

**Banking Supervision Department**  
**Office of the Supervisor**

Jerusalem, June 30, 2022

**Circular No. C-06-2712**

Attn: Banking Corporation CEOs

**Re: Wage payments to Palestinian workers via bank transfers**

1. The scope of bank transfers for wage payments to Palestinian workers is expected to increase relative to the current situation, in view of various processes being advanced by the State of Israel. These include increasing limitations on the use of cash; expiration of the temporary provision regarding the use of cash in transactions with residents of the area or residents of the Palestinian Authority; and the imposing of a requirement on employers to pay wages to Palestinian workers via a non-cash payment. As such, the Bank of Israel is working to promote a process that will enable the banking system to access information in the Population and Immigration Authority regarding Palestinian workers holding a license to work in Israel.
2. After consulting with the Advisory Committee on Banking Business Affairs, and with the approval of the Governor, I have decided to establish the following requirements:
  - 2.1 According to the Banking Supervision Department's approach, the authentication of information about employees vis-à-vis an official database of the State of Israel, can markedly reduce AML/CFT risk inherent in activity, as it testifies to the absence of information held by security forces in Israel on involvement in terror, and the legality of the employment. Therefore, you are required when conducting a bank transfer for paying Palestinian workers, to authenticate the information about the worker, vis-à-vis the information that will be made accessible from the Population and Immigration Authority's database.
  - 2.2 This examination vis-à-vis an official database of the State of Israel can replace the examination required by Section 13a(3)(b) of the Prohibition on Money Laundering (The Banking Corporations' Requirements regarding Identification, Reporting, and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order, 5761–2001.
  - 2.3 In view of the above, the banking system is required to complete the preparation for using information that will be made accessible from the database of the Population and Immigration Authority and to provide wage payment services via bank transfers at notable scopes of activity, by October 31, 2022 at the latest.

- 2.4 To the extent that an obligation will be imposed on employers to pay wages via bank transfer, the Banking Supervision Department will view the money transfer service as part of managing the account, and therefore in terms of the banks' refusal to provide the service shall be done with attention paid to the provisions of Section 2 of the Banking (Service to Customer) Law, 5741-1981, meaning a refusal to provide the service can only be if it is reasonable.
3. Application—Section 2.4 of my letter shall not apply to a foreign bank.
  4. The Banking Supervision Department shall examine later on the integration noted in this letter in the framework of Proper Conduct of Banking Business Directive no. 411 (Management of Anti-Money Laundering and Countering Financing of Terrorism Risks).

Respectfully,

Yair Avidan  
Supervisor of Banks