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Israel

Progress report¹ and written analysis by the Secretariat of Core Recommendations

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¹ Second 3rd Round Written Progress Report Submitted to MONEYVAL

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This is the second 3rd Round written progress report submitted to MONEYVAL by the country. This document includes a written analysis by the MONEYVAL Secretariat of the information provided by Israel on the Core Recommendations (R. 1, R. 5, R. 10, R. 13, SR.II and SR.IV), in accordance with the decision taken at MONEYVAL's 32nd plenary in respect of progress reports.

Israel

Second 3rd Round Written Progress Report Submitted to MONEYVAL

1. *Written analysis of progress made in respect of the FATF Core Recommendations*

1.1. *Introduction*

1. The purpose of this paper is to introduce Israel's second progress report back to the Plenary concerning the progress that it has made to remedy the deficiencies identified in the 3rd round mutual evaluation report (MER) on selected Recommendations.
2. Israel was visited under the third evaluation round from 4 to 12 November 2007 and the mutual evaluation report (MER) was examined and adopted by MONEYVAL at its 27th Plenary meeting (07 - 11 July 2008). According to the procedures, Israel submitted its first year progress report to the 30th Plenary in September 2009.
3. This paper is based on the Rules of Procedure as revised in March 2010 which require a Secretariat written analysis of progress against the core Recommendations¹. The full progress report is subject to peer review by the Plenary, assisted by the Rapporteur Country and the Secretariat (Rules 38-40). The procedure requires the Plenary to be satisfied with the information provided and the progress undertaken in order to proceed with the adoption of the progress report, as submitted by the country, and the Secretariat written analysis, with both documents being subject to subsequent publication.
4. Israel has provided the Secretariat and Plenary with a full report on its progress, including supporting material, according to the established progress report template. The Secretariat has drafted the present report to describe and analyse the progress made for each of the core Recommendations.
5. Israel received the following ratings on the core Recommendations:

R.1 – Money laundering offence (LC)
SR.II – Criminalisation of terrorist financing (C)
R.5 – Customer due diligence (PC)
R.10 – Record Keeping (PC)
R.13 – Suspicious transaction reporting (LC)
SR.IV – Suspicious transaction reporting related to terrorism (LC)

6. This paper provides a review and analysis of the measures taken by Israel to address the deficiencies in relation to the core Recommendations (Section II) together with a summary of the main conclusions of this review (Section II). This paper should be read in conjunction with the progress report and annexes submitted by Israel.

¹ The core Recommendations as defined in the FATF procedures are R.1, R.5, R.10, R.13, SR.II and SR.IV.

7. It is important to be noted that the present analysis focuses only on the core Recommendations and thus only a part of the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) system is assessed. Furthermore, when assessing progress made, effectiveness was taken into account, to the extent possible in a paper based desk review, on the basis of the information and statistics provided by Israel, and as such the assessment made does not confirm full effectiveness.

1.2. Detailed review of measures taken by Israel in relation to the Core Recommendations

A. Main changes since the adoption of the MER

8. Since the adoption of the MER and the First Progress Report, Israel has taken the following measures with a view to addressing the deficiencies identified in respect of the core Recommendations, including:
 - Amendments were brought to the Prohibition of Money Laundering Law in order to include piracy and environmental crimes as predicate offences.
 - The overall customer due diligence system was improved and obligations to take CDD measures have been imposed by regulation to all financial entities. Also, the orders for Stock Exchange Members, for Portfolio Managers and for the Postal Bank include an obligation to pursue due diligence where the financial institution has doubts regarding the veracity or adequacy of previously obtained customer identification data.
 - Serious measures have been taken in order to increase the effectiveness of the reporting system, especially with regards to the non-banking financial institutions. According to the statistics provided, the number of unusual transaction reports has significantly increased since the last MER. In addition, the quality of the reports submitted by the non banking financial institutions has increased.
 - An explicit obligation to report all attempted unusual transactions were included in the Orders for Stock Exchange Members, for Portfolio Managers and for the Postal Bank. For the rest of the financial entities the same obligation is provided in draft regulation that is expected to be adopted in the near future.
9. Israel has also taken additional measures to address deficiencies identified in respect of the key and other Recommendations, as indicated in the progress report. However these fall outside of the scope of the present report. It is non-the-less worth noting that steps are being taken in the Parliamentary process to bring lawyers and accountants under the PMLL.

B. Review of measures taken in relation to the Core Recommendations

Recommendation 1 - Money laundering offence (rated LC in the MER)

10. Deficiency 1 identified in the MER (*Piracy and environmental crimes are not predicate offences*)
At the time of the 3rd round evaluation report Israel had adopted a list approach to predicate offences. This list was specified in the First Schedule of the PMLL. The list of offences under Israeli Law which corresponds to the FATF's designated categories of offences was provided to the evaluators. The list was an extensive one which covered all major proceeds-generating crimes in the Israeli context, including prevention of terrorism offences and other serious crimes. However, two matters listed in the Glossary to the 2003 FATF Recommendations (*environmental crimes and piracy*) were not included.

11. Since 14 January 2010 piracy was included as predicate offences. As for the environmental crimes, it is not clear from the AML/CFT Law what range of environmental crimes is comprised.
12. It appears that the above mentioned deficiency has been addressed.
13. Deficiency 2 identified in the MER (*Threshold approach mentioned in section 4 needs to be removed*). In the 3rd round MER it was stated that under Section 4 of the Prevention of Money Laundering Law, entitled “Prohibition of performing a prohibited transaction with property” it was prohibited the acquisition, possession and use of criminal proceeds, without the need to show concealment. Apparently due of its scope, the decision was taken to introduce a value threshold in this context i.e. monies in excess of 400,000 NIS (aprox. 71.400 EURO) or real estate, securities, objects of art, and other specified items if their value is 120,000 NIS (aprox. 21.400 EURO) or more. This provision is not in line with the with criterion 1.2 of the methodology which requires that money laundering should extend to any type of property, regardless of its value, that directly or indirectly represents the proceeds of crime.
14. At the time of the present desk analysis of the second progress report, Article 4 of the PMLL applies criminal liability so a person performing any property transaction knowing that it represents prohibited property, and that such property is:
 - *“Monies in excess of the amount of 500.000 NIS (98.870 EURO) whether within a single property transaction or a several property transactions, together totaling the aforesaid amount, within a period of three months. or –*
 - *Categories of property (objects d'art; ritual objects and Judaica; means of transportation, including vessels and aircraft; precious stones and precious metals; securities; real estate; antiquities; carpets) provided that the value of the property is 150.000 NIS (29.600 EURO) or more, whether in a single property transaction or several property transactions, together totaling the aforesaid amount, within a period of three months.”*
15. On this particular aspect, it appears that since the last evaluation report, the threshold has been actually increased from 400.000 NIS and 120.000 NIS to 500.000 NIS and 150.000 NIS which is clearly not in line with the MONEYVAL recommendation. The reason for this increase derives from the fact that the thresholds are linked to the Index and therefore being updated periodically.
16. According to Israeli authorities, following the MONEYVAL recommendations in the 3rd round MER, in the Amendment 8 to the PMLL it is proposed that the threshold under Article 4 shall be reduced to approximately 10.000 USD (aprox 7.200 EURO). At this stage, the Law is under advanced legislative process and the draft is expected to be brought for the approval of the Knesset at the near future.
17. It appears that this recommendation is not yet met and the reviewers of this progress report have the same view as the 3rd round evaluators and consider that this issue should be addressed in the way the evaluators outlined. The thresholds should be removed.
18. Turning to effectiveness, from the responses to the questionnaire it results that the number of prosecutions and convictions for money laundering has constantly increased since 2009, as well as the proceeds seized and confiscated. In Israel both self-laundering and third party laundering are criminalized and result in prosecutions and convictions. According to the statistics provided by the authorities, approximately one third of the convictions are third party money laundering cases.

Recommendation 5 - Customer due diligence (rated PC in the MER)

19. Deficiency 1 identified in the MER (*Requirements in respect of numbered accounts were not provided by law or regulation*) At the time of the 3rd MER, the CDD requirements in respect of bank accounts, including the provisions on numbered accounts, were provided by Directive 411 for Proper Conduct of Banking Business, issued by the Bank of Israel.
20. The existing requirements in Directive 411 with respect to numbered accounts were considered by the evaluators as sufficient and effectively implemented. However, Directive 411 is “*other enforceable means*” and criterion 5.1 should be dealt with in law or regulation.
21. At the time of the present desk analysis, the amendments to the Banking order awaits the approval of the Knesset and include the following requirement:
“*A bank corporation will not open or manage an account unless the identity of the owner of the account is known to the bank corporation; in numbered account, the bank corporation will take increased know your customer procedure; for this purpose, "numbered account" - an account that the identity of the owner is known to the bank corporation, but in place of the identifying details there are numbers or code names in some of the documentation of the bank corporation*”
22. The Orders issued by the different supervisors by virtue of the power vested under the PMLL are authorized by the Knesset Constitution, Law and Justice Committee and thus, these obligations are punishable, and constitute regulations within the meaning of the FATF Methodology.
23. However, at the time of the second progress report, the new Banking order has not been approved by the Knesset yet, but this deficiency is well on course to be remediated.
24. Deficiency 2 identified in the MER (*Investment-related insurance activities not covered by any regulation*) At the time of the 3rd round MER it was noted that no legislation was in place to include investment-related insurance activities for CDD purposes.
25. In the first progress report, the Israeli authorities explained that according to the specific internal legislation, insurance businesses are subject to a license from the Commissioner of Insurance and the Capital Market. This license specifies the insurance instruments that are permissible to engage with, and investment related insurance is not included in this license list. In other words, such type of insurance does not exist (and cannot be provided) in Israel, and this is the reason why CDD provisions do not address this insurance product.
26. At the time of the present analysis the situation remains the same.
27. Deficiency 3 identified in the MER (*The Postal Bank has no obligation to take CDD measures below the applicable threshold that vary from NIS 50.000 to NIS 1.000.000 depending on the type of the transaction.*) At the time of the on site visit, in relation to the Postal Bank the following was noted:
 - Identification of transactions of payments of taxes below NIS 100.000 was not required. For transactions above the threshold, identification and recording was required, but verification was not.
 - Identification of other transactions below NIS 50.000 was not required. Between NIS 50.000 and NIS 200.000 identification and recording were required. Above the threshold of NIS 200.000 identification, recording and verification were required.

- The thresholds in the related section that oblige the Postal Bank to report certain transactions are NIS 200.000 compared with NIS 50.000 for cash transactions.
28. It also appeared that if no report is required, no CDD measures are to be taken by the Postal Bank with regard to occasional costumers (CDD measures applied to all account owners). In the case of an unusual activity report, the Postal Bank takes CDD measures regardless of the amount of the transaction.
 29. At present, according to the authorities, on 21 November 2010 the Postal Bank Order was approved by the Knesset and came into force on 21 July 2011.
 30. The Order includes the obligation for the Postal Bank to perform *know your customer* procedures for all account owners without threshold limits, and ongoing due diligence with reference to the process of know your customer, as conducted during the establishment of business relations:
"The Postal Bank shall not open an account, without identifying the person who wants to be an account owner and without carrying out a procedure of know your customer ..."
"The Postal Bank shall carry out ongoing due diligence with reference to the process of know your customer 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..."
 31. In addition, the revised Order includes an obligation for the Postal Bank to take CDD measures with regard to occasional costumers below the applicable thresholds in the following articles:
 - *The Postal Bank shall not carry out a transaction which requires a CTR and which is not recorded in an account in which the party performing the transaction is recorded as an account holder or authorized signatory, without recording the identification particulars of the party performing the transaction.*
 - *The Postal Bank shall not carry out a transaction which does not require a CTR and which is not recorded in an account in which the party performing the transaction is recorded as an account holder, authorized signatory, without identifying the party performing the transaction and recording his identification particulars. For this subsection, "transaction" means a transaction in cash involving 10,000 NIS or more, or another transaction involving 75,000 NIS or more.*
 32. From a desk review it appears that steps have been taken by the authorities in order to deal with this deficiency identified in the 3rd round MER. Nonetheless, the CDD measures still do not apply to all types of transactions other than opening an account: cash transactions under 10.000 NIS and other transactions under 75.000 NIS.
 33. Deficiency 4 identified in the MER (*The threshold concerning Insurers and Insurance Agents for identification, not in line with the Methodology*) In the 3rd MER it was mentioned that since the activities of Insurers and Insurance Agents seems not to be occasional, there should not be a threshold for CDD. With respect to the general identification obligation, one threshold existed in the sense that the identification obligations at the time of the deposit applied only to policies in which the annual deposit amounted to NIS 20.000 or more.
 34. Since the evaluation report, the Israeli authorities have taken steps to lower the threshold from 20.000 NIS to 5.000 NIS by drafting amendments to the Insurance order and Provident Funds. However, at the time of the desk analysis, the proposed amendment concerning the lower threshold, met objections and therefore it was decided to remove it in order not to delay the legislation process, and to reconsider the issue at a later stage.
 35. It appears therefore that this recommendation is not implemented yet.

36. Deficiency 5 identified in the MER (*No clear specification on the lower limit of USD 1,000 for CDD measures in occasional wire transfers*) At the time of the on-site visit it seemed that there was some confusion in relation to the threshold for applying CDD measures for occasional wire transfers. A number of legal acts were mentioned in this respect and it appeared that the identification requirement applied differently in different circumstances.
37. At present time, the AML\CFT orders concerning portfolio managers, stock exchange members, and the postal bank, were approved during 2010 in the Knesset Committee. The orders include a limit of 5,000 NIS for CDD measures for occasional wire transfers (except in the Portfolio Managers order, since they do not conduct wire transfers and they do not have occasional customers).
38. A similar article was included in the AML/CFT draft order concerning banking corporations, and according to the Israeli authorities, the draft will be brought soon for the approval of the Constitution, Law and Justice Committee of the Knesset, as the final step of the legislation process.
39. In addition, AML/CFT draft orders concerning insurers and insurance agents, provident funds and companies managing a provident fund, and money service businesses, are fully drafted and will be submitted also for consultation to the Minister of Justice and the Minister of Public Security in order to be approved by the Knesset Committee - The Constitution, Law and Justice Committee.
40. It therefore appears that steps have been taken by the Israeli authorities in order to address the issue which arose in the 3rd round MER. However, some of the legal documents are still drafts and the adoption and implementation is to be assessed during the 4th round evaluation.
41. Deficiency 6 identified in the MER (*No provision in law or regulation in place that requires financial institutions to pursue due diligence if there are doubts about the veracity or adequacy of previously obtained customer identification data except for the portfolio managers*) At the time of the 3rd round MER Banking Order obliged banking corporations to report unusual transactions and several transactions were described as being deemed to be unusual. One of those is declarations that appear to be incorrect. The Israeli authorities maintained that clients in respect of which the verification of data is in doubt, are considered to be high-risk clients. However, the Postal Bank Order, the Stock Exchange Member Order, the Insurer and Insurance Agents Order, the Provident Fund Order and the Money Changer Orders had no similar requirements.
42. According to the Israeli authorities, at present, the orders for Stock Exchange Members, for Portfolio Managers and for the Postal Bank include an obligation to pursue due diligence where the financial institution has doubts regarding the veracity or adequacy of previously obtained customer identification data.
43. A similar article was included in the AML/CFT draft order concerning banking corporations, insurers and insurance agents, provident funds and companies managing a provident fund, and money service businesses.
44. In the light of the new texts provided by the Israeli authorities it seems that the deficiency identified in the MER is in the process of being addressed. Still, the adoption of the draft order and the effectiveness of the new provisions are to be assessed during the 4th mutual evaluation exercise.

45. Deficiency 7 identified in the MER (*The Insurer and Insurance Agent Order and Provident Fund Order provide thresholds above FATF limits for verification*). The situation is the same as for the deficiency number 4 above.
46. Deficiency 8 identified in the MER (*The obligatory verification of beneficial owners or holders of controlling interests is not required by law or regulation*) In the 3rd round MER the assessors noted that under section 4 of the Bank Order, banking corporations have the duty (before opening an account) to receive from the customer a declaration bearing an original signature stating whether he is acting for himself or on behalf of another. If the applicant declares that he is acting on behalf of another, the declaration shall include the name and identity number of the beneficiary of the account. Under section 2 of the Order, banking corporations should record the name and identity number of the beneficiary of the account in accordance with this declaration.
47. Though verification of beneficial owners or holders of controlling interests was not an obligation in 'law or regulation', a certain level of effective implementation in practice by the banking corporations was ascertained by the evaluation team. Nevertheless, concerns had been raised in relation to different concepts of identification and verification in higher risk situations, which were not completely understood and fully reflected in practice.
48. At the time of the desk review, the orders for Stock Exchange Members, for Portfolio Managers and for the Postal Bank include the obligation to take reasonable measures to verify the identity of the beneficial owner using relevant information or data obtained from a reliable source so the financial institution shall be satisfied that it knows who the beneficial owner is.
49. A similar article was included in the AML/CFT draft order concerning banking corporations, insurers and insurance agents, provident funds and companies managing a provident fund, and money service businesses.
50. In conclusion, it appears that steps have been taken in order to comply with the MONEYVAL recommendation, but the Order concerning banking corporations, insurers and insurance agents, provident funds and companies managing a provident fund, and money service businesses is still a draft. The effective implementation of those provisions is to be assessed under the 4th round evaluation.
51. Deficiency 9 identified in the MER (*Concerns regarding the separate concepts of identification and verification in high risk situations*) By the amended Orders for Stock Exchange Members, for Portfolio Managers and for the Postal Bank, an obligation to take CDD measures in higher AML/CFT risk situations was included. The wording from the order to the Postal Bank states:
- "The Postal Bank shall carry out an ongoing monitoring of the transactions of the account owner, including the following:*
- *ensure that the transactions are consistent with the character of the account in accordance with his acquaintance with the client;*
 - *monitoring the transactions and the connections of the account owner against the list of countries and territories specified in the second appendix;*
 - *monitoring the activity in the account of a politically exposed person;"*
52. According to the Israeli authorities, the AML/CFT draft orders concerning money service businesses, insurers and insurance agents, provident funds and companies managing a provident fund, and banking corporations, provide for similar requirements.

53. For example, the order for MSB, includes the following obligation:

"Money Service Business shall carry out an ongoing monitoring of the transactions of the service recipient, including the following:

- *ensure that the transactions are consistent with the character of the service recipient in accordance with his acquaintance with him;*
- *monitoring the transactions and the connections of the service recipient against the list of countries and territories specified in the second appendix;*
- *monitoring the activity of a politically exposed person;"*

54. From a desk review, and without analyzing all the relevant texts dedicated to different categories of reporting entities, it appears that the definitions are similar and that the deficiency has been addressed. However, the adoption of the draft Order and the effective implementation in practice is still to be assessed.

55. Deficiency 10 identified in the MER (*No sufficiently explicit obligation for financial institutions to obtain information on the purpose and the intended nature of the business relationship*). At the present time, the orders for Stock Exchange Members, Portfolio Managers and for the Postal Bank include the obligation to take CDD measures concerning the intended nature of the business relationship, *inter alia*, and the obligation to obtain this information:

"A stock exchange member shall not open an account, without identifying the person who wants to be a client and without carrying out a procedure of know your customer; for this purpose, 'a procedure of know our customer' means ascertaining the source of the money that is supposed to be deposited in the account, his occupation, his public status, the circumstances of opening the account and the planned activity therein and any other detail that is required in order to understand the nature of the transactions of the owner of the account through the stock exchange member; with regard to a foreign resident — also his connection to Israel, and with regard to someone who owns a business — also becoming acquainted with his business, the nature of his customers and suppliers and his financial activity; the stock exchange member shall make records of these details;"

56. A similar obligation is included in the AML/CFT draft orders concerning insurers and insurance agents, provident funds and companies managing a provident fund, and money service businesses, but those modifications are still to be submitted for consultation to the Minister of Justice and the Minister of Public Security in order to be approved by the Knesset Committee.

57. Also, the AML/CFT draft order including a general obligation to carry out know your customer procedures for banking corporations was sent on 18 August 2011 to the Constitution, Law and Justice Committee of the Knesset for its approval, as the final step of the legislative process.

58. From a desk review, it appears that the Israeli authorities have taken steps to address the deficiency identified in the 3rd round MER. However, not all the legal documents mentioned are in force yet.

59. Deficiency 11 identified in the MER (*Requirements for on going due diligence not in place for the financial institutions other than banks, for which they are as "other enforceable means" but not in "law or regulation"*) The orders for Stock Exchange Members, Portfolio Managers and for the Postal Bank include the obligation to take ongoing customer due diligence measures. Taking into consideration that those Orders have been approved by the Knesset Committee, they qualify as "law or regulation".

60. The ongoing due diligence obligation for banking corporations is currently covered in Directive 411 (other enforceable means), and will be additionally covered in the banking corporation order, once it is approved.
61. So it appears that the recommendation noted in the 3rd MER has been addressed with regard to some of the non-banking financial institutions, but the provisions related to banks are still in the Directive 411 and the specific order awaits its approval.
62. Deficiency 12 identified in the MER (*Exemption regarding registering an attorney, rabbinical pleader or accountant as a beneficiary of an account*) At the time of the 3rd round report, section 5 of the Banking Order 5761-2001 determined the events with partial exemption from registering a beneficiary. One of those exemptions is an account which an attorney, a rabbinical pleader, or an accountant wishes to open for his clients, provided that the balance in the account at the end of every business day shall not exceed NIS 300,000 (~69,000\$), and no transaction in the account shall exceed NIS 100,000 (~23,000\$). The opening of such an account is conditional on a declaration bearing an original signature of the applicant who wishes to open an account that this is his only account of this type.
63. The assessors noted that although the risk is minimized due to the thresholds, this exemption raises concerns, particularly as more than one of these accounts may be held with a number of currently unregulated professionals.
64. According to the Israeli authorities, the issue of removing the above mentioned exemption was discussed and examined by Bank of Israel and it was decided not to eliminate it unless the AML/CFT obligations will be imposed to attorneys, accountants and other independent legal professionals.
65. At present the situation has not changed though once AML/CFT obligations are imposed on attorneys and accountants it is considered that the Bank of Israel's decision should be reviewed and the MONEYVAL recommendations should be addressed.
66. Deficiency 13 identified in the MER (*Effectiveness concerns related to the implementation of Recommendation 5 by the Postal Bank, Insurance sector, Provident funds and MSB*) According to Israeli authorities, since the last evaluation report a number of measures have been taken in order to improve effectiveness.
67. The supervisory authorities of the above-mentioned reporting entities have conducted AML/CFT inspections in order to review the implementation of AML\CFT obligations, including of Recommendation 5, especially in respect of identifying higher risk situations. Sanctions have been imposed to MSBs and to Insurance Companies, but not on the other categories of obligors (Postal Bank and Provident funds).
68. In addition, it was mentioned that the Ministry of Finance, IMPA and the supervisor of the Postal Bank are conducting trainings with regard to AML\CFT obligations, including Recommendation 5, typologies and sanitized cases.
69. In addition, the supervisor of the Postal Bank undertakes regular meetings with the Postal Bank management, compliance officer and with the employees which are responsible for AML/CFT issues, in order to increase awareness with respect to AML/CFT. Furthermore, during 2008-2011 the supervisor of the Postal Bank issued to the Postal Bank various directives concerning AML/CFT issues.

70. Since the last evaluation report, IMPA, in cooperation with the Ministry of Finance, issued guidelines and instruction booklets to MSBs and to insurers and insurance agencies, concerning AML\CFT issues. The booklet for insurance agencies was published on 26 August 2009. The booklet for MSBs was published on September 2009, and the booklet for stock exchange members and Portfolio managers was published on May 2011.
71. Turning to effectiveness, it was stated in the replies to the questionnaire that the supervisors of the Postal Bank, Insurance sector, Provident funds and MSB have conducted regularly AML\CFT inspections in order to review the implementation of AML\CFT obligations, including CDD. Sanctions have been imposed on MSB's and Insurance Companies (decision yet to be published). From the statistics provided, it resulted that the supervisor of Insurance Companies and Provident Funds conducted only 2 inspections from 2009 to 2011. Following the inspections carried out to review the implementation of CDD obligations, the supervisor for the Postal Bank applied to the head of the sanctions committee in a request to impose sanctions on the Postal Bank for violation of its obligations under the AML\CFT order.
72. In conclusion, from a desk review, it appears that the Israeli authorities have taken significant steps to address the deficiency. The effectiveness is to be fully assessed during the 4th round mutual evaluation exercise.

Recommendation 10 - Record Keeping (rated PC in the MER)

73. Deficiency 1 identified in the MER (*Thresholds for retaining of the documentation should be removed*) According to the Israeli authorities, at present, by the amended orders for Stock Exchange, Portfolio Managers and for banking corporations, all thresholds for retaining of the documentation were removed. Therefore, the above mentioned financial institutions shall maintain all necessary records on transactions for a period of seven years.
74. However, the Post Bank is still applying thresholds for keeping documentation to those in respect of the reported transactions and for every transaction above 10,000NIS. In the draft order for money service businesses, the record keeping obligation is provided for all reported transactions and for every transaction above 5,000 NIS. Also, the threshold is kept for insurers and insurance agents, provident funds and companies managing provident funds.
75. From a desk review it appears that the authorities have taken some further measures to improve the record keeping system in Israel. However, at present, some thresholds remain for the Post Bank, insurers, MSBs, provident funds and companies managing provident funds.
76. Deficiency 2 identified in the MER (*No requirement to keep all the documents recording the details of all transactions carried out by the client in the course of an established business relationship*). At the time of the second progress report, the AML\CFT new orders for Stock Exchange Members and for Portfolio Managers provided the obligation to maintain the documents containing the instruction to carry out any transaction, for a period of at least seven years from the date of recording the transaction in the books of the financial institution
77. A similar obligation is included in the draft order for banking corporations.
78. In the Postal Bank Order, there is an obligation to retain documents containing the instruction to carry out transactions above 10,000 NIS. A similar obligation is provided in the order for insurers and insurance agents, provident funds and companies managing a provident fund. In the draft order

for money service businesses there is an obligation to retain documents containing the instruction to carry out transactions above 5,000 NIS.

79. Hence, it appears that the Israeli authorities have taken steps towards meeting the MONEYVAL recommendation, firstly by adopting the obligation to maintain documents on the instructions to carry out any transactions for a period of seven years for Stock Exchange Members and for Portfolio Managers, and secondly, by drafting new provisions on record keeping, applicable to banking corporations, Postal Bank, insurers and insurance agents, provident funds and companies managing a provident fund and for money service businesses. However, the latest provisions are not in force yet and thresholds are still applicable.
80. The deficiency has been only partially addressed.
81. Deficiency 3 identified in the MER (No general requirement to retain documentation longer than 5 years where requested by a competent authority). At the time of the first progress report it was indicated by the Israeli authorities that the Ministry of Justice objected to the implementation of the recommendation for protection of privacy reasons.
82. Currently, it was stated that the orders for stock exchange members and for portfolio managers provide a requirement to retain documentation longer than 7 years where requested by the supervisor. A similar obligation is included in the draft orders for insurers and insurance agents, provident funds and companies managing provident funds, and banking corporations.
83. It therefore appears that some initiatives had been taken in order to address the deficiency, but the provisions for most of the financial obligors are still in a draft form and not all the financial institutions are targeted by those drafts.
84. The Israeli authorities need to address this recommendation further.
85. Deficiency 4 identified in the MER (The Decree on Post Bank not in Law or regulation). According to the information provided in the second progress report, on 21 November 2010 The Knesset Committee approved the Postal Bank Order.
86. From a desk review it seems that this deficiency has been addressed. The effective implementation and the full provisions of the Order concerning Recommendation 10 is to be determined during the 4th round evaluation mission.

Recommendation 13 – Suspicious transaction reporting (rated LC in the MER)

87. Deficiency 1 identified in the MER (Thresholds in some of the orders may send the wrong signals that only the transactions above should be reported). According to the Israeli authorities all thresholds for reporting the unusual activity have been removed.
88. However, there were concerns of the assessors in the 3rd round mutual evaluation report with regard to the effectiveness of the reporting system given that the different thresholds might create confusion among reporting entities, even if the thresholds did not apply to unusual transactions as such.
89. It therefore appears that the recommendation is implemented by the Israeli authorities, the effectiveness remaining to be determined at the 4th round evaluation.

90. Deficiency 2 identified in the MER (*Review level of reporting from non bank financial institutions and undertake outreach as necessary*). An analysis of the statistics put forward by the Israeli authorities shows that the number of unusual transaction reports submitted by non banking financial institutions has increased from more than 1000 in 2007 to over 5000 in 2011
91. In addition, a number of measures have been taken in order to improve the level and the quality of the reports submitted by the non banking financial institutions:
- Correspondence regarding the quality of the financial institutions' reports submitted to the FIU. In some cases, IMPA chose to address the letter not only to the financial institution, but also to the applicable supervisor, in order to inform it of acute or repeated flaws, severe violations of the procedural regulations or violations of IMPA's reporting guidance. In certain cases, the letters include IMPA's recommendation to consider further actions, such as inspections and sanction committees;
 - Training events and feedback meetings organized with reporting institutions;
 - Additional training activity conducted by IMPA corporately with the supervisors, consisting in editing and disseminating AML/CFT guidance and information booklets;
 - Project for Improving the quality of the UAR;
 - Project targeted on providing a quality feedback to the reporting institutions, regarding the contribution of their UARs to IMPA with regard to unconcealed cases. The feedback will refer to cases, in which money laundering or terror financing offences were investigated by Israeli law enforcement authorities, and where the judicial process has ended or is in its final stages.
92. From a desk review it seems that the Israeli authorities have addressed the deficiency identified in the 3rd round MER.
93. Deficiency 3 identified in the MER (*Review the overall effectiveness in relation to the timeliness of the reporting system generally*). Following the MONEYVAL recommendation the Israeli authorities have taken significant measures to improve the timelines of the reporting system.
94. On 24 January 2010, the Bank of Israel amended Directive 411 to clarify that reporting on irregular activity shall take place as promptly as possible under the circumstances of the case. In the event of special circumstances, an unavoidable delay, or a delay that the banking corporation considers justified, the banking corporation shall document the reasons for said delay.
95. In addition, financial sanctions were imposed on financial institutions that submitted their reports to IMPA with substantial delays.
96. According to the data provided in the second progress report, the delay in submitting UARs diminished from eighteen days in January 2008 to two days in July 2009 and the delay for submitting CTRs decreased from eight days in January 2008 to less than one day in July 2009. The delay for receiving and procession UARs varies between eight and six days in 2011.
97. Taking into consideration the analysis provided, it appears that the Israeli authorities have taken important steps in addressing the deficiency identified in the 3rd round MER. The overall effectiveness of the improved system is considered as demonstrated.

Special Recommendation IV– Suspicious transaction reporting related to terrorism (rated LC in the MER)

98. Deficiency 1 identified in the MER (*Ensure all related information (in financial institutions other than banking corporations) is covered by the tipping off provisions*). At the time of the first progress report it was stated that the amended orders for non-banking financial institutions include similar tipping off provision as in the banking order. Section 12 in the banking order states:

“Disclosure of the formulation, existence, nonexistence or contents of a report pursuant to section 9, and of the existence of a complementary report pursuant to section 31 of the Law, the existence of a request for the said report or the contents on one of these, and allowing the inspection of documents attesting to a report as aforesaid is prohibited, except to someone duly authorized to be privy to such information for purposes of fulfilling his function in the banking corporation, the supervisor or someone he authorized, the competent authority or pursuant to a court order.”

99. Moreover, the orders for Stock Exchange Members, for Portfolio Managers and for the Postal Bank were amended to include tipping off provision that covers all related information.
100. Similar article is included in the draft orders for money service businesses, insurers and insurance agents, provident funds and companies managing a provident fund.
101. It therefore appears that significant steps have been taken by the authorities to address the deficiency related to tipping off provisions. However, the orders dedicated to a series of non-banking financial institutions concerning the tipping off provision on all related information, are still in a draft form. Effectiveness is to be assessed on the 4th round evaluation exercise.
102. Deficiency 2 identified in the MER (*Delete s.10 (b) PTFL to avoid any confusion as to the mandatory nature of STR reporting on FT to the FIU, as provided for in s.48 PTFL*). According to the information submitted in the second progress report, on 22 March 2011 the draft bill for the Prohibition of Money Laundering Law was approved by the Ministerial Committee for Legislation and Law Enforcement, as part of the legislative process. At the next stage of the legislative process, the draft bill will be brought for the approval of the Knesset. According to the draft bill, section 10(b) to the PTFL will be removed and replaced with a provision which clarifies that the obligation to report to the Israel Police is not a substitute for the obligation to report to IMPA, in accordance with section 7 to the PMLL.
103. It therefore appears that some action has been taken to address the deficiency. However, the above mentioned Law is not in force yet.
104. Deficiency 3 identified in the MER (*Ensure attempted FT transactions are explicitly covered*). As indicated by the Israeli authorities, the orders for Stock Exchange Members, for Portfolio Managers and for the Postal Bank now include explicit obligations to report all attempted unusual transaction
105. A similar obligation is included in the draft orders for banking corporations, money service businesses, insurers and insurance agents, provident funds and companies managing a provident fund.
106. The deficiency has been addressed by the authorities, but up to now, not all the provisions related to attempted transaction reporting are in force.

107. Deficiency 4 identified in the MER (*Ensure removal of thresholds from the (relevant) Orders covering SRIV reporting*). According to Israeli authorities, all thresholds for unusual activity reporting were removed from all AML/CFT orders.
108. It therefore appears that the recommendation is fully implemented by the Israeli authorities, though the effectiveness remains to be determined in the 4th round evaluation.

1.3. Main conclusions

109. The report on the Core recommendations shows that numerous developments have occurred which address major issues raised by the evaluators. The AML Law has been amended in order to fully cover the offences listed in the Glossary to the FATF Recommendations (environmental crimes and piracy are now expressly mentioned as predicates).
110. The Customer Due Diligence system was improved by imposing stricter obligations on the financial institutions CDD requirements. Currently all financial institutions have the legal obligation to perform *know your customer* (KYC) procedures for all account owners without threshold limits, and on-going due diligence with reference to the KYC process. However, the thresholds for the insurance sector remain in place and not all provisions relating to CDD measures are in force yet.
111. The effectiveness of the reporting system has been improved and it appears that the FIU is actively involved in awareness-raising and training activities.
112. Regarding SRIV, progress had been made in relation to the tipping off provisions and now the orders for Stock Exchange Members, for Portfolio Managers and for the Postal Bank have been amended to include a tipping off provision that covers all related information. Orders dedicated to a series of non-banking financial institutions include a tipping off provision on all related information, but are still in draft form.
113. There is a welcome progress on the obligation to report the attempted transactions, which is now explicitly mentioned in the orders for Stock Exchange Members, for Portfolio Managers and for the Postal Bank. Similar obligation is included in the draft orders for banking corporations, money service businesses, insurers and insurance agents, provident funds and companies managing a provident fund.
114. Overall there is a clear process in train to address most of the recommendations in the 3rd round report. The thresholds in the criminal legislation should still be removed in a timely fashion. The inconsistent thresholds in the preventive measures are being addressed.
115. As a result of the discussions held in the context of the examination of the second progress report, the Plenary was satisfied with the information provided and the progress being undertaken and thus approved the progress report and the analysis of the progress on the core Recommendations. Pursuant to Rule 41 of the Rules of procedure, the progress report will be subject of an update every two years between evaluation visits, though the Plenary may decide to fix an earlier date at which an update should be presented.

The MONEYVAL Secretariat

2. General overview of the current situation and the developments since the last evaluation relevant in the AML/CFT field

2.1. Position at date of first progress report (September 2009)

Since the adoption of the assessment report at the MONEYVAL 27th plenary meeting, on 9 July 2008, significant developments have taken place in Israel in connection with the prevention of money laundering and the fight against terrorist financing (AML/CFT).

The regime in Israel for combating money laundering and terrorist financing is constantly being examined, reviewed and updated, in order to provide answers to new problems and to the growing sophistication of criminals.

The implementation of MONEYVAL's recommendations on AML/CFT matters has also initiated extensive legislative modifications.

During 2007-2009, additional measures were taken to combat money laundering and terrorist financing and important accomplishments have been achieved. In particular, the following should be noted:

A. Legal

On 12 July 2009 the draft bill for the Prohibition of Money Laundering Law (Amendment No. 7 published on 11 July 2007 and has passed the first reading in the Knesset) was brought again before the Ministerial Committee for Legislation and Law Enforcement for their approval of continuity of the legislation process. After the recent approval of that Committee, the Bill was brought again before the Knesset Plenary, which also approved the continuity of the legislation process. Once the continuity has been approved by the Knesset, the Bill was sent to the Constitution, Law and Justice Committee of the Knesset, in order to go through second and third readings, as part of the formal legislation process. The bill needed to undergo this additional procedure due to the election of a new Knesset after the elections (the 18th Knesset). During the past year, the Ministry of Justice examined along with other relevant authorities, the Moneyval's recommendations, and on 12 August 2009 the Minister of justice submitted to the approval of the Constitution, Law and Justice Committee of the Knesset an amendment to the International Legal Assistance Law 1998 that includes additional predicate offences to this law. This amendment will enable the enforcement of foreign forfeiture orders in Israel according to requests of another state on one hand, and the enforcement of forfeiture orders according to requests on behalf of the state of Israel on the other hand. This amendment will improve the international cooperation in respect of effectiveness in providing mutual legal assistance by foreign countries related to freezing, seizure and confiscation of instruments and proceeds of crime, in accordance with Recommendation 38.

Furthermore, on 31 August 2009 the Minister of Justice signed the order that includes piracy and environmental crimes as predicate offences. The order awaits for approval in the Knesset Committee - The Constitution, Law and Justice Committee.

In addition, on 24 September 2009 a draft bill for the Prohibition of Money Laundering Law (Amendment No. 8) was published. The draft bill includes the following amendments:

- (a) The threshold under Article 4 was reduced to approximately \$10,000, the differentiation of assets was removed and the "willful blindness" exemption was removed.
- (b) Including all negotiable instruments for cross-border declaration.
- (c) Removing section 10(b) to the Prohibition of Financing Terror Law (hereinafter – the PTFL) and replace it with a provision which clarifies that the obligation to report to the IP does not substitute the obligation to report to the Israeli Money Laundering and

Financing Terror Prohibition Authority (hereinafter – IMPA) in accordance with section 7 to the PMLL.

A draft amendment concerning the application of AML/CFT obligations on DNFBP's has been formulated in the ministry of justice and will be brought soon before the attorney general for consideration.

A Governmental Bill on confiscation is being drafted - The Ministry of Justice established a working group and appointed an outsourcing professional skilled lawyer (Adv. Dror Shtrum) to formulate a governmental bill on confiscation (inspired by the principles of the UK's Proceeds of Crime Act 2002 additionally to civil recovery provisions). An initial draft bill was recently published among relevant authorities for their reply, and extensive discussions in this matter are being held.

B. Financial

- During 2009 an AML/CFT Regulators Forum was established. The Forum constitutes representatives of the supervisors, IMPA, and as needed, of the Israeli Police (hereinafter – the IP) and of the prosecution authorities. The first meeting took place on 20 January 2009 and the second meeting on 26 July 2009. The Forum meetings intend to ensure that AML\CFT issues are consistently implemented across the whole financial sector.
- The AML\CFT orders concerning banking corporations, portfolio managers, stock exchange members, insurers and insurance agents, provident funds and companies managing a provident fund, money service businesses and the postal bank, are being amended to cover Moneyval's recommendations (hereinafter – the amended orders)². During July 2009, the amended postal bank order was signed by the Minister of Communication and is scheduled to be approved in the next month in the Knesset Committee - The Constitution, Law and Justice Committee. The amended portfolio managers' order and the stock exchange members order are fully drafted and will be submitted soon for consultation to the Minister of Justice and the Minister of Public Security. The amended orders for banking corporations, insurers and insurance agents, provident funds and companies managing a provident fund and money service businesses are drafted and are currently being discussed among relevant authorities.
- Supervisors continue conducting inspections and sanctions committees to ensure full compliance of financial institutions with the AML\CFT regime.

C. Law enforcement

- The Israeli enforcement and prosecution authorities have further enhanced their proactive approach, achieving outstanding progress in the investigation and prosecution of money laundering and terrorist financing offences.
- Israeli law enforcement authorities seized and confiscated substantial amounts in suspected criminal assets and property connected with money laundering and terrorist financing offenses.
- IMPA and the Israeli Tax Authority (the Customs) cooperated in law enforcement operations concerning cross border transactions.
- In 2008, Israel finished implementing all but one mandate of Cabinet Decision 4618, passed on 1 January 2006. Yet to be established is an academy for interdisciplinary enforcement studies; however, an interagency “fusion center” and the interagency task forces for pursuing financial crimes are now fully operational, as specified herein force:
The task forces: Each task force is an investigative unit, operating against a defined crime organizations or a defined criminal phenomenon. It was determined, that 6 task forces will be established, combining representatives of the Israeli police, tax authority and the prosecution aided by IMPA. So far, 5 Task forces have been established and are fully operational.

In order to determine the functions, work process and establishing of the task force, the tax authority, IP and IMPA set "work conduct- task force" procedures.

The task force functions include, inter alia, mapping and evidence collection regarding criminal organizations' structure and membership, underlying criminal activity, illicit assets, as well as money laundering mechanisms. Task Force operations are directed at forfeiting the economic infrastructure of the criminal organization and prosecuting leading members- utilizing predicate and fiscal statutes, the money laundering prohibition law, the anti-organized crime law. Where task forces find financial institutions to be in breach of their obligations under the PMLL and AML/CFT, the information is passed on to the relevant regulators for administrative enforcement action.

The "fusion center": The fusion center is staffed by 4 police officers, 3 Tax Authority agents and 2 researchers from IMPA; each worker in the fusion center has on-site access to his parent agencies databases. The Israel Securities and Exchange Authority also maintain databases in the fusion center and, as needed (and no less than once a week), participates in fusion center activity.

The mission of the fusion center is to generate an integrated analytical product regarding criminal enterprises, by means of cross-referencing and assimilating all pertinent information maintained by the participant agencies, employing the variant expertise offered by each agency.

The fusion center operates in accordance with manual work-plan, and each product is reviewed and approved for dissemination.

- During the last year IMPA has revised its priority regarding the financial institutions' reports, channeling its resources into two main goals: improving and ensuring the quality of the Unusual Activity Reports (hereinafter – UARs) reported by the large scale sectors on one hand, and increasing the quantity of UARs reported by the other sectors, on the other hand. In these respects, IMPA has taken significant measures in order to improve level of reporting, the quality of UARs, and the effectiveness in relation to the timeliness of the reporting system and awareness-raising. Following are several of these measures:

1. Correspondence regarding the quality of the financial institutions reports to IMPA: In order to improve the quality of reports to IMPA, letters were sent to inform financial institutions, of flaws, shortage, and other elements reflected from their reports, which influence the quality of IMPA's database. In certain cases the letter includes IMPA's recommendation to the supervisor to consider further action such as inspections and sanction committees.

2. Training events and feedback meetings among the reporting institutions: Advanced studies, conferences, training session and feedback meetings, are some of the tools used to educate and increase the awareness in respect of AML/CFT, among the financial institutions and the supervisors. The events are mostly initiated by IMPA and are corporately conducted with the supervisor. IMPA's employees experience shows that these meetings, which are based on personal work relationships, are efficient.

3. Additional training activity: Additional training activity conducted by IMPA corporately with the supervisors, consist of editing and dissemination of AML/CFT guidance and information booklets. During the year 2009, two booklets were issued in cooperation with the ministry of finance - for the Money Services Businesses (hereinafter – MSBs) sector and for the Insurance companies and Insurance agents (the booklet for insurance agencies was published on 26 August 2009, and the booklet for MSBs will be published on September 2009). Moreover, according to IMPA's 2009 annual work-plan, two additional booklets are planned - The first, for the Members of the stock exchange and Portfolio managers; the second for the Banking corporations and the postal bank. Each booklet is adjusted to the unique element of the reporting sector and its skills.

In addition, IMPA also publishes AML\CFT guidelines, news, legal information, typologies and other relevant information on its website. In addition, IMPA publishes on its website a triennial newsletter regarding AML\CFT issues. The newsletter is distributed by email to law enforcement

authorities, to the supervisors and to compliance officers of financial institutions.

4. Improving the timeliness of reports received and their input: IMPA instructed the financial institutions regarding the timetable of the reports (CTR – Once a week/month, UAR – Immediate). In-house, IMPA operates an outsourcing Input-Center, which is in charge of entering data and incoming reports into IMPA's data base, according to a strict service level agreement (SLA). Defining a strict, realistic and short timetable of reporting obligations and entrance of the data into the FIU's data base ensure the effectiveness of the entire operation. Within this framework, IMPA observed an improvement in the timeliness of reports during the past 18 month.

5. Improving the quality of the UAR project: This project comes to serve both the need that derives from IMPA to measure the quality of the UARs and defines ways of action to improve their quality, and the need that derives from financial institutions, to receive a feedback on their UARs, subjected to the limitations by law.

We assume that preliminary products of this project will be available by the end of the year 2009.

6. Additional projects relating to the effectiveness of the timeliness, planned to be implement according to IMPA's 2009 annual work-plan:

(a) Computerization of customs reports.

(b) Receiving on line reports using a governmental set of encrypted vaults.

(c) Examination of an automatic solution replacing manual actions regarding transferring files between networks.

2.2. *New developments since the adoption of the first progress report*

Since the adoption of Israel's first progress report at the MONEYVAL 30th Plenary Meeting (Strasbourg, 23 September 2009), significant developments have taken place in Israel in connection with the prevention of money laundering and the combat against terrorist financing (AML/CFT).

During 2009-2011, additional measures were taken to combat money laundering and terrorist financing and important accomplishments have been achieved. In particular, the following should be noted:

A. Legal

- During the past year, the proposed bill for the Prohibition of Money Laundering Law (Amendment No. 7, published on 11 July 2007) was thoroughly discussed at the Constitution, Law and Justice Committee of the Knesset, in order to prepare it to go through second and third readings, as part of the formal legislation process (in the period since the first discussion in the Knesset at 11/1/2010 until the last discussion at 22/2/2011, there were 13 discussions concerning the proposed bill in the Knesset).
- On 18 October 2010 the Constitution, Law and Justice Committee of the Knesset approved the amendment to the International Legal Assistance Law of 1998 that includes additional predicate offences to this law, beyond the requirement of international standards (all predicate offences according to the PMLL were added, with emphasis to fraud and breach of trust offences). This amendment enables the enforcement of foreign forfeiture orders in Israel according to requests of another state on one hand, and the enforcement of forfeiture orders according to requests on behalf of the state of Israel on the other hand. This amendment improves the international cooperation in respect of effectiveness in providing mutual legal assistance by foreign countries related to freezing, seizure and confiscation of instruments and proceeds of crime, in accordance with

Recommendation 38.

- Furthermore, on 14 January, 2010 piracy and environmental crimes were included as predicate offences, as specified hereinafter:
 - (1) a crime of piracy pursuant to section 169 of the Penal Law 5737-1977.
 - (2) crimes of using real estate without a permit or in breach of a permit, pursuant to section 204 of the Planning and Construction Law, 1965, or a crime pursuant to section 14 to the Business License Law, 1968, all concerning to locations for disposal of garbage, to the collection and transferring garbage for adaptation, utilization and recycling of garbage, or concerning gas stations, gas to fuelling of fuel, gas to handling of fuel, gas to the storage of fuel, gas to parking tankers of fuel, gas to the sale of fuel and gas to fuel terminals, to the filling of gas tankers and to gas distribution; in addition, a crime pursuant to section 111 to the Mines Ordinance, concerning mining of sand.

Consequently, the recommendation of Moneyval's report concerning recommendation 1 is fully accomplished.

- In addition, on 22 March 2011 the draft bill for the Prohibition of Money Laundering Law (Amendment No. 8) was approved by the Ministerial Committee for Legislation and Law Enforcement as part of the legislation process. At the next stage of the legislation process, the draft bill will be brought for the approval of the Knesset. The draft bill includes the following amendments:

1. As of today, Article 4 of the PMLL applies criminal liability on a person performing any transaction of property, knowing (for the purposes of this section, "knowing" does not include 'willful blindness') that it is prohibited property, and that such property is:
 - (a) Monies in excess of the amount of 500,000 NIS, whether within a single property transaction or a several property transactions, together totaling the aforesaid amount, within a period of three months. or –
 - (b) Categories of property (objects d'art; ritual objects and Judaica; means of transportation, including vessels and aircraft; precious stones and precious metals; securities; real estate; antiquities; carpets) provided that the value of the property is 150,000 NIS or more, whether in a single property transaction or several property transactions, together totaling the aforesaid amount, within a period of three months.

Following the recommendation of Moneyval's report, in the above mentioned Amendment No. 8 to the PMLL it is proposed that the threshold under Article 4 will be reduced to approximately \$10,000, the differentiation of assets will be removed and the "willful blindness" exemption will be removed.

2. Including all negotiable instruments for cross-border declaration.
 3. Replacing Section 10(b) to the Prohibition of Financing Terror Law (hereinafter – the PFTL) with a provision which clarifies that the obligation to report to the IP does not substitute the obligation to report to the Israeli Money Laundering and Financing Terror Prohibition Authority (hereinafter – IMPA) in accordance with section 7 to the PMLL.
- In addition, the Minister of Finance is applying these days for the approval of the Constitution, Law and Justice Committee of the Knesset, of an order to amend the forth annex to the PMLL, so that the threshold for cross border reporting obligation will be reduced to 50,000 NIS (approximately 10,000 €).
 - A draft bill concerning the application of AML/CFT obligations on DNFBP's was approved on 20 November 2011 by the Ministerial Committee for Legislation and Law Enforcement. Currently, there are two weeks in which one can appeal against the proposed bill, following the approval of the Knesset is needed, as part of the legislation process. As the last step before approving the bill, the draft bill will be formally introduced to the Constitution, Law and Justice Committee of the

Knesset for review and examination.

- A Governmental draft bill on confiscation has been drafted (inspired by the principles of the UK's Proceeds of Crime Act 2002 additionally to civil recovery provisions). The draft bill will soon be published to enable consultation and pre-legislative scrutiny.
- An amendment to the Dangerous Drugs Regulations (management of the confiscation fund) was published on 14 July 2011. Until the issue of the amendment, the regulations applied only to property confiscated according to the dangerous drugs order, while property that was confiscated according to the PMLL and administrative sanction imposed by the sanctions committees were regulated by means of procedure between the authorities. The amendment determines the establishment of a committee that will guide the activity of the PMLL confiscation fund, separately from the dangerous drugs confiscation fund. Likewise, the regulations determine, inter alia, the ways of treatment in confiscated property by the management of the confiscation fund, ways of treatment in property value that was deposited in the funds, and the functions of the administrator general, with regard to the property value that was deposited in the fund.

B. Financial

- The AML/CFT Regulators Forum that was established during 2009 continues its activity in order to ensure that AML\CFT issues are consistently implemented across the whole financial sector. During 2009-2011 there were 5 meetings, in which, different issues were discussed, as specified herein:

Meeting of July 2009: Reviewing the procedure of inspections performed by outsourcing; Reviewing additional measures required in view of the submission of Moneyval's first progress report.

Meeting of March 2010: The distribution of confidential information from IMPA to the sanction committee; The contribution of financial institutions to prevent illegal Internet gambling.

Meeting of July 2010: Reviewing AML/CFT relevant judgments; The publication of the sanction committees' decisions.

Meeting of January 2011: Reviewing AML/CFT legislation amendments; An update of the struggle against illegal Internet gambling.

Meeting of September 2011: Reviewing the inspection procedure taken by each supervisor; Reviewing judgments in cases of appeals over the decisions of sanctions committees; An update of the steps taken by the state of Israel in the battle against Iran's nuclear program and related programs; Preparations to Moneyval's second progress report.

As a result of the discussions at the forum, all of the sanctions committees' decisions are being published and are available online.

In addition, as part of its activity, the forum is currently examining the possibility of signing a memorandum of understanding between regulators in order to increase cooperation and improve the enforcement. A preliminary draft of this document was distributed to the regulators for comments.

- On 24 January 2010, the Bank of Israel amended Directive 411 concerning different issues in accordance with the recommendations, herein:
 - Applying the Directive on subsidiaries and branches of banking corporation outside Israel.
 - Applying an obligation that a banking corporation's policy in regard to the prevention of money laundering and financing of terrorism shall make reference to the bank's ability to scan and detect transactions that may be associated with terrorism financing and to the way the lists of terror organizations and activists as have been declared by other parties (e.g., the UN and the United States Government - OFAC).
 - Applying additional detailed Know Your Customer procedures.
 - Applying additional obligations with regard to the officer in charge of obligations under the PMLL.
 - Applying obligations concerning internal audit relationship with the officer in charge of

obligations under the PMLL.

- Applying additional obligations concerning PEPs.
 - Decisions on the conduct of new correspondent relations shall be made by a senior executive.
 - In training, special attention shall be devoted to all provisions relating to the prevention of money laundering and financing of terrorism and, in particular, to requirements concerning the reportage of irregular transactions. The banking corporation shall take such actions as are needed to assimilate the knowledge.
 - A banking corporation shall establish procedures assuring the maintenance of high standards for the hiring of new staff commensurate with the nature of the job.
 - Include additional obligation for banking corporation to examine the background and purpose of irregular activity in accounts and examine whether said activity constitutes activity that entails reporting under Section 9 of the banking order.
 - Clarifying that reporting on irregular activity under Section 9 of the Order shall take place as promptly as possible under the circumstances of the case. In the event of special circumstances, an unavoidable delay, or a delay that the banking corporation considers justified, the banking corporation shall document the reasons for said delay.
- In addition, on 12 January 2011, Directive 411 was amended to include obligation to perform management of risk related to illegal transactions by means of credit cards. For this purpose, "Risk-intensive industries" refers to - gambling, pornography, and the sale of a "curative drug," "toxin," "medical toxin," and "preparation" in the sense of these terms in the Pharmacists Order, and any other field that the board of directors defines as risk-intensive.
 - The Knesset Committee - The Constitution, Law and Justice Committee approved the AML\CFT orders concerning portfolio managers and stock exchange members on 7 June 2010, and the postal bank order on 21 November 2010. The orders were amended to cover all Moneyval's recommendations.

In addition, the AML/CFT draft order concerning banking corporations was sent on 18 August 2011 to the Constitution, Law and Justice Committee of the Knesset for its approval, as the final step of the legislation process. The first discussion took place on 6 November 2011.

The AML/CFT draft order concerning insurers and insurance agents, provident funds and companies managing a provident fund, and providers of currency are fully drafted and will be submitted soon for consultation to the Minister of Justice and the Minister of Public Security in order to be approved by the Knesset Committee - The Constitution, Law and Justice Committee.

- Supervisors continue conducting inspections and holding sanctions committees to ensure full compliance of financial institutions with the AML\CFT regime.
- During 2009-2011, the ISA conducted 25 inspections and held 4 sanction committees concerning stock exchange members and portfolio managers; the Ministry of Finance conducted 75 inspections and held 30 sanction committees concerning money services businesses and 3 inspections concerning Insurance Companies and Provident Funds; the Bank of Israel conducted 9 inspections and held 3 sanction committees; and the customs conducted 105 inspections and held 104 sanction committees.
- Administrative Sanctions Facilitation inter-ministerial Forum: The Israeli law provides the authority to various government departments to lay administrative sanctions in respect of violations of criminal laws. Israeli Law Enforcement and regulators have realized that in order to make this measure effective both as a punitive tool and more than that as deterrence there is a need for streamlining the procedures and to review periodically its effectiveness. Furthermore, as the offenders on whom such sanctions were imposed have appealed to competent courts – some judicial reviews and criticism needed to be studied and responded to in future procedures of the sanctions committees.

During 2010 an inter-ministerial forum has been formed, comprised by the regulators and law

enforcement agencies which are empowered to lay administrative sanctions. The forum is discussing case studies and issues arising in the course of implementation of the sanctions tools. The forum includes units such as Antitrust Authority, IMPA, The Bank of Israel, The Securities Authority, The Customs, The Tax Authority, The Trade and Industry Ministry, The Transport and Road Safety Ministry, The Environmental Protection Ministry, The Israeli Law Information and Technology Authority, The Communication Ministry and The Ministry of Defense.

The forum has a business agenda planned annually in advance and convenes once a month approximately. The topics discussed are of general interest such as:

- The relations between administrative sanction and criminal charge.
- Offences of non-compliance with due diligence liability and financial sanctions imposed in their respect.
- The need for equality in laying sanctions in enforcement policy and the appeals on the basis of inequality of penalization.
- Appeal of a decision to lay sanctions or petition against the sanction.
- Case studies of processes in Customs, Money Laundering, Non-Compliance with legal liabilities.

During 2010 and early 2011 the forum has contributed and improved the procedural and legal work of the sanctions committees.

C. Law enforcement

- The Israeli enforcement and prosecution authorities have further enhanced their proactive approach, achieving progress in the investigation and prosecution of money laundering and terrorist financing offences.
- Israeli law enforcement authorities seized and confiscated substantial amounts in suspected criminal assets and property connected with money laundering and terrorist financing offenses.
- The state attorney's office has set the goal of enhancing the effectiveness of financial enforcement as one of its main strategic goals for the years 2009-2011 and beyond.

More specifically detailed work plans were put in place specifying the steps to be taken in combating money laundering of organized crime and enhancing the effectiveness of law enforcement agencies with regard to confiscation and forfeiture.

Among these steps included in the state attorney's annual work plan are the following noteworthy steps:

1. The establishment (November 2009) of a new senior position – Deputy state attorney (financial enforcement) who is in charge of leading and coordinating the steps taken in this regard. One of his main tasks is to increase the number of indictments and convictions of organized crime offences and of related financial offences such as money laundering, and to significantly increase the amount of money and property that are being confiscated and forfeited.
2. The designation of cases in each district attorney's work plan targeted as potentially including money laundering indictment, confiscation and forfeiture component. These prosecutor lead investigations have defined goals with measurable outcomes, are under special scrutiny and over sited by the state attorney who is personally involved in the monitoring and follow up of these work plans.
3. Task forces - Israel is implementing all mandate of Cabinet Decision 4618, passed on 1 January 2006. The interagency “fusion center” and the interagency task forces for pursuing financial crimes are now fully operational. During 2009 - 2011 the fusion center distributed 8 reports for investigation by the IP, containing integrated information from IMPA, the IP and the Israeli Tax Authority. Furthermore, 6 task forces are fully operational and engaged in different topics, for example: professional money launderers, gambling, criminal organizations etc. In addition, on July 2010 the academy for interdisciplinary enforcement studies was established, and

representatives from all authorities that engage with AML/CFT issues participated in the seminars (which include practical practice, inter alia, with regard to confiscation). Additional training concerning financial enforcement and confiscation issues are provided continuously by the 'In-Service Training Faculty for Lawyers' and in the frame of confiscation seminars being held for attorneys from each district attorney. In addition, the Basel institute held in Israel an international confiscation seminar in November 2011 for representatives from all authorities that engage with confiscation issues.

4. Forfeiture and confiscation Forum: A permanent forum on the subject of Forfeiture and confiscation has been established with the following main goals:

- (a) Gathering data on temporary and final confiscations.
- (b) Creating a mechanism for assisting and guiding prosecutors with questions arising regarding the confiscation procedure.
- (c) Identifying confiscation cases and drawing lessons and best practices.
- (d) Developing a model for financial investigation including in respect of the role of the prosecutor who accompanies and supports this investigation.
- (e) Establishment of a portal in which there will be information concerning financial enforcement and confiscation (case law, directives, decisions).
- (f) Taking part in the enactment process of the new confiscation law.
- (g) Giving assistance in dealing with issues of property management.

The forum is lead by the Deputy State Attorney (Financial Enforcement) and is composed of a professional team of prosecutors (a representative from each district in the state attorney's office) the National Confiscation Officer of the Israeli police, representatives from the Administrator General (the Director of Property Management Unit), a representative from the legislation department at the Ministry of Justice, a representative from IMPA and a representative from the Tax Authority.

The forum is operative since May 2010 and meets regularly on a bi monthly basis. The forum also functions as a vital virtual forum for online consultation, exchange of information via emails and publishes professional opinions on ongoing cases and news in the field.

- Pursuant to the long lasting struggle of illegal gambling on the internet, on September 2011, the head of the intelligence and investigation department at the Israeli Police, turned to the Chairman of the Israel Securities Authority, the Commissioner of Capital Markets, Insurance, and Savings at the Ministry of Finance, the Supervisor of Banks at the Bank of Israel, the Supervisor of the Postal Bank and IMPA, with request to take part in the integrated struggle to prevent crime and the misuse of financial institutions under their supervision to facilitate illegal activity. The mentioned request comprised a list of bank accounts that are apparently being used in illegal gambling websites, in order to facilitate each of the regulators to guide the entities under their supervision, to prevent the transfer of money to/from these bank accounts and to stop the "money trail".
- As part of the fight against terror financing, the Security Cabinet approved during 2009 declarations of 50 foreign designated terrorist organizations, based on the 1267 list. On 22 November 2011 the Security Cabinet approved the declarations of additional 255 foreign designated terrorist activists and of 15 foreign designated terrorist organizations based on the 1267 list. Following the mentioned declarations, most of the terrorist activists and organizations appears on the 1267 list are declared. The declarations have been approved according to the Prohibiting on terrorist financing law, 2005 which allows the designation in Israel of foreign terrorist organizations that were designated as terrorist organizations either by a foreign country or by the UN Security Council. As a result financial institutions in Israel must monitor their clients and transactions and report to IMPA any suspicious or unusual transactions in this respect. The declarations are a significant step in the international combat against the financing of terrorism in accordance with the international standards as set by the relevant United Nations Security Council resolutions (1373, 1267 etc.) and of the FATF.

These declarations are additional to existing designations of Middle East terrorist organizations (e.g.

Hamas, Hezbollah etc.) designated under the Defense Regulations (Emergency), 1945 and under the Prevention of Terrorism Ordinance, 1948. During 2009-2011, additional 15 terrorist organizations were declared according to the Defense Regulations (Emergency), 1945.

- Following the FATF's public statements concerning identified jurisdictions that have strategic deficiencies that pose a risk to the international financial system, the State of Israel has taken the following measures with respect to the FATF statements:
 1. IMPA published the FATF Public Statements regarding Iran and the Democratic People's Republic of Korea as well as the Statement entitled "Improving Global AML/CFT Compliance: On-going Process" (of June 25th 2010, February 25th 2011, June 24th 2011) on IMPA's web site. These publications were disseminated to IMPA's mailing list which includes financial institution, the supervisors of financial institutions, lawyers, accountants and relevant governmental institutions.
 2. The Bank of Israel (BOI) published on March 22th 2011 a directive notifying the banking corporations about the FATF's public statements and instructed them to review with special attention any transaction by individuals and/or legal entities from the countries designated in the FATF statements.
 3. The Israeli Securities Authorities (ISA) published on 22 September 2009, 14 April 2010, and 15 November 2010 directives notifying about the FATF's public statements and instructing to review with special attention any transaction with individual or legal entities from the countries designated in the FATF statements.
 4. On June 7th 2010 the AML/CFT orders which apply to stock exchange members and portfolio managers were approved by the Knesset, and on November 21th 2010 the new order for the postal bank was approved. The new orders define in the First Schedule; inter alia, countries which do not cooperate according to the international standards' as countries at high risk. This enables the head of IMPA to add countries and territories to the schedule according to the FATF's statements. The head of IMPA used his authority to declare states appearing on FATF's statements as included in the First Schedule, after consultation with the relevant bodies. Please find those declarations for each financial institution on IMPA's web site:
<http://www.justice.gov.il/NR/rdonlyres/0416B2A7-F4AD-4872-9CEF-5E44E181D4B5/29223/tik.pdf>
<http://www.justice.gov.il/NR/rdonlyres/0416B2A7-F4AD-4872-9CEF-5E44E181D4B5/29224/bursa.pdf>
<http://www.justice.gov.il/NR/rdonlyres/0416B2A7-F4AD-4872-9CEF-5E44E181D4B5/29222/pos.pdf>

Consequently, there are obligations to perform ongoing monitoring of activities and connections of the account's owner for countries specified in the First Schedule, to report CTR's (apply on Stock Exchange Members and the Postal Bank) for transactions connected to countries or accounts specified in the Schedule in an amount equivalent to at least 5,000 NIS (approximately 1,000€) and to report UARs in relevant cases.

- Following UNSC Resolutions 1737, 1747, 1803, 1929, the state of Israel issued Government Decision number 3160, dated 17 April, 2011, which deals with the enhancement of measures in the battle against Iran's nuclear program and related programs. The Cabinet decided to take certain measures in the framework of the struggle against [Iran's nuclear program](#):
 - ❖ The Cabinet declared the State of Israel's full commitment to the implementation of UN Security Council Resolutions 1737 (2008), 1747 (2008), 1803 (2009) and 1929 (2010), and to the international activity in the struggle against Iran's nuclear program.
 - ❖ The Cabinet declared that Israel is a party to the efforts of countries in the international community to adopt legislation imposing broad sanctions on Iran in the framework of the struggle against the latter's nuclear program.

- ❖ The Cabinet decided to establish an inter-ministerial committee to advise the Government on the necessary steps in the framework of the struggle against Iran's nuclear program.

Following the Government Decision, the Cabinet unanimously decided on 26 June 2011, to expand the economic sanctions against Iran. This is in continuation of the recommendations of the Government Committee that was established for this purpose. These steps include a series of administrative and regulatory measures that will place Israel at the international forefront regarding the imposition of sanctions on Iran. These steps are currently being advanced by the various relevant ministries.

Among the sanctions is an amendment to the Prohibition on Money Laundering Law that will enable the expansion of oversight and control vis-à-vis elements trading with Iran. It was also determined that state contact with companies that trade with Iran will be restricted. In order to advance the sanctions, the State of Israel issued an order declaring Iran and entities linked to it to be enemy elements. Activity on the issue will be coordinated by a new national directorate that will be established for this purpose. The directorate will be responsible for coordinating data, advancing legislation and regulations and will enforce the sanctions.

On June 27, 2011, the Knesset's Constitution, Law, and Justice Committee approved the enactment of the Prohibition on Money Laundering Order (a change to the first amendment to the Law), 5761-2011, in which the first amendment to the Prohibition on Money Laundering Law, 5760-2000 was amended, by adding the conduction of business with an enemy as a predicate offence.

On 7 July 2011, The Chairman of the Israel Securities Authority, the Commissioner of Capital Markets, Insurance, and Savings at the Ministry of Finance, and the Supervisor of Banks at the Bank of Israel (hereinafter - "the Regulators") have published, each for the entities under their supervision, draft directives regarding the risks entailed in dealing with entities designated on international lists as aiding Iran's nuclear program and programs related to it. The directives, coordinated between the regulators, are part of a range of steps being taken by the State of Israel in the context of its struggle against Iran's nuclear program, in line with the Government's decision on the matter on April 17, 2011.

The directives alert the regulated financial institutions - institutional entities, banks, and credit card companies - to the recent change in legislation on the matter, and to the lists that have been published by international entities. The lists include the names of entities that have been designated as maintaining prohibited connections with Iran. In addition, the directives establish that each regulated entity has to examine the level of existing exposure to these risks.

The goal of the directives is to increase the awareness of the regulated entities to the consequences of maintaining contact with entities that are listed on the lists to which the regulators' draft directives refer, due to their involvement with, or their aiding to the advancement of, Iran's nuclear program, and to ensure that they will adopt appropriate policies to deal with the risks entailed in the list.

Each of the regulators shall discuss the directives with the entities under their supervision, and final directives will then be formulated.

On 10 October 2011 the Bank Of Israel published a proposed amendment to Directive 411 to include the above mentioned guidance.

- On 27 July 2011 a proposed bill for combating terror was published in the official legislation publication (after it was approved in first reading by the Knesset). The purpose of the bill is to provide authorities with improved criminal and administrative measures in order to prevent the activities of terrorist organizations as well as the organizations that are financing them. The proposed bill was submitted to the Constitution, Law and Justice Committee of the Knesset, in order to prepare it to go through second and third readings, as part of the formal legislation process.
- IMPA continues to invest its resources into improving and ensuring the quality and quantity of the Unusual Activity Reports (hereinafter – UARs). In these respects, IMPA has taken several measures in order to improve level of reporting, the quality of UARs, and the effectiveness in relation to the timeliness of the reporting system and awareness-raising. Following are several of these measures:

1. Correspondence regarding the quality of the financial institutions reports to IMPA:

In order to improve the quality of the reports to IMPA, letters were sent to inform financial institutions, of flaws, shortages, and other elements reflected from their reports, which influence the quality of IMPA's database. The letters are not an automatically produced report, but rather focused examination of the content of the report and indication of main flaws, requesting their immediate revision or completion. In addition, since September 2011, IMPA is sending an automatic quality reports to the reporting institution regarding their CTR's reports. This step caused a significant decrease of the total number of manual letters sent to the reporting institution and effective improvement in the quality of the reports received.

In some cases, IMPA chooses to address the letter not only to the financial institution, but also to the applicable supervisor, mostly in order to inform it of acute or repeated flaws, severe violations of the procedural regulations or violations of IMPA's reporting guidance. In certain cases, the letters include IMPA's recommendation to consider further actions, such as inspections and sanction committees.

2. Training events and feedback meetings among the reporting institutions:

Advanced studies, conferences, training session and feedback meetings are some of the tools used to educate and increase the awareness of AML\CFT among financial institutions and the supervisors. The events are mostly initiated by IMPA and are corporately conducted with the supervisors. Those events include lectures and presentations referring to several topics: background on international combat in money laundering, IMPA's added value, work interface, the reports regime, red flags for ML and TF reports, relevant typologies and sanitized cases, international and local developments in the field and review of frequently asked questions by the relevant sector. In addition, feedback meetings are conducted on a routine basis and mostly consist of small forums. IMPA's experience shows that these meetings, which are based on personal work relationships, are efficient.

3. Additional training activity:

Additional training activity conducted by IMPA corporately with the supervisors, consists of editing and disseminating AML\CFT guidance and information booklets. During the years 2009-2011, three booklets were prepared and disseminated (for MSB's on September 2009; for Insurance companies and Insurance agents on August 2009, for Stock Exchange Members and Portfolio managers on May 2011). In addition, on 14 June 2011, IMPA issued a booklet for financial institutions concerning illegal gambling which includes relevant typologies and sanitized cases. Please find the booklet on IMPA's website:

<http://www.justice.gov.il/NR/rdonlyres/9FEDC722-9720-4F8D-84F6-56BEA443BF2B/28254/gambling.pdf>

In addition, IMPA also publishes AML\CFT guidelines, news, legal information, typologies and other relevant information on its website. In addition, IMPA publishes on its website a triennial newsletter regarding AML\CFT issues. The newsletter is distributed by email to IMPA's mailing list, which includes, among others, wide range of officials from the financial institutions, governmental agencies and law enforcement authorities, regulators, experts in the fields, lawyers, accountants, academia and the general public.

4. Project for Improving the quality of the UAR:

The project is ongoing. IMPA added a statistician to the project's team, several queries have been run on IMPA's data base and the discussions on the subject were deepened

5. NEW PROJECT: Providing a quality feedback to the reporting institutions, regarding the contribution of their UARs to IMPA with regard to unconcealed cases:

The feedback will refer to cases, in which money laundering and terror financing offences were

investigated by Israelis Enforcement Authorities, and their judicial process has ended or in its ending stages (verdict, sentence. etc.).

Although, the project is in its early stages, the project's team has already selected several potential cases to give feedback of, and received the relevant Enforcement Authority fundamental approval.

The project next milestones are, editing the feedback framework and content, executing few feedbacks meeting with selected institutions as a pilot and drawing conclusions towards the next round to be continued in 2012.

6. Improving the timeliness of reports received and their input:

One of IMPA's main goals is to improve the timeliness of reports received from the reporting institutions and theirs input to IMPA's database. Therefore, IMPA instructs the reporting institutions regarding the timetable of the reports (CTR – Once a week/month, UAR – Immediate). In-house, IMPA operates an outsourcing Input-Center, which is in charge of entering data and incoming reports into IMPA's data base, according to a strict service level agreement (SLA). The importance of this subject is that defining a strict, realistic and short timetable of reporting obligations and entrance of the data into the FIU's data base ensures the effectiveness of the entire operation.

7. Additional projects relating to the effectiveness of the timeliness:

- (a) Computerization of customs reports.
- (b) Receiving on line reports using a governmental set of encrypted vaults.
- (c) Examination of an automatic solution replacing manual actions regarding transferring files between networks.

Those projects will improve effectiveness in relation to the timeliness of the reporting system.

2.3. Core recommendations

Please indicate improvements which have been made in respect of the FATF Core Recommendations (Recommendations 1, 5, 10, 13; Special Recommendations II and IV) and the Recommended Action Plan (Appendix 1).

Recommendation 1 (Money Laundering offence)	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	Amend list of predicate offences to include piracy and environmental crimes and remove threshold approach in section 4.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>On 31 August 2009 the Minister of Justice signed the order that includes piracy and environmental crimes as predicate offences. The order awaits for approval in the Knesset Committee - The Constitution, Law and Justice Committee.</p> <p>In addition, on 24 September 2009 a draft bill for the Prohibition of Money Laundering Law (Amendment No. 8) was published. In the amendment the threshold under Article 4 was reduced to approximately \$10,000 and the differentiation of assets was removed.</p>
Measures taken to implement the recommendations since the adoption of the first progress report	<p>On 14 January 2010 piracy and environmental crimes were included as predicate offences, as specified hereinafter:</p> <p>(1) a crime of piracy pursuant to section 169 of the Penal Law 5737-1977. (2) crimes of using real estate without a permit or in breach of a permit, pursuant to section 204 of the Planning and Construction Law, 1965, or a crime pursuant to section 14 to the Business License Law, 1968, all concerning to locations for disposal of garbage, to the collection and transferring garbage for adaptation, utilization and recycling of garbage, or concerning gas stations, gas to fuelling of fuel, gas to handling of fuel, gas to the storage of fuel, gas to parking tankers of fuel, gas to the sale of fuel and gas to fuel terminals, to the filling of gas tankers and to gas distribution; in addition, a crime pursuant to section 111 to the Mines Ordinance, concerning mining of sand.</p> <p>In addition, on 22 March 2011 the draft bill for the Prohibition of Money Laundering Law (Amendment No. 8) was approved by the Ministerial Committee for Legislation and Law Enforcement as part of the legislation process. At the next stage of the legislation process, the draft bill will be brought for the approval of the Knesset.</p> <p>As of today, Article 4 of the PMLL applies criminal liability on a person performing any property transaction, knowing (for the purposes of this section, "knowing" does not include 'willful Blindness') that it is prohibited property, and that such property is:</p> <ol style="list-style-type: none"> 1. Monies in excess of the amount of 500,000 NIS, whether within a single property transaction or a several property transactions, together totaling the aforesaid amount, within a period of three months. or – 2. Categories of property (objects d'art; ritual objects and Judaica; means of transportation, including vessels and aircraft; precious stones and precious metals; securities; real estate; antiquities; carpets) provided that the value of the property is 150,000 NIS or more, whether in a single property transaction or

	<p>several property transactions, together totaling the aforesaid amount, within a period of three months.</p> <p>Following the recommendation of Moneyval's report, in the above mentioned Amendment No. 8 to the PMLL it is proposed that the threshold under Article 4 will be reduced to approximately \$10,000, the differentiation of assets will be removed and the "willful blindness" exemption will be removed.</p>
Recommendation of the MONEYVAL Report	Review the need for the misapplication of the concept of "willful blindness" within Section 4 PMLL and its impact on effectiveness.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	On 24 September 2009 a draft bill for the Prohibition of Money Laundering Law (Amendment No. 8) was published. In the amendment the "willful blindness" exemption under Article 4 was removed.
Measures taken to implement the recommendations since the adoption of the first progress report	On 22 March 2011 the draft bill for the Prohibition of Money Laundering Law (Amendment No. 8) was approved by the Ministerial Committee for Legislation and Law Enforcement as part of the legislation process. At the next stage of the legislation process, the draft bill will be brought for the approval of the Knesset. In the amendment the "willful blindness" exemption under Article 4 was removed.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 5 (Customer due diligence)	
I. Regarding financial institutions	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	Ensure requirements on numbered accounts are covered by law or regulation.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>The CDD requirement in respect of numbered accounts is presently covered by Directive 411. The Bank of Israel (hereinafter – BOI) included the above mentioned requirement in the amended Banking Order.</p> <p>N\A in regard to other financial institutions.</p>
Measures taken to implement the	The amendment to the Banking Order that awaits to the approval of the Knesset (by the Constitution, Law and Justice Committee), includes the following requirement:

recommendations since the adoption of the first progress report	<i>"A bank corporation will not open or manage an account unless the identity of the owner of the account is known to the bank corporation; in numbered account, the bank corporation will take increased know your customer procedure; for this purpose, "numbered account" - an account that the identity of the owner is known to the bank corporation, but in place of the identifying details there are numbers or code names in some of the documentation of the bank corporation."</i>
Recommendation of the MONEYVAL Report	Amend legislation to include investment related insurance activities for CDD purposes.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	According to Israeli legislation ³ , insurance businesses are subject to a license from the Commissioner of Insurance and the Capital Market. This license specifies the insurance branches that are permissible to engage with, and investment related insurance is not included in this license according to the legislation.
Measures taken to implement the recommendations since the adoption of the first progress report	No change since the first progress report.
Recommendation of the MONEYVAL Report	Provide obligation for the Postal Bank to take CDD measures below the applicable thresholds.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The amended Postal Bank order includes similar thresholds as in articles 2(f)-(g) to the banking order, as follows: <ul style="list-style-type: none"> • The Postal Bank shall not carry out a transaction which requires a CTR (the threshold for CTR amended as in the banking order) and which is not recorded in an account in which the party performing the transaction is recorded as an account holder or authorized signatory, without recording the identification particulars of the party performing the transaction. • The Postal Bank shall not carry out a transaction which does not require a CTR and which is not recorded in an account in which the party performing the transaction is recorded as an account holder, authorized signatory, without identifying the party performing the transaction and recording his identification particulars. For this subsection, "transaction" means a transaction in cash involving 10,000 NIS or more, or another transaction involving 75,000 NIS or more.
Measures taken to implement the	On 21 November 2010 the Postal Bank order was approved by the Knesset (On 21 July 2011 The Postal Bank order came into force).

<p>recommendations since the adoption of the first progress report</p>	<p>The order includes obligation for the Postal Bank to perform "know your customer" procedure for all account owners without threshold limits, and also ongoing due diligence obligation with reference to the process of know your customer as conducted during the establishment of the business relations:</p> <p><i>"The Postal Bank shall not open an account, without identifying the person who wants to be an account owner and without carrying out a procedure of know your customer..."</i></p> <p>...</p> <p><i>"The Postal Bank shall carry out ongoing due diligence with reference to the process of know your customer 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..."</i></p> <p>In addition, the order includes obligation for the Postal Bank to take CDD measures below the applicable thresholds in articles 3(f)-(g) to the order:</p> <ul style="list-style-type: none"> • The Postal Bank shall not carry out a transaction which requires a CTR and which is not recorded in an account in which the party performing the transaction is recorded as an account holder or authorized signatory, without recording the identification particulars of the party performing the transaction. • The Postal Bank shall not carry out a transaction which does not require a CTR and which is not recorded in an account in which the party performing the transaction is recorded as an account holder, authorized signatory, without identifying the party performing the transaction and recording his identification particulars. For this subsection, "transaction" means a transaction in cash involving 10,000 NIS or more, or another transaction involving 75,000 NIS or more. <p>Furthermore, the Postal Bank order includes CDD measures for opening a correspondent account and various CFT obligations.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p>Amend Orders to bring the threshold concerning Insurers and Insurance Agents for identification in line with the Methodology.</p>
<p>Measures reported as of 23 September 2009 to implement the Recommendation of the report</p>	<p>The amended Insurance order and Provident Funds order lowered the identification threshold from 20,000 NIS to 5,000 NIS and therefore is in line with the Methodology.</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report</p>	<p>At the time of the submission of the first progress report, the lower threshold was included in the AML/CFT draft order concerning insurers and insurance agents, provident funds and companies managing a provident fund. However, the proposed amendment, as for the lower threshold, came across objections and therefore decided, meanwhile, to remove this amendment in order not to delay the legislation process of the order, and to reconsider this amendment at further stage.</p>
<p>Recommendation</p>	<p>Amend Orders to specify the lower limit of USD 1,000 for CDD measures in</p>

of the MONEYVAL Report	occasional wire transfers.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>A limit of 5,000 NIS (less than 1,000€) for CDD measures in occasional wire transfer was included in the amended orders for Stock Exchange Member, Insurance and Provident Funds and MSBs.</p> <p>In the amended order to banking corporations CDD measures will be carried for all wire transfers (as for now, it is included in the Directive 411).</p> <p>In the amended order to the Postal Bank a higher limit was included (for reported transaction – the CTR thresholds; for unreported transactions - 10,000 NIS in cash transactions or 75,000 NIS in other transactions).</p> <p>Portfolio Managers do not conduct wire transfers and they do not have occasional costumers.</p>
Measures taken to implement the recommendations since the adoption of the first progress report	<p>The AML/CFT orders concerning portfolio managers, stock exchange members, and the postal bank, were approved during 2010 in the Knesset Committee - The Constitution, Law and Justice Committee. The orders include a limit of 5,000 NIS for CDD measures in an occasional wire transfer (except in the Portfolio Managers order, since they do not conduct wire transfers and they do not have occasional costumers). For example, the order for Stock Exchange Members includes the following article:</p> <p><i>"(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></p> <p><i>(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.</i></p> <p><i>(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."</i></p> <p>Similar article is included in the AML/CFT draft order concerning banking corporations that will be brought soon for the approval of the Constitution, Law and Justice Committee of the Knesset, as the final step of the legislation process; and in the AML/CFT draft orders concerning insurers and insurance agents, provident funds and companies managing a provident fund, and money service businesses, that are fully drafted and will be submitted soon for consultation to the Minister of Justice and the Minister of Public Security in order to be approved by the Knesset Committee - The Constitution, Law and Justice Committee.</p>
Recommendation of the MONEYVAL Report	Require by law or regulation financial institutions to pursue due diligence where it has doubts regarding the veracity or adequacy of previously obtained customer identification data.

Measures reported as of 23 September 2009 to implement the Recommendation of the report	The amended orders include an obligation to pursue CDD measures where the financial institution has doubts regarding the veracity or adequacy of previously obtained customer identification data.
Measures taken to implement the recommendations since the adoption of the first progress report	<p>The orders for Stock Exchange Members, for Portfolio Managers and for the Postal Bank include an obligation to pursue due diligence where the financial institution has doubts regarding the veracity or adequacy of previously obtained customer identification data. For example, the order for the Postal Bank includes the following article:</p> <p><i>"The Postal Bank shall carry out ongoing due diligence with reference to the process of know your customer 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 Postal Bank, the Postal Bank shall repeat the process of know your customer."</i></p> <p>Similar article is included in the AML/CFT draft order concerning banking corporations, insurers and insurance agents, provident funds and companies managing a provident fund, and money service businesses:</p> <p><i>" Insurers and insurance agents, provident funds and companies managing a provident fund shall carry out ongoing due diligence with reference to the process of know your customer 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 know your customer."</i></p>
Recommendation of the MONEYVAL Report	Amend the Insurer and Insurance Agent Order and Provident Fund Order to bring the thresholds in line with the FATF limits for verification.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The amended order for Insurance and Provident Funds lowered the verification threshold from 20,000 NIS to 5,000 NIS and therefore is in line with the Methodology.
Measures taken to implement the recommendations since the adoption of the first progress report	At the time of the submission of the first progress report, the lower threshold was included in the AML/CFT draft order concerning insurers and insurance agents, provident funds and companies managing a provident fund. However, the proposed amendment, as for the lower threshold, came across objections and therefore decided, meanwhile, to remove this amendment in order not to delay the legislation process of the order, and to reconsider this amendment at further stage.
Recommendation of the	Require by law or regulation the obligatory verification of beneficial owners or holders of controlling interests.

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Measures reported as of 23 September 2009 to implement the Recommendation of the report	The amended orders include the obligation to take reasonable measures to verify the identity of the beneficial owner using relevant information or data obtained from a reliable source that the financial institution is satisfied that it knows who the beneficial owner is. In addition, according to the amended Banking order a bank corporation is authorized to verify the identity of the beneficial order with the population registrar.
Measures taken to implement the recommendations since the adoption of the first progress report	<p>The orders for Stock Exchange Members, for Portfolio Managers and for the Postal Bank include the obligation to take reasonable measures to verify the identity of the beneficial owner using relevant information or data obtained from a reliable source that the financial institution is satisfied that it knows who the beneficial owner is. For example, the order for Stock Exchange Members includes the following article:</p> <p><i>"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."</i></p> <p>Similar article is included in the AML/CFT draft order concerning banking corporations, insurers and insurance agents, provident funds and companies managing a provident fund, and money service businesses:</p> <p>Banking corporation order:</p> <p><i>"Banking corporation 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 as stated in section (a)-(b1), using relevant information or data received from a reliable source to his satisfaction; for this purpose, the Banking corporation may verify such identification details with the Population Registry."</i></p> <p>Insurers and insurance agents, provident funds and companies which manage provident funds order:</p> <p><i>"Insurers and insurance agents, provident funds and companies managing a provident fund 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, as applicable, as stated in section 3(c) and (i), using relevant information or data received from a reliable source to his satisfaction; for this purpose, the Insurers and insurance agents, provident funds and companies managing a provident fund may verify such identification details with the Population Registry."</i></p> <p>Money service businesses order:</p> <p><i>"Money Service Business shall take reasonable measures with respect to the risk of laundering money and financing terrorism to verify the identification details of the service recipient as stated in section (b), using relevant information or data received from a reliable source to his satisfaction."</i></p>

<p>Recommendation of the MONEYVAL Report</p>	<p>Fully reflect in practice both identification and verification in higher risk situations.</p>
<p>Measures reported as of 23 September 2009 to implement the Recommendation of the report</p>	<p>The orders include an obligation to take CDD measures in higher AML/CFT risk situations. For example, the amended order to the Stock Exchange Members added the following article:</p> <p><i>"The stock exchange member shall determine a policy, tools and risk management with regard to the prohibition of money laundering and terror financing, for the application of the obligations according to the order, including with regard to following issues:</i></p> <p style="padding-left: 40px;"><i>(a) Know your customer procedure;</i> <i>(b) Tracing money laundering and terror financing threats deriving, inter alia, from new technologies, particularly those that enables non face to face transactions;"</i></p> <p>The amended Banking Order includes a specific requirement to conduct Enhanced Due Diligence when dealing with high risk customers. As for now it is included in Directive 411.</p> <p>In addition the amended postal bank order specifies that the postal bank should take CDD measures, inter alia, if the clients' business was denied by another bank corporation for reasons relating to anti-money laundering and terror financing.</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report</p>	<p>The orders for Stock Exchange Members, for Portfolio Managers and for the Postal Bank include an obligation to take CDD measures in higher AML/CFT risk situations. For example, the order to the Postal Bank includes the following obligations:</p> <p>Article 10: <i>"The Postal Bank shall carry out an ongoing monitoring of the transactions of the account owner, including the following:</i></p> <p style="padding-left: 40px;"><i>(a) ensure that the transactions are consistent with the character of the account in accordance with his acquaintance with the client;</i> <i>(b) monitoring the transactions and the connections of the account owner against the list of countries and territories specified in the second appendix;</i> <i>(c) monitoring the activity in the account of a politically exposed person;"</i></p> <p>Article 17: <i>"The Postal Bank shall determine a policy, tools and risk management with regard to the prohibition of money laundering and terror financing, for the application of the obligations according to the order, including with regard to following issues:</i></p> <p style="padding-left: 40px;"><i>(a) Know your customer procedure;</i> <i>(b) Tracing money laundering and terror financing threats deriving, inter alia, from new technologies, particularly those that enables non face to face transactions;"</i></p>

	<p>Similar article is included in the AML/CFT draft orders concerning money service businesses, insurers and insurance agents, provident funds and companies managing a provident fund, and banking corporations (the draft Banking Order includes a specific requirement to conduct enhanced due diligence when dealing with high risk customers. As for now it is included in Directive 411).</p> <p>For example, the order for insurers and insurance agents, provident funds and companies managing a provident fund, includes the following obligation:</p> <p>Article 7: <i>"Money Service Business shall carry out an ongoing monitoring of the transactions of the service recipient, including the following:</i></p> <p><i>(a) ensure that the transactions are consistent with the character of the service recipient in accordance with his acquaintance with him;</i> <i>(b) monitoring the transactions and the connections of the service recipient against the list of countries and territories specified in the second appendix;</i> <i>(c) monitoring the activity of a politically exposed person;"</i></p> <p>Article 13: <i>"Money Service Business shall determine a policy, tools and risk management with regard to the prohibition of money laundering and terror financing, for the application of the obligations according to the order, including with regard to following issues:</i></p> <p><i>(a) Know your customer procedure;</i> <i>(b) Tracing money laundering and terror financing threats deriving, inter alia, from new technologies, particularly those that enables non face to face transactions;"</i></p> <p>In addition the postal bank order specifies that the postal bank should take CDD measures, inter alia – <i>"... if the clients' business was denied by another banking corporation for reasons relating to anti-money laundering and terror financing."</i></p>
<p>Recommendation of the MONEYVAL Report</p>	<p>Provide explicit obligation for financial institutions to obtain information on the purpose and intended nature of the business relationship.</p>
<p>Measures reported as of 23 September 2009 to implement the Recommendation of the report</p>	<p>The amended orders include the obligation to take CDD measures concerning the intended nature of the business relationship, among other things, and the obligation to obtain this information. For example, the amended order to the Stock Exchange Members states as follows:</p> <p><i>"A stock exchange member shall not open an account, without identifying the person who wants to be a client and without carrying out a procedure of know your customer; for this purpose, 'a procedure of know our customer' means ascertaining the source of the money that is supposed to be deposited in the account, his occupation, his public status, the circumstances of opening the account and the planned activity therein and any other detail that is required in order to understand the nature of the transactions of the owner of the account through the stock exchange member; with regard to a foreign resident — also his connection to Israel, and with</i></p>

	<p><i>regard to someone who owns a business — also becoming acquainted with his business, the nature of his customers and suppliers and his financial activity; the stock exchange member shall make records of these details;"</i></p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report</p>	<p>The orders for Stock Exchange Members, Portfolio Managers and for the Postal Bank include the obligation to take CDD measures concerning the intended nature of the business relationship, inter alia, and the obligation to obtain this information:</p> <p><i>"A stock exchange member shall not open an account, without identifying the person who wants to be a client and without carrying out a procedure of know your costumer; for this purpose, 'a procedure of know our costumer' means ascertaining the source of the money that is supposed to be deposited in the account, his occupation, his public status, the circumstances of opening the account and the planned activity therein and any other detail that is required in order to understand the nature of the transactions of the owner of the account through the stock exchange member; with regard to a foreign resident — also his connection to Israel, and with regard to someone who owns a business — also becoming acquainted with his business, the nature of his customers and suppliers and his financial activity; the stock exchange member shall make records of these details;"</i></p> <p>Similar obligation is included in the AML/CFT draft orders concerning insurers and insurance agents, provident funds and companies managing a provident fund, and money service businesses, that are fully drafted and will be submitted soon for consultation to the Minister of Justice and the Minister of Public Security in order to be approved by the Knesset Committee - The Constitution, Law and Justice Committee. For example, the order for insurers and insurance agents, provident funds and companies managing a provident fund is as follows:</p> <p><i>"Insurers companies, provident funds and companies managing a provident fund shall not commit to a life insurance contract or open an account, without identifying the person who wants to be a client and without carrying out a procedure of know your costumer; for this purpose, 'a procedure of know our costumer' means ascertaining the source of the money that is supposed to be deposited in the account, his occupation, his public status, the circumstances of opening the account and the planned activity therein and any other detail that is required in order to understand the nature of the transactions of the owner of the account through the stock exchange member; with regard to a foreign resident — also his connection to Israel, and with regard to someone who owns a business — also becoming acquainted with his business, the nature of his customers and suppliers and his financial activity; the Insurers and insurance agents, provident funds and companies managing a provident fund shall make records of these details;"</i></p> <p>The AML/CFT draft order for banking corporations was sent on 18 August 2011 to the Constitution, Law and Justice Committee of the Knesset for its approval, as the final step of the legislation process.</p> <p>The order includes a general obligation to carry know your costumer procedure, and Directive 411 that was amended on 24 January 2010, specifies the obligation to maintain:</p> <p><i>"factors such as the purpose for opening the account, the circumstances under which the account is opened and the activity intended to take place therein, the customer's area of business, whether the customer holds a senior public position, the source of his wealth/income and the money that is to be deposited in the account, his links with the location of the branch of the banking corporation, whether the customer was</i></p>

	<p><i>refused service at a banking corporation for reasons related to money laundering and terrorism financing, an inquiry into accounts related to his account, and any other detail that is needed in order to understand the essence of the account holder's activities; in respect of a nonresident—also his links with Israel and whether the customer is a foreign politically exposed person; and for a business account—also business due diligence, profiling of customers and suppliers, and an inquiry into the extent of business activity intended to be performed via the account—shall be taken into consideration."</i></p> <p>In addition, the said amendment to Directive 411 includes the obligation for banking corporations to: <i>"...examine the background and purpose of irregular activity in accounts and shall examine whether said activity constitutes activity that entails reporting under Section 9 of the order. The findings of said examinations shall be documented in writing and shall be available to the supervisory authorities and the auditors for a period no shorter than seven years."</i></p>
Recommendation of the MONEYVAL Report	Provide in law or regulation the requirements to ensure ongoing due diligence for financial institutions other than banking corporations. For banking corporations this is now covered in 'other enforceable means'. It should be covered in law or regulation.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>Ongoing due diligence obligation was included in the amended orders. See the relevant articles in the amended Stock Exchange Members Order:</p> <p>Article 2(b): <i>"The stock exchange member shall carry out a due diligence procedure with regard to the information obtained in the know your costumer procedure that was taken with the establishment of the business relationship, and will update his records; If the stock exchange member has doubts about the veracity or adequacy of previously obtained customer identification data, he will undertake a procedure of know your costumer again."</i></p> <p>Article 11: <i>"The stock exchange member shall carry out an ongoing monitoring of the transactions of the account owner, including the following:</i></p> <ul style="list-style-type: none"> <i>(a) ensure that the transactions are consistent with the character of the account in accordance with his acquaintance with the client;</i> <i>(b) monitoring the transactions and the connections of the account owner against the <u>list of countries and territories</u> specified in the second appendix;</i> <i>(c) monitoring the activity in the account of a politically exposed person;"</i> <p>In addition, see the amended Postal Bank order:</p> <p>Article 2(b): <i>"the Postal Bank shall carry out an ongoing monitoring of the transactions in the account and ensure that the transactions are consistent with the character of the account in accordance with his acquaintance with the owner of the account."</i></p>
Measures taken to implement the	The orders for Stock Exchange Members, Portfolio Managers and for the Postal Bank include the obligation to take ongoing due diligence measures as follows:

<p>recommendations since the adoption of the first progress report</p>	<p>Article 2(c): <i>"The Postal Bank shall carry out an ongoing due diligence procedure with regard to the information obtained in the know your costumer procedure that was taken with the establishment of the business relationship, according to the degree of risk of the client for money laundering and financing terrorism, and shall update his records accordingly; If the Postal Bank has doubts about the veracity or adequacy of previously obtained customer identification data, he will undertake a procedure of know your costumer again."</i></p> <p>Article 10: <i>"The Postal Bank shall carry out an ongoing monitoring of the transactions of the account owner, including the following:</i></p> <ul style="list-style-type: none"> <i>(a) ensure that the transactions are consistent with the character of the account in accordance with his acquaintance with the client;</i> <i>(b) monitoring the transactions and the connections of the account owner against the list of countries and territories specified in the second appendix;</i> <i>(c) monitoring the activity in the account of a politically exposed person;"</i> <p>Similar obligation is included in the AML/CFT draft orders concerning money service businesses, insurers and insurance agents, provident funds and companies managing a provident fund, and banking corporation. As mentioned, those orders are fully drafted and are in the final legislation process. See, for example, the MSB's order:</p> <p>Article 2(c): <i>"Money Service Business shall carry out on going monitoring with reference to the procedure of know your costumer, according to the degree of risk of the client for money laundering and financing terrorism, and shall update his records accordingly; if any doubt arises regarding the identity of the client or the authenticity of the identification documents furnished to the Money Service Business, the Money Service Business shall repeat the process of recognizing the client."</i></p> <p>Article 7: <i>"Money Service Business shall carry out an ongoing monitoring of the transactions of the service recipient, including the following:</i></p> <ul style="list-style-type: none"> <i>(a) ensure that the transactions are consistent with the character of the service recipient in accordance with his acquaintance with him;</i> <i>(b) monitoring the transactions and the connections of the service recipient against the list of countries and territories specified in the second appendix;</i> <i>(c) monitoring the activity of a politically exposed person;"</i> <p>It should be emphasize that the ongoing due diligence obligation for banking corporations that is currently covered in Directive 411, will be additionally covered in the banking corporation order, once it is approved.</p>
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Recommendation of the MONEYVAL Report	Remove the exemption regarding registering an attorney, rabbinical pleader or accountant as a beneficiary of an accountant, as set out in the Banking Order.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The issue of removing the above mentioned exemption was discussed and examined in the BOI that decided not to remove this exemption at this time, but will reconsider this issue after AML\CFT obligation will be imposed on attorneys, accountants and other independent legal professionals.
Measures taken to implement the recommendations since the adoption of the first progress report	No changes since the last evaluation. Due to the position of the BOI in this matter, no changes have been done.
Recommendation of the MONEYVAL Report	Ensure that Recommendation 5 is effectively implemented by the Postal Bank, Insurance sector, Provident Funds and Money Service Businesses.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>The supervisors of MSBs, the Postal Bank, Insurance sector and Provident Funds have conducted AML\CFT inspections in order to review the implementation of AML\CFT obligations, including of recommendation 5, especially in respect of identifying higher risk situations in order to report UAR's.</p> <p>In addition, the Ministry of Finance and IMPA are also conducting training to the newly registered MSBs with regard to their AML\CFT obligations, and the supervisor of the Postal Bank provides the necessary training regarding inter alia, recommendation 5, as preparation for the application of the amended order.</p> <p>Furthermore, IMPA in cooperation with the ministry of finance issued guidelines and instructions booklets to MSBs and to insurers and insurance agencies concerning AML\CFT issues (the booklet for insurance agencies was published on 26 August 2009, and the booklet for MSBs will be published on September 2009). Moreover, according to IMPA's 2009 annual work-plan, two additional booklets are planned - The first, for the Members of the stock exchange and Portfolio managers; the second for the Banking corporations and the postal bank. Each booklet is adjusted to the unique element of the reporting sector and its skills.</p> <p>IMPA's employees constantly meet and lecture to the financial institutions about their AML\CFT obligations. Moreover, IMPA publishes AML\CFT guidelines, news, legal information, typologies and other relevant information on its website. In addition, IMPA publishes on its website a triennial newsletter regarding AML\CFT issues. The newsletter is distributed by email to law enforcement authorities, to the supervisors and to compliance officers of financial institutions.</p>
Measures taken to implement the recommendations since the	The supervisor of MSBs, supervisor of the Postal Bank and the supervisor of the Insurance sector and Provident Funds have continued conducting AML\CFT inspections in order to review the implementation of AML\CFT obligations, including of recommendation 5, especially in respect of identifying higher risk

<p>adoption of the first progress report</p>	<p>situations in order to report UAR's, as specified herein:</p> <p>The supervisor of MSBs conducted 75 inspections and 30 sanctions committees during 2009-2011; The supervisor of Insurance Companies and Provident Funds conducted 3 inspections; and the supervisor of the Postal Bank conducted during 2011 specific inspections to review the implementation of CDD obligations (especially concerning the beneficial owner) and of the obligation to report UTRs. It should be mentioned that the supervisor of the Postal Bank applied to the head of the sanctions committee in a request to impose sanctions on the Postal Bank for violation of its obligations under the AML/CFT order according to the final AML/CFT inspection on July 2009.</p> <p>In addition, the Ministry of Finance and IMPA are also conducting training to the newly registered MSBs with regard to their AML\CFT obligations.</p> <p>The supervisor of the Postal Bank provided the necessary training regarding inter alia, recommendation 5, as preparation for the application of the order. On 17 January 2011 IMPA and the supervisor of the Postal Bank conducted a seminar for the postal bank. During the seminar lecturers from IMPA, the IP and the supervisor of the postal bank provided clear guidelines concerning AML/CFT issues including typologies and sanitized cases. In addition, the supervisor of the Postal Bank performs constants meetings with the Postal Bank management, compliance officer and with the employees which are responsible for AML/CFT issues, in order to increase awareness with respect of AML/CFT. Furthermore, during 2008-2011 the supervisor of the Postal Bank issued to the Postal Bank various directives concerning AML/CFT issues.</p> <p>IMPA in cooperation with the ministry of finance issued guidelines and instructions booklets to MSBs and to insurers and insurance agencies concerning AML\CFT issues (the booklet for insurance agencies was published on 26 August 2009, the booklet for MSBs was published on September 2009 and the booklet for stock exchange members and Portfolio managers was published on May 2011.</p> <p>IMPA's employees constantly meet and lecture to the financial institutions about their AML\CFT obligations. Moreover, IMPA publishes AML\CFT guidelines, news, legal information, typologies and other relevant information on its website.</p> <p>IMPA publishes on its website a triennial newsletter regarding AML\CFT issues. The newsletter is distributed by email to IMPA's mailing list, which includes, among others, wide range of officials from the financial institutions, governmental agencies and law enforcement authorities, regulators, experts in the fields, lawyers, accountants, academia and the general public.</p>
<p>(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives</p>	

Recommendation 5 (Customer due diligence)

II. Regarding DNFBP⁴	
Recommendation of the MONEYVAL Report	Implement CDD obligation for real estate agents, dealers in precious metals and stones, trust and company service providers, lawyers, notaries, other independent legal professionals and accountants.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>On 12 July 2009 the draft bill for the Prohibition of Money Laundering Law (Amendment No. 7 published on 11 July 2007 and has passed the first reading in the Knesset) was brought again before the Ministerial Committee for Legislation and Law Enforcement for their approval of continuity of the legislation process. After the recent approval of that Committee, the Bill was brought again before the Knesset Plenary, which also approved the continuity of the legislation process. Once the continuity has been approved by the Knesset, the Bill was sent to the Constitution, Law and Justice Committee of the Knesset, in order to go through second and third readings, as part of the formal legislation process. The bill needed to undergo this additional procedure due to the election of a new Knesset after the elections (the 18th Knesset).</p> <p>This bill was submitted by the Israeli Government and it is intended, <i>inter alia</i>, to make the prohibition on money laundering regime applicable to the precious stones traders sector, according to international standards and to place the Israeli diamond industry in line with diamond centers in other countries around the world which have implemented similar steps.</p> <p>Furthermore, during the last two years a draft applying AML\CFT obligations on DNFBPs, has been formulated in the ministry of justice and will be brought soon before the attorney general for consideration.</p>
Measures taken to implement the recommendations since the adoption of the first progress report	<p>During the past year, the proposed bill for the Prohibition of Money Laundering Law (Amendment No. 7, published on 11 July 2007) was thoroughly discussed at the Constitution, Law and Justice Committee of the Knesset, in order to prepare it to go through second and third readings, as part of the formal legislation process (in the period since the first discussion in the Knesset at 11/1/2010 until the last discussion at 22/2/2011, there were 13 discussions concerning the proposed bill in the Knesset). This bill was submitted by the Israeli Government and it is intended, <i>inter alia</i>, to make the prohibition on money laundering regime applicable to the precious stones traders sector, according to international standards and to place the Israeli diamond industry in line with diamond centers in other countries around the world which have implemented similar steps.</p> <p>Furthermore, a draft bill concerning the application of AML\CFT obligations on DNFBP's was approved on 20 November 2011 by the Ministerial Committee for Legislation and Law Enforcement. Currently, there are two weeks in which one can appeal against the proposed bill, following the approval of the Knesset is needed, as part of the legislation process. As the last step before approving the bill, the draft bill will be formally introduced to the Constitution, Law and Justice Committee of the Knesset for review and examination.</p> <p>In addition, the draft order applying AML\CFT obligations on DNFBP's has been disseminated to representatives of the relevant sectors (lawyers, trusts service providers, accountants, tax consultants and real estate agents), in order to improve</p>

	<p>cooperation and to reach agreed understandings in advance.</p> <p>The legislation process of the DNFBP's amendment is extremely difficult and complex, due to significant objections across the Israeli Bar Association that argues against the application of AML/CFT obligations on lawyers because of the impingement of the lawyer-client privileged and confidentiality. The apprehension of the Israeli Bar Association is not insubstantial, since the lawyer-client privileged in Israel is very broad compared to the continent countries.</p>
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 6 (Politically Exposed Persons)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	Extend by law, regulation or other enforceable means the definition of a PEP beyond banking corporations
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>The amended orders include a definition of PEP. For example, The definition in the amended Postal bank order:</p> <p><i>"Foreign residents that are senior public functionaries, including their family members, business associates or a corporation under their control"</i></p> <p>The term "control" is defined by way of a referral to section 7(a)(1)(b) to the PMLL. The term "public functionaries" in the amended Postal bank order includes:</p> <p><i>"Head of state, president of the state, mayor, judge, a member of the states parliament, a member in the government and a senior military or police officer, or any other aforesaid functionaries even if named differently."</i></p> <p>The term "family member" is defined in the amended Postal bank order as:</p> <p><i>"Spouse, sibling, parent, grandparents, offspring and offspring of the spouse, and the spouse of the aforementioned."</i></p>
Measures taken to implement the recommendations since the adoption of the first progress report	<p>The orders for Stock Exchange Members, Portfolio Managers and for the Postal Bank include the following definition of PEP:</p> <p><i>"Foreign Public Figure" – 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.</i></p>

	<p>Exact definition is included in the AML/CFT draft orders concerning money service businesses, insurers and insurance agents, provident funds and companies managing a provident fund.</p> <p>For banking corporations, the definition of PEP was virtually extended in Directive 411 that was amended on 24 January 2010, by way of stressing that the reputational risk stemming from business relations with PEP's first order relative, is similar to direct relations with PEP.</p>
Recommendation of the MONEYVAL Report	Amend PEPs requirements to include family members and close associates of PEPs.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>The amended orders include a definition of PEP that includes family members and business associates.</p> <p>The definition of "family member" will include: spouse, sibling, parent, grandparents, offspring and offspring of the spouse, and the spouse of the aforementioned.</p> <p>In addition, an amendment to Directive 411 is drafted by the BOI to include a wider definition of PEP that includes family members and close associates of PEPs.</p>
Measures taken to implement the recommendations since the adoption of the first progress report	<p>The orders for Stock Exchange Members, Portfolio Managers and for the Postal Bank include a definition of PEP that includes family members and business associates.</p> <p>Similar definition is included in the AML/CFT draft orders concerning money service businesses, insurers and insurance agents, provident funds and companies managing a provident fund.</p> <p>For banking corporations, the definition of PEP in Directive 411 that was amended on 24 January 2010, includes family members. The Directive is stressing that the reputational risk stemming from business relations with PEP's first order relative, is similar to direct relations with PEP.</p>
Recommendation of the MONEYVAL Report	Provide by law or regulation or other enforceable means full senior management approval for establishing business relationships with PEPs for banking corporations.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Establishing business relationships with PEPs by banking corporations is covered in section 21(c) of Directive 411.
Measures taken to implement the recommendations	The AML/CFT orders for Stock Exchange Members, Portfolio Managers and for the Postal Bank include the obligation for full senior management approval for establishing business relationships with PEPs. Similar obligation is included in the

since the adoption of the first progress report	draft orders for money service businesses, insurers and insurance agents, provident funds and companies managing a provident fund.
Recommendation of the MONEYVAL Report	Ensure senior management approval for continuation of business where a customer is subsequently found to be PEP or becomes PEP.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>The amended Stock exchange members order and the Portfolio managers order include an obligation for senior management approval where a customer is subsequently found to be PEP or becomes PEP.</p> <p>In addition, the BOI intends to amend Directive 411 to include an obligation for senior management approval where a customer is subsequently found to be PEP or becomes PEP.</p>
Measures taken to implement the recommendations since the adoption of the first progress report	<p>The AML/CFT orders for Stock Exchange Members, Portfolio Managers and for the Postal Bank include the obligation for senior management approval where a customer is subsequently found to be PEP or becomes PEP.</p> <p>Similar obligation is included in the draft orders for money service businesses, insurers and insurance agents, provident funds and companies managing a provident fund.</p> <p>In addition, on 24 January 2010 the BOI amended Directive 411 to include an obligation for senior executive approval when a customer is subsequently found to be PEP or becomes PEP.</p>
Recommendation of the MONEYVAL Report	Ensure new correspondent relationships are approved by senior management.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>The amended Stock Exchange Members order includes the following section: <i>"Stock exchange member shall not open a correspondent account, unless approved by a senior functionary in the stock exchange member."</i></p> <p>The term "functionary" is defined: director, general manager, chief business administrator, deputy general manager, secondary general manager, and every other functionary in the corporation as aforesaid, even if he has a different title, and every other manager that is directly subordinate to the general manager.</p> <p>In the banking sector, the BOI intends to amend Directive 411 to include the obligation to approve new correspondent relationships by senior management.</p> <p>Portfolio managers, insurers and insurance agents, provident funds and companies managing provident funds do not carry out correspondent relationships.</p> <p>The Ministry of Communication intends to include this recommendation in the next amendment to the Postal Bank Order.</p>
Measures taken to implement the	The Stock Exchange Members order and the Postal Bank order include the obligation for the approval of new correspondent relationships by senior management.

recommendations since the adoption of the first progress report	<p>In the banking sector, on 24 January 2010 the BOI amended Directive 411 to include the obligation to approve new correspondent relationships by senior executive.</p> <p>Portfolio managers, insurers and insurance agents, provident funds and companies managing provident funds do not carry out correspondent relationships.</p>
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives	

Recommendation 10 (Record keeping)	
I. Regarding Financial Institutions	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	Remove thresholds for retention of documentation.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	In the amended orders (except the Postal Bank order) all thresholds for retaining of documentation were removed. Therefore, financial institutions will have to maintain all necessary records on transactions, for seven years.
Measures taken to implement the recommendations since the adoption of the first progress report	<p>In the AML/CFT orders for Stock Exchange Members, Portfolio Managers and for banking corporation all thresholds for retaining of documentation were removed: <i>"The Stock Exchange member shall retain documentation of the 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."</i></p> <p>In the previous orders for the postal bank, money service businesses and for insurers and insurance agents, provident funds and companies managing a provident funds, the documentation obligation applied only to transactions that are reported transactions (that includes specific thresholds). Currently, following the amendments of the order, the obligation of retaining documentation was broadened, and now it is as follows:</p> <ul style="list-style-type: none"> • In the Postal Bank order, the record keeping obligation is for all reported transactions and for every transaction above 10,000NIS. • In the draft order for money service businesses, the record keeping obligation is for all reported transactions and for every transaction above

	<p>5,000NIS.</p> <ul style="list-style-type: none"> In the draft order for insurers and insurance agents, provident funds and companies managing provident funds, the record keeping obligation is for all reported transactions and for every transaction above 10,000NIS. In addition, there is an obligation to retain information of every financial transaction that was performed by virtue of a life insurance contract or in an account.
Recommendation of the MONEYVAL Report	Establish requirements to retain all documents recording the details of all transactions carried out by the client in the course of an established business relationship.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>The amended orders apply the obligation to maintain the document containing the instruction to carry out any transaction, for a period of at least seven years from the date of recording the transaction in the books of the financial institution.</p> <p>Furthermore, in the amended Stock exchange members order and Portfolio managers' order there was added an obligation for the financial institution, to maintain all documents concerning the ongoing monitoring of transactions of the account owner.</p>
Measures taken to implement the recommendations since the adoption of the first progress report	<p>The AML/CFT orders for Stock Exchange Members and for Portfolio Managers apply the obligation to maintain the document containing the instruction to carry out any transaction, for a period of at least seven years from the date of recording the transaction in the books of the financial institution.</p> <p>Similar obligation is included in the draft order for banking corporations.</p> <p>In the Postal Bank order there is an obligation to retain documents containing the instruction to carry out transactions above 10,000 NIS. Similar obligation is in the order for insurers and insurance agents, provident funds and companies managing a provident fund. In the draft order for money service businesses there is an obligation to retain documents containing the instruction to carry out transactions above 5,000 NIS.</p>
Recommendation of the MONEYVAL Report	Provide a general requirement also to retain documentation longer than 5 years where requested by a competent authority.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The orders include the requirement to retain documents for 7 years. The Ministry of Justice objects to implement the recommended amendment, for reasons of protection of privacy.
Measures taken to implement the recommendations since the adoption of the first progress report	<p>The orders for stock exchange members and for portfolio managers provide a requirement to retain documentation longer than 7 years where requested by the supervisor.</p> <p>Similar obligation is included in the draft orders for insurers and insurance agents, provident funds and companies managing provident funds, and banking corporations.</p>
Recommendation of the MONEYVAL Report	Ensure those parts of R.10 which are asterisked in the Methodology are covered in respect of the Postal Bank in law or regulation.

<p>Measures reported as of 23 September 2009 to implement the Recommendation of the report</p>	<p>The amended Postal Bank order includes the following record keeping obligations:</p> <p><u>Article 9:</u> <i>"The Postal Bank shall retain the identification certificates for a period of at least seven years after the account is closed or after a transaction has been carried out as in subsection 3(f); keeping the identification documents, with the exception of a declaration that was given with an original signature, can be done by means of a computerized scan according to the conditions set out in regulation 3A of the Evidence (Photocopies) Regulations, 5730-1969; in this matter, "identification certificates" means any document provided for purposes of identification and authentication."</i></p> <p><u>Article 16:</u> <i>"(a) The Postal Bank shall maintain a computerized database of account numbers, identification particulars of account holders, authorized signatories, beneficiaries and holders of controlling interests. (b) The Postal Bank shall retain the document attesting to the instruction to the postal bank to carry out a transaction which was reported to the competent authority and the instruction document, the value of which transaction is equivalent to at least NIS 10,000, for a period of at least seven years from the date on which the transaction was recorded in the postal bank's books; in the absence of a document attesting to the instruction, the banking corporation shall retain the computerized record attesting to the instruction to perform the transaction."</i></p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report</p>	<p>The Postal Bank order was amended to include the above mentioned record keeping obligations:</p> <p><u>Article 9:</u> <i>"The Postal Bank shall retain the identification certificates for a period of at least seven years after the account is closed or after a transaction has been carried out as in subsection 3(f); keeping the identification documents, with the exception of a declaration that was given with an original signature, can be done by means of a computerized scan according to the conditions set out in regulation 3A of the Evidence (Photocopies) Regulations, 5730-1969; in this matter, "identification certificates" means any document provided for purposes of identification and authentication."</i></p> <p><u>Article 18:</u> <i>"(a) The Postal Bank shall maintain a computerized database of account numbers, identification particulars of account holders, authorized signatories, beneficiaries and holders of controlling interests. (b) The Postal Bank shall retain the document attesting to the instruction to the postal bank to carry out a transaction which was reported to the competent authority and the instruction document, the value of which transaction is equivalent to at least NIS 10,000, for a period of at least seven years from the date on which the transaction was recorded in the postal bank's books; in the absence of a document attesting to the instruction, the banking corporation shall retain the computerized record attesting to the instruction to perform the transaction. (c) The Postal Bank shall retain documentation in written of the examination of activity as aforesaid in section 10 and their findings for a period of seven years."</i></p>

(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives	
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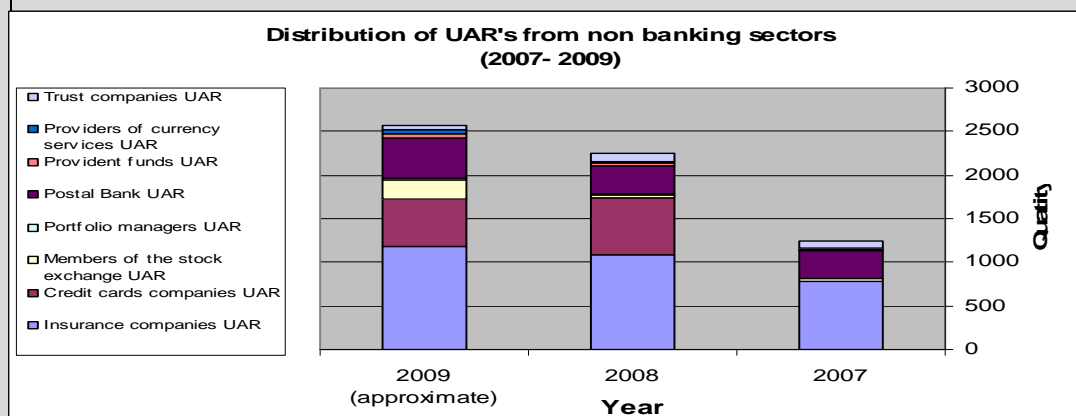
Recommendation 10 (Record keeping) II. Regarding DNFBP⁵	
Recommendation of the MONEYVAL Report	Implement CDD obligation (record keeping) for real estate agents, dealers in precious metals and stones, trust and company service providers, lawyers, notaries, other independent legal professionals and accountants.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	See response in the "Key recommendations" table aforementioned (In Recommendation 5 - Regarding DNFBP).
Measures taken to implement the recommendations since the adoption of the first progress report	See response in the "Key recommendations" table aforementioned (In Recommendation 5 - Regarding DNFBP).

Recommendation 13 (Suspicious transaction reporting) I. Regarding Financial Institutions	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	Israel needs to remove the thresholds in some of the orders.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	In the amended orders all thresholds for unusual activity reporting were removed.
Measures taken to implement the	All thresholds for unusual activity reporting were removed from all AML/CFT orders. Thus, the recommendation of the Moneyval's report in this matter is fully accomplished.

recommendations since the adoption of the first progress report	
Recommendation of the MONEYVAL Report	Review level of reporting from non bank financial institutions and undertake outreach as necessary.

Measures reported as of 23 September 2009 to implement the Recommendation of the report

During the last year IMPA has revised its priority regarding the financial institutions' reports, channeling its resources into two main goals: improving and ensuring the quality of the UARs reported by the large scale sectors on one hand, and increasing the quantity of UARs reported by the other sectors, on the other hand. The data specified in the statistics table below (in the 'Statistical Information on reports received by the FIU' table) and the graph below demonstrate the effectiveness of IMPA's efforts to increase level of reporting, as specified herein after. For example, the number of the UARs filed by the Members of the Stock Exchange and the Provident Funds sectors has multiplied, between the year 2007 and the first half of 2009.



influence the quality of IMPA's database. The letters are not an automatically produced report, but rather focused examination of the content of the report and indication of main flaws, asking their immediate revision or completion. In some cases, IMPA chooses to address the letter not only to the financial institution, but also to the supervisor, mostly to inform him of acute or repeated flaws, severe violations of the procedural regulations or violations of IMPA's reporting guidance's. In certain cases the letter includes IMPA's recommendation to consider further actions, such as inspections and sanction committees.

	2007	2008	2009*
Letters sent to the reporting institution	69	59	76
Regulator addressed	4	15	12

* Updated July 2009.

2. Training events and feedback meetings among the reporting institutions:

Advanced studies, conferences, training session and feedback meetings, are some of the tools used to educate and increase the awareness of AML\CFT, among financial institutions

and the supervisors. The events are mostly initiated by IMPA and are corporately conducted with the supervisors. Those events include lectures and presentations referring to several topics: background on international combat, money laundering, IMPA's added value, work interface, the reports regime, and red flags for ML and TF reports, relevant typologies and sanitized cases. The feedback meetings are conducted on a routine basis and mostly consist of small forums. IMPA's experience shows that these meetings, which are based on personal work relationships, are efficient.

	2007	2008	2009*
Advanced study, training session, among the reporting institutions or the regulators (25+ participates)	12	25	8
Feedback meeting, training session among the reporting institutions.	32	44	20

* Updated July 2009.

3. Additional training activity:

Additional training activity conducted by IMPA corporately with the supervisors, consist of editing and dissemination of AML\CTF guidance and information booklet. During the year 2009, two booklets were issued in cooperation with the Ministry of Finance - for the MSBs sector and for the Insurance companies and Insurance agents (the booklet for insurance agencies was published on 26 August 2009, and the booklet for MSBs will be published on September 2009). Moreover, according to IMPA's 2009 annual work-plan, two additional booklets are planned - The first, for the Members of the stock exchange and Portfolio managers; the second for the Banking corporations and the postal bank. Each booklet is adjusted to the unique element of the reporting sector and its skills. In addition, IMPA publishes AML\CFT guidelines, news, legal information, typologies and other relevant information on its website. In addition, IMPA publishes on its website a triennial newsletter regarding AML\CFT issues. The newsletter is distributed by email to law enforcement authorities, to the supervisors and to compliance officers of financial institutions.

4. Project for Improving the quality of the UAR:

From the recognition of the need for quantitative and objective measurement, as much as possible, of the quality of the receiving UARs from the reporting institutions, IMPA has defined a project in the annual work-plan, which planned to be implemented during the second half of the year of 2009 – to the beginning of 2010. This project serves both the need that derives from within IMPA, to measure the quality of the UARs and define ways of action to improve their quality, and the need that derives from the reporting institutions, to receive feedback on their UARs, subjected to the law's limitations. So far, several working meetings took place in the frame of department managers; principles and guidelines were outlined; and a working team has defined integrating relevant departments at IMPA.

Some of the principles that have been outlined so far are specified hereinafter:

- The pilot will apply on the sector which reports the majority of the UAR to IMPA, namely – the banking sector.
- The working team will have to choose measurable elements from the UAR, on the one hand, which have relevant significance on the other hand.
- Creating of preliminary basis which will be combined in the future into another IMPA's project focusing on mechanism and scoring the contribution of all entering

	<p>data to IMPA's data base.</p> <ul style="list-style-type: none"> • Some of the data will be used in order to give feedback to the reporting institutions, within the limitations by law. <p>IMPA assumes that preliminary products of this project will be available by the end of the year 2009. Byproduct of integral part of this project is conclusions regarding the recommended ways to improve the quality of the UAR, and feedback to the reporting institutions of their reported UAR. On the next stage, IMPA will apply the pilot on additional sectors.</p>												
<p>Measures taken to implement the recommendations since the adoption of the first progress report</p>	<p>IMPA continues to invest its resources into improving and ensuring the quality and quantity of the Unusual Activity Reports (hereinafter – UARs). In this respect, IMPA has taken several measures in order to improve level of reporting, the quality of UARs, and the effectiveness in relation to the timeliness of the reporting system and awareness-raising. Following are several of these measures:</p> <p>1. Correspondence regarding the quality of the financial institutions reports to IMPA:</p> <p>In order to improve the quality of the reports to IMPA, letters were sent to inform financial institutions, of flaws, shortages, and other elements reflected from their reports, which influence the quality of IMPA's database. The letters are not an automatically produced report, but rather focused examination of the content of the report and indication of main flaws, asking their immediate revision or completion. Since September 2011, IMPA is sending an automatic quality reports to the reporting institutions regarding their CTR's reports. This step caused a significant decrease of the total number of manual letters sent to the reporting institutions and effective improvement in the quality of the reports received.</p> <p>In some cases, IMPA chooses to address the letter not only to the financial institution, but also to the applicable supervisor, mostly in order to inform it of acute or repeated flaws, severe violations of the procedural regulations or violations of IMPA's reporting guidance. In certain cases the letters include IMPA's recommendation to consider further actions, such as inspections and sanction committees.</p> <p>Please find herein updated data regarding the period 2009-2011:</p> <table border="1" data-bbox="459 1272 1449 1379"> <thead> <tr> <th></th> <th>2009</th> <th>2010</th> <th>2011*</th> </tr> </thead> <tbody> <tr> <td>Letters sent to the reporting institution</td> <td>124</td> <td>135</td> <td>43</td> </tr> <tr> <td>Regulator addressed</td> <td>29</td> <td>16</td> <td>20</td> </tr> </tbody> </table> <p>* Updated October 2011</p> <p>2. Training events and feedback meetings among the reporting institutions:</p> <p>Advanced studies, conferences, training session and feedback meetings are some of the tools used to educate and increase the awareness of AML\CFT among financial institutions and the supervisors. The events are mostly initiated by IMPA and are corporately conducted with the supervisors. Those events include lectures and presentations referring to several topics: background on international combat in money laundering, IMPA's added value, work interface, the reports regime, red flags for ML and TF reports, relevant typologies and sanitized cases, international and local developments in the field and review of frequently asked questions by the relevant sector. In addition, feedback meetings are conducted on a routine basis and mostly consist of small forums. IMPA's experience shows that these meetings, which are based on personal work relationships, are efficient.</p> <p>Please find herein updated data regarding the period 2009-2011:</p>		2009	2010	2011*	Letters sent to the reporting institution	124	135	43	Regulator addressed	29	16	20
	2009	2010	2011*										
Letters sent to the reporting institution	124	135	43										
Regulator addressed	29	16	20										

Advanced study, training session, among the reporting institutions or the regulators (more than 25 participates)	13	19	21
Feedback meeting, training session among the reporting institutions.	24	27	23

*
Updated

October 2011

3. Additional training activity:

Additional training activity conducted by IMPA corporately with the supervisors, consists of editing and disseminating AML/CFT guidance and information booklets. During the years 2009-2011, three booklets were prepared and disseminated (for MSB's on September 2009; for Insurance companies and Insurance agents on August 2009, for Stock Exchange Members and Portfolio managers on May 2011). In addition, on 14 June 2011, IMPA issued a booklet for financial institutions concerning illegal gambling which includes relevant typologies and sanitized cases. Please find the booklet on IMPA's website:

<http://www.justice.gov.il/NR/rdonlyres/9FEDC722-9720-4F8D-84F6-56BEA443BF2B/28254/gambling.pdf>

In addition, IMPA also publishes AML\CFT guidelines, news, legal information, typologies and other relevant information on its website. In addition, IMPA publishes on its website a triennial newsletter regarding AML\CFT issues. The newsletter is distributed by email to IMPA's mailing list, which includes, among others, wide range of officials from the financial institutions, governmental agencies and law enforcement authorities, regulators, experts in the fields, lawyers, accountants, academia and the general public.

4. Project for Improving the quality of the UAR:

The project is ongoing. IMPA added a statistician to the project's team, several queries has been run on IMPA's data base and the discussion on the subject was deepened.

5. NEW PROJECT: Providing a quality feedback to the reporting institutions, regarding the contribution of their UARs to IMPA with regard to unconcealed cases:

The feedback will refer to cases, in which money laundering or terror financing offences were investigated by Israelis Enforcement Authorities, and their judicial process has ended or in its ending stages (verdict, sentence. etc.).

Although, the project is in its early stages, the project's team has already selected several potential cases to be feedback of, and received the relevant Enforcement Authority fundamental approval.

The project next milestones are, editing the feedback framework and content, executing of few feedbacks meeting with selected institutions as a pilot and drawing conclusions towards the next round to be continued in 2012.

The data specified in the statistics table below (in the '*Statistical Information on reports received by the FIU*' table) and the graph below demonstrate the effectiveness of IMPA's efforts to increase level of reporting, as specified above.

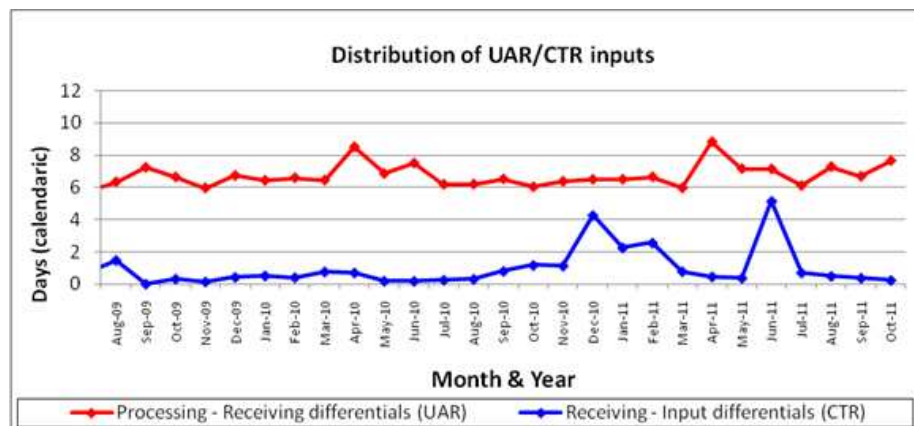
	<p style="text-align: center;">Distribution of UAR's from non-banking sectors (2009-2011)</p>
<p>Recommendation of the MONEYVAL Report</p>	<p>Review the overall effectiveness in relation to the timeliness of the reporting system generally.</p>
<p>Measures reported as of 23 September 2009 to implement the Recommendation of the report</p>	<p>Following are the measures taken by IMPA in order to improve the timeliness of the reporting system generally:</p> <p>1. Improving the timeliness of reports received and their input:</p> <p>One of IMPA's main goals is improving the timeliness of reports received from the reporting institutions and their input to IMPA's database. Therefore, IMPA instructs the reporting institutions regarding the timetable of the reports (CTR – Once a week/month, UAR – Immediate). In-house, IMPA operates an outsourcing Input-Center, which is in charge of entering data and incoming reports into IMPA's data base, according to a strict service level agreement(SLA). Within this framework, IMPA can observe an improvement of at least two indexes, during the past 18 month.</p> <p>The importance of this subject is that defining a strict, realistic and short timetable of reporting obligations and entrance of the data into the FIU's data base ensures the effectiveness of the entire operation.</p> <div style="text-align: center;"> <p>Distribution of UAR/CTR inputs</p> </div>

	<p>* <i>The time that passes between the writing of an UAR by the reporting institutions, till the receipt at IMPA (red line).</i></p> <p>** <i>The time that passes between the receipt of an UAR reports, till it is entered to IMPA's Data Base (yellow line).</i></p> <p>*** <i>As mentioned above, but for CTR's (blue line).</i></p> <p>2. Additional projects relating to the effectiveness of the timeliness, planned to be implement according to IMPA's 2009 annual work-plan:</p> <p><u>(a) Computerization of customs reports:</u> The current situation is that customs reports are filled out manually by the person who enters or exits Israel through a crossing point. The procedure includes handing statement to the customs-officer, who forwards it to the customs AML headquarters, which gathers several statements from different border stations and forwards them periodically to IMPA. The relevant parties realized that the complicated procedure decreases the effectiveness of the reports regime and a project of computerizing the forms and statements was initiated.</p> <p>Nowadays, a pilot is being conducted at the "Ben Gurion" Airport border station. The forms will be filled out by the person at a computerized station and will be sent on-line (computerized form + XML file) to IMPA through the servers of the Ministry of Justice. Depending on the success of the pilot, IMPA will computerize other border stations' forms.</p> <p><u>(b) Receiving on line reports using a governmental set of encrypted vaults:</u> This project is divided into three stages. The first stage of this project is being conducted - pilot among three chosen banks ("strong" reporters). The pilot includes receiving CTR's and UAR's files from the pilot participators (along with maintaining the previous report routine being delivered directly to IMPA), and examining the technical aspects. Following, is the second stage of applying the on-line reports procedure as a routine among the other banks and banking corporations (approx. 30 users). The third and final stage, will include conducting a pilot among the non banking sectors.</p> <p><u>(c) Examination of an automatic solution replacing manual actions regarding transferring files between networks:</u> In this framework, IMPA examines two security systems 'Made in ISRAEL'. The first system, will handle the issues of transferring the required files in a protected form, unidirectional and ensuring complete disconnection between the receiver and the sender. The second system, will filter the information included in these files, according to their content and destination (in/out IMPA's network).</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report</p>	<p>On 24 January 2010, the Bank of Israel amended Directive 411 in respect of clarifying that reporting on irregular activity under Section 9 of the order shall take place as promptly as possible under the circumstances of the case. In the event of special circumstances, an unavoidable delay, or a delay that the banking corporation considers justified, the banking corporation shall document the reasons for said delay.</p> <p>Before the said amendment, the Directive determined that reporting on UTR's shall take place as soon as possible, but no longer than 14 days. As a result of the 14 days extenuation, banking corporations did not report promptly but delayed the submission of the reports up to the 14 days.</p> <p>Following the said amendment to Directive 411, we are already observing an improvement in timeliness of the reporting system.</p> <p>It should be mentioned, that as part of the sanction committees decisions, financial sanctions were imposed on financial institutions that submitted their reports to IMPA with substantial delays.</p> <p>Furthermore, following are the measures taken by IMPA in order to improve the timeliness</p>

of the reporting system generally:

1. Improving the timeliness of reports received and their input:

One of IMPA's main goals is to improve the timeliness of reports received from the reporting institutions and their input to IMPA's database. Therefore, IMPA instructs the reporting institutions regarding the timetable of the reports (CTR – Once a week/month, UAR – Immediate). In-house, IMPA operates an outsourcing Input-Center, which is in charge of entering data and incoming reports into IMPA's data base, according to a strict service level agreement (SLA). The importance of this subject is that defining a strict, realistic and short timetable of reporting obligations and entrance of the data into the FIU's data base ensures the effectiveness of the entire operation.



2. Additional projects relating to the effectiveness of the timeliness:

- (d) **Computerization of customs reports:** The Project is in development stages.
- (e) **Receiving on line reports using a governmental set of encrypted vaults:** The project's pilot continues and progressing. In Addition we are in a process of establishing a portal for real time interactive reports submission.
- (f) **Examination of an automatic solution replacing manual actions regarding transferring files between networks:** The abovementioned project - 'on line reports using a governmental set of encrypted vaults' will provide an automatic solution for transferring files between networks, therefore, this project is currently detained.

(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives

Recommendation 13 (Suspicious transaction reporting) II. Regarding DNFBP⁶	
Recommendation of the MONEYVAL Report	Provide for reporting obligations upon real estate agents, dealers in precious metals, trust and company service providers, lawyers, notaries, other independent legal professionals and accountants. (Recommendation 13).
Measures reported as of 23 September 2009 to implement the Recommendation of the report	See response in the "Key recommendations" table aforementioned (In Recommendation 5 - Regarding DNFBP).
Measures taken to implement the recommendations since the adoption of the first progress report	See response in the "Key recommendations" table aforementioned (In Recommendation 5 - Regarding DNFBP).
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Special Recommendation II (Criminalisation of terrorist financing)	
Rating: Compliant	
Recommendation of the MONEYVAL Report	No recommendation

Special Recommendation IV (Suspicious transaction reporting) I. Regarding Financial Institutions	
Rating: Largely Compliant	
Recommendation of the MONEYVAL Report	Ensure all related information (in financial institutions other than banking corporations) is covered by the tipping off provisions.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The amended orders for non-banking financial institutions include similar tipping off provision as in the banking order. Section 12 in the banking order states: <i>"Disclosure of the formulation, existence, nonexistence or contents of a report pursuant to section 9, and of the existence of a complementary report pursuant to section 31(c) of the Law, the existence of a request for the said report or the contents on one of these, and allowing the inspection of documents attesting to a report as aforesaid is prohibited, except to someone duly authorized to be privy to such information for purposes of fulfilling his function in the banking corporation, the supervisor or someone he authorized, the competent authority or pursuant to a court order."</i>

<p>Measures taken to implement the recommendations since the adoption of the first progress report</p>	<p>The orders for Stock Exchange Members, for Portfolio Managers and for the Postal Bank were amended to include tipping off provision that covers all related information. For example, the order to the Stock Exchange Members includes the following definition:</p> <p><i>"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."</i></p> <p>Similar article is included in the draft orders for money service businesses, insurers and insurance agents, provident funds and companies managing a provident fund.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p>Delete s.10 (b) PTFL to avoid any confusion as to the mandatory nature of STR reporting on FT to the FIU, as provided for in s.48 PTFL.</p>
<p>Measures reported as of 23 September 2009 to implement the Recommendation of the report</p>	<p>According to the Israeli law, there is a clear obligation for financial institutions which are subject to the AML/CFT regime to report any transaction they suspect or have reason to believe is related to TF, directly to IMPA the FIU as a UAR according to the relevant order set in accordance with section 7 of the PMLL.</p> <p>In addition, there is a coordinated work procedure between IMPA, the IP and the Ministry of Defense. According to the procedure, every UAR concerning TF received at the IP or the Ministry of Defense will be disseminated to IMPA, and vice versa.</p> <p>Nevertheless, the Ministry of Justice considered this issue with the relevant authorities and decided to remove section 10(b) to the PTFL and replace it with a provision clarifies that the obligation to report to the IP does not substitute the obligation to report to IMPA in accordance with section 7 to the PMLL.</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report</p>	<p>On 22 March 2011 the draft bill for the Prohibition of Money Laundering Law (Amendment No. 8) was approved by the Ministerial Committee for Legislation and Law Enforcement as part of the legislation process. At the next stage of the legislation process, the draft bill will be brought for the approval of the Knesset. According to the draft bill, section 10(b) to the PTFL will be removed and replaced with a provision which clarifies that the obligation to report to the IP does not substitute the obligation to report to IMPA in accordance with section 7 to the PMLL.</p> <p>In addition, the draft order for banking corporations also includes a provision that clarifies the mandatory nature of reporting UTR on FT to IMPA, in addition to reporting the Israeli Police.</p>
<p>Recommendation of the</p>	<p>Ensure attempted FT transactions are explicitly covered.</p>

MONEYVAL Report	
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The amended orders include explicit obligations to report all attempted unusual transactions (except the amended Postal Bank order).
Measures taken to implement the recommendations since the adoption of the first progress report	The orders for Stock Exchange Members, for Portfolio Managers and for the Postal Bank include explicit obligations to report all attempted unusual transaction. Similar obligation is included in the draft orders for banking corporations, money service businesses, insurers and insurance agents, provident funds and companies managing a provident fund.
Recommendation of the MONEYVAL Report	Ensure removal of thresholds from the (relevant) Orders covering SRIV reporting.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	In the amended orders all thresholds for unusual activity reporting were removed.
Measures taken to implement the recommendations since the adoption of the first progress report	All thresholds for unusual activity reporting were removed from all AML/CFT orders.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives	

Special Recommendation IV (Suspicious transaction reporting)	
II. Regarding DNFBP	
Changes since the last evaluation	See response in the "Key recommendations" table aforementioned (In Recommendation 5 - Regarding DNFBP).

2.4. Other Recommendations

In the last report the following FATF recommendations were rated as “partially compliant” (PC) or “non compliant” (NC) (see also Appendix 1). Please, specify for each one what measures, if any, have been taken to improve the situation and implement the suggestions for improvements contained in the evaluation report.

Recommendation 3 (Confiscation and provisional measures)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	Amend legislation on confiscation and provisional measures to include full range of relevant predicate offences.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>The Ministry of Justice established a working group and appointed an outsourcing professional skilled lawyer (Adv. Dror Shtrum) to formulate a governmental bill on confiscation (inspired by the principles of the UK's Proceeds of Crime Act 2002 additionally to civil recovery provisions). An initial draft bill has recently published among relevant authorities for their reply, and extensive discussions in this matter are being held.</p> <p>In addition, following Moneyval's report, we reviewed again the Israeli legislation on confiscation and the effectiveness of the Israeli confiscation regime. Hereinafter are additional⁷ confiscation provisions, relating to predicate offences, that were not included in Israel's evaluation report and that illustrate the effectiveness of the confiscation regime:</p> <ol style="list-style-type: none"> 1. The Penal Law 5737-1977: <ul style="list-style-type: none"> • Section 129 – forfeiture of instruments connected to offences relating state security. • Sections 234-235 – forfeiture of instruments of gambling offences. • Section 297 – forfeiture of bribery offences. • Section 377D – forfeiture of property connected to offences against the liberty of a person. • Sections 469, 483 – forfeiture of property connected to offences of forgery of money and coins. 2. The Customs Ordinance: <ul style="list-style-type: none"> • Section 39(b) – confiscation of goods imported by mail. • Section 203 – confiscation of sea craft. • Section 204 – confiscation of goods. 3. The Import and Export Ordinance [New Version], 5739-1979: <p>Section 9 relates to confiscation of goods or transportation instruments connected to the above mentioned law.</p> 4. The Confiscation of profits gained from publications concerning offences, 2005: <p>Section 2 relates to confiscation of the profits gained from publications concerning offences.</p>

Measures taken to implement the recommendations since the adoption of the first progress report	A Governmental draft bill on confiscation has been drafted (inspired by the principles of the UK's Proceeds of Crime Act 2002 additionally to civil recovery provisions). The draft bill will soon be published to enable consultation and pre-legislative scrutiny, as part of the legislative process.
Recommendation of the MONEYVAL Report	Improve effectiveness in respect of confiscation for the full range of predicate offences.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>Following Moneyval's report, we reviewed the Israeli regime on confiscation and the effectiveness of the Israeli confiscation regime. Hereinafter are courts' decisions on confiscation that demonstrate the effectiveness of the Israeli regime:</p> <ol style="list-style-type: none"> 1. Case 3580/06 (verdict on 04/12/2008) - the offender was convicted of offences according to section 413 to the Penal Law. The state confiscated a vehicle (BMW) according to section 39 to the Criminal Law Procedure Ordinance. 2. Case 1071/08 (verdict on 31/03/2008) - the offender was convicted of an offence of fraud. The state confiscated 701,259\$ according to section 39 to the Criminal Law Procedure Ordinance. 3. Case 5001/07 (verdict on 25/03/2008) - the offender was convicted of offences of bribery, fraud and theft. The state confiscated 400,000 NIS according to section 39 to the Criminal Law Procedure Ordinance. 4. Case 32/08 (verdict on 12/07/2009) - the offender was convicted of offences according to section 144 and 329 to the Penal Law. The state confiscated a motorbike according to section 39 to the Criminal Law Procedure Ordinance. 5. Case 8031/07 (verdict on 28/01/2008) – the offender was convicted of an offence according to section 8 to the Prohibition on Terrorist Financing Law. The state confiscated 391,000 NIS according to section 12 to the Prohibition on Terrorist Financing Law. 6. Case 1068/05 (verdict on 16/09/2008) – the offenders were convicted of offences of blackmail and of activity in a criminal organization. The state confiscated 3 vehicles (BMW, Mercedes, and Peugeot) according to section 5 to the Combating Criminal Organizations Law. 7. Case 40282/05 (verdict on 03/07/2008) – the offender was convicted of an offence of organizing gambling games. The state confiscated 2,000,000 NIS according to section 235 to the Penal Law. 8. Case 1061/05 (verdict on 07/01/2007) - offender was convicted of drug offences. The state confiscated a vehicle (Isuzu 4x4) according to section 36 to the Dangerous Drugs Ordinance. 9. Case 219/03 (verdict on 30/01/2007) - the offenders were convicted of an offence of obtaining by fraud. The state confiscated 1,605,369 NIS according to the Criminal Law Procedure Ordinance. 10. Case 4039/05 (verdict on 31/08/2008) - the offenders were convicted of an offence of bribery. The state confiscated two apartments and 3,000,000 NIS according to section 297 to the Penal Law. 11. Case 3555/03 (verdict on 06/09/2006) - the offender was convicted of an offence of keeping or managing a gambling place. The state confiscated a

	<p>gambling instrument worth \$90,000 according to sections 234-235 to the Penal Law.</p> <p>As demonstrated above, the claim about deficiency concerning the effectiveness in respect of confiscation for the full range of predicate offences is not accurate. In addition, according to IP information, large sums of money and property originated from predicate offences are being seized and confiscated.</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report</p>	<p>The state attorney's office has set the goal of enhancing the effectiveness of financial enforcement as one of its main strategic goals for the years 2009-2011 and beyond. More specifically detailed work plans were put in place specifying the steps to be taken in combating money laundering of organized crime and enhancing the effectiveness of law enforcement agencies with regard to confiscation and forfeiture. Among these steps included in the state attorney's annual work plan are the following noteworthy steps:</p> <ol style="list-style-type: none"> 1. The establishment (November 2009) of a new senior position – Deputy state attorney (financial enforcement) who is in charge of leading and coordinating the steps taken in this regard. One of his main tasks is to increase the number of indictments and convictions of organized crime offences and of related financial offences such as money laundering, and to significantly increase the amount of money and property that are being confiscated and forfeited. 2. The designation of cases in each district attorney's work plan targeted as potentially including money laundering indictment, confiscation and forfeiture component. These prosecutor lead investigations have defined goals with measurable outcomes, are under special scrutiny and over sited by the state attorney who is personally involved in the monitoring and follow up of these work plans. 3. Task forces - Israel is implementing all mandate of Cabinet Decision 4618, passed on 1 January 2006. The interagency “fusion center” and the interagency task forces for pursuing financial crimes are now fully operational. During 2009 - 2011 the fusion center distributed 8 reports for investigation by the IP, containing integrated information from IMPA, the IP and the Israeli Tax Authority. Furthermore, 6 task forces are fully operational and engaged in different topics, for example: professional money launderers, gambling, criminal organizations etc. In addition, on July 2010 the academy for interdisciplinary enforcement studies was established, and representatives from all authorities that engage with AML/CFT issues participated in the seminars (which include practical practice, inter alia, with regard to confiscation). Additional training concerning financial enforcement and confiscation issues are provided continuously by the 'In-Service Training Faculty for Lawyers' and in the frame of confiscation seminars being held for attorneys from each district attorney. In addition, the Basel institute held in Israel an international confiscation seminar in November 2011 for representatives from all authorities that engage with confiscation issues. 4. Forfeiture and confiscation Forum: A permanent forum on the subject of Forfeiture and confiscation has been established with the following main goals:

	<ul style="list-style-type: none"> (a) Gathering data on temporary and final confiscations. (b) Creating a mechanism for assisting and guiding prosecutors with questions arising regarding the confiscation procedure. (c) Identifying confiscation cases and drawing lessons and best practices. (d) Developing a model for financial investigation including in respect of the role of the prosecutor who accompanies and supports this investigation. (e) Establishment of a portal in which there will be information concerning financial enforcement and confiscation (case law, directives, decisions). (f) Taking part in the enactment process of the new confiscation law. (g) Giving assistance in dealing with issues of property management. <p>The forum is lead by the Deputy State Attorney (Financial Enforcement) and is composed of a professional team of prosecutors (a representative from each district in the state attorney's office) the National Confiscation Officer of the Israeli police, representatives from the Administrator General (the Director of Property Management Unit), a representative from the legislation department at the Ministry of Justice, a representative from IMPA and a representative from the Tax Authority.</p> <p>The forum is operative since May 2010 and meets regularly on a bi monthly basis. The forum also functions as a vital virtual forum for online consultation, exchange of information via emails and publishes professional opinions on ongoing cases and news in the field.</p>
(Other) changes since the first progress report	

Recommendation 6 (Politically Exposed Persons)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	Extend by law, regulation or other enforceable means the definition of a PEP beyond banking corporations
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Please see our reply in the "Key Recommendation" table.
Measures taken to implement the recommendations since the adoption of the	Please see our reply in the "Key Recommendation" table.

first progress report	
Recommendation of the MONEYVAL Report	Amend PEPs requirements to include family members and close associates of PEPs.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Please see our reply in the "Key Recommendation" table.
Measures taken to implement the recommendations since the adoption of the first progress report	Please see our reply in the "Key Recommendation" table.
Recommendation of the MONEYVAL Report	Provide by law or regulation or other enforceable means full senior management approval for establishing business relationships with PEPs for banking corporations.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Please see our reply in the "Key Recommendation" table.
Measures taken to implement the recommendations since the adoption of the first progress report	Please see our reply in the "Key Recommendation" table.
Recommendation of the MONEYVAL Report	Ensure senior management approval for continuation of business where a customer is subsequently found to be a PEP or becomes a PEP.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Please see our reply in the "Key Recommendation" table.
Measures taken to implement the recommendations since the	Please see our reply in the "Key Recommendation" table.

adoption of the first progress report	
Recommendation of the MONEYVAL Report	Ensure new correspondent relationships are approved by senior management.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Please see our reply in the "Key Recommendation" table.
Measures taken to implement the recommendations since the adoption of the first progress report	Please see our reply in the "Key Recommendation" table.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 11 (Unusual transactions)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	Establish enforceable requirements for all financial institutions (portfolio managers, stock exchange members, insurance companies, provident funds, money service businesses and the Post Bank) to conduct ongoing due diligence in respect of all complex, unusual large transactions or patterns of transactions that have no apparent or visible economic or lawful purpose.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Ongoing due diligence obligation was included in the amended orders in relation to the above mentioned financial institutions. See, for example, the relevant article in the Stock Exchange Member Order: Article 11: <i>"The stock exchange member shall carry out an ongoing monitoring of the transactions of the account owner, including the following:</i> <i>(a) ensure that the transactions are consistent with the character of the account in accordance with his acquaintance with the client;</i> <i>(b) monitoring the transactions and the connections of the account owner against the list of countries and territories specified in the second appendix;</i> <i>(c) monitoring the activity in the account of a politically exposed person;"</i>

<p>Measures taken to implement the recommendations since the adoption of the first progress report</p>	<p>The AML/CFT orders for portfolio managers, stock exchange members and the postal bank include the obligation to conduct ongoing due diligence:</p> <p>Article 11: <i>"The Stock Exchange member shall carry out an ongoing monitoring of the transactions of the account owner for the purpose of complying with his 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:</i></p> <ul style="list-style-type: none"> <i>(a) Ensure that the transactions are consistent with the nature of the account according to his knowledge of the account holder;</i> <i>(b) Review activity in the account conducted with countries and territories listed in the First Addendum;</i> <i>(c) Perform more intensive review of transactions carried out in the account of a Foreign Public Figure.</i> <p>The draft orders for insurance companies, provident funds and currency service providers also include the obligations to conduct ongoing due diligence. As mentioned, the orders are fully drafted and are in final legislation process:</p> <p>Article 7: <i>Insurers and insurance agents, provident funds and companies managing a provident fund shall carry out an ongoing monitoring of the transactions of the service recipient in life insurance contract or in an account, for the purpose of complying with his obligations on matters of identification, reporting and record keeping; without affecting the generality of the foregoing, Insurers and insurance agents, provident funds and companies managing a provident fund shall:</i></p> <ul style="list-style-type: none"> <i>(a) Ensure that the transactions are consistent with the nature of the life insurance contract or the account according to his knowledge of the customer;</i> <i>(b) Review activity in life insurance contract or in the account conducted with countries and territories listed in the First Addendum;</i> <i>(c) Perform more intensive review of transactions carried out in life insurance contract or in the account of a Foreign Public Figure."</i>
<p>Recommendation of the MONEYVAL Report</p>	<p>Amend all Orders to include examination in writing of the purpose and intent of complex, unusual large transactions explicitly.</p>
<p>Measures reported as of 23 September 2009 to implement the Recommendation of the report</p>	<p>The amended orders require ongoing monitoring of the transactions in the account with regard to the character of the account in accordance with his acquaintance with the client and documentation of this procedure (except in banking corporations in which this provision already exists in article 14(c) of Directive 411).</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report</p>	<p>The AML/CFT orders for portfolio managers, stock exchange members and the postal bank and the draft orders for insurance companies, provident funds and currency service providers require ongoing monitoring of the transactions in the account with regard to the character of the account in accordance with his acquaintance with the client and documentation of this procedure (except in banking corporations in which this provision already exists in Directive 411).</p>

	<p>The orders include a specific obligation to retain a documentation in writing of the above mentioned examination and its findings:</p> <p>Article 19: <i>"The Stock Exchange member shall retain documentation in written of the examination of activity as aforesaid in section 11 and their findings for a period of seven years."</i></p>
Recommendation of the MONEYVAL Report	Amend all Orders to require the findings of the examinations to be kept available for competent authorities for at least five years.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The amended orders cover the obligation to keep the findings of the transactions' examination available for competent authorities for at least 7 years (except in banking corporations in which this provision will be included in the amendment to Directive 411 drafted by the BOI).
Measures taken to implement the recommendations since the adoption of the first progress report	The AML/CFT orders for portfolio managers, stock exchange members and the postal bank and the draft orders for insurance companies, provident funds and currency service providers include the obligation to keep the findings of the transactions' examination available for competent authorities for at least 7 years. In banking corporations this provision is included in Directive 411 (that was amended on 24 January 2010).
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 15 (Internal controls, compliance and audit)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	<p>Provide generally enforceable requirements to:</p> <ul style="list-style-type: none"> – establish and maintain internal procedures, policies and controls to prevent money laundering and to communicate them to employees in non-banking sector; – designate compliance officers at management level in the non-banking financial sector; – ensure compliance officers have timely access to information; – maintain an adequately resourced and independent audit function to test compliance with AML/CFT procedures, policies and controls in the non-banking financial sector; – Establish ongoing employee training outside banking corporations;

	<ul style="list-style-type: none"> - Put in place screening procedures; - Ensure high standards when hiring employees.
<p>Measures reported as of 23 September 2009 to implement the Recommendation of the report</p>	<p>The following measures have been taken concerning recommendation 15:</p> <ol style="list-style-type: none"> 1. The amended orders (except the Postal Bank order) require financial institutions to establish internal procedures, policies and controls to prevent money laundering and terror financing. For example, In the Portfolio Managers Order: <p style="margin-left: 40px;"><i>"Portfolio Manager shall determine a policy, tools and risk management with regard to the prohibition of money laundering and terror financing, for the application of the obligations according to the order, including with regard to following issues:</i></p> <ul style="list-style-type: none"> o Know your customer procedure; o Tracing money laundering and terror financing threats deriving, inter alia, from new technologies, particularly those that enables non face to face transactions;" 2. Section 8 to the PMLL determines that financial institutions will appoint a responsible person to fulfill the obligations. The person responsible for fulfilling the obligations must act to fulfill the AML/CTF obligations imposed upon the financial institutions, to guide the employees regarding the fulfillment of said obligations and shall supervise their fulfillment. <p style="margin-left: 40px;">In the proposed amendment to the PMLL, it is suggested to authorize the authorities who issue the orders according to this law, to prescribe terms for the appointing of such a responsible person. For example, it may be prescribed in an order that the person responsible for the fulfillment of the corporation's obligations will be at management level. It is also suggested in the amendment not to prescribe these terms in the main legislation, but to enable flexibility to every regulator to prescribe terms on the matter accordingly to the type of corporations that are under his responsibility.</p> 3. Even though not specified in the AML/CFT orders, in practice, the inspections carried out by the authorities supervising financial institutions (Ministry of Finance, Ministry of Communication, BOI, ISA) include, inter alia, the examination of the following issues: <ul style="list-style-type: none"> • The appointment of compliance officer, what is his qualification, what is his position in the organization structure of the financial institution? What are his authorities? Does he have discretion when he carries out his duties? Does he have access to contracts with customers? • AML/CFT policies and procedures. • Are there AML/CFT internal procedures, concerning the way of identification, record keeping, unusual transaction reporting, updating amendments in legislation, etc. • Is there an ongoing employee training program regarding responsibilities according the law, the orders and the internal procedures? Is there a specific training to employees due to their

	<p>assigned work?</p> <ul style="list-style-type: none"> • How the internal AML/CFT measures are being implemented? • Is there an internal inspection plan? Have such inspection been taken? What are the findings?
<p>Measures taken to implement the recommendations since the adoption of the first progress report</p>	<ol style="list-style-type: none"> 1. The AML/CFT orders for portfolio managers, stock exchange members and the postal bank and the draft orders for insurance companies, provident funds and currency service providers require financial institutions to establish internal procedures, policies and controls to prevent money laundering and terror financing: <p style="margin-left: 40px;"><i>"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:</i></p> <ol style="list-style-type: none"> (1) <i>The process of recognizing an account holder;</i> (2) <i>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."</i> 2. As mentioned in the first progress report, in the proposed bill for the amendment to the PMLL, it is suggested to authorize the authorities who issue the orders according to this law, to prescribe terms for the appointing of such a responsible person. During the past year, the proposed bill for the PMLL (Amendment No. 7) was thoroughly discussed at the Constitution, Law and Justice Committee of the Knesset, in order to prepare it to go through second and third readings, as part of the formal legislation process. 3. On 24 January 2010 the BOI amended Directive 411 to extend the guidance concerning Internal controls, compliance and audit, as follows: <ul style="list-style-type: none"> • Expand the obligation to maintain internal procedures, policies and controls to prevent money laundering and terror financing also with reference to the bank's ability to scan and detect transactions that may be associated with terrorism financing and to the way the lists of terror organizations and activists as have been declared by other parties (e.g., the UN and the United States Government - OFAC) may be used. • The officer in charge of obligations under the PMLL shall have a senior formal status at the banking corporation and shall have qualifications, knowledge, and experience commensurate with his duties and purviews. • The officer in charge and his staff shall have unlimited access to all records and information on customer identification and additional customer due diligence documents, transaction

	<p>documents, and all other relevant information.</p> <ul style="list-style-type: none"> • The officer in charge at a branch abroad shall be professionally subordinate to the officer in charge in Israel (and not to the manager of his branch abroad). • The officer in charge shall verify that the officer in charge at relevant subsidiaries of the banking corporation in Israel and abroad performs in proper professional level. • The adequacy and efficacy of the working framework of the officer in charge of discharging the banking corporation's obligations under the Prevention of Money Laundering Law shall be subject to periodic review by the Internal Audit function. • The Internal Audit function shall set aside adequate resources for its review of compliance in this regard (including sample inspections), policies, procedures, and controls. • The internal auditor at the banking corporation shall advise the officer in charge of the relevant audit findings for the discharge of his duties. • Training shall be performed on an ongoing basis in order to assure that the information in the hands of staff is up to date and includes information on the latest techniques, methods, and trends. In the training, special attention shall be devoted to all provisions relating to the prevention of money laundering and financing of terrorism and, in particular, to requirements concerning the reportage of irregular transactions. The banking corporation shall take such actions as are needed to assimilate the knowledge. • A banking corporation shall establish procedures assuring the maintenance of high standards for the hiring of new staff commensurate with the nature of the job.
<p>Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives</p>	

Recommendation 16 (DNFBP)	
Rating: Non Compliant	
<p>Recommendation of the MONEYVAL Report</p>	<p>Extend the associated requirements in Recommendations 14, 15 and 21 to DNFBP.</p>
<p>Measures reported as of 23 September 2009 to implement the Recommendation</p>	<p>See response in the "Key recommendations" table aforementioned (In Recommendation 5 - Regarding DNFBP).</p>

of the report	
Measures taken to implement the recommendations since the adoption of the first progress report	See response in the "Key recommendations" table aforementioned (In Recommendation 5 - Regarding DNFBP).
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 20 (Other DNFBP and secure transaction techniques)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	Israel should consider extending coverage of DNFBP beyond those defined by FATF.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The draft that was formulated in the Ministry of Justice regarding DNFBPs defined by the FATF applies broadly on any person that conducts specified activities on behalf of another person.
Measures taken to implement the recommendations since the adoption of the first progress report	<p>Israel is considering extending the coverage of DNFBPs to legal gambling, as follows:</p> <p>Legal gambling in Israel takes place in the form of lotteries and sports betting, each of which is operated by a single public body- the Israeli State Lottery and the Council for Regulation of Sports Gambling, respectively.</p> <p>IMPA is working to amend the Lottery permit to require:</p> <ol style="list-style-type: none"> (1) Reports to the Israeli Police of everyone who has won a prize over 50,000 NIS. (2) Listing the ID number of the participant over the lottery card. <p>Currently, under the Israeli State Lottery permit, identification of any party claiming a prize exceeding 51,350 NIS must be done according to an original National ID, and the identification document must be photocopied by the person paying out the prize. In addition, any prize exceeding 51,350 NIS paid by check can be paid only in the form of a non-transferrable check issued to the person who presented the ticket for payment.</p>
(Other) changes since the first progress report	

(e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives	
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Recommendation 21 (Special attention for higher risk countries)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	Extend the requirement in Criteria 21.1 beyond banking corporations.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>The relevant amended orders contain the following changes with regard to Recommendation 21:</p> <ol style="list-style-type: none"> (1) CDD measures taken by financial institutions must refer to the connection of costumers that are foreign residents to Israel. (2) Financial institution will need to carry out an ongoing monitoring of the transactions of the account owner, including monitoring the transactions and the connections of the account owner against the <u>list of countries and territories</u> specified in the appendix to the order. The appendix contains a reference to the FATF NCCT list and other countries that the FATF published statements concerning their failing or insufficiently applying FATF Recommendations, and a reference to several specified jurisdictions specifically designated for AML/CFT purposes. (3) All transactions with the designated countries above 5,000 NIS have to be reported as CTRs to the FIU. (4) When dealing with transactions with countries specified in the above mentioned appendix, financial institutions will have to check against the list of designated terrorist individuals and organizations if the names of parties to transaction appear on the list.
Measures taken to implement the recommendations since the adoption of the first progress report	<p>The measures specified in the first progress report are included in the orders for Stock Exchange Members, Portfolio Managers and for the Postal Bank, and in the AML/CFT draft orders concerning money service businesses, insurers and insurance agents, provident funds and companies managing a provident fund, as follows:</p> <ol style="list-style-type: none"> (1) CDD measures taken by financial institutions must refer to the connection of costumers that are foreign residents to Israel: <i>"A stock exchange member shall not open an account, without identifying the person who wants to be a client and without carrying out a procedure of know your costumer; for this purpose, ‘a procedure of know our costumer’ means ascertaining the source of the money that is supposed to be deposited in the account, his occupation, his public status, the circumstances of opening the account and the planned activity therein and any other detail that is required in order to understand the nature of the transactions of the owner of the account through the stock exchange member; <u>with regard to a foreign resident — also his connection to Israel, and</u></i>

with regard to someone who owns a business — also becoming acquainted with his business, the nature of his customers and suppliers and his financial activity; the stock exchange member shall make records of these details;"

- (2) Financial institution will need to carry out an ongoing monitoring of the transactions of the account owner, including monitoring the transactions and the connections of the account owner against the list of countries and territories specified in the appendix to the order. The appendix contains a reference to the FATF NCCT list and other countries that the FATF published statements concerning their failing or insufficiently applying FATF Recommendations, and a reference to several specified jurisdictions specifically designated for AML/CFT purposes:**

"The stock exchange member shall carry out an ongoing monitoring of the transactions of the account owner, including the following:

- (a) ensure that the transactions are consistent with the character of the account in accordance with his acquaintance with the client;*
- (b) monitoring the transactions and the connections of the account owner against the list of countries and territories specified in the second appendix;*
- (c) monitoring the activity in the account of a politically exposed person;"*

- (3) All transactions with the designated countries above 5,000 NIS have to be reported as CTRs to the FIU:**

"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;

...

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."

- (4) When dealing with transactions with countries specified in the above mentioned appendix, financial institutions will have to check against the list of designated terrorist individuals and organizations if the names of parties to transaction appear on the list: For example, in the Stock Exchange member order -**

"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 examination shall be carried out*

	<p><i>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;</i></p> <p><i>(2) If the name of the person performing the transaction pursuant to sections 3(f) and (g) is on the list;</i></p> <p><i>(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:</i></p> <p><i>(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;</i></p> <p><i>(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.</i></p> <p><i>(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."</i></p>
<p>Recommendation of the MONEYVAL Report</p>	<p>Provide clear requirements to examine as far as possible the background and purpose of transactions with countries (which do not, or insufficiently, apply the FATF Recommendations or where there are AML/CFT weaknesses) which have no economic or visible lawful purpose, and provide specific requirements for financial institutions to set forth their findings in writing and to keep the findings available to assist competent authorities.</p>
<p>Measures reported as of 23 September 2009 to implement the Recommendation of the report</p>	<p>The amended orders, excluding the banking corporations order (the BOI is considering amending Directive 411 in this respect), contain the obligation for financial institution to carry out a heightened monitoring of the transactions and the connections of the account owner against the <u>list of countries and territories</u> specified in the appendix to the order.</p> <p>According to the draft amended orders, the financial institutions will have to report UARs to the FIU about transactions with no economic or visible lawful purposes. Furthermore, financial institutions will have to maintain all necessary records on transactions including the findings of the transactions' examination, for a period of at least seven years.</p>
<p>Measures taken to implement the recommendations since the adoption of</p>	<p>The measures specified in the first progress report are included in the orders for Stock Exchange Members, for Portfolio Managers and for the Postal Bank, and in the AML/CFT draft orders concerning money service businesses, insurers and insurance agents, provident funds and companies managing a</p>

<p>the first progress report</p>	<p>provident fund:</p> <p><i>"The stock exchange member shall carry out an ongoing monitoring of the transactions of the account owner, including the following:</i></p> <p><i>(a) ensure that the transactions are consistent with the character of the account in accordance with his acquaintance with the client;</i></p> <p><i>(b) <u>monitoring the transactions and the connections of the account owner against the list of countries and territories specified in the second appendix;</u></i></p> <p><i>(c) monitoring the activity in the account of a politically exposed person;"</i></p> <p>In addition, according to the amended orders, financial institutions have to report UARs to IMPA about transactions with no economic or visible lawful purposes. Furthermore, financial institutions have to maintain all necessary records on transactions including the findings of the aforementioned transactions' examination, for a period of at least seven years.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p>Ensure that appropriate counter-measures can be taken where a country continues not to apply or insufficiently applies FATF Recommendations.</p>
<p>Measures reported as of 23 September 2009 to implement the Recommendation of the report</p>	<p>The following counter-measures have been taken:</p> <ol style="list-style-type: none"> 1. On 6 August 2009 IMPA informed the supervisors about the FATF update from 26 June 2009 to the statements concerning jurisdictions that do not apply or insufficiently apply FATF Recommendations (published on 28 February 2008), and of Moneyval statements about Azerbaijan (dated 12/12/2002 and 23/03/2009). IMPA informed the supervisors about the FATF Statement and its updates. IMPA recommended the supervisors to advise the financial institutions to pay special attention to the ML\FT risks in transactions with financial institutions operating in those countries, including taking enhanced due diligence measures and unusual transaction reporting with regard to those countries. 2. On 14 December 2008 IMPA initiated a seminar for compliance officers of banking corporations concerning CFT issues. During the seminar lecturers from IMPA, the IP and the BOI provided clear guidelines concerning CFT issues including warning them that transactions with natural or legal persons within country that continues not to apply or insufficiently applies FATF Recommendations, might run the risk of ML\TF. 3. Advanced studies, conferences, training session and feedback meetings, are some of the tools used to educate and increase the awareness in respect of AML\CFT, among the financial institutions and the supervisors. 4. During 2009 IMPA in cooperation with the Ministry of Finance issued guidelines and instructions booklets to MSBs and to insurers and insurance agencies concerning AML\CFT issues such as red flags for ML and TF reports, relevant typologies and sanitized cases (the booklet for insurance agencies was published on 26 August 2009, and the booklet for MSBs will be published on September 2009). According to IMPA's 2009 annual work-plan, two additional booklets are planned - The first, for the Members of the stock exchange and Portfolio managers; the second for the Banking corporations and the postal bank. Each booklet is adjusted to the

	<p>unique element of the reporting sector and its skills.</p> <p>5. IMPA publishes AML\CFT guidelines, news, legal information, typologies and other relevant information on its website. In addition, IMPA publishes on its website a triennial newsletter regarding AML\CFT issues. The newsletter is distributed by email to law enforcement authorities, to the supervisors and to compliance officers of financial institutions.</p>
Measures taken to implement the recommendations since the adoption of the first progress report	<p>Following the FATF's public statements concerning identified jurisdictions that have strategic deficiencies that pose a risk to the international financial system, the bank of Israel, the Israeli securities authority and the supervisor of the Postal Bank published notifications to financial institutions under their supervision, to pay special attention to the ML\FT risks in transactions with financial institutions operating in those countries, including taking enhanced due diligence measures and unusual transaction reporting with regard to those countries (the BOI published the notification on 22 March 2011; the ISA published notifications on 22 September 2009, 14 April 2010, 15 November 2010).</p> <p>In addition, the head of IMPA is publishing notifications concerning the FATF's public statements on IMPA'S website, every time the FATF update the statements. As a consequence, all transactions with the designated countries above 5,000 NIS have to be reported as CTRs to IMPA. Please find those declarations for each relevant financial institution on IMPA's web site: http://www.justice.gov.il/NR/rdonlyres/0416B2A7-F4AD-4872-9CEF-5E44E181D4B5/29223/tik.pdf http://www.justice.gov.il/NR/rdonlyres/0416B2A7-F4AD-4872-9CEF-5E44E181D4B5/29224/bursa.pdf http://www.justice.gov.il/NR/rdonlyres/0416B2A7-F4AD-4872-9CEF-5E44E181D4B5/29222/pos.pdf</p>
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives	

Recommendation 22 (Foreign branches and subsidiaries)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	Israel needs to provide a general enforceable obligation for all financial institutions to ensure their foreign branches and subsidiaries observe AML/CFT measures consistent with home requirements and the FATF Recommendations to the extent that host country laws and regulations permits
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>Only banking corporations have foreign branches and subsidiaries.</p> <p>Regulation 411 applies on foreign branches and subsidiaries under the restrictions pursuant to article 2 of the Directive.</p> <p>The BOI intends to extend article 2 to Directive 411 in accordance with the recommendations.</p>
Measures taken	The BOI amended Directive 411 on 24 January 2010, and extended article 2 of

to implement the recommendations since the adoption of the first progress report	<p>the Directive to ensure that the banks' foreign branches and subsidiaries observe AML/CFT measures consistent with home requirements:</p> <p>"Applicability</p> <p>2. (a) <i>This Directive shall apply to banking corporations and corporations as specified in Sections 11(a)(2) and 11(b) of the Banking (Licensing) Law, 5741-1981 (henceforth, the Licensing Law).</i></p> <p>(b) <i>Notwithstanding the aforesaid in Subsection (a), in a corporation of the kind set forth in Section 11(a)(2) of the Licensing Law, and at a branch of a banking corporation outside Israel, the provisions of Sections 11, 16(b), 26, and 31–33 of the Directive shall not apply. In said corporation and said branch, whenever the provisions relating to the prevention of money laundering and terrorism financing in the country where said corporation or branch differ from this Directive, the stricter provisions among them shall apply insofar as they do not contravene the provisions of local law."</i></p>
Recommendation of the MONEYVAL Report	Provide enforceable obligations requiring financial institutions to pay particular attention in respect of their foreign branches and subsidiaries based in countries that do not or insufficiently apply FATF Recommendations;
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The BOI intends to amend Directive 411 to include the recommendations concerning foreign branches and subsidiaries.
Measures taken to implement the recommendations since the adoption of the first progress report	<p>The BOI amended Directive 411 on 24 January 2010, to ensure that banking corporations pay special attention in respect of their foreign branches and subsidiaries based in countries that do not or insufficiently apply FATF Recommendations.</p> <p>See article 29 to Directive 411:</p> <p><i>"29. A banking corporation shall make sure that branches and corporations under its control in countries that do not adequately apply FATF recommendations honor the provisions of the Directive insofar as said provisions do not contravene local laws and regulations."</i></p>
Recommendation of the MONEYVAL Report	Provide for enforceable obligations to ensure that where minimum AML/CFT requirements of the home and host countries differ, branches and subsidiaries in host countries should be required to apply the higher standard to the extent that local (i.e. host country) laws and regulations permit;
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The BOI intends to amend Directive 411 to include the recommendations concerning foreign branches and subsidiaries.
Measures taken to implement the recommendations since the adoption of the	<p>Directive 411 was amended to ensure that the banks' branches and subsidiaries are required to apply the higher standard. See article 2(b) to Directive 411:</p> <p><i>"... In said corporation and said branch, whenever the provisions relating to the prevention of money laundering and terrorism financing in the country where said corporation or branch differ from this Directive, the stricter provisions</i></p>

first progress report	<i>among them shall apply insofar as they do not contravene the provisions of local law."</i>
Recommendation of the MONEYVAL Report	Provide a general enforceable obligation to inform the home country supervisor when a foreign branch or subsidiary is unable to observe appropriate AML/CFT measures.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The BOI intends to amend Directive 411 to include the recommendations concerning foreign branches and subsidiaries.
Measures taken to implement the recommendations since the adoption of the first progress report	Directive 411 was amended to include the obligation to inform the supervisor of banks when a foreign branch or subsidiary is unable to observe appropriate AML/CFT measures. See article 25(d) of the Directive: <i>"(d) A banking corporation shall report immediately to the Supervisor of Banks whenever a foreign corporation that the bank controls, or in which it has a substantial interest, or a branch of a banking corporation outside Israel, does not act in accordance with this Directive because the Directive contravene the provisions of local laws."</i>
Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 23 (Regulation, supervision and monitoring)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	Israel should reconsider reliance upon outsourcing of supervision of AML/CFT in the Ministry of Finance and Ministry of Communication should be reconsidered.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Reliance upon outsourcing of supervision was reconsidered during the AML/CFT Regulators Forum meeting which took place on 26 July 2009 (Please find explanation in the next recommendation). During the meeting the supervisors were requested to take a more active approach in the inspections including physical presence of the supervisor's representatives during the onsite inspection. The relevant supervisors mentioned that, in practice, their outsourced inspections are accompanied by an employee of the supervisor in substantial part of inspections in order to ensure appropriate and sufficient level

	of supervision. Furthermore, the outsourced inspectors receive guidance and instructions by the supervisors.
Measures taken to implement the recommendations since the adoption of the first progress report	As reported by the supervisors, reliance upon outsourcing of supervision is infrequently being done, and outsourced inspections are always accompanied by an employee of the supervisor.
Recommendation of the MONEYVAL Report	Introduce a mechanism for ensuring that an appropriate and sufficient level of supervision is consistently implemented across the whole financial sector.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	During 2009 an AML\CFT Regulators Forum was established. The Forum constitutes representatives from the supervisors, IMPA, and as needed, from the IP and from the prosecution authorities. The first meeting took place on 20 January 2009 and the second meeting on 26 July 2009. The Forum meetings intend to ensure that AML\CFT issues are consistently implemented across the whole financial sector. In the last meeting, the supervisors agreed to issue a memorandum of understanding between all supervisors regarding AML\CFT issues, inter alia, in order to increase cooperation between supervisors.
Measures taken to implement the recommendations since the adoption of the first progress report	<p>The AML/CFT Regulators Forum that was established during 2009 continues its activity in order to ensure that AML\CFT issues are consistently implemented across the whole financial sector. During 2009-2011 there were 5 meetings, in which, different issues were discussed, as specified herein:</p> <p><u>Meeting of July 2009</u>: Reviewing the procedure of inspections performed by outsourcing; Reviewing additional measures required in view of the submission of Moneyval's first progress report.</p> <p><u>Meeting of March 2010</u>: The distribution of confidential information from IMPA to the sanction committee; The contribution of financial institutions to prevent illegal Internet gambling.</p> <p><u>Meeting of July 2010</u>: Reviewing AML/CFT relevant judgments; The publication of the sanction committees' decisions.</p> <p><u>Meeting of January 2011</u>: Reviewing AML/CFT legislation amendments; An update of the struggle against illegal Internet gambling.</p> <p><u>Meeting of September 2011</u>: Reviewing the inspection procedure taken by each supervisor; Reviewing judgments in cases of appeals over the decisions of sanctions committees; An update of the steps taken by the state of Israel in the battle against Iran's nuclear program and related programs; Preparations to Moneyval's second progress report.</p> <p>As a result of the discussions at the forum, all of the sanctions committee's decisions are being published and are available online.</p> <p>In addition, as part of its activity, the forum is currently examining the possibility of signing a memorandum of understanding between regulators in order to increase cooperation and improve the enforcement. A preliminary draft of this document was distributed to the regulators for comments.</p>
Recommendation of the MONEYVAL	Ensure effective supervision in MSBs and the Postal Bank.

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Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>During 2007-2009, the supervisors of MSBs conducted over 30 sanctions committees, and there are more expected following several inspections taken.</p> <p>On 23 July 2009 the supervisor of the Postal Bank submitted his final AML\CFT inspection report to the Postal Bank in order to subpoena them to a sanction committee.</p>
Measures taken to implement the recommendations since the adoption of the first progress report	<p>The supervisors of MSBs and the Postal Bank continued conducting AML\CFT inspections in order to review the implementation of AML\CFT obligations. During 2009-2011, the supervisor of MSBs conducted 75 inspections and held 30 sanctions committees.</p> <p>The supervisor for the Postal Bank conducted during 2011 specific inspections to review the implementation of CDD obligations (especially concerning the beneficial owner) and of the obligation to report UTRs. It should be mentioned that the supervisor of the Postal Bank applied to the head of the sanctions committee in a request to impose sanctions on the Postal Bank for violation of its obligations under the AML/CFT order according to the final AML/CFT inspection on July 2009.</p> <p>In addition, during 2008-2011 the supervisor of the Postal Bank issued to the Postal Bank various directives concerning AML/CFT issues.</p>
Other) changes since the first progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives	

Recommendation 24 (DNFBP – Regulation, supervision and monitoring)	
Rating: Non Compliant	
Recommendation of the MONEYVAL Report	Ensure that DNFBP are subject to effective systems for monitoring and ensuring compliance with AML/CFT obligations.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	See response in the "Key recommendations" table aforementioned (In Recommendation 5 - Regarding DNFBP).
Measures taken to implement the recommendations since the adoption of the first progress	See response in the "Key recommendations" table aforementioned (In Recommendation 5 - Regarding DNFBP).

report	
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives	

Recommendation 25 (Guidelines and feedback)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	Provide sufficient guidelines to the financial sector regarding CFT issues
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>The following actions have been taken with regard to guidelines concerning CFT issues:</p> <ol style="list-style-type: none"> 1. During 2009 IMPA in cooperation with the Ministry of Finance issued guidelines and instructions booklets to MSBs and to insurers and insurance agencies concerning AML\CFT issues such as red flags for ML and TF reports, relevant typologies and sanitized cases (the booklet for insurance agencies was published on 26 August 2009, and the booklet for MSBs will be published on 9 November 2009). According to IMPA's 2009 annual work-plan, two additional booklets are planned - The first, for the Members of the stock exchange and Portfolio managers; the second for the Banking corporations and the postal bank. Each booklet is adjusted according to the unique element of the reporting sector and its skills. 2. On 14 December 2008 IMPA initiated a seminar for compliance officers of banking corporations concerning CFT issues. During the seminar lecturers from IMPA, the IP and the BOI provided clear guidelines concerning CFT issues. 3. Advanced studies, conferences, training session and feedback meetings, are some of the tools used to educate and increase the awareness in respect of AML\CFT, among the financial institutions and the supervisors 4. IMPA initiated a seminar that took place on 6 September 2009 concerning the AML\CFT risks of NPO's. 5. On 6 August 2009 IMPA informed the supervisors about the FATF update from 26 June 2009 to the statements concerning jurisdictions that do not apply or insufficiently apply FATF Recommendations (published on 28 February 2008), and of Moneyval statements about Azerbaijan (dated 12/12/2002 and 23/03/2009). IMPA informed the supervisors about the FATF Statement and its updates. IMPA recommended the supervisors to advise the financial institutions to pay special attention to the ML\FT risks in transactions with financial institutions operating in those countries, including taking enhanced due diligence measures and unusual transaction reporting with regard to those countries. The above mentioned information was also published on IMPA's website.

	<p>6. IMPA publishes AML\CFT guidelines, news, legal information, typologies and other relevant information on its website. In addition, IMPA publishes on its website a triennial newsletter regarding AML\CFT issues. The newsletter is distributed by email to law enforcement authorities, to the supervisors and to compliance officers of financial institutions.</p> <p>7. On the 1st of April 2009, the ISA together with IMPA held a full day conference attended by senior (CEO's and compliance officers) representatives of all non banking stock exchange members. The major aim of the conference was to increase awareness and provide guidelines regarding unusual transaction reporting.</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report</p>	<p>The following actions have been taken with regard to guidelines concerning CFT issues:</p> <ol style="list-style-type: none"> 1. Following the FATF's public statements concerning identified jurisdictions that have strategic deficiencies that pose a risk to the international financial system, the bank of Israel, the Israeli securities authority and the supervisor of the Postal Bank published notifications to financial institutions under their supervision, to pay special attention to the ML\FT risks in transactions with financial institutions operating in those countries, including taking enhanced due diligence measures and unusual transaction reporting with regard to those countries (the BOI published the notification on 22 March 2011; the ISA published notifications on 22 September 2009, 14 April 2010, and 15 November 2010). 2. The head of IMPA is publishing notifications concerning the FATF's public statements on IMPA'S website, every time the FATF update the statements. As a consequence, financial institutions all transactions with the designated countries above 5,000 NIS have to be reported as CTRs to IMPA. 3. IMPA publishes AML\CFT guidelines, news, legal information, typologies and other relevant information on its website. In addition, IMPA publishes on its website a triennial newsletter regarding AML\CFT issues. The newsletter is distributed by email to law enforcement authorities, to the supervisors and to compliance officers of financial institutions. 4. Advanced studies, conferences, training session and feedback meetings, are some of the tools used to educate and increase the awareness in respect of AML/CFT, among the financial institutions and the supervisors. 5. IMPA issued on May 2011 guidelines and instructions booklet to stock exchange members and Portfolio managers in cooperation with the ISA; 6. On 14 June 2011 a booklet for financial institutions concerning the issue of gambling in the internet. The booklet includes red flags for ML and TF reports, relevant typologies and sanitized cases. Please find the booklet on IMPA's website: http://www.justice.gov.il/NR/rdonlyres/9FEDC722-9720-4F8D-84F6-56BEA443BF2B/28254/gambling.pdf 7. On 20 July 2011 IMPA and the BOI initiated a seminar for compliance officers of banking corporations concerning AML/CFT issues. 8. On 17 January 2011 IMPA and the supervisor of the Postal Bank

	<p>conducted a seminar for the postal bank, as a preparation to the implementation of the amended order. During the seminar lecturers from IMPA, the IP and the supervisor of the postal bank provided clear guidelines concerning AML/CFT issues including typologies and sanitized cases.</p> <ol style="list-style-type: none"> 9. The supervisor of the Postal Bank performs constants meetings with the Postal Bank management, compliance officer and with the employees which are responsible for AML/CFT issues, in order to increase awareness with respect of AML/CFT. 10. The supervisor for the Postal Bank conducted during 2011 specific inspections to review the implementation of CDD obligations and of the obligation to report UTRs. 11. During 2008-2011 the supervisor of the Postal Bank issued to the Postal Bank various directives concerning AML/CFT issues. 12. The ISA conducted seminars for Stock Exchange Members (on 21 November 2010) and for Portfolio Managers (on 28 November 2010) as a preparation to the implementation of the amended orders, concerning AML/CFT issues. 13. The Ministry of Finance and IMPA are conducting training to the newly registered MSBs with regard to their AML\CFT obligations.
<p>Recommendation of the MONEYVAL Report</p>	<p>Also provide comprehensive guidance on PMLL issues to the Postal Bank, the insurance and provident funds sector and the money service businesses.</p>
<p>Measures reported as of 23 September 2009 to implement the Recommendation of the report</p>	<p>During the AML/CFT Regulators Forum meeting the supervisors were requested to provide financial institutions comprehensive and coordinated guidance on AML\CFT issues.</p> <p>In addition, as mentioned above, IMPA and the relevant supervisors issued guidelines and instructions booklets to the MSBs and to insurers and insurance companies concerning AML\CFT issues. Two additional booklets are planned - The first, for the Members of the stock exchange and Portfolio managers; the second for the Banking corporations and the postal bank.</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report</p>	<p>The Ministry of Finance and IMPA are also conducting training to the newly registered MSBs with regard to their AML\CFT obligations, and the supervisor of the Postal Bank provided the necessary training, as preparation for the application of the amended order - During 2011, 4 training courses were provided to the postal bank with the participation of representatives from the supervisor, IMPA and the Israeli Police.</p> <p>On July 2011 the supervisor of the Postal Bank conducted a review and examination in the Postal Bank concerning transactions which are related to illegal gambling according to the typologies which were published by IMPA.</p> <p>In addition, the supervisor of the Postal Bank is examining the performance of training concerning AML/CFT issues to the Postal Bank's employees.</p> <p>Furthermore, IMPA's employees constantly meet and lecture to the financial institutions about their AML\CFT obligations. Moreover, IMPA publishes AML\CFT guidelines, news, legal information, typologies and other relevant</p>

	<p>information on its website. In addition, IMPA publishes on its website a triennial newsletter regarding AML\CFT issues. The newsletter is distributed by email to law enforcement authorities, to the supervisors and to compliance officers of financial institutions.</p> <p>In addition, on 14 June 2011 IMPA issued a booklet for the financial institutions concerning the issue of gambling in the internet. The booklet includes red flags for ML and TF reports, relevant typologies and sanitized cases. Please find the booklet on IMPA's website: http://www.justice.gov.il/NR/rdonlyres/9FEDC722-9720-4F8D-84F6-56BEA443BF2B/28254/gambling.pdf</p>
Recommendation of the MONEYVAL Report	Coordinate this guidance across the financial sector
Measures reported as of 23 September 2009 to implement the Recommendation of the report	As mentioned above, during the AML\CFT Regulators Forum meeting the supervisors were requested to provide financial institutions comprehensive and coordinated guidance on AML\CFT issues.
Measures taken to implement the recommendations since the adoption of the first progress report	<p>As mentioned, IMPA's employees constantly meet and lecture to the financial institutions about their AML\CFT obligations. Moreover, IMPA publishes AML\CFT guidelines, news, legal information, typologies and other relevant information on its website.</p> <p>In addition, IMPA publishes on its website a triennial newsletter regarding AML\CFT issues. The newsletter is distributed by email to law enforcement authorities, to the supervisors and to compliance officers of financial institutions.</p>
Recommendation of the MONEYVAL Report	Make more case specific feedback available.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>The following measures are being taken to provide financial institutions case specific feedback:</p> <ol style="list-style-type: none"> 1. During 2009 IMPA in cooperation with the Ministry of Finance issued guidelines and instructions booklets to MSBs and to insurers and insurance agencies concerning AML\CFT issues such as red flags for ML and TF reports, relevant typologies and sanitized cases (the booklet for insurance agencies was published on 26 August 2009, and the booklet for MSBs will be published on September 2009). According to IMPA's 2009 annual work-plan, two additional booklets are planned - The first, for the Members of the stock exchange and Portfolio managers; the second for the Banking corporations and the postal bank. Each booklet is adjusted according to the unique element of the reporting sector and its skills. 2. On 14 December 2008 IMPA initiated a seminar for compliance officers of banking corporations concerning CFT issues. During the seminar lecturers from IMPA, the IP and the BOI provided clear guidelines concerning CFT issues including typologies and sanitized cases.

	<ol style="list-style-type: none"> 3. Advanced studies, conferences, training session and feedback meetings, are some of the tools used to educate and increase the awareness in respect of AML/CFT, among the financial institutions and the supervisors 4. IMPA publishes AML\CFT guidelines, news, legal information, typologies and other relevant information on its website. In addition, IMPA publishes on its website a triennial newsletter regarding AML\CFT issues. The newsletter is distributed by email to law enforcement authorities, to the supervisors and to compliance officers of financial institutions.
<p>Measures taken to implement the recommendations since the adoption of the first progress report</p>	<p>The following measures are being taken to provide financial institutions case specific feedback:</p> <ol style="list-style-type: none"> 1. IMPA publishes AML\CFT guidelines, news, legal information, typologies and other relevant information on its website. In addition, IMPA publishes on its website a triennial newsletter regarding AML\CFT issues. The newsletter is distributed by email to law enforcement authorities, to the supervisors and to compliance officers of financial institutions. 2. Advanced studies, conferences, training session and feedback meetings, are some of the tools used to educate and increase the awareness in respect of AML/CFT, among the financial institutions and the supervisors. 3. IMPA issued on May 2011 guidelines and instructions booklet to stock exchange members and Portfolio managers in cooperation with the ISA. 4. On 14 June 2011 IMPA issued a booklet for the financial institutions concerning the issue of gambling in the internet. The booklet includes red flags for ML and TF reports, relevant typologies and sanitized cases. Please find the booklet on IMPA's website: http://www.justice.gov.il/NR/rdonlyres/9FEDC722-9720-4F8D-84F6-56BEA443BF2B/28254/gambling.pdf 5. On 20 July 2011 IMPA and the BOI initiated a seminar for compliance officers of banking corporations concerning AML/CFT issues. 6. On 17 January 2011 IMPA and the supervisor of the Postal Bank conducted a seminar for the postal bank, as a preparation to the implementation of the amended order. During the seminar lecturers from IMPA, the IP and the supervisor of the postal bank provided clear guidelines concerning AML/CFT issues including typologies and sanitized cases. 7. The supervisor of the Postal Bank performs constant meetings with the Postal Bank management, compliance officer and with the employees which are responsible for AML/CFT issues, in order to increase awareness with respect of AML/CFT. 8. The ISA conducted seminars for Stock Exchange Members (on 21 November 2010) and for Portfolio Managers (on 28 November 2010) as a preparation to the implementation of the amended orders, concerning AML/CFT issues including typologies and sanitized cases. 9. During 2008-2011 the supervisor of the Postal Bank issued to the Postal Bank various directives concerning AML/CFT issues. 10. The Ministry of Finance and IMPA are conducting training to the newly registered MSBs with regard to their AML\CFT obligations, including typologies and sanitized cases.
<p>Recommendation of the MONEYVAL</p>	<p>Publish guidelines for DNFBP</p>

Report	
Measures reported as of 23 September 2009 to implement the Recommendation of the report	N/A
Measures taken to implement the recommendations since the adoption of the first progress report	N/A
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives	

Recommendation 33 (Legal persons – beneficial owners)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	Review commercial, corporate and other laws with a view to taking measures to provide adequate transparency with respect to beneficial ownership.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<ol style="list-style-type: none"> 1. The Ministry of Justice will review this issue and will consider amendments in order to provide transparency with respect to beneficial ownership, considering the current legal measures. 2. The companies' registrar initiated a project of data amelioration in order to update the companies' registration, among other things, data concerning beneficial ownership. This project is well budgeted and includes application to the registered companies and requiring registered companies to submit to the registrar an annual report that includes relevant details about directors and shares holders. This project will improve the accuracy of the registration and will make it more reliable and dependable. In addition, on 23 July 2009, an amendment to the Companies Law was published, and determines sanctions to a company that do not submit an annual report to the companies registrar as required by the law (herein after – the violating company). As mentioned, the companies' registrar is given the authority to sanction such company in various sanctions, for example, refusal to register a company that one of its shares holders is the violating company, the beneficial owner of the violation company or a director in the violating company. This amendment will enable the companies' registrar to ensure that the

	<p>registration is updated.</p> <ol style="list-style-type: none"> 3. Specifically with regard to NPOs, during the last year, the NPO's registrar ('Amutot' registrar) has taken the following measures to increase the scope of information available on NPOs and their transparency: <ol style="list-style-type: none"> a. Following the amendment to the Law of NPOs that came into force in June 2007, the NPO's registrar acted to implement the requirements of the law, including the requirement to submit a verbal report which will include comprehensive information regarding the NPO's activities, including the use the NPO made with donations and the NPO's future planned activity. b. The Ministry of justice signed on March 2009 an agreement for the establishment of an on-line data-base on NPOs. This information will enable the public and governmental authorities to receive in simple and lenient manner extensive information on NPOs. The data-base is also planned to include additional information from ministries regarding NPOs, and will enable governmental authorities to cross-reference different types of information. The data-base is planned to go on-line during 2010. 4. The Israeli approach to preventing the unlawful use of legal persons and legal arrangements for ML\FT relies on the investigative and other powers of law enforcement, regulatory, supervisory, and other competent authorities to obtain or get access to information. Such information on beneficial ownership may be available from four sources: <ul style="list-style-type: none"> • 'Open source' data. • Information retained by AML/CFT regulated businesses as part of their compliance obligations. • Information held by public bodies such as the companies' registrar, NPO's registrar, charities registrar or the tax authorities. • Information held by private companies or individuals.
<p>Measures taken to implement the recommendations since the adoption of the first progress report</p>	<ol style="list-style-type: none"> 1. The Corporations Authority is planning to submit to the legislation department in the Ministry of Justice a draft amendment to the Corporation Law which will provide transparency with respect to the reporting requirements of private companies including, inter alia, provisions regarding to beneficial ownership, subject to the current legal measures. 2. The Corporations Authority has undertaken in the past year serious measures to ensure compliance of the annual reporting requirements for private companies that includes relevant details about directors and shares holders. Some of these companies are also required to submit their balance sheet annually. These measures included the implementation of sanctions against "violating companies" as well as public campaigns to increase compliance and public awareness of these reporting requirements. These measures resulted in a significant increase in the submission of annual reports. The information reported is available to the public and most of it is publicly accessible at the website of the Corporation Authority. 3. In December 2010, the regulations regarding the public viewing of information held by the Companies Registrar with regards to private companies were amended to include a significantly reduced cost for viewing company details at the Corporation Authority website as well as the possibility for the public to receive by post a CD that includes the complete

	<p>set of documents in a company file. These provisions resulted in a significant increase in the public access to information regarding private companies.</p> <p>4. Specifically with regard to NPO's, the NPO's registrar in the Corporations Authority has taken the following measures to increase the scope of information available on NPO's and their transparency:</p> <ul style="list-style-type: none"> (a) In August 2010 the "guide star" website that is an on-line data-base on NPO's was launched following the agreement that was signed by the Ministry of justice on March 2009. This information is available to the public free of charge and enables the public and governmental authorities to receive in simple and lenient manner extensive information on NPO's. This information includes, inter alia, the annual financial and verbal reports submitted by NPO's. The data-base is also planned to include additional information from ministries regarding NPO's, and will enable governmental authorities to cross-reference different types of information. (b) In December 2010, the regulations regarding the public viewing of information held by the Corporations Authority with regards to NPO's were amended to include the possibility for the public to receive by post a CD that includes the complete set of documents in a NPO's file. These provisions resulted in a significant increase in the public access to information regarding NPO's. (c) The Corporations Authority is in the process of implementing the digital submission of information by NPO's so as to improve the quality of the information available to the public and, inter alia, to enhance substantially the possibility for intelligent searches by different criteria. To supplement this process the Corporations Authority is also considering further amendments to the verbal annual reporting requirements by NPO's so as to allow additional relevant information to be available to the regulators and the public. <p>5. In addition to the extensive steps described above with regard to enhancing transparency of NPO's as well as public access to information regarding NPO's, the Ministry of Justice has recently published for public comments a draft amendment to NPO's legislation that, inter alia, provides for additional regulatory and supervisory powers to the NPO's Regulator.</p> <p>6. The Ministry of Justice and the Corporations Authority are currently working on two additional complex and extensive draft legislations. The first is intended to replace the Trust Law in the regulation of Charities (public trusts). It should be published for public comments at the next few weeks. The second legislation in progress is NPO's legislation that will eventually replace the existing legislation ("Amutot Law"). This draft is complicated and at an early stage. The legislation will include extensive provisions with regards to corporate governance of NPO's as well as extensive administrative, regulatory and supervisory powers to the NPO's regulator.</p>
<p>Recommendation of the MONEYVAL</p>	<p>Assess the number of companies on bearer shares and take specific measures to ensure that legal persons which are able to issue bearer shares are not misused for money laundering.</p>

Report	
Measures reported as of 23 September 2009 to implement the Recommendation of the report	No changes since last evaluation.
Measures taken to implement the recommendations since the adoption of the first progress report	No change since the first progress report.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives	

Recommendation 34 (Legal arrangements – beneficial owners)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	Review information available on the beneficial owners of private or foreign trusts.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	<p>A draft amendment concerning the application of AML/CFT obligations on DNFPBs such as lawyers, that often provide trust services has been formulated in the ministry of justice and will be brought soon before the attorney general for consideration.</p> <p>In addition, As mentioned above, the Israeli approach to preventing the unlawful use of legal persons and legal arrangements for ML\FT relies on the investigative and other powers of law enforcement, regulatory, supervisory, and other competent authorities to obtain or get access to information. Such information on beneficial ownership may be available from three sources:</p> <ul style="list-style-type: none"> • Information retained by AML/CFT regulated businesses as part of their compliance obligations. • Information held by public bodies such as the tax authorities. • Information held by private companies or individuals.
Measures taken to implement the recommendations since the adoption of the	The draft bill concerning the application of AML/CFT obligations on DNFBP's was approved on 20 November 2011 by the Ministerial Committee for Legislation and Law Enforcement. Currently, there are two weeks in which one can appeal against the proposed bill, following the approval of the Knesset is needed, as part of the legislation process. The draft bill will apply AML/CFT obligations, inter

first progress report	alia, on trusts.
Recommendation of the MONEYVAL Report	Provide legal requirements on trust service providers to obtain verify and retain records of the trusts they create, including beneficial ownership details.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	As aforesaid, A draft amendment concerning the application of AML/CFT obligations on DNFBPs such as lawyers, who often provide trust services, has been formulated in the ministry of justice and will be brought soon before the attorney general for consideration.
Measures taken to implement the recommendations since the adoption of the first progress report	As aforesaid, the draft bill concerning the application of AML/CFT obligations on DNFBP's that was approved by the Ministerial Committee for Legislation and Law Enforcement on 20 November 2011, will apply AML/CFT obligations, inter alia, on trusts. Consequently, trusts service providers will have to obtain verify and retain records of the trusts they create, including beneficial ownership details.

Special Recommendation III (Freeze and confiscate terrorist assets)

Rating: Partially Compliant

Recommendation of the MONEYVAL Report	Fully implement S/C Res. 1267 (1999) and 1452 (2002)
Measures reported as of 23 September 2009 to implement the Recommendation of the report	As part of the fight against terror financing, and following inter-organizational work lead by the Israeli National Security Council, the Security Cabinet approved on 24 December 2008 declarations of 35 foreign designated terrorist organizations. All the organizations declared are related to Al Qaida and the Taliban. As a result financial institutions in Israel must monitor their clients and transactions and report to the IMPA any suspicious or unusual transactions in this respect. The declarations are a significant step in the international combat against the financing of terrorism in accordance with the international standards as set by the relevant United Nations Security Council resolutions (1373, 1267 etc.) and of the FATF. The declarations have been approved according to the Prohibiting on terrorist financing law, 2005 which allows the designation in Israel of foreign terrorist organizations that were designated as terrorist organizations either by a foreign country or by the UN Security Council. These declarations are additional to existing designations of Middle East terrorist organizations (e.g. Hamas, Hezbollah etc.) previously designated under the Defense Regulations (Emergency), 1945 and under the Prevention of Terrorism Ordinance, 1948. The National Security Council, which is the responsible body, intends to submit during the summer of 2009 approximately 50-55 additional declarations of foreign designated terrorist organizations, based on the 1267 list for Security Cabinet approval.
Measures taken to implement the recommendations	As part of the fight against terror financing, the Security Cabinet approved during 2009 declarations of 50 foreign designated terrorist organizations, based on the 1267 list. On 22 November 2011 the Security Cabinet approved the declarations

<p>since the adoption of the first progress report</p>	<p>of additional 255 foreign designated terrorist activists and of 15 foreign designated terrorist organizations based on the 1267 list. Following the mentioned declarations, most of the terrorist activists and organizations appears on the 1267 list are declared. The declarations have been approved according to the Prohibiting on terrorist financing law, 2005 which allows the designation in Israel of foreign terrorist organizations that were designated as terrorist organizations either by a foreign country or by the UN Security Council. As a result financial institutions in Israel must monitor their clients and transactions and report to the IMPA any suspicious or unusual transactions in this respect. The declarations are a significant step in the international combat against the financing of terrorism in accordance with the international standards as set by the relevant United Nations Security Council resolutions (1373, 1267 etc.) and of the FATF.</p> <p>These declarations are additional to existing designations of Middle East terrorist organizations (e.g. Hamas, Hezbollah etc.) designated under the Defense Regulations (Emergency), 1945 and under the Prevention of Terrorism Ordinance, 1948.</p> <p>During 2009-2011, additional 15 terrorist organizations were declared according to the Defense Regulations (Emergency), 1945.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p>Produce comprehensive and focused guidance to financial institutions as to their obligations under Security Council Resolutions.</p>
<p>Measures reported as of 23 September 2009 to implement the Recommendation of the report</p>	<p>As a result of the aforementioned declarations and according to the AML\CFT orders, financial institutions in Israel must monitor their clients (including checking against the list if they appear on the list of designated terrorist individuals and organizations) and their clients' transactions and report to IMPA any unusual transactions in this respect.</p> <p>In the AML\CFT Regulators Forum meeting, the supervisors were requested to provide guidance to financial institutions as to their obligations under Security Council Regulations.</p> <p>In addition, the measures specified in our reply to recommendation 25 (concerning making case specific feedback more available) have been taken, inter alia, in order to provide financial institutions comprehensive guidance with regard to their obligations under Security Council Resolutions.</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report</p>	<p>According to the AML\CFT orders, financial institutions in Israel must monitor their clients (including checking against the list if they appear on the list of designated terrorist individuals and organizations) and their clients' transactions and report to IMPA any unusual transactions in this respect.</p> <p>In addition, the measures specified in our reply to recommendation 25 (concerning making case specific feedback more available) have been taken, inter alia, in order to provide financial institutions comprehensive guidance with regard to their obligations under Security Council Resolutions.</p>
<p>Recommendation</p>	<p>Review effectiveness after the recent promulgation of the PTFL Regulations.</p>

of the MONEYVAL Report	
Measures reported as of 23 September 2009 to implement the Recommendation of the report	In December 2007, the Knesset Law Committee approved the PTFL regulations enabling the declaration by a ministerial committee of foreign designated terrorists, and legally requiring financial institutions to comply with the foreign designations. The 35 aforementioned declarations have been approved according to the PTFL regulations, have not been challenged and there was no submission of a petition for the cancellation of the declarations.
Measures taken to implement the recommendations since the adoption of the first progress report	No change since the first progress report.

Special Recommendation VI (AML requirements for money/value transfer services)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	Review the compliance of MVT service operators with CDD standards in the light of the issues raised under R.5.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The amended MSBs order includes all CDD measures raised under recommendation 5 (existing thresholds, enhanced due diligence, information on the purpose and intended nature of the business relationship and ongoing due diligence).
Measures taken to implement the recommendations since the adoption of the first progress report	<p>The MSBs draft order includes all CDD measures raised under recommendation 5. The order is fully drafted and is in advanced legislation process.</p> <p>Article 2:</p> <p><i>"(a) Money Service Business shall not perform money service transaction, without identifying a regular service recipient, and without carrying out every six months a procedure of know your customer according to the degree of risk he represents for money laundering and financing terrorism; for this purpose, 'a procedure of know your customer' means ascertaining the source of the money that is supposed to be deposited in the account, his occupation, his public status, the circumstances of opening the account and the planned activity therein and any other detail that is required in order to understand the nature of the transactions of the owner of the account through the stock exchange member; with regard to a foreign resident — also his connection to Israel, and with regard to someone who owns a business — also becoming acquainted with his business, the nature of his customers and suppliers and his financial activity; the Money Service Business shall make records of these details;</i></p> <p><i>(b) Money Service Business shall not perform money service transaction for a Foreign Public Figure 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</i></p>

	<p><i>of the degree of risk of the client for money laundering and financing terrorism; if in the course of the business relations it is found that the client is a Foreign Public Figure, the Money Service Business shall not perform any transaction until approval is received to continue the relations.</i></p> <p><i>(c) Money Service Business shall carry out on going monitoring with reference to the procedure of know your costumer, according to the degree of risk of the client for money laundering and financing terrorism, and shall update his records accordingly; if any doubt arises regarding the identity of the client or the authenticity of the identification documents furnished to the Money Service Business, the Money Service Business shall repeat the process of recognizing the client.</i></p> <p>Article 5: <i>"Money Service Business shall take reasonable measures with respect to the risk of laundering money and financing terrorism to verify the identification details of the service recipient as stated in section (b), using relevant information or data received from a reliable source to his satisfaction."</i></p> <p>Article 7: <i>"Money Service Business shall carry out an ongoing monitoring of the transactions of the service recipient, including the following:</i> <i>(a) ensure that the transactions are consistent with the character of the service recipient in accordance with his acquaintance with him;</i> <i>(b) monitoring the transactions and the connections of the service recipient against the list of countries and territories specified in the second appendix;</i> <i>(c) monitoring the activity of a politically exposed person;"</i></p> <p>Article 13: <i>"Money Service Business shall determine a policy, tools and risk management with regard to the prohibition of money laundering and terror financing, for the application of the obligations according to the order, including with regard to following issues:</i></p> <p style="padding-left: 40px;"><i>(a) Know your costumer procedure;</i> <i>(b) Tracing money laundering and terror financing threats deriving, inter alia, from new technologies, particularly those that enables non face to face transactions;"</i></p>
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives	

Special Recommendation VII (Wire transfer rules)	
Rating: Partially Compliant	
Recommendation of the	Establish enforceable obligations to require “full” originator information to accompany cross-border wire transfers for the Postal Bank and other relevant non-

MONEYVAL Report	banking institutions.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The amended orders include the obligation for financial institutions to require "full" originator information to accompany cross-border wire transfers.
Measures taken to implement the recommendations since the adoption of the first progress report	According to the amended orders, a financial institution shall not performs a wire transfer from Israel to an overseas destination for an amount greater than 5,000 NIS or a wire transfer from overseas to Israel, 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 financial institution shall record the identity number of the person initiating the transfer or the transferee, as applicable. If the wire transfer is carried out through a correspondent account, the financial institution shall ascertain that all the information about the initiator of the transfer is sent to the respondent institution.
Recommendation of the MONEYVAL Report	Amend the Postal Bank Order to bring the lower threshold of 50,000 NIS in line with the requirements of SR.VII.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The amended Postal Bank order includes similar thresholds as in the banking order, as follows: <ul style="list-style-type: none"> • The Postal Bank shall not carry out a transaction which requires a CTR (in the case of wire transfer against designated countries and territories the threshold is 5,000 NIS) and which is not recorded in an account in which the party performing the transaction is recorded as an account holder or authorized signatory, without recording the identification particulars of the party performing the transaction. • The Postal Bank shall not carry out a transaction which does not require a CTR and which is not recorded in an account in which the party performing the transaction is recorded as an account holder, authorized signatory, without identifying the party performing the transaction and recording his identification particulars. For this subsection, "transaction" means a transaction in cash involving 10,000 NIS or more, or another transaction involving 75,000 NIS or more.
Measures taken to implement the recommendations since the adoption of the first progress report	On 21 November 2010 the Postal Order was approved in the Knesset. The order includes the following obligations with lower thresholds: <ul style="list-style-type: none"> • The Postal Bank shall not carry out a transaction which requires a CTR (in the case of wire transfer against designated countries and territories the threshold is 5,000 NIS) and which is not recorded in an account in which the party performing the transaction is recorded as an account holder or authorized signatory, without recording the identification particulars of the party performing the transaction. • The Postal Bank shall not carry out a transaction which does not require a CTR and which is not recorded in an account in which the party performing

	<p>the transaction is recorded as an account holder, authorized signatory, without identifying the party performing the transaction and recording his identification particulars. For this subsection, "transaction" means a transaction in cash involving 10,000 NIS or more, or another transaction involving 75,000 NIS or more.</p> <ul style="list-style-type: none"> The Postal Bank shall require in electronic transfer from overseas to Israel and vice versa (for an amount greater than 5,000 NIS), the details of the recipient of the service initiating the transfer and also the details of the transferee: <i>"(j) The Postal Bank 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;</i> <i>(k) In transactions involving electronic transfer from overseas to Israel for an amount greater than 5,000 new shekels, the Postal Bank shall record the details as specified in sub-section (j), as far as they are known to him.</i> <i>(l) In transactions as specified in sub-sections (j) and (k) carried out through a correspondent account, the Postal Bank shall ascertain that all the information about the initiator of the transfer is sent to the respondent institution."</i>
<p>Recommendation of the MONEYVAL Report</p>	<p>Establish enforceable requirements for each intermediary and beneficiary financial institution in the payment chain to ensure that all originator information that accompanies a wire transfer is transmitted with the transfer.</p>
<p>Measures reported as of 23 September 2009 to implement the Recommendation of the report</p>	<p>The amended orders include the obligation for financial institutions to ensure that all originator information that accompanies a wire transfer is transmitted with the transfer through the payment chain.</p>
<p>Measures taken to implement the recommendations since the adoption of the first progress report</p>	<p>According to the orders, if the wire transfer is carried out through a correspondent account, the financial institution must ascertain that all the information about the initiator of the transfer is sent to the respondent institution: <i>"(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> <i>(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.</i> <i>(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."</i></p>

Recommendation of the MONEYVAL Report	Establish an enforceable requirement to adopt effective risk-based procedures for identifying and handling wire transfers that are not accompanied by complete originator information.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The amended orders (except the Postal bank order) include the obligation for financial institutions to determine policy and procedures for higher risk situations. This provision is phrased broadly enough so financial institutions could determine the procedures for a wide range of higher risk situation, including procedures for handling wire transfers that are not accompanied by complete originator information.
Measures taken to implement the recommendations since the adoption of the first progress report	<p>In accordance to the AML/CFT orders (including the Postal bank order), a financial institution shall not perform a cross-border wire transfer that is not accompanied by complete originator information.</p> <p>Furthermore, the AML/CFT orders for portfolio managers, stock exchange members and the postal bank, which are operative, include the obligation to determine policy and procedures for higher risk situations. As aforesaid, the obligation is phrased broadly enough so financial institutions could determine the procedures for a wide range of higher risk situations.</p> <p>The draft orders for insurance companies, provident funds and currency service providers also include the similar obligation. As mentioned, the orders are fully drafted and are in final legislation process.</p>
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives	

2.5. Specific Questions

Answers from the first progress report

Please explain the current legislative position regarding IMPA's access to additional information for the purposes of its analyses from non-reporting entities? Does such access require judicial approval?

IMPA has access to various data bases which include financial, administrative and law enforcement information. Such access does not require judicial approval.

Israeli Population Registrar's database	ID No., Passport No., identity verification, Family tree, Entrance and departure from Israel
Pledge Registration Office	mortgages and the existence of assets
Association's Registration Office	Associations information including - registration No., registration date, goals, financial data
Israeli transportation Registrar's database	Information regarding ownership of valuable cars, yachts and private airplanes (will be available soon).
Land registry bureau	Information regarding ownership of real estate (will be available soon).
Reporting institutions Registration database	Registration details (including license number, address, phones, employees of MSB's etc.)
CTR's database	CTR's on involved entities
UARs database	UARs on involved entities
Information requests database (Israeli Police and , Israeli security Authority)	Information regarding several thousand entities included in police and Israel security Authority requests (including information from the Criminal Registry)
Customs reports database	Reports to customs according the PMLL
Israel Court's Management	pending legal proceeding in Israel on involved entities
Israeli Companies Registrar's database	companies and the entities involved in it (shareowners, directors, etc.), companies information
Haaretz daily newspaper - archive	General information on involved entities
Globes business and technology news - archive	General information on involved entities
Maariv daily newspaper - archive	General information on involved entities
The marker - Israeli financial news - archive	General information on involved entities
Takdin	Israeli verdicts on involved entities/ specific subjects, detecting Israeli legislation
Bank of Israel	limited accounts and limited customers under aggravating circumstances
Taxes and more (Missim)	Israeli verdicts regarding taxes, detecting Israeli legislation regarding taxes

Nevo	Israeli verdicts on involved entities/ specific subjects, detecting Israeli legislation
Israel Postal Company	land registration extracts and the existence of real estate
Lexis	Legal and financial information on involved entities (information from different countries, courts, newspapers, companies directories, etc.)
Maya (stock exchange)	General information on public companies
Internet Web	General information on involved entities
* Criminal registry	IMPA has indirect access to law enforcement information. Information requests submitted to IMPA from the police and from the Security Authority include information from their databases (including information from the Criminal Registry). IMPA formed a database that includes information regarding thousands entities included in police and Israel security Authority requests. Furthermore, according to the proposed amendment of the PMLL, IMPA will be authorized to receive additional information from the Criminal Registry, such as cases when there was a stay of proceedings.
* Communication data	As agreed between IMPA and the Ministry of justice, the Communication data law will be amended so IMPA will be authorized to have access to the communication data.

Have there been any changes, whether legislative or otherwise, since the evaluation to IMPA's ability to obtain additional information for the purpose of its analyses from the police, the tax authorities, and administrative information from Social Security?

IMPA's ability to obtain additional information from other authorities improved due to several projects in which IMPA and the tax authority cooperate and exchange information within the restrictions of the law, in regard to suspicious designated entities.

In respect of tax information, it should be mentioned that the supplement of a tax fraud offence (according to section 220 to the Income tax order) as a predicate offence is being considered. The meaning of such supplement will be enabling the direct exchange of information between IMPA and the tax authority.

Furthermore, in accordance with Israeli government policy guidelines for AML enforcement (Government decision no. 4618, dated 01.01.2006), IMPA has a permanent membership in the Intelligence Fusion Center, together with members from the IP and the Tax Authority. All the members in the Intelligence Fusion Center have direct access to their databases, and they acting to cross-reference information for the purpose of exposing multi-domain criminality and enabling inter-agency enforcement initiatives.

In addition, IMPA's personnel accompanying the six multi-agency task forces that were established in accordance with the above mentioned government decision. Each one of the task forces assigned a specified criminal organization or phenomenon, and comprised of elements from the Israel Police, the Tax Authority, and the State Prosecutor's Office.

Concerning administrative information from Social Security - IMPA submitted an application requesting information from the Social Security, and is currently waiting for a reply.

Has consideration been given since the evaluation to giving IMPA power to provisionally freeze reported suspicious transactions?

Following Moneyval's evaluation, consideration has been given to giving IMPA power to provisionally freeze reported suspicious transactions, but it was rejected since it is not compatible to the fundamental principles of the Israeli regime.

Have there been changes to the cross-border transportation control regime explicitly to include all bearer negotiable instruments (para 309 of the report) and have any steps been considered to correct the thresholds for declarations under the Immigration Rules (para 310 of the report)?

The Ministry of justice decided to amend the definition of "monies" in section 9 of the PMLL concerning cross-border reporting obligation, in order to include all bearer negotiable instruments specified in the methodology.

The Ministry of justice is considering correcting the thresholds for declarations under the immigration rules.

Please provide (if possible) a summary of administrative sanctions taken by the regulatory authorities specifically for AML/CFT infringements since the evaluation.

Ministry of Finance – Money Service Businesses

Year	No. of Sanction Committees	Sanctions (NIS)
2007	8	220,000
2008	11	610,000
2009 Updated to date 08/2009	7	1,500,000*

* These are the sanctions imposed in 3 sanctions committees. The decisions in other 4 sanction committees are still pending.

Customs

Year	No. of Sanction Committees	Sanctions (NIS)
2007	48	851,000
2008	41	1,752,000
2009 Updated to date 06/2009	14	949,000

Bank of Israel

Year	No. of Sanction Committees	Sanctions (NIS)
2007	3	5,925,000
2008	1	3,700,000
2009	2*	

* Sanction Committees planned to take place during 2009.

Israel Securities Authority

Year	No. of Sanction Committees	Sanctions (NIS)
2007	11	94,000
2008	0	-
2009 Updated to date 06/2009	2	Cases are still pending

What further steps have been taken since the evaluation to review the adequacy of the Law on Non-Profit Organisations in the context of SR.VIII?

During the last year, the NPO's registrar ('Amutot' registrar) has taken the following measures to increase the scope of information available on NPOs and their transparency:

Following the amendment to the Law of NPOs that came into force in June 2007, the NPO's registrar acted to implement the requirements of the law, including the requirement to submit a verbal report which will include comprehensive information regarding the NPO's activities, including the use the NPO made with donations and the NPO's future planned activity.

The Ministry of justice signed on March 2009 an agreement for the establishment of an on-line data-base on NPOs. This information will enable the public and governmental authorities to receive in simple and lenient manner extensive information on NPOs. The data-base is also planned to include additional information from ministries regarding NPOs, and will enable governmental authorities to cross-reference different types of information. The data-base is planned to go on-line during 2010.

In addition, IMPA initiated a seminar that took place on 6 September 2009 concerning the AML\CFT risks of NPO's.

Additional questions since the first progress report

1. Which, if any, of the FATF designated categories of offence, required to be covered as predicate offences to ML, do not carry a power to confiscate the direct and indirect proceeds (of these predicate offences)? Please indicate if possible for each designated category of offence where the power to confiscate can be found.

All predicate offences under the PMLL carry the power to confiscate direct and indirect proceeds of the offence.

The confiscation provisions can be found in the following enactments (the confiscation for each offence may be done through more than one confiscation provision):

1. Prohibition of Money Laundering Law, 5760-2000:

Section 21, 22 – forfeiture of property connected to money laundering offences.

2. Combating Criminal Organizations Law, 5763-2003:

Sections 5, 6, 7, 8 - forfeiture of property of criminal organizations and of person who is heading a criminal organization.

3. Prohibition on Terrorist Financing Law, (2005):

Sections 12, 13, 14, 15 - forfeiture of property connected to terror financing offences.

4. Dangerous Drugs Ordinance [New Version] (1973):

Sections 35, 36, 36a, 36b – forfeiture of property connected to dangerous drugs offences.

5. The Penal Law 5737-1977:

- Section 129 – forfeiture of instruments connected to offences relating state security.
- Sections 234-235 – forfeiture of instruments of gambling offences.
- Section 297 – forfeiture of property connected to bribery offences.
- Section 377D – forfeiture of property connected to offences against the liberty of a person.
- Sections 469, 483 – forfeiture of property connected to offences of forgery of money and coins.

6. The Customs Ordinance:

- Section 39(b) – confiscation of goods imported by mail.
- Section 203 – confiscation of sea craft.
- Section 204 – confiscation of goods.

7. The Import and Export Ordinance [New Version], 5739-1979:

Section 9 relates to confiscation of goods or transportation instruments connected to the above mentioned law.

8. The Confiscation of profits gained from publications concerning offences, 2005:

Section 2 relates to confiscation of the profits gained from publications concerning offences.

9. Prevention of Terrorism Ordinance (1948):

Section 5 – forfeiture of any property of a terrorist organization.

10. Defence Regulations (State of Emergency) (1945):

Confiscation of property of an "unlawful association and any property of any person which there is cause to believe that commits or attempts to commit an offence according to the Regulations.

11. Criminal Procedure Ordinance (Search and Seizure) [New version] (1969):

Under section 32 of Criminal Procedure Ordinance, the police may seize an item there is a reason to believe that the item was used or is about to be used for the commission of an

<p>offence, that it is likely to serve as evidence in a legal proceeding, or that it was given as payment for the commission of an offence or as means of committing it.</p>																
<p>2. Has the exemption regarding an attorney, rabbinical pleader or accountant as a beneficiary of an account been removed?</p>																
<p>The BOI has considered the removal of the above mentioned exemption, but as for now, the exemption has not been removed.</p>																
<p>3. The examiners considered the legislative architecture for CDD created a complex legal structure. They advised reconsideration of the legislative approach to CDD, which requires different Orders to be amended every time there is a need to bring other financial activities within the scope of CDD measures. Has there been any reconsideration of this?</p>																
<p>Currently, the legislative architecture for CDD still requires different orders for every financial sector, with the exemption of the order of insurers companies and insurance agents and the order of provident funds and companies managing a provident fund, that were unified to a single order.</p>																
<p>4. Is investment related insurance activity covered by CDD and STR reporting requirements?</p>																
<p>According to Israeli legislation⁸, insurance businesses are subject to a license from the Commissioner of Insurance and the Capital Market. This license specifies the insurance branches that are permissible to engage with, and investment related insurance is not included in this license according to the legislation. Consequently, investment related insurance is an activity that is not permissible in Israel.</p>																
<p>5. Are lawyers, accountants and notaries now covered by the AML Law? If not, what is the timescale? If they are covered, please provide a table of STRs received for these and other DNFB.</p>																
<p>A draft bill concerning the application of AML/CFT obligations on DNFBP's was approved on 20 November 2011 by the Ministerial Committee for Legislation and Law Enforcement. Currently, there are two weeks in which one can appeal against the proposed bill, following the approval of the Knesset is needed, as part of the legislation process. As the last step before approving the bill, the draft bill will be formally introduced to the Constitution, Law and Justice Committee of the Knesset for review and examination.</p>																
<p>6. Please indicate how many investigations, prosecutions and convictions there have been since the evaluation for third party/autonomous ML?</p>																
<p>Herein are statistics concerning third party ML:</p>																
<table border="1"> <thead> <tr> <th></th> <th>Investigations</th> <th>Prosecutions</th> <th>Convictions</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>32</td> <td>12</td> <td>8</td> </tr> <tr> <td>2010</td> <td>22</td> <td>27</td> <td>9</td> </tr> <tr> <td>2011</td> <td>21</td> <td>14</td> <td>5</td> </tr> </tbody> </table>		Investigations	Prosecutions	Convictions	2009	32	12	8	2010	22	27	9	2011	21	14	5
	Investigations	Prosecutions	Convictions													
2009	32	12	8													
2010	22	27	9													
2011	21	14	5													

2.6. *Questions related to the Third Directive (2005/60/EC) and the Implementation Directive (2006/70/EC)*⁹

Implementation / Application of the provisions in the Third Directive and the Implementation Directive	
Please indicate whether the Third Directive and the Implementation Directive have been fully implemented / or are fully applied and since when.	There is high level of compliance with the third Directive and the Implementation Directive. However, there are some provisions in the Directives that are in legislation process (for example, DNFBPs) and others that are still being examined and considered for application in AML/CFT legislation (for example, simplified customer due diligence, enhanced customer due diligence).
Please indicate whether the Third Directive and the Implementation Directive have been fully implemented / or are fully applied and since when.	No change since the first progress report.

Beneficial Owner	
Please indicate whether your legal definition of beneficial owner corresponds to the definition of beneficial owner in the 3 rd Directive ¹⁰ (please also provide the legal text with your reply)	<p>Section 7 of the PMLL prescribes what are the matters that will be dealt by orders that will be issued by the Governor of the Bank of Israel (concerning banking corporations) or by a minister (regarding a corpus of the corpuses of the third schedule that is within his responsibility).</p> <p>In accordance with this section, the details which can be determined in an order refer to the recipient of a service, as defined in section 7 of PMLL.</p> <p>It has been stated in the PMLL that the term “recipient of a service” includes the beneficiary of the transaction as well as the former of a trusteeship or of a consecration.</p> <p>The definition of "beneficiary" in section 7 to the PMLL is as follows: <i>" "beneficiary" – a person for whom or for whose benefit the property is held or the transaction in the property was carried out, or who has the ability to guide a transaction in property, all of this directly or indirectly;"</i></p> <p>In the case the account is opened by a corporation or the transaction is carried out by a corporation, the beneficiary may include the one who has control of the corporation. The term “control” for this matter, has been defined in section 7 of the PMLL by way of a referral to the Securities Law, meaning, the following definition: <i>"Control" – the ability to direct the activity of the corporation, excluding the ability which derives only from serving as a director or as another position of the corporation, and it is assumed that a man is a holder of controlling interest of the corporation if he holds half or more of a certain type of control means of the corporation".</i></p> <p>It should be mentioned, that the draft bill for the Prohibition of Money Laundering Law (Amendment No. 7), proposed to erase the term “a former of a trusteeship or of a consecration” in section 7 of the PMLL, and instead of those terms, to prescribe a</p>

new term – “founder” that will be defined as follows -

“founder” means a creator of a trust or creator of an endowment, within their meaning in the Trust Law, 5729 - 1979, and also a person who has the power to decide, in respect of an account not owned by him, who will be the account owner, the beneficiary or person who is the holder of signature rights, or has the power to replace, in respect of the said account, and to add or delete thereto, the owner of the account, the beneficiary, or the person holding signature rights; for this purpose

–

“account owner” means a person who is registered in the banking corporation as the account owner;

“holder of signature rights” means a person whom the account owner empowered to act in his account.

Furthermore, it is proposed in the draft bill a broader definition for the term "control" as follows –

“control” means the ability to orient the activity of a corporate body, either alone or with others or through them, whether directly or indirectly, including ability resulting from the corporate body’s by-laws, pursuant to a contract made in writing, verbally, or in another manner, or ability resulting from any other source, except for ability resulting only from performing the duties of an office holder in a corporate body; without derogating from the generality of the aforesaid, a person shall be deemed to have control in a corporate body if one of the following exist:

- (1) the person holds the largest amount of the means of control of some kind, or holds at least ten percent of some kind of means of control, and no other person holds means of control of the same kind in an amount greater than his holdings;*
- (2) the person holds at least twenty percent of some kind of means of control;*
- (3) the person is able to prevent a business transaction in the corporate body, except for decisions that deal with issuance of the means of control in the corporate body or decisions that relate to the sale or liquidation of most of the corporate body’s business or to a substantial change in it;*
- (4) in respect of a corporate body that is not a company, without derogating from the generality of the provisions of this subparagraph – the person serves as an office holder in the corporate body, and for the purpose of a corporate body as aforesaid that is a non-profit society – the person is an office holder or committee member thereof, and in each of the above instances is authorized to act in the name of the corporate body;”*

“means of control” means each of the following:

- (1) the right to appoint persons entitled to sign in the name of the corporate body;*
- (2) the right to vote in the General Meeting of the company, or a comparable body of another corporate body;*
- (3) the right to appoint directors of the corporate body or its managing director;*
- (4) the right to share in the corporate body’s profits;*
- (5) the right to share in the assets of the corporate body following payment of its debts at the time of its dissolution;*

“possession”, for the purposes of control means directly or indirectly, whether

	<i>alone or with others, or through another person, including a trustee or agent, trust company, registration company, including a right to possess as aforesaid and an option to possess that does not result from convertible securities, or in any other way; possession by a company also includes possession by its subsidiary company or a company affiliated with it by implication, and possession by an individual person includes also possession by a person who is his relative or a dependent of his; for this purpose, "relative" has the same definition as in the Companies Law; "possession with others" means possession of the means of control jointly by two or more persons pursuant to agreement, whether written or verbal;</i>
Please indicate whether your legal definition of beneficial owner corresponds to the definition of beneficial owner in the 3 rd Directive ¹¹ (please also provide the legal text with your reply)	During the past year, the proposed bill for the Prohibition of Money Laundering Law (Amendment No. 7, published on 11 July 2007), including the definition of beneficial owner mentioned above in the first progress report, was thoroughly discussed at the Constitution, Law and Justice Committee of the Knesset, in order to prepare it to go through second and third readings, as part of the formal legislation process.

Risk-Based Approach	
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Please indicate the extent to which financial institutions have been permitted to use a risk-based approach to discharging certain of their AML/CFT obligations.	Financial institutions have not been permitted yet to use risk-based approach to discharge certain AML/CFT obligations. The BOI is considering the application of risk-based approach in certain cases.
Please indicate the extent to which financial institutions have been permitted to use a risk-based approach to discharging certain of their AML/CFT obligations.	Financial institutions have not been permitted yet to use risk-based approach to discharge certain AML/CFT obligations.

Politically Exposed Persons	
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Please indicate whether criteria for identifying PEPs in accordance with the provisions in the Third Directive	The amended orders include a definition of PEP. For example, The definition in the amended Postal bank order: <i>"Foreign residents that are senior public functionaries, including their family members, business associates or a corporation under their control"</i> The term "control" is defined by way of a referral to section 7(a)(1)(b) to the PMLL. The term "public functionaries" in the amended Postal bank order includes:
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<p>and the Implementation Directive¹² are provided for in your domestic legislation (please also provide the legal text with your reply).</p>	<p><i>"Head of state, president of the state, mayor, judge, a member of the states parliament, a member in the government and a senior military or police officer, or any other aforesaid functionaries even if named differently."</i></p> <p>The term "family member" is defined in the amended Postal bank order as: <i>"Spouse, sibling, parent, grandparents, offspring and offspring of the spouse, and the spouse of the aforementioned."</i></p> <p><u>As for the banking corporations, article 21 in Directive 411 relates to PEPs.</u></p>
<p>Please indicate whether criteria for identifying PEPs in accordance with the provisions in the Third Directive and the Implementation Directive¹³ are provided for in your domestic legislation (please also provide the legal text with your reply).</p>	<p>The definition of PEP is in accordance with the provisions in the Third Directive and the Implementation Directive. For example, the definition in the Stock Exchange Members Order:</p> <p><i>"Foreign Public Figure" – 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.</i></p>

"Tipping off"	
<p>Please indicate whether the prohibition is limited to the transaction report or also covers ongoing ML or TF investigations.</p>	<p>Section 31A of the PMLL provides for a confidentiality obligation. It states that a person who receives information pursuant to the PMLL, in the course of fulfilling his duties or in the course of his work, shall keep it confidential, shall not disclose it to another and shall not make any use of it except in accordance with the provisions of the law or in accordance with a court order.</p> <p>The tipping off issue is regulated broadly in the orders that apply to the financial sector. Section 12 in the banking order states:</p> <p><i>"Disclosure of the formulation, existence, nonexistence or contents of a report pursuant to section 9, and of the existence of a complementary report pursuant to section 31(c) of the Law, the existence of a request for the said report or the contents on one of these, and allowing the inspection of documents attesting to a report as aforesaid is prohibited, except to someone duly authorized to be privy to such information for purposes of fulfilling his function in the banking corporation, the supervisor or someone he authorized, the competent authority or pursuant to a court order."</i></p> <p>The amended orders for non-banking financial institutions include similar tipping off provision as in the banking order.</p>
<p>With respect to the prohibition of "tipping off" please indicate whether there are circumstances</p>	<p>The confidentiality obligation under section 31A of the PMLL, aforementioned, may be lifted only in accordance with the provisions of the PMLL or in accordance with a court order.</p> <p>Section 12 of the banking order, as quoted above, states the circumstances in which disclosure is permitted.</p>

<p>where the prohibition is lifted and, if so, the details of such circumstances.</p>	
<p>Please indicate whether the prohibition is limited to the transaction report or also covers ongoing ML or TF investigations.</p>	<p>As mentioned above, section 31A of the PMLL provides for a confidentiality obligation, so a person who receives information pursuant to the PMLL, in the course of fulfilling his duties or in the course of his work, must keep it confidential, shall not disclose it to another and shall not make any use of it except in accordance with the provisions of the law or in accordance with a court order.</p> <p>In addition, the orders that apply to the financial sector include the tipping off provision mentioned above.</p> <p>Furthermore, section 25 of the PMLL provides that a report received at IMPA will not be regarded as investigation material and shall not be admissible as evidence in any legal proceedings.</p>
<p>With respect to the prohibition of "tipping off" please indicate whether there are circumstances where the prohibition is lifted and, if so, the details of such circumstances.</p>	<p>Besides the above mentioned in the first progress report, according to section 25 of the PMLL, a report received at IMPA shall not be regarded as investigation material and shall not be admissible as evidence in any legal proceedings, except:</p> <p>(1) in legal proceedings under the PMLL for breach of the obligation to report under this section or for false or deceptive reporting under this Law;</p> <p>(2) as intelligence material presented only for the inspection by the judge during the course of the application for a judicial order.</p>

“Corporate liability”	
<p>Please indicate whether corporate liability can be applied where an infringement is committed for the benefit of that legal person by a person who occupies a leading position within that legal person.</p>	<p>Israeli law allows criminal liability of legal persons.</p> <p>Section 1 of Commentary Order defines "person" – including corporation or association or association of individuals, whether they are incorporated or not.</p> <p>According to Section 23 of the Penal Law, 1977, legal entities may be prosecuted when the offences are committed by a person who according to his position in the legal entity may be seen as acting on behalf or through the legal entity. As a matter of fact legal entities were prosecuted in Israel.</p> <p>Section 23 of the Penal Law: <i>"23. (a) a body corporate shall bear criminal liability-</i> <i>(1) Under section 22 (enhanced liability), if the offence was committed by a person in the course of performance of his function in the body corporate;</i> <i>(2) for an offence that requires criminal intent or negligence to be proven, if- under the circumstances of the case and in the light of the position, authority and</i></p>

	<p><i>responsibility of the person in the management of the affairs of the body corporate- the act by which he committed the offence, his criminal intent or his negligence are to be deemed the act, the criminal intent or the negligence of the body corporate.</i></p> <p><i>(b) If the offence consists of an omission, the obligation to perform being directly that of the body corporate, then it shall be immaterial whether the offence can or cannot be related also to a certain officer of the body corporate."</i></p>
Can corporate liability be applied where the infringement is committed for the benefit of that legal person as a result of lack of supervision or control by persons who occupy a leading position within that legal person.	Pursuant to section 23 of the Penal Law (cited above), corporate liability can be applied where the infringement is committed for the benefit of that legal person as a result of lack of supervision or control by persons who occupy a leading position within that legal person.
Please indicate whether corporate liability can be applied where an infringement is committed for the benefit of that legal person by a person who occupies a leading position within that legal person.	Israeli law allows criminal liability of legal persons, as specified in the first progress report.
Can corporate liability be applied where the infringement is committed for the benefit of that legal person as a result of lack of supervision or control by persons who occupy a leading position within that legal person.	Corporate liability can be applied where the infringement is committed for the benefit of that legal person as a result of lack of supervision or control by persons who occupy a leading position within that legal person, as specified in the first progress report.

DNFBPs	
Please specify whether the obligations apply to all natural and legal	The draft bill for the Prohibition of Money Laundering Law (Amendment No. 7), intends to make the prohibition on money laundering regime applicable to the precious stones traders sector, according to international standards.

<p>persons trading in all goods where payments are made in cash in an amount of € 15 000 or over.</p>	<p>The draft bill proposes to impose obligations of identification, registration and reporting on the sector of traders of precious stones, regarding the performance of transactions of precious stones in exchange of money (defined as “cash, bank checks and travelers’ checks”) and that is as part of the work battle against money laundering, by recognition of the fact that these obligations were intended to prevent the performance of money laundering by means of purchasing precious stones.</p> <p>The definition of “trader of precious stones” in the draft bill is –a person who deals with the transferring or receiving of the ownership of precious stones through an occupation, even if it is not his only occupation, providing that during a calendar year he has performed transactions of precious stones on the amount that exceeds 50,000 NIS (approximately 10,000 €) in money (as defined above).</p>
<p>Please specify whether the obligations apply to all natural and legal persons trading in all goods where payments are made in cash in an amount of € 15 000 or over.</p>	<p>During the past year, the above mentioned proposed bill for the Prohibition of Money Laundering Law (Amendment No. 7, published on 11 July 2007) was thoroughly discussed at the Constitution, Law and Justice Committee of the Knesset, in order to prepare it to go through second and third readings, as part of the formal legislation process. As mentioned, the bill will apply the PMLL on a person who deals with the transferring or receiving of the ownership of precious stones through an occupation, even if it is not his only occupation, providing that during a calendar year he has performed transactions of precious stones on the amount that exceeds 50,000 NIS (approximately 10,000 €) in money (defined as “cash, bank checks and travelers’ checks”).</p>

2.7. Statistics

Money laundering and financing of terrorism cases

Statistics provided in the first progress report

2007												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized ¹⁴		Proceeds confiscated ¹⁵	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	31	106	16	52	11	21	-	-	10	5,018,382	3	862,684
FT	3	4	2	7	-	-	1	5,515	1	71,875	-	-

2008												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized ¹⁶		Proceeds confiscated ¹⁷	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	48	126	8	35	10	22	-	-	9	9,528,533 ¹⁸	4	1,582,655 ¹⁹
FT	2	16	1	2	2	6	3	156,433	-	-	2	163,787 ²⁰

2009												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized ²¹		Proceeds confiscated ²²	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	29	65	8	19	5	13	-	-	6	1,546,930*	3	555,147 ²³
FT	1	1	2	2	1	1	-	-	-	-	1	1,838 ²⁴

* The amount that was reported in the first progress report was incorrect due to a mistake of an exchange calculation; the correct amount seized was 6,940,000 EUR.

Please complete, to the fullest extent possible, the following tables since the adoption of the first progress report

2009												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	36	84	18	58	8	17	-	-	7	13,155,665	5	998,476 ²⁵
FT	4	5	7	8	3	4	-	-	3	298,152	1	1,838 ²⁶

2010												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	70	156	21	82	13	27	-	-	24	23,408,833	9	7,054,248 ²⁷
FT	2	6	5	8	1	5	-	-	2	156,050 ²⁸	-	-

2011*												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	66	104	15	54	7	13	-	-	23	26,798,019	10	2,164,157
FT	1	2	3	4	2	2	-	-	2	30,032	1	10,276

* Data updated 1/8/2011.

STR/CTR

Statistics provided in the first progress report

2007															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold (1)	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/prosecutors		indictments				convictions			
		ML	FT	ML	FT	ML	FT	ML		FT		ML		FT	
		cases	persons	cases	persons	cases	persons	cases	persons	cases	persons	cases	persons	cases	persons
commercial banks	675,086	12,678	5												
Credit cards company	0	12													
insurance companies	6,445	774													
Members of the stock exchange	3,494	22													
portfolio managers	39,361	10													
Postal Bank	2,069	318													
Provident funds	3,304	6													
money service businesses	119,278	20													
Trust company	437	77													
Total	849,474	13,917	5	459	47	205	29	8	27	-	-	5	13	-	-

2008															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold (1)	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/prosecutors		indictments				Convictions			
		ML	FT	ML	FT	ML	FT	ML		FT		ML		FT	
								cases	persons	cases	persons	cases	persons	cases	persons
commercial banks	934,791	19,338	6												
Credit cards company	5,512	653													
insurance companies	3,180	1,092													
Members of the stock exchange	2,629	32													
portfolio managers	38,933	11													
Postal Bank	3464	317													
Provident funds	886	36													
money service businesses	129,566	19													
Trust company	417	93													
Total	1,115,914	21,591	6	369	112	152	38	4	14	1	1	5	14	1	1

2009															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold (1)*	reports about suspicious Transactions*		cases opened by FIU **		notifications to law enforcement/prosecutors**		indictments				Convictions			
		ML	FT	ML	FT	ML	FT	ML		FT		ML		FT	
								cases	persons	cases	persons	cases	persons	cases	persons
commercial banks	440,760	13,217	4												
Credit card company	7,020	273													
insurance companies	1,834	587													
Members of the stock exchange	1,243	111													
Portfolio managers	22,692	14													
Postal Bank	1,560	224													
Provident funds	167	29													
money service businesses	56,725	21													
Trust company	136	26													
Total	532,137	14,502	4	219	28	131	22	2	2	-	-	4	9	-	-

* Data updated 29 July, 2009 **Data updated 20 Aug, 2009

Please complete, to the fullest extent possible, the following tables since the adoption of the first progress report

2009																	
Statistical Information on reports received by the FIU								Judicial proceedings									
Monitoring entities, e.g.	reports about transactions above threshold	reports about UAR transactions		cases opened by FIU ²⁹		notifications to law enforcement/prosecutors		indictments				convictions					
		ML	FT	ML	FT	ML	FT	ML		FT		ML		FT			
								cases	persons	cases	persons	cases	persons	cases	persons		
Banks	955,611	25,475	31														
Credit cards companies	7,020 ³⁰	489	14														
Insurance companies & Agents	4,863	1,481	-														
Members of the Stock Exchange	2,509	284	-														
Portfolio Managers	42,944	75	-														
Postal bank	4,237	624	-														
Provident funds	780	44	-														
Providers of Currency Services	161,524	49	-														
Trust Companies	319	63	-														
Total	1,172,787	28,584	45	509	32	263	28	10	21	2	3	4	10	1	2		
2010																	
Statistical Information on reports received by the FIU								Judicial proceedings									
Monitoring entities, e.g.	reports about transactions above threshold	reports about UAR transactions		cases opened by FIU		notifications to law enforcement/prosecutors		indictments				convictions					
		ML	FT	ML	FT	ML	FT	ML		FT		ML		FT			
								cases	persons	cases	persons	cases	persons	cases	persons		
Banks	953,329	27,283	26														
Credit cards companies	N.A. ³¹	694	4														
Insurance companies & Agents	7,722	1,884	-														
Members of the Stock Exchange	4,417	812	-														
Portfolio Managers	53,342	170	-														
Postal bank	4,396	958	4														
Provident funds	1,250	54	-														
Providers of Currency Services	158,425	76	-														

Trust Companies	639	76	-													
Total	1,183,540	32,007	34	606	40	203	16	14	27	2	2	5	8	1	1	

2011															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold*	reports about UAR Transactions*		cases opened by FIU**		notifications to law enforcement/prosecutors**		indictments				convictions			
		ML	FT	ML	FT	ML	FT	ML		FT		ML		FT	
		cases	persons	cases	persons	cases	persons	cases	persons	cases	persons	cases	persons	cases	persons
Banks	747,790	23,142	87												
Credit cards companies	1,313	861	6												
Insurance companies & Agents	5,766	1,801	-												
Members of the Stock Exchange	4,214	768	1												
Portfolio Managers ³²	47,064	215	1												
Postal bank ³³	2,209	846	15												
Provident funds	867	48	1												
Providers of Currency Services	113,020	41	-												
Trust Companies	340	89	-												
Total	922,583	27,811	111	403	46	215	9	8	12	0	0	4	4	0	0

* Updated to 12/10/2011.

** Updated to 30/9/2011.

AML/CFT Sanctions imposed by supervisory authorities

Please complete a table (as beneath) for administrative sanctions imposed for AML/CFT infringements in respect of each type of supervised entity in the financial sector (eg, one table for banks, one for insurance, etc). If possible, please also indicate the types of AML/CFT infringements for which sanctions were imposed in text beneath the tables in your reply.

If similar information is available in respect of supervised DNFBP, could you please provide an additional table (or tables) covering administrative sanctions on DNFBP, also with information as to the types of AML/CFT infringements for which sanctions were imposed in text beneath the tables in your reply.

Please adapt the tables, as necessary, also to indicate any criminal sanctions imposed on the initiative of supervisory authorities and for what types of infringement.

Administrative Sanctions: Stock Exchange Members and Portfolio Managers

	2004 for comparison	2005 for comparison	2006	2007	2008	2009	2010	2011 ³⁴
Number of AML/CFT violations identified by the supervisor	12	3	4	11	0	2	1	1
Type of measure/sanction*								
Written warnings	2							
Fines	10	3	4	11		2	1	1
Removal of manager/compliance officer								
Withdrawal of license								
Other**								
Total amount of fines (Euro)	58,000	32,000	9,600	18,800		125,000	52,800	30,000
Number of sanctions taken to the court (where applicable)	0	0	0	0	0	0	0	0
Number of final court orders								
Average time for finalising a court order								

* Please amend the types of sanction as necessary to cover sanctions available within your jurisdiction

** Please specify

Administrative Sanctions: Money service businesses

	2004 for comparison	2005 for comparison	2006	2007	2008	2009	2010	2011 ³⁵
Number of AML/CFT violations identified by the supervisor	17	6	4	8	11	7	12	11
Type of measure/sanction*								
Written warnings		2	2					
Fines	17	4	2	8	11	7	12	11
Removal of manager/compliance officer								
Withdrawal of license						2		1
Other**								
Total amount of fines (Euro)	241,600	103,000	22,000	44,000	122,000	327,200	74,600	321,200 ³⁶
Number of sanctions taken to the court (where applicable)			5	1	1	1	3	1
Number of final court orders			2	2	2	1	2	1
Average time for finalising a court order								

* Please amend the types of sanction as necessary to cover sanctions available within your jurisdiction

** Please specify

Administrative Sanctions: Custom

	2004 for compariso n	2005 for compariso n	2006	2007	2008	2009	2010	2011 ³⁷
Number of AML/CFT violations identified by the supervisor	59	56	53	48	41	36	43	25
Type of measure/sanction*								
Written warnings								
Fines	58	56	52	48	41	36	43	25
Removal of manager/compliance officer								
Withdrawal of license								
Other**-indictment	1		1					
Total amount of fines (Euro)	274,364	185,892	592,150	170,200	350,400	285,900	211,600	140,800
Number of sanctions taken to the court (where applicable)	9	8	4			3	4	5
Number of final court orders	9	8	4			3	4	5
Average time for finalising a court order (Months)						8.66	4.75	3.2

* Please amend the types of sanction as necessary to cover sanctions available within your jurisdiction

** Please specify

Administrative Sanctions: Bank of Israel

	2004 for comparison	2005 for comparison	2006	2007	2008	2009	2010	2011 ³⁸
Number of AML/CFT violations identified by the supervisor	13	3	0	3	1	2	3	6
Type of measure/sanction*								
Written warnings	8	1						
Fines	5	1		3	1		3	
Removal of manager/compliance officer								
Withdrawal of license								
Other**								
Total amount of fines (Euro)	530,000	170,000		1,185,000	740,000		1,545,000	
Number of sanctions taken to the court (where applicable)	0	0	0	0	0	0	0	0
Number of final court orders								
Average time for finalising a court order								

* Please amend the types of sanction as necessary to cover sanctions available within your jurisdiction

** Please specify

Administrative Sanctions Insurance and Provident Funds

	2004 for comparison	2005 for comparison	2006	2007	2008	2009	2010	2011 ³⁹
Number of AML/CFT violations identified by the supervisor	2	3	0	0	0	0	1	0
Type of measure/sanction*								
Written warnings	2							
Fines		3					1	
Removal of manager/compliance officer								
Withdrawal of license								
Other**								
Total amount of fines (Euro)		36,000					Decision not published yet	
Number of sanctions taken to the court (where applicable)	0	0	0	0	0	0	0	0
Number of final court orders								
Average time for finalising a court order								

* Please amend the types of sanction as necessary to cover sanctions available within your jurisdiction

** Please specify

3. Appendices

3.1. APPENDIX I - Recommended Action Plan to Improve the AML / CFT System

AML/CFT System	Recommended Action (listed in order of priority)
1. General	No text required
2. Legal System and Related Institutional Measures	
2.1 Criminalization of Money Laundering (R.1 & 2)	<ul style="list-style-type: none"> Amend list of predicate offences to include piracy and environmental crimes and remove threshold approach in section 4. Review the need for the disapplication of the concept of “willful blindness” within Section 4 PMLL and its impact on effectiveness.
2.2 Criminalization of Terrorist Financing (SR.I)	
2.3 Confiscation, freezing and seizing of proceeds of crime (R.3)	<ul style="list-style-type: none"> Amend legislation on confiscation and provisional measures to include full range of relevant predicate offences. Improve effectiveness in respect of confiscation for the full range of predicate offences.
2.4 Freezing of funds used for terrorist financing (SR.III)	<ul style="list-style-type: none"> Fully implement S/C Res. 1267 (1999) and 1452 (2002) Produce comprehensive and focused guidance to financial institutions as to their obligations under Security Council Resolutions. Review effectiveness after the recent promulgation of the PTFL Regulations.
2.5 The Financial Intelligence Unit and its functions (R.26)	<ul style="list-style-type: none"> Grant direct access for IMPA to relevant law enforcement and administrative information to enhance its efficiency as an analytical unit Improve timeliness of reports to and from IMPA..
2.6 Law enforcement, prosecution and other competent authorities (R.27 & 28)	<ul style="list-style-type: none"> More fully exploit FIU intelligence and acted upon as appropriate to enhance effectiveness.
2.7 Cross Border Declaration & Disclosure	<ul style="list-style-type: none"> Include all bearer negotiable instruments in cross-border declarations. Lower the threshold declaration regime under the immigrant rules.
3. Preventive Measures – Financial Institutions	
3.1 Risk of money laundering or terrorist financing	

<p>3.2 Customer due diligence, including enhanced or reduced measures (R.5 to 8)</p>	<ul style="list-style-type: none"> • Ensure requirements on numbered accounts are covered by law or regulation. • Amend legislation to include investment related insurance activities for CDD purposes. • Provide obligation for the Postal Bank to take CDD measures below the applicable thresholds. • Amend Orders to bring the threshold concerning Insurers and Insurance Agents for identification in line with the Methodology. • Amend Orders to specify the lower limit of USD 1,000 for CDD measures in occasional wire transfers. • Require by law or regulation financial institutions to pursue due diligence where it has doubts regarding the veracity or adequacy of previously obtained customer identification data. • Amend the Insurer and Insurance Agent Order and Provident Fund Order to bring the thresholds in line with the FATF limits for verification. • Require by law or regulation the obligatory verification of beneficial owners or holders of controlling interests. • Fully reflect in practice both identification and verification in higher risk situations. • Provide explicit obligation for financial obligations to obtain information on the purpose and intended nature of the business relationship. • Provide in law or regulation the requirements to ensure ongoing due diligence for financial institutions other than banking corporations. For banking corporations this is now covered in 'other enforceable means'. It should be covered in law or regulation. • Remove the exemption regarding registering an attorney, rabbinical pleader or account as a beneficiary of an account, as set out in the Banking Order. • Ensure that Recommendation 5 is effectively implemented by the Postal Bank, Insurance sector, Provident Funds and Money Service Businesses. • Extend by law, regulation or other enforceable means the definition of a PEP beyond banking corporations • Amend PEPs requirements to include family members and close associates of PEPs. • Provide by law or regulation or other enforceable means full senior management approval for establishing business relationships with PEPs for banking corporations. • Ensure senior management approval for continuation of business where a customer is subsequently found to be a PEP or becomes a PEP. • Ensure new correspondent relationships are approved by senior management. • Ensure criteria 7.4 and 7.5 are required by law, regulation
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	<p>or other enforceable means.</p> <ul style="list-style-type: none"> • Ensure effective implementation internal policies of banking corporations to prevent the misuse of technological developments in ML/CFT schemes. • Ensure adequate enforceable measures which cover FATF Recommendations and apply for the non-banking sector.
3.3 Third parties and introduced business (R.9)	-
3.4 Financial institution secrecy or confidentiality (R.4)	-
3.5 Record keeping and wire transfer rules (R.10 & SR.VII)	<ul style="list-style-type: none"> • Remove thresholds for retention of documentation. • Establish requirements to retain all documents recording the details of all transactions carried out by the client in the course of an established business relationship. • Provide a general requirement also to retain documentation longer than 5 years where requested by a competent authority. • Ensure those parts of R.10 which are asterisked in the Methodology are covered in respect of the Postal Bank in law or regulation. • Establish enforceable obligations to require “full” originator information to accompany cross-border wire transfers for the Postal Bank and other relevant non-banking institutions. • Amend the Postal Bank Order to bring the lower threshold of NIS 50,000 in line with the requirements of SR.VII. • Establish enforceable requirements for each intermediary and beneficiary financial institution in the payment chain to ensure that all originator information that accompanies a wire transfer is transmitted with the transfer. • Establish an enforceable requirement to adopt effective risk-based procedures for identifying and handling wire transfers that are not accompanied by complete originator information.
3.6 Monitoring of transactions and relationships (R.11 & 21)	<ul style="list-style-type: none"> • Establish enforceable requirements for all financial institutions (portfolio managers, stock exchange members, insurance companies, provident funds, money service businesses and the Post Bank) to conduct ongoing due diligence in respect of all complex, unusual large transactions or patterns of transactions that have no apparent or visible economic or lawful purpose. • Amend all Orders to include examination in writing of the purpose and intent of complex, unusual large transactions explicitly. • Amend all Orders to require the findings of the examinations to be kept available for competent authorities for at least five years. • Extend the requirement in Criteria 21.1 to beyond banking corporations.

	<ul style="list-style-type: none"> • Provide clear requirements to examine as far as possible the background and purpose of transactions with countries (which do not, or insufficiently, apply the FATF Recommendations or where there are AML/CFT weaknesses) which have no economic or visible lawful purpose, and provide specific requirements for financial institutions to set forth their findings in writing and to keep the findings available to assist competent authorities. • Ensure that appropriate counter-measures can be taken where a country continues not to apply or insufficiently applies FATF Recommendations.
<p>3.7 Suspicious transaction reports and other reporting (R.13-14, 19, 25 & SR.IV)</p>	<ul style="list-style-type: none"> • Israel needs to remove the thresholds in some of the orders. • Review level of reporting from non financial institutions and undertake outreach as necessary. • Review the overall effectiveness in relation to the timeliness of the reporting system generally. • Ensure all related information (in financial institutions other than banking corporations) is covered by the tipping off provisions. • Delete s.10 (b) PTFL to avoid any confusion as to the mandatory nature of STR reporting on FT to the FIU, as provided for in s.48 PTFL. • Ensure attempted FT transactions are explicitly covered. • Ensure thresholds from the Orders covering SRIV reporting.
<p>3.8 Internal controls, compliance, audit and foreign branches (R.15 & 22)</p>	<ul style="list-style-type: none"> • Provide generally enforceable requirements to: <ul style="list-style-type: none"> – establish and maintain internal procedures, policies and controls to prevent money laundering and to communicate them to employees in non-banking sector; – designate compliance officers at management level in the non-banking financial sector; – ensure compliance officers have timely access to information; – maintain an adequately resourced and independent audit function to test compliance with AML/CFT procedures, policies and controls in the non-banking financial sector; – establish ongoing employee training outside banking corporations; – put in place screening procedures; – ensure high standards when hiring employees. • Israel needs to provide a general enforceable obligation for all financial institutions to ensure their foreign branches and subsidiaries observe AML/CFT measures consistent with home requirements and the FATF Recommendations to the extent that host country laws and regulations permits

	<ul style="list-style-type: none"> • Provide enforceable obligations requiring financial institutions to pay particular attention in respect of their foreign branches and subsidiaries based in countries that do not or insufficiently apply FATF Recommendations; • Provide for enforceable obligations to ensure that where minimum AML/CFT requirements of the home and host countries differ, branches and subsidiaries in host countries should be required to apply the higher standard to the extent that local (i.e. host country) laws and regulations permit; • Provide a general enforceable obligation to inform the home country supervisor when a foreign branch or subsidiary is unable to observe appropriate AML/CFT measures.
3.9 Shell banks (R.18)	<ul style="list-style-type: none"> • Although the examiners were advised that shell banks are not part of Israeli practice, Israel should consider a more explicit prohibition on the establishment or the continued operation of shell banks. • Provide a specific enforceable obligation to require financial institutions to satisfy themselves that respondent financial institutions in a foreign country do not permit their accounts to be used by shell banks.
3.10 The supervisory and oversight system - competent authorities and SROs. Role, functions, duties and powers (including sanctions) (R.23, 29, 17 & 25)	<ul style="list-style-type: none"> • Israel should reconsider reliance upon outsourcing of supervision of AML/CFT in the Ministry of Finance and Ministry of Communication should be reconsidered. • Introduce a mechanism for ensuring that an appropriate and sufficient level of supervision is consistently implemented across the whole financial sector. • Ensure effective supervision in MSBs and the Postal Bank. • Provide sufficient guidelines to the financial sector regarding CFT issues. • Comprehensive guidance must also be given on PMLL issues to the Postal Bank, the insurance and provident funds sector and the money service businesses. • Ensure guidance is coordinated across the financial sector. • More case specific feedback must be available. • Publish guidelines for DNFBP.
3.11 Money value transfer services (SR.VI)	<ul style="list-style-type: none"> • Review the compliance of MVT service operators with CDD standards in the light of the issues raised under R.5.
4. Preventive Measures – Non-Financial Businesses and Professions	
4.1 Customer due diligence and record-keeping (R.12)	<ul style="list-style-type: none"> • Implement CDD obligation for real estate agents, dealers in precious metals and stones, trust and company service providers, lawyers, notaries, other independent legal professionals and accountants.

4.2 Suspicious transaction reporting (R.16)	<ul style="list-style-type: none"> • Provide for reporting obligations upon real estate agents, dealers in precious metals, trust and company service providers, lawyers, notaries, other independent legal professionals and accountants. (Recommendation 13). • Extend the associated requirements in Recommendations 14, 15 and 21 to DNFBP.
4.3 Regulation, supervision and monitoring (R.24-25)	<ul style="list-style-type: none"> • Ensure that DNFBP are subject to effective systems for monitoring and ensuring compliance with AML/CFT obligations. • Provide sufficient guidelines to the financial sector regarding CFT issues • Also provide comprehensive guidance on PMLL issues to the Postal Bank, the insurance and provident funds sector and the money service businesses. • Coordinate this guidance across the financial sector • Make more case specific feedback available. • Publish guidelines for DNFBP
4.4 Other non-financial businesses and professions (R.20)	<ul style="list-style-type: none"> • Israel should consider extending coverage of DNFBP beyond those defined by FATF.
5. Legal Persons and Arrangements & Non-Profit Organisations	
5.1 Legal Persons – Access to beneficial ownership and control information (R.33)	<ul style="list-style-type: none"> • Review commercial, corporate and other laws with a view to taking measures to provide adequate transparency with respect to beneficial ownership. • Assess the number of companies on bearer shares and take specific measures to ensure that legal persons which are able to issue bearer shares are not misused for money laundering.
5.2 Legal Arrangements – Access to beneficial ownership and control information (R.34)	<ul style="list-style-type: none"> • Review information available on the beneficial owners of private or foreign trusts. • Provide legal requirements on trust service providers to obtain, verify and retain records of the trusts they create, including beneficial ownership details.
5.3 Non-profit organisations (SR.VIII)	<ul style="list-style-type: none"> • Perform formal review into the adequacy of the law on Non-Profit Organisations overall had been formally reviewed. • Conduct an outreach programme to raise awareness. • Israel must ensure that detailed domestic and international transaction records are kept. • Review threshold for identification of significant donors. • Clarify gateways for international information sharing.
6. National and International Co-operation	
6.1 National co-operation and coordination (R.31)	-
6.2 The Conventions and UN Special Resolutions (R.35 & SR.I)	<ul style="list-style-type: none"> • Israel needs to make the implementation of some of the preventive standards in UN International Convention for the Suppression of the Financing of Terrorism more

	<p>effective.</p> <ul style="list-style-type: none"> • Implement preventive obligations on other professions involved in financial transactions as required by the UN International Convention for the Suppression of the Financing of Terrorism. • Ensure full formal compliance with Security Council Resolution 1267 (1999). • Address effectiveness concerns given recent promulgation of the PTFL Regulations.
6.3 Mutual Legal Assistance (R.36-38 & SR.V)	<ul style="list-style-type: none"> • Amend law to extend the range of offences contained in Schedule 2 of the 1998 Law. • Review existing law and practices which may act as a barrier to international co-operation in confiscation matters.
6.4 Extradition (R.39, 37 & SR.V)	-
6.5 Other Forms of Co-operation (R.40 & SR.V)	<ul style="list-style-type: none"> • Review restrictions to FIU access to law enforcement information.
7. Other Issues	
7.1 Resources and statistics (R. 30 & 32)	<ul style="list-style-type: none"> • Increase numbers of supervisory staff in both the Ministries of Finance and Communication as well as improve training provided. • Review for consistency of the presentation of IMPA and Police statistics. • Make available fully comprehensive statistics on judicial mutual legal assistance as well as complete statistics on administrative international co-operation.
7.2 Other relevant AML/CFT measures or issues	
7.3 General framework – structural issues	

3.2. *APPENDIX II – Relevant EU texts*

Excerpt from Directive 2005/60/EC of the European Parliament and of the Council, formally adopted 20 September 2005, on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing

Article 3 (6) of EU AML/CFT Directive 2005/60/EC (3rd Directive):

(6) "beneficial owner" means the natural person(s) who ultimately owns or controls the customer and/or the natural person on whose behalf a transaction or activity is being conducted. The beneficial owner shall at least include:

(a) in the case of corporate entities:

- (i) the natural person(s) who ultimately owns or controls a legal entity through direct or indirect ownership or control over a sufficient percentage of the shares or voting rights in that legal entity, including through bearer share holdings, other than a company listed on a regulated market that is subject to disclosure requirements consistent with Community legislation or subject to equivalent international standards; a percentage of 25 % plus one share shall be deemed sufficient to meet this criterion;
- (ii) the natural person(s) who otherwise exercises control over the management of a legal entity;

(b) in the case of legal entities, such as foundations, and legal arrangements, such as trusts, which administer and distribute funds:

- (i) where the future beneficiaries have already been determined, the natural person(s) who is the beneficiary of 25 % or more of the property of a legal arrangement or entity;
- (ii) where the individuals that benefit from the legal arrangement or entity have yet to be determined, the class of persons in whose main interest the legal arrangement or entity is set up or operates;
- (iii) the natural person(s) who exercises control over 25 % or more of the property of a legal arrangement or entity;

Article 3 (8) of the EU AML/CFT Directive 2005/60EC (3rd Directive):

(8) "politically exposed persons" means natural persons who are or have been entrusted with prominent public functions and immediate family members, or persons known to be close associates, of such persons;

Excerpt from Commission directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of 'politically exposed person' and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis.

Article 2 of Commission Directive 2006/70/EC (Implementation Directive):

Article 2

Politically exposed persons

1. For the purposes of Article 3(8) of Directive 2005/60/EC, "natural persons who are or have been entrusted with prominent public functions" shall include the following:

- (a) heads of State, heads of government, ministers and deputy or assistant ministers;
- (b) members of parliaments;
- (c) members of supreme courts, of constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal, except in exceptional circumstances;
- (d) members of courts of auditors or of the boards of central banks;
- (e) ambassadors, chargés d'affaires and high-ranking officers in the armed forces;
- (f) members of the administrative, management or supervisory bodies of State-owned enterprises.

None of the categories set out in points (a) to (f) of the first subparagraph shall be understood as covering middle ranking or more junior officials.

The categories set out in points (a) to (e) of the first subparagraph shall, where applicable, include positions at Community and international level.

2. For the purposes of Article 3(8) of Directive 2005/60/EC, "immediate family members" shall include the following:

- (a) the spouse;
- (b) any partner considered by national law as equivalent to the spouse;
- (c) the children and their spouses or partners;
- (d) the parents.

3. For the purposes of Article 3(8) of Directive 2005/60/EC, "persons known to be close associates" shall include the following:

- (a) any natural person who is known to have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations, with a person referred to in paragraph 1;
- (b) any natural person who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit de facto of the person referred to in paragraph 1.

4. Without prejudice to the application, on a risk-sensitive basis, of enhanced customer due diligence measures, where a person has ceased to be entrusted with a prominent public function within the meaning of paragraph 1 of this Article for a period of at least one year, institutions and persons referred to in Article 2(1) of Directive 2005/60/EC shall not be obliged to consider such a person as politically exposed.

3.3. *APPENDIX III – List of acronyms used*

AF	Asset Forfeiture
AML	Law Anti-Money Laundering Law
AML/CFT	Anti Money Laundering and Countering the Financing of Terrorism
BOI	Bank of Israel
CCOL	Combating Criminal Organisations Law, 5763-2003
CDD	Customer Due Diligence
CETS	Council of Europe Treaty Series
CFT	Combating the financing of terrorism
CID	Criminal Investigations Division
CPO	Criminal Procedure Ordinance (Search and Seizure) [New version] (1969)
CTR	Cash Transaction Reports
DDO	Dangerous Drugs Ordinance [New Version] (1973)
DNFBP	Designated Non-Financial Businesses and Professions
EAE (team)	Economic Assault Enforcement team
ESW	Egmont Secure Web
ETS	European Treaty Series [since 1 January 2004: CETS = Council of Europe Treaty Series]
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
ILAL	International Legal Assistance Law (1998)
IMPA	Israel Money laundering and Terror Financing Prohibition Authority
IN	Interpretative Note
IP	Israel Police
ISA	Israel Securities Authority
IT	Information Technology
KNESSET	Israeli Parliament
LEA	Law Enforcement Agency
ML	Money Laundering
MLA	Mutual Legal Assistance
MOF	Ministry of Finance
MOJ	Ministry of Justice
MOU	Memorandum of Understanding

MLPD	Money Laundering Prevention Directorate
MSB	Money services business
NCCT	Non-cooperative countries and territories
NIS	New Israeli Shekel
PEPs	Politically Exposed Persons
PMLL	Prohibition of Money Laundering Law
PTFL	Prohibition on Terrorist Financing Law
SRO	Self-Regulatory Organisation
STRs	Suspicious transaction reports
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TF	Terrorist Financing
UAR	Unusual Activity Report