

**Banking Supervision Department**

Policy and Regulation Division

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March 12, 2020

**Circular no. C-06-2610**

Attn:

**Banking corporations and credit card companies**

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

(Proper Conduct of Banking Business Directive no. 411)

**Introduction**

1. The Control of Financial Services (Law regulated financial services), 5776-2016, establishes licensing requirements for several financial occupations, including extending credit and operating a credit intermediation system. License holders require bank account management for their businesses, including extending credit to their customers. It is assessed that the compliance risks inherent in providing service to an entity that was granted a license and that a valid AML Order applies to its activity are not high. This makes it possible to provide certain leniencies from the requirements that apply under 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, 5761-2011 (hereinafter, "the Order"). The main part of this amendment to the Directive is the special arrangements established under the Supervisor's authority in the Order in all that relates to recording beneficiaries and controlling interests.

**Amendments to the Directive**

2. **In Section 48(b) of the Directive**, the word "unusual" shall be deleted.

**Explanatory remarks**

It was established that a banking corporation shall not accept an electronic transfer from abroad into Israel that does not include the beneficiary's details in IBAN format, except under unusual circumstances specified by the banking corporation in its procedures. Due to enquiries received by the Banking Supervision Department, it became clear that several banks around the world do not generally use the IBAN format, and therefore the scope of electronic transfers arriving at banking corporations in Israel without an IBAN is significant. It was therefore decided to delete the word "**unusual**", in order to expand the scope of circumstances under which a banking corporation will be able to establish in its procedures that it will accept the electronic transfer from abroad without the beneficiary's account details in the IBAN format.

3. **Appendix A.3 shall be added to the Directive:** "Arrangement Established by the Supervisor of Banks under Section 5(a)8 of the Order", which will establish that "The provisions of Sections 2(b), 2(d)(2), and 4(a) of the Order, pertaining to the

recording of a beneficiary in an account, shall not apply to accounts of entities that are holders of a license to extend credit or holders of a license to operate a credit intermediation system, as defined in Sections 11a and 25q of the Control of Financial Services (regulated financial services) Law, 5776-2016, respectively, that are managed on behalf of their customers, provided that the sole activity in such accounts is carried out by force of said licenses.”

4. **Appendix A.4 shall be added to the Directive:** “Arrangement Established by the Supervisor of Banks under Section 5(b) of the Order” which will establish that, “The provisions of Sections 2(c), 2(d)(3), and 4(b) of the Order, pertaining to the obligation to record a controlling interest, shall not apply to accounts of entities that are holders of a license to extend credit or holders of a license to operate a credit intermediation system, as defined in Sections 11a and 25q of the Control of Financial Services (regulated financial services) Law, 5776-2016, respectively, that are managed on behalf of their customers, provided that the sole activity in such accounts is carried out by force of said licenses.”

#### **Explanatory remarks**

In accordance with the Order, a banking corporation is required to record the particulars of the account beneficiary based on declaration, via original signature, of the applicant to open an account and of the account holder. In a case of an account being opened for a corporation, the banking corporation is to require a declaration from the corporation, via an original signature, regarding the controlling interest in the corporation.

An assessment of the compliance risks inherent in extending credit to an entity that was granted a license to extend credit or the holder of a license to operate a credit intermediation system, and that a valid AML Order applies to its activity leads to the conclusion that banking corporations may be exempted from the obligation to receive such declarations. This is because such declarations essentially refer to the customers of those entities, who themselves are required, in accordance with the Orders applying to them, among other things to identify them and report irregular activities in their account. Such an exemption shall be granted only in regard to accounts managed by those same entities on behalf of their customers, provided that the only activity in such accounts is executed by force of the license.

It should be emphasized that the amendment does not exempt the banking corporation from any other obligation under the Order or under any the Directive with regard to managing the account for those license holders.

#### **Effective date**

5. The changes to this Directive shall go into effect with their publication on the Bank of Israel’s website.

#### **Update of file**

6. Update pages for the Proper Conduct of Banking Business Directive file are attached. Following are the provisions of the update:

**Remove page**

(3/17) [16] 411-1-29

**Insert page**

(3/20) [17] 411-1-29

Respectfully,

Dr. Hedva Ber  
Supervisor of Banks

