

Bank of Israel

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

January 30, 2023
23LM4780

To: The banking corporations
Attn: Bank CEO

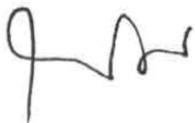
Re: Providing services to banking system customers in view of the war between Russia and Ukraine

1. The war between Russia and Ukraine has led to a broad increase of new immigrants wishing to move the focus of their lives to Israel. The sanctions regimes being imposed by foreign countries and international organizations due to the war, and the resulting policies and procedures set out by the banking corporations with regard to how sanctions lists are used, are affecting the provision of banking services to the banking system's customers, including the opening of accounts and the transfer of money.
2. Due to the continuation of the war, and further to my letter of June 8, 2022 regarding "Risks of Entering into Agreements with Entities Listed on International Sanctions Lists and National Sanctions Lists of Foreign Countries" and my letter of August 16, 2022 regarding "Opening Accounts for New Immigrants and Receiving Money from Russia through the Israeli Banking System", I find it proper to once again emphasize that the banking corporations are required to continue operating with a high level of sensitivity to the situation in which the new immigrants find themselves. This must include balancing the needs of risk management in view of the exposure to exploitation of the immigrants for the purpose of contravening or bypassing international sanctions regimes, and the expectation of optimal service provision to the customers. In this context, I emphasize that in general, risks should not be managed through a sweeping avoidance of service provision.
3. The Banking Supervision Department has recently received enquiries from social organizations and from banking system customers, raising claims regarding a lack of access to banking services in the Russian and Ukrainian languages and the difficulties being experienced by new immigrants in opening current accounts and managing their banking activity in the Israeli banking system. In view of this, the banking system must take steps based on customers' needs in regard to making information accessible in those languages and the customers' approach to obtaining banking services at the banking corporation's branches. In this regard, I would like to once again direct your attention to the guidelines in Proper Conduct of Banking Business Directive 406 regarding "Banking Services to New Immigrants". Accordingly, the banking services are required to act to provide a detailed explanation to customers in order to make services accessible in accordance with the circumstances and the nature of the requested service.
4. The enquiries also claimed that many customers wishing to transfer money from countries that are under sanctions regimes to the Israeli banking system, or to transfer money from Israel to banks in those countries, are sometimes refused with no reason offered on the

part of the banking corporations, even under circumstances where the money transfers are made by financial entities that are not included in the sanctions list. The lack of explanation creates a harsh sense of helplessness and inability to cope with the bank's decision for the customers. Insofar as the customer's request is refused, the banking corporation is required to provide detailed and clear reasons for the refusal, based on the bank's duty of trust and its duty of good faith toward the customer, and subject to the information disclosure prohibitions set out in the law. In terms of a customer's request to transfer money through an entity that does not appear on the list of entities subject to sanctions, I would like to clarify that the request should be considered in accordance with the circumstances and nature of the request.

5. Moreover, the information received by the Bank of Israel shows that there is a lack of uniformity among various branches of the same banking corporation with regard to the documents required to examine requests by new immigrants to open an account. In this context, I clarify that the banking corporations must set out a list of documents required in order to examine a new immigrant's request to open an account. If the request is refused, the banking corporation must provide written reasons for the refusal, subject to any law. These requirements are a direct result of Sections 6(d) and 7(a) of Proper Conduct of Banking Business Directive 422 on "Opening and Managing a Current Account with No Credit Facility".
6. In addition, I would like to remind you that in accordance with Section 3(a)(1) of the Money Laundering Prohibition (Obligations of Identification, Reporting, and Management of Banking Corporation Records to Prevent Money Laundering and Terrorism Financing) Order, 5761-2001, an immigration certificate may be used as an ID card up to 30 days following its issuance, in regard to the identification and registration of the customer's identifying details. It should be noted that this shall not derogate from the bank's right to demand that the customer produce an ID card after opening the account as part of the bank's risk management process and the bank's obligations to carry out reviews on a regular basis or when making significant transactions, in order to ensure the existence of appropriate and up-to-date information regarding the customer's identity.¹
7. We have been tasked with doing all we can, and we must act with the necessary sensitivity, in order to make it even a little easier for this population group to immigrate and acclimate to Israel. I ask that you bring this letter to the attention of all those whom it may concern, including employees at the bank branches.

Sincerely,



Yair Avidan
Supervisor of Banks

¹. In this regard, please see the Deputy Supervisor's letter from March 22, 2018 regarding "Opening an account for a new immigrant".