

Opening of Bank Accounts via the Internet

Introduction

1. The joint Team to Examine Increasing Competitiveness in the Banking System recommended in its report (“Competitiveness Team’s Report”) the opening of bank accounts on line.
2. This Directive specifies the requirements that banking corporations must meet if they wish to allow customers to open accounts online. As noted in the Competitiveness Team’s Report, online opening of accounts aggravates the risks that exist in managing bank accounts to begin with, e.g., risks related to the prohibition of money laundering and counter terrorism financing and operational risks such as impersonation and fraud.

Definitions

3. **“E- banking”** as defined in Section 19(a) of Directive 357;
“Directive 357” Proper Conduct of Banking Business Directive 357, “Information Technology Management”
“The Order” 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
“Online account” an account opened online, as set forth in this Directive;
“Activity in an online account” online opening and management of an account;
“Banking corporation” as defined in the Banking (Licensing) Law, 5741-1981, excluding a mortgage bank, an investment finance bank, a business promotion bank, a financial institution, and a joint services company.

Policies and procedures

4. A banking corporation shall establish policies and procedures in regard to activity in an online account that shall specify, *inter alia*, documents, controls, and limitations in addition to the contents of this Directive, following a risk-based approach, all of which to mitigate the risks inherent in this activity.

Online opening of account

5. An applicant to open an account is an individual resident of Israel who is at least eighteen years of age. Said applicant or applicants shall be the owner/s and there

shall be no beneficiaries in the account other than the owner/s. After the account is opened, no addition or change of ownership in the account shall be allowed.

6. An online account shall be marked and identified as such in the banking corporation's computer systems for risk monitoring purposes.

Customer identification

7. Notwithstanding the provisions at the beginning of Section 3(a)(1) of the Order, a banking corporation may verify the identifying particulars of an applicant to open an account on the basis of a copy of the ID card and not on the basis of the ID card or a certified copy thereof, provided the account applicant presents a copy of an additional identifying document issued by the State of Israel that carries the applicant's name, ID number, and date of birth. It is stated for clarity that the other requirements set forth in that Section are unchanged.
8. When opening an online bank account, the applicant shall sign a statement in an online manner concerning beneficiaries in the account. As part of its compliance with the contents of Section 9 below, the banking corporation shall document the customers stating in their own voice that no one other than the account owner is a beneficiary in the account, and shall retain said documentation.
9. A banking corporation shall carry out face-to-face identification and a "Know Your Customer" procedure when opening an online account for an applicant by means of videoconference technology; said actions shall make clear identification possible and documentation thereof shall be retained.
10. A banking corporation shall carry out an intensified "Know Your Customer" procedure, resembling the procedure performed in regard to any other high-risk customer, including an embargo on transactions in the account until a wire transfer is received from an account in the applicant customer's name with a banking corporation in Israel.

Activity in an online account

11. The following quantitative limits shall apply to activity in the account:
 - 11.1 No cash transaction shall exceed NIS 10,000;
 - 11.2 No other transaction shall exceed NIS 50,000;
 - 11.3 The balance of assets in the account at the end of every business day shall not exceed NIS 300,000;
 - 11.4 The credit facility for a debit card issued as set forth in Section 6a(a)(1) of the Order shall not exceed NIS 50,000.

If the account owner violates any of the conditions above, he/she shall be sent a warning to this effect. If the account owner violates these conditions after having received said warning, the banking corporation shall not perform any initiated

transaction in the account until it completes a full identification procedure as set forth in Section 14 below.

12. No “authorized signatory,” as this term is defined in Section 1 of the Order, shall make transactions in the account.
13. In the check forms that a banking corporation issues to its customer, the checks shall be “crossed” and wording that prohibits their transfer shall be printed on them. In addition to the foregoing, the bank shall apply controls and limits to the number of checkbooks that may be issued to the customer.

Completion of customer identification

14. The restrictions on an online account specified in this Directive shall be rescinded only after full identification of the customer is completed, i.e., identification not in accordance with the alternative requirements set forth in Sections 7–9 *supra*.

Assignment of account to branch

15. A banking corporation shall assign each online account to a branch and shall notify the customer as to the details of the branch to which his or her account has been assigned.

E-banking

16. Notwithstanding the provisions in Sections 20(a), 23(b)(2), and 26(a) of Directive 357, in activity in an online account a banking corporation may execute a contractual agreement, provide an initial password, and receive a list of persons benefiting from the account online and not at the branch, as set forth *ad loc*.

Notifying the Supervisor

17. A banking corporation that is about to offer banking activity under the provisions of this Directive shall present the Supervisor with written notice to this effect at least 60 days in advance.

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Updates

Circular 06 no.	Version	Details	Date
2427	1	Original circular	July 15, 2014