



October 30, 2016

Circular Number C-06-2505

To:

The banking corporations

Issue: Prevention of Money Laundering and Terrorism Financing, and Customer Identification

(Proper Conduct of Banking Business Directive no. 411)

Introduction

1. Regulation number 21 of the Securities Regulations (Trading Platform for its Own Account), 5775–2014 requires a company running a trading platform (“trading platform”) to deposit customers’ money in a trust account for its customers in a banking corporation in Israel or a financial institution abroad, in accordance with the conditions set out in the Regulation.
2. It should be noted that the Israel Securities Authority has provided its written interpretation, according to which a trading platform that submitted a request for a platform license pursuant to Section 44(m) of the Securities Law, 5728–1968 (“Securities Law”) by May 26, 2015 and has not yet received a decision from the Authority is not required to deposit its customers’ money in a trust account as stated above.
3. On December 24, 2015, the Prohibition of Money Laundering Order (Obligations of Identification, Reporting and Management of Records of a Self-Trading Platform to Prevent Money Laundering and Terrorism Financing), 5776–2015, was published in *Reshumot*. The Order became effective on June 24, 2016, and shall apply the Prohibition of Money Laundering and Prohibition of Terrorism Financing regime to a company with a platform license pursuant to Section 44(m) of the Securities Law.



4. In view of the foregoing, and following consultation with the Advisory Committee on Banking Business, and with the approval of the Governor, and by my powers pursuant to Section 5(a)(8) of the Prohibition of 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 (“the Order”), I have amended Proper Conduct of Banking Business Directive number 411 “Prevention of Money Laundering and Terrorism Financing, and Customer Identification”, as detailed below.

The amendment to the Directive

In Appendix A.2 to the Directive, there shall appear:

“The provisions of Sections 2(b), 2(d)(2) and 4(a) of the Order, regarding the recording of a beneficiary in the account, **shall not** apply to the trust account of a company with a platform license pursuant to Section 44(m) of the Securities Law, 5728–1968, for its customers, in accordance with the provisions of Section 21(a) of the Securities Ordinances (Platform Trader on his Own Account), 5775–2014.”

Effective Date

5. The amendment to the Directive pursuant to this Circular shall apply from the date of its publication.

File update

6. The updated pages of the Proper Conduct of Banking Business file are attached. The following are the update instructions:

Remove page:	Insert page:
411-1-12 [12] (6/15)	411-1-13 [13] (10/16)

Bank of Israel
Banking Supervision Department
Policy and Regulation Division



Sincerely,

Dr. Hedva Ber
Supervisor of Banks

Cc:

Prof. Shmuel Hauser, Chairman of the Israel Securities Authority

Dr. Shlomit Wagman, Head of the Israel Money Laundering and Terror Financing
Prohibition Authority