

**Banking Supervision Department**

Jerusalem, December 1, 2022

**Circular No. C-06-2729**

Attn: The Banking Corporations and Acquirers

**Re: Management of Anti-Money Laundering  
and Countering Financing of Terrorism Risks**

(Proper Conduct of Banking Business Directive No. 411)

**Introduction**

1. The Directive integrates Supervisor Circular no. 06-2712, published on June 30, 2022, on the issue of paying wages to Palestinian workers via bank transfers, and even establishes a requirement in accordance with the provisions of this Circular.
2. In addition, and on another subject, in recent months the biometric ID cards issued for a limited time have begun to expire. This impacts on the public's ability to open and manage bank accounts.
3. After consulting with the Advisory Committee on Banking Business Affairs, and with the approval of the Governor, I have amended this Proper Conduct of Banking Business Directive as follows:

**The main updates**

4. Section 75 (Financial activity with banks operating in the Palestinian Authority areas) shall be followed by:  
“75a (a) When making wage payments to Palestinian workers via bank transfers into accounts managed at banks in the Palestinian Authority, the banking corporation shall act in accordance with Supervisor's Circular of June 30, 2022, attached as Appendix D of this Directive.  
(b) The provisions of Subsection (a) shall not apply when making wage payments to Palestinian workers employed by Israelis in Judea and Samaria; the Supervisor of Banks may determine different Directives in this regard, under circumstances in which information on these workers can be verified.

**Explanatory remarks**

When making wage payments to Palestinian workers, via bank transfers, to bank accounts managed in the Palestinian Authority, a banking corporation must act in accordance with Supervisor's Circular no. 06-2712. This requirement shall not apply when the wage payment is to a Palestinian worker employed in Judea and Samaria, as defined in “Regulation and Extension of Validity of Emergency Regulations (Judea and Samaria—jurisdiction in crimes and legal aid) Law, 5767-2007”. This exception is due to a lack of information that allows authentication regarding these employees in the Population and Immigration Authority's database. To the extent that there will be a change in this issue, the content of the requirement will be updated accordingly.

5. “Appendix B.4—Arrangement Established by the Supervisor of Banks under Section 7a of the Order” shall be added to the Directive.

**Explanatory remarks**

In recent months the biometric ID cards issued for a limited time have begun to expire. Against this background, with the goal of allowing accessibility to banking services and alongside the assessment of the Population and Immigration Authority, these cards still allow proper identification with regard to the identification details of the service recipient, the Directive was amended so that it will be possible to use these cards to identify customers when opening and managing an account at banking corporations for a limited time.

6. Appendix D (Supervisor’s Circular regarding payment of wages to Palestinian workers via bank transfers) shall be added to the Directive.

**Explanatory remarks**

The Directive integrates the Supervisor Circular published on June 30, 2022, after a process of consultation with the Advisory Committee on Banking Business Affairs, and with the approval of the Governor.

Paying wages in cash has negative economic ramifications on Israel’s economy and society. The most notable of these are assistance in developing an unreported economy and concern of a negative impact on workers’ rights. With the goal of stopping wage payments in cash to Palestinian workers and alongside that to enable the banking corporations to manage the AML/CFT risks, the banking corporations were required to prepare to use information that will be made accessible to them from the Population and Immigration Authority’s database to authenticate the information on employees who are Palestinian workers when carrying out bank transfers for wage payments. In addition, it was determined that the said examination via-a-vis a State of Israel official database could replace the examination required by power of Section 13(a)(3)(b) of the Prohibition on Money Laundering Order.

**Commencement**

7. The starting date of the provisions of this Circular shall be its publication date.

**File update**

8. Following are the updates to the Proper Conduct of Banking Business file:

<b>Remove pages</b>	<b>Insert pages</b>
411-1-36 [22] (9/22)	411-1-39 [23] (12/22)

Respectfully,

Yair Avidan  
Supervisor of Banks