellers' checks <u>or bearer bills of a financial institution abroad, except for the transactions detailed in item 22 below</u>
15.	Depositing checks drawn on a financial institution abroad, <u>except for the transactions detailed in item 23 below</u>
16.	International transfer from Israel to abroad through an account, <u>except for the transactions detailed in item 24 below</u>
17.	International transfer from abroad to Israel through an account, <u>except for the transactions detailed in item 25 below</u>
18.	Payment of checks presented by a financial institution from abroad, <u>except for the transactions detailed in item 26 below</u>
19.	Sale of travellers checks
20.	<u>Depositing cash and transferring it to a country or territory specified in the Fourth Schedule not via an account</u>
21	<u>Withdrawing cash the source of which is a country or territory specified in the Fourth Schedule, not via an account</u>
22	<u>Purchasing travellers checks or bearer bills of a financial institution of a country or territory specified in the Fourth Schedule</u>
23	<u>Depositing checks drawn on a financial institution of a country or</u>

Valid

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Valid

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Valid

12.6.2007

**No.**

**Transaction**

Valid

12.6.2007

territory specified in the Fourth Schedule

24 An international transfer from Israel to a country or territory specified in the Fourth Schedule via an account

25 An international transfer to Israel from a country or territory specified in the Fourth Schedule via an account

26 Payment of checks presented for collection by a financial institution of a country or territory specified in the Fourth Schedule

### **Fourth Schedule**

(Subsections 8(a)(2), (5), (6) and (7), 10(2), 11(2)(f), 13a(3) and the Second and Third Schedules)

#### **List of Countries and Territories**

1. Countries or territories specified in the list published by the FATF as countries or territories that are non-cooperative in the international fight against money laundering;
2. Countries or territories specified in subsection (1) of the definition of an “infiltrator” in section 1 of the Prevention of Infiltration (Offences and Jurisdiction) Law, 5714–1954;<sup>14</sup>
3. The following countries or territories: Iran, Algeria, Afghanistan, the Palestinian Authority, Libya, the United Arab Emirates, Malaysia, Morocco, Sudan, Somalia, Pakistan, Tunisia.

16 January 2001

David Klein

Governor of the Bank of Israel

<sup>14</sup> *Sefer Ha-Chukkim* of 5714, p. 160.

**Prohibition on Money Laundering (The Banking Corporations' Requirement regarding Identification, Reporting, and Record-Keeping) Order (Amendment), 5767-2006**

1-23 Amendments to the main Order and commencement provisions

24 Transitional provisions

- (a) From eighteen months after the commencement date of section 3(9) in this Order,<sup>15</sup> a banking corporation shall perform no action in accounts opened under an agreement to clear transactions carried out via debit cards before the commencement date of section 3(9) in this Order,<sup>15</sup> unless sections 2 and 3 of the main Order have been fulfilled, except for credit for transactions performed up to eighteen months from the commencement date of section 3(9) in this Order<sup>15</sup>; in the said accounts of a resident and of a company registered in Israel checking the identification particulars against the appropriate registers shall be considered authentication according to section 3 of the main Order.
- (b) Subsection (a) herein notwithstanding, non-receipt of the account-holder's declaration stating whether he is acting on his own behalf or on behalf of another, and non-receipt of an additional identity certificate in the case of a foreign resident shall not be deemed non-fulfillment of the provisions of sections 2 and 3, provided the banking corporation took steps to obtain the said declaration.
- (c) From nine months after the commencement date of section 3(9) in this Order,<sup>15</sup> a banking corporation shall not hand over a debit card unless the provisions of sections 2, 3 and 6(a) in the main Order have been fulfilled; in this regard, non-receipt of a copy of an identity certificate as stated in section 6(a)(2) shall not be deemed nonfulfillment of the provisions in the said sections.

8 November 2006

Stanley Fischer

Governor of the Bank of Israel

<sup>15</sup> The reference is to the section 3(9) in the Prohibition on Money Laundering (The Banking Corporations' Requirement regarding Identification, Reporting, and Record-Keeping) Order (Amendment), 5767-2006, which became effective on 12 June 2007, but the commencement of this section of which the Supervisor of Banks may, if so requested by a banking corporation, postpone by at most a further three months, i.e., until 12 September 2007.