

## Bank of Israel

Banking Supervision Department  
Policy and Regulation Division



Jerusalem, September 13, 2018  
REG-459

To: The Banking Corporations and Credit Card Companies  
Attn: CEO

Dear Sir or Madam:

**Re: Update of FAQ file on implementation of the Prohibition on Money  
Laundering Order and Proper Conduct of Banking Business  
Directive no. 411**

1. On March 6, 2017, the Supervisor of Banks published Proper Conduct of Banking Business Directive no. 411 on “Management of Anti-Money Laundering and Countering Financing of Terrorism Risks”, which went into effect on January 1, 2018. This document publishes clarifications regarding questions that were received from banking corporations regarding the implementation of the Directive.
2. This document also includes answers to questions on new subjects added over time. Adjacent to each answer is the date it was provided (or most recently updated).
3. This document integrates the Supervisor’s letter of July 2017 on “Defining a holder of control pursuant to the AML Law”.
4. For further clarifications, please contact Mr. Ido Yad-Shalom, the Head of the Regulation Unit.

Respectfully,

Ricky Elias  
Deputy Supervisor of Banks

CC: Supervisor of Banks  
Bank of Israel Legal Department

		<b>Date of update</b>
<b>a. Identification, authentication, and face-to-face identification requirements</b>		
<b>Question a1:</b>	Which particulars are included in the documentation of an examination under Section 3(a)(1) of the Order?	
Answer:	The documentation of an authentication check shall include at least the date of the examination and the name of the person who performed it.	Feb. 17, 2013
<b>Question a2:</b>	May an account be opened or may a transaction entailing authentication of a customer's particulars be carried out if the particulars recorded in the identification document required in Section 3(a)(1) of the Order do not fully match those in the Population Registry?	

Answer:	<p>The rule is that no account should be opened and no transaction requiring authentication of a customer’s particulars should be carried out if the particulars do not match in full. In some cases, however, there is a reasonable explanation for the mismatch of particulars. A banking corporation may determine that an account may be opened in such a case, provided <u>all</u> the following conditions are satisfied:</p> <ol style="list-style-type: none"> <li>1. There is a logical reason for the mismatch of particulars, e.g., in regard to a mismatch in issuance dates, where a customer replaced the stub in h/her identity card and the date in the Population Registry matches the date that appears on the stub, or a mismatch of names because the name was spelled out in full in one location and in an abbreviated spelling in another; The customer was identified on the basis of another document that contains at least h/her name, photo, and identity number issued by the State of Israel, <u>for example</u>, a driver’s license;</li> <li>2. Authorization was given by an echelon that is superordinate to the clerk who opened the account at the banking corporation;</li> <li>3. The customer’s name was forwarded to the AML/CFT Officer for surveillance as to the extent of the problem and the implementation of the directives;</li> <li>4. Documentation of the process has been retained;</li> <li>5. The customer will be referred to the Ministry of the Interior to correct the flaw, and the referral is documented.</li> </ol> <p>A banking corporation that wishes to act in this manner <u>must</u> have instructions concerning this matter anchored in its procedures.</p>	Feb. 17, 2013
<b>Question a3:</b>	Can a <i>laissez-passer</i> filled in by a nonresident customer serve as another I.D. document for the purposes of Section 3(a)(2) of the Order?	
Answer:	<b>No</b> , such a document cannot serve as another document.	Feb. 17, 2013
<b>Question a4:</b>	Can a temporary resident be identified using a foreign passport?	
Answer:	<b>No</b> , a temporary resident and a permanent resident are both “residents” as defined in Section 1 of the Order. Accordingly, identification and authentication as set	Sept. 4, 2018

	<p>forth in Section 3(a)(1) of the Order are obligatory, namely, such customers must be identified on the basis of an identity card, including a temporary resident identity card, and their identity must be authenticated against the Population Registry. In this regard, “temporary resident” is someone who resides in Israel under an A/1 certificate or A/5 certificate.</p>	
<b>Question a5:</b>	<p>The passport and the other document must be valid at the time the account is opened, like any I.D. document that expires by a certain date. Must a banking corporation be shown an up-to-date I.D. document when the I.D. document presented when the account was opened expires?</p>	
Answer:	<p>According to Section 36 of the Directive, a banking corporation must perform reviews to ensure the existence of suitable and up-to-date information that is essential for the authentication of a customer’s identity and type of business, on an ongoing basis and whenever significant transactions are carried out. If in such reviews the banking corporation finds that the date on the identity card has expired, it must take reasonable measures, including the use of interfaces vis-à-vis the customer, to receive a valid identification document from the customer.</p> <p>The banking corporation is to compare the identification particulars with the additional document, as noted in Section 3(a)(2) of the Order; to that end, it is permitted to use the additional document it already holds, provided this document is still relevant for comparison with the updated identification document.</p>	Sept. 4, 2018
<b>Question a6:</b>	<p>Should face-to-face identification be documented?</p>	
Answer:	<p>The Banking Supervision Department expects a banking corporation to document such identification, including the date of identification and the particulars of the person making the identification, for control purposes, even though the Order as currently phrased does not explicitly require the documentation of face-to-face identification.</p>	Feb. 17, 2013
<b>Question a7:</b>	<p>When opening an account for a person who claims to be an asylum-seeker in Israel or is benefiting from temporary protection and presents a B/1 work certificate , is it allowed, in view of the provisions of the special arrangement of August 15, 2010, established by the Supervisor of Banks under Section</p>	

	3(c) of the Order, to settle for this certificate instead of a temporary certificate under Section 2(a)(5) of the Law of Entry, 5712-1952, as Section 3(a) of the arrangement requires?	
Answer:	<p>To settle for a B/1 work certificate instead of a temporary certificate under Section 2(a)(5) of the Law of Entry, 5712-1952, the following must be ascertained:</p> <ol style="list-style-type: none"> <li>1. The occupation recorded in the B/1 permit is “general”;</li> <li>2. The account-opening applicant is a national of Eritrea or Congo;</li> <li>3. The word “refugee” appears on the certificate. Otherwise, approval of the AML officer is needed.</li> </ol> <p>If any of these conditions is not satisfied, an individual check must be performed with the Population Registry as to whether the person is in fact an asylum seeker or is benefiting from temporary protection and does not hold a certificate under Section 2(a)(5) of the Law of Entry.</p>	Feb. 17, 2013
<b>Question a8:</b>	Which registry is relevant to use in authenticating a corporation’s particulars as required by Section 3(a)(3)(c) of the Order?	
Answer:	<p>A registry run by the relevant registrar or a database that satisfies <u>all</u> the following conditions:</p> <ol style="list-style-type: none"> <li>1. The database administrator is an authorized franchisee of the Ministry of Justice for the receipt of data from the registry;</li> <li>2. The AML Officer has approved the use of this database, after verifying that the database is reliable and frequently updated with data from the official registry;</li> <li>3. The AML Officer’s approval is explained and documented.</li> </ol>	Feb. 17, 2013

<b>Question a9:</b>	How can face to face identification be conducted when opening an account for an applicant, when a photograph has not been attached to his or her identification card pursuant to the ending clause of Section 25 of the Population Registry Law, 5725-1965, meaning an identification card issued to a woman who has declared that she does not photograph herself for religious reasons?	
Answer:	<p>The banking corporation shall view this as one who has been identified face to face based on an identification document, as noted in Section 6 of the Order, given the existence of <u>all</u> the following conditions:</p> <ol style="list-style-type: none"> <li>1. It is explicitly noted on the identification card presented that it is an identification card without a picture;</li> <li>2. The applicant to open an account with an identification card without a picture declares that she does not have any official document issued by the State of Israel that bears a picture.</li> <li>3. A declaration by a family member—whom can be identified face to face, who appears in the identification card stub (alternatively also by a family member for whom the name of the applicant to open an account appears in his or her identification card)—that the applicant to open an account is in fact the said person;</li> <li>4. The bank is to set the opening of an account for such customers in its procedures, which will refer to among other things the manner of opening and managing the account as well as the controls that will apply to it.</li> </ol>	Sept. 4, 2018
<b>Question a10:</b>	Is authentication against a registry part of the reasonable means that the banking corporation is to take to authenticate the identities of a person establishing a trust and a protector of a trust, as required in Section 54 of the Directive?	
Answer:	<b>Yes</b> , in opening a trust account, the banking corporation may authenticate the identification particulars of a trust creator and a trust protector, if there is one, against the Population Registry. This is similar to the provisions of Section 4(e) of the Order and in view of the provisions of Section 2a(b) of the Order.	Sept. 4, 2018

<b>Question a11:</b>	Section 46 establishes that a banking corporation is to take reasonable measures to locate electronic transfers whose source is outside Israel and whose destination is in Israel, which are missing information, required under Section 2(k) of the Order, on the sides to the transaction. Is it possible to rely on other identification particulars as an alternative to the address?	
Answer:	Notwithstanding the information required in Section 2(k) of the Order regarding the implementation of Section 46 of the Directive, it is permitted to rely instead on the address of the transferor, in one of the following alternatives: transferor's identification number, transferor's internal identification number at the transferor's banking corporation, or transferor's date of birth.	Sept. 4, 2018
<b>Question a12:</b>	In Section 48(a) of the Directive, it is established that electronic transfers within Israel are required to include the details of the transferor and transferee set in Section 2(k) of the Order. In view of the above, it is permitted to rely on another identification particular as an alternative to the address?	
Answer:	<b>Yes</b> , in cases where it is not possible to transfer the address through the clearing house, the alternative details as noted in Answer a11 can be transferred, for example when transferring securities via the TASE Clearing House.	Sept. 4, 2018
<b>Question a13:</b>	When an account is opened for an "Area Resident", is it possible to carry out the identification and authentication, as required in Sections 2 and 3 of the Order, via a Palestinian Authority (PA) identification document or passport?	
Answer:	<b>NO</b> , it is not possible to authenticate the identity of an "Area Resident" based on an identification document issued by the PA nor via a passport issued by the PA, but rather only via the magnetic card issued by the Civil Administration as noted in Section 3(a)(2) of the Order. However, these documents may be used as an additional document as noted for a nonresident, to the extent that they can be compared with the identification number in the magnetic card. It should be clarified that the provisions above do not denigrate from the possibility of opening an account, including by an Area Resident, by one who presents an identification document as noted in Section 3(a)(2) of the Order.	Sept. 4, 2018
<b>Question a14:</b>	Is it possible to accept the corporation's incorporation	

	certificate and establishment documents in a file for the purpose of Section 3(a)(3)(a)-(b)?	
Answer:	<b>Yes</b> , beginning on July 1, 2015, the Companies Registry changed the structure and issuance of <u>companies'</u> incorporation documentations so that the incorporation documentations are approved because they are electronically signed by the Companies Registry.	Sept. 4, 2018.
<b>Question a15:</b>	In Section 2a(b) it is established that under certain circumstances a Know Your Customer process is to be conducted an additional time. As part of the process is it possible to carry out authentication against a registry?	
Answer:	<b>Yes</b> , as part of the "Know Your Customer" process it is also possible to authenticate against the registry.	Sept. 4, 2018.
<b>Question a16:</b>	A new immigrant presents a temporary identification document. Is this an identification document for identification purposes in accordance with Section 3(a)(1) of the Order?	
Answer:	<b>Yes</b> , a temporary identification card (valid for 90 days) issued to a new immigrant is an "Identification Certificate" for the identification and authentication in accordance with Section 3(a)(1) of the Order, and as long as it is valid, it can even be authenticated against the population registry.	Sept. 4, 2018.
<b>Question a 17:</b>	In Section 2(k) of the Order, it is established that for a bank transfer from Israel to abroad from an account, the name of the requester of the service should be noted as well as the initiator of the service, to the extent possible. Who is "the initiator of the service"?	
Answer:	It should be clarified that the banking corporation is <b>required</b> to record the name of the <b>account owner</b> . The meaning of "initiator of the service" is the one who carried out the transaction in actuality, but as noted in the Section, this name should be recorded, <b>to the extent possible</b> . Thus, for example, when transferring funds from a company account, it is required to record the name of the company, and only if possible the name of the authorized signatory, who executed the transfer, can be added.	Sept. 4, 2018.
<b>b. Declaration regarding beneficiary/ holder of controlling interest</b>		
<b>Question b1:</b>	According to Section 17 of the Order and Section 24 of the amendment to the Order that extended the applicability of the provisions of the Order to credit card companies, a banking corporation must take	



	measures to obtain a declaration regarding accounts that were opened before the starting date. What measures should the banking corporation or the credit card company take?	
Answer:	<p>Today, about ten years after the Order went into effect, our point of departure is that this relates to rare cases in which a declaration regarding the beneficiary of an account does not exist. Specifically, apart from periodic communication with the customer and use of interfaces such as telephone calls from the customer and visits by customer relations managers to the business, a banking corporation or credit card company must make the performance of customer transactions that entail a meeting with a representative conditional on the signing of a declaration form. These transactions include, among other things:</p> <ol style="list-style-type: none"> <li>1. Teller withdrawal or deposit;</li> <li>2. Handing over a checkbook, a credit card, etc.</li> </ol>	Feb. 17, 2013
<b>Question b2:</b>	May a credit card company accept a declaration regarding a beneficiary that shows only the last four digits in the "Account Number" field instead of the entire credit card number?	
Answer:	<b>Yes</b> , provided the company can still identify the customer in one-to-one identity, and its ability to detect anomalous transactions and to make complete reports to the Israel Money Laundering and Terror Financing Prohibition Authority is not adversely impacted.	Feb. 17, 2013
<b>Question b3:</b>	Does the exemption from recording an account beneficiary that was issued for accounts of the entities specified in Section 5(a)(2) of the Order (banking corporation, Postal Bank, insurer, Stock Exchange member, and provident fund) also apply to these entities' own ("nostro") accounts?	
Answer:	<b>Yes</b> , the exemption in Section 5(a)(2) of the Order is given both for accounts opened as part of their financial activity for their customers, to which the prevention of money laundering directives apply, and for accounts that they open for themselves ("nostro").	Feb. 17, 2013
<b>Question b4:</b>	Does the exemption from recording a beneficiary as set forth in Section 5(a)(7) of the Order also apply to the accounts of a corporation of an attorney, an accountant, or a rabbinical pleader?	
Answer:	<b>No</b> , the exemption applies only to the account of an	Feb. 17,

	attorney, an accountant, or a rabbinical pleader for h/her clients.	2013
<b>Question b5:</b>	In the case of a recurring breach of the thresholds in Sections 5(a)(6) and 5(a)(7) of the Order, is it sufficient to obtain a declaration regarding the beneficiary for whom the breach was committed?	
Answer:	<b>Yes</b> , a banking corporation <u>may</u> settle for a declaration relating to the beneficiary for whom the breach was committed, filled out by the account holder, provided the AML/CFT Officer reviews the reasonability of the declaration and gives h/her approval.	Feb. 17, 2013
<b>Question b6:</b>	The emphases for filling out a declaration regarding a beneficiary and the holder of a controlling interest, as Sections 2 and 4 of the Order require?	
Answer:	<ol style="list-style-type: none"> <li>1. A declaration regarding a beneficiary and the holder of a controlling interest shall use the wording specified in the First Schedule to the Order.</li> <li>2. An account-opening applicant shall note <u>actively</u> whether the account has or lacks a beneficiary other than h/herself. The applicant's signature at the bottom of the declaration regarding a beneficiary is not sufficient even if the declaration has a paragraph stating that the account has no other beneficiary.</li> </ol>	Feb. 17, 2013
<b>Question b7:</b>	Does the exemption from a declaration regarding a beneficiary in Section 2(b)(2) of the Order apply only to the opening of an account by someone appointed by a court, a religious court, or the head of the Execution Office?	
Answer:	<b>No</b> , the exemption also applies to updating a declaration regarding a beneficiary in existing accounts for which these authorized parties have been appointed, provided, of course, that the declaration is filled out as Section 2(b)(2) of the Order requires.	Feb. 17, 2013
<b>Question b8:</b>	In opening a corporate account by someone appointed by a court, a religious court, or the head of the Execution Office, must a declaration regarding the holder of a controlling interest be filled out?	
Answer:	Insofar as the sole authorized signatory of a corporate account is someone appointed by one of these institutions, there is no need to fill out a declaration regarding the holder of a controlling interest.	Sept. 4, 2018
<b>Question b9:</b>	Deleted.	
Answer:	Deleted.	Sept. 4, 2018

<b>Question b10:</b>	May a credit card company require an account-opening applicant to submit a declaration regarding a beneficiary that is not worded in the manner shown in the First Schedule?	
Answer:	<b>Yes</b> , in accordance with the wording approved in the Supervisor of Banks’s letter dated February 24, 2016, after consultation with the head of the Authority, as noted in Section 4(c) of the Order, except for cases in which there is an exemption from recording beneficiaries as specified in Section 5 of the Order. The approved wording is attached as an appendix.	Sept. 4, 2018
<b>Question b11:</b>	Deleted.	
Answer:	Deleted.	Sept. 4, 2018
<b>Question b12:</b>	Deleted.	
Answer:	Deleted.	Sept. 4, 2018
<b>Question b13:</b>	When opening an account, for an account-opening applicant who is not the account holder, is there an obligation to require a declaration of a beneficiary with the original signature of the account owner?	
Answer:	<b>Yes</b> . Section 4(a) of the Order establishes an obligation for the banking corporation to require a declaration of a beneficiary with the original signature from the account-opening applicant. The ending clause of the Section establishes that if the account-opening applicant is not the account owner, then <b>such</b> a declaration is to be required from the account owner as well. As such our view is that when opening an account, the banking corporation is to require a declaration of beneficiary with an original signature, both of the account-opening applicant and the account owner.	June 12, 2013
<b>Question b14:</b>	Is a corporation such as a nonprofit association or collaborative association (including a kibbutz) required to declare any individual as the holder of control in them?	
Answer:	Yes, in cases in which one of the first two alternatives in the “legal holder of control” definition does not apply, then the legal holder of control should be declared based on the third alternative. In such cases, the Chairperson of the nonprofit association committee or of the collaborative association shall be considered as the holder of control in the nonprofit association or collaborative association, as relevant, as well as the general manager of the nonprofit	Sept. 4, 2018

	association or collaborative association (to the extent one is appointed) or a function filling a similar role even if described differently.	
<b>Question b15:</b>	Do Sections 58 and 61 of the Directive apply as well in cases of a holder of control in a company traded in an OECD country?	
Answer:	The exemptions given by force of Section 5(b) of the Order regarding listing the identification particulars and receiving a declaration of a beneficiary and of a holder of control, outweigh the requirements set in Sections 58 and 61 of the Directive, in cases where it is a holder of control in a company traded in an OECD country.	Sept. 4, 2018
<b>Question b16:</b>	Can the “multiples method” be used for calculating the holding percentages for the quantitative test in Subsection 2 in the definition of “holder of control” in a corporation held through other entities, as noted in Section 1 of the law?	
Answer:	<b>No.</b> For the purpose of the quantitative test, the “locating the holder of control” method should be used, meaning to attribute all of the parent corporation’s holdings in the subsidiary company to the holder of control in the parent company.	Sept. 4, 2018
<b>Question b17:</b>	Is the exemption from listing beneficiaries (Section 2(b)(2) of the Order) in an account of someone appointed by a court or by the head of the Execution Office in a bankruptcy proceeding canceled when the appointee asks to manage other bankruptcy files in the same account?	
Answer:	<b>No</b> , provided that the account is used <b>solely and exclusively</b> for managing bankruptcy proceeding files and the said appointee updates the banking corporation regarding the files that he manages in the account, and presents the appropriate documentation for each file managed by the appointee, as required in Sections 2(b)(2) and 2(a)(4) of the Order. It should be clarified that the above does not obligate the banking corporation to manage an account in such a way, and it is subject to the banking corporation’s risk management.	Sept. 4, 2018
<b>c. “Know Your Customer”</b>		
<b>Question c1:</b>	Is a banking corporation required to perform a “Know Your Customer” procedure even in regard to customers who opened accounts before the requirement was added to the Directive in 2002?	Feb. 17, 2013
Answer:	<b>Yes.</b> “Know Your Customer” is not a spot procedure	

	<p>that is performed only when an account is opened. It is performed on an ongoing and continual basis, especially when the customer carries out a significant transaction in the account relative to h/her regular activity, such as taking a loan, paying back a loan, making a bank wire transfer, changing authorized signatories, and other cases as the banking corporation determines in its procedures.</p> <p>As for customers who opened accounts before the requirement was added to the Directive in 2002, with whom the banking corporation has no contact and who are not active in the account, the banking corporation may carry out a simplified “Know Your Customer” procedure on the basis of the information in its possession and a risk-based approach. Accordingly, it must perform a “Know Your Customer” procedure for all its customers irrespective of when they opened their accounts.</p>	
<b>Question c2:</b>	Is a mortgage bank required to perform a “Know Your Customer” procedure for customers who took loans and whose sole activity vis-à-vis the bank is the payback of a loan?	
Answer:	<p>Given the special characteristics of customer accounts with mortgage banks, i.e., their only activity in the account is the payback of loans, a mortgage bank may perform a simplified “Know Your Customer” procedure on the basis of the information in its possession vis-à-vis customers who took loans before September 1, 2002, using a risk-based approach.</p> <p>It bears emphasis that when such customers deviate from the pattern of activity described and ask the bank, for example, to change an authorization to charge the account, to roll over a mortgage loan, to transfer rights, to make early payback, etc., the mortgage bank must perform a full “Know Your Customer” procedure.</p>	Feb. 17, 2013
<b>Question c3:</b>	Can one account of one customer be classified as a high-risk account and another account of the same customer be classified as an ordinary account?	
Answer:	Not as a rule. All accounts associated with a customer who has been defined as a high-risk customer will be dealt with as high-risk accounts. However, if the AML/CFT Officer is convinced that a different classification is justified in specific cases, the banking	Sept. 4, 2018

	corporation may act accordingly for reasons that shall be recorded.	
<b>Question c4:</b>	Deleted.	
Answer:	Deleted.	Sept. 4, 2018
<b>Question c5:</b>	Do the risk parameters listed in Section 29 of the Directive need to be included in the structured and automated “Know Your Customer” questionnaire?	
Answer:	<b>Yes</b> , all the factors listed in Section 29 of the Directive must be included in the “Know Your Customer” questionnaire.	Sept. 4, 2018
<b>Question c6:</b>	Do Sections 58–63 of the Directive, regarding opening an account for a Politically Exposed Person (PEP), also apply to opening accounts <b>related to</b> a Domestic Politically Exposed Person (such as accounts of local authorities in which the person serves as an authorized signatory)?	
Answer:	<b>No</b> , Sections 58–63 of the Directive do not need to be implemented when opening an account that is related to a Domestic PEP due to his position and in which he serves as an authorized signatory. It is clarified that all the other requirements set in the Order relative to opening an account do apply to opening said account.	Sept. 4, 2018
<b>Question c7:</b>	In Section 6 of the Directive, in the definition of a “Senior Public Position”, what is included in the definitions of a “senior member of a political party” and “high-ranking military or police officer”?	
Answer:	A “senior member of a political party” is a person with marked influence on the decision-making entities of the party and a “high-ranking military or police officer” is a brigadier general or higher rank in the army or assistant commissioner or higher rank in the police.	Sept. 4, 2018
<b>Question c8:</b>	What is included in the definition of “international organization” in Section 6 of the Directive, in the definition of “Senior officer of an international organization”?	
Answer:	The definition of “international organization” includes, among others, the United Nations and its institutions, the European Council and various EU institutions, NATO, and the World Trade Organization.	Sept. 4, 2018
<b>Question c9:</b>	In the transition provisions ahead of Directive 411 going into effect, it was established that a banking corporation is to act to switch numbered accounts to regular accounts by December 31, 2017; how should	

	we act in accounts that have not yet been switched to regular accounts?	
Answer:	Those accounts should be blocked to activity, using interfaces with the customers to close them or switch them to disclosed accounts.	Sept. 4, 2018
<b>d. Reliefs when a banking corporation opens an account for an existing customer</b>		
<b>Question d1:</b>	What reliefs in required documentation exist when a banking corporation opens an additional account for a corporation?	
Answer:	<p>As a rule, all documents required under the Order must be present in any account opened at a banking corporation. However, when opening an additional account for a corporation, a banking corporation may rely on the certificate of incorporation and the corporate documents that were already presented for an existing account, provided that <b>all</b> the following conditions exist:</p> <ol style="list-style-type: none"> <li>1. The bank has all the noted documents;</li> <li>2. Authorization has been received from the company and the company’s lawyer that no change has been made in those documents;</li> <li>3. The banking corporation must anchor the above in the bank’s procedures.</li> </ol> <p>It bears explaining that a declaration in regard to a beneficiary and the holder of a controlling interest must be presented whenever any account is opened and that the customer’s declaration in regard to another account shall not be relied on.</p>	Sept. 4, 2018
<b>Question d2:</b>	Can face-to-face identification that was performed in the past by the banking corporation be relied on when a “corporation,” a “recognized entity,” or a “public institution” opens another account?	
Answer:	<p><b>Yes</b>, a banking corporation may, after obtaining specific authorization from the AML/CFT Officer, rely on previous face-to-face identification of an authorized signatory, provided it anchors this practice in procedures that are consistent with a risk based policy that the banking corporation has established in regard to identification and authentication.</p> <p>In addition, a banking corporation may rely on previous face-to-face identification of an authorized signatory when opening a “corporation” account, for the face to face identification of the authorized signatory when opening a new account for a related company (parent company, subsidiary company, or</p>	Sept. 4, 2018

	affiliated company), under the conditions noted above. For this purpose, a “corporation” is as defined in the Order according to the first alternative.	
<b>Question d3:</b>	Do reliefs exist when issuing another payment card in a case where there is one-one identity between the name and identity number given by the customer and the particulars in the banking corporation’s database?	
Answer:	As a rule, when another card is issued and the exemptions in Section 6a of the Order apply to it, and when the other payment card will be linked to the same customer, a banking corporation may settle for recording the identification and authentication particulars, as well as the particulars specified in Section 6a(b) of the Order, on the basis of the data in its database, and by doing this it shall be regarded as having discharged its obligations under Section 6a of the Order.	Feb. 17, 2013
<b>Question d4:</b>	In opening an account with a trust company that is an auxiliary corporation, for the purpose of retention of securities that serve as collateral for credit given to the customer by another banking corporation in the group, may the trust company rely on the identification documents that the customer presented to the bank?	
Answer:	The identification documents that the customer presented to the bank may be relied upon if the following conditions are satisfied: <ol style="list-style-type: none"> <li>1. Only the trust company is allowed to carry out transactions in the account;</li> <li>2. An instruction from the other banking corporation to the trust company is needed to carry out transactions in the account.</li> </ol> <p>To clarify, the foregoing shall not be construed as an exemption from requiring a declaration regarding a beneficiary or the holder of a controlling interest, or from any other obligation set forth in the Order.</p>	Feb. 17, 2013
<b>Question d5:</b>	May the face to face identification carried out by the authorized signatory in a corporate account be relied on for issuing a “payment card” to an individual in the corporate account?	
Answer:	A banking corporation may rely on the face to face identification carried out by the authorized signatory in a corporate account for the issuing of a “payment card” to an individual in the corporate account, given the existence of all the following conditions: <ol style="list-style-type: none"> <li>1. The authorized signatory who was identified</li> </ol>	Sept. 4, 2018



	<p>undergoes training for carrying out the identification by the banking corporation.</p> <p>2. The AML/CFT Officer approved the carrying out of the identification via the authorized signatory, after having been convinced that, among other things, in this case there are justified circumstances in the Officers' view such as circumstances that make it markedly difficult to carry out the identification by the banking corporation.</p> <p>To clarify, the responsibility for identification remains the banking corporation's, and it must verify that the identification has been carried out properly.</p>	
<b>Question d6:</b>	In Section 28(k) of the Directive, it is established that in setting "Know Your Customer" policy and procedures, the banking corporation is to take into account various risk factors, including as well countries identified by reliable sources as countries with high levels of corruption or crime. What are the information sources that are available in regard to corruption and crime?	
Answer:	Within the framework of the United Nations, the implementation of the charter to prevent corruption was examined, and reviews of various countries, and the extent of their compliance with the charter's requirements, are published. There are countries, such as the US, in which the Foreign Ministry (State Department) publishes reviews of countries worldwide, for example regarding world trade.	Sept. 4, 2018
<b>e. Correspondent account</b>		
<b>Question e1:</b>	According to Section 5a(2)(a) of the Order, when opening a correspondent account, a banking corporation must ask the foreign bank to present its latest annual financial statement or a summary thereof as are published in a public database. May this suffice for the banking corporation to know the essence of the respondent bank's business?	
Answer:	Sections 64–66 of the Directive establish that a banking corporation must know the essence of its respondent banks' business. Obtaining a summary of the financial statement and relying on it alone are not sufficient for proper examination of the essence of the bank's business.	July 23, 2018
<b>Question e2:</b>	Do the identification and authentication instructions in Section 5a of the Order apply to a banking corporation when opening an account for itself (nostro) at another banking corporation?	

Answer:	<p><b>Yes</b>, Section 5a of the Order applies as well when opening an account for a banking corporation, as defined in Section 1 of the Order, for itself (nostro) at another banking corporation.</p> <p>The above does not denigrate from the right of the banking corporation in which it will manage the account to request documents or other information it requires for carrying out due diligence.</p>	Sept. 4, 2018
<b>f. Checking against the list</b>		
<b>Question f1:</b>	What is a banking corporation required to do when the list as defined in Section 1 of the Order, as well as lists that the bank checks in accordance with policy set in accordance with Section 10 of Directive 411, are updated?	
Answer:	<p>The banking corporation’s procedures must determine the frequency and method of updating of changes to the list to ensure that the system assimilates the changes immediately, and that the existing stock of entities be checked against the updated lists. If the updating is delayed, documentation of the reasons for the delay must be retained.</p> <p>A banking corporation should perform the check specified in Section 13a(1) of the Order whenever the lists are updated—the existing stock of entities against the full updated list—within a reasonable period of time, and at least once every half year, and must retain documentation of the performance of the check.</p>	Sept. 4, 2018
<b>Question f2:</b>	Deleted.	
Answer:	Deleted.	Sept. 4, 2018
<b>g. Countries at risk</b>		
<b>Question g1:</b>	Deleted.	
Answer:	Deleted.	Sept. 4, 2018
<b>h. Transaction with banks in the Palestinian Authority areas</b>		
<b>Question h1:</b>	When a check drawn on a bank in the Palestinian Authority areas is deposited, the particulars of the counterparty’s nationality are not forwarded. May the report to the Israel Money Laundering and Terror Financing Prohibition Authority state as a default that the counterparty is Palestinian?	
Answer:	Much like the practice in Israel, checks drawn on banks in the Palestinian Authority areas note that the account holder is a resident or a nonresident. When a check marked with the initials “ID” and a number is	Feb. 17, 2013

	deposited, it should be reported that the account holder is a “Palestinian Authority resident”; if these initials do not appear, the report should state “Palestinian Authority nonresident.” In reporting the identity number as specified in Section 11(2)(f) of the Order, the number should be reported as given.	
<b>Question h2:</b>	Should a bank accept a check presented to it for collection by a bank operating in the Palestinian Authority areas when the name of the payee is different from that specified in the accompanying file?	
Answer:	Section 73 of the Directive determines that a banking corporation shall not accept endorsed checks for collection. Accordingly, when the name of payee appearing on the check does not match any of the names in the attached list as the account holder, the bank should refuse the check. To comply with the guideline, the banking corporation is to establish risk based controls for carrying out the comparison, and in a case of a discrepancy shall not pay the check. If within the framework of the controls, the banking corporation identified a bank in the Palestinian Authority that usually presents for collection checks with discrepancies, it should inform the Banking Supervision Department of this.	Sept. 4, 2018
<b>Question h3:</b>	Does the presentation of a postdated check constitute the “performance of a deposit transaction” for the purposes of Section 8(a)(g) of the Order?	
Answer:	No, because a postdated check is presented to the bank for custodianship until maturity and is not deposited in an account until that date.	Feb. 17, 2013
<b>Question h4:</b>	Section 83(c) of the Directive determines that a banking corporation is to set, in its procedures, rules for handling the risk inherent in check deposit activity with regard to AML/CFT while referring to, among other things, checks drawn on a bank outside Israel. Is a bank in the Palestinian Authority considered a bank outside of Israel?	
Answer:	Yes, banks in the Palestinian Authority are considered as banks outside of Israel.	Sept. 4, 2018
<b>Question h5:</b>	Is a banking corporation permitted not to accept checks for collection in NIS or foreign currency that were presented by banks in the Palestinian Authority and drawn in the name of customers of the bank in the Palestinian Authority who were identified by the banking corporation as money service businesses? And in the opposite case—not to accept for deposit in	

	money service business accounts managed at it, checks in NIS or foreign currency that were drawn on banks operating in the Palestinian Authority?	
Answer:	In view of Section 73 of the Directive, which determines that a banking corporation is not to accept endorsed checks for collection or deposit, and as such the involvement of money service businesses in checks vis-à-vis the Palestinian Authority serves as an indication that checks are essentially endorsed, the banking corporation may refuse to provide the banking services as noted above. This is provided that the banking corporation acted in accordance with the provisions of Section 2(d) of the Banking (Service to Customer) Law, 5741-1981.	Sept. 4, 2018
<b>i. Retention of documents</b>		
<b>Question i1:</b>	Is it allowed to destroy a deposit envelope in which a check was placed when the depositor's particulars on the envelope are identical to the particulars of the account to which the check is being deposited?	
Answer:	An envelope that a customer uses to deposit a check also qualifies as a document for the performance of a transaction, meaning that it must be retained as specified in Section 14(b) of the Order. The retention of an original document by which the transaction was performed is of "evidentiary" value because even if the name of the depositor who is the account holder appears on the envelope, the transaction may have been performed by someone else.	Feb. 17, 2013
<b>j. Reasonable refusal</b>		
<b>Question j1:</b>	Does Section 50 of the Directive impose an obligation on a banking corporation to refuse to carry out a transaction or continue to manage an account if a customer refuses to provide particulars and there are reasonable grounds to believe that the transaction is associated with the prohibition of money laundering or terrorism financing?	
Answer:	The purpose of Section 50 of Directive 411 is to give banking corporations tools to stop managing an account or refuse to carry out a transaction when one or more of the conditions specified in said Section are present. Accordingly, the Section per se does not require the banking corporation to refuse to open and manage an account or to provide services to a transactor who is not recorded in the account.	Sept. 4, 2018
<b>Question j2:</b>	Does only non-submission of particulars by the customer serve as "non-cooperation" with regard to	

	Section 50 of the Directive?	
Answer:	<b>No</b> , submission of incorrect particulars by the customer is also considered “non-cooperation” with regard to Section 50 of the Directive.	Sept. 4, 2018
<b>k. Definition of an account</b>		
<b>Question k1:</b>	Is the acquisition of or participation in another bank’s credit risk, without creating a legal relationship with the borrower, considered as an opening of an account?	
Answer:	When a banking corporation in Israel acquires a credit risk from another banking corporation without creating a direct legal or other business relationship with the customer whose credit risk it has acquired, and for this reason is also unable to sue the customer in the event of a default, this is not considered the opening of an account.	Feb. 17, 2013
<b>Question k2:</b>	Is activity within the framework of a banking consortium considered the opening of an account?	
Answer:	When a banking corporation in Israel is part of a credit consortium and the business relationship relating to extending the credit is carried out vis-à-vis the bank that heads the consortium, the banking corporation need not perform a full identification procedure vis-à-vis the customer who receives the credit, provided the following conditions are satisfied: <ol style="list-style-type: none"> <li>1. The entity that heads the consortium is a banking corporation in Israel or an insurer or a company managing a recognized banking institution that operates in an OECD member state;</li> <li>2. The portion of the Israeli banking corporation in the consortium does not exceed 25%;</li> <li>3. The banking corporation performed due diligence on the basis of the documents in its possession.</li> </ol>	Feb. 17, 2013
<b>Question k3:</b>	Is investment banking activity—meaning activity of intermediation between one selling shares in a company and a potential buyer—carried out by an auxiliary corporation, without money being transferred through it, considered as opening an account?	
Answer:	<ol style="list-style-type: none"> <li>1. Activity carried out through an auxiliary corporation, in which it serves solely and exclusively as an intermediary between one selling shares in a company and a potential buyer—without money being transferred through the auxiliary corporation, is not considered an “account” as it is defined.</li> <li>2. As such, the auxiliary corporation is not required</li> </ol>	Sept. 4, 2018

	<p>to carry out the identification and authentication requirements when opening an account as per the Order. However, the auxiliary corporation is required to carry out “Know Your Customer” as required in Section 2a of the Order.</p> <p>The above does not denigrate from the auxiliary corporation’s obligation to monitor, identify and report irregular activity by a service recipient as defined in the Order. To that end, the auxiliary corporation is to formulate in its procedures a list of criteria (typologies) that are likely to be relevant in locating irregular activities in the scope of its activity.</p>	
<b>I. Reporting by size of transaction</b>		
<b>Question 11:</b>	Whose obligation is it to report to the Israel Money Laundering and Terror Financing Prohibition Authority about a transfer that exceeds the threshold specified in Section 8(a)(7) of the Order when it is carried out from one banking corporation in Israel to a foreign bank via another banking corporation in Israel, or from a foreign bank to a banking corporation in Israel via another banking corporation in Israel?	
Answer:	A transfer from one banking corporation in Israel to a foreign bank via another banking corporation in Israel has to be reported by the banking corporation in Israel that initiates the transfer (the transferor). A transfer from a foreign bank to a banking corporation in Israel via another banking corporation in Israel has to be reported by the banking corporation in Israel that receives the transfer (the transferee).	Sept. 4, 2018
<b>Question 12:</b>	Is the transfer of securities considered a “transaction”?	
Answer:	Yes. Such a transaction specifically is considered a transfer under Section 8(a)(7) of the Order.	Feb. 17, 2013
<b>Question 13:</b>	How should we view, for purposes of reporting under Section 8(a)(7) of the Order, a transfer in several stages of foreign securities—by overall value of the portfolio, or to view each notice by the banking corporation’s custodian that it received securities as a transaction?	
Answer:	Our stance is not to view the accumulation of securities as an amount that exceeds the NIS 1,000,000 threshold, as it is not a single transaction, but rather several transactions. To clarify, if the portfolio is transferred in one transaction, then the accumulation is to be viewed as one amount for examining the amount, even if they are different types of securities. Of course, the above does not negate reporting as per	Sept. 4, 2018

	Section 9.	
<b>Question 14:</b>	Does a withdrawal of money in various currencies, for example three currencies, at a cumulative amount exceeding NIS 50,000 require reporting under Section 8(a)(1) of the Order?	
Answer:	<p>The reporting requirement is derived from the question of whether this is one transaction, and therefore the question of the number of currencies is not relevant to the issue of reporting cash withdrawals.</p> <p>Thus, for example, withdrawing money in three currencies from a shekel account as part of one transaction by the customer, according to the banking corporation's records, is <b>one withdrawal</b>. The withdrawal could be reported in two ways:</p> <ol style="list-style-type: none"> <li>1. Total value of the withdrawal according to Section 8(a)(1) of the Order (if it reaches the reporting threshold).</li> <li>2. Conversion from the withdrawal currency into the currency received by the customer, to the extent that the conversion reaches the reporting threshold under Section 8(a)(3) of the Order.</li> </ol> <p>Of course, the above does not negate reporting as per Section 9.</p>	Sept. 4, 2018
<b>Question 15:</b>	Who is obligated by the reporting requirement according to Section 8(a)(7) of the Order when transferring funds to or from an account of a financial institution located in a country or territory listed in the Fourth Schedule of the Order?	
Answer:	<p>Similar to the principle established in Question 11 above:</p> <ol style="list-style-type: none"> <li>1. When the transferor is a banking corporation via another banking corporation in Israel to a country or territory listed in the Fourth Schedule of the Order, the reporting requirement under Section 8(a)(7) of the Order is on the transferor banking corporation.</li> <li>2. When the transfer is from a country or territory listed in the Fourth Schedule of the Order, to a banking corporation via another banking corporation in Israel, the reporting requirement under Section 8(a)(7) of the Order is on the transferee banking corporation.</li> </ol>	Sept. 4, 2018
<b>Question 16:</b>	Does the exemption from reporting under Section 8 of the Order granted in Section 10(2) of the Order on a payment in respect of import/export of goods also apply to the import/export of services?	

Answer:	<b>No</b> , the term “goods” does not include services, but rather just tangible assets.	Sept. 4, 2018
<b>Question 17:</b>	When withdrawing a bank check that requires reporting according to Section 8(a)(4) of the Order, the particulars of which account are to be reported?	
Answer:	To the extent that the check is purchased via an account in the banking corporation, the particulars of that account are to be reported.	Sept. 4, 2018
<b>m. Report of unusual transactions</b>		
<b>Question m1:</b>	Deleted.	
Answer:	Deleted.	Sept. 4, 2018
<b>Question m2:</b>	Is a special examination required for loans against deposits (back-to-back transactions)?	
Answer:	Section 6 of the Second Schedule of the Order establishes a lack of economic or commercial logic as a criterion. In our view, transactions in which a loan is granted against a deposit bear high risk with regard to money laundering issues. When the depositor and the recipient of credit are the same entity, or related entities (such as sister companies or holders of a controlling interest and the companies they control), the banking corporation must be convinced that there is economic logic in such a transaction. If not, it must report the transaction to the Israel Money Laundering and Terror Financing Prohibition Authority.	Feb. 17, 2013
<b>Question m3:</b>	What particulars should be included in reporting on irregular activity?	
Answer:	Under our interpretation of the requirement in Section 11(2)(h) of the Order, reporting on irregular activity is to clarify and detail the reason for the report, including a description of the activity that is being reported, its circumstances, and within that the functions related to the reason for the reporting, if they are known to the reporting entity. Thus, for example, if the report is of a transaction that is not typical of the customer or account, the basic details of the anomalous transaction or anomalous type of activity should be clarified, and why it is an anomalous transaction or type of activity should be explained.	Feb. 17, 2013
<b>Question m4:</b>	To fulfill the requirement in Section 32 of the Directive, can a foreign bank rely on the computer systems found outside Israel?	
Answer:	A foreign bank may rely on its computer systems found outside Israel for the purpose of identifying anomalous activity, all subject to the rules applying to	Sept. 4, 2018



	the handling of databases and to making adjustments to the provisions of the law, regulation, and activity in Israel.	
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**APPENDIX**

**Section 4(c)**

Form for declaration of beneficiary in a payment card

I, \_\_\_\_\_ (full name), bearing ID number \_\_\_\_\_, do hereby declare that for payment card number \_\_\_\_\_:

There is no beneficiary of the rights incorporated in the payment card, other than the card holder.

The beneficiaries in the payment card are:

Name	ID number*	Date of birth/incorporation	Gender

I undertake to inform the credit card company in writing as soon as possible of any change in the details I provided above. I am aware that submitting false information, including non-submission of an update that requires reporting, with the objective of not reporting or to cause an incorrect report according to Section 7 of the Law, constitutes a criminal offense.

Date \_\_\_\_\_

Signature \_\_\_\_\_

\*Including the name of the country in which the identifying document was issued.