



---

November 23, 2016

**Circular Number C-06-2519**

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. Article 5 of Chapter 4 of the National Insurance Law [Combined Version], 5755–1995 (“the Law”) sets out the issue of “long-term savings for children”. Among other things, it sets out that the National Insurance Institute shall set aside NIS 50 per month for every child for which it pays a child allowance, for the purpose of long-term savings, with the parents of the child being entitled, at their discretion, to contribute the amount of the child allowance, in whole or in part, to the savings plan. The Minister of Finance determined this amount in an order published on September 19, 2016. The basic savings amount and the additional amount (“total accumulated savings amount”) shall be saved for each month to benefit the child, until he reaches the age of 18, in an account in his name.
2. The National Insurance (Long-Term Savings for a Child) Regulations, 5776–2016 (“the Regulations”), which were set out by the Minister of Finance, determine that the total accumulated savings amount for each child may be deposited in a bank account selected by the parent or in accordance with the Regulations, and that shall be managed at the bank in the name of the eligible child.
3. The National Insurance Institute shall open an account at the bank selected by the parent or in accordance with the Regulations, and all activity in the account shall be conducted in accordance with the provisions of the Law and the Regulations. As per the Regulations, the source of the funds to be deposited in the account is the National Insurance Institute only. Section 74b(c) of the Law prohibits a transfer, encumbrance or lien of the total accumulated savings amount.
4. In view of the foregoing, the Banking Supervision Department reinforces the position that the “Special Circumstances” required pursuant to Section 7a of the Prohibition on Money Laundering (The Banking Corporations’ Requirement regarding Identification, Reporting, and Record-Keeping to Prevent Money Laundering and Terrorism Financing) Order, 5761–2001 (“the Order”) exist, as a



- condition for invoking the authority of the Supervisor of Banks to issue a directive setting out methods of identification, of verification of details, certifications and documents to replace those set out in Chapter 2 of the Order.
5. By way of clarification, the Directive applies as long as it relates to a “bank account” with activity conducted in accordance with the provisions of the Law and the Regulations, including in a case of transferring between various deposit tracks or when withdrawing the funds accumulated therein.
  6. Accordingly, and by the authority given to me in Section 7a of the Order, and following consultation with the Advisory Committee on Banking Business, and with the approval of the Governor, I have issued the following directives regarding opening a “bank account” as defined in Regulation 1 of the Regulations, as detailed below.

### **The amendment to the Directive**

In Appendix B of the Directive, the following text shall be added:

“Notwithstanding the provisions of Chapter 2 of the 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, when opening “a bank account”, the banking corporation shall record the identifying details in Section 2(a)(1) – 2(a)(4) of the Order regarding a “parent” and an “eligible child”, according to a computerized record sent to it by the National Insurance Institute.

In this regard:

The “**eligible child**”, is as defined in Paragraph 5 in Chapter 4 of the National Insurance Law [Combined Version], 5755–1995;

“**Bank account**” and “**Parent**” are as defined in the National Insurance (Long-Term Savings for a Child) Regulations, 5776–2016.”

### **Effective Date**

7. The amendments to the Directive shall apply from January 1, 2017.



---

**File update**

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

<b>Remove page:</b>	<b>Insert page:</b>
411-1-13 (10/16) [14]	411-1-13 (11/16) [15]

Sincerely,

**Dr. Hedva Ber**  
Supervisor of Banks

Cc:  
The Accountant General, Ministry of Finance  
Head of the Israel Money Laundering and Terror Financing Prohibition Authority