Prohibition of Money Laundering (Obligations of Stock Exchange Members to identify, report and retain lists for the purpose of preventing money laundering and financing terrorism), 5770-2010

By virtue of my authority pursuant to sections 7(b) and (c) and 32(c) of the Prohibition of Money Laundering Act, 5760-2000¹ (hereinafter: “the Act”), and section 48(a) of the Prohibition on Financing Terrorism Law, 5765-2005² (hereinafter: “Prohibition on Financing Terrorism Law”), after consultation with the Minister of public Security and with the Minister of Justice and for the purposes of section 17, with the consent of the Minister of Justice and with the approval of the Constitution, Law and Justice Committee of the Knesset, I hereby order as follows:

Chapter 1: Interpretation

Definitions

1. In this Order –

“Politically Exposed Person” – overseas resident with a senior public position overseas, including a family member of such a person or a corporation under his control or a business partner of any of the above; for these purposes, “senior public position” – including head of state, president, city mayor, judge, member of parliament, member of the government and senior officer in the army or police, or anyone who performs such a role even if the title is different.

“Family member” – as defined in the Securities Act, 5728-1968³;

“Postal Bank” – the company as defined in the Post Act, 5746-1986 (in this definition – “the Act”) as a provider of monetary services within the meaning of section 1 of the Act, on behalf of its subsidiary, within the meaning of section 88k of the Act;

“Account owner” – the person registered with the Stock Exchange member as the holder of the account.

“Controlling shareholder” – whoever has control of a corporation, within the meaning of section 7(a)(1)(b) of the Act;

‘Recognized body” – a workers’ committee or representatives of a condominium

“Supervisor” – as defined in section 12 of the Act.

¹ Collected Laws 5760, p. 239; 5762, p. 386
² Collected Laws 5765, p. 76 and p. 947.
³ Collected Laws 5728, p. 234
“Competent Authority” – as defined in section 29 of the Act.

“The List” – a list of declared terror organizations and of people declared to be terrorist activists, published pursuant to section 47(b)(1)(c) of the Prohibition on Financing Terrorism Law; and also any such organization or person, regarding whom notice of its declaration as a terror organization or as a person who is active in terror has been furnished to a Stock Exchange member in the manner determined pursuant to section 47(b)(1)(b) of the Prohibition on Financing Terrorism Law and the Stock Exchange member has not received notice of its cancellation;

“Managing Company” and “Provident Fund” – as defined in the Supervision of Financial Services Act (Provident Funds), 5765-2005⁴;

“Account” – excluding an account intended to hold only units within the meaning of the Joint Investments in Trusts Act, 5754-1994⁵, where the sole source of the money for their purchase is a one current account of the account holder in a banking corporation or in the Postal Bank (hereinafter: “the Source Account”), and providing that at the time of redeeming the units the proceeds are transferred back to the Source Account;

“Correspondent Account” – each of the following:

(1) An account managed for a banking corporation or a Stock Exchange member.

(2) An account managed for a foreign corporation that is a bank or an account managed for a foreign corporation that acts as an investment bank or as a clearing house, and for which confirmation has been given by the person responsible for compliance with the duties pursuant to section 8 of the Act.

“Individual” – one that is not a corporation or is not a public institution or is not an institution established by legislation outside Israel or that is not a recognized body;

“Insurer” – as defined in the Supervision of Financial Services Act (Insurance), 5741-1981⁶.

“Public Institution” – government ministries, the Jewish Agency for

⁴ Collected Laws 5765, p. 889
⁵ Collected Laws 5754, p. 308
⁶ Collected Laws 5741, p. 208.
Israel, local authorities and other authorities, corporations or institutions established in Israel by legislation.

“Authorized Signatory” – whoever is authorized by the Account Holder to take action on the account, whether or not the Account Holder is an individual, and providing that he is registered with the Stock Exchange member as authorized to take action on the account.

“Identity number” – each of the following:

(1) For an individual who is a resident – his identity number in the Population Registry;

(2) For an individual who is a foreign resident – the number of his passport or travel document and the name of the country where the passport or travel document was issued; and for an individual who is identified by a document as stated in section 5(a)(2) the identification number on that document and the name of the country where the document was issued;

(3) For a corporation registered in Israel – the registration number in the appropriate Registry;

(4) For a corporation not registered in Israel – the registration number in the country of incorporation, if any, and its name, and if there is no registration for corporations of its type – the internal registration number used by the Stock Exchange member; and for a corporation that is identified by a document pursuant to section 5(a)(7) – the identification number of that document and the country where it was issued.

(5) For an overseas public institution, recognized body and corporation that was established by legislation – the registration number allocated to it by the Stock Exchange member.

“Address” – each of the following:

(1) For an individual – his address as recorded in the document stated in section 5(a)(1), (2) and (7) or his place of residence, as provided, including the town name, the street name, the house number and the postal code, if this information exists, and for a foreign resident – also the country name;

(2) For a corporation – the address as recorded in the document stated in section 5(a)(3), (4) and (7) or the place where its business is conducted in Israel, and if it does not conduct business in Israel – the center of its business activity outside
Israel, and all these – as furnished; the address shall include the town name, the street name, the house number and the postal code, if this information exists, and for a foreign corporation – also the country name;

(3) For a foreign public institution, recognized body and corporation that was established by legislation – the address as furnished, including the town name, the street name, the house number and the post code, if this information exists, and for a foreign corporation established by legislation – also the country name;

“Service Recipient” – account owner, authorized signatory or person performing transactions with a Stock Exchange member that are not registered in an account;

“Beneficial owner” – as defined in section 7(a)(1)(a) of the Act, and in the case of a corporation, the corporation and its controlling shareholder shall be deemed beneficiaries;

“Office Holder” – as defined in the Companies Act, 5759-1999;


“Transaction” – a single transaction, unless otherwise determined in this Order.

“Parties to a transaction” – each of the parties to an transaction performed through a Stock Exchange member, including a party pursuant to section 3(f) and (g);

“Fund” – as defined in the Joint Investment in Trusts Act, 5754-1994;

“Name” – each of the following:

(1) For an individual – surname and forename, recorded in the identity document as defined in section 4;

(2) For a corporation – registered name, and if incorporated in a country where there is no registration of corporations of its type – its name as furnished;

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7 Collected Laws 5759, p. 189.
8 Collected Laws 5755, p. 416
(3) For a corporation established by legislation – the name stipulated in the legislation, whether in Israel or overseas;

(4) For a recognized body and public institution, excluding a corporation established by legislation – the name as furnished;

“Corporation” – each of the following:

1. Company, partnership, cooperative association, Ottoman association, society or party registered in Israel;

2. Body registered as a corporation overseas;

3. Body incorporated in a country in which there is no registration of bodies of its type, providing that it shows a document proving that it is a corporation;

“Resident” – as defined in the Population Registry Law, 5725-1965; including an Israeli citizen who is not a resident as aforesaid, registered in the Population Register;

“Foreign resident” – a person who is not a resident.

Chapter B: Identify details and Customer Due Diligence

2. (a) A Stock Exchange member shall not open an account without identifying the person who wishes to be the account owner and without conducting a process of recognition of the account holder, according to the degree of risk he represents for money laundering and financing terrorism; on this matter, “know your client” – inter alia, clarifying the source of the money to be deposited in the account, his occupation, the purpose of opening the account, and the activity planned for it; with respect to a foreign resident – also clarifying his connection to Israel and if he is a Political exposed person; with respect to a business owner – also his type of business; the Stock Exchange member shall keep all this information.

(b) A Stock Exchange member shall not open an account for a Politically exposed person unless approval to do so has been received from an Office Holder in the Stock Exchange member, including someone directly subordinate to the CEO. Giving such approval shall entail an examination of the risk

9 Collected Laws 5725, p. 270.
management of the account holder for money laundering and financing terrorism; if in the course of the business relations it is found that the account holder is a Politically exposed person, the Stock Exchange member shall not perform any transaction in the account until approval is received to continue the relations.

(c) A Stock Exchange member shall carry out regular reviews with reference to the process of recognizing the account holder as conducted during the establishment of the business relations, according to the degree of risk of the account holder for money laundering and financing terrorism, and shall update his records accordingly; if any doubt arises regarding the identity of the account holder or the authenticity of the identification documents furnished to the Stock Exchange member, the Stock Exchange member shall repeat the process of recognizing the account holder.

Record-keeping 3. (a) A Stock Exchange member shall not open an account without recording, for each of the account holders and authorized signatories and for anyone who wishes to open an account, if he is not one of these, the following identification details and verifying them as specified in section 4:

(1) Name;

(2) Identity number;

(3) For an individual – birth date and sex, for a corporation – date of incorporation;

(4) Address.

(b) A Stock Exchange member shall not open an account without recording for each beneficiary the details specified in sub-sections (a)(1) and (2); the details shall be recorded pursuant to a declaration as stated in section 5; if the Stock Exchange member does not have the identity number of a beneficiary, after taking reasonable steps to obtain it, he shall instead record the details in sub-section (a)(3) and the country of citizenship or incorporation, as applicable; this sub-section shall not apply:

(1) If a Stock Exchange member finds, when opening the account, that the account is for the benefit of a beneficiary whose identity, according to the declaration of the person wishing to open this account, cannot be
known, and the reason given for this is that the identity of the beneficiary is not yet known; in such case the Stock Exchange member will draw the attention of the person wishing to open the account, in writing, to his obligation to give the Stock Exchange member the details of such beneficiary as soon as they are known;

(2) In the case of a request to open an account by someone appointed by a court, a religious court, head of the Debt Collection Office, the Inheritance Registrar or other official organ of the State as determined by the chairman of the Securities Authority, provided that he has so declared, the Stock Exchange member shall indicate the appointment in his records of the account and shall retain a copy of the documentation.

(c) A Stock Exchange member shall not open an account for a corporation without recording the details in sub-section (a)(1) and (2), with respect to its controlling shareholder; the details shall be recorded pursuant to a declaration as stated in section 5; if the Stock Exchange member does not have the identity number, after taking reasonable measures to obtain it, he shall instead record the details in sub-section (a)(3) and the country of citizenship.

(d) A Stock Exchange member shall not add to an account:

(1) An account holder or authorized signatory, without recording the identifying details specified in sub-section (a) and verifying them as specified in section (4);

(2) A beneficiary without recording with respect to him the identifying details specified in sub-section (b);

(3) A controlling shareholder of a corporation without recording, with respect to him, the identifying details specified in sub-section (c);

(e) Opening an account and adding an account holder, adding a beneficiary and adding a controlling shareholder shall be accompanied by a declaration as stated in section 5; such declaration given on opening an account shall bear an original signature.

(f) A Stock Exchange member shall not carry out any transaction requiring reporting pursuant to the provisions of section 12 and that is not recorded in an account for which the person
performing the transaction is registered as an account holder or authorized signatory, without recording the identifying details of such person as stated in sub-section (a) according to an identifying document as stated in section 4 or according to a document issued by the State of Israel bearing the name, identity number, date of birth and photograph, and shall retain a photocopy of the identity document; for such a transaction that is not recorded in any account of the account holder, the Stock Exchange member shall verify the identity details of the person performing the transaction as stated in section 4, mutatis mutandis. For the purposes of this paragraph, “transaction” – a transaction performed in the offices of the Stock Exchange member.

(g) A Stock Exchange member shall not carry out any transaction that does not require reporting pursuant to the provisions of section 12 and that is not recorded in an account for which the person performing the transaction is registered as an account holder or authorized signatory, without identifying such person and recording his name and identity number according to an identifying document as stated in section 4, or according to a document issued by the State of Israel bearing the name, identity number, date of birth and photograph; for the purposes of this paragraph, “transaction” – a transaction performed in the offices of the Stock Exchange member.

(h) A Stock Exchange member shall not perform an electronic transfer from Israel to an overseas destination for an amount greater than 5,000 new shekels without recording, in each of the transfer documents, the details of the recipient of the service initiating the transfer, including his name, account number and address; and also the details of the transferee, including his name and account number; if the transfer is not made from the account of the service recipient or to the account of the service recipient, the Stock Exchange member shall record the identity number of the person initiating the transfer or the transferee, as applicable.

(i) In transactions involving electronic transfer from overseas to Israel, the Stock Exchange member shall record the details as specified in sub-section (h), as far as they are known to him.

(j) In transactions as specified in sub-sections (h) and (i) carried out through a correspondent account, the Stock Exchange member shall ascertain that all the information about the initiator of the transfer is sent to the respondent institution.
Verifying details and requesting documents

4. (a) A Stock Exchange member shall verify the identifying details of the service recipient for transactions as specified in section 3(a), (d)(1) and (f) and shall obtain the following documents:

(1) Regarding the recording of the identifying details specified in sections 3(a)(1) to (3) of an individual who is a resident – the identity document or confirmed copy thereof, where a photocopy of one of them – with regard to the aforesaid identifying details – shall be retained by the Stock Exchange member; the Stock Exchange member shall verify the identifying details with the Population Registry, shall compare the document’s date of issue shown on it with the last date of issue recorded in the Population Registry in the Ministry of the Interior, and shall retain a record of this check; for the purposes of this paragraph, a new immigrant certificate shall also be deemed an identity document up to 30 days from its date of issue, and also an Israeli passport when the identification is made outside Israel or when the person responsible for complying with the obligation pursuant to section 8 of the Act is convinced that the individual has permanently ceased residing in Israel, however the obligation to compare the date of issue of the document shall not apply to identification by these documents;

(2) With respect to recording the identifying details pursuant to sections 3(a)(1) to (3) for an individual who is a foreign resident – a foreign passport or travel document, or confirmed copy of such identity document; the Stock Exchange member shall compare the identity details with another document bearing a photograph and identity number, and in its absence – with a document bearing a name or identity number as well as an address or date of birth; the Stock Exchange member shall retain photocopies of the identification documents – with reference to identifying details.

(3) With respect to recording the identifying details pursuant to sections 3(a)(1) to (3) for a corporation registered in Israel – the registration certificate or a confirmed copy of it; if one of the aforesaid details is missing in the certificate – confirmation from an attorney; the Stock Exchange member will obtain and retain these documents or photocopies of them:
(a) A confirmed copy of the corporation’s registration certificate.

(b) Confirmed copies of the corporation’s foundation documents.

(c) Confirmation from an attorney of the corporation’s existence, its name and identity number, or the Stock Exchange member shall verify the fact of the corporation’s registration in the appropriate registers;

(d) Confirmed copy of a decision by a competent organ of the corporation to open an account with the Stock Exchange member, or confirmation from an attorney that such decision was legally made;

(e) Confirmed copy of a decision by a competent organ of the corporation regarding its authorized signatories for managing the account, or confirmation from an attorney of the authorized signatories for managing the account;

(4) With respect to recording the identifying details pursuant to sections 3(a)(1) to (3) for a corporation that is not registered in Israel – according to a document providing its registration or a confirmed copy of such document, if such details appear in the document; if any of the aforesaid details is missing from the document – confirmation from an attorney; the Stock Exchange member will obtain a document showing the registration of the corporation and documents as specified in section (3)(b) to (e); for a corporation incorporated in a country where there is no register of corporations of its type, the Stock Exchange member shall obtain confirmation from an attorney that there is no register in the country of incorporation, and shall retain these documents or photocopies of them;

(5) With respect to recording the name of a public institution and of a corporation established by legislation overseas – a declaration by the person wishing to open an account, and for a corporation established by legislation, the legislation by virtue of which the corporation was established, or confirmation from an attorney of the existence of such legislation; the Stock Exchange
member shall obtain the documents specified in section (3)(d) and (e), mutatis mutandis; the Stock Exchange member shall retain these documents or photocopies of them;

(6) For a recognized body, regarding registration of the name and address – declaration by the individual wishing to open the account, after the Stock Exchange member has learned, from a document, that such individual is authorized to act in the name of the recognized body; the Stock Exchange member shall retain this document or a photocopy of it;

(7) If actions are taken to open an account outside Israel, notwithstanding the contents of paragraphs (2) and (4), the Stock Exchange member may record the identifying details according to the accepted identification documents for an account of this type in the country where identification is made, and providing that this country has legislation requiring the identification of clients; the Stock Exchange member shall retain photocopies of these documents;

(8) For a minor under the age of 16 – the identity document of one of his guardians; the Stock Exchange member shall not carry out any transactions initiated by the account holder, up to three months from the day when the account holder turns of 18, unless the contents of paragraph (1) or (2) are met, as applicable.

(b) In this section, “confirmed copy” – a true copy of the original verified by one of the following:

(1) The authority that issued the original document.

(2) An attorney licensed to practice law in Israel, a notary who is an attorney from one of the OECD countries, or a notary who is an attorney from the country that issued the document to be confirmed, and providing that this country is not listed in the First Addendum;

(3) An employee of the Stock Exchange member or an employee of a linked corporation, as defined in the Occupational Act, of a Stock Exchange member, listed in the Third Addendum to the Act, who is shown the original document;
(4) An authority as stated in Article 6 of the Convention abolishing the requirement of legalization for foreign public documents (hereinafter: the Convention abolishing the requirement of legalization).

(5) An Israeli diplomatic or consular representative outside Israel.

(c) A Stock Exchange member shall take reasonable measures with respect to the risk of laundering money and financing terrorism to verify the identification details of a beneficiary and controlling shareholder of an account as stated in section 3(b)-(d), using relevant information or data received from a reliable source to his satisfaction; for this purpose, the Stock Exchange member may verify such identification details with the Population Registry.

(d) Notwithstanding the contents of this section, the chairman of the Authority may, in consultation with the head of the competent authority, give instructions for alternative ways of verifying details and document requirements.

5. Declaration by a beneficiary and a controlling shareholder (a) When opening an account, the Stock Exchange member shall ask the individual wishing to open the account for a signed original declaration of whether there is a beneficiary of the account; the declaration by such individual that there is a beneficiary of the account shall include the details specified in section 3(b) for each of the beneficiaries; if the account is not opened by the account holder, the Stock Exchange member shall also ask the account holder for a declaration as aforesaid before taking any action in the account; however,

(1) If the beneficiary is unknown, as stated in section 3(b)(1), the individual wishing to open the account shall declare accordingly;

(2) If a Stock Exchange member is asked to open an account as aforesaid in section 3(b)(2), he shall retain a copy of the decision of a court, tribunal or Debt Collection Office as evidence of the appointment.

(b) When opening an account for a corporation, the Stock Exchange member shall demand an original signed declaration from the corporation or confirmation from an attorney of the identification details as stated in section 3(c) for the controlling shareholder of the corporation.
(c) When performing a transaction as specified in section 12, if it is not done through an account of an account holder, the Stock Exchange member shall demand a declaration regarding the existence of a beneficiary for the account, with an original signature, from the service recipient; if the service recipient declares that there is a beneficiary for the account, the declaration shall include the details as specified in section 3(b) for each of the beneficiaries.

(d) The declaration as stated in sub-sections (a) to (c) shall be made according to the form in the Second Addendum.

Partial exemption 6. (a) The contents of sections 3(b), (d)(2) and 5(a) regarding registration of a beneficiary in an account shall not apply to:

1. An account of a public institution;

2. An account of a banking corporation, Postal Bank, insurer, Stock Exchange member, provident fund and a managing company for the provident fund it manages and an account for a fund;

3. A securities account that a body outside Israel wishes to open for its clients, including a monetary account directly linked to a securities account, providing that the said body is subject to the provisions of law or provisions of a competent authority that require client identification for the purpose of preventing money laundering and financing terrorism, and it has furnished the Stock Exchange member with a declaration to this effect;

4. Account of a recognized body;

5. Account for a public religious building registered with the Registrar of Public Religious Buildings;

6. An account for a Rabbinical public building for which confirmation has been given by the Rabbinical Court that it is a Rabbinical religious building intended for public purposes, unless the Stock Exchange member receives notice from the Rabbinical Court that the confirmation is void;

7. An account managed for community purposes for the benefit of a large or undefined group of beneficiaries, providing that confirmation thereof is furnished by the
person responsible for compliance with the obligations pursuant to section 8 of the Act;

(8) An account managed for community purposes for the benefit of a large or undefined group of beneficiaries, providing that the balance in the account, at the end of each business day, and also each transaction in the account, is no more than 50,000 new shekels;

(9) Any other type of account as instructed by the chairman of the Securities Authority.

(b) Opening an account as stated in sub-sections (a)(7) and (8) shall be subject to a declaration regarding the special purpose of the account, according to the form in the Second Addendum, by the individual wishing to open the account.

(c) If the account holder ceases to comply with one of the conditions stated in sub-sections (a)(7) and (8), he shall be sent a warning; if the account holder continues to act on the account after receiving the warning, the Stock Exchange member shall not perform any initiated transaction in the account except for withdrawal of the balance and closure of the account and settlement of debts, unless the account holder completes a declaration regarding the beneficiaries pursuant to section 5.

(d) The contents of sub-sections 3(c), (d)(3) and 5(b) regarding the registration of a controlling shareholder shall not apply to the account of a banking corporation, an insurer, a fund, a provident fund, a managing company for the provident fund under its management, or a company whose securities are traded on the Tel Aviv Stock Exchange or the Stock Exchange of a member country of the OECD, nor to the account of any other type of corporation as instructed by the chairman of the Authority; in this section and in section 7, “Stock Exchange” - a securities exchange or a regulated market as defined in the Joint Investments in Trust Act, 5744-1994.

(e) If a company is controlled by a company as stated in sub-section (d), such company shall be deemed the controlling shareholder.

Correspondent account

7. When opening a correspondent account, notwithstanding the contents of this chapter, the following provisions shall apply:

(1) The Stock Exchange member shall record:
(a) The name of the corporation, and in the case of a branch, also the name of the parent company;

(b) For a foreign corporation – the name of the country of incorporation and of the supervisory authority in that country;

(c) Address, telephone number, and contact names;

(d) Names and addresses of the holders of 20% or more of the means of control of the corporation, unless the supervisory authority of the corporation is in Israel or in one of the OECD countries, and its shares or the shares of the company controlling it are traded on the Stock Exchange in Israel or in one of the OECD countries; for this purpose, “means of control” – as defined in the Banking Act (Licensing), 5741-1981\(^{10}\).

(2) The Stock Exchange member shall, upon opening the account, obtain the following documents:

(a) For a foreign corporation – a copy of the last annual financial statement or a summary of the last annual financial statement published in a public information source.

(b) A letter requesting to open an account; the Stock Exchange member shall retain the letter for at least seven years after closing the account.

(3) When opening a correspondent account for a corporation incorporated outside of Israel in a country that is not a member of the OECD, the Stock Exchange member shall also obtain the documents specified below and shall retain them for at least seven years after closing the account:

(a) License from the supervisory authority;

(b) Documents of incorporation;

(c) One of the following:

(1) Recommendations from banks in OECD member countries that handle a correspondent account for the corporation wishing to open an account with

\(^{10}\) Collected Laws 5741, p. 232.
the Stock Exchange member;

(2) A document showing that the corporation wishing to open an account with a Stock Exchange member has a correspondent account in the banks as stated, and also the corporation’s declaration that it is subject to the provisions of the law or the provisions of the competent authority requiring identification and recognition of its customers for the purpose of preventing money laundering and financing terrorism.

(4) A Stock Exchange member shall not open a correspondent account unless this is approved by an office holder of the Stock Exchange member, including someone directly subordinate to the CEO.

(5) A Stock Exchange member shall only open a correspondent account for an authorized bank where it has a physical presence and where it manages its business with customers; however the Stock Exchange member shall not open a correspondent account for such a bank if it permits a corporation that does not meet the aforesaid conditions to use its accounts.

Account in closed system 8. When opening an account in a closed system, the provisions of sections 2 and 9 shall not apply; the Stock Exchange member may, notwithstanding the contents of sections 4(a) and 5(a) and (b), register the identifying details according to a copy of the identifying documents, and accept a declaration about the beneficiary and controlling shareholder without an original signature, and may not verify the identifying details of the authorized signatory; for the purposes of this section, “account in a closed system” – an account used solely for the purpose of buying and selling securities and financial assets, and where the sole source of funds for such purchases is an account with another Stock Exchange member or a banking corporation (hereinafter: “the source account”), which also provides custodial services as trustee for such securities and financial assets, providing that the funds, securities and financial assets are returned to the source account.

Face to face identification 9. (a) A Stock Exchange member shall identify the account holder and authorized signatory face to face according to an identity document as specified in section 4, before the first transaction is performed by any of them in the account; in this connection, “face to face identification” – identification by one of the
following:

(1) An employee of the Stock Exchange member or an employee of a linked corporation as defined in the Stock Exchange Member Occupation Act;

(2) The holder of a license to practice law in Israel;

(3) An Israeli diplomatic or consular representative overseas;

(4) An authority indicated in Article 6 of the Convention abolishing the requirement of legalization;

(5) An employee of a banking corporation or the Postal Bank.

(b) The Stock Exchange member shall perform face to face identification of a person performing a transaction that must be reported pursuant to the provisions of section 12, and that is not recorded in an account in which the person performing the transaction is registered as the account holder or authorized signatory. For the purposes of this paragraph, “transaction” – a transaction performed in the office of the Stock Exchange member.

(c) The Stock Exchange member shall record the details of the person performing the identification.

Retaining the identification documents 10. The Stock Exchange member shall retain the identification documents for a period of seven years at least after the account is closed, or after performing a transaction as stated in section 3(f); the identification documents, excluding a declaration given with an original signature, may be retained by means of computerized scan according to the conditions specified in regulation 3a of the Evidence Regulations (Photographed copies), 5730-1969\(^\text{11}\); in this connection, “identification documents “ – any document furnished for the purposes of identification and verification, including a declaration given pursuant to this Order and the principal documents used by the Stock Exchange member to recognize an account holder pursuant to section 2.

Chapter C: Duties of Review and Reporting

Review of activity in the account holder’s activity for the purpose of complying with his

\(^{11}\) Collected Laws 5730, p. 316; 5765, p. 794.
account obligations on matters of identification, reporting and record keeping pursuant to the law; without affecting the generality of the foregoing, the Stock Exchange member shall:

(1) Ensure that the transactions are consistent with the nature of the account according to his knowledge of the account holder;

(2) Review activity in the account conducted with countries and territories listed in the First Addendum;

(3) Perform more intensive review of transactions carried out in the account of a Politically exposed person.

Reporting according to the size of the transaction

12. The Stock Exchange member shall report to the competent authority any of the transactions specified below:

(1) A deposit in an account or withdrawal from it of cash, whether in Israeli or foreign currency, of an amount equivalent to at least 50,000 new shekels.

(2) A deposit of checks drawn by a financial institution outside Israel and payment of checks presented for collection by a financial institution outside Israel for an amount equivalent to at least 1,000,000 new shekels; if the financial institution is located in one of the countries or territories listed in the First Addendum, the Stock Exchange member shall report such a transaction if it is in an amount equivalent to at least 50,000 new shekels;

(3) A transfer from Israel overseas or from overseas to Israel, through an account, of an amount equivalent to at least 1,000,000 new shekels; in the case of a transfer to or from one of the countries or territories listed in the First Addendum, and also a transfer to or from a correspondent account of a financial institution located in such a country or territory, the Stock Exchange member shall report such a transaction if it is in an amount equivalent to at least 5,000 new shekels;

(4) Transfer of securities or financial assets from one account to another, whether the other account is with him or with a banking corporation or with another Stock Exchange member, or whether it is a securities account overseas, in an amount equivalent to at least 50,000 new shekels, excluding a transfer to a trustee for custody; in this connection, “transfer to a trustee for custody” – transfer due to a purchase or sale in the Stock Exchange of securities or financial assets in exchange for a transfer of cash, and vice versa, between the account holder’s
account with the Stock Exchange member performing the purchase and sale in the Stock Exchange for him, and the account holder’s account with another Stock Exchange member to hold in custody as trustee.

(5) A cash transaction that is not performed in any account of the account holder, including deposit of cash to be transferred overseas or withdrawal of cash received from overseas, not through the account, whether in Israeli currency or foreign currency, of an amount equivalent to at least 50,000 new shekels, and also such deposit or withdrawal of cash, in an amount equivalent to 5,000 new shekels, carried out with a financial institution in a country or territory listed in the First Addendum.

(6) Replacing notes and coins in cash, including by exchange, between Israeli currency and foreign currency, for an amount equivalent to at least 50,000 new shekels.

The contents of paragraphs (2), (3), (4) and (5) shall not apply to a transaction performed by a Stock Exchange member for another Stock Exchange member, banking corporation, Postal Bank, even if the transaction is performed for their clients.

Additional reporting 13. (a) A Stock Exchange member shall report any transactions of the service recipient, to the competent authority, including an attempt to perform transactions that in view of the information available to the Stock Exchange member, appear to be unusual.

(b) Without detracting from the generality of the contents of sub-section (a), any of the transactions specified in the Third Addendum may be deemed unusual transactions.

(c) The reporting of a transaction pursuant to section 12 does not exempt the Stock Exchange member from the obligation to report pursuant to this section.

Exemption from reporting 14. The Stock Exchange member shall be exempt from reporting pursuant to section 12 if the transaction is performed by one of the following:

(1) A public institution;

(2) A banking corporation;

(3) The Postal Bank;

(4) An insurer;
(5) Another Stock Exchange member;

(6) A provident fund and a managing company for the provident fund it manages;

(7) A fund.

Details of the reporting

15. Reporting pursuant to sections 12 and 13 shall include the following details:

(1) Regarding the reported account, if the reported transaction was performed on the account by the account holder:

   (a) The account number;

   (b) The account name, if any;

   (c) The date the account was opened;

   (d) Mailing address.

(2) Regarding the reported transaction:

   (a) The date the transaction was performed, as recorded in the Stock Exchange member’s books;

   (b) The amount of the transaction in Israeli currency; for a transaction in foreign currency, the amount shall be calculated according to the exchange rate published by the Bank of Israel and known on the day the transaction is recorded;

   (c) Types of foreign currency in which the transaction was performed, up to two types of currency;

   (d) Serial number of the report;

   (e) Regarding reporting pursuant to section 12(2), (3), (4) and (5) – also the account details of the other party to the transaction, name and address of the owner of the account of the other party to the transaction and the name of the financial institution of the other party if known. For a transaction involving a financial institution in a country or territory listed in the First Addendum – the name of the financial institution of the other party, name of the account holder of the other party as furnished and his identity number, if furnished;
(f) Type of transaction reported pursuant to section 12.

(g) Reason for reporting, pursuant to section 13, including a description of the transaction for which the report is given, with all its circumstances.

(3) For account holders and any authorized signatories, and in the case of reporting pursuant to section 12(1), (2), (5) and 13, regarding the person performing the transaction, if he is not the account holder or an authorized signatory:

(a) Name;

(b) Identity number;

(c) Address;

(d) Up to two telephone numbers, if known;

(e) For an individual – date of birth; for a corporation – date of incorporation;

(f) For an individual – sex;

(g) Status of the person performing the transaction (resident/foreign resident/Israeli corporation/foreign corporation);

(4) For any beneficiaries and controlling shareholders that may exist, the details required in sections 3(b) and (c).

16. Disclosure of the preparation, existence, non-existence or contents of any report pursuant to section 13, and the existence of any supplementary report as defined in section 31(c) of the Act, the existence of a request for such a report or the contents of any of these, and also permitting the examination of documents giving evidence of any of them is forbidden, except to an authorized person for the purpose of performing his role in the Stock Exchange member, the Supervisor or anyone authorized by him, the competent authority or pursuant to a Court order.

Chapter D: Examining the identifying details against the list

17. The Stock Exchange member will check against the list:

(1) If it contains the name or identity number of an account holder, authorized signatory, beneficiary or controlling shareholder of accounts held by him; such a check shall be carried out
whenever an organization or person is added to the list or whenever a holder, authorized signatory, beneficiary or controlling shareholder is added to the account;

(2) If the name of the person performing the transaction pursuant to sections 3(f) and (g) is on the list;

(3) If the names of parties to the transaction, excluding those listed in paragraph (1), are on the list; in this context, “transaction” – any of the following:

(a) Electronic transfer from Israel overseas and from overseas to Israel, or where the origin and destination are not in Israel but the transaction takes place through Israel;

(b) Transfer from Israel to one of the countries or territories listed in the First Addendum, including payment by checks presented by a financial institution in such a country or territory; in this sub-section the payee is whoever is registered as the account holder in the electronic record attached by such financial institution for presenting the checks.

(c) A transfer to Israel from one of the countries or territories on the list in the First Addendum, including payment by checks drawn by a financial institution in such a country or territory.

(4) The contents of paragraph (3) shall not apply to transfers as stated in sub-paragraphs (b) and (c) thereof, if the Stock Exchange member has received the instruction for the transfer from a public institution, other Stock Exchange member, banking corporation or the Bank of Israel, whether for them or for their customers.

Chapter E: Miscellaneous

Determining policy 18. The Stock Exchange member shall determine a policy, tools and risk management with respect to the prohibition of money laundering and financing terrorism for the purpose of complying with his obligations with regard to identification, reporting and record keeping pursuant to the Act, including on the following matters:

(1) The process of recognizing an account holder;

(2) Tracking threats of money laundering and financing terrorism,
arising, inter alia, from new technologies, particularly those that enable transactions to be carried out other than face to face.

Managing and retaining records

19. (a) The Stock Exchange member shall maintain a computer database of account numbers, identifying details of the account holders, authorized signatories, beneficiaries and controlling shareholders.

(b) The Stock Exchange member shall retain documents giving instructions to perform transactions for a period of seven years from the day the transaction is recorded in the Stock Exchange member’s books; in the absence of such an instruction document, the Stock Exchange member shall retain the computer record containing the instruction for the transaction.

(c) The Stock Exchange member shall retain written documentation of checks of activity as aforesaid in section 11 and their findings for a period of seven years.

Submitting documents, information and explanations

20. The Stock Exchange member shall submit, upon demand, documents, information and explanations relating to compliance with his obligations pursuant to this Order, to the Securities Authority or to an employee authorized by the Authority.

Exception to application

21. A Stock Exchange member who is not a member of the Stock Exchange Clearing House Ltd and who manages portfolios shall report to the competent authority pursuant to the Prohibition of Money Laundering Order (Duties of identification, reporting and record keeping of a portfolio manager to prevent money laundering and financing terrorism), 5770-200912.

Cancellation

22. The Prohibition of Money Laundering Order (Duties of identification, reporting and record keeping of a Stock Exchange member), 5762-200113, excluding section 18 therein, is revoked/void.

Commencement

23. This Order commences 6 months from its date of publication.

Transitional provisions

24. From the end of two years following the commencement of this Order, a Stock Exchange member shall not perform any transaction on accounts opened before the commencement date of this Order, unless he has complied with the provisions of Section 2, according to his knowledge of the account holder, excluding the withdrawal of an existing balance, closing the account, settling debts and closing

12 Collected Regulations 5770, p.
13 Collected Regulations 5762, p. 239; 5768, p. 68.
transactions on derivatives for the purpose of closing the account. In this regard, “transaction” – a transaction initiated by an account holder in an instruction given after the commencement date of this Order.
First Addendum

(Sections 4(b)(2), 11(2), 12(2), (3) and (5), 15(2)(e), 17(3)(b) and (c) and the Third Addendum)

List of countries and territories

1. A country or territory as determined by the head of the Competent Authority from a list of countries or territories for which the FATF has published reservations regarding their compliance with the organization’s recommendations for prohibiting money laundering and financing terrorism.

The head of the Competent Authority may determine that sections 12(2), 12(3), 12(5) and 15(2)(e) of this Order shall not apply to some of the countries and territories specified in this paragraph. Such determinations shall be published on the website of the Competent Authority.

2. A country or territory as specified in paragraph (1) of the definition of “Infiltrator” in section 1 of the Infiltration Prevention Act (Offenses and Jurisdiction), 5714-1954.14

3. The following countries and territories: Iran, Algeria, Afghanistan, the Palestinian Authority, Libya, the United Arab Emirates, Malaysia, Morocco, Sudan, Somalia, Pakistan, Tunisia.

14 Collected Laws 5714, p. 160.
Second Addendum
(Sections 5(d) and 6(b))

Declaration of beneficiaries and controlling shareholders

I …………………………….. (full name), identity number ………………., hereby declare that regarding account number ………………….

☐ There is no beneficiary of the rights embodied in the account except the account holders.

☐ For an action that is not performed in the framework of any account, there is no beneficiary except the person performing the transaction.

☐ The account is managed by someone appointed by a court, religious court, the head of the Debt Collection Office, the Inheritance Registrar or any other official body of the State as determined by the chairman of the Securities Authority. Documentation is attached.

☐ The account is managed for community purposes for the benefit of a large group or an undefined group of beneficiaries, and the balance in the account at the end of each business day, and also any transaction in the account will not involve an amount greater than 50,000 new shekels**.

The purpose of the account is: ________________________________.

☐ The account is managed for community purposes for the benefit of a large group or an undefined group of beneficiaries (subject to confirmation by the person responsible for compliance with the obligations pursuant to section 8 of the Act).

The purpose of the account is: ________________________________.

There is a beneficiary of the aforesaid rights, but the details of his identity are not yet known. The reason for this: ________________________________________________.

I undertake to furnish the details of the beneficiary as soon as they become known to me.

☐ The beneficiaries of the transaction/ account are:

<table>
<thead>
<tr>
<th>Name</th>
<th>Identity number*</th>
<th>Date of birth/ incorporation</th>
<th>Sex</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>

☐ There is no controlling shareholder of the corporation.

☐ The controlling shareholders of the corporation are:

<table>
<thead>
<tr>
<th>Name</th>
<th>Identity number*</th>
<th>Date of birth/ incorporation</th>
<th>Sex</th>
</tr>
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</table>

I undertake to inform the Stock Exchange member in writing as soon as possible of any change in the details given above. I am aware that giving false information, including failure to provide updates of any detail requiring reporting, with the intent of avoiding reporting or causing incorrect reporting pursuant to section 7 of the Act, is a criminal offense.

__________________________
Date

__________________________
Signature
* Including the name of the country in which the identification document was issued.
Third Addendum

(Section 13(b))

List of transactions that may appear to be unusual transactions

1. A transaction whose purpose seems to be to bypass the reporting obligation as defined in section 2.
2. A transaction whose purpose seems to be to bypass the identification obligation.
3. There appears to be a beneficiary in the account, although this has not been declared by the account holder.
4. Activity which caused the Stock Exchange member to close the account for reasons of prevention of money laundering or financing terrorism.
5. Activity which appears to be intended to replace the activity of an organization declared as an unlawful association pursuant to regulation 84 of the Defense (emergency) Regulations, 1945, or an organization declared a terrorist organization pursuant to the Prevention of Terrorism Order, 5708-1948 or an organization declared a terrorist organization pursuant to section 2 of the Prohibition on Financing Terrorism Law;
6. Activity that appears to be intended to replace the activity of a person declared a terrorist activist pursuant to section 2 of the Prohibition on Financing Terrorism Law;
7. Activity which appears to be lacking in business or economic logic, with reference to the type of account or the conduct of the account holders;
8. A transaction in the account, of significant extent, by means of a proxy, who is not registered in the account as an authorized signatory;
9. A number of transactions in the account in which, without apparent reason, money and securities are withdrawn from the account soon after their deposit, and not as part of a normal business procedure;
10. Transfer of a significant amount from Israel to overseas and vice versa, where the other party to the deal, source or destination, is not identified by name or account number.
11. Action in an account that is not typical for the account holder or the type of account, without apparent reason;
12. Unusual extent of activities or a significant change in the account balance, without apparent reason;
13. Number of transactions in the account to the same destination or from the same source, without apparent reason;
14. Numerous deposits, without apparent reason, by a person who is not the account holder or an authorized signatory;
15. Having a number of accounts with the Stock Exchange member that does not coincide with the activity of the account holder;

16. Regular transfers from entities in a country or territory listed in the First Addendum or to such entities;

17. A declaration given pursuant to this Order, which appears to be incorrect;

18. Activity by a non-profit organization with entities in a country or territory listed in the First Addendum;

19. Activity by a non-profit organization that is not consistent with the organization’s activity, insofar as it is known to the Stock Exchange member.

____________________, 5770

(____________________, 2010)

(HM 3-3112)

Minister of Finance