

## Client Update | Banking & Finance

### Prohibition of Money Laundering Order (Identification, Reporting and Record-Keeping Requirements of Financial Services Providers to Prevent Money Laundering and Terror Financing) (Amendment), 5778-2018

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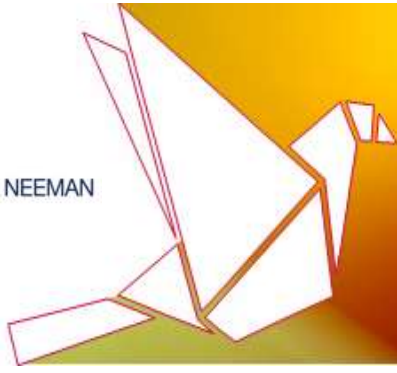
Dear Clients and Friends,

On November 15<sup>th</sup>, 2018 a draft of the Prohibition of Money Laundering Order (Identification, Reporting and Record-Keeping Requirements of Financial Services Providers to Prevent Money Laundering and Terror Financing) (Amendment), 5778-2018 (the "Order") was submitted for approval by the Constitution, Law and Justice Committee of the Knesset. The draft proposes the application of provisions of the Order to Service Providers in a Financial Asset, in a manner that will significantly expand its application.

As previously published, the Regulations of Supervision of Financial Services (Regulated Financial Services) (Exemption from License Requirement) (Temporary Regulations) (the "Regulations") grant various exemptions from the license requirement for providers of credit and providers of financial assets services.

The draft Order proposes expanding the application of the Order such that the requirements of the order will also apply to (a) Financial Service Providers entitled to an exemption from licensing under the Regulated Financial Services law (insofar as they are not financial entities already subject to obligations under the Prohibition on Money Laundering Law, including banking corporations under the Banking (Licensing) Law and entities listed in the Third Schedule to such law) and (b) Financial Service Providers entitled to an exemption according to the above Regulations, including foreign entities.

The significance of broadening the application of the Order is that said exempt entities will still have to comply with obligations regarding the prohibition of money laundering under Israeli law, including, inter alia, identification and verification of anyone who carries out actions through such entities and providing routine reporting with respect to the actions undertaken on behalf of their customers.



It should be emphasised that this is a draft Order, subject to the approval of the Constitution, Law and Justice Committee of the Knesset.

The Order states, inter alia:

1. An obligation to identify and carry out "Know Your Customer" assessment;
2. An obligation to maintain identification details, verification of details and document request;
3. Obligations to declare a beneficiary and a controlling shareholder;
4. An obligation to conduct face-to-face identification;
5. Reporting obligations to the Prohibition of Money Laundering and Terrorism Financing Authority;
6. An obligation to examine the identifying details of a client or other party to a transaction against a list of terrorist organisations and activists;
7. An obligation to set out a policy, record-keeping, maintenance of documents, and so forth.

**In accordance with the proposed Order, it will take effect immediately upon its official publication, but it offers transitional instructions and temporary regulations regarding its implementation by service providers.**

Sincerely,

**Herzog Fox & Neeman**

## KEY CONTACTS

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