

Proposed Order on Prohibition Against Anti-Money Laundering (Duties of Identification, Reporting, and Record Keeping of Payment Companies and Basic Payment Initiators for the Prevention of Money Laundering and Terror Financing) 5783-2023

Version for Public Comments

Comments and responses will be received no later than September 12, 2023

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We would like to draw your attention to the procedure published by the Authority regarding the initiation of regulation; In accordance with this procedure, the main comments from the public will be included in the central document, the wording of the regulation that was drawn up, specifying the names of the public commenters. See also section 7 of the same procedure, regarding special requests to avoid publishing names as mentioned.

Background

The Regulation of Payment Services and Payment Initiation Law 5783-2023 (“the Law”), which was published in Reshumot on June 6, 2023, authorizes the Israel Securities Authority (“the ISA”) to supervise and grant licenses to companies engaged in non-bank payment services. The aim of the Law is to promote competition in the payment services market by creating opportunities for non-bank entities to enter and develop offering in this field alongside the bank actors currently existing in the market, while protecting their customers’ interests. The regulatory principles defined in the Law are based on, after the necessary adjustments, two European directives that regulate payment activities in Europe — PSD2 and e-MoneyD.

The services regulated by the Law that require a license issued by the ISA are: issuance of payment instruments. settlement of payment transactions, and management of payment accounts. The Law further supports two new types of advanced payment services: basic payment initiation and advanced payment initiation. Payment initiation services are primarily technological services that facilitate bank transfers and, among other things, make it possible to develop competitive alternatives to the use of credit cards for payments to merchants.

The Law defines the requirements for a license issued by the ISA, which include capital adequacy; satisfaction of technological requirements, information security requirements, and risk management; and submission of a business plan. The Law also regulates licensees’ ongoing obligations, especially safeguarding and protecting the customers’ money held by the licensee. Similar to all securities laws under the ISA’s authority, the Regulation of Payment Services and Payment Initiation Law 5783-2023 includes supervisory, auditing, and enforcement powers over licensees, and specifically a mechanism of monetary penalties, administrative enforcement, and criminal enforcement.

As part of the ISA’s powers to supervise the operations of payment companies and basic payment initiators (“the Licensees”), it is extremely important to establish effective AML/CTF

supervision, as elaborated below.

Money laundering methods are numerous and diverse, yet common to all is an exploitation of the efficiency, digitization, and globalization of the world's financial systems for the purpose of depositing and transferring funds from one place to another, while disguising the source of the funds and the identity of their rights holders. Addressing money laundering is also challenging due to the transnational character of these practices and their use of sophisticated methods for transferring capital by exploiting loopholes in supervisory systems, for example by using entities that are not subject to AML supervision. For this reason, AML/CTF supervision of Licensees is key in eliminating loopholes in the systems used to supervise account service providers in Israel.

An international organizations — the Financial Action Task Force (FATF) — was established in 1989, in acknowledgement of the need to combat money laundering as the primary strategy in the war against illegal activities and organized crime. Since its establishment, FATF has led international efforts by creating a normative framework and defining standards for action against money laundering and terror financing, that member countries must adopt and implement. FATF also monitors the implementation of its recommendations.

In December 2018, Israel became the 36th member of FATF after successfully passing a comprehensive international audit of Israel's AML/CTF regime. FATF's audit report determined that Israel is one of the leading countries in the world in the fight against money laundering and terror financing, on par with countries such as the US and the UK. Israel's AML/CTF regime is based on two main laws that were enacted in line with FATF's AML/CTF recommendations.

The Prohibition on Money Laundering 5760-2000 ("the AML Law") requires the relevant government ministers, in consultation with the Minister of Justice and the Minister of Internal Security, to issue an order to require the service providers under their responsibility to identify their customers, report their customers' actions to the Anti-Money Laundering Authority, maintain records, retain the identifying details and transactions performed by their customers, and to make rules on all other matters required to enforce the AML Law. Various orders have imposed such requirements on banking corporations, stock exchange members, portfolio managers, insurers and insurance agents, financial asset service providers, and others.

The Counter-Terrorism Law 5760-2006 ("the Anti-Terror Law"), whose aim is to establish criminal and administrative rules for the purpose of combating terrorism, defines the duties of the entities that are subject to a prohibition on money laundering order ("AML Order") to cross-check their customers' identity with the lists of terror organizations and terrorists, in order to prevent property transactions for the purpose of terror activities, and to report such suspected transactions to the police.

In recent years, the Anti-Money Laundering Authority has promoted a uniform order that will apply to all the entities that are subject to the Prohibition on Money Laundering Order ("the Uniform Order"), in lieu of the separate orders for each category of entities. For this purpose, the Anti-Money Laundering Authority conducted round-table discussions whose participants also included ISA representatives. Because the enactment date of the Uniform Standard

legislation is as yet uncertain, action is needed to promote a Prohibition on Money Laundering and Terror Financing Order that will apply to payment companies and basic payment initiators, and it is extremely important that this Proposed Order is approved before the Law comes into force.

The Proposed Order that Will Apply to Payment Companies and Basic Payment Initiators:

To allow the operations of payment companies and basic payment initiators, it is imperative to establish an AML/CTF regime for the Licensees. Therefore, the Law included an amendment to the AML Law, as a result of which the Chair of the ISA is designated as the “Supervisor” for matters involving the new Licensees, and the Minister of Finance is authorized to issue an AML/CTF order pertaining to them, in consultation with and with the consent of the Minister of Justice and the Minister of Internal Security, for the purpose of enforcing the AML Law and the Anti-Terror Law.

The draft version of the proposed AML order (“Proposed Order”) is, with necessary adjustments, consistent with the AML Order that applies to financial asset service providers and credit service providers (“the Financial Asset Service Providers AML Order”). The operations of payment companies share many features with the operations of financial asset service providers and credit service providers and therefore similar regulation of these operations is justified. Furthermore, the Financial Asset Service Providers AML Order was enacted relatively recently (in 2018) and therefore is the most up to date version from all AML orders.

The principles of the Proposed Order are similar to those set out in the AML orders that apply to the entities supervised by the ISA and by Israel’s other financial supervisors. For example, Licensees have a duty to perform KYC for service recipients, record their identifying details, and verify the details they were given. Furthermore, in the appropriate circumstances, Licensees are required to perform a face-to-face identification of the service recipient and to regularly monitor service recipients’ transactions for money-laundering (ML) risks. Licensees are required to submit various reports to the Anti-Money Laundering Authority regarding the transactions performed through them, and to maintain and retain records regarding all monetary transactions performed through them.

Nonetheless, the Proposed Order also takes into account the unique features of the operations of payment companies and basic payment initiators. For example, the operations of basic and advanced payment initiators, which “don’t touch money” and instead offer technological service related to bank transfers, are subject to a low ML risk. The reason for this is that the operations through them take place by the payment account manager that executes the money transfer, and through the payment account manager that receives the funds. In view of the low ML risk, the Proposed Order does not require basic or advanced initiators to submit regular reports (that is, to automatically report all transactions over NIS 50,000), but rather imposes on them a requirement to report to the Anti-Money Laundering Authority only with respect to unusual activities (e.g., a transaction that is suspected of being intended to evade disclosure of the full amount that the payer is transferring to the merchant by breaking up the transaction into a set of smaller transactions). Another feature of payment initiation services is a result of the business model used these operations, in which the service is rendered to the merchant and not to the payer, and

the payer and the basic payment initiator typically are not acquainted, and therefore no KYC procedure can be performed for the payer. Consequently, the Proposed Order defines the basic payment initiator's "service recipient" as the merchant with which it has a business relationship, and not as the paying customer.

The Proposed Order also attempts to address the fact that many payment services that Licensees may offer are online. Payment companies do not typically have physical offices and exclusively offer their services online. Therefore, for example, they cannot conduct a physical face-to-face identification of the service recipient. For this reason, the Proposed Order authorizes the Supervisor to make rules on alternative means of identification in the appropriate cases, to ensure the reliability of the authentication process and reduce the ML risks that stem from the use of these alternative means.

Another difference introduced in the Proposed Order is in the definition of the term "payment card," which is defined in other AML orders as a "plate or other object" used to make payments. In the current payment space, payment instruments are increasingly becoming detached from physical objects, and payments are frequently made through a mobile phone, computer, or other alternatives. Therefore, to expand the definition of "payment card" to include the advanced payment instruments that are currently available, the words "plate or other object" were stricken.

Finally, in view of the efforts to promote the Uniform Order, which is expected to modify and unify the reporting format used by all entities subject to an AML Order, it is meanwhile proposed to apply, within the Proposed Order and from its commencement date, the reporting requirements set out in the Financial Service Providers AML Order to the Licensees and to companies licensed by the Capital Market Authority that will be come under the supervision of the ISA. With respect to small-volume acquirers, which are currently subject to the AML order that applies to banking corporations ("the Bank AML Order"), it is proposed to determine that the Proposed Order shall apply, from its commencement date, to the reporting requirements set out in the Bank AML Order, even after the small-volume acquirers come under the supervision of the ISA. The purpose of this transition provision is to prevent a situation in which entities that are currently required to report according to the Financial Service Providers AML Order or the Bank AML Order will be required to use the unique reporting format of the payment companies for a limited period and after the Uniform Order is enacted, will be required to transition once again to the reporting format of the Uniform Order. It is therefore proposed to have all entities continue to report according to the reporting requirement that currently applies to them, until the Uniform Order is enacted. If, however, the promotion of the Uniform Order is delayed, the Proposed Order authorizes the Supervisor to apply the reporting requirement clause in the Proposed Order (Section 12(a)) to payment companies.

Exemption from the requirement to publish a regulatory impact analysis (RIA) report

In November 2021, the Fundamentals of Regulation Law 57782-2021 ("the Fundamentals of Regulation Law") was enacted, and beginning from January 2023, the ISA is required to prepare an RIA report according to this law. The Fundamentals of Regulation Law does, however, list several exceptions to the requirement to submit said RIA report.

According to the position of the ISA, that the Proposed Order falls under the exception defined

in Section 34(c)(4) of the Fundamentals of Regulation Law, in the case in which “the regulation is, with the necessary adjustments, based on rules that are generally accepted in countries with significant markets and that guide public corporations in their areas of operation.” The explanatory note to this section states that “Additional regulation to which the requirement will not apply is regulation that is being promoted in order to adjust the regulation in force in Israel on the same matter and at the same time to generally accepted international regulation or international conventions. For example, regulation designed to adjust the regulation in the field of banking to the core principles defined by the Basel Committee, or to adjust the regulation in the field of insurance to the policy of the International Organization of Insurance Supervisors” (p. 1160).

As described extensively, the AML orders that apply to the various financial entities in Israel such as banks, stock exchange members, and financial asset service providers, impose identification, reporting, and record keeping requirements on those entities according to the FATF’s **international standards** for preventing money laundering and terror financing. Similar to the orders that apply to the other financial entities in Israel, the Proposed Order defines identification, reporting, and record keeping requirements for payment companies and basic payment initiators in order to match the regulation in the field of non-bank payment services to the international AML/CTF standards to which Israel is committed as a FATF member. It should be noted that payment companies and payment initiators in Europe are subject to the Directive on AML/CTF. Therefore, the ISA decided to strike the requirement to publish an RIA report from the Proposed Order, according to Section 34(c)(4) of the Fundamentals of Regulation Law.

Following is the proposed version of the Proposed Order:

Proposed Order on Prohibition Against Anti-Money Laundering (Duties of Identification, Reporting, and Record Keeping of Payment Companies and Basic Payment Initiators for Prevention of Money Laundering and Terror Financing) 5783-2023

By virtue of the power vested in me under Sections 7(b) and (c) and 32(c) of the Prohibition on Money Laundering Law, 5760–2000 (“the Law”) and Section 95(a) of the Anti-Terror Law 5776–2016 (“the Anti-Terror Law”), after consulting with the Minister for Internal Security and the Minister of Justice, and with the consent of the Minister of Justice and the approval of the Constitution, Law, and Justice Committee of the Knesset, I hereby order as follows:

Chapter A: Interpretation

Definition of terms

1. In this Order –
“region” –any of the following: Judea, Samaria, and the Gaza Strip;
“Foreign public official” – a foreign resident who holds a senior

public office outside Israel, including a family member of said foreign resident or a corporation under the control of said foreign resident or a business partner of said foreign resident; For this purpose, “senior public office” – including head of state, state president, mayor, judge, member of parliament, member of government, senior military or police officer, and holder of any such office even if their title is different;

“High-risk domestic public official” – an individual who holds a senior public office and was classified by the service provider as having a high ML/TF risk; For this purpose, “senior public official in Israel” – including the president; the prime minister; minister; deputy minister; member of Knesset; head of local government; deputy head of local government; judge; army officer of Brig. Gen. rank or higher; police officer of Chief Superintendent rank or higher; a director general or deputy director general of a government ministry, government company, or statutory corporation; holder of a senior office in an international organization, or holder of any such office even if their title is different;

Payment instrument,” “payment company,” “beneficiary,” “payer,” “acquiring” of a payment transaction,” “payment transaction,” “advanced payment initiation service” and “issuance” of a payment instrument – as these terms are defined in the Payment Services Law;

“Financial Action Task Force (FATF)” – the international organization for combating money laundering and terror financing; “OECD” – The Organization for Economic Cooperation and Development;

“Stock exchange” – a securities exchange or regulated market, as this term is defined in the Joint Investments in Trust Law;

“Family member” – as this term is defined in the Securities Law 5728-1968;

“Postal Bank” – The company, in its capacity as a provider of monetary services on behalf of the subsidiary, or the subsidiary in its capacity as provider of monetary services, according to the provisions of the Postal Law 5746-1986; For the purpose of this definition, “the company,” “the monetary services” and “the subsidiary” – as these terms are defined in Sections 1 and 88K of said law, respectively;

“Recognized entity” – a labor committee or a condominium representation;

“Directives issued by the Supervisor” – directives issued under Section 11M(c) of the Law;

“KYC” – the Know Your Customer procedure according to Section 2 of this Order;

“The Civil Administration” – The civil administration established by the commander of IDF forces in the Judea and Samaria region;

“the Supervisor” – as this term is defined in Section 11M(a) of the Law;

“the Lists” – any of the following:

- (1) A list of declared terrorist organizations and declared terrorists that was published in an announcement issued according to Section 18 of the Anti-Terror Law; and any such organization or individual, in respect of which an announcement on their declaration as a terrorist organization or terrorist was delivered to the service provider by a manner defined in Section 18 of the Anti-Terror Law, and the service provider received no notice of its revocation;
 - (2) A list of entities declared as accomplices in the dissemination and financing of weapons of mass destruction according to Section 3 or 4 of the Law on Prevention of Distribution and Financing of Weapons of Mass Destruction;
- “Managing company” and “provident fund” – as these terms are defined in the Supervision of Financial Services (Provident Funds) Law 5765-2005;¹

“Payment company,” “granting of credit ancillary to a payment transaction,” and “basic payment initiation service” – as these terms are defined in the Regulation of Payment Service Providers Law;

“Banking (Licensing) Law” – the Banking (Licensing) Law 5741-1981;

“Banking (Service to Customer) Law” – the Banking (Service to Customer) Law 5741-198;

“Regulation of Payment Service Providers Law” – the Regulation of Payment and Payment Initiation Services 5783-2023;

“Supervision of Regulated Financial Services Law” – the Supervision of Financial Services (Regulated Financial Services) Law 5776-2016;²

“Joint Investments in Trust Law” – the Joint Investments in Trust Law 5754-1994;

“Prevention of Distribution and Financing of Weapons of Mass Destruction Law” – the Prevention of Distribution and Financing of Weapons of Mass Destruction Law 5778-2018;

“Payment Services Law” – the Payment Services Law 5779-2019;

“Payment account” – as this term is defined in the Payment Services Law, excluding payment cards whose potential stored balance is limited to a value equivalent to NIS 1,000; The Supervisor may revise the limit and make additional rules regarding this card.

“Supplier account” – an account that lists a supplier’s credits and debits made through payment instruments, under an agreement with an acquirer;

“Basic payment initiator” – a holder of a basic payment initiation license or permit to provide basic payment initiation services, as these terms are defined in the Law;

“Individual” – whoever is not a corporation, a public institution, or

¹ Book of Laws 5765, p. 889.

² Book of Laws 5776, p/ 1098.

- a statutory corporation outside Israel, or a recognized entity;
- “Credit card” and “bank card” – as these terms are defined in Section 11B(a) of the Banking (Licensing) Law, including a card issued by a foreign corporation that is a bank in a foreign country;
- “Debit card” – a credit card, bank card, or payment card;
- “Payment card” – a payment instrument used to make payments, to make purchases from a supplier, or to withdraw cash, that may store monetary value;
- “Insurer” – as this term is defined in the Supervision of Financial Services (Insurance) 5741-1981;³
- “Financial institution” – an entity subject to a reporting requirement according to Section 7 of the Law, or an entity that was incorporated outside Israel and renders services of the type that are rendered by entities subject to a reporting requirement according to Section 7 of the Law or that operates as an investment bank or as a clearing house;
- “Public institution” – a government ministry, the Jewish Agency, local government, and other statutory authorities, corporations, or institutions;
- “Legal representative” – whoever was granted power of attorney by the service recipient to act on their behalf, whether the service recipient is an individual or not;
- “ID number” – any of the following:
- (1) With respect to an individual who is a resident – their identity number in the Population Registry’;
 - (2) With respect to an individual who is a foreign resident – their passport number or laissez-passer number and the name of the country of issue; With respect to an individual identified according to a document, as set forth in Section 4(a)(7) – the identifying number on that document and the country of issue of that document; With respect to an individual who is a resident of a region – the ID number may also be their identity number on a magnetic card issued by the Civil Administration;
 - (3) With respect to a corporation registered in Israel – the registration number in the appropriate registry;
 - (4) With respect to a corporation that is not registered in Israel – the registration number in its country of incorporation, if any, and if no registration for corporations of their type exist – the details recorded in the corporation’s incorporation document or the registration number issued to it by the service provider; With respect to a corporation that was identified by a document as set forth in Section 4(a)(7) – the identifying number on that document and the country of issue of that document;
 - (5) With respect to a public institution, a recognized entity, and a statutory corporation outside Israel – the registration

³Book of Laws 5741, p. 208

number that the service provider will assign to it;

“Address” – any of the following:

- (1) With respect to an individual – the individual’s address that appears in their ID card, foreign passport or laissez-passer, or their place of residence as indicated by the individual, including the name of the town, the street name, the house number, if this information exists, and with respect to a foreign resident – also the name of the country;
- (2) With respect to a corporation – its address of record on the registration certificate, a current excerpt of the company’s details from the Companies Registrar, and with respect to a corporation that is not registered in Israel – a document that attests to its registration or the place from which it manages its business in Israel, and if the corporation does not manage business in Israel – the primary location of its businesses outside Israel, and all of these – as the corporation indicated; The address shall include the name of the town, street name, street number and zip code, if this information exists, and with respect to a corporation outside Israel – also the name of the country;
- (3) With respect to a public institution, a recognized entity, and a statutory corporation outside Israel – the address that it indicated, including the name of the town, street name, street number, and zip code, if this information exists, and with respect to a statutory corporation established outside Israel – also the name of the country;

“Service recipient” –

- (1) With respect to a payment service, credit ancillary to a payment transaction, money conversion service ancillary to a payment transaction, and a service listed in Part B of the Seventh Addendum to the Regulation of Payment Services Law that is rendered by a payment company – whoever receives a service from the payment company, even if another individual requested the service on their behalf;
- (2) With respect to Section 3, 12, or 14 of the Order – In addition to paragraph (1), also whoever undertook in the credit documents to repay the credit, excluding a guarantor, or whoever wishes to repay the credit and is other than the credit recipient;
- (3) With respect to a basic payment initiation service for a beneficiary – whoever receives a basic payment initiation service for a beneficiary from the payment company or from the basic payment initiator, even if another individual requested the service on their behalf;

“Casual service recipient” – A service recipient who, during a six-month period, received a service from the same service provider in a total amount that does not exceed NIS 50,000, unless it received a service in an amount exceeding NIS 5,000 that involves a country or territory listed in the First Addendum;

“Beneficial owner” – as this term is defined in Section 7(a)(1) of the Law;

“Corporate officer” – as this term is defined in the Companies Law 5759-1999;

“Service provider” – a payment company or a basic payment initiator;

“Financial service provider” – as this term is defined in the Regulation of Financial Services Law;

“Acquirer” – a service provider whose business is acquiring payment transactions;

“Supplier” – whoever sells real estate, movable assets, money, services, or rights, as a business;

“Attorney” – a holder of license to practice law in Israel, and with respect to a corporation that is not registered in Israel – also including an attorney who is licensed to practice law in the corporation’s country of incorporation, provided that the country or territory in which the corporation was incorporated is not listed in the First Addendum; If the country of incorporation is a member of the OECD – also an attorney licensed to practice law in an OECD member country;

“Transaction” – a single transaction, unless defined otherwise in this Order;

“Fund” – as this term is defined in the Joint Investments in Trust Law;

“Service” – a payment service, a basic payment initiation service for a beneficiary, credit ancillary to a payment transaction, money conversion ancillary to a payment transaction, or a service listed in Part B of the Seventh Addendum of the Regulation of Payment Services Law.

“Payment services” –

- (1) Acquiring payment transactions;
- (2) Management of payment accounts;
- (3) Issuance of payment instruments;

“Basic payment initiation service for a beneficiary” – a service of receiving funds through a basic payment initiator, which a beneficiary receives as part of their business agreement with the payment company or basic payment initiator;

“Name” – any of the following:

- (1) With respect to an individual – the surname and first name recorded in the identifying document, as stated in Section 4;
- (2) With respect to a corporation – its name of record, and if the corporation is in a country in which no registration of corporations of its type is maintained – its name as the corporation indicated;
- (3) With respect to a statutory corporation – the name defined in the statute, whether in outside Israel;
- (4) With respect to a recognized entity and a public institution, excluding a statutory corporation – the name as they indicated;

“Corporation” – any of the following:

- (1) A company, partnership, collective association, Ottoman association, non-profit [amuta], or political party registered in Israel;
- (2) An entity registered as a corporation outside Israel;
- (3) An entity that incorporated in a country in which registration of entities of its type is not maintained, provided that it produced a document that attests to its status as a corporation;

“Related corporation” – a corporation whose controlling shareholder is the service provider or a controlling shareholder of the service provider;

“Resident” – within the meaning of this term in the Population Registry Law 5725-1965, including an Israeli citizen who is not a resident and is registered in the Population Registry;

“Resident of the region” – whoever is registered in the population registry of the region;

“Foreign resident” – whoever is not a resident;

“Evidence Regulations” – the Evidence Regulations (Photocopies) 5730-1969’

Chapter B: Duties of Identification

Know Your
Customer (KYC)

2. (a) For the purpose of this section, “KYC” – includes but is not limited to an inquiry into the source of the funds in respect of which the services are rendered, including the source of the service recipient’s assets, the source of the credit repayment and the credit recipient’s connection to whoever undertook to repay the credit or whoever wishes to repay the credit, the service recipient’s occupation, the purpose of the service rendered, and whether they were refused services in the past by any entity for reasons related to ML/TF; and with respect to a foreign resident – also an inquiry into their connection to Israel and whether they are a foreign public official; and with respect to a high-risk domestic public official and foreign public official classified as high-risk by the service provider – also the source of their financial resources; and with respect to whoever owns a business – also the type of their business.
- (b) A service provider shall not render service for the first time to a service recipient that is not a casual service recipient, without having identified and performed a KYC procedure for the service recipient, based on the degree of their ML/TF risk; The service provider shall record the details of the KYC procedure.
- (c) When rendering a service to a service recipient that is not a casual service recipient and is a high-risk domestic public official or a foreign public official or in the case that the beneficial owner is a foreign public official or a high-risk

domestic public official, the service provider shall act according to the following provisions:

- Recording the identifying details
3. (a) A service provider shall not render a service to a service recipient for the first time without recording the following identifying details of the service recipient and their legal representative, and without authenticating the identifying details if required according to Section 4, unless the service provider possessed authenticated identifying details;
 - (1) Name;
 - (2) ID number;
 - (3) With respect to an individual – date of birth and sex;
With respect to a corporation – the incorporation date;
 - (4) Address;
 - (b) Notwithstanding the provisions of paragraph (a) –
 - (1) The identifying details of a casual service recipient and their legal representative shall include the details stated in paragraphs (1), (2), and (4) only, based on an identifying document as stated in Section 4;
 - (2) A service provider may render services without authenticating the service recipient's identifying details as stated in Section 4, provided that the following conditions have been met, subject to the Supervisor's directives:
 - (a) The transaction is a low-risk transaction, taking into account the service recipient, the transaction, and the merchant;
 - (b) The service provider received the identifying details listed in this section before executing the transaction;
 - (c) The identifying documents listed in Section 4 will be received and authenticated within no more than two business days from the transaction date or from any other date determined by the Supervisor.
 - (c) A service provider shall not render a service to a service

recipient that is not a casual service recipient without recording the details listed in sub-sections (a)(1) and (2) with respect to the beneficial owner; the details shall be recorded according to the declaration stated in Section 5; If the service provider does not possess the beneficial owner's identity number, after having taken reasonable steps to obtain it, the service provider shall record in its stead the details in sub-sections (a)(3) and (4) if they are in service provider's possession, and the country of citizenship or incorporation, as relevant. The provisions of this paragraph shall not apply if the service provider finds, when rendering the service, that the service involves a service on behalf of a beneficial owner whose identity is unknowable based on the service recipient's declaration, and the reason that the beneficial owner's identity is not yet known is recorded; In such case, the service provider shall direct the service recipient's attention in writing to its duty to provide the details of the beneficial owner immediately upon learning of their identity; The provisions of this sub-section shall also apply to when a beneficial owner is added.

- (d) A service provider shall not render a service to a service recipient that is a corporation and is not a casual service recipient, without recording the details stated in sub-sections (a)(1) and (2) with respect to the controlling shareholder of the corporation, the general manager of the corporation or whoever holds a similar position although their title is different; Details of the corporation's controlling shareholder shall be recorded according to the declaration set forth in Section 5; Details of the corporation's general manager or whoever holds a similar position although their title is different shall be recorded according to the details that the service recipient indicated; If the service provider does not have an identity number in its possession after taking reasonable means to obtain it, the service provider shall record the details stated in sub-sections (a)(3) and (4) if they are in its possession and also the country of citizenship. The provisions of this paragraph with respect to recording the identifying details of the controlling shareholder shall not apply to corporations whose securities are traded on a stock exchange in Israel or on a stock exchange in an OECD member country or to any other type of corporation determined by the Supervisor in a directive; The provisions of this sub-section shall also apply when a service recipient that is a corporation is added.
- (e) When a guarantor signs a guarantee to the service provider on behalf of a service recipient, the service provider shall record the guarantor's identifying details stated in sub-section (a)(1), (2) and (4), according to the identifying document stated in Section 4, and shall retain a photocopy of

Authentication of details and requests for documents

4. (a) the identifying document.
- A service provider shall authenticate the identifying details of the service recipient, excluding a casual service recipient, that are listed in Section 3(a) and shall receive the following documents:
- (1) With respect to the identifying details stated in Section 3(a)(1) – (3) of an individual service recipient that is a resident — according to an identifying certificate or a certified copy thereof; With respect to authentication according to said document – a photocopy of one of the identifying details shall be retained by the service provider; The service provider shall authenticate the identifying details using an additional document that bears a picture and ID number, and in the absence thereof – a document that bears a name or ID number and an address or date of birth; or alternatively, with respect to the identifying details in an ID card – a service provider may authenticate them also using the details that appear in the Population Registry, provided that it compared the ID card issue date that appears on it with the issue date of the most recent card registered in the Population Registry in the Ministry of Interior; The service provider shall retain documentation of these verifications; For the purpose of this paragraph, an identifying certificate is any of the following:
 - (a) An ID card;
 - (b) A new immigrant card (“Te’udat Oleh”) up to 30 days from its issue date;
 - (c) A valid driver’s license that includes a picture of the license holder and was issued according to the Transportation Ordinance;
 - (d) A valid Israeli passport issued according to the Passports Law 5712-1952;
 - (2) With respect to the identifying details stated in Section 3(a)(1) – (3) of an individual service recipient that is a foreign resident – according to a foreign passport or laissez passer, or a certified copy of such identifying document; With respect to authentication according to said document – a photocopy of one of the identifying details shall be retained by the service provider; If the individual is a resident of a region, a service provider may also record the identifying details according to a magnetic card issued by the Civilian Administration; With respect to authentication of said document – a photocopy thereof; With respect to the identifying details shall be retained by the service provider; The service provider shall authenticate the identifying details with an additional document that bears a picture and ID number, and in the absence thereof – with a

- document that bears a name and an ID number, address, or date of birth;
- (3) With respect to the identifying details stated in Section 3(a)(1) – (3) of an individual service recipient that is a registered corporation in Israel – according to its registration certificate or a certified copied thereof, certified copies of the corporation’s founding documents, a current excerpt of the corporation’s details in the appropriate registry, or an attorney’s affirmation of the corporation’s existence, their name, identifying number, and incorporation date; With respect to authentication according to said document, the service provider shall receive and retain said documents or photocopies thereof;
 - (4) With respect to the identifying details stated in Section 3(a)(1) – (4) of a recipient that is a corporation that is not registered in Israel – according to a document that attests to its registration or a certified copy of said document, if these details appear on the document; If one of said details does not appear on the document – according to an attorney’s affirmation; A service provider shall receive a document that attests to the corporation’s registration and documents as stated in paragraph (3); With respect to a corporation that incorporated in a country in which no registration of corporations of its kind is maintained, the service provider shall receive an attorney’s affirmation that no registration in the country of incorporation exists; With respect to authentication, the service provider shall retain these documents or certified copies thereof;
 - (5) With respect to the identifying details stated in Section 3(a) of a service recipient that is a statutory public institution or corporation created by statute outside Israel – according to the service recipient’s declaration, and with respect to a statutory corporation – according to a copy that the service provider receives of the statute under which the corporation was created, or an attorney’s affirmation of the existence of the statute; A service provider shall receive documents as stated in paragraph (3); With respect to authentication, the service provider shall retain these documents or photocopies thereof;
 - (6) With respect to the identifying details as stated in Section 3(a)(1) of a service recipient that is a recognized entity, for the purpose of recording its name and address – a declaration by the service recipient requesting the payment services, after the service provider is satisfied, based on a document, that the applicant is authorized to act in the name of the

- recognized entity; The service provider shall retain this document or a photocopy thereof;
- (7) With respect to the identifying details stated in Section 3(a)(1) – (4) of a service recipient that is a minor under the age of 16 or someone for whom a guardian was appointed – according to an identifying document of one of their guardians; If the guardian is a foreign resident – according to the minor’s passport or a certified copy thereof or according to the identifying documents generally accepted in this type of service in the country in which the identification is being made, provided that legislation that requires customer identification exists in that country; With respect to authentication, the service provider shall retain these documents or photocopies thereof.
- (8) With respect to a service rendered outside Israel, a service provider may, notwithstanding the provisions of paragraphs (2) and (4), record the identifying details according to the identifying documents that are generally accepted in this type of service in the country in which the identification is being made, provided that legislation that requires customer identification exists in that country; With respect to authentication according to said identifying document, the service provider shall retain photocopies thereof.
- (b) Notwithstanding the provisions of sub-section (a), the Supervisor may issue directives with respect to alternative means of identification, the manner of recording identifying details, and authentication of details.
- (c) With respect to a legal representative, a service provider shall also receive from the service recipient a copy of the power of attorney, the letter of trust, or the decision of the competent organ of the corporation, as relevant, that authorizes the legal representative to act on their behalf, and includes all the identifying details of the service recipient; A copy of the power of attorney, letter of trust, or decision, as relevant, shall be retained by the service provider.
- (d) A service provider shall retain the identifying documents in an accessible manner for a period of at least five years from the termination date of the service or the settlement of the credit, or for a longer period if the Supervisor so demanded in certain cases in which the identifying documents are required for an investigation or to supervise the execution of provisions of the law; Retention of the identifying documents may be by digital scanning under the conditions listed in Regulation 3A of the Evidence Regulations; For this purpose, “the identifying documents” – any document submitted for the purpose of identification and authentication, including a declaration given according to

this Order and primary documents that were used by the service provider to perform a KYC procedure according to Section 2(a);

- (e) A service provider shall use reasonable means, according to the level of ML/TF risk, to authenticate the identifying documents of a beneficial owner and a controlling shareholder, as relevant, in agreements as stated in Section 3(b) and (c); For this purpose, “use of reasonable means” – use of information related to the matter or data received from a reliable source, to the service provider’s satisfaction.
- (f) In this section –
A “certified copy” – a true copy of an original, certified by any of the following:
 - (1) The authority that issued the original document;
 - (2) An attorney;
 - (3) The service provider or a party on its behalf, including an employee of a related corporation to whom the original document was presented;
 - (4) An authority, as stated in Section 6 of the 1961 Hague Convention Abolishing the Requirement of Legalization for Foreign Public Documents (“the Apostille Convention”)
 - (5) A Israeli diplomatic or consular representative outside Israel;

Declaration of a beneficial owner and a controlling shareholder

- 5. (a) When rendering a service for the first time to a service recipient that is not a casual service recipient, the service provider shall demand of the service recipient a declaration signed on the original, of whether it is operating on its own behalf or for a beneficial owner; If the service recipient declares that it is operating on behalf of a beneficial owner – the declaration shall include the details stated in Section 3(b) with respect to each beneficial owner;
- (b) When rendering a service for the first time to a service recipient that is not a casual service recipient, and is a corporation, the service provider shall demand of the service recipient a declaration of the identifying details listed in Section 3(c) of the corporation’s controlling shareholder, by the corporation signed on the original or affirmed by an attorney,
- (c) When receiving a declaration according to sub-sections (a) or (b), the service provider shall inform the service recipient of its obligation to provide a revised declaration if any change occurs in the details included in the declaration that was submitted by the service recipient according to said sub-sections, and the service provider shall demand to receive a revised declaration from the service recipient if a change occurs in any of the said details. A service provider shall document the service recipient’s said revised declaration.

- (d) Declarations as stated in sub-sections (a) and (b) shall be made according to the format in the form in the Second Addendum.
- (e) A service provider shall check the prima facie reasonableness of the declaration as stated in sub-sections (a) and (b).
- (f) Notwithstanding the provisions of this section, the Supervisor may issue other directives concerning the demand for a declaration signed in the original.
- Partial exemption from the requirement to record identifying details and a declaration by beneficial owner and controlling shareholder
6. (a) The provisions of Sections 3(c) and 5 regarding recording [the details of] a beneficial owner shall not apply to a service recipient that is –
- (1) A public institution;
 - (2) A banking corporation, the Postal Bank, an insurer, a stock exchange member, a provident fund, a managing company, a payment company, a basic payment initiator, a portfolio manager, a fund, a charitable trust registered in the Registry of Charitable Trusts, a financial service provider, or a company that holds a platform license;
 - (3) A recognized entity
 - (4) A corporation of a type specified by the Supervisor in its directives, in consultation with the competent authority.
- (b) The provisions of Sections 3(d) and 5 with respect to recording [the details of] a controlling shareholder shall not apply to a service recipient that is a banking corporation, the Postal Bank, an insurer, a stock exchange member, a provident fund, a managing company, a portfolio manager, a fund, a charitable trust registered in the Registry of Charitable Trusts, a company that holds a platform license, a payment company, a basic payment initiator, a financial service provider or a company whose securities are traded in a stock exchange in Israel or in an OECD member country.
- Face-to-face identification
7. (a) A service provider shall not render a service for the first time to a service recipient that is not a casual service recipient, without having made a face-to-face identification of the service recipient or their legal representative, as relevant, according to the identifying documents stated in Section 4; For this purpose “face-to-face identification” – identification performed by any of the following:
- (1) The service provider or a party acting on its behalf;
 - (2) A holder of a license to practice law in Israel;

- Electronic transfers
8. (a) (3) A diplomatic or consular representative in Israel;
 (4) An authority, as stated in Section 6 of the Apostille Convention;
 (5) Other identification approved by the Supervisor.
 (b) A service provider shall record the name and ID number of the person who made the identification as stated in sub-section (a).
 (c) Notwithstanding the provisions of sub-section (a), a service provider may identify a service recipient using technology that supports visual identification of the service recipient, including a service recipient outside Israel, according to the Supervisor's directives.
- (a) A service provider shall not execute a transaction in an amount exceeding NIS 5,000 through an electronic transfer service to outside Israel without having recorded on each transfer document the details of the transferor listed in paragraphs (1) through (4) below, as stated in sub-section (f) and the details in paragraphs (5) and (6) below, as given to the service provider:
- (1) The name of the transferor;
 (2) The ID number of the transferor; If the service provider does not possess the transferor's ID number – an identifying number that the service provider possesses, or the date of birth or date of incorporation, as relevant, if these details are known to the service provider;
 (3) The transferor's address;
 (4) The transferor's account number in the financial institution from which the transfer is executed; If the service provider does not possess the account number – another unique identifying number that allows the transfer to be located and identified;
 (5) The transferee's name;
 (6) The account number of the transferee in the financial institution to which the transfer was executed; If the service provider does not possess the account number – another unique identifying number that allows the transfer to be located and identified;
- (b) If the service provider executed several electronic transfers to outside Israel for a single transferor in a single batch, this batch shall include the details in sub-section (a) for each transfer in the batch; For the purpose of this sub-section, "batch" – several transfers for a single transferor to different transferees, simultaneously.
- (c) A service provider shall not execute any electronic transfer in Israel in an amount exceeding NIS 5,000 without having recorded on each transfer document the details of the transferor as listed in sub-section (a)(1)–(4), as given to the service provider.

- (d) A service provider shall not accept an electronic transfer from outside Israel in an amount exceeding NIS 5,000 without having checked the transferee's name and ID number, as stated in sub-section (f).
- (e) A service provider shall not accept an electronic transfer from outside Israel that is intended for a service recipient that is a financial institution, without having transferred to the financial institution the details stated in sub-section (a)(1)–(6), and with respect to paragraph (3) – if it exists; Notwithstanding this sub-section, if the service provider had no technical possibility of transferring said details to a financial institution in Israel, the service provider shall retain the details for a period of five years.
- (f) A service provider shall record the identifying details according to this section after having checked the identifying details against an identifying document listed in Section 4 of the Order; With respect to the identifying detail that is an account number, as stated in sub-section (a)(4) and (6) – the service provider shall record the account number according to a document that includes the service recipient's name and account number.
- (g) Nothing in the provisions of this section shall derogate from the provisions of Sections 3 and 4 of the Order.
- (h) For the purpose of this section –
 - “financial institution” – a financial service provider, a payment company, a banking corporation, or the Postal Bank;
 - “transfer documents” – the physical or electronic documents needed to execute a transaction through an electronic transfer, whether the transfer is made by the service provider or by another financial institution.

The Supervisor's directives

9. Notwithstanding the provisions of this chapter, the Supervisor, in consultation with the head of the competent authority, may order other modes of identification and authentication and document requirements, according to the level of the ML/TF risk.

Cancellation of exemptions and concessions

10. When rendering a service that raises money-laundering or terror-financing concerns, any exemptions and concessions, if granted according to Section 6, shall not apply, and the service provider shall consider canceling concessions granted according to Section 5(f), 7(c), or 9, if granted, according to the level of ML/TF risk.

Chapter C: Control and Reporting Requirements

Control

11. (a) A service provider shall apply controls to the transactions of a service recipient, excluding casual service recipients, in order to fulfill its statutory obligations with respect to identification, reporting, and record keeping, and shall check that the service recipient's transactions are consistent with the nature of their ordinary activities based on the service

provider's acquaintance with the service recipient, according to the service recipient's ML/TF risk level; Without derogating from the generality of the above, a service provider will apply:

(1) Ongoing controls over the KYC procedure conducted for the service recipient, based on their ML/TF risk level, and shall update its records accordingly; If doubts arise as to the service recipient's identity or the authenticity of the identifying documents submitted to the service provider, the service provider shall perform a KYC procedure for the second time, according to the service recipient's ML/TF risk level, and update its records accordingly; If transactions performed by the service recipient raise money-laundering or terror-financing concerns, the service provider shall request information and explanations of those transactions from the service recipient, and if necessary also request evidence that supports the information and explanations provided, and shall update its KYC records accordingly;

(2) Increased controls –

- (a) Over transactions involving countries and territories listed in the First Addendum;
- (b) Over transactions by a high-risk domestic public official or by a foreign public official;
- (c) Over transactions that have high ML/TF risk;

(b) To fulfill its statutory obligations concerning identification, reporting, and record keeping, the service provider shall apply increased controls over recurrent transactions performed by a casual service recipient, including transactions listed in sub-section (a)(2)(a) and (b) that raise money-laundering and terror-financing concerns.

Reporting by a service provider

12. (a) A service provider, excluding a basic payment initiator and a payment company in its capacity as a provider of an advanced or basic initiation service, shall report the following transactions to the competent authority:

- (1) a payment transaction for a service recipient, credit ancillary to a payment transaction, or receipt of credit repayment in an amount equal to or greater than NIS 50,000;
- (2) a payment transaction for a service recipient, credit ancillary to a payment transaction, or receipt of credit repayment involving a country or territory listed in the First Addendum, in an amount equal to or greater than NIS 50,000;
- (3) A currency conversion ancillary to a payment service or a service listed in Part B of the Seventh Addendum to the Regulation of Payment Services Law, for a service recipient, in an amount equal to or greater than

NIS 50,000;

- (4) a currency conversion ancillary to a payment service or a service listed in Part B of the Seventh Addendum to the Regulation of Payment Services Law, for a service recipient, involving a country or territory listed in the First Addendum, in an amount equal to or greater than NIS 50,000;
- (b) A service provider shall report a seemingly unusual transaction to the competent authority; For this purpose, “transaction” – including an attempt to execute a transaction; Without derogating from the generality of the above, any of the transactions listed in the Third Addendum may be considered an unusual transaction;
- (c) Reporting a transaction according to the provisions of sub-section (a) does not exempt [a service provider] from its reporting obligations according to sub-section (b);
- (d) A service provider shall report to the competent authority any operations of the service recipient that it reported to the Israel Police according to Section 6(a)(1) of the law, according to Section 33(a) of the Anti-Terror Law, or according to Section 6 of the Law to Prevent the Distribution and Financing of Weapons of Mass Destruction.
13. A service provider shall be exempt from the reporting [requirement] according to Section 12 if the transaction is executed by any of the following:
- (1) A public institution;
 - (2) A banking corporation;
 - (3) The Postal Bank;
 - (4) An insurer;
 - (5) Another service provider;
 - (6) A provident fund or a managing company for a provident fund under its management;
 - (7) A stock exchange member;
 - (8) A fund.
- Reporting details 14. Reporting according to Section 12 shall include the following details:
- (1) With respect to the service provider –
 - (a) Name;
 - (b) ID number;
 - (c) Address;
 - (d) Telephone numbers, up to two numbers;
 - (e) Fax number and email, if any;
 - (f) Type of license and license number issued to the service provider according to the Regulation of Payment Services Law;
 - (g) Address of the office in which the service is rendered, if any;
 - (h) Name of the software company through which the report is produced, if any;

- (2) With respect to the reported transactions –
- (a) The date and time the transaction was executed, as recorded by the service provider;
 - (b) The type of transaction and its purpose;
 - (c) The type and direction of the transfer of the financial asset involved in the transaction;
 - (d) The transaction amount in Israeli currency;
 - (e) Was the transaction ancillary to a payment service;
 - (f) The foreign currencies in which the transaction was executed, and the amount in each currency and the exchange rate;
 - (g) If the transaction was executed in the service recipient's payment account – the account number; account type; branch where the account is maintained, if any; name of account, in any; date account was opened; With respect to a debit card and an account operating under an agreement to acquire transactions or discount transactions made using a debit card – also the details of the checking account in a banking corporation against which the debit card transactions are reconciled, if any;
 - (h) When granting credit – the details of the credit; guarantors, if any; number of installments to repay the credit, final repayment date, if any; the serial number assigned to the credit by the service provider, if assigned; whether collateral was given against the credit;
 - (i) If the transaction was executed online – the IP address through which the service recipient connected to the service provider for the purpose of executing the transaction, if any;
 - (j) If the transaction was executed on a mobile app – the international identifier of the mobile device (IMEI) used to execute the transaction, if any;
 - (k) If the transaction was executed on a debit card – also the type of card; brand of the card; the card number, if known, or the final four digits of the card; the country of issue; and the name, ID number, and payment account number of the card holder, if known;
 - (l) In an acquired transaction, if the transaction is executed in a supplier account, the following details regarding the supplier's account:
 - (1) The number of the supplier's account with the acquirer;
 - (2) The name of the supplier's account, if any;
 - (3) The date the supplier's account was opened;
 - (4) The number of the supplier's bank account against which the payment instrument transactions are reconciled, if any;

- (m) If credit was granted by an aggregator – also the details of the acquirer, the details of the supplier, the details of the debit card, and the following details of the transaction that the payer executed with the supplier using the debit card:
 - (1) Details of the acquirer – name and ID number or the corporation’s license number, as relevant;
 - (2) Details of the supplier – name, ID number, address; With respect to an individual – date of birth and sex; With respect to a corporation – the date of incorporation;
 - (3) Details of the payment card – the type of card; card number if known or final four digits of the card; country of issue; and name, ID number, and payment account number of the card holder, if known;
- (n) If the transaction was executed by electronic transfer – the name of the transferee or transferor, as relevant; ID number and address (if it is not the service recipient); number of the financial institution; the branch number; IBAN number, if any; and the payment account number in the financial institution to which the transfer is made, if any; However, when the transaction involves a financial institution in a country or territory listed in the First Addendum – the report shall include these details, and with respect to the name of the transferor or transferee, as relevant, the ID number and details of their account in the financial institution, as submitted;
- (o) When reporting according to Section 12(b) – also include the reason for the report, including a description of the transaction in respect of which the report was filed, including all its circumstances, attached by evidence of the execution of the transaction; A report according to Section 12(b) of a transaction that is executed by a party other than a service provider shall include the details required in paragraph (2) also with respect to the executor of the transaction, if the service provider possesses these details;
- (3) With respect to the service recipient –
 - (a) Name;
 - (b) ID number;
 - (c) Address;
 - (d) Email address;
 - (e) Telephone numbers, up to two numbers;
 - (f) For an individual – the date of birth; For a corporation – the date of incorporation;
 - (g) For an individual – the sex;

- Prohibition on disclosure and perusal
- (h) Status of the service recipient (resident/foreign resident/Israeli corporation/foreign corporation)
 - (i) The country in which the identifying document was issued;
 - (4) With respect to beneficial owners and controlling shareholders, if any – the details required according to Section 3(b) and (c).
 - (5) In this section, “financial asset” – cash, debit card, or electronic transfer.
15. (a) A service provider shall not disclose the preparation, existence, non-existence, or contents of a report according to Section 12(b) and shall not disclose the existence of a supplementary report, within the meaning of this term in Section 31(c) of the law, the existence of a request for such a report or the contents of any of the above, and shall not permit the perusal of documents that attest to any of the above; Notwithstanding the above, a service provider shall disclose information or permit access to peruse the above to a party that is authorized to do so in order to perform their duties with the service provider, to the Supervisor, or to whoever was authorized thereby, to the competent authority, or by a court order.
- (b) If a concern arises regarding the identity of the service recipient or the authenticity of the identifying documents, as stated in Section 11(a); or regarding money laundering and terror financing, as stated in Section 11(b); or an executed transaction appears to be unusual, as stated in Section 12(b); and the service provider believes that a cancellation of the exemptions of concessions according to Section 10 or the performance of controls over the KYC procedure according to Section 11, as relevant, will lead to a violation of the service provider’s duties according to sub-section (a), the service provider may refrain from doing so and shall report its concerns to the competent authority.

Chapter D: Cross-Checking Identifying Details against the Lists

- Requirement to cross-check against the Lists
16. A service provider shall cross-check against the Lists –
- (1) Whether they contain the name or ID number of a service recipient, legal representative, beneficial owner, or controlling shareholder whose details are found in the digitized database created according to Section 17(a); Such cross-checking shall be performed any time an organization or individual is added to the Lists;
 - (2) Whether they contain the names of counterparties, other than those listed in paragraph (1); In this paragraph – “transaction” – transfer of funds from Israel abroad or to a

region, or transfer of funds from abroad to Israel, or from a region to Israel;

“counterparty” – whoever is a party to a transaction executed through the service provider.

Chapter E: Miscellaneous

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|-------------------------------|-----|-----|---|
| Policy making | 17. | (a) | <p>A service provider shall define AML/CTF policies, tools, and risk management on, but not limited to the following topics, to fulfill its duties for the purpose of this Order:</p> <ol style="list-style-type: none"> (1) A KYC, identification, reporting, and record keeping procedure; (2) Monitoring ML/TF threats that stem from various sources including novel technologies, especially those that support the remote execution of transactions; (3) An acquirer’s agreement with an aggregator; (4) Management of risks related to the execution of transactions in high-risk sectors. |
| Keeping and retaining records | 18. | (a) | <p>A service provider shall maintain a digitized database of all the transactions, identifying details, and reports required by this Order concerning service recipients, legal representatives, beneficial owners, and controlling shareholders.</p> |
| | | (b) | <p>A service provider shall retain in an accessible manner details of all monetary transactions executed as part of its services, including but not limited to the transaction execution date, type of transaction, transaction amount, transactions currency; IP address and IMEI identifiers, if any, and the transaction order document and the accompanying business correspondence between the service provider and the service recipient, all for a period of at least 5 years from the final credit repayment date or the date the service was rendered, as relevant; The documents shall be retained in a manner that also enables the retrieval of a single transaction; For the purpose of this section, “business correspondence” – the transaction documents, orders issued in connection with the transaction in the course of the business relationship, orders related to the terms of the agreement, and inquiries related to the service recipient’s operations in that transaction.</p> |
| | | (c) | <p>A service provider shall retain all order documents related to a transaction that it reported to the competent authority as well as the report itself, for the period stated in sub-section (b).</p> |
| | | (d) | <p>Documents retained as stated in sub-sections (b) and (c) may be retained in the form of digitized scans, under the conditions stated in Regulation 3A of the Evidence Regulations; If an transaction execution order document as stated in said sub-sections is not available, the service</p> |

Submission of documents, information, and explanations

provider shall save the automated record that attests that an order to execute the transaction was given.

- (e) A service provider shall retain written documentation of the control procedure, as stated in Section 11, and of its findings for the period stated in sub-section (b).
 - (f) Notwithstanding the provisions of sub-sections (b) through (e), a service provider shall retain the documents stated there beyond a period of five years if the Supervisor demanded that it do so, in certain cases in which said documents are needed for an investigation or to supervise the execution of the provisions of the Law or the Anti-Terror Law.
19. A service provider shall submit to the Supervisor, by demand, documents, information, and explanations related to the fulfillment of its duties according to this Order.
20. (a) This Order comes into force on _____ (“the Commencement Date”).
- (b) Notwithstanding the provisions of sub-section (a), the commencement date of Section 12(a) is to be determined by the Supervisor in a directive (“the Determining Date”); The following provisions shall apply in lieu of Section (a) until the Determining Date:
- (1) With respect to a service provider that, on the Commencement Date, is not subject to the Prohibition of Money Laundering Order (Identification, Reporting, and Record Keeping Obligations of Banking Corporations to Prevent Money Laundering and Terror Financing) 5760-2001,⁴ excluding a service provider that is a basic payment initiator or a payment company in its capacity as an advanced payment initiator and basic payment initiator – the provisions of Section 11(a) of the Prohibition of Money Laundering Order (Identification, Reporting, and Record Keeping Obligations of Financial Asset Service Providers and Credit Service Providers to Prevent Money Laundering and Terror Financing) 5760-2001⁵ shall apply;
 - (2) With respect to a service provider that, on the Commencement Date, is subject to the Prohibition of Money Laundering Order (Identification, Reporting, and Record Keeping Obligations of Banking Corporations to Prevent Money Laundering and Terror Financing) 5760-2001 – the provisions of Section 8(a) of said order shall apply. This section shall not apply to said service providers in their capacity as advanced or basic payment initiators.

First Addendum

⁴ Regulations File 5761 6090, 310.

⁵ Regulations File 5781 9627, 2608.

(the definition “casual service recipient” in Section 1, Sections 11(a)(2)(a), 12(a)(2), 14(1)(k), and the Third Addendum)

The list of Countries and Territories

- (1) A country or territory on the list of countries or territories in respect of FATF, Moneyval, or other international organizations published a reservation regarding their compliance with the organization’s AML/CTF recommendations; Section 11(a)(2) of this Order shall apply only to the countries and territories on the list in respect of which the organization determined that precautions should be taken; Such lists shall be posted on the website of the competent authority.
- (2) The following countries and territories: Iran, Algeria, Afghanistan, the Kingdom of Jordan, the Palestinian Authority, Libya, the United Arab Emirates, Malaysia, Egypt, Turkey, Morocco, Sudan, Somalia, Saudi Arabia, Iraq, Pakistan, North Korea, Gaza Strip, Tunisia, and Yemen, provided that the transaction is not prohibited by the Trading with the Enemy Ordinance 1939.

Second Addendum

(Section 5(d))

Format of the Declaration by a Service Recipient

Third Addendum

(Section 12(b))

List of Transactions that May, According to the Order, be Considered Unusual

- (1) Activities that seem to be designed to circumvent the reporting requirement stated in Section 12(a) of the Order;
- (2) Activities that seem to be designed to circumvent the identification requirement;
- (3) Refusal of a service recipient to provide identifying documents after having been requested to do so, without a reasonable explanation;
- (4) A transaction of a high monetary value or complexity, without a reasonable explanation;
- (5) The request to execute a transaction is not made by the service recipient, without a reasonable explanation;
- (6) Credit is repaid by a party other than the service recipient, without a reasonable explanation;
- (7) The service recipient appears to be operating on behalf of a beneficial owner without having declared this;
- (8) The requested transaction appears to have no business or economic logic based on the service provider’s acquaintance with the service recipient;
- (9) The service provider failed to perform a KYC procedure according to Sections 2–4 of the Order due to the service recipient’s behavior, all without a conceivable reason;
- (10) Transactions that are not typical for the service recipient, its area

- of business, or multiple transactions to the same destination or from the same source, all without a conceivable reason;
- (11) The service recipient demonstrates indifference to the terms of the service, including risks, fees, costs, interest rates, etc.
 - (12) Several transactions appear to be linked, without a reasonable explanation;
 - (13) A transaction involving an organization that has been declared a prohibited association according to Regulation 84 of the Defense Regulations (Time of Emergency) 1945, or an organization declared a terror organization according to the Prevention of Terror Ordinance 5708-1948, or an organization that was declared a terror organization according to Chapter B of the Anti-Terror Law, and a transaction that appears to be designed to take the place of operations of such an organization;
 - (14) A transaction that appears to be designed to take the place of a transaction by a person who was declared a terrorist according to Chapter B of the Anti-Terror Law;
 - (15) Regular transfers from or to entities in a country or territory listed in the First Addendum to the Order;
 - (16) A declaration made according to the Order appears to be untrue;
 - (17) A transaction by a non-profit organization that, based on the service provider's knowledge, maintain a connection with an individual or an entity in a country or a territory listed in the First Addendum;
 - (18) A transaction by a non-profit organization that is not consistent with the organization's official activities, if the organization's official activities are known to the service provider;
 - (19) A series of transactions by a single service recipient that appear to be designed to circumvent the reporting requirement;
 - (20) Repayment of credit in a significant amount, close to the date the credit was granted, without a conceivable reason;
 - (21) Receipt or repayment of credit in a significant amount, in cash, without a conceivable reason;
 - (22) Transaction of a service recipient that declared that the beneficial owner is not known and the declaration was not revised within the elapse of 60 days from receipt of the service;
 - (23) There is a concern that the source of the funds is prohibited property;
 - (24) The IP address does not match the information about the service recipient, frequent transitions between IP addresses, or use of means to disguise the IP address or site of the connection, all with no reasonable explanation;
 - (25) According to the IP address, the site of connection is in a country or territory listed in the First Addendum to the Order;
 - (26) Operations that caused the service provider to refuse to provide service or terminate service for AML/CTF considerations;
 - (27) Use of a large number of payment instruments in a payment account without a reasonable explanation;
 - (28) One or many credits in significant amounts, without a reasonable

- explanation;
- (29) Frequent transfers of significant amounts between individuals that are presumed to be unconnected, without a reasonable explanation;
 - (30) An individual who uses multiple payment accounts without a reasonable explanation;
 - (31) Execution of multiple transactions in a payment account within a short period after a period in which the payment account was hardly active, without a reasonable explanation;
 - (32) A payment transaction is executed via a trading platform for virtual assets that is not supervised or is located in a high-risk country or territory;
 - (33) The features of the activities involving payment instruments raise concerns of fraud.